

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 17, 2024**

**NEW ISSUE**

**S&P Global Ratings♦: “A”**

*In the opinion of Dickinson Wright PLLC, Bond Counsel, subject to compliance with certain covenants, under existing law, (1) the interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, to the extent described herein, (2) interest on the Bonds is not an item of tax preference in calculating the federal alternative minimum tax imposed on individuals, (3) interest on the Bonds is included in “adjusted financial statement income” of certain corporations that are subject to the corporate alternative minimum tax under Section 55 of the Code, and (4) the Bonds and the interest thereon are exempt from any and all taxation by the State of Michigan or by any taxing authority within the State, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof to the extent described herein. The Bonds have been designated as “qualified tax-exempt obligations” for purposes of deduction of interest expense by financial institutions under the Internal Revenue Code of 1986, as amended.*

**\$7,685,000<sup>†</sup>**

**City of Port Huron**

**County of St. Clair, State of Michigan**

**Sewage Disposal System Revenue Bonds, Series 2024**

**SALE DATE: October 24, 2024, 11:00 A.M. Eastern Time**

**AUTHORIZATION, PURPOSE AND SECURITY:** The Sewage Disposal System Revenue Bonds, Series 2024 (the “Bonds”) are being issued pursuant to Act 94 of the Michigan Public Acts of 1933, as amended (“Act 94”), and Resolution No. 24-108, adopted by the City Council of the City of Port Huron (the “Resolution”). The Bonds are being issued for the purpose of paying all or part of the cost (i) to design, purchase, acquire, construct and install certain improvements to the City’s Sewage Disposal System (the “System”), and (ii) paying expenses relating to the issuance of the Bonds. The Bonds are payable solely from the net revenues of the System and any additions or supplements thereto, including earnings on investments as described in the Resolutions and in Section 3 of Act 94 (the “Net Revenues”). A statutory first lien on the Net Revenues as security for the Bonds has been established by the Resolutions. The Bonds are first lien bond and said lien is a first lien which shall be of equal standing and priority with any additional first lien bonds that may be issued pursuant to the Resolution and which shall be and remain superior to the lien on the net revenues of the System securing any junior lien bonds that may be issued pursuant to the Resolution. The Bonds are self-liquidating revenue bonds and do not constitute a general obligation of the City. The City has covenanted and agreed to fix and maintain at all times while any of the Bonds and the Outstanding Bonds shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the necessary expenses of operation, maintenance and administration of the System, to produce Net Revenues equal to not less than one hundred ten percent (110%) of the annual principal and interest on the Bonds and the Outstanding Bonds when due, to maintain a Bond Reserve Account therefor, and to provide for such other expenditures and funds for the System as are required by the Resolutions. See “THE BONDS-Authorization and Security” herein.

**BOOK-ENTRY ONLY SYSTEM:** The Bonds are issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds (the “Beneficial Owners”) will not receive certificates representing their beneficial interest in the Bonds purchased. So long as Cede & Co. is the Bondholder, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See “THE BONDS-Book-Entry Only System” herein.

**PAYMENT OF BONDS:** Interest on the Bonds will be payable semi-annually on the first day of May and November of each year commencing May 1, 2025. The Bonds will be issued fully registered as to principal and interest in the denomination of \$5,000 or any integral multiple thereof not exceeding the principal amount of each maturity. The principal and interest shall be payable at the principal corporate trust office of The Huntington National Bank, Grand Rapids, Michigan (the “Paying Agent”) or other designated office of the Paying Agent, or such other Paying Agent as the City may hereafter designate. So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants and Indirect Participants, as more fully described herein. Interest shall be paid when due by check or draft mailed to the registered owner as shown on the registration books as of the fifteenth day of the month preceding the payment date for each interest payment.

**Dated: Date of Delivery (November 14, 2024 anticipated)      Principal Due: November 1 of each year as shown on inside cover**

**NOT QUALIFIED TAX-EXEMPT OBLIGATIONS**

**LEGAL OPINION:** Dickinson Wright PLLC

Municipal Advisor:



This cover page contains certain information for quick reference only. It is not a summary of this issue of Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

<sup>†</sup>Preliminary, subject to change.

♦ See “Bond Rating” herein.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. As of this date, this Preliminary Official Statement has been deemed “final” by the City for the purposes of SEC Rule 15c2-12(b)(1) except for the omission of certain information by SEC Rule 15c2-12(b)(1).

**\$7,685,000<sup>†</sup>**  
**City of Port Huron**  
**County of St. Clair, State of Michigan**  
**Sewage Disposal System Revenue Bonds, Series 2024**

**MATURITIES, INTEREST RATES AND YIELDS**

Principal Due: November 1 of each year

Base CUSIP<sup>◇</sup>: \_\_\_\_\_

<b>Maturity</b> <b>November 1,</b>	<b>CUSIP</b> <b>Number<sup>◇</sup></b>	<b>Amount</b> <b>†</b>	<b>Coupon</b> <b>Rate %</b>	<b>Yield %</b>	<b>Maturity</b> <b>November 1,</b>	<b>CUSIP</b> <b>Number<sup>◇</sup></b>	<b>Amount</b> <b>†</b>	<b>Coupon</b> <b>Rate %</b>	<b>Yield %</b>
2025		\$205,000			2038	*	\$305,000		
2026		210,000			2039	*	315,000		
2027		215,000			2040	*	325,000		
2028		220,000			2041	*	335,000		
2029		225,000			2042	*	350,000		
2030		235,000			2043	*	365,000		
2031		240,000			2044	*	380,000		
2032		250,000			2045	*	395,000		
2033		255,000			2046	*	410,000		
2034		265,000			2047	*	425,000		
2035	*	275,000			2048	*	445,000		
2036	*	285,000			2049	*	460,000		
2037	*	295,000							

**\*PRIOR REDEMPTION:** Bonds maturing in the years 2035 through 2049 are subject to optional redemption as described under the heading “THE BONDS – Optional Redemption Prior to Maturity” herein.

**INFORMATION FOR BIDDERS ON DETAILS OF SALE**

**DATE BIDS DUE: October 24, 2024**

**TIME BIDS DUE: 11:00 a.m., Eastern Time**

**LOCATIONS OF SUBMISSION OF BIDS:** Bids ONLY accepted electronically via PARITY and by email to the Municipal Advisory Council of Michigan at: [munibids@macmi.com](mailto:munibids@macmi.com)

**BOND DETAILS:**

**Principal Amount:** \$7,685,000<sup>†</sup>

**Dated:** Date of Delivery (November 14, 2024, anticipated)

**Interest Payment Dates:** May 1 and November 1, commencing May 1, 2025

**Rating:** S&P Global: “A”

**Maximum Interest Rate:** 6%

**Maximum Interest Rate Spread:** N/A

**Good Faith Deposit:** \$153,700

**Maximum Discount:** \$0

**Denominations:** \$5,000 or a multiple of \$5,000

**The Official Notice of Sale shall control if there is a conflict between this Official Statement and Official Notice of Sale.**

**RESTRICTIONS:** The Bonds shall bear interest at a rate or rates not exceeding 6% per annum, to be fixed by the bids therefor, expressed in multiples of 1/8 or 1/100 of 1%, or both. Bonds maturing after 2034 shall bear interest at a minimum coupon rate of 4.00%. The interest on any one Bond shall be at one rate only and all Bonds maturing in any one year must carry the same interest rate. No bid for the purchase of less than all of the Bonds or at a price that is less than 100% of their par value will be considered.

<sup>†</sup>Preliminary, subject to change: See “Adjustment in Principal Amount” herein and in Appendix G, “Form of Official Notice of Sale.”

<sup>◇</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriter, or their agents or counsel assume responsibility for the accuracy of such numbers. CUSIP® numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, redemption or defeasance in whole or in part of the Bonds.

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

Certain information contained in this Official Statement has been obtained by the City, from DTC and other sources that are deemed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the City or the Municipal Advisor. Nothing contained in this Official Statement is or shall be relied on as a promise or representation by the City or the Municipal Advisor. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information in it is correct as of any time subsequent to its date.

No dealer, broker, salesman, or other person has been authorized by the City or by the Municipal Advisor, to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

MFCI, LLC, in its role as Municipal Advisor, assisted the City in preparing the Official Statement. The Municipal Advisor obtained information from the City and other sources that it believed was reliable but cannot guarantee the accuracy or completeness of the information in this Official Statement.

The Huntington National Bank, Grand Rapids, Michigan, (the "Bond Registrar/Paying Agent") by acceptance of its duties as Transfer Agent, has not reviewed this Official Statement and has made no representations as to the information contained herein.

The Underwriter of the Bonds is providing the following sentence for inclusion in the Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any other sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City.

In connection with the offering of the Bonds, the Underwriter may overallocate or effect transactions that stabilize or maintain the market price of the Bonds at a level above the level that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time without notice. The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

The Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act. The registration or qualification of the Bonds in accordance with the applicable provisions of securities laws of the states in which the Bonds have been registered or qualified and the exemption from registration or qualification in other state cannot be regarded as a recommendation thereof.

In making an investment decision, investors must rely on their own examination of the City's financial records and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

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**CITY OF PORT HURON OFFICIALS**

**City Council**

<u>Mayor</u> Pauline Repp		<u>Mayor Pro-Tem</u> Sherry Archibald
Anita Ashford	Conrad Haremza	Teri Lamb
Bob Mosurak		Jeff Pemberton

**City Administration**

<u>City Manager</u> James Freed	<u>Finance Director</u> Lee V. Ward
<u>City Clerk</u> Cyndee M. Jonseck	<u>City Treasurer</u> Terry Caryl

**City of Port Huron  
100 McMorran Blvd.  
Port Huron, Michigan 48060  
Phone: (810) 984-9740  
www.porthuron.org**

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**PROFESSIONAL SERVICES**

<b>Auditor:</b>	Plante Moran, PLLC, Clinton Township, Michigan
<b>Bond Counsel:</b>	Dickinson Wright PLLC, Grand Rapids, Michigan
<b>Bond Registrar/Paying Agent:</b>	The Huntington National Bank, Grand Rapids, Michigan

**OFFICIAL STATEMENT**  
of the  
**City of Port Huron**  
**County of St. Clair, State of Michigan**  
**Relating to its**  
**\$7,685,000<sup>†</sup>**  
**Sewage Disposal System Revenue Bonds, Series 2024**

**INTRODUCTION**

This Official Statement, including the cover page hereof and the appendices hereto, is provided by the City of Port Huron (the “City”) for the purpose of setting forth information to all who may become registered owners of the City’s \$7,685,000<sup>†</sup> Sewage Disposal System Revenue Bonds, Series 2024 (the “Bonds”).

**THE FINANCING**

**Purpose of the Bonds**

Proceeds from the sale of the Bonds will be used for the purpose of paying all or part of the costs (i) to design, purchase, acquire, construct and install certain improvements to the City’s Sewage Disposal System (the “System”), including without limitation, the design, acquisition, construction and installation of a new raw sewage pump, new collection and conveyance equipment in the primary clarifier and secondary clarifier tanks, lighting improvements in the primary, secondary, and thickener buildings, a new splitter box, piping and electrical improvements in the thickener building, replacement of the secondary building roof, replacement of the make-up air units in the grit bay, grit channel room, primary building, and thickener building, repairs to the existing screw pumps, installation of access points to the screw pump room and solids handling transfer pump galley, cleanout of the retention basin and piping repairs, an odor control system evaluation, existing odor control and air handling system repairs, and a new odor control system, at the wastewater treatment plant (WWTP) and rehabilitation of the 10<sup>th</sup> Street, Holland Avenue, Indian Creek, and Thomas Street sanitary pump stations, as well as all work, equipment, and appurtenances necessary or incidental to these improvements and such other System improvements as the City shall determine to make, and (ii) to pay expenses relating to the issuance of the Bonds.

**Estimated Sources and Uses of Funds**

<u>Estimated Sources of Funds</u>	
Par Value of the Bonds .....	\$ -
Total .....	\$ -
<u>Estimated Uses of Funds</u>	
Deposit to Project Construction Fund .....	\$ -
Deposit to Debt Service Reserve Fund .....	-
Costs of Issuance (1) .....	-
Underwriter’s Discount .....	-
Total .....	-
	\$ -

<sup>†</sup>Preliminary, subject to change.

(1) Includes legal, municipal advisor, printing, rating, publication, and other miscellaneous costs of issuance and rounding amount.

Source: City of Port Huron

## **THE BONDS**

### **Authorization and Security**

The Bonds are being issued pursuant to Act 94 of the Michigan Public Acts of 1933, as amended (“Act 94”), and Resolution No. 24-108, of the City (the “Resolution”). The Bonds are payable solely from the net revenues of the System and any additions or supplements thereto, including earnings on investments as described in the Resolution and in Section 3 of Act 94 (the “Net Revenues”). A statutory first lien on the Net Revenues as security for the Bonds has been established by the Resolutions. The Bonds are first lien bond and said lien is a first lien which shall be of equal standing and priority with an additional first lien bonds that may be issued pursuant to the Resolution and which shall be and remain superior to the lien on the net revenues of the system securing any junior lien bonds that may be issued pursuant to the Resolution.

The Bonds are self-liquidating revenue bonds and do not constitute a general obligation of the City. The City has covenanted and agreed to fix and maintain at all times while any of the Bonds shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the necessary expenses of operation, maintenance and administration of the System, to produce Net Revenues equal to not less than one hundred ten percent (110%) of the annual principal and interest on the Bonds when due, to maintain a Bond Reserve Account therefor, and to provide for such other expenditures and funds for the System as are required by the Resolution.

For an estimate of the projected cash flow of the System, see “Historical and Projected Operating Cash Flow and Debt Service Coverage” herein. For a complete description of the funds and accounts and flow of funds, reference is made to the Resolution attached hereto.

The registered holder or holders of the Bonds representing in the aggregate not less than twenty percent (20%) of the entire principal amount thereof then outstanding, may, by suit, action, mandamus or other proceedings, protect and enforce the statutory lien upon the Net Revenues of the System, and may, by suit, action, mandamus or other proceedings, enforce and compel performance of all duties of the officers of the City, including the fixing of sufficient rates, the collection of revenues, the proper segregation of the revenues of the System and the proper application thereof. The statutory lien upon the Net Revenues, however, shall not be construed as to compel the sale of the System or any part thereof.

The rights or remedies of bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors’ rights generally now existing or hereafter enacted and by the application of general principles of equity including those relating to equitable subordination.

### **Additional Bonds**

The City has reserved the right in accordance with the provisions of Act 94 to issue additional First Lien Bonds of equal standing and priority with any outstanding First Lien Bonds and superior to Junior Lien Bonds that may be issued for subsequent repairs, extensions, enlargements and improvements to the System and too refund all or a portion of Bonds and paying the costs of issuing the Additional First Lien Bonds, but only if the average actual or Adjusted Net Revenues of the System for any consecutive twelve month period out of the 30 months preceding the adoption of the resolution authorizing the issuance of such Bonds shall be equal to at least one hundred ten percent (110%) of the average annual principal and interest thereafter maturing in any operating year on the then outstanding First Lien Bonds, and the Additional First Lien Bonds then being issued. Additional First Lien Bonds may be issued without meeting any of the conditions and tests set forth for issuance of Additional First Lien Bonds to pay: (i) the cost of acquisition and construction of any repairs, replacements, improvements, major renewals, or corrections of any damage or loss to the System necessary, in the opinion of the City’s engineers, to keep the System in good operating condition or to prevent a loss of Revenues therefrom to the extent that the cost thereof cannot reasonably be paid from the Repair Replacement and Improvement Fund (as defined in the Resolution) or from insurance proceeds, or (ii) the cost of decommissioning, disposal or termination of any part of the System. Additional Junior Lien Bonds of equal standing and priority with outstanding Junior Lien Bonds may be issued in the discretion of the City. Additional Junior Lien Bonds may be issued in the discretion of the City. If the Additional Bonds are to be issued in whole or in part for refunding outstanding bonds, the annual principal and interest requirement shall be determined by deducting from the aforesaid principal and interest requirements any bonds to be refunded with the proceeds of the Additional Bonds.

For a complete description for the terms upon which Additional Bonds may be issued, reference is made to the Resolution attached hereto as Appendix D.

### **Bond Reserve Account**

Upon the issuance of the Bonds, the bond reserve account established with respect to the Bonds and any Additional First Lien Bonds hereafter issued (the "Bond Reserve Account") and shall be funded from funds on hand of the System, if necessary, so that the Bond Reserve Account is equal to the lesser of (1) the maximum annual debt service due on the Bonds (2) 125% of the average annual debt service requirements on the Bonds or (3) 10% of the principal amount of the Bonds. Except as provided in the Resolution, the monies credited to the Bond Reserve Account shall be used solely for the payment of the principal of, redemption premiums (if any) and interest on the Bonds as to which there would otherwise be a default. If at any time it shall be necessary to use monies credited to the Bond Reserve Account for such payment, then the monies so used shall be replaced from the Net Revenues first received thereafter which are not required for current principal and interest requirements. If Additional Bonds from time to time are issued, each ordinance authorizing the Additional Bonds shall provide for additional deposits to the Bond Reserve Account in an amount that will result in the Bond Reserve Account being equal to the lesser of (1), (2) or (3) above after issuance of the Additional Bonds. The requirements of the Bond Reserve Account may be satisfied by a surety bond, an insurance policy, or similar credit facility.

For a complete description of the funds and accounts and flow of funds, reference is made to the Resolution attached hereto as Appendix D.

### **Adjustment in Principal Amount**

The aggregate principal amount of the Bonds has been determined as the amount necessary to fund the City's project costs and cost of issuance, assuming certain conditions and events exist on the date of sale. Following receipt of bids and prior to final award, the City reserves the right to increase or decrease the aggregate principal amount of the Bonds. The increase or decrease, if necessary, will be made in increments of \$5,000 and may be made in any maturity or maturities. The purchase price will be adjusted proportionately to the increase or decrease in the principal amount of the Bonds, but the interest rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw the bid as a result of any changes made as provided in this paragraph.

### **Optional Redemption Prior to Maturity**

The Bonds maturing in the years 2025 through 2034, inclusive, shall not be subject to optional redemption prior to maturity. The Bonds, or portions of Bonds in multiples of \$5,000 maturing in the years 2035 through 2049, inclusive, shall be subject to redemption prior to maturity, at the option of the City, in any order of maturity and by lot within any maturity, on any date on or after November 1, 2034, at par plus accrued interest to the date fixed for redemption.

### **Term Bond Option**

Bidders shall have the option of designating any one or more maturities of the Bonds as term bonds. If a bidder designates any one or more maturities for the Bonds as term bonds, the principal requirements on the cover page hereof for the designated years shall represent a mandatory redemption requirement for a term bond or a term bond maturity as designated by the bidder. In any event, the principal amounts on the cover page hereof shall be represented by either serial bond maturities or mandatory sinking fund redemption requirements for terms bonds or a combination of both. If the winning bid does not designate any one or more maturities of the Bonds as term bonds, then the maturities shown on the cover page hereof shall be serial maturities. The bid must designate which principal amounts shown on the cover, if any, represent a mandatory sinking fund redemption requirement for a term bond maturity. A bidder may designate more than one term bond maturity.

### **Notice and Manner of Redemption**

Notice of redemption for any Bond shall be given at least thirty (30) days prior to the date fixed for redemption by first class mail to the registered holder thereof at the address shown on the registration books of the City maintained by the Bond Registrar/Paying Agent. The Bonds shall be called for redemption in multiples of \$5,000. The Bonds in denominations of more than \$5,000 shall be treated as representing the number of Bonds obtained by dividing the denomination of the Bond by \$5,000 within a maturity. The Bonds may be redeemed in part. In the event of redemption of the Bonds in part, upon surrender of the Bond to be redeemed a new Bond or Bonds in aggregate principal amount equal to the unredeemed portion of the Bond surrendered shall be issued to the registered owner thereof. No further interest payment on the Bonds or portions of the Bonds called for redemption shall accrue after the date fixed for redemption, whether presented for redemption or not, provided the City has funds on hand with the Transfer Agent to redeem the same.



## **Registration, Payment and Transfer**

The Bonds will be fully registered Bonds without coupons, and when issued, will be registered in the name DTC. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial interests in Bonds purchased. So long as Cede & Co. is the Bondholder, as nominee for DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as hereinafter defined) of the Bonds. See "THE BONDS – Book-Entry Only System," herein.

The Bonds will be issued in the original aggregate principal amount as shown on the cover of this Official Statement. The Bonds will be dated as of the date of delivery and will bear interest from that date. Interest on the Bonds shall be payable semiannually on May 1 and November 1 each year commencing on May 1, 2025. Interest on the Bonds shall be computed using a 360-day year and twelve 30-day months. The Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover of this Official Statement. The principal and interest shall be payable at the designated corporate trust office of the Transfer Agent or such other Transfer Agent as the City may hereafter designate by notice mailed to the Bondholders. So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to DTC. Disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants and Indirect Participants (both as hereinafter defined), as more fully described below. Interest shall be paid when due by check or draft mailed to the registered owners of Bonds as shown on the registration books as of the fifteenth day of the calendar month preceding the payment date for each interest payment.

## **Book-Entry Only System**

The information in this section has been furnished by DTC. No representation is made by the City, Bond Counsel, the Municipal Advisor, the Bond Registrar/Paying Agent, or the Underwriter as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information (defined below) subsequent to the date hereof. No attempt has been made by the City, its Bond Counsel, the Municipal Advisor, the Bond Registrar/Paying Agent, or the Underwriter to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the City nor the Bond Registrar/Paying Agent will have any responsibility or obligation to DTC participants, indirect participants or the persons for which they act as nominees with respect to the Bonds, or for any principal or interest payment thereof.

The DTC, New York, NY will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Standard & Poor's has rated DTC AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from

DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or Bond Registrar/Paying Agent, on payable date in accordance with their respective holdings on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar/Paying Agent or the City, subject to any statutory or regulatory requires as may be in effect from time to time. Payments of redemption proceeds, distributions and divided payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Bond Registrar/Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar/Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered to DTC.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The City, Bond Counsel, the Municipal Advisor, the Bond Registrar/Paying Agent, and the Underwriter cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Bonds (i) payments of principal of or interest on the Bonds, (ii) any document representing or confirming beneficial ownership interests in the Bonds, or (iii) notices sent to DTC or Cede & Co. its nominee, as the registered owner of the Bonds, or that it will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner

described in this Official Statement. The current “rules” applicable to DTC are on file with the Securities and Exchange Commission, and the current “procedures” of DTC to be followed in dealing with the Participants are on file with DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Neither the City, Bond Counsel, the Municipal Advisor, the Bond Registrar/Paying Agent nor the Underwriter will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (a) the Bonds; (b) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (c) the payment by DTC to any Participant, or by any Direct Participant or Indirect Participant to any Beneficial Owner of any amount due with respect to the principal of or interest on the Bonds; (d) the delivery by DTC to any participant, or by and Direct Participant or Indirect Participant to any Beneficial Owner of any notice which is required or permitted under the terms of the authorizing resolution for each issue to be given to Bondholders; (e) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (f) any consent given or other action taken by DTC as Bondholder.

### **Transfer Outside Book-Entry-Only System**

In the event the book-entry-only system is discontinued, the following provisions would apply to the Bonds. The Bond Registrar/Paying Agent will act as transfer agent and bond registrar and shall keep the registration books for the Bonds (the “Bond Register”) at its corporate trust office. Subject to the further conditions contained in the Resolution, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Bond Registrar/Paying Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Bond Registrar/Paying Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations; during the 15 days immediately preceding the date of mailing (“Record Date”) of any notice of redemption or any time following the mailing of any notice of redemption, the Bond Registrar/Paying Agent shall not be required to effect or register any transfer or exchange of any Bond which has been selected for such redemption, except the Bonds properly surrendered for partial redemption may be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the City and Bond Registrar/Paying Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owner of such Bonds for all purposes under the Ordinance. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Ordinance.

## **THE CITY OF PORT HURON SEWAGE DISPOSAL SYSTEM**

### **History and Description**

The City’s Sewage Disposal System (the “System”) consists of about 240 miles of sewers (sanitary, storm, and combined), as well as a wastewater treatment plant (the “WWTP”). The original WWTP was constructed at the site of the current facility (where the Black River discharges into the St. Clair River) in 1950-51. The original WWTP consisted of primary treatment only, which included screening, grit removal, primary settling, and chlorination. Solids handling processes consisted of digesters and enclosed sludge drying beds.

As a result of local, state, and federal programs to further protect and enhance the environment, the upgrade and expansion of the City’s WWTP and collection system was undertaken in 1972 and completed in 1975. This project had a price tag of \$24 million, with approximately \$19.3 million being spent on upgrading the WWTP itself. The WWTP expansion provided both greater capacity and a higher degree of treatment than was previously accomplished in the old primary WWTP.

The WWTP improvement project added secondary activated sludge biological treatment and a sludge handling process that included an innovative fluidized bed incinerator. Secondary treatment capacity was increased to 33 million gallons per day (“MGD”) with 20 MGD being the design average flow. The sludge handling process included centrifugation of gravity-settled primary and secondary sludge followed by the incineration of up to 2,300 pounds of sludge solids per hour (at 1,350 degrees Fahrenheit) in the fluidized bed incinerator.

From 1975 through 1981, all of the sludge produced at the WWTP was incinerated and landfilled. From 1982 through 2003, incineration was utilized only during winter months, while the City had its sludge (now referred to as “biosolids”) land-applied to area agricultural land during the summer months. Since 2004, land application has been the City’s sole means of residuals management. The City’s progressive move to land application required a change in its solids treatment technology. A rotary sieve drum thickener (“RST”) was installed (in lieu of centrifugation) to further treat and dewater the gravity-settled primary and secondary sludge generated during the land application season. In addition, necessary hydrated lime storage and process equipment was purchased to fulfill requirements associated with producing an acceptable lime-stabilized biosolids product.

Initially, the City contracted with a private company to transport and apply its biosolids to area farmland. Shortly thereafter, however, the City made a commitment to manage and operate all phases of its land application program. This commitment necessitated the purchase of two 7,500-gallon tractor-trailer rigs for transporting the biosolids, as well as the purchase of a specialized vehicle to apply the biosolids. A third tractor-tanker rig was purchased in 2005. Existing WWTP personnel were trained to operate and maintain all equipment and machinery utilized in land application. A “Residuals Specialist” was hired to oversee and manage the land application program. This program continues to be the City’s preferred method of residuals management.

A dewatering screen was installed in 1985 to collect and dewater the light solids (grease, oil, etc.) skimmed off the primary clarifiers. The dewatering screen allowed for the proper removal of these solids in the “front end” of the WWTP, and greatly improved the recurring problem of grease accumulation in downstream wastewater processes.

An extension nozzle was placed on the 48-inch discharge outfall, on the bottom of the St. Clair River, in 1993. The purpose of this extension was to divert the final effluent from the WWTP up into the main flow of the St. Clair River. This allows complete mixing of the final effluent with the flow of the river, and prevents the final effluent from traveling along the bottom of the river. This method was approved by the Michigan Department of Natural Resources (“MDNR”) as a technique for reducing the impact of chlorine residual on organisms living on and in the river bottom, a short distance downstream of the outfall. The method allows for a daily maximum chlorine residual of 0.6 mg/l.

In 1996, a continuous emissions monitoring system (“CEMS”) was installed at the WWTP. This system consists of instruments which continuously measure and record total hydrocarbon concentrations, oxygen concentrations, and moisture content in the sewage sludge incinerator stack exit gas. The installation of the CEMS was required by USEPA Sewage Sludge Regulations, 40 CFR, Part 503.

In 1998, two RSTs were installed at the WWTP, in a building constructed exclusively for their use. These two RSTs replaced the aging, aforementioned single RST. Again, these units are used during the land application season to dewater gravity-thickened primary and secondary sludge. The addition of these two RSTs increased the reliability and capacity of the sludge handling process at the WWTP.

In 2000, a 750KW generator was purchased and installed at the WWTP. This generator allows the major primary processes at the WWTP to function in the event of a power failure. Specifically, this includes raw sewage pumping, grit removal, primary treatment, and chlorination. The addition of this generator allows the City to treat incoming wastewater to primary treatment levels, and then divert the primary effluent flow to the primary effluent reservoir. When power is restored, the reservoir can be dewatered, and the wastewater sent on to secondary treatment processes.

In 2000, the WWTP replaced its existing gaseous chlorine disinfection system with a new system utilizing Sodium Hypochlorite. This improvement included the installation of two 4,800-gallon storage tanks, pumps, piping, and all appurtenances associated with such a system. This project was undertaken to eliminate the one-ton containers used in the chlorine disinfection system, thereby eliminating the risks associated with working with gaseous chlorine. All work was performed in-house by WWTP personnel.

In 1992, the City hired McNamee, Porter & Seeley to evaluate long-term solids handling needs at the Wastewater Treatment Plant. From this study came a multi-phased “Solids Handling Improvement Plan,” designed to upgrade and expand the Wastewater Treatment Plant’s solids handling capabilities.

Phase I of this plan consisted of the aforementioned installation of two new RSTs, along with a building to house these units. This was completed in 1998.

Phase II of this plan involved the relocation of the Utilities Services headquarters, which was occupying a large building and parking area on the WWTP grounds. This relocation included the off-site construction of a new building to house the Utilities Section, and was essential to allow for future expansion of WWTP facilities. This phase was completed in January of 2003.

Phase III of the Solids Handling Improvement Plan called for the conversion and upgrade of existing old primary clarifiers to dedicated biosolids storage tanks, with a final capacity of 1.5 million gallons.

Phase IV of the plan involved the construction of an additional 2.3 million gallons of biosolids storage, immediately south of the above-mentioned primary clarifiers.

Phase V called for an upgrade of the current grit removal system and the addition of an odor control system.

In February of 2002 the City decided to combine Phases III, IV, & V, and to advertise this as one project. In August of 2002 the bid was awarded, and work began in November of 2002. Phases III, IV, and V of the Solids Handling Improvement Plan were completed in May of 2005.

Completion of this multi-million-dollar project added 3.8 million gallons of biosolids storage, bringing the total storage capacity to approximately 4.2 million gallons. This allowed the WWTP to focus exclusively on biosolids storage/land application as its preferred method of residuals management, while eliminating the costly practice of incinerating its biosolids during the winter months.

The process control system was upgraded in 2007, incorporating state-of-the-art hardware and software technology. This system is a programmable logic controller (“PLC”) based control system that utilizes Wonderware Operator Interface Software. The plant operator has the ability to maintain process performance through the use of remote Operator Interface Workstations located at various sites throughout the plant. Input from the WWTP staff was key to the development and success of this system.

From 2012 to 2015 the aeration tanks located in the secondary treatment process were converted from coarse bubble to a fine bubble diffused air system. This project not only replaced the aging equipment, but allowed for a more efficient treatment process as well as substation energy savings from the new blowers.

Beginning in 2015, a plan was implemented to rehabilitate one pump station each year. Nine stations have been rehabilitated. The City has entered into design engineering contracts for the remaining pump stations. In the event of a power outage, six pump stations have stationary generators and the remaining pump stations have portable generators.

In June 2018 a new 4,800-volt medium voltage electrical switchgear was purchased to replace the existing main electrical switchgear which had begun to fail. In August 2019, a contract was awarded to construct an attached 44-foot by 24-foot concrete building with mechanical and electrical equipment and site utilities, to house the new main electrical switchgear. The new building provides a controlled environment, free of corrosive gases and harsh processes that were a detriment to the previous electrical switchgear equipment.

In April 2020 a contract was awarded to rehabilitate the grit system. This project was for both grit channels and included new grit collectors, grit pumps, air diffusers and baffles, grit cyclones, associated piping, valves, concrete work and electrical controls. The previous grit system was original to the WWTP, and the repairs and maintenance became too costly and in some cases, due to age and disrepair, not an option.

In February 1998, the Director of the Michigan Department of Environmental Quality (“MDEQ”), formerly the MDNR, ordered the City take numerous actions to prevent violations of 1994 PA 451, as amended, and to abate pollution of the waters of the State of Michigan. Specifically, the Director ordered the City to initiate its Combined Sewer Overflow (“CSO”) Control Program, and to have this sewer separation project completed within 15 years. In 1997, the City had already begun to initiate an aggressive construction schedule to separate its combined sewer system. From 1997 through the end of 2006, the tributary area served by combined sewers had been reduced from 2,400 acres to 503 acres (a 79.04% reduction), based on the City’s 1995 Project Plan. This resulted in a reduction of CSO discharge outfalls from 19 to 6. In 2007, the City requested and received permission from MDEQ to extend the completion date of the CSO Control Program to December 31, 2016, due to the high financial burden of the program on the City. In September 2022, the City received a Final Project Performance Certification for the completion of the CSO Control Program by demonstrating the City’s ability to transport and treat and/or store sewage in accordance with what is now the Michigan Department of Environment, Great Lakes, and Energy (“EGLE”) Sanitary Sewer Overflow (“SSO”) policy.

Another important aspect of the City’s CSO Control Program has been the upgrade and expansion of three of the City’s largest wastewater pump stations, and the complete demolition and re-construction of a fourth station. This has included the addition of stationary generators at three of these locations. The fourth pump station has dual electrical feeds, fed from two distinct power grids. These alternative power options will allow each station to function in the event of a power failure.

**Operation and Management**

The City’s Department of Public Works operates the System under the direction of the Director of Public Works. The Director of Public Works/City Engineer direct an administrative staff that coordinates all related activities. The System has approximately 32 employees.

The Water Filtration/Wastewater Treatment Division operates the WWTP. The Utility Services Division operates and maintains the sanitary and storm sewers, installs new manholes and catch basins, and responds to citizen complaints. The Engineering Division administers and controls all construction projects and maintains all records related to the System.

The WWTP operates 24 hours a day, 365 days a year. The WWTP treats wastewater through a series of processes, including primary treatment, secondary treatment, and solids handling. Wastewater treatment results in the removal of approximately 2,000 tons of residuals each year, in the form of biosolids. These biosolids are removed from the wastewater prior to discharging the treated wastewater to the St. Clair River in accordance with a National Pollutant Discharge Elimination System (“NPDES”) permit granted by EGLE. The NPDES permit expires on October 1, 2027. The biosolids formed during the removal process are recycled to area farms for use as fertilizer and soil conditioner.

Special services offered through the WWTP include implementation and enforcement of an Industrial Pretreatment Program (“IPP”). This program ensures that industrial and commercial customers meet local and federal standards on sewage discharges. This protects the wastewater plant’s ability to function and the quality of biosolids produced. WWTP staff also provide the inspection and enforcement of the State Cross Connection Program for the protection of potable water supplies.

**Service Area and Customer Base**

The System’s service area includes the City and portions of Port Huron Charter Township, Fort Gratiot Charter Township, and Kimball Township (collectively, the “Townships”). The Townships are wholesale customers of the City pursuant to sewage disposal service agreements (the “Agreements”). The Agreements do not have expiration dates, but can be terminated by the Townships with proper notice or mutual written consent by both parties. The 2020 Census populations of the City and the Townships are included in the table below.

**City of Port Huron  
Sewage Disposal System  
2020 Census Population of the Service Area**

	2020 Census Population
City of Port Huron	28,983
Wholesale Customers:	
Fort Gratiot Charter Township	11,242
Port Huron Charter Township	10,792
Kimball Township	<u>9,609</u>
Total Service Area Population	<u>60,626</u>

Under the Agreements the Townships acquired reserved capacity in the WWTP and in certain interceptors. Capital, debt service, and operation, maintenance and replacement costs not relating to flow are paid by the City and the Townships based on their reserved capacity in the WWTP and the interceptors. Variable treatment costs are allocated to the City and the Townships based on flow. Township flow is metered at their interceptor entry points into the System. The City and the Townships each own, operate and maintain their own collection and billing systems. Reserved capacities in the WWTP and the interceptors are included in the table below.

**City of Port Huron  
Sewage Disposal System  
Wastewater Treatment Plant and Interceptor Cost Allocations by Municipality (1)**

Municipality	WWTP	Interceptor 1	Interceptor 2	Interceptor 3
City of Port Huron	67.41%	39.00%	27.27%	41.22%
Fort Gratiot Charter Township	13.83	35.82	72.73	n/a
Port Huron Charter Township	13.35	17.91	n/a	41.81
Kimbal Township	5.41	7.27	n/a	16.97
Total	100.00%	100.00%	100.00%	100.00%

(1) Includes capital, debt service and operation, maintenance and replacement costs not relating to flow.

Source: City of Port Huron

As discussed under “Rates and Charges” herein, retail customers of the System pay monthly ready-to-serve charges based on water meter size and monthly sewage disposal commodity charges based on metered water consumption. Retail customers of the System that are serviced by, but not located in the City pay 1.5x the rates and charges paid by retail customers located in the City.

Capital, debt service, and operation, maintenance and replacement costs not relating to flow are paid by the City and the Townships based on their reserved capacity in the WWTP and the interceptors. Variable treatment costs are allocated to the City and the Townships based on flow. Township flow is metered at their interceptor entry points into the System.

The following table sets forth the approximate number of sewage disposal customers by meter size for the fiscal year ended June 30, 2024.

**City of Port Huron  
Sewage Disposal System  
Approximate Number of Sewage Disposal Customers by Water Meter Size (1)  
Fiscal Year Ended June 30, 2024**

Meter Size	In-City Customers		Out-City Customers	
5/8"	10,996	92.03%	21	55.26%
3/4"	293	2.45%	-	-
1"	264	2.21%	2	5.26%
1 1/2"	159	1.33%	3	7.89%
2"	148	1.24%	1	2.63%
3"	53	0.44%	-	-
4"	27	0.23%	1	2.63%
6"	7	0.06%	5	13.16%
8"	-	-	2	5.26%
10"	1	0.01%	-	-
12"	-	-	2	5.26%
16"	-	-	1	2.63%
<b>Total Customers</b>	<b>11,948</b>	<b>100.00%</b>	<b>38</b>	<b>100.00%</b>

(1) The count includes Township water meters. The count does not include Township sewage disposal meters at the interceptor entry points.

Source: City of Port Huron

## Rates and Charges

Retail customers of the System pay monthly sewage disposal ready-to-serve charges based on water meter size and monthly sewage disposal charges based on metered water consumption. Water usage is measured in 1,000 cubic feet. Retail customers of the System that are serviced by, but not located in the City pay 1.5x the rates and charges paid by retail customers located in the City.

Capital, debt service, and operation, maintenance and replacement costs not relating to flow are paid by the City and the Townships based on their reserved capacity in the WWTP and the interceptors. Variable treatment costs are allocated to the City and the Townships based on flow. Township flow is metered at their interceptor entry points into the System.

For the fiscal years ended or ending June 30, 2021 through 2025, the following table sets forth the monthly sewage disposal ready-to-serve charges for retail customers located in the City. Retail customers of the System that are serviced by, but not located in the City pay 1.5x the rates and charges paid by retail customers located in the City.

**City of Port Huron  
Sewage Disposal System  
Retail Monthly Sewage Disposal Ready-to-Serve Charge by Water Meter Size  
Fiscal Years Ended or Ending June 30, 2021 Through 2025**

Meter Size	Fiscal Year Ended or Ending June 30,				
	2021	2022	2023	2024	2025
5/8"	\$48.49	\$49.70	\$51.44	\$52.98	\$54.99
3/4"	72.74	74.55	77.16	79.47	82.49
1"	121.23	124.26	128.60	132.46	137.49
1 1/2"	242.45	248.51	257.21	264.92	274.99
2"	387.92	397.62	411.53	423.87	439.98
3"	848.58	869.79	900.23	927.21	962.44
4"	1,454.70	1,491.07	1,543.25	1,589.50	1,649.90
6"	3,030.63	3,106.39	3,215.11	3,311.45	3,437.29
8"	4,364.10	4,473.20	4,629.76	4,768.49	4,949.69
10"	7,031.05	7,206.83	7,459.07	7,682.56	7,974.50
12"	10,425.35	10,865.98	11,059.99	11,391.39	11,824.26
16"	14,547.00	14,910.68	15,432.55	15,894.96	16,498.97
20"	21,820.50	22,366.01	23,148.82	23,842.44	24,748.45
24"	32,730.75	33,549.02	34,723.23	35,763.66	37,122.68

*Source: City of Port Huron*

In addition to the sewage disposal ready-to-serve charges, retail customers of System the pay a monthly sewage disposal treatment charge based on metered water usage. Water usage is measured in 1,000 cubic feet. For the fiscal years ended or ending June 30, 2021 through 2025 the following table sets forth the sewage disposal treatment charges for retail customers located in the City. Retail customers of the System that are serviced by, but not located in the City pay 1.5x the rates and charges paid by retail customers located in the City.



**City of Port Huron  
Sewage Disposal System  
Retail Monthly Sewage Disposal Commodity Charges (1)  
Fiscal Years Ended or Ending June 30, 2021 Through 2025**

Fiscal Year Ended or Ending June 30	Sewage Disposal Commodity Charge
2021	\$42.44
2022	44.56
2023	46.12
2024	47.50
2025	49.31

(1) Charge per 1,000 cubic feet or fraction thereof.

Source: City of Port Huron

**Sewage Disposal Treatment Volume**

The following table sets forth the amount of sewage disposal treatment volume as billed by user classification for the fiscal years ended June 30, 2020 through 2024.

**City of Port Huron  
Sewage Disposal System  
Sewage Disposal Treatment Volume as Billed by User Classification (1)  
Fiscal Years Ended June 30, 2020 Through 2024**

Customers	Fiscal Year Ended June 30,				
	2020	2021	2022	2023	2024
Residential Single	58,796,312	61,800,984	59,199,690	59,349,094	56,845,275
Residential Multiple	12,116,520	12,263,108	12,037,192	11,382,870	10,803,276
Commercial	15,194,216	11,969,564	13,455,802	14,207,197	14,028,234
Industrial	25,130,230	23,786,158	20,986,134	16,223,390	13,863,597
Institutional	8,091,716	6,740,926	7,242,946	7,722,035	6,938,224
Government	3,761,789	3,156,926	4,630,765	5,169,952	3,533,061
Wholesale	130,548,301	139,322,647	140,292,304	143,862,730	146,292,000
Total Wastewater Billed	253,639,084	259,040,313	257,844,833	257,917,268	252,303,667

(1) Measured in cubic feet.

Source: City of Port Huron

The following table sets forth the percent of sewage disposal treatment volume as billed by user classification for the fiscal years ended June 30, 2020 through 2024.

**City of Port Huron  
Sewage Disposal System  
Percent of Sewage Disposal Treatment Volume as Billed by User Classification  
Fiscal Years Ended June 30, 2020 Through 2024**

Customers	Fiscal Year Ended June 30,				
	2020	2021	2022	2023	2024
Residential Single	23.18%	23.86%	22.96%	23.01%	22.53%
Residential Multiple	4.78%	4.73%	4.67%	4.41%	4.28%
Commercial	5.99%	4.62%	5.22%	5.51%	5.56%
Industrial	9.91%	9.18%	8.14%	6.29%	5.49%
Institutional	3.19%	2.60%	2.81%	2.99%	2.75%
Government	1.48%	1.22%	1.80%	2.00%	1.40%
Wholesale	51.47%	53.78%	54.41%	55.78%	57.98%
Total Wastewater Billed	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

*Source: City of Port Huron*

**Sewage Disposal Treatment Revenue**

The following table sets forth the amount of sewage disposal treatment revenue as billed by user classification for the fiscal years ended June 30, 2024.

**City of Port Huron  
Sewage Disposal System  
Sewage Disposal Treatment Revenue and Percent as Billed by User Classification  
Fiscal Years Ended June 30, 2020 Through 2024**

Customer Classification	Fiscal Year End June 30, 2024	
	Sewage Disposal Treatment Revenue	Percent of Total
Residential	\$ 8,887,201	46.61%
Multifamily	2,494,557	13.08
Institutional	860,029	4.51
Industrial	1,173,651	6.16
Governmental	562,485	2.95
Commercial	1,650,558	8.66
Wholesale	<u>3,439,554</u>	<u>18.04</u>
Total	<u>\$19,068,035</u>	<u>100.00%</u>

*Source: City of Port Huron*

The following table sets forth the sewage disposal volume as treated and billed for the fiscal years ended June 30, 2020 through 2024.

**City of Port Huron Sewage Disposal System  
Sewage Disposal Volume as Treated and Billed (1)  
Fiscal Years Ended June 30, 2020 Through 2024**

Sewage Disposal Volume	Fiscal Years Ended June 30,				
	2020	2021	2022	2023	2024
Treated Volume (MG)	3,623.15	3,172.74	3,388.34	2,721.34	3,531.58
Consumption as Billed	1,897.35	1,937.76	1,928.81	1,929.36	1,887.36
Difference (2)	1,725.80	1,234.98	1,459.53	791.98	1,644.22
Difference as a Percent of Treated Volume	47.63%	38.92%	43.07%	29.10%	46.56%

(1) Measured in million gallons.

(2) The difference between the sewage disposal volume as treated and billed is due, in part, to inaccurate meters and infiltration and inflow, which is water other than sewage disposal that enters the System.

Source: City of Port Huron

The following table sets forth the average and peak daily Sewage Disposal treatment volume for the fiscal years ended June 30, 2019 through 2023.

**City of Port Huron Sewage Disposal System  
Average and Peak Daily Sewage Disposal Treatment Volume (1)  
Fiscal Years Ended June 30, 2019 through 2023**

Sewage Disposal Volume	Fiscal Years Ended June 30,				
	2019	2020	2021	2022	2023
Average Daily Flow	10.2	10.12	8.32	8.51	6.78
Peak Daily Flow	41.62	50.13	48.00	37.35	38.57
Peak as a Percent of Average	408.04%	495.36%	576.92%	438.90%	568.88%

(1) Measured in millions of gallons per day.

Source: City of Port Huron

## Ten Largest Customers

The following tables set forth the principal product or service as well as the sewage disposal system revenue and volume as billed of the ten largest customers of the System for the fiscal year ended June 30, 2024.

**City of Port Huron Sewage Disposal System  
Ten Largest Sewage Disposal Customers by Sewage Disposal Revenue and Volume as Billed (1)  
Fiscal Year Ended June 30, 2024**

Customer	Principal Product or Service	Sewage Disposal Volume (1,000 Cubic Feet)	Percent of Total <sup>(1)</sup>	Sewage Disposal System Revenue	Percent of Total <sup>(2)</sup>
Fort Gratiot Township	Municipality	61,911,500	24.5%	\$1,946,989	10.2%
Port Huron Township	Municipality	45,851,500	18.2%	1,014,804	5.3%
Kimball Township	Municipality	38,529,000	15.3%	477,761	2.5%
Mueller Brass	Manufacturing	7,377,350	2.9%	486,158	2.5%
City of Port Huron	Municipality	4,965,663	2.0%	400,156	2.1%
McLaren Port Huron Hospital	Hospital	2,456,235	1.0%	256,333	1.3%
Port Huron Housing Commission	Housing	1,614,520	0.6%	359,125	1.9%
Lake Huron Medical Center	Hospital	1,589,855	0.6%	119,565	0.6%
HP Pelzer	Manufacturing	1,174,522	0.5%	79,523	0.4%
Auto Anodics Inc.	Medical	1,082,350	0.4%	62,415	0.3%
		<u>166,552,495</u>	<u>66.0%</u>	<u>\$ 5,202,829</u>	<u>27.3%</u>

(1) Preliminary, subject to change.

(2) Based on sewage disposal treatment volume of 252,303,667 for the fiscal year ended June 30, 2024.

(3) Based on sewage disposal treatment revenue of \$19,068,035 for the fiscal year ended June 30, 2024.

Source: City of Port Huron

## Debt Service Supported by the System

The following table shows the estimated annual debt service requirements supported by the System after the issuance of the Bonds as of October 17, 2024.

### City of Port Huron Sewage Disposal System Debt Service Supported by the System Fiscal Years Ending June 30, 2025 Through 2049

Fiscal Years Ending June 30	State Revolving Fund General Obligation Bonds	General Obligation Bonds	Sewer Revenue Bonds (1)	Total
2025	\$ 1,129,309	\$ 1,923,090	\$ 126,534	\$ 3,178,933
2026	1,109,439	1,402,415	473,166	2,985,020
2027	890,805	1,405,710	472,209	2,768,724
2028	756,928	1,402,775	471,162	2,630,865
2029	622,321	1,398,745	469,940	2,491,006
2030	622,821	1,403,455	468,568	2,494,844
2031	403,577	1,406,670	471,902	2,282,149
2032	409,044	1,403,455	469,817	2,282,316
2033	180,498	1,401,095	472,284	2,053,877
2034	141,864	1,115,425	469,347	1,726,635
2035	143,034	1,109,625	471,048	1,723,706
2036	0	1,113,075	472,281	1,585,356
2037	0	1,115,625	473,017	1,588,642
2038	0	1,117,275	473,238	1,590,513
2039	0	802,825	472,949	1,275,774
2040	0	797,500	472,097	1,269,597
2041	0	806,500	470,633	1,277,133
2042	0	639,419	468,541	1,107,960
2043	0	636,594	470,712	1,107,306
2044	0	643,431	472,083	1,115,515
2045	0	639,931	472,635	1,112,566
2046	0	641,150	472,518	1,113,668
2047	0	637,088	471,779	1,108,866
2048	0	0	470,211	470,211
2049	0	0	472,723	472,723
2050	0	0	469,373	469,373
Total	<u>\$ 6,409,639</u>	<u>\$ 24,962,873</u>	<u>\$ 11,910,764</u>	<u>\$ 43,283,275</u>

(1) The Bonds described herein. Preliminary, subject to change.

## Historical and Projected Operating Cash Flow and Debt Service Coverage

The following table presents the historical and projected operating cash flow and debt service coverage ratios of the System assuming the issuance of the Bonds for the fiscal years ended or ending June 30, 2020 through 2030.

The following projections and assumptions are subject in all respects to unforeseen forces and events beyond the control of the City. Such projections and assumptions, while believed by the City to be reasonable, may not be actually realized. Investors should form their own judgment as to the reasonableness of the assumptions and accuracy of the projections.

**City of Port Huron, Michigan**

Historical and Projected Sewage Disposal System Operating Cash Flow  
Fiscal Years Ended or Ending June 30, 2020 Through 2030



	2020	(1)	2021	(1)	2022	(1)	2023	(1)	Unaudited 2024	(2)	Budgeted 2025	(3)	Projected 2026	(4)	Projected 2027	(4)	Projected 2028	(4)	Projected 2029	(4)	Projected 2030	(4)	
<b>Operating Revenues</b>																							
Charges for Services	\$ 16,943,854		\$ 16,877,605		\$ 17,517,561		\$ 18,050,471		\$ 19,013,704		\$ 19,090,000		\$ 19,090,000		\$ 19,090,000		\$ 19,090,000		\$ 19,090,000		\$ 19,090,000		\$ 19,090,000
Miscellaneous	-		-		-		-		228,733		40,000		-		-		-		-		-		-
<b>Total Operating Revenues</b>	<u>\$ 16,943,854</u>		<u>\$ 16,877,605</u>		<u>\$ 17,517,561</u>		<u>\$ 18,050,471</u>		<u>\$ 19,242,437</u>		<u>\$ 19,130,000</u>		<u>\$ 19,090,000</u>		<u>\$ 19,090,000</u>		<u>\$ 19,090,000</u>		<u>\$ 19,090,000</u>		<u>\$ 19,090,000</u>		<u>\$ 19,090,000</u>
<b>Operating Expenses (5)</b>																							
Personnel Services (Including Pension Recovery)	\$ (2,192,248)		\$ 3,834,228		\$ (399,214)		\$ 3,848,213		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -
Supplies and Materials	787,765		736,814		761,974		896,967		-		-		-		-		-		-		-		-
Contractual Services	3,195,031		3,622,079		3,672,541		3,330,023		-		-		-		-		-		-		-		-
Depreciation	4,679,643		4,911,089		5,133,253		5,308,610		-		-		-		-		-		-		-		-
<b>Total Operating Expenses</b>	<u>\$ 6,470,191</u>		<u>\$ 13,104,210</u>		<u>\$ 9,168,554</u>		<u>\$ 13,383,813</u>		<u>\$ 9,123,959</u>		<u>\$ 10,874,980</u>		<u>\$ 11,201,229</u>		<u>\$ 11,537,266</u>		<u>\$ 11,883,384</u>		<u>\$ 12,239,886</u>		<u>\$ 12,607,082</u>		<u>\$ 12,607,082</u>
<b>Operating Income (Loss)</b>	\$ 10,473,663		\$ 3,773,395		\$ 8,349,007		\$ 4,666,658		\$ 10,118,478		\$ 8,255,020		\$ 7,888,771		\$ 7,552,734		\$ 7,206,616		\$ 6,850,114		\$ 6,482,918		\$ 6,482,918
<b>Non-Operating Revenues (Expenses) and Transfers (6)</b>																							
Investment Income	\$ 2,045		\$ 1,835		\$ -		\$ 147,325		\$ 268,717		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -
Operating Grants and Contributions	-		-		9,246		-		-		-		-		-		-		-		-		-
Capital Grants and Contributions	398,046		550,116		215,543		53,736		-		-		-		-		-		-		-		-
(Loss) Gain on Sale of Assets	-		-		-		(633,149)		-		-		-		-		-		-		-		-
Depreciation	4,679,643		4,911,089		5,133,253		5,308,610		-		-		-		-		-		-		-		-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>\$ 5,079,734</u>		<u>\$ 5,463,040</u>		<u>\$ 5,358,042</u>		<u>\$ 4,876,522</u>		<u>\$ 268,717</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>
<b>AVAILABLE FOR DEBT SERVICE/ REPAIR AND REPLACEMENT/ PAYGO CAPITAL</b>	\$ 15,553,397		\$ 9,236,435		\$ 13,707,049		\$ 9,543,180		\$ 10,387,195		\$ 8,255,020		\$ 7,888,771		\$ 7,552,734		\$ 7,206,616		\$ 6,850,114		\$ 6,482,918		\$ 6,482,918
<b>Funding Requirements</b>																							
2019 Wastewater LTGO Refunding Bonds	-		-		\$ 295,660		\$ 294,875		\$ 293,960		\$ 292,915		\$ 291,740		\$ 290,435		\$ 289,000		\$ 292,370		\$ 295,480		\$ 295,480
2021A/B Wastewater LTGO Bonds	-		-		267,410		643,025		641,025		643,525		640,525		642,025		638,025		638,525		638,425		638,425
2021 Wastewater LTGO Refunding Bonds (7)	-		-		1,633,793		1,817,550		967,050		986,650		470,150		473,250		475,750		467,850		469,550		469,550
CWSRF Total	-		-		2,945,495		2,554,608		1,475,606		1,393,834		1,109,439		890,805		756,928		622,321		622,821		622,821
2024 Revenue Bonds	-		-		-		-		-		126,534		473,166		472,209		471,162		469,940		468,568		468,568
<b>Total</b>	<u>\$ 10,838,926</u>		<u>\$ 6,486,777</u>		<u>\$ 5,142,358</u>		<u>\$ 5,310,058</u>		<u>\$ 3,377,641</u>		<u>\$ 3,443,458</u>		<u>\$ 2,985,020</u>		<u>\$ 2,768,724</u>		<u>\$ 2,630,865</u>		<u>\$ 2,491,006</u>		<u>\$ 2,494,844</u>		<u>\$ 2,494,844</u>
<b>Excess (Shortfall)</b>	\$ 4,714,471		\$ 2,749,658		\$ 8,564,691		\$ 4,233,122		\$ 7,009,554		\$ 4,811,562		\$ 4,903,750		\$ 4,784,010		\$ 4,575,751		\$ 4,359,109		\$ 3,988,074		\$ 3,988,074
<b>Coverage Ratio</b>	<b>1.43x</b>		<b>1.42x</b>		<b>2.67x</b>		1.80x		3.08x		2.40x		2.64x		2.73x		2.74x		2.75x		2.60x		2.60x
<b>Annual Increase in Revenue Necessary for 1.1x Coverage.</b>							\$0		\$0		\$0		\$0		\$0		\$0		\$0		\$0		\$0
<b>Annual Increase Necessary to Produce 1.1x Coverage.</b>							0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%
<b>Annual Excess with 1.1x Coverage.</b>									\$ 7,009,554		\$ 4,811,562		\$ 4,903,750		\$ 4,784,010		\$ 4,575,751		\$ 4,359,109		\$ 3,988,074		\$ 3,988,074
Less Budgeted Use of Funds on Hand									-		-		-		-		-		-		-		-
<b>Cumulative Excess with 1.1x Coverage.</b>	<u>\$ 7,009,554</u>		<u>\$ 11,821,116</u>		<u>\$ 16,724,867</u>		<u>\$ 21,508,877</u>		<u>\$ 26,084,628</u>		<u>\$ 30,443,736</u>		<u>\$ 34,431,810</u>		<u>\$ 38,426,810</u>		<u>\$ 42,422,810</u>		<u>\$ 46,423,810</u>		<u>\$ 50,424,810</u>		<u>\$ 54,425,810</u>

(1) Actual.  
(2) Unaudited 2024, excluding depreciation.  
(3) Budgeted 2025.  
(4) Assumes no change to consumption and operating revenues in the years 2026 and thereafter.  
(5) Assumes 3% growth per annum in FY 2026 and thereafter.  
(6) Assumes no change to non-operating revenues.  
(7) Includes the principal and interest paid on the Bonds to be Refunded in fiscal year 2022.  
(8) Assumes \$7,685,000 at current market rates for 25 years. Preliminary, subject to change.  
Source: City of Port Huron, Michigan

## **Collection and Enforcement**

Under the provisions of Act 94, charges for services furnished to a premises located in the City by the System may be a lien on the premises, and those charges delinquent for six months or more may be certified annually to the proper tax assessing officer or agency, who shall enter the lien on the next tax roll against the premises to which the services shall have been rendered, and the charges shall be collected and the lien shall be enforced in the same manner as provided for the collection of taxes assessed upon the roll and the enforcement of the lien for the taxes. In a case where a tenant is responsible for the payment of the charges and the governing body is so notified in writing, the notice to include a true copy of the lease of the affected premises, if there be one, then the charges shall not become a lien against the premises after the date of the notice. In the event of filing of the notice, the public corporation shall render no further service to the premises until a cash deposit in an amount to be determined is made as security for the payment of the charges. In addition to any other lawful enforcement methods, the payment of charges for water service to a premises may be enforced by discontinuing either the water service or the sewage disposal service to the premises, or both.

## **Insurance**

The City covenants that it will maintain and carry, for the benefit of the holders of the Bonds, insurance on all physical properties of the System and liability insurance of the kinds and in the amounts normally carried by municipalities engaged in the operation of a wastewater system.

## **ABSENCE OF CERTAIN LITIGATION**

Simultaneously with the delivery of the Bonds, the City will certify that there are no actions, proceedings or investigations at law or in equity before or by any court, public board or body, either actual or threatened, which would adversely affect the issuance of the Bonds or materially affect the City's ability to pay the principal of and interest thereon from the Net Revenues of the System.

## **BOND RATING**

S&P Global Ratings has assigned its rating of "A" to this issue of Bonds. The City has furnished to the rating agency certain materials and information in addition to that provided here. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions by the rating agencies. The above rating reflects the independent judgment of the rating agency and there is no assurance that such rating will prevail for any given period of time or that it will not be revised or withdrawn entirely by such rating agency, if, circumstances so warrant. Any such revision or withdrawal of such rating may have an effect on the market price of the Bonds. Any rating assigned represents only the views of the respective rating agency. The definitions furnished by the rating agency for its rating may be obtained from the rating agency.

## **BANK QUALIFIED**

The Bonds have been designated as "Qualified Tax-Exempt Obligations" for the purpose of deduction of interest expense by financial institutions pursuant to section 265(b)(3) of the Code.

## **MUNICIPAL FINANCE QUALIFYING STATEMENT**

The City has obtained a letter from the Department of Treasury of the State of Michigan stating that the City is in material compliance with the criteria of Act 34, Public Acts of Michigan, 2001, as amended, for a municipality to be granted qualified status. The City may therefore proceed to issue the Bonds without further approval from the Department of Treasury of the State of Michigan.

## **BOND COUNSEL'S RESPONSIBILITY**

The fees of Dickinson Wright PLLC ("Bond Counsel") for services rendered in connection with its approving opinion are expected to be paid from the proceeds of the Bonds. Except to the extent necessary to issue its approving opinion as to the validity of the Bonds and except as stated below, Bond Counsel has not been retained to examine or review and has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds, and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials.

Bond Counsel has reviewed the statements made under the captions entitled “INTRODUCTION,” “THE FINANCING” (except those statements made under the sub-caption “Estimated Sources and Uses of Funds”), “DESCRIPTION OF THE BONDS” (other than information under the sub-caption “Book-Entry Only System”), “BOND COUNSEL’S RESPONSIBILITY,” “TAX MATTERS,” “NOT BANK QUALIFIED,” “LEGAL MATTERS,” and “CONTINUING DISCLOSURE” (first two paragraphs only). Bond Counsel has not been retained for review and has not reviewed any other portions of the Official Statement for accuracy or completeness and has not made inquiry of any official or employee of the City, or any other person and has made no independent verification of such portions hereof, and further has not expressed and will not express an opinion as to any portions hereof.

## **TAX MATTERS**

### **General**

In the opinion of Dickinson Wright PLLC, Bond Counsel (“Bond Counsel”), based on its examination of the documents described in its opinion, under existing law as enacted and construed on the date of the initial delivery of the Bonds, the interest on the Bonds is (a) excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. However, Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax.

The City has designated the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Bond Counsel is also of the opinion that, based on its examination of the documents described in its opinion, under existing law as enacted and construed on the date of the initial delivery of the Bonds, the Bonds and the interest thereon are exempt from taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. Bond Counsel will express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds and interest thereon.

The opinions on federal tax matters is based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. The City has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excludable from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. The opinions assume the accuracy of the City’s certifications and representations and the continuing compliance with the City’s covenants. Noncompliance with these covenants by the City may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to their attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to the excludability of interest on the Bonds from gross income for federal income tax purposes but is not a guarantee of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel cannot give, and has not given, any opinion or assurance about the effect of future changes in the Internal Revenue Code of 1986, as amended (the “Code”), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, foreign corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits individuals otherwise eligible for the earned income tax credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion regarding any such consequences.

### **Arbitrage and Rebate Requirements**

Interest on the Bonds will remain excluded from gross income under applicable federal tax law only if, among other requirements, the City complies with certain arbitrage requirements set forth in Section 148 of the Code. These requirements include yield and other limits regarding investment of the proceeds of the Bonds and other funds, and rebate of certain



investment earnings on such amounts on a periodic basis to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance may occur or be ascertained. The City has covenanted in the Resolution to comply with all such requirements.

### **Tax Treatment of Accruals on Original Issue Discount Bonds**

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Bonds initially sold at a discount corresponding to the yields shown on the inside cover page hereof (the “OID Bonds”) is sold and the amount payable at the stated redemption price at maturity thereof constitutes “original issue discount.” Such discount is treated as interest excluded from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of registered owners of the OID Bonds who purchase such bonds after the initial offering of a substantial amount thereof. Registered owners who do not purchase such OID Bonds in the initial offering at the initial offering and purchase prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

### **Amortizable Bond Premium**

For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such Bonds (collectively, the “Original Premium Bonds”) an amortizable bond premium. Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer’s basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such bonds being referred to herein collectively with the Original Premium Bonds as the “Premium Bonds”). The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the taxpayer’s yield to maturity determined by using the taxpayer’s basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer’s adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

All holders of the Premium Bonds should consult with their own tax advisors as to the amount and effect of the amortizable bond premium.

### **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a valid IRS Form W-9, together with appropriate attachments, reporting and certifying under penalties perjury the recipient’s correct taxpayer identification number (“TIN”) and further certifying that the recipient is not subject to backup withholding on a valid IRS Form W-9 or suitable substitute, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Bonds through a brokerage account has executed a valid IRS Form W-9 in connection with the establishment of such account no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the IRS.

## **Future Developments**

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the State in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the State as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS THAT COULD CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT THE HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. BOND COUNSEL EXPRESS NO OPINION REGARDING ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY ACTIONS OF THE IRS, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE COURSE OR RESULT OF ANY EXAMINATION OF THE BONDS, OR OTHER BONDS WHICH PRESENT SIMILAR TAX ISSUES, WILL NOT AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS, INCLUDING THE IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Dickinson Wright PLLC, Bond Counsel. A copy of the opinion of Bond Counsel will be delivered with the Bonds, which opinion will be substantially in the form as set forth in Appendix E.

## **MUNICIPAL ADVISOR TO THE CITY**

MFCI, LLC of Milford, Michigan (the "Municipal Advisor"), is a registered Municipal Advisor in accordance with the rules of the Municipal Securities Rulemaking Board ("MSRB"). The Municipal Advisor has been retained by the City to provide certain municipal advisory services relating to the planning, structuring and issuance of the Bonds, including preparation of certain parts of the deemed "final" Preliminary Official Statement and the final Official Statement (the "Official Statements").

The Municipal Advisor will make no representation, warranty or guarantee regarding the accuracy or completeness of the information in the Preliminary Official Statement or Official Statement, other than information about the Municipal Advisor supplied by the Municipal Advisor, and its assistance in preparing these documents should not be construed as a representation that it has independently verified such information.

The Municipal Advisor is not engaged in the business of underwriting, trading, marketing, or the distribution of securities or any other negotiable instruments. The Municipal Advisor's duties, responsibilities, and fees arise solely as registered Municipal Advisor to the City, and it has no secondary obligation or other responsibility. The Municipal Advisor's fees are expected to be paid from Bond proceeds.

## **CONTINUING DISCLOSURE UNDERTAKING**

The City has covenanted and will covenant for the benefit of the Bondholders and the Beneficial Owners (as hereinafter defined under this caption only), pursuant to the Resolution and the Continuing Disclosure Certificate to be delivered on the date of issuance of the Bonds to the purchaser(s) thereof (the "Disclosure Certificate"), to provide or cause to be provided: (i) each year, certain financial information and operating data relating to the City for its preceding fiscal year (the "Annual Report") by not later than the date six (6) months after the end of the City's fiscal year, commencing with the Annual Report for the City's fiscal year ended June 30, 2024; provided, however, that if the audited financial statements of the City are not available by such date, they will be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements then most recently prepared for the City will be included in the Annual Report; and (ii) timely notices of the

occurrence of certain enumerated events if material. Currently the City's fiscal year commences on July 1. "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).

Each Annual Report will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access system ("EMMA"). If the City is unable to provide the MSRB any Annual Report by the date required, the City shall send in a timely manner, to the MSRB through EMMA a notice of the failure to file the Annual Report by such date. Notices of material events will be filed by the City with MSRB through EMMA. These covenants have been made by the City in order to assist the purchaser(s) of the Bonds and registered brokers, dealers and municipal securities dealers in complying with the requirements of subsection (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"). The information to be contained in the Annual Report, the enumerated events, the occurrence of which will require a notice, and the other terms of the Disclosure Certificate, are set forth in "APPENDIX E — Form of Continuing Disclosure Certificate."

A failure by the City to comply with the Undertaking must be reported by the City in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City's Annual Report for the fiscal year ended June 30, 2019, inadvertently excluded information from the table titled "Average and Maximum Daily Use" in connection with its Water Supply System Revenue Bonds, Series 2011, dated June 30, 2011, (the "2011 Bonds"). The City filed the information along with notice of such failure to file with EMMA on December 20, 2019. The 2011 Bonds were escrowed to the first call date on January 7, 2022, with proceeds from the sale of its Water Supply System Revenue Refunding Bonds, Series 2021, dated December 8, 2021, (the "2021 Refunding Bonds").

For its fiscal year ended June 30, 2021, the City filed its Annual Report with EMMA on December 22, 2021. The report was in compliance with its prior continuing disclosure undertakings in connection with the base CUSIP 734447. However, the City did not capture the 2021 Refunding Bonds in the filing. The City filed the information along with notice of such failure to file with EMMA on October 16, 2024.

Other than the above, the City has not failed to comply, in all material respects, in the past five years with any previous undertakings pursuant to the Rule.

#### **OTHER MATTERS**

The City certifies that to its best knowledge and belief, this Official Statement, insofar as it pertains to the City and its economic and financial condition, is true and correct as of its date, and does not contain, nor omit, any material facts or information which would make the statements contained herein misleading.

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original source thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of such information. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

This Official Statement has been duly executed and delivered by the City.

City of Port Huron

By: \_\_\_\_\_  
Its: James Freed  
City Manager

**CITY OF PORT HURON**

The following information is provided for informational purposes only. The Bonds are payable solely from the Net Revenues of the System. See "THE BONDS- Authorization and Security" herein.

**Appendix A**  
**CITY OF PORT HURON**  
**GENERAL AND ECONOMIC INFORMATION**

**LOCATION AND DESCRIPTION**

The City, with a 2020 Census population of 28,983, encompasses an area of approximately 8.10 square miles. It is located in the southeastern quadrant of Michigan’s Lower Peninsula at the mouth of the St. Clair River and Lake Huron. The City is also the seat of St. Clair County (the “County”). The City is approximately 59 miles northeast of Detroit and is connected to Sarnia, Ontario, Canada, by the Blue Water Bridge. The City’s tax base is diverse, with residential, industrial, and commercial valuations accounting for approximately 66.17%, 6.16%, and 24.18%, respectively, of its Total Taxable Value, as hereinafter defined, for the fiscal year ending June 30, 2025.

**FORM OF GOVERNMENT**

The City was incorporated in 1857 and operates under a council-manager form of government. The City Council, which is the legislative and governing body of the City, consists of seven members, including the mayor. The mayor, who is elected at-large for a term of two years, presides over the Council. The remaining Council members are elected every two years to four-year terms. The Council and Mayor are elected on a nonpartisan basis and their terms run concurrently. The City Manager is the chief administrative officer of the City. The City Manager is appointed by the Council and serves at its pleasure. All administrative and department heads are appointed by the City Manager.

**POPULATION**

Year	Population
Current Estimate	28,383
2020 U.S. Census	28,983
2010 U.S. Census	30,184

*Source: U.S. Department of Commerce-Bureau of the Census*

**UNEMPLOYMENT RATE STATISTICS**

The charts below reflect the unadjusted yearly average unemployment statistics for the County of St. Clair and the State of Michigan.

**County of St. Clair**  
**Unadjusted Unemployment Rates 2019 – 2024**

	2024	2023	2022	2021	2020	2019
January	4.30%	4.80%	5.60%	7.70%	5.20%	0.00%
February	4.40%	4.30%	5.00%	7.10%	4.60%	0.00%
March	4.00%	3.70%	4.40%	6.90%	5.90%	0.00%
April	3.70%	2.60%	3.60%	6.30%	28.00%	0.00%
May	4.30%	3.40%	3.80%	6.10%	25.80%	0.00%
June	5.10%	3.80%	3.80%	6.60%	17.80%	0.00%
July	5.70%	3.90%	3.50%	6.30%	13.30%	0.00%
August	4.00%	4.00%	3.70%	5.90%	9.80%	0.00%
September	-	3.80%	3.40%	5.10%	8.60%	0.00%
October	-	4.10%	3.50%	4.40%	6.80%	0.00%
November	-	3.60%	3.30%	3.90%	6.70%	0.00%
December	-	3.60%	3.60%	4.30%	7.90%	0.00%
Annual	-	3.80%	3.90%	5.90%	11.70%	0.00%

*Source: Michigan Center for Data and Analytics*

**State of Michigan**  
**Unadjusted Unemployment Rates 2019 – 2024**

	2024	2023	2022	2021	2020	2019
January	4.00%	4.80%	5.00%	7.10%	4.30%	4.90%
February	4.20%	4.60%	4.90%	6.80%	3.80%	4.60%
March	3.90%	4.10%	4.50%	6.60%	4.90%	4.80%
April	3.80%	2.90%	4.00%	6.20%	22.80%	3.80%
May	4.10%	3.80%	4.10%	6.30%	19.70%	3.90%
June	5.00%	4.10%	4.40%	6.80%	14.70%	4.30%
July	5.80%	4.30%	4.50%	6.80%	12.70%	5.00%
August	4.50%	4.20%	4.30%	6.10%	9.50%	4.20%
September	-	3.90%	3.80%	5.20%	8.30%	3.60%
October	-	4.20%	3.70%	4.50%	6.50%	3.40%
November	-	3.60%	3.50%	4.00%	6.20%	3.20%
December	-	3.50%	3.80%	4.20%	7.10%	3.50%
Annual	-	-	4.20%	5.90%	10.00%	4.10%

*Source: Michigan Center for Data and Analytics*

**CITY TAXATION AND LIMITATIONS**

**Property Assessments**

Real property is land and the things permanently attached to or part of the land and improvements made to it by human efforts (“Real Property”). Examples of Real Property include land, buildings, water and sewer facilities, roads and acquisition of various property rights. Personal property is property owned by an individual or business which is not affixed to or associated with the land, consisting of movable items such as furniture, fixtures, and machines and equipment if belonging to a business (“Personal Property”). Customary household goods such as furnishings, appliances and clothing are typically exempt as they are kept or used within the household.

Real and Personal Property is assessed, or valued, by the City, equalized by the County of St. Clair (the “County”) and further equalized by the State as of December 31 of each year. The value as equalized by the State becomes the state equalized valuation (“State Equalized Valuation” or “SEV”). See “Property Valuation” following.

Article IX, Section 3, of the Michigan Constitution provides that Real and Personal Property assessments will not exceed 50% of true cash value. The Michigan Legislature has provided by statute that Real and Personal Property will be assessed at 50% of true cash value. The Michigan Legislature, or the electorate, may change the percentage of true cash value at which Real and Personal Property is assessed.

Personal Property assessments also reflect the taxpayer reported cost of the Personal Property and the application of one of the depreciation schedules formulated by the State Tax Commission. The City’s assessor determines which depreciation schedule will be used to value the Personal Property.

Owners of taxable property may appeal their assessment to the City Assessor, the City’s Board of Review, and the Michigan Tax Tribunal. Outstanding appeals are not anticipated to adversely impact the financial condition of the City.

**Property Valuation**

In 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize the levy of taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as taxable value (“Taxable Value”). Since 1995, property that is taxable has two valuations, SEV and Taxable Value. Michigan statute provides that Real and Personal Property taxes (“Ad Valorem Taxes”) be levied on Taxable Value (the “Ad Valorem Tax Roll”).

Generally, the Taxable Value of Real or Personal Property is the lesser of (a) the SEV or Taxable Value of the property in the immediately preceding year, minus any losses, multiplied by the lesser of 1.05 or the inflation rate, plus all additions, or (b) the property's current SEV. Under certain circumstances, the Taxable Value of property may be different from the same property's SEV. When Real or Personal Property is sold or transferred, Taxable Value is adjusted to the SEV, the year after the sale or transfer, which under existing law is 50% of the true cash value. The Taxable Value of new construction is equal to its SEV.

**Taxable Value**

Taxable Value does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198 of the Public Acts of Michigan of 1974, as amended ("Act 198").

**City of Port Huron  
Total Taxable Value  
Fiscal Years Ended or Ending June 30, 2021 – 2025**

Assessed Value as of December 31,	Year of State Equalization and Tax Levy	City's Fiscal Year End June 30,	Ad Valorem Taxable Value	Percent Increase over Prior Year
2023	2024	2025	\$789,178,996	5.42%
2022	2023	2024	748,627,689	10.43%
2021	2022	2023	677,900,488	4.15%
2020	2021	2022	650,862,608	3.02%
2019	2020	2021	631,760,412	3.32%
Per Capita .....			\$27,804.64	

Source: City of Port Huron

Excluding the Equivalent Taxable Value of property granted tax abatement under Act 198, a breakdown of the City's Total Taxable Value by use and class for the fiscal years ended or ending June 30, 2021, through June 30, 2025, is shown below.

**City of Port Huron  
Total Taxable Value by Use and Class  
Fiscal Years Ended or Ending June 30, 2021 – 2025**

Taxable Value Breakdown by Use

	2021	2022	2023	2024	2025
Residential	\$ 393,275,567	\$ 407,660,072	\$ 435,756,788	\$ 474,428,952	\$ 522,238,714
Commercial	174,641,195	175,552,193	177,267,625	201,519,340	190,818,997
Industrial	44,144,950	46,142,243	43,925,975	47,221,897	48,628,185
Utility	19,698,700	21,508,100	20,950,100	25,457,500	27,493,100
<b>Total</b>	<b>\$ 631,760,412</b>	<b>\$ 650,862,608</b>	<b>\$ 677,900,488</b>	<b>\$ 748,627,689</b>	<b>\$ 789,178,996</b>

Taxable Value Breakdown by Class

	2021	2022	2023	2024	2025
Real	\$ 580,679,812	\$ 596,496,708	\$ 628,089,988	\$ 698,020,189	\$ 735,763,496
Personal	51,080,600	54,365,900	49,810,500	50,607,500	53,415,500
<b>Total</b>	<b>\$ 631,760,412</b>	<b>\$ 650,862,608</b>	<b>\$ 677,900,488</b>	<b>\$ 748,627,689</b>	<b>\$ 789,178,996</b>

Source: City of Port Huron

**City of Port Huron**  
**Percent of Total Taxable Value by Use and Class**  
**Fiscal Years Ended or Ending June 30, 2021 – 2025**

Taxable Value Breakdown by Use

	2021	2022	2023	2024	2025
Residential	62.25%	62.63%	64.28%	63.37%	66.17%
Commercial	27.64%	26.97%	26.15%	26.92%	24.18%
Industrial	6.99%	7.09%	6.48%	6.31%	6.16%
Utility	3.12%	3.30%	3.09%	3.40%	3.48%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Taxable Value Breakdown by Class

	2021	2022	2023	2024	2025
Real	91.91%	91.65%	92.65%	93.24%	93.23%
Personal	8.09%	8.35%	7.35%	6.76%	6.77%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

*Source: City of Port Huron*

**State Equalized Valuation**

Aside from its use in determining Taxable Value for the purpose of levying Ad Valorem Taxes, SEV is important because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits. Ad Valorem SEV does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198.

**City of Port Huron**  
**Total State Equalized Valuation**  
**Fiscal Years Ended or Ending June 30, 2021 – 2025**

Assessed Value as of December 31,	Year of State Equalization and Tax Levy	City's Fiscal Year End June 30,	Ad Valorem SEV	Percent Increase over Prior Year
2023	2024	2025	\$1,120,202,500	7.49%
2022	2023	2024	1,042,161,700	17.39%
2021	2022	2023	887,772,900	6.55%
2020	2021	2022	833,181,200	6.52%
2019	2020	2021	782,186,400	7.65%
Per Capita .....				\$39,467.37

*Source: City of Port Huron*



The following tables show a breakdown of the City’s total SEV by use and class by dollars and percentages for the fiscal years ended June 30, 2021, through June 30, 2025.

**City of Port Huron**  
**Total SEV by Use and Class**  
**Fiscal Years Ended December 31, 2021 – 2025**

State Equalized Value Breakdown by Use

	2021	2022	2023	2024	2025
Residential	\$ 501,120,600	\$ 546,903,900	\$ 605,751,200	\$ 703,340,200	\$ 794,809,300
Commercial	211,236,000	211,761,000	210,043,500	251,441,900	234,560,600
Industrial	50,131,100	53,008,200	51,028,100	61,922,100	63,339,500
Utility	19,698,700	21,508,100	20,950,100	25,457,500	27,493,100
<b>Total</b>	<b>\$ 782,186,400</b>	<b>\$ 833,181,200</b>	<b>\$ 887,772,900</b>	<b>\$1,042,161,700</b>	<b>\$1,120,202,500</b>

State Equalized Value Breakdown by Class

	2021	2022	2023	2024	2025
Real	\$ 731,105,800	\$ 778,815,300	\$ 837,962,400	\$ 991,554,200	\$1,066,787,000
Personal	51,080,600	54,365,900	49,810,500	50,607,500	53,415,500
<b>Total</b>	<b>\$ 782,186,400</b>	<b>\$ 833,181,200</b>	<b>\$ 887,772,900</b>	<b>\$1,042,161,700</b>	<b>\$1,120,202,500</b>

*Source: City of Port Huron*

**City of Port Huron**  
**Percent of Total SEV by Use and Class**  
**Fiscal Years Ended or Ending June 30, 2021 – 2025**

State Equalized Value Breakdown by Use

	2021	2022	2023	2024	2025
Residential	64.07%	65.64%	68.23%	67.49%	70.95%
Commercial	27.01%	25.42%	23.66%	24.13%	20.94%
Industrial	6.41%	6.36%	5.75%	5.94%	5.65%
Utility	2.52%	2.58%	2.36%	2.44%	2.45%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

State Equalized Value Breakdown by Class

	2021	2022	2023	2024	2025
Real	93.47%	93.47%	94.39%	95.14%	95.23%
Personal	6.53%	6.53%	5.61%	4.86%	4.77%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

*Source: City of Port Huron*

## **Personal Property Tax Reform**

The voters of the State approved enactment of Michigan Public Acts 153 and 154 of 2013 and Acts 80 and 86 through 93 of 2014 by referendum on August 5, 2014 (collectively, the “PPT Reform Acts”), which significantly reformed Personal Property tax in Michigan.

Under the PPT Reform Acts, owners of industrial and commercial Personal Property with a total true cash value of \$180,000 or less may file an affidavit claiming a Personal Property tax exemption. To be eligible for the exemption, all of the commercial or industrial Personal Property within a city or township that is owned by, leased to, or controlled by the claimant has to have an accumulated true cash value of \$180,000 or less. Beginning in calendar year 2016, owners of certain manufacturing Personal Property that was either purchased after December 31, 2012, or that is at least 10 years old may claim an exemption from Personal Property tax. By 2022, all eligible manufacturing Personal Property is at least 10 years old or purchased after December 31, 2012, so that it could be exempted from Personal Property tax.

To replace personal property tax revenues lost by local governments, the PPT Reform Acts divided the existing state use tax into two components, a “state share tax” and a “local community stabilization share tax,” and established the Local Community Stabilization Authority (the “LCSA”) to administer distribution of the local community stabilization share. The Michigan Department of Treasury collects the local community stabilization share tax on behalf of the LCSA. The local community stabilization share tax revenues are not subject to the annual appropriations process and are provided to the LCSA for distribution pursuant to a statutory formula. The statutory formula is anticipated to provide 100% reimbursement to local governments for losses due to the new personal property tax exemptions. The LCSA began distributions of the local community stabilization share tax to local governments on November 21, 2016.

The ultimate nature, extent, and impact of any other future amendments to Michigan’s property tax laws on the City’s finances cannot be predicted. Purchasers of the Bonds should consult with their legal counsel and financial advisors as to the consequences of any such legislation on the market price or marketability of the Bonds, the security therefor and the operations of the City.

## **Tax Abatement**

The City's Taxable Value does not include the value of certain facilities which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198. Act 198 was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities and to build new facilities. Except as indicated below, under the provisions of Act 198, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts and industrial development districts and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial facilities exemption certificate granted under Act 198 entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities tax (the “IFT Tax”). For properties granted tax abatement under Act 198 there exists a separate tax roll referred to as the industrial facilities tax roll (the “IFT Tax Roll”). The IFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the Taxable Value level prior to the improvements even if the restoration or replacement substantially increases the value of the facility. For a new facility, the IFT Tax is also determined the same as the Ad Valorem Tax but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. This millage rate equals 1/2 of all tax rates levied by other than the State plus 0%, 50% or 100% of the State Education Tax (as determined by the State Treasurer).

For the fiscal year ending June 30, 2025, the City’s abatements under Act 198 properties had a Taxable Value and SEV of \$3,217,576 and \$3,629,800, respectively.

The City’s Ad Valorem Taxable Value also does not include the value of certain facilities which have been temporarily removed from the Ad Valorem Tax Roll pursuant to Act 146. Act 146 was designed to provide a stimulus in the form of significant tax incentives to renovate certain blighted, environmentally contaminated or functionally obsolete commercial property or commercial housing property (“OPRA Properties”). Under the provisions of Act 146, a local governmental unit (i.e. a city, village or township) may establish obsolete property rehabilitation districts and offer tax incentives or abatements to encourage rehabilitation of OPRA Properties.

An obsolete property rehabilitation certificate granted under Act 146 entitles an eligible facility to an exemption from Ad Valorem Taxes on the building only for a period of up to 12 years. A separate tax roll exists for OPRA Properties abated under Act 146 called the “Obsolete Properties Tax Roll.” An “Obsolete Properties Tax” is calculated using current year ad valorem millages times the taxable value of the obsolete building for the tax year immediately prior to the effective date of the obsolete property rehabilitation certificate except for the annual school operating and State Education Tax millages which are charged at the Ad Valorem Tax rate on the current Taxable Value of the building.

For the fiscal year ending June 30, 2025, the City’s abatements under Act 198 properties had a Taxable Value and SEV of \$18,346,633 and \$20,748,100, respectively.

**Property Taxes**

Michigan statute provides that all ad valorem taxes be levied on Taxable Value. The City’s ability to tax is limited by the State Constitution and State statutes. A mill is equal to \$1.00 for each \$1,000 of Taxable Value. Home rule cities are permitted by Act 279 of the Public Acts of Michigan of 1909, as amended (the "Home Rule Cities Act"), to authorize by their charters a maximum levy of 20 mills for operating purposes.

Pursuant to the Home Rule Cities Act, home rule cities may authorize an additional levy of up to three mills for refuse collection and disposal. Home rule cities are also authorized to levy up to one mill (plus one additional mill with voter approval) for library purposes pursuant to Act 164 of the Public Acts of Michigan of 1877, as amended. Act 359 of the Public Acts of Michigan of 1925, as amended, also authorizes home rule cities to levy up to \$50,000 for promotional expenses.

In addition, the City’s electorate may authorize the issuance of general obligation bonds or other obligations which pledge the full faith and credit and unlimited taxing power of the City.

**State Limitations on Property Taxes**

In 1978, the electorate of the State passed an amendment to the State Constitution (the “Amendment”) which placed certain limitations on increases of taxes by the State and political subdivisions from currently authorized levels of taxation. The Amendment and the enabling legislation, Act 35 of the Public Acts of Michigan of 1979, may have the effect of reducing the maximum authorized tax rate which could be levied by a local taxing unit. Under the Amendment’s millage reduction provisions, should the value of taxable property, exclusive of new construction, increase at a percentage greater than the percentage increase in the Consumer Price Index, the maximum authorized tax rate would be reduced by a factor which would result in the same maximum potential tax revenues to the local taxing unit as if the valuation of taxable property (less new construction) had grown only at the national inflation rate instead of the higher actual growth rate. Thus, should taxable property values rise faster than consumer prices, the maximum authorized tax rate would be reduced accordingly. However, should consumer prices subsequently rise faster than taxable property values, the maximum authorized tax rate would be increased accordingly. Once reduced, a millage rate cannot increase in a subsequent year unless such increase is approved by the voters.

The Amendment does not limit taxes for the payment of principal of and interest on bonds or other evidence of indebtedness outstanding at the time the Amendment became effective, or which have been approved by the electorate of the State or such political subdivision.

**Property Tax Rates**

The City’s property tax rates for the fiscal year ending June 30, 2025, are shown below.

<u>Purpose</u>	<u>Authorized</u>	<u>Permanently Reduced by Headlee</u>	<u>Maximum Allowable Millage Rate</u>	<u>Expiration Date of Levy</u>
City Operating	12.0000	11.1391	10.9754	N/A
Police & Fire	3.0000	2.9703	2.9266	6/30/2028
Parks & Recreation	1.0000	0.9901	0.9755	6/30/2028
Streets	2.0000	1.9768	1.9477	6/30/2034
BWATC	0.6173	0.6068	0.6068	6/30/2028

Source: City of Port Huron

In addition to the City’s property tax rates, residents of the City must pay property taxes to other units of local government. The State levies a State Education Tax (“SET”) of 6.00 mills on all Real and Personal Property currently subject to the general property tax, except industrial personal property, which is exempt. To be eligible for state school aid, a local school district is also required to levy not more than the lesser of 18.00 mills or the number of mills levied in 1993 for school operating purposes on non-homestead property. These property taxes are in lieu of those previously levied for local school district operating purposes. The table below shows total tax rates, expressed as a dollar for each \$1,000 of Taxable Value, for the City’s fiscal years ended or ending June 30, 2021 through 2025.

**City of Port Huron**  
**Principal Residence<sup>(1)</sup> and Non-Principal Residence Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended or Ending June 30, 2021 – 2025**

Category	Fiscal Year Ended or Ending June 30,				
	2021	2022	2023	2024	2025
City Operating	11.2132	11.2132	11.1391	11.1391	10.9754
Police & Fire	2.9901	2.9901	2.9703	2.9703	2.9266
Parks & Recreation	0.9967	0.9967	0.9901	0.9901	0.9755
Rubblish/Garbage	2.8031	2.8031	2.7845	0.0000	0.0000
Streets	1.9900	1.9900	1.9768	1.9768	1.9477
BWATC	0.6173	0.6173	0.6068	0.6068	0.6068
City Total	20.6104	20.6104	20.4676	17.6831	17.4320
<b>Port Huron Area School District</b>					
State Education Tax <sup>(2)</sup>	6.0000	6.0000	6.0000	6.0000	6.0000
Operating	18.0000	18.0000	18.0000	18.0000	18.0000
Debt	4.2400	3.2000	3.2000	3.0500	3.0500
Total Non-Principal Residence	28.2400	27.2000	27.2000	27.0500	27.0500
Total Principal Residence <sup>(1)</sup>	10.2400	9.2000	9.2000	9.0500	9.0500
St. Clair County	8.2329	8.2156	9.2171	9.1173	9.1173
Intermediate School	0.1938	0.1931	0.1930	0.1930	0.1930
Special Education	2.3113	2.3038	2.3026	2.3026	2.3020
Vocational Education	0.9245	0.9215	0.9210	0.9210	0.9208
St. Clair Community College	1.8891	1.8830	1.8820	1.8812	1.8820
Total Mills - Non Principal Residence	62.4020	61.3274	62.1833	59.1482	58.8971
Total Mills - Principal Residence	44.4020	43.3274	44.1833	41.1482	40.8971

<sup>(1)</sup> Principal residence means a dwelling or unit in a multiple-unit dwelling subject to Ad Valorem Taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Principal residence includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the principal residence includes only 5 acres adjacent and contiguous to the home of the owner. Principal residence includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Principal residence also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-principal residence is property not included in the above definition.

<sup>(2)</sup> Industrial Personal Property is exempt from the State Education Tax (SET) and up to 18 mills of the school operating millage. Commercial personal property is exempt from up to 12 mills of the school operating millage.

Source: City of Port Huron

**Property Tax Collections**

The City’s fiscal year begins on July 1 and ends on June 30. Summer Taxes are mailed July 1st and are payable without penalty by August 15<sup>th</sup>. Taxes remaining unpaid on the following March 1st are turned over to the County Treasurer for collection with additional penalties. The County pays the City 100% of the uncollected taxes by May 15th of each year.

It is anticipated that the County will purchase the City’s Delinquent Real Property Taxes from its delinquent tax payment fund. In return, the City will assign to the County all amounts due from the taxpayers with respect to such Delinquent Real Property Taxes. As a result of the anticipated purchases the City’s Real Property tax receipts are expected to approach 100%.

The purchase of Delinquent Real Property Taxes may be dependent upon the sale of delinquent tax notes by the County for that purpose. There is no assurance that the County will issue such delinquent tax notes or purchase such Delinquent Real Property Taxes in any fiscal year. If the Delinquent Real Property Taxes are not purchased by the County, they will be paid to the City within a month following collection. The following table reflects the actual property tax collections for the City’s fiscal years ended or ending June 2020 through 2024.

**City of Port Huron  
Property Tax Collections  
Fiscal Years Ended or Ending June 2020 – 2024**

Fiscal Year	Total Tax Levy	Collections to March 1st of the Following Year	
		Dollar Amount	Percent
2024	\$ 11,587,012	\$ 11,094,991	95.75%
2023	12,560,069	12,021,260	95.71%
2022	12,118,772	11,557,603	95.37%
2021	11,718,432	10,973,165	93.64%
2020	11,437,781	10,863,449	94.98%

*Source: City of Port Huron*

**Profiles of the Ten Largest Taxpayers**

The top ten taxpayers in the City and their 2024 Taxable Value are shown in the table below.

**City of Port Huron  
Ten Largest Taxpayers  
Fiscal Year Ended or Ending June 30, 2025**

10 Largest Taxpayers	Industry	2024 Taxable Valuation
DTE Energy	Electric Utility	\$ 21,749,974
Lake Huron Medical Center	Medical	15,270,798
SEMCO Energy Gas Company	Gas Utility	14,092,968
Sperry's/City Flats	Entertainment, Dining	9,357,595
Winkle Industrial	Commercial Real Estate	5,960,003
Landmark/Monroe/Wrigley	Retail	5,871,307
HVG PH (former Arbors)	Apartments	5,397,826
Blue Water View/Stevens	Condomoniums	4,266,341
Rahlf IV Northport Inc.	Apartments	3,919,897
Acheson Ventures LLC	Developer & Boating Services	3,877,384
		\$ 89,764,093
Top Ten % of 2024 Taxable Valuation.....		11.37%

*Source: City of Port Huron*

## City Income Tax

In 1968, the electorate of the City approved a 1% tax on taxable income for residents and businesses of the City and a ½ of 1% tax on taxable income for non-residents who work in the City. Taxable income is based upon the taxpayer’s adjusted gross or taxable income as determined on the applicable Federal Income Return reduced by a personal exemption for individuals.

### City of Port Huron Income Tax Collection Fiscal Years Ended or Ending June 2020 – 2024

Fiscal Year	Income Tax Revenue Net of
2024	\$ 9,585,727
2023	10,015,449
2022	9,156,399
2021	7,387,448
2020	6,575,928

*Source: City of Port Huron*

### STATE SHARED REVENUES

The City receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended. The revenue sharing payments are composed of two components – a constitutional distribution and a statutory distribution.

The constitutional distribution is mandated by the State Constitution and distributed on a per capita basis to townships, cities and villages. The amount of the constitutionally mandated revenue sharing component distributed to the [City] can vary depending on the population of the City and the receipt of sales tax revenues by the State.

The statutory distribution is authorized by legislative action and distribution is subject to annual State appropriation by the State Legislature. Statutory distributions may be reduced or delayed by Executive Order during any State fiscal year in which the Governor, with the approval of the State Legislature’s appropriations committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

On July 24, 2024, Governor Whitmer signed into law the budget for fiscal year 2025. The budget includes a constitutional revenue sharing distribution to cities, villages and townships of approximately \$1.073 billion. An additional \$333.5 million has been appropriated for revenue sharing distributions, of which \$299.1 million will be distributed pursuant to the State Revenue Sharing Act and \$34.4 million will be distributed in 1/3 increments to cities, villages, and townships: (i) according to a statutory formula based on the per capita taxable valuation of each city, village, or township in proportion to the State-wide per capita taxable valuation; (ii) to each unit type according to its population; and (iii) pursuant to a formula that provides a yield equalization payment to each unit that is sufficient to provide the guaranteed tax base for a local tax effort, not to exceed 0.02.

Any portion of the CVTRS payment that the City would be eligible to receive would be subject to certain benchmarks that the City would need to meet, and there can be no assurance what amount, if any, the City would receive under the CVTRS program. The City received CVTRS payments of \$1,209,566 in fiscal year 2023 and anticipates meeting the requirements to receive \$1,282,034 in CVTRS payments for fiscal year 2024.

Purchasers of the Bonds should be alerted to further modifications to revenue sharing payments to Michigan local governmental units, to potential consequent impact on the City’s general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the City from the State.

The following table sets forth the annual revenue sharing payments and other moneys received by the City for the fiscal years ended June 30, 2020, through June 30, 2024, as well as anticipated payments for fiscal year 2025.

**City of Port Huron  
Revenue Sharing Payments  
Fiscal Years Ended or Ending June 30, 2020-2025**

	2020	2021	2022	2023	2024*	2025*
Constitutional	\$ 2,677,361	\$ 2,783,073	\$ 3,162,346	\$ 3,182,003	\$3,128,639	\$3,087,967
CVTRS	1,121,079	941,145	1,148,203	1,209,566	1,249,783	1,320,947
Supplemental	4,067	-	-	-	-	-
CLFRF	-	-	-	-	12,096	38,101
Public Safety	-	-	-	-	20,155	25,201
<b>Total State Shared Revenues</b>	<b>\$ 3,802,507</b>	<b>\$ 3,724,218</b>	<b>\$ 4,310,549</b>	<b>\$ 4,391,569</b>	<b>\$ 4,410,673</b>	<b>\$ 4,472,216</b>

\*Preliminary, subject to change.

Source: Michigan Department of Treasury

**GENERAL FUND REVENUES AND EXPENDITURES**

**City of Port Huron  
General Fund Revenues and Expenditures  
Fiscal Years Ended June 30, 2021-2023**

	Fiscal Year Ended June 30,		
	2021	2022	2023
Revenues	\$ 28,405,982	\$ 32,303,763	\$ 39,516,954
Expenses	27,135,268	30,222,120	40,080,228
Revenues Over (Under) Expense	1,270,714	2,081,643	(563,274)
Proceeds from sale of capital assets	1,000	1,000	89,036
New debt issued	-	-	9,754,909
Transfers in	(603,300)	-	-
Transfers out	-	(1,603,300)	(1,143,300)
Total other financing (uses) sources	(602,300)	(1,602,300)	8,700,645
Net Change in Fund Balance	668,414	479,343	8,137,371
Beginning Balance	4,786,173	5,454,587	5,933,930
Ending Balance	\$ 5,454,587	\$ 5,933,930	\$ 14,071,301

Source: City of Port Huron

**CITY DEBT**

**Statutory and Constitutional Debt Provisions**

Section 21 of Article VII of the Michigan Constitution establishes the authority, subject to statutory and constitutional limitations, for municipalities to incur debt for public purposes:

“The legislature shall provide by general laws for the incorporation of cities and villages. Such laws shall limit their rate of ad valorem property taxation for municipal purposes and restrict the powers of cities and villages to borrow money and contract debts. Each city and village are granted power to levy other taxes for public purposes, subject to limitations and prohibitions provided by this constitution or by law.”

In accordance with the foregoing authority granted to the State Legislature, the Home Rule Cities Act limits the amount of debt a city may have outstanding at any time. Section 4(a) of this Act provides:

“...the net indebtedness incurred for all public purposes may be as much as but shall not exceed the greater of the following:

- (a) Ten percent of the assessed value of all real and personal property in the city.
- (b) Fifteen percent of the assessed value of all the real and personal property in the city if that portion of the total amount of indebtedness incurred which exceeds 10% is or has been used solely for the construction or renovation of hospital facilities.”

Significant exceptions to the debt limitation have been permitted by the Home Rule Cities Act for certain types of indebtedness which include: special assessment bonds and Michigan transportation fund bonds (formerly, motor vehicle highway fund bonds), even though they are a general obligation of the City; revenue bonds payable from revenues only, whether secured by a mortgage or not; bonds issued or contract obligations assessments incurred to comply with an order of the Water Resources Commission of the State of Michigan or a court of competent jurisdiction, obligations incurred for water supply, sewage, drainage or refuse disposal or resource recovery projects necessary to protect the public health by abating pollution and bonds issued or assessments or contract obligations incurred for the construction, improvement or replacement of a combined sewer overflow abatement facility.

**Legal Debt Margin**

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of October 2, 2024.

**City of Port Huron  
Legal Debt Margin Calculation  
as of October 2, 2024, including the Bonds described herein**

<b>LEGAL DEBT MARGIN CALCULATION</b>	
State Equalized Value (SEV)	\$ 1,120,202,500
Plus: Half Assessed Value Equivalent of Act 198 Property	1,814,900
Plus: for Revenue Sharing <sup>(1)</sup>	407,476,356
Plus: LCSA/PPT <sup>(2)</sup>	45,620,079
Equivalent Valuation for Debt Margin Purposes	1,575,113,835
Legal Debt Limit - 10% of Total Equivalent Valuation <sup>(3)</sup>	\$ 157,511,383
Outstanding Direct and Indirect Debt	99,689,025
Less: Exempt Debt (4)	(23,227,251)
Amount Subject to Legal Debt Limit	\$ 76,461,774
LEGAL DEBT MARGIN AVAILABLE	\$ 81,049,609

<sup>(1)</sup> Constitutional and CVTRS State Revenue Sharing payments divided by the City’s operating millage rate.  
<sup>(2)</sup> The Local Community Stabilization Authority (“LCSA”) was established to administer distribution of the replacement of personal property tax revenues lost by local government. Eligible reimbursements for LCSA equal Total Reimbursement less Total Qualified Loss Distribution divided by the City’s operating millage.  
<sup>(3)</sup> 10% of SEV.  
<sup>(4)</sup> Act 94 Revenue Bonds.

Source: City of Port Huron



**Debt Statement**

The following table reflects a breakdown of the City’s direct and overlapping debt as of October 2, 2024, including the Bonds described herein.

**City of Port Huron  
Debt Statement  
as of October 2, 2024, including the Bonds described herein**

**DIRECT DEBT**

<u>Dated</u>	<u>Purpose</u>	<u>Total Outstanding</u>	<u>Self-Supporting</u>	<u>Net Direct Debt</u>
11/13/2024	Sewer Revenue	\$ 7,685,000	\$ 7,685,000	\$ -
12/21/2022	GOLT Fire Station Bonds	9,510,000	-	9,510,000
12/08/2021	Water Revenue Refunding Bonds	4,705,000	4,705,000	-
07/07/2021	LTGO Refunding Bonds	6,085,000	3,205,000	2,880,000
06/29/2021	LTGO WWTP/CIB Bonds	10,920,000	-	10,920,000
03/04/2020	Pension Bonds	47,325,000	-	47,325,000
08/08/2019	LTGO Sewer Refunding Bonds	2,345,000	-	2,345,000
10/18/2012	LTGO Refunding Bonds A/B	1,327,117	-	1,327,117
	Combined CWSRF/SRF Loans	5,837,251	5,837,251	
	Combined DWSRF Loans	3,949,657	3,949,657	
	<b>TOTAL DIRECT DEBT</b>	<u>\$ 99,689,025</u>	<u>\$ 25,381,908</u>	<u>\$ 74,307,117</u>

**OVERLAPPING DEBT**

School District	\$ 34,714,007
County	2,766,068
Intermediate School District	-
Community College	181,656
<b>TOTAL OVERLAPPING DEBT</b>	<u>37,661,731</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<u>\$ 137,350,756</u>

(1) Preliminary, subject to change.

Source: City of Port Huron and the Municipal Advisory Council of Michigan

**City of Port Huron**  
**Direct and Overlapping Debt Statistics**  
*as of October 2, 2024, including the Bonds described herein*

Estimated City Population	28,383
2024 Taxable Value	\$789,178,996
2024 State Equalized Value (SEV)	\$1,120,202,500
2024 True Cash Value (TCV)	\$2,240,405,000
Per Capita 2024 Taxable Value	\$27,804.64
Per Capita 2024 State Equalized Value	\$39,467.37
Per Capita 2024 True Cash Value	\$78,934.75
Per Capita Net Direct Debt	\$3,521.26
Per Capita Net Direct and Overlapping Debt	\$4,848.18
Percent of Net Direct Debt of 2024 Taxable Value	12.66%
Percent of Net Direct and Overlapping Debt of 2024 Taxable Value	17.44%
Percent of Net Direct Debt of 2024 SEV	8.92%
Percent of Net Direct and Overlapping Debt of 2024 SEV	12.28%
Percent of Net Direct Debt of 2024 TCV	4.46%
Percent of Net Direct and Overlapping Debt of 2024 TCV	6.14%

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*Source: City of Port Huron and the Municipal Advisory Council of Michigan*

**Schedule of Bond Maturities**

The following tables sets forth the annual maturities of the City’s bonded indebtedness by type of issue as of October 2, 2024.

**City of Port Huron**  
**Schedule of Bond Maturities**  
*as of October 2, 2024, including the Bonds described herein*

Fiscal Year Ending June 30,	CWSRF Bonds (LTGO)	DWSRF Bonds (LTGO)	Capital Improvement Bonds	Water Revenue Bonds	Pension Bonds	2024 Sewer Revenue Bonds <sup>(1)</sup>	Total Debt Service
2025	\$ 1,002,532	\$ 1,044,281	\$ 2,010,308	\$ 200,000	\$ 1,395,000	\$ -	\$ 5,652,121
2026	998,397	746,455	1,876,809	210,000	1,420,000	205,000	5,456,661
2027	799,821	589,308	1,085,000	215,000	1,445,000	210,000	4,344,129
2028	683,666	401,676	1,125,000	225,000	1,470,000	215,000	4,120,342
2029	565,000	305,000	1,160,000	230,000	1,500,000	220,000	3,980,000
2030	579,750	269,258	1,210,000	240,000	1,535,000	225,000	4,059,008
2031	375,000	115,000	1,260,000	255,000	1,570,000	235,000	3,810,000
2032	388,654	115,000	1,300,000	265,000	1,605,000	240,000	3,913,654
2033	169,886	120,000	1,345,000	275,000	1,645,000	250,000	3,804,886
2034	135,000	120,000	1,100,000	285,000	1,690,000	255,000	3,585,000
2035	139,545	123,679	1,130,000	295,000	1,730,000	265,000	3,683,224
2036	-	-	1,175,000	310,000	1,775,000	275,000	3,535,000
2037	-	-	1,215,000	315,000	1,830,000	285,000	3,645,000
2038	-	-	1,255,000	335,000	1,880,000	295,000	3,765,000
2039	-	-	975,000	340,000	1,935,000	305,000	3,555,000
2040	-	-	1,005,000	350,000	1,990,000	315,000	3,660,000
2041	-	-	1,050,000	360,000	2,050,000	325,000	3,785,000
2042	-	-	910,000	-	2,115,000	335,000	3,360,000
2043	-	-	935,000	-	2,180,000	350,000	3,465,000
2044	-	-	970,000	-	2,245,000	365,000	3,580,000
2045	-	-	1,000,000	-	2,315,000	380,000	3,695,000
2046	-	-	1,030,000	-	2,385,000	395,000	3,810,000
2047	-	-	1,060,000	-	2,460,000	410,000	3,930,000
2048	-	-	445,000	-	2,540,000	425,000	3,410,000
2049	-	-	470,000	-	2,620,000	445,000	3,535,000
2050	-	-	490,000	-	-	460,000	950,000
2051	-	-	510,000	-	-	-	510,000
2052	-	-	535,000	-	-	-	535,000
2053	-	-	555,000	-	-	-	555,000
	<u>\$ 5,837,251</u>	<u>\$ 3,949,657</u>	<u>\$ 30,187,117</u>	<u>\$ 4,705,000</u>	<u>\$ 47,325,000</u>	<u>\$ 7,685,000</u>	<u>\$ 99,689,025</u>

<sup>(1)</sup> Preliminary, subject to change.

Source: City of Port Huron and the Municipal Advisory Council of Michigan

**Debt History**

The City has no history of defaults on its obligations.

**Future Financing**

The City does not anticipate any additional financing plans in the next twelve months.

## RETIREMENT PLANS

Please see Note 9 – Defined Contribution Pension Plan of the June 30, 2023 Financial Statements, see Appendix B for additional information.

### Defined Benefit Plan

#### Plan Description

The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan. As of June 30, 2023, all of the City's full-time employees hired prior to February 1, 2020, including all full-time employees of the component units, participate in the plan, except as noted below. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, and nonduty-connected death to plan members and their beneficiaries. The service requirement is computed using the employee's credited years of service at the time of termination of membership multiplied by the sum of 1.25 percent, 2.00 percent, 2.25 percent, 2.50 percent, or 2.75 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the year ended December 31, 2021 (measurement date).

Certain new employees hired after July 1, 2008, began participating in the MERS Hybrid Plan, with all new employees hired after July 1, 2014 and prior to February 1, 2020 participating. The Hybrid Plan offers both a defined benefit pension similar to the plans described above and a defined contribution pension. The defined benefit pension is based on a 1.25 percent (2.00 percent for police officers and firefighters) multiplier. The defined contribution pension has a 3 percent employer contribution and a 2 percent employee contribution.

Management of the plan is vested in the pension board, which consists of seven members - three elected by plan members, three appointed by the City, and the city treasurer, who serves as an ex officio member.

#### Benefits Provided

MERS was organized pursuant to Section 12a of Act No. 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS is administered by a nine-member retirement board. The act assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities. In this case, the authority rests with the City. MERS issues a publicly available financial report that includes financial statements and required supplementary information of this defined benefit plan. That report may be obtained at [www.mersofmich.com](http://www.mersofmich.com) or by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917. An employee who leaves city service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Honorable Mayor and members of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

At the December 31, 2022, valuation date, the following employees were covered by the benefit terms:

Date of member count	December 31, 2022
Inactive plan members or beneficiaries currently receiving benefits	394
Inactive plan members entitled to but not yet receiving benefits	50
Active plan members	191
Total employees covered by the plan	635

#### Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by

employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to make pension contributions based on (describe amounts agreed upon in union contracts). The City's required contribution is determined after consideration of the required contribution rate of employees. For the year ended December 31, 2022, the average active employee contribution rate was 3.4 percent of annual pay, and the City's average contribution rate was 18.4 percent of annual payroll.

*Changes in Net Pension Liability*

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2021</b>	<b>\$ 168,061,795</b>	<b>\$ 157,600,321</b>	<b>\$ 10,461,474</b>
Changes for the year:			
Service cost	1,209,777	-	1,209,777
Interest	11,766,933	-	11,766,933
Differences between expected and actual experience	1,791,267	-	1,791,267
Contributions - Employer	-	2,587,788	(2,587,788)
Contributions - Employee	-	483,558	(483,558)
Net investment loss	-	(17,328,062)	17,328,062
Benefit payments, including refunds	(12,723,652)	(12,723,652)	-
Administrative expenses	-	(281,777)	281,777
Miscellaneous other charges	(4,676)	(4,676)	-
<b>Net changes</b>	<b>2,039,649</b>	<b>(27,266,821)</b>	<b>29,306,470</b>
<b>Balance at December 31, 2022</b>	<b>\$ 170,101,444</b>	<b>\$ 130,333,500</b>	<b>\$ 39,767,944</b>

**Other Post-Employment Benefits Plans**

*Please see Note 8 – Other Postemployment Benefits of the June 30, 2023 Financial Statements.*

*Plan Description*

The City has established a single-employer defined benefit plan, which it administers, the Retiree Health Care Benefits Fund. The plan provides postemployment benefits other than pensions to its qualifying fulltime employees and retirees. The OPEB benefits are provided under collective bargaining agreements and other requirements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the City. The plan is administered in accordance with the Uniform Resolution Adopting the MERS Retiree Health Funding Vehicle, which was adopted by the City Council on May 14, 2007.

*Benefits Provided*

The Plan provides health care benefits for certain retirees and their covered spouses. The benefits provided to retirees are generally the same as or similar to the benefits received by employees. Therefore, benefits received by retirees may be changed due to changes in collective bargaining agreements and other requirements. Effective January 1, 2022, all Medicare eligible retirees that have qualified for retiree health care benefits are covered by a Medicare Advantage Plan.

At the July 1, 2022, valuation date, the following employees were covered by the benefit terms:

Date of member count	July 1, 2022
Inactive plan members or beneficiaries currently receiving benefits	462
Active plan members	86
<b>Total plan members</b>	<b>548</b>

*Contributions*

Adoption of the plan granted the City the authority to establish and amend the contribution requirements. In practice, these contributions are established based on the actuarially determined rate. For the year ended June 30, 2023, the City contributed \$3,024,450, which was more than of the actuarially determined amount by \$1,789,338. The City’s contribution rate was 37.4 percent of covered-employee payroll. Plan members are not required to contribute to the plan.

*Changes in Net Pension Liability*

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at June 30, 2022</b>	<b>\$ 38,319,232</b>	<b>\$ 25,733,116</b>	<b>\$ 12,586,116</b>
Changes for the year:			
Service cost	174,109	-	174,109
Interest	2,588,800	-	2,588,800
Differences between expected and actual experience	512,034	-	512,034
Changes in assumptions	(1,089,649)	-	(1,089,649)
Contributions - Employer	-	3,024,448	(3,024,448)
Net investment income	-	1,917,795	(1,917,795)
Benefit payments, including refunds	(3,020,979)	(3,020,979)	-
Administrative expenses	-	(48,554)	48,554
<b>Net changes</b>	<b>(835,685)</b>	<b>1,872,710</b>	<b>(2,708,395)</b>
<b>Balance at June 30, 2023</b>	<b>\$ 37,483,547</b>	<b>\$ 27,605,826</b>	<b>\$ 9,877,721</b>

**LABOR CONTRACTS**

The City has two labor agreements with various employee groups which provide for comprehensive salary, wage, and fringe benefit programs. The City has a history of favorable employee relations. The expiration date of the various contracts are as follows:

Full-Time Staff - Collective Bargaining Unit	Number of Positions	Expiration Date of Contract
Department of Public Works	63	6/30/2026
Supervisors Union	16	6/30/2026
Police Clerical	5	6/30/2026
Police Officers Association of Michigan	44	6/30/2025
Council on Aging	11	6/30/2025
Fire	40	6/30/2025
Non-Union	251	
<b>Total</b>	<b>430</b>	

*Source: City of Port Huron*

**City of Port Huron  
Annual Comprehensive Financial Report  
June 30, 2023**

The auditor was not requested to examine or review and therefore has not examined or reviewed any financial documents, statements, or materials that have been or may be furnished in connection with the authorization, issuance, or marketing of the Bonds and, accordingly, has not conducted any post-audit review procedures and will not express any opinion with respect to the accuracy or completeness of such financial documents, statements or materials.

# Annual Comprehensive Financial Report

For the Year Ended June 30, 2023



**Department of Finance**  
City of Port Huron, Michigan

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT  
CITY OF PORT HURON, MICHIGAN  
DEPARTMENT OF FINANCE**

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For the Fiscal Year Ended June 30, 2023

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**CITY COUNCIL**

Pauline M. Repp – Mayor

Sherry L. Archibald	Teri Lamb
Anita R. Ashford	Robert L. Mosurak
Conrad Haremza	Jeffrey R. Pemberton

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James R. Freed – City Manager

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**DEPARTMENT OF FINANCE**

Lee V. Ward, C.P.A. – Director

Bobbie J. Seppo – Deputy Director

Terry G. Caryl – Treasurer – Water Office Supervisor

Karla M. Pearl, C.P.A. – Income Tax Administrator

Ryan P. Porte – Assessor



**City of Port Huron, Michigan**

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**City of Port Huron, Michigan**

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Honorable Mayor and City Council  
 City of Port Huron  
 Port Huron, Michigan

We are pleased to present the Annual Comprehensive Financial Report of the City of Port Huron, Michigan for the fiscal year ended June 30, 2023. State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants within six months of the close of each fiscal year. Pursuant to this requirement, we hereby issue the annual comprehensive financial report of the City of Port Huron for the fiscal year ended June 30, 2023. This report was prepared in accordance with regulations and standards set forth by the City Charter, the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, the Treasurer of the State of Michigan, and the Government Finance Officers Association.

This report consists of management’s representations concerning the finances of the City of Port Huron. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Port Huron has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Port Huron’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Port Huron’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Port Huron’s financial statements have been audited by Plante & Moran, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Port Huron for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Port Huron’s financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Port Huron was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls

and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Port Huron's MD&A can be found immediately following the report of the independent auditors.

### PROFILE OF THE GOVERNMENT

The City of Port Huron, incorporated in 1857, is located in southeastern Michigan, on the western shore of Lake Huron where it flows into the St. Clair River. The City of Port Huron occupies a land area of approximately eight square miles and serves a population of 28,983 (2020 census).

The City of Port Huron is operated under the council-manager form of government. Policy-making and legislative authority are vested in City Council, consisting of six at large members and an elected Mayor. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. As a result of the adoption of a new charter, which took effect January 1, 2011, council members serve four year terms, with three council members elected every two years. The Mayor is elected separately for a two year term. Elections are held during even numbered years in November.

The City of Port Huron provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; sanitation services and recreational activities and cultural events. The City's parks include three and a half miles of public water frontage with two beaches on Lake Huron, four large parks and parkways along the St. Clair River and marina facilities on the Black River. The City provides water distribution and wastewater collection services for its residents and for portions of four surrounding communities, serving a population in excess of 60,000.

The annual budget serves as the foundation for the City of Port Huron's financial planning and control. State law requires the City Manager to develop a proposed budget. The City Charter requires that the proposed budget be presented to the City Council for review at the second April council meeting. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Port Huron's fiscal year. The budget is prepared by fund and function (e.g., public safety) with supporting detail by activity or department (e.g., police). However, the legally adopted budget is at the functional level. Therefore, expenditures may not legally exceed budget appropriations at the functional level. Department heads may make transfers of appropriations within a department. Authority to make transfers of appropriations between departments is given to the City Manager. Transfers between funds or changes in spending at the fund level require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and the major special revenue funds, this comparison is presented starting on page 77 as part of required supplementary information of the financial statements. This comparison

is presented in the combining and individual fund subsection of this report, which starts on page 101, for governmental funds with appropriated annual budgets other than the general fund and the major special revenue funds.

The City Council is presented with a three-year budget for the General Fund. However, only the current year's budget is formally adopted. The two outlying years are presented to help facilitate long-term financial planning within the General Fund. This enables the City to identify trends sooner, thereby providing the City Council with additional time to take any corrective budgetary measures that would be beneficial. Also, City staff annually prepares a six-year Capital Improvement Program (CIP). The intent of the CIP is to establish capital priorities and therefore assist in the most efficient allocation of the City's financial resources. The City Council adopts the CIP as a guide when the budget resolution is adopted.

The City of Port Huron has adopted financial policies that guide the City in its financial management practices. The City takes these policies into account in preparation of the annual budget and in reviewing the budget status of each fund during the year. The City's Fund Balance Policy was adopted by the City Council during 2015. It specifies that the City's General Fund should be managed in such a way that, over time, its fund balance would move toward 25 percent of adopted expenditures. The City has also adopted a Debt Management Policy. This policy, also adopted in 2015 by the City Council, details underlying principles and restrictions for incurring debt and payment of debt service.

### ECONOMIC CONDITION AND OUTLOOK

Port Huron is one of only three ports of entry into Canada from the state, via the International Blue Water Bridge. As a result of the modern limited access highway systems on both sides of the border as well as the dual span Blue Water Bridge, we experience robust trade and tourism activity for our community. The Blue Water Bridge is among the five busiest Ontario crossings, both commercially and overall. Over 5 million vehicles annually cross the twin spans, including approximately 10,000 passenger vehicles on an average day. Port Huron is also within the just-in-time service radius of Detroit and Flint which has contributed to the addition of new auto related industries in our industrial park.

The City has a varied manufacturing, industrial and commercial base and is the county seat. The downtown area includes the administrative and court facilities for St. Clair County. The St. Clair County Community College and the regional medical facilities of the McLaren Port Huron Hospital and Lake Huron Medical Center are also within the City. The City's population has been relatively stable. However, the metropolitan area, which is served by the City and its employers, is over 80,000, increasing the City's commercial and employment base. The City is also home to McMorran Place, a theater and arena complex. The Port Huron Museum currently has three major facilities; the Carnegie Center; the retired Coast Guard lightship, the Huron; the Thomas Edison Depot Museum and a variety of other maritime attractions. The County recreation commission has acquired the historic Fort Gratiot Lighthouse, the oldest Great Lakes lighthouse, and the surrounding buildings and park area from the federal government. The Fort Gratiot Lighthouse is open to the public and is also operated by the Port Huron Museum.

A local investor and philanthropist has created an investment venture which has acquired over seventy acres of former railroad and other property in the southern downtown area of the City along the St. Clair River, including the Seaway Terminal formerly owned by the City. The venture intends to develop over a mile of riverfront property. The local philanthropist has donated a 4,300 foot strip of riverfront shoreline which opened to the public as Blue Water River Walk during June, 2014.

The Blue Water Convention Center, featuring over 34,000 square feet of state-of-the-art meeting space and on-site dining and catering, opened in the spring of 2015. It was constructed in conjunction with the renovation of an existing hotel and conference center and the creation of a new waterfront restaurant. The complex is scenically located along the St. Clair River with a view of Lake Huron and the Blue Water Bridge.

Developers continue with their plans to renovate and restore several downtown buildings. The plans include use of second and third floors for lofts and improved retail and commercial space on the first floors. The plans include a variety of financing and tax incentives.

Plans are well underway to develop the waterfront site formerly occupied by the YMCA. Preliminary renderings called for two ultra-modern high-rise towers facing the water, but flanking each other at a slight angle. Construction on the first tower has been completed, with some units occupied. The condominium units have a considerable amount of glass to maximize the view of Lake Huron, the St. Clair River and Sarnia, Ontario.

#### OTHER MAJOR INITIATIVES

Providing job opportunities and maintaining our population are key factors that will determine the economic future of Port Huron. The City has served as a major catalyst in these areas and promoted economic development to attain these goals. Several significant developments have occurred or are in progress which will enhance our future and include:

- The continuing concentrated effort to revitalize streets made possible with voter approval of a two mill property tax levy (initially approved by the citizens in May, 1994 for a ten year period. The levy was renewed for an additional ten years in May, 2004, November, 2013 and is up for renewal in December 2023).
- Continued operation of the City's industrial park to facilitate additional manufacturing sites and employment opportunities.
- City Council approved a contract with a private marina manager to operate the River Street Marina. This initiative has improved operations and usage and reduced annual costs to the City.
- In June, 2009, the Water Street Marina was sold to a developer for the construction of a hotel and restaurant on the site. As a result of financing issues, the developer was unable to continue the project. The City reacquired the property in late 2012 and resold the property to another developer in June, 2013. The hotel opened for business in early 2016.
- During August, 2017, citizens of the City of Port Huron approved two new property tax levies by wide margins. The additional three mill property tax levy for public safety allowed the Police and Fire Departments to maintain current service levels. The additional one mill property tax levy for parks and recreation allowed the City to maintain current programs at McMorran Place and in the Parks and Recreation Department. The millage was approved for a period of five years with the initial levy occurring in July, 2018 with a renewal approved in May of 2023.

- During December, 2017, the City installed festive LED lighting over three blocks of its main downtown street. The lighting showcases this vibrant downtown area and has received a warm reception from citizens and tourists alike. Donations from multiple local agencies and individuals helped to partially offset the cost of this project.
- During the fall of 2018, developers purchased a former department store and began renovations in order to bring the much needed grocery store to the City's downtown. Within the scope of the project the owners included offices available for local businesses and second floor loft units. The grocery store opened during March, 2022.
- The City has announced plans to develop 3.3 acres of vacant land. This property, formerly part of the County's day treatment program, will eventually include 19 single family homes. Construction of streets, water lines and sewer lines are complete with home construction, currently, underway.
- Development of a vacant downtown building which formerly housed both a grocery store and a furniture store is substantially complete. The project involved a \$13 million dollar investment in the City's downtown area. The project included a variety of innovative financing sources. In addition to private financing, there was participation by the Michigan Economic Development Corporation and the Brownfield Redevelopment Authority as well as other tax incentives. The main floor includes a combination of business and open market space, which could potentially include a year-round farmer's market. The top three floors include 36 lofts with an attached two-story parking deck.
- The City has selected a developer to construct 58 condominium units on a 2.1 acre parcel of vacant land. This property, which was formerly occupied by a grocery store, will eventually see a \$9.5 million dollar investment in the City's southern end. Construction on the four-story residential complex is scheduled to begin during the spring of 2024.
- The City has announced plans to develop 6.8 acres of vacant land. This property will eventually see a \$12-\$14 million dollar investment in a 52,416 square-foot senior living facility. Upon completion of the project, it is expected to create 15-20 new jobs.

It is anticipated that the City's involvement in these major economic development projects will create additional job opportunities and increased population, and will expand the City's financial resources. However, the recent economic conditions will make it extremely challenging to continue to fund services. The City administration continues to work with elected officials and citizens to review City operations.

LEGACY COSTS - PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The City of Port Huron participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System of Michigan (MERS). All of the City's full-time employees hired before February 1, 2020 participate in the plan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance and nonduty-connected death to plan members and their beneficiaries. Certain new employees hired after July 1, 2008 began participating in the MERS Hybrid Plan, with all new employees hired after July 1, 2014 and prior to February 1, 2020 participating. The Hybrid Plan offers both a defined benefit pension with a reduced multiplier and a defined contribution pension. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City of Port Huron must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City of Port Huron fully funds each year's annual required contribution to the pension plan as determined by the actuary.

During 2019, the City's management came to agreement with its six unions to close all defined benefit plans to new hires. New employees hired after February 1, 2020 participate in a defined contribution plan. This allowed the City to issue pension bonds with \$52 million being transferred directly to MERS during March, 2020 to fund the City's defined benefit pension plan.

The City of Port Huron also provides post-retirement health benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 286 retired employees receiving these benefits. The City maintains a prefunded retiree health care fund with MERS, recorded in the Retiree Health Care Benefits Fund. As a matter of course, the City has routinely made the actuarially required contribution into the Retiree Health Care Benefits Fund set up to provide these benefits in the future. As of June 30, 2023, the value in the fund is approximately \$27.6 million. The post employment health care benefits are projected annually and required contributions are actuarially computed.

Effective January 1, 2022, all Medicare eligible retirees that have qualified for retiree health care benefits are covered by a Medicare Advantage Plan. This change reduced the City's total OPEB liability by approximately \$28.5 million.

Additional information on the City of Port Huron's pension arrangements and post-employment benefits can be found in Notes 8 and 9 in the notes to the financial statements.

The City of Port Huron has made changes to various employee benefit programs to reduce current and future costs. Current health care coverages have been modified to increase deductibles and co-pays, to encourage the use of generic drugs and to increase coverages for preventative tests and other procedures. The City has introduced wellness programs, including a prohibition on hiring smokers that dates to 1993. Also, all employees hired after January 1, 2012 do not participate in the retiree health care program. Those employees now participate in a health care savings plan with a 2% contribution matched by the City, and will be able to purchase retiree health care from the City using their balance in the health care savings plan.

RISK MANAGEMENT

The City has entered into a joint powers agreement with other Michigan units of government for joining the Michigan Municipal Risk Management Authority (MMRMA) for its property damage and general liability coverage, including auto and public official liability. There is third party coverage for claims in excess of \$150,000. The MMRMA also provides training and other assistance to reduce risk and has a risk avoidance grant program (RAP) which has allowed the City to purchase safety and other equipment at reduced costs. The City has also provided for worker's compensation claims within the Fringe Benefit Fund with third party coverage for claims above \$750,000 for police officers and firefighters and \$550,000 for all other employees.

AWARDS AND ACKNOWLEDGMENTS

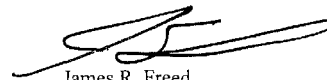
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Huron for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2022. This was the forty-eighth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

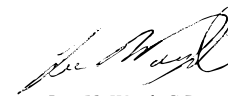
In closing, we also thank the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



James R. Freed  
City Manager

LVW



Lee V. Ward, C.P.A.  
Director of Finance



Government Finance Officers Association

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for Excellence  
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Michigan**

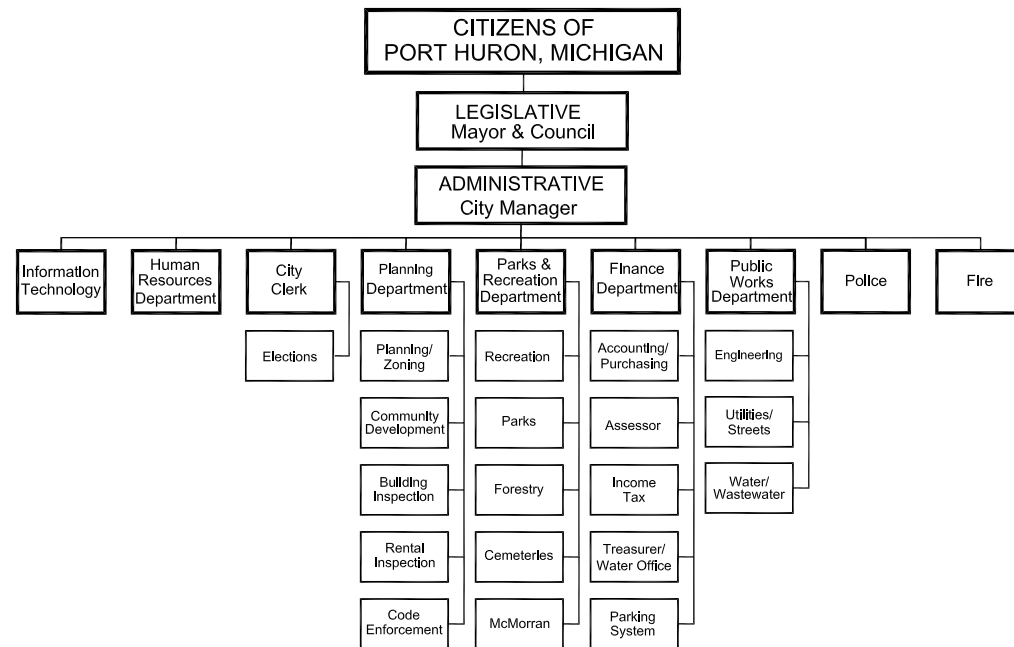
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morrill*

Executive Director/CEO

**PORT HURON CITY GOVERNMENT  
ORGANIZATIONAL CHART**





**Plante & Moran, PLLC**  
 Suite 300  
 19176 Hall Road  
 Clinton Township, MI 48038  
 Tel: 586.416.4900  
 Fax: 586.416.4901  
 planteandmoran.com

**Independent Auditor's Report**

To the Honorable Mayor and Members  
 of the City Council  
 City of Port Huron, Michigan

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the 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 Port Huron, Michigan (the "City") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City of Port Huron, Michigan's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, each major fund, and the aggregate remaining fund information of the City of Port Huron, Michigan as of June 30, 2023 and the respective changes in its financial position and, where applicable, its cash flows thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Emphasis of Matter**

As explained in Note 1, the financial statements include investments valued at \$27,605,826 (100 percent of the fiduciary fund) at June 30, 2023. Approximately \$14,830,000 of that pooled market fund includes investments that may not be publicly traded and, therefore, do not always have a readily determinable market value. Management's estimates are based on information provided by investment managers, general partners, real estate advisors, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



To the Honorable Mayor and Members  
 of the City Council  
 City of Port Huron, Michigan

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

To the Honorable Mayor and Members  
of the City Council  
City of Port Huron, Michigan

**Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Port Huron, Michigan's basic financial statements. The accompanying combining and individual fund statements and schedules section and discretely presented governmental component units section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the City of Port Huron, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Port Huron, Michigan's 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 Port Huron, Michigan's internal control over financial reporting and compliance.



December 15, 2023

City of Port Huron

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2023

As management of the City of Port Huron, we offer readers of the City of Port Huron's financial statements this narrative overview and analysis of the financial activities of the City of Port Huron for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 6 through 12 of this report and with the basic financial statements and related notes that follow this section.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City of Port Huron exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$139,619,561 (net position). Included in this amount is a negative \$59,336,342 of unrestricted net position. Also included is \$23,792,576 of restricted net position restricted for specific purposes (street improvements, law enforcement, etc.) and \$175,163,327 representing net investment in capital assets.
- The government's total net position increased by \$14,965,939. This increase is primarily the result of the careful review and control of expenses and moderate increases in revenue.
- As of the close of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of \$38,796,309 an increase of \$10,878,729, in comparison with the prior year. Approximately 16 percent of this total amount, \$6,165,419, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,165,419, or 15.0 percent of total General Fund expenditures and transfers.
- The City of Port Huron's total bonded and installment debt (net of repayments and refundings) increased by \$506,783 during the current fiscal year. The key factor in this increase was the repayment of prior year debt and new borrowings of \$9,754,909. Additional information can be found in Note 6 on pages 65 through 69 of this report.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City of Port Huron's basic financial statements. The City of Port Huron's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements:** The government-wide financial statements are designed to provide readers with a broad overview of the City of Port Huron's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Port Huron's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Port Huron is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Port Huron that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Port Huron include general government, public safety, public works (highways and streets, rubbish and garbage collection, and other services), health and welfare, community and economic development and recreation, parks and culture. The business-type activities of the City of Port Huron include a regional water distribution system,



regional wastewater collection system, parking, theater and arena complex, marinas and land purchase and economic development.

The government-wide financial statements include not only the City of Port Huron itself (known as the primary government), but also legally separate entities for which the primary government is financially accountable. The Downtown Development Authority, Tax Increment Finance Authority, Local Development Finance Authority and Brownfield Redevelopment Authority are reported as discretely presented governmental component units. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Port Huron, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Port Huron can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Port Huron maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund; the major, local and municipal streets funds; and the cemetery perpetual care fund, all of which are considered to be major funds. Data from the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Port Huron adopts an annual budget for each of its governmental funds, except the cemetery perpetual care fund, which is not required to adopt a budget. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

**Proprietary Funds:** The City of Port Huron maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Port Huron uses enterprise funds to account for water distribution, wastewater collection, parking, theater and arena complex, marinas and land purchase and economic development.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Port Huron's various functions. The City of Port Huron uses internal service funds to account for central office supply stores, motor vehicle pool and fleet operations, data processing services, energy performance services and insurance and employee fringe benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater which are considered to be major funds of the City of Port Huron. Conversely, the remaining enterprise funds and the internal service funds are each combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the remaining enterprise funds and the internal service funds is provided in the form of combining statements elsewhere in this report.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Port Huron's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on budgetary comparisons for five major governmental funds as well as certain pension system and other post-employment benefits schedules.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Port Huron, net position was \$139,619,561 at the close of the most recent fiscal year.

The largest portion of the City of Port Huron's net position (124.1 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Port Huron uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Port Huron's investment in its capital assets is reported net of related debt, (if applicable) it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following analysis focuses on the net position of the City's governmental and business-type activities.

#### City of Port Huron's Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 62,175,154	\$ 58,379,870	\$ 17,744,162	\$ 18,897,237	\$ 79,919,316	\$ 77,277,107
Capital assets	<u>64,323,998</u>	<u>56,773,206</u>	<u>153,870,397</u>	<u>154,081,757</u>	<u>218,194,395</u>	<u>210,854,963</u>
Total assets	<u>126,499,152</u>	<u>115,153,076</u>	<u>171,614,559</u>	<u>172,978,994</u>	<u>298,113,711</u>	<u>274,533,696</u>
Deferred outflows of resources	<u>11,607,800</u>	<u>7,651,446</u>	<u>3,190,270</u>	<u>2,158,098</u>	<u>14,798,070</u>	<u>9,809,544</u>
Non-current liabilities	102,529,583	71,281,637	52,335,976	46,825,507	154,865,559	118,107,144
Other liabilities	<u>13,495,562</u>	<u>20,789,249</u>	<u>2,324,593</u>	<u>10,319,627</u>	<u>15,820,155</u>	<u>31,108,876</u>
Total liabilities	<u>116,025,145</u>	<u>92,070,886</u>	<u>54,660,569</u>	<u>57,145,134</u>	<u>170,685,714</u>	<u>149,216,020</u>
Deferred inflows of resources	<u>2,494,143</u>	<u>19,417,581</u>	<u>112,363</u>	<u>4,654,391</u>	<u>2,606,506</u>	<u>24,071,972</u>
Net position:						
Net investment in capital assets	61,134,054	55,284,068	114,029,273	109,971,708	175,163,327	165,255,776
Restricted	22,990,787	19,899,751	801,789	376,450	23,792,576	20,276,201
Unrestricted (deficit)	<u>(64,537,177)</u>	<u>(63,867,764)</u>	<u>5,200,835</u>	<u>2,989,409</u>	<u>(59,336,342)</u>	<u>(60,878,355)</u>
Total net position (deficit)	<u>\$ 19,587,664</u>	<u>\$ 11,316,055</u>	<u>\$ 120,031,897</u>	<u>\$ 113,337,567</u>	<u>\$ 139,619,561</u>	<u>\$ 124,653,622</u>

At the end of the current fiscal year, 16.9 percent of the City of Port Huron's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$59,188,030. At the end of the current fiscal year, except for the unrestricted net position deficit in both governmental and total activities, the City of Port Huron is able to report positive balances in all other categories of net position, both for the government as a whole, as well as its separate governmental and business-type activities.

The City of Port Huron's net position increased by \$14,965,939 during the current fiscal year. This increase is primarily the result of the careful review and control of expenses and moderate increases in revenue.

The following condensed financial information was derived from the Government-wide Statement of Activities and reflects how the City's net position changed during 2023 and 2022.

**City of Port Huron's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 6,188,343	\$ 5,434,450	\$ 29,347,634	\$ 27,049,639	\$ 35,535,977	\$ 32,484,089
Operating grants and contributions	8,542,460	6,818,937	329,376	470,748	8,871,836	7,289,685
Capital grants and contributions	6,296,127	5,275,375	1,654,377	3,793,542	7,950,504	9,068,917
<b>General revenues:</b>						
Property taxes	13,858,833	13,065,524	-	-	13,858,833	13,065,524
Income taxes	10,015,449	9,156,399	-	-	10,015,449	9,156,399
State shared revenue	5,840,375	5,660,387	-	-	5,840,375	5,660,387
Investment income	1,868,744	(611,578)	147,830	12,077	2,016,574	(599,501)
Gain (loss) on disposal of capital assets	128,088	114,712	(709,248)	-	(581,160)	114,712
Other	1,087,749	350,946	-	-	1,087,749	350,946
<b>Total revenues</b>	<u>53,826,168</u>	<u>45,265,152</u>	<u>30,769,969</u>	<u>31,326,006</u>	<u>84,596,137</u>	<u>76,591,158</u>
<b>Expenses:</b>						
General government	5,594,373	504,204	-	-	5,594,373	504,204
Public safety	21,490,898	(672,800)	-	-	21,490,898	(672,800)
Public works	8,408,224	6,547,096	-	-	8,408,224	6,547,096
Health and welfare	3,817	531,163	-	-	3,817	531,163
Community and economic development	2,929,474	1,242,795	-	-	2,929,474	1,242,795
Recreation, parks and culture	4,693,719	2,200,278	-	-	4,693,719	2,200,278
Interest on long-term debt	1,444,054	1,372,089	-	-	1,444,054	1,372,089
Water	-	-	6,643,984	4,336,672	6,643,984	4,336,672
Wastewater	-	-	13,923,716	10,182,016	13,923,716	10,182,016
McMorran	-	-	3,080,356	1,304,712	3,080,356	1,304,712
Parking	-	-	200,852	191,324	200,852	191,324
Land purchase	-	-	448,800	1,067,887	448,800	1,067,887
Marina	-	-	767,931	376,705	767,931	376,705
<b>Total expenses</b>	<u>44,564,559</u>	<u>11,724,825</u>	<u>25,065,639</u>	<u>17,459,316</u>	<u>69,630,198</u>	<u>29,184,141</u>
Increase (decrease) in net position before transfers	9,261,609	33,540,327	5,704,330	13,866,690	14,965,939	47,407,017
Transfers	(990,000)	(1,450,000)	990,000	1,450,000	-	-
Increase (decrease) in net position	8,271,609	32,090,327	6,694,330	15,316,690	14,965,939	47,407,017
Net position – beginning of year	11,316,055	(20,774,272)	113,337,567	98,020,877	124,653,622	77,246,605
<b>Net position - end of year</b>	<u>\$ 19,587,664</u>	<u>\$ 11,316,055</u>	<u>\$ 120,031,897</u>	<u>\$ 113,337,567</u>	<u>\$ 139,619,561</u>	<u>\$ 124,653,622</u>

**Governmental Activities:**

Governmental activities increased the City of Port Huron's net position by \$8,271,609. The increase in net position attributable to governmental activities is primarily due to careful review and control of expenses and moderate increases in revenue. A summary of the changes follows:

- Property taxes (including related revenue, primarily delinquent taxes, penalties and interest) increased by \$793,309 (6.1 percent) during the year, primarily due to an increase of the taxable valuation of property.
- Income tax revenue increased by \$859,050 (9.4 percent). Income tax revenue is budgeted at \$9.2 million for the year ending June 30, 2023.
- Operating grants and contributions increased by \$1,723,523, primarily due to increased grant activity in various areas as a result of recognizing American Rescue Plan Act (ARPA) funding during the current fiscal year.
- Capital grants and contributions increased by \$1,020,752, primarily due recognizing American Rescue Plan Act (ARPA) funding to for improvements made to City parks in the current fiscal year.
- Investment income increased by \$1,754,032, as a result of favorable market conditions in the Cemetery Perpetual Care Fund during the current fiscal year.

Operating expenses increased compared to the prior year. The increase in governmental activities' expenses of \$32,839,734 is primarily due to the change in the pension and other post employment benefits (OPEB) liabilities.

**Business-Type Activities:**

Business-type activities increased the City of Port Huron's net position by \$6,694,330. Key elements affecting business-type activities are as follows:

- Charges for services increased by \$2,297,995 (8.5 percent) during the year. The increase was primarily due to increased revenue in the Water, Wastewater, and McMorran Funds.
- Capital grants and contributions decreased by \$2,139,165 during the year, primarily due to a decrease in grant activity in the McMorran Fund.
- Expenses have increased by \$7,606,323, compared to the prior year primarily due to changes in the City's net pension and other post employment benefits (OPEB) liabilities.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the City of Port Huron uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

**Governmental Funds**

The focus of the City of Port Huron's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Port Huron's financing requirements. In particular, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Port Huron's governmental funds reported combined ending fund balances of \$38,796,309 an increase of \$10,878,729 in comparison with the prior year. Of this amount, 15.9 percent or \$6,165,419 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is recorded as nonspendable, restricted or committed to indicate that it is not available for new spending because it has already been 1) obligated to generate income to pay for the perpetual care of the municipal cemetery (\$11,645,423), 2) restricted or committed for a variety of other specific purposes (\$26,662,971), or 3) converted to nonspendable form (\$487,915).

The General Fund is the chief operating fund of the City of Port Huron. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,165,419, while total fund balance reached \$14,071,301. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15.0 percent of total General Fund expenditures, while total fund balance represents 34.1 percent of that same amount.

The fund balance of the City of Port Huron's General Fund increased by \$8,137,371 during the current fiscal year. Key factors in the changes in the General Fund are as follows:

- The City issued new debt, receiving bond proceeds of \$9,754,909 restricted for the construction of the fire station.
- Grants increased by \$4,720,288 primarily due to the utilization of American Rescue Plan Act (ARPA) funding.
- Taxes increased \$1,219,547 primarily as a result of an increase in income tax revenue of \$859,050 as a result of better economic conditions. The remaining \$360,497 increase is a result of an increase in property value increasing property tax revenue.
- Total revenues increased by \$17,056,136 or 52.8%. The overall revenue increase is primarily due to the increases in tax revenue and grants discussed above as well as the issuance of new debt.
- General government expenditures increased by \$487,102, primarily due to inflationary increases.
- Public works expenditures increased by \$1,643,283 (3.1%), primarily due to the use of American Rescue Plan Act funding passed through to sub-recipients.
- Capital outlay increased \$7,300,462 due to planned improvements made to the City parks. Renovations made to one of the fire stations as well as constructing the new fire station.
- In the aggregate, General Fund expenditures increased by \$9,858,108 or 32.6% primarily due to adjustments in wages, inflationary increases, planned use of American Resue Plan Act (ARPA) funding and planned capital expenditures.

The City of Port Huron maintains three special revenue funds (Major Streets, Local Streets and Municipal Streets) that account for the maintenance and construction of the City's street system. The Major Streets and Local Streets Funds have been established to account for the various state shared and other revenues relating to the repairs and maintenance of major streets and state trunklines and local streets, respectively. The Municipal Streets Fund has been established to account for property taxes levied for street construction and major maintenance and the Blue Water Area Transportation Commission and for various other revenues related to construction activities. Funds are transferred to the Major and Local Streets Funds as are necessary for construction activities.

At the end of the current fiscal year, the combined fund balances of the three funds was \$11,848,006, an increase of \$1,541,630 during the fiscal year, primarily due to tax revenue in the municiple street fund set aside for significant projects planned in the near future.

The Cemetery Perpetual Care Fund is a permanent fund. Investment income for the year was a loss of \$1,010,878. The gain is primarily due to favorable market conditions in the current year.

#### Proprietary Funds

The City of Port Huron's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position at the end of the year for the Water Fund was \$33,563,097 and net position for the Wastewater Fund was \$75,489,130. The total net position for the Water and Wastewater Funds increased by \$2,478,708 and \$3,694,667, respectively. The increase for the Water and Wastewater Funds was primarily due to careful review and control of expenses and moderate rate increases and changes in the the pension and other post employee benefits systems. Unrestricted net position at the end of the year for the Water Fund was a negative \$427,392 and unrestricted net position for the Wastewater Fund was \$5,725,946. Unrestricted net position for the Water fund decreased \$287,851 and increased in the Wastewater Fund by \$3,578,293. Other factors concerning the finances of these funds have been addressed in the discussion of the City of Port Huron's business-type activities.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

The City of Port Huron's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$218,194,395 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, systems, machinery and equipment, streets, bridges and sidewalks. The total increase in the City of Port Huron's investment in capital assets for the current fiscal year was \$7,339,432 (a 13.3 percent increase for governmental activities and a 0.1 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- A variety of infrastructure improvements were completed during the year.
- Various building and system additions and improvements were also completed and the City's structured replacement of vehicles continued.

#### City of Port Huron's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 4,455,672	\$ 4,455,672	\$ 5,182,997	\$ 5,357,707	\$ 9,638,669	\$ 9,813,379
Construction in progress	6,132,859	1,590,433	5,560,029	518,157	11,692,888	2,108,590
Land improvements	21,918,907	18,980,419	4,266,931	4,202,122	26,185,838	23,182,541
Buildings	13,568,445	12,445,355	50,900,309	55,253,043	64,468,754	67,698,398
Machinery and equipment	17,839,664	18,207,416	17,852,982	21,849,912	35,692,646	40,057,328
Vehicles	11,101,733	11,650,396	-	-	11,101,733	11,650,396
Infrastructure	<u>95,399,997</u>	<u>93,063,044</u>	<u>235,947,555</u>	<u>233,807,359</u>	<u>331,347,552</u>	<u>326,870,403</u>
Total	170,417,277	160,392,735	319,710,803	320,988,300	490,128,080	481,381,035
Less accumulated depreciation	<u>106,093,279</u>	<u>103,619,529</u>	<u>165,840,406</u>	<u>166,906,543</u>	<u>271,933,685</u>	<u>270,526,072</u>
Total	<u>\$ 64,323,998</u>	<u>\$ 56,773,206</u>	<u>\$ 153,870,397</u>	<u>\$ 154,081,757</u>	<u>\$ 218,194,395</u>	<u>\$ 210,854,963</u>

See Note 4 to the financial statements for additional information regarding capital assets.

#### LONG-TERM DEBT

At the end of the current fiscal year, the City of Port Huron had total bonded debt outstanding of \$101,352,937. Of this amount \$95,855,875 comprises debt backed by the full faith and credit of the government. The remainder of the City of Port Huron's debt represents bonds secured by specified revenue sources (i.e., revenue bonds) and is primarily also backed by the full faith and credit of the government.

#### City of Port Huron's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$59,597,902	\$ 51,544,138	\$36,257,973	\$ 43,321,900	\$ 95,855,875	\$ 94,866,038
Revenue bonds	-	-	5,497,062	5,980,116	5,497,062	5,980,116
Total	<u>\$59,597,902</u>	<u>\$ 51,544,138</u>	<u>\$41,755,035</u>	<u>\$ 49,302,016</u>	<u>\$101,352,937</u>	<u>\$100,846,154</u>

The City of Port Huron's total bonded and installment debt (net of repayments and refundings) increased by \$506,783 during the current fiscal year. The key factor in this increase was the issuance of a new bond and repayment of prior year debt.

The City of Port Huron and its Water and Wastewater Funds both maintain an "A+" rating from Standard & Poor's and an "A" rating from Fitch Ratings for general obligation debt. The revenue bonds of the Water Fund have been rated "A-" by Standard & Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. Currently, 10 percent of assessed valuation is \$104,216,170. After considering applicable borrowings, the current remaining legal debt margin for the City of Port Huron is \$26,216,502. Debt issued as a result of an order, which would include \$22,388,983 of the City of Port Huron's outstanding general obligation debt listed above, is excluded from the debt limitation calculation.

See Note 6 of the financial statements for additional information regarding long-term debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

As of September 30, 2023, the unemployment rate for the City of Port Huron was 5.1 percent, an increase of 0.9 percentage points from the year before. This compares to the county's average unemployment rate of 3.8 percent, the state's average unemployment rate of 3.9 percent and the national average rate of 3.6 percent.

The occupancy rate of the government's central business district has remained stable over the past year. Currently, developers are renovating several downtown buildings. There has been substantial investment within the City to develop vacant land, and constructing a senior living facility, creating new job opportunities.

Inflationary trends in the region compare favorably to national indices.

For the 2023-2024 budget year, total equalized valuation and taxable valuation increased somewhat. It is expected that both equalized valuation and taxable valuation will increase for the 2024-2025 budget year. This will result in an increase in property tax revenues available to the City for 2024-2025. Such increase will be limited somewhat due to the effects of Proposal A. Additional information is available in the Statistical Section, pages 139 and 140.

All of these factors were considered in preparing the City of Port Huron's budget for the 2023-2024 fiscal year.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the City of Port Huron's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, 100 McMorran Boulevard, Port Huron, Michigan 48060.

**City of Port Huron, Michigan**

**Statement of Net Position**

**June 30, 2023**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 33,682,194	\$ 10,400,574	\$ 44,082,768	\$ 2,414,150
Investments	12,326,384	-	12,326,384	-
Receivables:				
Property taxes receivable	1,701,138	18,566	1,719,704	13,010
Customer receivables	-	3,908,387	3,908,387	-
Accrued interest receivable	4,313	-	4,313	-
Leases receivable	2,159,095	-	2,159,095	-
Other receivables	1,367,151	-	1,367,151	-
Due from other governments	2,349,721	93,409	2,443,130	-
Inventory	574,928	580,880	1,155,808	-
Prepaid expenses	152,841	26,646	179,487	7,100
Restricted assets:				
Restricted cash and cash equivalents	7,709,077	2,295,446	10,004,523	-
Beneficial interest in assets held by Community Foundation	148,312	420,254	568,566	-
Capital assets:				
Assets not subject to depreciation	10,588,531	10,743,026	21,331,557	38,816
Assets subject to depreciation - Net	53,735,467	143,127,371	196,862,838	423,211
Total assets	126,499,152	171,614,559	298,113,711	2,896,287
<b>Deferred Outflows of Resources</b>	11,607,800	3,190,270	14,798,070	-
<b>Liabilities</b>				
Accounts payable	1,154,563	240,807	1,395,370	575,012
Accrued liabilities and other:				
Accrued salaries and wages	1,352,810	244,792	1,597,602	6,201
Accrued interest payable	562,275	285,818	848,093	-
Claims and judgments payable (current portion)	941,601	-	941,601	-
Unearned revenue	6,310,449	567,793	6,878,242	135,741
Contracts payable	3,173,864	985,383	4,159,247	3,882
Noncurrent liabilities:				
Due within one year:				
Compensated absences	252,441	-	252,441	-
Current portion of bonds and contracts payable	1,911,648	4,643,813	6,555,461	-
Due in more than one year:				
Compensated absences	2,704,250	-	2,704,250	-
Net pension liability	31,134,227	8,633,717	39,767,944	-
Net OPEB obligation	7,930,497	1,947,224	9,877,721	-
Bonds and contracts payable - Net of current portion	57,686,254	37,111,222	94,797,476	-
Claims and judgments payable (noncurrent portion)	910,266	-	910,266	-
Total liabilities	116,025,145	54,660,569	170,685,714	720,836
<b>Deferred Inflows of Resources</b>	2,494,143	112,363	2,606,506	-

City of Port Huron, Michigan

Statement of Net Position (Continued)

June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Net Position</b>				
Net investment in capital assets	\$ 61,134,054	\$ 114,029,273	\$ 175,163,327	\$ 462,027
Restricted:				
Restricted for debt payments	-	381,535	381,535	-
Restricted for street improvements	10,151,733	-	10,151,733	-
Restricted for law enforcement	31,895	-	31,895	-
Restricted for rubbish and garbage collection	548,776	-	548,776	-
Restricted for streetscape maintenance	6,231	-	6,231	-
Restricted for nonexpendable endowments	11,645,423	-	11,645,423	-
Opioid settlement	458,417	-	458,417	-
Restricted assets held at Community Foundation	148,312	420,254	568,566	-
Unrestricted	(64,537,177)	5,200,835	(59,336,342)	1,713,424
<b>Total net position</b>	<b>\$ 19,587,664</b>	<b>\$ 120,031,897</b>	<b>\$ 139,619,561</b>	<b>\$ 2,175,451</b>

City of Port Huron, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 5,594,373	\$ 3,015,707	\$ 155,800	\$ 2,359
Public safety	21,490,898	644,865	766,984	1,199,106
Public works	8,408,224	711,060	5,298,034	1,014,010
Health and welfare	3,817	-	521,143	-
Community and economic development	2,929,474	1,266,183	1,625,247	-
Recreation and culture	4,693,719	550,528	175,252	4,080,652
Interest on long-term debt	1,444,054	-	-	-
<b>Total governmental activities</b>	<b>44,564,559</b>	<b>6,188,343</b>	<b>8,542,460</b>	<b>6,296,127</b>
<b>Business-type activities:</b>				
Water	6,643,984	9,083,951	-	34,955
Wastewater	13,923,716	18,050,471	-	53,736
McMorran	3,080,356	2,058,563	88,869	1,565,686
Parking	200,852	38,053	-	-
Land Purchase	448,800	9,900	240,507	-
Marina	767,931	106,696	-	-
<b>Total business-type activities</b>	<b>25,065,639</b>	<b>29,347,634</b>	<b>329,376</b>	<b>1,654,377</b>
<b>Total primary government</b>	<b>\$ 69,630,198</b>	<b>\$ 35,535,977</b>	<b>\$ 8,871,836</b>	<b>\$ 7,950,504</b>
<b>Component units:</b>				
Downtown Development	\$ 911,559	\$ 77,639	\$ 59,802	\$ -
Tax Increment Finance	96,749	-	-	-
Local Development Finance	95,560	-	-	-
Brownfield Redevelopment	454,002	-	-	-
<b>Total component units</b>	<b>\$ 1,557,870</b>	<b>\$ 77,639</b>	<b>\$ 59,802</b>	<b>\$ -</b>

General revenue (expense):

Taxes:
Property taxes
Income taxes
Unrestricted state-shared revenue
Unrestricted investment income
Gain (loss) on sale of capital assets
Other miscellaneous income

Total general revenue (expense)

Transfers

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities

Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,420,507)	\$ -	\$ (2,420,507)	\$ -
(18,879,943)	-	(18,879,943)	-
(1,385,120)	-	(1,385,120)	-
517,326	-	517,326	-
(38,044)	-	(38,044)	-
112,713	-	112,713	-
(1,444,054)	-	(1,444,054)	-
(23,537,629)	-	(23,537,629)	-
-	2,474,922	2,474,922	-
-	4,180,491	4,180,491	-
-	632,762	632,762	-
-	(162,799)	(162,799)	-
-	(198,393)	(198,393)	-
-	(661,235)	(661,235)	-
-	6,265,748	6,265,748	-
(23,537,629)	6,265,748	(17,271,881)	-
-	-	-	(774,118)
-	-	-	(96,749)
-	-	-	(95,560)
-	-	-	(454,002)
-	-	-	(1,420,429)
13,858,833	-	13,858,833	1,892,739
10,015,449	-	10,015,449	-
5,840,375	-	5,840,375	278,962
1,868,744	147,830	2,016,574	-
128,088	(709,248)	(581,160)	-
1,087,749	-	1,087,749	199,306
32,799,238	(561,418)	32,237,820	2,371,007
(990,000)	990,000	-	-
8,271,609	6,694,330	14,965,939	950,578
11,316,055	113,337,567	124,653,622	1,224,873
\$ 19,587,664	\$ 120,031,897	\$ 139,619,561	\$ 2,175,451

City of Port Huron, Michigan

	General Fund	Major Streets	Local Streets	Municipal Streets
<b>Assets</b>				
Cash and cash equivalents	\$ 11,907,546	\$ 1,858,688	\$ 25,545	\$ 10,560,997
Investments	908,711	-	-	-
Receivables	4,921,453	593,347	173,339	353,469
Due from other funds	-	-	-	-
Inventory	-	-	-	291,110
Prepaid expenses	48,493	-	-	-
Restricted assets	7,857,389	-	-	-
<b>Total assets</b>	<b>\$ 25,643,592</b>	<b>\$ 2,452,035</b>	<b>\$ 198,884</b>	<b>\$ 11,205,576</b>
<b>Liabilities</b>				
Accounts payable	\$ 504,269	\$ 4,857	\$ 2,578	\$ 14,380
Due to other funds	-	-	-	-
Accrued liabilities and other	845,737	41,386	14,454	23,649
Unearned revenue	6,310,369	-	-	30
Contracts payable	1,120,760	257	-	1,906,898
<b>Total liabilities</b>	<b>8,781,135</b>	<b>46,500</b>	<b>17,032</b>	<b>1,944,957</b>
<b>Deferred Inflows of Resources</b>	<b>2,791,156</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>11,572,291</b>	<b>46,500</b>	<b>17,032</b>	<b>1,944,957</b>
<b>Fund Balances</b>				
<b>Nonspendable:</b>				
Inventory	-	-	-	291,110
Prepays	48,493	-	-	-
Nonexpendable/endowment	148,312	-	-	-
<b>Restricted:</b>				
Streets	-	2,405,535	181,852	8,969,509
Law enforcement	-	-	-	-
Opioid settlement	-	-	-	-
Streetscape maintenance	-	-	-	-
Unspent bond proceeds	7,709,077	-	-	-
Rubbish and garbage collection	-	-	-	-
Committed - Nonmajor governmental funds	-	-	-	-
Unassigned	6,165,419	-	-	-
<b>Total fund balances</b>	<b>14,071,301</b>	<b>2,405,535</b>	<b>181,852</b>	<b>9,260,619</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 25,643,592</b>	<b>\$ 2,452,035</b>	<b>\$ 198,884</b>	<b>\$ 11,205,576</b>

Governmental Funds  
Balance Sheet

June 30, 2023

Cemetery Perpetual Care	Nonmajor Funds	Total Governmental Funds
\$ 352,839	\$ 1,539,690	\$ 26,245,305
11,417,673	-	12,326,384
12,726	580,019	6,634,353
-	60,796	60,796
-	-	291,110
-	14,015	62,508
-	-	7,857,389
<b>\$ 11,783,238</b>	<b>\$ 2,194,520</b>	<b>\$ 53,477,845</b>
\$ -	\$ 490,545	\$ 1,016,629
-	60,796	60,796
-	49,434	974,660
-	50	6,310,449
137,815	5,500	3,171,230
137,815	606,325	11,533,764
-	356,616	3,147,772
137,815	962,941	14,681,536
-	-	291,110
-	-	48,493
11,645,423	-	11,793,735
-	-	11,556,896
-	31,895	31,895
-	101,801	101,801
-	6,231	6,231
-	-	7,709,077
-	548,776	548,776
-	542,876	542,876
-	-	6,165,419
11,645,423	1,231,579	38,796,309
<b>\$ 11,783,238</b>	<b>\$ 2,194,520</b>	<b>\$ 53,477,845</b>

City of Port Huron, Michigan

Governmental Funds  
Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2023

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 38,796,309</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (including right-to-use assets) are not financial resources and are not reported in the funds	57,925,632
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	1,099,388
Bonds payable are not due and payable in the current period and are not reported in the funds	(9,753,790)
Accrued interest is not due and payable in the current period and is not reported in the funds	(100,978)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Pension benefits	(19,524,792)
Retiree health care benefits	(7,070,887)
Internal service funds are included as part of governmental activities:	
Capital assets-related items	6,398,366
Debt-related items	(50,754,378)
All other items	2,572,794
<b>Net Position of Governmental Activities</b>	<b>\$ 19,587,664</b>

City of Port Huron, Michigan

Governmental Funds  
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2023

	General Fund	Major Streets	Local Streets	Municipal Streets	Cemetery Perpetual Care	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>							
Taxes	\$ 20,163,528	\$ -	\$ -	\$ 1,635,071	\$ -	\$ 2,075,683	\$ 23,874,282
Rents	341,260	-	-	-	-	-	341,260
Intergovernmental:							
Federal grants	5,844,243	-	-	-	-	1,040,112	6,884,355
State sources:							
State-shared revenue	5,388,454	-	-	189,619	-	267,097	5,845,170
Act 51 gas and weight tax	-	3,796,396	1,055,588	-	-	-	4,851,984
State grants	424,002	521,994	-	-	-	-	945,996
Local grants and contributions	1,391,052	-	-	-	-	24,600	1,415,652
Charges for services	1,180,219	-	-	157,676	117,533	1,115,945	2,571,373
Fines and forfeitures	340,131	-	-	-	-	-	340,131
Licenses and permits	1,070,155	-	-	-	-	-	1,070,155
Investment income	720,716	-	-	-	1,010,878	-	1,731,594
Miscellaneous income	2,653,194	-	-	-	-	101,801	2,754,995
<b>Total revenue</b>	<b>39,516,954</b>	<b>4,318,390</b>	<b>1,055,588</b>	<b>1,982,366</b>	<b>1,128,411</b>	<b>4,625,238</b>	<b>52,626,947</b>
<b>Expenditures</b>							
Current services:							
General government	4,792,114	-	-	-	-	314,703	5,106,817
Public safety	19,573,307	-	-	-	-	20,359	19,593,666
Public works	1,413,642	1,867,390	804,864	429,306	-	2,847,936	7,363,138
Senior citizens	3,971	-	-	-	-	-	3,971
Community and economic development	1,133,125	-	-	-	-	1,498,020	2,631,145
Recreation and culture	4,252,106	-	-	-	-	-	4,252,106
Capital outlay	8,911,963	1,277,923	1,435,231	-	-	26,203	11,651,320
<b>Total expenditures</b>	<b>40,080,228</b>	<b>3,145,313</b>	<b>2,240,095</b>	<b>429,306</b>	<b>-</b>	<b>4,707,221</b>	<b>50,602,163</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(563,274)</b>	<b>1,173,077</b>	<b>(1,184,507)</b>	<b>1,553,060</b>	<b>1,128,411</b>	<b>(81,983)</b>	<b>2,024,784</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	982,902	-	-	423,140	1,406,042
Transfers out	(1,143,300)	(882,902)	-	(100,000)	(269,840)	-	(2,396,042)
New debt issued	9,754,909	-	-	-	-	-	9,754,909
Sale of capital assets	89,036	-	-	-	-	-	89,036
<b>Total other financing sources (uses)</b>	<b>8,700,645</b>	<b>(882,902)</b>	<b>982,902</b>	<b>(100,000)</b>	<b>(269,840)</b>	<b>423,140</b>	<b>8,853,945</b>
<b>Net Change in Fund Balances</b>	<b>8,137,371</b>	<b>290,175</b>	<b>(201,605)</b>	<b>1,453,060</b>	<b>858,571</b>	<b>341,157</b>	<b>10,878,729</b>
<b>Fund Balances - Beginning of year</b>	<b>5,933,930</b>	<b>2,115,360</b>	<b>383,457</b>	<b>7,807,559</b>	<b>10,786,852</b>	<b>890,422</b>	<b>27,917,580</b>
<b>Fund Balances - End of year</b>	<b>\$ 14,071,301</b>	<b>\$ 2,405,535</b>	<b>\$ 181,852</b>	<b>\$ 9,260,619</b>	<b>\$ 11,645,423</b>	<b>\$ 1,231,579</b>	<b>\$ 38,796,309</b>



**City of Port Huron, Michigan**

**Governmental Funds  
Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
Fund Balances to the Statement of Activities**

**Year Ended June 30, 2023**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 10,878,729</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	12,074,429
Depreciation expense	(4,347,437)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	329,722
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(9,754,909)
Interest expense is recognized in the government-wide statements as it accrues	(99,859)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(1,487,782)
Internal service funds are included as part of governmental activities change in net position	<u>678,716</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 8,271,609</u></b>

**City of Port Huron, Michigan**

**Proprietary Funds  
Statement of Net Position**

**June 30, 2023**

	Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Water	Wastewater	Other Nonmajor Enterprise Funds		Proprietary - Internal Service
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 548,299	\$ 8,542,597	\$ 1,309,678	\$ 10,400,574	\$ 7,436,889
Receivables	1,769,225	2,207,972	43,165	4,020,362	947,065
Inventory	391,485	133,720	55,675	580,880	283,818
Prepaid expenses	-	1,000	25,646	26,646	90,333
Total current assets	2,709,009	10,885,289	1,434,164	15,028,462	8,758,105
Noncurrent assets:					
Restricted cash and cash equivalents	381,535	1,913,911	-	2,295,446	-
Beneficial interest in assets held by Community Foundation	-	-	420,254	420,254	-
Capital assets:					
Assets not subject to depreciation	3,027,583	1,378,730	6,336,713	10,743,026	889,257
Assets subject to depreciation - Net	42,585,684	96,221,265	4,320,422	143,127,371	5,509,109
Total assets	48,703,811	110,399,195	12,511,553	171,614,559	15,156,471
<b>Deferred Outflows of Resources</b>	1,011,552	1,863,335	315,383	3,190,270	557,236
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	55,879	78,950	105,978	240,807	137,934
Accrued liabilities and other	156,421	336,792	37,397	530,610	1,781,048
Unearned revenue	478,792	-	89,001	567,793	-
Contracts payable	47,629	492,505	445,249	985,383	2,634
Compensated absences	-	-	-	-	252,441
Current portion of bonds and contracts payable	1,870,147	2,773,666	-	4,643,813	1,741,648
Total current liabilities	2,608,868	3,681,913	677,625	6,968,406	3,915,705
Noncurrent liabilities:					
Compensated absences	-	-	-	-	2,704,250
Net pension liability	2,728,872	5,103,512	801,333	8,633,717	1,509,666
Net OPEB obligation	643,589	953,328	350,307	1,947,224	335,163
Bonds and contracts payable - Net of current portion	10,134,166	26,977,056	-	37,111,222	48,102,464
Claims and judgments payable (noncurrent portion)	-	-	-	-	910,266
Total liabilities	16,115,495	36,715,809	1,829,265	54,660,569	57,477,514
<b>Deferred Inflows of Resources</b>	36,771	57,591	18,001	112,363	19,411

City of Port Huron, Michigan

Proprietary Funds  
Statement of Net Position (Continued)

June 30, 2023

	Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Water	Wastewater	Other Nonmajor Enterprise Funds		Proprietary - Internal Service
<b>Net Position (Deficit)</b>					
Net investment in capital assets	\$ 33,608,954	\$ 69,763,184	\$ 10,657,135	\$ 114,029,273	\$ 6,398,366
Restricted:					
Restricted for debt payments	381,535	-	-	381,535	-
Restricted assets at Community Foundation	-	-	420,254	420,254	-
Unrestricted	(427,392)	5,725,946	(97,719)	5,200,835	(48,181,584)
Total net position (deficit)	<u>\$ 33,563,097</u>	<u>\$ 75,489,130</u>	<u>\$ 10,979,670</u>	<u>\$ 120,031,897</u>	<u>\$ (41,783,218)</u>

See notes to financial statements.

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City of Port Huron, Michigan

Proprietary Funds  
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2023

	Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Water	Wastewater	Other Nonmajor Enterprise Funds		Proprietary - Internal Service
<b>Operating Revenue</b>					
Charges for services	\$ 8,876,671	\$ 18,050,471	\$ 2,121,616	\$ 29,048,758	\$ 17,675,014
Rents	-	-	91,596	91,596	-
Total operating revenue	8,876,671	18,050,471	2,213,212	29,140,354	17,675,014
<b>Operating Expenses</b>					
Personal services	1,576,422	3,848,213	1,268,678	6,693,313	12,577,792
Supplies and materials	404,060	896,967	108,066	1,409,093	454,553
Contractual services	1,937,681	3,330,023	2,498,754	7,766,458	2,111,693
Depreciation	2,409,609	5,308,610	423,135	8,141,354	1,023,706
Total operating expenses	6,327,772	13,383,813	4,298,633	24,010,218	16,167,744
<b>Operating Income (Loss)</b>	2,548,899	4,666,658	(2,085,421)	5,130,136	1,507,270
<b>Nonoperating Revenue (Expense)</b>					
Investment income (loss)	5,071	147,325	(4,566)	147,830	137,150
Interest expense	(316,212)	(539,903)	-	(856,115)	(1,344,195)
Operating assistance - Component units	-	-	(199,306)	(199,306)	-
(Loss) gain on sale of assets	(1,285)	(633,149)	(74,814)	(709,248)	39,252
Other nonoperating revenue - Charges	207,280	-	-	207,280	-
Operating grants and contributions	-	-	329,376	329,376	-
Total nonoperating (expense) revenue	(105,146)	(1,025,727)	50,690	(1,080,183)	(1,167,793)
<b>Income (Loss) - Before capital contributions</b>	2,443,753	3,640,931	(2,034,731)	4,049,953	339,477
<b>Capital Contributions</b>	34,955	53,736	1,565,686	1,654,377	339,239
<b>Transfers In</b>	-	-	2,033,000	2,033,000	-
<b>Transfers Out</b>	-	-	(1,043,000)	(1,043,000)	-
<b>Change in Net Position</b>	2,478,708	3,694,667	520,955	6,694,330	678,716
<b>Net Position (Deficit) - Beginning of year</b>	31,084,389	71,794,463	10,458,715	113,337,567	(42,461,934)
<b>Net Position (Deficit) - End of year</b>	<u>\$ 33,563,097</u>	<u>\$ 75,489,130</u>	<u>\$ 10,979,670</u>	<u>\$ 120,031,897</u>	<u>\$ (41,783,218)</u>

See notes to financial statements.

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City of Port Huron, Michigan

Proprietary Funds  
Statement of Cash Flows

Year Ended June 30, 2023

	Enterprise Funds				Governmental Activities - Internal
	Water	Wastewater	Nonmajor Enterprise	Total	Service Funds
					Proprietary - Internal Service
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 8,623,621	\$ 18,162,327	\$ 2,569,362	\$ 29,355,310	\$ 18,760,934
Payments to suppliers	(1,522,797)	(1,049,935)	(2,481,673)	(5,054,405)	(2,279,767)
Payments to employees and fringes	(1,948,211)	(5,910,274)	(1,094,196)	(8,952,681)	(12,725,239)
Payments connected with interfund services	(804,581)	(1,484,017)	(61,720)	(2,350,318)	(280,249)
Net cash and cash equivalents provided by (used in) operating activities	4,348,032	9,718,101	(1,068,227)	12,997,906	3,475,679
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating grants and subsidies	207,280	-	329,376	536,656	339,438
Transfers from other funds	-	-	2,032,999	2,032,999	-
Transfers to other funds	-	-	(1,043,000)	(1,043,000)	-
Advances to (from) other funds	-	94,074	(94,074)	-	-
Operating assistance - Component units	-	-	(199,306)	(199,306)	-
Net cash and cash equivalents provided by noncapital financing activities	207,280	94,074	1,025,995	1,327,349	339,438
<b>Cash Flows from Capital and Related Financing Activities</b>					
Receipt of capital grants	34,955	53,736	1,565,686	1,654,377	-
Proceeds from sale of capital assets	-	-	163,892	163,892	39,052
Purchase of capital assets	(2,799,464)	(4,162,112)	(1,841,557)	(8,803,133)	(847,504)
Principal and interest paid on capital debt	(2,702,719)	(5,757,257)	-	(8,459,976)	(3,059,316)
Net cash and cash equivalents used in capital and related financing activities	\$ (5,467,228)	\$ (9,865,633)	\$ (111,979)	\$ (15,444,840)	\$ (3,867,768)

See notes to financial statements.

City of Port Huron, Michigan

Proprietary Funds  
Statement of Cash Flows (Continued)

Year Ended June 30, 2023

	Enterprise Funds				Governmental Activities - Internal
	Water	Wastewater	Nonmajor Enterprise	Total	Service Funds
					Proprietary - Internal Service
<b>Cash Flows from Investing Activities</b>					
Income (loss) on investments	\$ 5,071	\$ 147,325	\$ (4,566)	\$ 147,830	\$ 137,150
Beneficial interest held at Community Foundation	-	-	(420,254)	(420,254)	-
Net cash and cash equivalents provided by (used in) investing activities	5,071	147,325	(424,820)	(272,424)	137,150
<b>Net Change in Cash and Cash Equivalents</b>	(906,845)	93,867	(579,031)	(1,392,009)	84,499
<b>Cash and Cash Equivalents - Beginning of year</b>	1,836,679	10,362,641	1,888,709	14,088,029	7,352,390
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 929,834</u>	<u>\$ 10,456,508</u>	<u>\$ 1,309,678</u>	<u>\$ 12,696,020</u>	<u>\$ 7,436,889</u>
<b>Classification of Cash and Cash Equivalents</b>					
Cash and investments	\$ 548,299	\$ 8,542,597	\$ 1,309,678	\$ 10,400,574	\$ 7,436,889
Restricted cash	381,535	1,913,911	-	2,295,446	-
<b>Total cash and cash equivalents</b>	<u>\$ 929,834</u>	<u>\$ 10,456,508</u>	<u>\$ 1,309,678</u>	<u>\$ 12,696,020</u>	<u>\$ 7,436,889</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash and Cash Equivalents from Operating Activities</b>					
Operating income (loss)	\$ 2,548,899	\$ 4,666,658	\$ (2,085,421)	\$ 5,130,136	\$ 1,507,270
Adjustments to reconcile operating income (loss) to net cash and cash equivalents from operating activities:					
Depreciation	2,409,609	5,308,610	423,135	8,141,354	1,023,706
Changes in assets and liabilities:					
Receivables	(253,050)	111,856	356,150	214,956	1,085,920
Inventories	35,257	(21,309)	790	14,738	18,165
Prepaid and other assets	-	(1,000)	(25,646)	(26,646)	(22,880)
Accounts payable	(20,894)	(55,485)	88,283	11,904	10,945
Contracts payable	-	(429,505)	-	(429,505)	-
Net pension or OPEB liability	1,528,653	3,291,132	690,684	5,510,469	692,445
Deferrals related to pension or OPEB	(1,882,524)	(3,167,360)	(524,316)	(5,574,200)	(1,105,164)
Accrued and other liabilities	(17,918)	14,504	8,114	4,700	265,272
<b>Total adjustments</b>	<u>1,799,133</u>	<u>5,051,443</u>	<u>1,017,194</u>	<u>7,867,770</u>	<u>1,968,409</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 4,348,032</u>	<u>\$ 9,718,101</u>	<u>\$ (1,068,227)</u>	<u>\$ 12,997,906</u>	<u>\$ 3,475,679</u>

See notes to financial statements.

City of Port Huron, Michigan

Fiduciary Funds  
Statement of Fiduciary Net Position

June 30, 2023

	Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens	Custodial Fund - Tax Collection	Total Fiduciary Funds
<b>Assets</b> - Cash and investments	\$ 27,605,826	\$ 24,583	\$ 1,239	\$ 27,631,648
<b>Liabilities</b> - Due to other governmental units	-	-	1,239	1,239
<b>Net Position</b>				
Restricted:				
Postemployment benefits other than pension	27,605,826	-	-	27,605,826
Senior citizens	-	24,583	-	24,583
Total net position	<u>\$ 27,605,826</u>	<u>\$ 24,583</u>	<u>\$ -</u>	<u>\$ 27,630,409</u>

City of Port Huron, Michigan

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

	Other Employee Benefits - Retiree Health Care Benefits	Private Purpose Trust Fund - Senior Citizens	Custodial Fund - Tax Collection	Total Fiduciary Funds
<b>Additions</b>				
Investment income - Interest and dividends	\$ 1,917,795	\$ 170	\$ -	\$ 1,917,965
Contributions - Employer contributions	3,024,448	-	-	3,024,448
Property tax collections for other governments	-	-	20,966,599	20,966,599
Total additions	4,942,243	170	20,966,599	25,909,012
<b>Deductions</b>				
Benefit payments	3,020,979	-	-	3,020,979
Administrative expense	48,554	-	-	48,554
Property tax payments for other governments	-	-	20,966,599	20,966,599
Total deductions	3,069,533	-	20,966,599	24,036,132
<b>Net Increase in Fiduciary Net Position</b>	1,872,710	170	-	1,872,880
<b>Net Position</b> - Beginning of year	25,733,116	24,413	-	25,757,529
<b>Net Position</b> - End of year	<u>\$ 27,605,826</u>	<u>\$ 24,583</u>	<u>\$ -</u>	<u>\$ 27,630,409</u>

**City of Port Huron, Michigan**

**Discretely Presented Component Unit  
Combining Statement of Net Position**

**June 30, 2023**

	Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,252,817	\$ 98,190	\$ 599,358	\$ 463,785	\$ 2,414,150
Receivables	6,731	690	2,516	3,073	13,010
Prepaid expenses	7,100	-	-	-	7,100
Capital assets - Net	462,027	-	-	-	462,027
Total assets	1,728,675	98,880	601,874	466,858	2,896,287
<b>Liabilities</b>					
Accounts payable	51,618	96,749	-	426,645	575,012
Accrued liabilities and other	6,201	-	-	-	6,201
Unearned revenue	135,741	-	-	-	135,741
Contracts payable	3,882	-	-	-	3,882
Total liabilities	197,442	96,749	-	426,645	720,836
<b>Net Position</b>					
Net investment in capital assets	462,027	-	-	-	462,027
Unrestricted	1,069,206	2,131	601,874	40,213	1,713,424
Total net position	\$ 1,531,233	\$ 2,131	\$ 601,874	\$ 40,213	\$ 2,175,451

See notes to financial statements.

**City of Port Huron, Michigan**

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Downtown Development - Community and economic development	\$ 911,559	\$ 77,639	\$ 59,802	\$ -
Tax Increment Finance - Community and economic development	96,749	-	-	-
Local Development Finance - Community and economic development	95,560	-	-	-
Brownfield Redevelopment - Community and economic development	454,002	-	-	-
Total component units	<u>\$ 1,557,870</u>	<u>\$ 77,639</u>	<u>\$ 59,802</u>	<u>\$ -</u>
General revenue:				
Taxes - Property taxes				
Unrestricted state-shared revenue				
Other miscellaneous income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

See notes to financial statements.

Discretely Presented Component Unit  
Combining Statement of Activities

Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position				
Downtown Development	Tax Increment Finance	Local Development Finance	Brownfield Redevelopment	Total
\$ (774,118)	\$ -	\$ -	\$ -	\$ (774,118)
-	(96,749)	-	-	(96,749)
-	-	(95,560)	-	(95,560)
-	-	-	(454,002)	(454,002)
(774,118)	(96,749)	(95,560)	(454,002)	(1,420,429)
1,173,055	97,439	160,148	462,097	1,892,739
18,543	-	255,600	4,819	278,962
199,306	-	-	-	199,306
1,390,904	97,439	415,748	466,916	2,371,007
616,786	690	320,188	12,914	950,578
914,447	1,441	281,686	27,299	1,224,873
<b>\$ 1,531,233</b>	<b>\$ 2,131</b>	<b>\$ 601,874</b>	<b>\$ 40,213</b>	<b>\$ 2,175,451</b>

City of Port Huron, Michigan

Notes to Financial Statements

June 30, 2023

**Note 1 - Significant Accounting Policies**

The following is a summary of the significant accounting policies used by the City of Port Huron, Michigan (the "City"):

**Reporting Entity**

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present the City of Port Huron, Michigan (the primary government) and its component units. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

A blended component unit is an entity that is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. The Port Huron Building Authority (the "Building Authority") is reported as part of the City and blended into the special revenue funds. The Port Huron Building Authority is a municipal nonprofit, nonstock corporation organized under the laws of the State of Michigan for the purpose of acquiring and owning buildings for lease to the City. During the year ended June 30, 2023, there was no activity between the Building Authority and the City.

A fiduciary component unit includes other postemployment benefit (OPEB) plans administered through a trust. The Retiree Health Care Benefits Fund is such a trust. The City Council governs the trust through the Municipal Employees' Retirement System of Michigan (MERS) Retiree Health Funding Vehicle (RHFV). The MERS RHFV is governed by a nine-member board, which includes three members of a participating municipality, three employee members, two expert members, and one retiree member. Although legally separate from the City, this fund is reported as a fiduciary component unit because the plan imposes a financial burden on the City.

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. Such component units are reported in separate columns to emphasize that they are legally separate from the City.

**Blended Component Units**

*Port Huron Building Authority*

The Port Huron Building Authority is reported as part of the City and blended into the special revenue funds. The Port Huron Building Authority is a municipal nonprofit, nonstock corporation organized under the laws of the State of Michigan for the purpose of acquiring and owning buildings for lease to the City. During the year ended June 30, 2023, there was no activity between the Building Authority and the City.

**Note 1 - Significant Accounting Policies (Continued)****Discretely Presented Component Units***Downtown Development Authority*

The City of Port Huron Downtown Development Authority (DDA) is a municipal nonprofit, nonstock corporation organized in 1976 under the laws of the State of Michigan for the purpose of correcting and preventing deterioration in the business district and promoting economic growth therein. In addition, the Authority's budget is subject to approval by the City's Council (board). The funding for the DDA is provided by a two mill levy property within the district and by increased property tax collections within designated areas. As of June 30, 2023, the DDA manages five plans (one of which no longer captures taxes). Additional financial information can be obtained at its administrative offices; however, separate financial statements are not prepared.

*Housing Commission*

The Port Huron Housing Commission (the "Housing Commission") was created by the City in accordance with the laws of the State of Michigan. The City appoints a majority of its governing body but is not able to impose its will. Further, there is no financial benefit or burden to the City resulting from the Housing Commission. Therefore, the City is not financially accountable for the Commission, and it is excluded from these financial statements. The Housing Commission's main purpose is to administer activities that provide adequate housing facilities for low-income families and the elimination of housing conditions that are detrimental to the public peace, health, safety, and welfare.

*Brownfield Redevelopment Authority*

The City of Port Huron Brownfield Redevelopment Authority (BRDA) is a municipal nonprofit, nonstock corporation organized on March 10, 1997 under the laws of the State of Michigan for the purpose of remediation, removal, and redevelopment of functionally obsolete or formerly blighted or contaminated properties for beneficial uses. In addition, the City qualifies for financing of public facilities and general infrastructure needs for specific remediation sites. As of June 30, 2023, the BRDA manages four plans.

*Tax Increment Finance Authority*

The City of Port Huron Tax Increment Finance Authority (TIFA) is a municipal nonprofit, nonstock corporation organized on April 13, 1981 under the laws of the State of Michigan for the purpose of financing public facilities within certain designated areas of the City. As of June 30, 2023, the TIFA manages one plan.

*Local Development Finance Authority*

The City of Port Huron Local Development Finance Authority (LDFA) is a municipal nonprofit, nonstock corporation organized on May 14, 1990 under the laws of the State of Michigan for the purpose of financing public facilities and general infrastructure needs of specific project districts, including the industrial park. As of June 30, 2023, the LDFA manages one plan.

The governing bodies of each authority are appointed by the City Council. Their budgets and any bond issuance authorizations are approved by the City Council. The funding for TIFA, LDFA, and BRDA is provided by increased property tax collections from improvements and increased valuations within the designated areas. Each of the authorities' primary activities, which are as of and for the year ended June 30, 2023, are reported discretely as governmental fund types - special revenue funds.

**Note 1 - Significant Accounting Policies (Continued)****Accounting and Reporting Principles**

The City follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the City:

**Report Presentation**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary 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 revenue, 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue 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. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

**Fund Accounting**

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Major Streets Fund accounts for the various state-shared and other revenue relating to the repairs and maintenance of the major streets and state trunklines.
- The Local Streets Fund accounts for the various state-shared and other revenue relating to the repairs and maintenance of the major streets and state trunklines.
- The Municipal Streets Fund accounts for property taxes levied for street construction and repairs and the Blue Water Area Transportation Commission (BWATC) and for various other revenue related to construction activities.

**Note 1 - Significant Accounting Policies (Continued)**

- The Cemetery Perpetual Care Fund is a permanent fund that was established to invest the proceeds from the sale of burial plots and utilize the investment income in the operations of the city-owned cemetery.

**Proprietary Funds**

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following funds as major enterprise funds:

- The Water Fund is used to account for the provision of water and related services to the residents of the City and surrounding townships.
- The Wastewater Fund is used to account for the collection of wastewater and related treatment services to the residents of the City and surrounding townships.

The City's internal service funds are used for office supply room and copier activities, rental of city-owned vehicles and other equipment, data processing services, energy performance services, and payment of insurance and payroll-related fringe benefits provided to other departments or agencies of the City on a cost reimbursement basis.

**Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City's programs. The City reports the following as fiduciary activities:

- Other employee benefit funds account for the activities of the Retiree Health Care Benefits Fund, which accumulates resources for retiree health care benefits for qualified retirees.
- Private purpose trust funds account for resources legally held in trust for use in senior citizens' projects. All resources of the funds, including any earnings on invested resources, may be used to support these activities. There is no requirement that any portion of these resources be preserved as capital.
- Custodial funds generally are used to account for taxes collected that the City holds on behalf of others as their agent.

**Fund Balance Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or other; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue other than program revenue. General revenue includes all taxes.

**Note 1 - Significant Accounting Policies (Continued)**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the City's proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the respective funds' balance sheet or statement of net position. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Cash deficits have been classified as due to other funds with a corresponding amount reflected as due from other funds.

Interfund services provided and used are accounted for as revenue and expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

**Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: property taxes, city income tax revenue (principally employee withholdings), state-shared revenue, reimbursement type grants, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the water and wastewater functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported.

**Specific Balances and Transactions****Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits and short-term investments with an original maturity date within three months of the date acquired by the City.



**Note 1 - Significant Accounting Policies (Continued)**

**Investments**

State statutes and the policy adopted by the City Council authorize general city funds to be deposited in government-insured accounts in banks and thrifts within the state. Permissible investments include obligations of the U.S. Treasury and agencies (either individually or in pooled funds), domestic certificates of deposit, commercial paper with prescribed ratings, obligations of the State of Michigan or its political subdivisions (which are rated as investment grade), and repurchase agreements.

Certificates of deposit with an original maturity date in excess of three months are classified as investments and reported at original cost, which approximates fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less (of which there were none in the current year) are stated at amortized cost. Securities traded on a national or international exchange are stated at fair value based upon quoted market prices (typically the last reported sale price at current exchange rates). Investments that do not have an established fair market value are reported at estimated fair value determined by the management of the City.

As of June 30, 2023, \$27,605,826, or 100 percent, of the Retiree Health Care Benefits Fund's net position is reported as interest in pooled investments. Approximately \$14,830,000 of the interest in pooled investments includes investments that may not be publicly traded and, therefore, do not always have a readily determinable fair market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the values that would have been used had a ready market for those investments existed. The difference could be material.

The City participates in bank-administered external investment pools, which are registered with the Securities and Exchange Commission, in which the fair value of the City's portion in the pool is the same as the value of the pool shares.

**Inventories and Prepaid Items**

Inventories are valued at cost on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than 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, when applicable. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**Restricted Assets**

In accordance with bond covenants, bond proceeds received in the Wastewater Fund are restricted for designated improvements to the wastewater system. In the Water Fund, amounts sufficient to meet certain interest and principal payment requirements have been restricted for that purpose. Since these assets are restricted as to their use, they are classified as restricted assets on the statement of net position and the statement of cash flows.

The City issued general obligation limited tax bonds to be used for capital improvements, including a new fire station. As of June 30, 2023, there was \$7,709,077 in unspent bond proceeds, which is presented as restricted assets on the statement of net position.

In addition, the City donated funds to the Community Foundation of St. Clair County from the General Fund and McMorran Fund. The income of the donated funds is distributed at least annually for use within the City for projects that constitute a public purpose as defined by Michigan law.

**Note 1 - Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g. streets, bridges, sidewalks, systems, 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 City as assets with an initial individual cost of more than \$5,000 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 acquisition value at the date of donation. All costs related to the construction of facilities including salaries and employee benefits are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	10-50
Machinery and equipment	2-10
Vehicles	2-10
Infrastructure	20-50

**Unearned Revenue**

Unearned revenue consists primarily of grant proceeds which are not considered earned until they have been spent on eligible expenditures.

**Long-term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

For proprietary fund types, bond premiums and discounts 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.

For the government wide financial statements, all long-term obligations are recorded within the applicable governmental or business-type activity.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The City reports deferred outflows related to the pension and OPEB plans.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred inflows related to leases and the pension and OPEB plans.

**Note 1 - Significant Accounting Policies (Continued)****Net Position**

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption**

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

In accordance with bond covenants, bond proceeds received in the Wastewater Fund are restricted for designated improvements to the wastewater system. In the Water Fund, amounts sufficient to meet certain interest and principal payment requirements have been restricted for that purpose. Since these assets are restricted as to their use, they are classified as restricted assets on the statement of net position and the statement of cash flows.

The City Council has designated a portion of the fund balance in certain funds to be used for subsequent year's expenditures. The City had no fund deficits as defined under state statute.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only by resolution by the City Council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the City Council; currently, the City Council has not authorized anyone to make assignments on its behalf
- **Unassigned:** All other amounts not classified elsewhere; the General Fund is the only fund that reports a positive unassigned fund balance

**Property Tax Revenue**

Property taxes are levied on each July 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. A penalty of 1 percent is added on August 1 and on the first day of each succeeding month until March 1 of the following year. At that time, the taxes are considered delinquent and turned over to the County Treasurer for collection.

The City's property tax revenue was levied and collectible on July 1, 2022 and is recognized as revenue in the year ended June 30, 2023 when the proceeds of the levy are budgeted and available for the financing of operations.

**Note 1 - Significant Accounting Policies (Continued)**

Included in property tax revenue in the General Fund are two property tax levies approved by citizens during the August 2017 election. A three mill property tax levy for public safety and a one mill property tax levy for parks and recreation were both approved for a period of five years, beginning with the 2018-2019 year. Property tax revenue for 2022-2023 was \$1,878,349 for public safety activities and \$626,079 for parks and recreation activities. Property tax revenue for those activities is considered to be expended before any unrestricted revenue sources are used. Expenditures during 2022-2023 were \$18,507,793 for public safety activities and \$4,349,598 for parks and recreation activities, with an additional transfer to McMorran (a recreational facility) of \$1,140,000.

**Pension**

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose 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 City's pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. 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.

**Other Postemployment Benefit Costs**

The City offers retiree health care benefits to retirees. This plan is closed to all new hires, effective January 1, 2012. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The Insurance and Fringe Benefit Fund (an internal service fund) is used to liquidate the obligations.

**Compensated Absences (Vacation and Sick Leave)**

All matured and vested compensated absences are recorded and paid in the Insurance and Fringe Benefit Fund, an internal service fund. All liabilities as incurred are paid to the internal service fund by the applicable governmental or proprietary funds. At June 30, 2023, the total accrued liability of \$2,956,691 for vested vacation and vested sick leave benefits was recorded in the Insurance and Fringe Benefit Fund. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for nonvesting accumulating rights to receive sick leave benefits.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, such as provisions for uninsured losses, 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 revenue and expenses during the period. Actual results could differ from those estimates.

**Leases**

The City is a lessor for noncancelable leases of office space and land upon which various lessees have constructed cell towers. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

**Note 1 - Significant Accounting Policies (Continued)**

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The City uses an imputed interest rate, which approximates its incremental borrowing cost as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Upcoming Accounting Pronouncements**

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the City's financial statements for fiscal years beginning after June 15, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for fiscal years beginning after December 15, 2023.

**Note 2 - Stewardship, Compliance, and Accountability****Budgetary Information**

Budgets are adopted on a basis consistent with generally accepted accounting principles and state statutes. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

**Note 2 - Stewardship, Compliance, and Accountability (Continued)**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds. Encumbrances lapse at year end; however, they are generally reappropriated as part of the following year's budget.

The city manager receives requests for appropriations from all city departments and agencies in February of each year so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past two years, the current year, and requested appropriations for the fiscal year beginning July 1.

On or before the fourth Monday in April, the proposed budget is presented to the City Council for review. The City Council holds a public hearing and may make any revisions that, in their opinion and as a result of the public hearing thereon, may appear advisable.

Expenditures may not legally exceed budget appropriations at the functional level. Supplemental appropriations to the City's budget require the approval of the City Council. Transfers within functional levels that do not affect aggregate expenditures may be approved by the city manager. During the year, a supplemental appropriation was adopted to reflect changes in economic conditions. All budget adjustments are reflected as the final budget in this report.

**Construction Code Fees**

The City tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999, the City is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under the provisions of the act, the City adopted this accounting treatment effective January 1, 2000. For the year ended June 30, 2023, building department revenue and expenditures totaled \$590,823 and \$768,351, respectively. Cumulative building department revenue and expenditures since July 1, 1999 totaled \$8,508,470 and \$12,205,203, respectively.

**Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Council in accordance with Public Act 20 of 1943, as amended, authorizes investments in any bonds, securities and other investments within the limitations prescribed by Public Act 20. For mutual funds, this authorization is limited to mutual funds whose intent is to maintain a net asset value of \$1.00 per share.

**Note 3 - Deposits and Investments (Continued)**

The Cemetery Perpetual Care Fund is authorized by Public Act 157 of 1976 to invest or reinvest in real or personal property deemed advisable by the governing board, including mortgages, stocks, bonds, debentures, and other securities of for-profit or nonprofit corporations, shares in or obligations of associations, partnerships, and individuals, and obligations of any government, or subdivision or instrumentality thereof; retain property contributed by a donor to an institutional fund for as long as the governing board deems advisable, including all or any part of an institutional fund in a pooled or common fund maintained by the institution; and invest all or any part of an institutional fund in any other pooled or common fund available for investment, including shares or interest in regulated investment companies, mutual funds, common trust funds, investment partnerships, real estate investment trusts, or similar organizations in which funds are commingled and investment determinations are made by persons other than the governing board.

The Retiree Health Care Benefits Fund is authorized by Michigan Public Act 314 of 1965, as amended, to invest in stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain reverse repurchase agreements, certain state and local government obligations, and certain other specified investment vehicles. The City has authorized investment in a retiree health care funding plan provided by the Municipal Employees' Retirement System of Michigan, the City's pension plan. The funds the City has invested are part of the MERS total market fund, a diversified fund designed to provide reasonable growth and income while minimizing volatility for all MERS-defined benefit participants.

The City has designated certain banks and credit unions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The City's deposits and investments are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below.

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City's deposit balance of \$57,480,392 had bank deposits of \$55,980,392 (certificates of deposit, pooled accounts, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

**Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At June 30, 2023, none of the City's investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool.
- Investments were book-entry only in the name of the City and were fully insured.
- Investments were part of a mutual fund.
- Investments were held by an agent in the City's name.

**Note 3 - Deposits and Investments (Continued)**

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The City's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity in accordance with the City's cash requirements. It is the City's policy to hold such securities until maturity.

At year end, the average maturities of investments are as follows:

Investment	Carrying Value	Weighted-average Maturity (Years)
<b>Investments</b>		
Cemetery Perpetual Care Fund corporate bonds	\$ 689,147	3.49
General Fund - Municipal obligations	908,711	0.53
Total investments	1,597,858	
<b>Other Items Reported as Investments</b>		
Cemetery Perpetual Care Fund equities	10,728,526	
Total investments - Primary government	12,326,384	
<b>Retiree Health Care Benefits Fund</b>		
Total	\$ 39,932,210	

**Note 3 - Deposits and Investments (Continued)**

**Credit Risk**

Endowment funds are authorized by Public Act 157 of 1976 to invest, in part, in mortgages, stocks, bonds, debentures, and other securities. The General Fund is authorized by Public Act 20 of 1943 (as amended) to invest, in part, in municipal obligations of the State of Michigan or its political subdivisions, which are rated as investment grade. The General Fund is also authorized to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States. The Retiree Health Care Benefits Fund is authorized by Public Act 314 of 1965 to invest, in part, in stocks, diversified investment companies, annuities, government obligations, and other specified investment vehicles. The City does not have a policy for credit risk. The City uses the Standard & Poor's rating agency to rate its investments. As of June 30, 2023, the credit ratings of debt securities (other than the U.S. government) for the Cemetery Perpetual Care Fund, the General Fund, and the interest in pooled investments for the Retiree Health Care Benefits Fund are as follows:

Investment	Carrying Value	Rating
<b>Cemetery Perpetual Care Fund</b>		
Corporate bonds	\$ 208,936	AA
Corporate bonds	429,449	A
Corporate bonds	<u>50,762</u>	BBB
Total	<u>\$ 689,147</u>	
<b>General Fund</b>		
Municipal obligations	248,470	AAA
Municipal obligations	<u>660,241</u>	AA
Total	<u>\$ 908,711</u>	
<b>Retiree Health Care Benefits Fund</b>		
Interest in pooled investments	\$ 27,605,826	Not rated

**Concentration of Credit Risk**

The City places no limit on the amount it may invest in any one issue or equity. As of June 30, 2023, there were no individual investments with a fair value that represents five percent or more of the investments held in the Cemetery Perpetual Care Fund.

**Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City has the following recurring fair value measurements as of June 30, 2023:

- Mutual funds and equities of \$10,728,526 are valued using quoted market prices (Level 1 inputs).
- Corporate bonds of \$689,147 are valued using a matrix pricing model (Level 2 inputs).

**Note 3 - Deposits and Investments (Continued)**

- Municipal obligations of \$908,711 are valued using a matrix pricing model (Level 2 inputs).
- Interest in pooled investments of \$27,605,826 are measured at net asset value (NAV).

**Investments in Entities that Calculate Net Asset Value per Share**

The City holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MERS RHFV Total Market Portfolio	\$ 27,605,826	\$ -	N/A	N/A

The MERS RHFV Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS RHFV Total Market Portfolio.

June 30, 2023

**Note 4 - Capital Assets**

Capital asset activity of the City's governmental and business-type activities was as follows:

**Governmental Activities**

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 4,455,672	\$ -	\$ -	\$ -	\$ 4,455,672
Construction in progress	1,590,433	1,043,105	6,523,555	(3,024,234)	6,132,859
Subtotal	6,046,105	1,043,105	6,523,555	(3,024,234)	10,588,531
Capital assets being depreciated:					
Streets, bridges, and sidewalks	93,063,044	-	3,024,234	(687,281)	95,399,997
Buildings	12,445,355	(490,728)	1,619,365	(5,547)	13,568,445
Machinery and equipment	18,207,416	-	961,943	(1,329,695)	17,839,664
Vehicles	11,650,396	(327,791)	478,178	(699,050)	11,101,733
Land improvements	18,980,419	(224,586)	3,338,894	(175,820)	21,918,907
Subtotal	154,346,630	(1,043,105)	9,422,614	(2,897,393)	159,828,746
Accumulated depreciation:					
Streets, bridges, and sidewalks	59,550,826	-	3,046,417	(687,281)	61,909,962
Buildings	10,340,910	-	313,219	(5,547)	10,648,582
Machinery and equipment	14,168,441	-	804,228	(1,329,695)	13,642,974
Vehicles	7,671,249	-	638,591	(699,050)	7,610,790
Land improvements	11,888,103	-	568,688	(175,820)	12,280,971
Subtotal	103,619,529	-	5,371,143	(2,897,393)	106,093,279
Net capital assets being depreciated	50,727,101	(1,043,105)	4,051,471	-	53,735,467
Net governmental activities capital assets	\$ 56,773,206	\$ -	\$ 10,575,026	\$ (3,024,234)	\$ 64,323,998

June 30, 2023

**Note 4 - Capital Assets (Continued)**

**Business-type Activities**

	Balance July 1, 2022	Reclassifications	Additions	Disposals	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 5,357,707	\$ -	\$ -	\$ (174,710)	\$ 5,182,997
Construction in progress	518,157	1,044,882	5,009,337	(1,012,347)	5,560,029
Subtotal	5,875,864	1,044,882	5,009,337	(1,187,057)	10,743,026
Capital assets being depreciated:					
Buildings	55,253,043	(1,044,882)	2,316,509	(5,624,361)	50,900,309
Machinery and equipment	21,849,912	-	260,607	(4,257,537)	17,852,982
Systems	233,807,359	-	2,164,215	(24,019)	235,947,555
Land improvements	4,202,122	-	64,809	-	4,266,931
Subtotal	315,112,436	(1,044,882)	4,806,140	(9,905,917)	308,967,777
Accumulated depreciation:					
Buildings	34,118,998	-	1,385,053	(5,559,232)	29,944,819
Machinery and equipment	18,950,639	-	643,332	(3,624,240)	15,969,731
Systems	112,644,347	-	5,938,858	(24,019)	118,559,186
Land improvements	1,192,559	-	174,111	-	1,366,670
Subtotal	166,906,543	-	8,141,354	(9,207,491)	165,840,406
Net capital assets being depreciated	148,205,893	(1,044,882)	(3,335,214)	(698,426)	143,127,371
Net business-type activity capital assets	\$ 154,081,757	\$ -	\$ 1,674,123	\$ (1,885,483)	\$ 153,870,397

Deductions for construction in progress represents amounts reclassified to property and equipment being depreciated. All other amounts represent disposals.

**Component Unit**

	Balance July 1, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated - Construction in progress	\$ -	\$ -	\$ 38,816	\$ -	\$ 38,816
Capital assets being depreciated:					
Machinery and equipment	-	-	48,828	-	48,828
Land improvements	-	-	382,617	-	382,617
Subtotal	-	-	431,445	-	431,445
Accumulated depreciation - Machinery and equipment	-	-	8,234	-	8,234
Net capital assets being depreciated	-	-	423,211	-	423,211
Net capital assets	\$ -	\$ -	\$ 462,027	\$ -	\$ 462,027

June 30, 2023

**Note 4 - Capital Assets (Continued)**

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

Governmental activities:	
General government	\$ 1,327,726
Public safety	244,778
Public works	3,222,414
Community and economic development	1,085
Recreation, parks, and culture	575,140
Total governmental activities	<u>\$ 5,371,143</u>
Business-type activities:	
Water	\$ 2,409,609
Wastewater	5,308,610
McMorran	240,882
Parking	78,033
Land purchase	68,463
Marina	35,757
Total business-type activities	<u>\$ 8,141,354</u>
Component unit activities - Downtown Development	\$ 8,234

**Construction Commitments**

The City has entered into various construction contracts. Such contracts include water and sewer separation contracts; street resurfacing contracts, including improvements of water distribution and wastewater collection systems; and site improvement contracts necessary for the construction of infrastructure related to redevelopment. Several such contracts were in progress but not completed as of June 30, 2023. The total incurred to date on these contracts is approximately \$2.7 million as of June 30, 2023. The total contractual commitments outstanding as of June 30, 2023 aggregated approximately \$4.9 million. The City has sufficient funds available to cover these commitments.

June 30, 2023

**Note 5 - Interfund Receivables, Payables, and Transfers**

Interfund transfers are used either to move revenue from the fund that statute or budget requires to collect the revenue to the fund that statute or budget requires to expend the revenue or to use unrestricted revenue collected in the General Fund, Municipal Streets Fund, or Land Purchase Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Fund Transferred From	Fund Transferred To	Amount
Major Streets Fund	Local Streets Fund	\$ 882,902
General Fund	McMorran Fund	1,140,000
	Beautification Commission Fund	3,300
	Total General Fund	1,143,300
Municipal Streets Fund	Local Streets Fund	100,000
Cemetery Perpetual Care Fund	Cemetery Operating Fund	269,840
Land Purchase Fund	McMorran Fund	207,000
	Marina Fund	596,000
	Parking Fund	90,000
	Cemetery Operating Fund	150,000
	Total Land Purchase Fund	1,043,000
	Total	<u>\$ 3,439,042</u>

Outstanding balances between funds are reported in the fund financial statements as due to/from other funds. These amounts result from short-term lending from one fund to another. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Amounts due from/to other funds are as follows:

Receivable	Payable	Amount
Rubbish and Garbage Collection Fund	Community Development Block Grant Fund	\$ 48,240
	Home Fund	12,556
	Total	<u>\$ 60,796</u>

**Note 6 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

<b>Governmental Activities</b>					
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Bonds and contracts payable:</b>					
Internal Service Funds Direct borrowings and direct placements - 3.80% 2012A Energy Services Refunding Bonds (Limited Tax General Obligation); amount of issue - \$3,736,500	\$ 1,489,138	\$ -	\$ (345,026)	\$ 1,144,112	\$ 366,648
Insurance and Fringe Benefit Fund Other debt - 1.266% to 3.117% 2020 General Obligation Limited Tax Pension Bonds; amount of issue - \$52,710,000	50,055,000	-	(1,355,000)	48,700,000	1,375,000
General obligations tax bonds, Series 2022 - 4.00%-4.375%; amount of issue - \$9,680,000 net of unamortized premium of \$74,909	-	9,754,909	(1,119)	9,753,790	170,000
<b>Total bonds and contracts payable</b>	<b>51,544,138</b>	<b>9,754,909</b>	<b>(1,701,145)</b>	<b>59,597,902</b>	<b>1,911,648</b>
Compensated absences	3,040,060	169,072	(252,441)	2,956,691	252,441
Claims and judgments	1,485,003	5,675,808	(5,308,944)	1,851,867	941,601
<b>Total governmental activities long-term debt</b>	<b>\$ 56,069,201</b>	<b>\$ 15,599,789</b>	<b>\$ (7,262,530)</b>	<b>\$ 64,406,460</b>	<b>\$ 3,105,690</b>

<b>Business-type Activities</b>					
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Bonds and contracts payable:</b>					
Water Fund - Direct borrowings and direct placements:					
2.0% to 5.0% 2004A Water Supply System Revenue Bonds (Limited Tax General Obligation); amount of issue - \$3,000,000	\$ 233,925	\$ -	\$ (233,925)	\$ -	\$ -
2.5% to 4.0% 2021 Water Supply System Revenue Bonds - Net of unamortized premium of \$592,062; amount of issue - \$5,090,000	5,746,191	-	(249,129)	5,497,062	251,448
Series 7105-01	195,336	-	(95,000)	100,336	100,336
Series 7110-01	204,976	-	(204,976)	-	-
Series 7113-01	115,000	-	(115,000)	-	-
Series 7119-01	594,255	-	(110,000)	484,255	115,000
Series 7132-01	61,230	-	(30,000)	31,230	31,230
Series 7147-01	315,245	-	(105,000)	210,245	105,000

**Note 6 - Long-term Debt (Continued)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Series 7150-01	\$ 91,504	\$ -	\$ (30,000)	\$ 61,504	\$ 30,000
Series 7167-01	376,036	-	(95,000)	281,036	95,000
Series 7168-01	290,000	-	(95,000)	195,000	95,000
Series 7169-01	72,532	-	(25,000)	47,532	25,000
Series 7185-01	340,053	-	(65,000)	275,053	65,000
Series 7186-01	156,848	-	(45,000)	111,848	45,000
Series 7187-01	118,662	-	(30,000)	88,662	30,000
Series 7188-01	164,909	-	(40,000)	124,909	45,000
Series 7220-01	611,676	-	(95,000)	516,676	100,000
Series 7221-01	200,000	-	(25,000)	175,000	25,000
Series 7275-01	1,154,258	-	(130,000)	1,024,258	135,000
Series 7276-01	70,000	-	(10,000)	60,000	10,000
Series 7378-01	1,403,679	-	(95,000)	1,308,679	95,000
64% 2012B Water Meter Refunding Bonds (Limited Tax General Obligation); amount of issue - \$5,112,000	1,860,902	-	(449,874)	1,411,028	472,133
Water Fund Total direct borrowings and direct placements principal outstanding	14,377,217	-	(2,372,904)	12,004,313	1,870,147
<b>Wastewater Fund - Direct borrowings and direct placements:</b>					
2.6% 2019 Wastewater General Obligation Limited Tax Bonds; amount of issue - \$3,425,000	2,800,000	-	(225,000)	2,575,000	230,000
2.0% to 4.25% 2012 Wastewater General Obligation Limited Tax Bonds; amount of issue - \$3,460,000	453,137	-	(453,137)	-	-
2.25% to 4.0% 2021 Wastewater General Obligation Limited Tax Bonds - Net of unamortized premium of \$749,669; amount of issue - \$9,215,000	10,027,897	-	(298,228)	9,729,669	306,049
2.25% to 4.0% 2021B Wastewater General Obligation Limited Tax Bonds - Net of unamortized premium of \$187,146; amount of issue - \$2,305,000	2,507,919	-	(75,773)	2,432,146	75,229
3.0% to 4.0% 2021 Wastewater General Obligation Limited Tax Bonds - Net of unamortized premium of \$454,786; amount of issue - \$3,818,975	4,334,592	-	(264,806)	4,069,786	242,309
4.0% 2021 Wastewater General Obligation Limited Tax Bonds - Net of unamortized premium of \$106,800; amount of issue - \$791,025	897,825	-	(897,825)	-	-



Note 6 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
3.0% to 4.0% 2021 Wastewater General Obligation Limited Tax Bonds - Net of unamortized premium of \$331,506; amount of issue - \$2,320,000	\$ 2,651,506	\$ -	\$ (117,733)	\$ 2,533,773	\$ 121,289
4.0% 2021 Wastewater General Obligation Limited Tax Bonds - Net of unamortized premium of \$36,316; amount of issue - \$1,895,000	1,510,115	-	(503,799)	1,006,316	487,009
Series 5006-06	192,776	-	(192,776)	-	-
Series 5006-07	205,000	-	(205,000)	-	-
Series 5006-08	181,781	-	(90,000)	91,781	91,781
Series 5006-09	572,532	-	(190,000)	382,532	190,000
Series 5006-10	200,000	-	(65,000)	135,000	65,000
Series 5006-11	410,710	-	(105,000)	305,710	105,000
Series 5006-12	494,821	-	(95,000)	399,821	95,000
Series 5006-13	304,548	-	(75,000)	229,548	75,000
Series 5006-14	238,139	-	(60,000)	178,139	60,000
Series 5006-15	858,666	-	(140,000)	718,666	140,000
Series 5006-16	1,380,000	-	(160,000)	1,220,000	160,000
Series 5006-17	204,750	-	(25,000)	179,750	25,000
Series 5006-18	861,014	-	(75,000)	786,014	75,000
Series 5006-19	1,097,640	-	(95,000)	1,002,640	100,000
Series 5006-20	1,554,545	-	(100,000)	1,454,545	105,000
Series 5177-01	640,000	-	(640,000)	-	-
Series 5413-01	344,886	-	(25,000)	319,886	25,000
Wastewater Fund - Total direct borrowings and direct placements principal outstanding	34,924,799	-	(5,174,077)	29,750,722	2,773,666
Total business-type activities long-term debt	\$ 49,302,016	\$ -	\$ (7,546,981)	\$ 41,755,035	\$ 4,643,813

General Obligation Bonds and Contracts

On July 7, 2021, the City issued \$8,825,000 of 2021 Wastewater General Obligation Limited Tax Refunding Bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of Wastewater General Obligation Limited Tax Bonds that were defeased in 2021. The reacquisition price exceeded the net carrying amount of the old debt by \$171,681. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$2,464,276 and resulted in an economic gain of \$2,076,391.

Revenue Bonds

On November 17, 2021, the City issued \$5,090,000 of 2021 Water Supply System Revenue Refunding Bonds to achieve current refunding of Water Supply System Revenue Bonds that were redeemed on December 8, 2021. This refunding was undertaken to reduce total debt service payments over the next 20 years by \$2,064,291 and resulted in an economic gain of \$1,637,329.

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

During the fiscal year ended June 30, 2020, the City issued \$52,710,000 of 2020 General Obligation Limited Tax Pension Bonds. Proceeds of these bonds in the amount of \$52,000,000 was transferred directly to the Municipal Employees' Retirement System of Michigan to finance employee benefits in the Insurance and Fringe Benefit Fund (an internal service fund).

By statute, the City's general obligation debt is restricted to 10 percent of the equalized valuation of all property within the City. At June 30, 2023, the City's debt limit amounted to \$104,216,170 and indebtedness subject to the limitation totaled \$77,999,668 after reduction for debt issued pursuant to an order, leaving an available debt limit of \$26,216,502. State law and the City's revenue bond ordinance require that the City maintain such user charges and fees for services as may be required to meet all expenses of administration and operation and reserve and debt service requirements.

The City has pledged substantially all revenue of the water fund, net of operating expenses, to repay the above water revenue bonds. Proceeds from the bonds provided financing for the construction of improvements to the water distribution system not financed by the Michigan DWRF Program. The bonds are payable from the net revenue of the water system. The remaining principal and interest to be paid on the bonds is \$7,197,187 (principal - \$5,497,062; interest - \$1,108,063). During the current year, net revenue of the system was \$2,263,505 compared to the annual debt requirements of \$576,104.

Recorded in the enterprise funds are general obligation bonds amounting to \$36,257,973 at June 30, 2023 for which the City's full faith and credit is pledged. Recorded in the Water Fund is a revenue bond in the amount of \$5,497,062 at June 30, 2023 for which the net revenue of the water system is pledged. It is anticipated that the principal and interest on this debt will continue to be serviced by these funds. There are no bond sinking fund requirements.

**Note 6 - Long-term Debt (Continued)**

The annual requirements to pay principal and interest on the obligations outstanding (all of which are considered direct borrowings and direct placements of debt) at June 30, 2023 are as follows:

Years Ending June 30	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2024	\$ 366,648	\$ 32,608	\$ 1,545,000	\$ 1,694,109	\$ 3,638,365
2025	389,242	22,158	1,573,927	1,666,542	3,651,869
2026	388,222	11,064	1,608,855	1,636,982	3,645,123
2027	-	-	1,638,780	1,604,735	3,243,515
2028	-	-	1,673,703	1,570,310	3,244,013
2029-2033	-	-	8,987,235	7,247,714	16,234,949
Thereafter	-	-	41,426,290	13,034,549	54,460,839
<b>Total</b>	<b>\$ 1,144,112</b>	<b>\$ 65,830</b>	<b>\$ 58,453,790</b>	<b>\$ 28,454,941</b>	<b>\$ 88,118,673</b>

Years Ending June 30	Business-type Activities		
	Direct Borrowings and Direct Placements		Total
	Principal	Interest	
2024	\$ 4,643,813	\$ 875,964	\$ 5,519,777
2025	4,562,295	780,398	5,342,693
2026	3,463,531	689,486	4,153,017
2027	2,692,966	611,841	3,304,807
2028	2,417,444	550,525	2,967,969
2029-2033	10,146,416	1,949,887	12,096,303
Thereafter	13,828,570	1,454,579	15,283,149
<b>Total</b>	<b>\$ 41,755,035</b>	<b>\$ 6,912,680</b>	<b>\$ 48,667,715</b>

**Note 7 - Tax Abatements**

The City uses the Industrial Facilities Tax exemption (Public Act 198 of 1974, as amended) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property for up to 12 years. For the fiscal year ended June 30, 2023, the City abated approximately \$49,000 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

Additionally, the Brownfield Redevelopment Authority, a discretely presented component unit, uses Brownfield Redevelopment Agreements under Public Act 381 of 1996, as amended, that remediate environmental contamination, blight, or functional obsolescence of their properties. As a result of these agreements, tax revenue was reduced. For the fiscal year ended June 30, 2023, the BRDA abated approximately \$169,000 of taxes under this program. There are no provisions to recapture taxes.

The City also granted reduced property tax revenue to low-income housing programs under Public Act 346 of 1966, as amended. Qualified low-income housing is exempt from property taxes but pays a fee in lieu of taxes based on a percentage of its rents. The amount of tax foregone was determined by subtracting the fee in lieu of taxes paid from the amount of tax that would have been normally calculated. For the fiscal year ended June 30, 2023, net taxes abated under this program was approximately \$18,000. There are no provisions to recapture taxes.

There are no significant abatements made by other governments that reduce the City's tax revenue.

**Note 8 - Other Postemployment Benefit Plan**

**Plan Description**

The City has established a single-employer defined benefit plan, which it administers, the Retiree Health Care Benefits Fund. The plan provides postemployment benefits other than pensions to its qualifying full-time employees and retirees. The OPEB benefits are provided under collective bargaining agreements and other requirements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the City. The plan is administered in accordance with the Uniform Resolution Adopting the MERS Retiree Health Funding Vehicle, which was adopted by the City Council on May 14, 2007.

**Benefits Provided**

The Plan provides health care benefits for certain retirees and their covered spouses. The benefits provided to retirees are generally the same as or similar to the benefits received by employees. Therefore, benefits received by retirees may be changed due to changes in collective bargaining agreements and other requirements.

Effective January 1, 2022, all Medicare eligible retirees that have qualified for retiree health care benefits are covered by a Medicare Advantage Plan.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

Date of member count	July 1, 2022
Inactive plan members or beneficiaries currently receiving benefits	462
Active plan members	86
<b>Total plan members</b>	<b>548</b>

The plan is closed to new entrants. All new employees hired after January 1, 2012 are ineligible to participate in the plan.

**Contributions**

Adoption of the plan granted the City the authority to establish and amend the contribution requirements. In practice, these contributions are established based on the actuarially determined rate. For the year ended June 30, 2023, the City contributed \$3,024,450, which was more than of the actuarially determined amount by \$1,789,338. The City's contribution rate was 37.4 percent of covered-employee payroll. Plan members are not required to contribute to the plan.

**Net OPEB Liability**

The City has chosen to use the June 30, 2023 measurement date as its measurement date for the net OPEB liability. The June 30, 2023 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2023 measurement date. The June 20, 2023 measurement date total OPEB liability was determined by an actuarial valuation performed as of July 1, 2022, which used update procedures to roll forward the estimated liability to June 30, 2023.

**Note 8 - Other Postemployment Benefit Plan (Continued)**

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at June 30, 2022</b>	\$ 38,319,232	\$ 25,733,116	\$ 12,586,116
Changes for the year:			
Service cost	174,109	-	174,109
Interest	2,588,800	-	2,588,800
Differences between expected and actual experience	512,034	-	512,034
Changes in assumptions	(1,089,649)	-	(1,089,649)
Contributions - Employer	-	3,024,448	(3,024,448)
Net investment income	-	1,917,795	(1,917,795)
Benefit payments, including refunds	(3,020,979)	(3,020,979)	-
Administrative expenses	-	(48,554)	48,554
<b>Net changes</b>	<b>(835,685)</b>	<b>1,872,710</b>	<b>(2,708,395)</b>
<b>Balance at June 30, 2023</b>	<b>\$ 37,483,547</b>	<b>\$ 27,605,826</b>	<b>\$ 9,877,721</b>

The plan's fiduciary net position represents 73.65 percent of the total OPEB liability.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2023, the City recognized OPEB recovery of \$2,375,221.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 207,253	\$ -
Changes in assumptions	-	(441,049)
Net difference between projected and actual earnings on OPEB plan investments	915,836	-
<b>Total</b>	<b>\$ 1,123,089</b>	<b>\$ (441,049)</b>

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

Years Ending June 30	Amount
2023	\$ (84,943)
2024	(40,983)
2025	831,578
2026	(23,612)
<b>Total</b>	<b>\$ 682,040</b>

**Note 8 - Other Postemployment Benefit Plan (Continued)**

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3 percent; an investment rate of return (net of investment expenses) of 7.0 percent; a health care cost trend rate for Non-Medicare participants of 7.25 percent for June 30, 2023, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent for the year ending June 30, 2033 and later years; and a health care cost trend rate for Medicare participants of 5.50 percent for June 30, 2023, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for the year ending June 30, 2026 and later years.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from December 31, 2013 to December 31, 2018.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumes employer contributions will be made at rates equal to the actuarially determined contribution rates.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Investment Rate of Return**

The investments of the plan are governed by Public Act 149 of 1999, as amended. The City has adopted the MERS Retiree Health Funding Vehicle. The long-term expected rate of return on RHFV investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of RHFV investment expense 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2023 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private assets	20.00	7.00

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 7.46 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Note 8 - Other Postemployment Benefit Plan (Continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.0 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percentage Point Increase (8.0%)
Net OPEB liability of the Plan	\$ 13,857,100	\$ 9,877,721	\$ 6,515,214

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate**

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB liability of the Plan	\$ 6,156,835	\$ 9,877,721	\$ 14,273,601

**OPEB Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows or resources related to OPEB and OPEB expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 9 - Pension Plan**

**Plan Description**

The City of Port Huron, Michigan participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan. As of June 30, 2023, all of the City's full-time employees hired prior to February 1, 2020, including all full-time employees of the component units, participate in the plan, except as noted below. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, and nonduty-connected death to plan members and their beneficiaries. The service requirement is computed using the employee's credited years of service at the time of termination of membership multiplied by the sum of 1.25 percent, 2.00 percent, 2.25 percent, 2.50 percent, or 2.75 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the year ended December 31, 2021 (measurement date).

Certain new employees hired after July 1, 2008 began participating in the MERS Hybrid Plan, with all new employees hired after July 1, 2014 and prior to February 1, 2020 participating. The Hybrid Plan offers both a defined benefit pension similar to the plans described above and a defined contribution pension. The defined benefit pension is based on a 1.25 percent (2.00 percent for police officers and firefighters) multiplier. The defined contribution pension has a 3 percent employer contribution and a 2 percent employee contribution.

**Note 9 - Pension Plan (Continued)**

Management of the plan is vested in the pension board, which consists of seven members - three elected by plan members, three appointed by the City, and the city treasurer, who serves as an ex officio member.

**Benefits Provided**

MERS was organized pursuant to Section 12a of Act No. 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS is administered by a nine-member retirement board. The act assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities. In this case, the authority rests with the City. MERS issues a publicly available financial report that includes financial statements and required supplementary information of this defined benefit plan. That report may be obtained at [www.mersofmich.com](http://www.mersofmich.com) or by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917. An employee who leaves city service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Honorable Mayor and members of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

Date of member count	December 31, 2022
Inactive plan members or beneficiaries currently receiving benefits	394
Inactive plan members entitled to but not yet receiving benefits	50
Active plan members	<u>191</u>
Total employees covered by the plan	<u>635</u>

**Contributions**

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to make pension contributions based on (describe amounts agreed upon in union contracts). The City's required contribution is determined after consideration of the required contribution rate of employees. For the year ended December 31, 2022, the average active employee contribution rate was 3.4 percent of annual pay, and the City's average contribution rate was 18.4 percent of annual payroll.

**Net Pension Liability**

The City has chosen to use the December 31, 2022 measurement date as its measurement date for the net pension liability. The June 30, 2023 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2022 measurement date. The December 31, 2022 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

**Note 9 - Pension Plan (Continued)**

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2021</b>	\$ 168,061,795	\$ 157,600,321	\$ 10,461,474
Changes for the year:			
Service cost	1,209,777	-	1,209,777
Interest	11,766,933	-	11,766,933
Differences between expected and actual experience	1,791,267	-	1,791,267
Contributions - Employer	-	2,587,788	(2,587,788)
Contributions - Employee	-	483,558	(483,558)
Net investment loss	-	(17,328,062)	17,328,062
Benefit payments, including refunds	(12,723,652)	(12,723,652)	-
Administrative expenses	-	(281,777)	281,777
Miscellaneous other charges	(4,676)	(4,676)	-
Net changes	2,039,649	(27,266,821)	29,306,470
<b>Balance at December 31, 2022</b>	<u>\$ 170,101,444</u>	<u>\$ 130,333,500</u>	<u>\$ 39,767,944</u>

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2023, the City recognized pension expense of \$8,812,165.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,194,178	\$ (117,074)
Changes in assumptions	1,884,525	-
Net difference between projected and actual earnings on pension plan investments	9,389,534	-
Employer contributions to the plan subsequent to the measurement date	1,206,744	-
Total	<u>\$ 13,674,981</u>	<u>\$ (117,074)</u>

**Note 9 - Pension Plan (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2023	\$ 1,809,288
2024	888,821
2025	3,974,295
2026	5,678,759
2027	-
Thereafter	-
Total	<u>\$ 12,351,163</u>

These amounts are exclusive of the employer contributions to the plan subsequent to the measurement date of \$1,206,744, which will affect the net pension liability in the fiscal year ending June 30, 2024, rather than pension expense.

**Actuarial Assumptions**

The total pension liability in the December 31, 2022 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3 percent; an investment rate of return (net of investment expenses) of 7 percent; and using the Pub-2010 mortality tables. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted for the period December 31, 2013 through December 31, 2018.

The actuarial assumptions used in the December 31, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from December 31, 2013 to December 31, 2018.

Inflation	2.50%
Salary increases (including inflation)	3.00
Investment rate of return (net of investment expenses)	7.25
Mortality rates	Pub-2010 Mortality Table

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

**Investment Rate of Return**

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

**Note 9 - Pension Plan (Continued)**

The target allocation and best estimates of arithmetic real rates of return as of the December 31, 2022 measurement date for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private assets	20.00	7.00

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using the discount rate of 7.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the MERS	\$ 58,194,387	\$ 39,767,944	\$ 24,263,492

**Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 10 - Leases**

The City leases certain assets to various third parties. The assets leased primarily include office space and land upon which the various lessees have constructed cell towers. Payments are generally fixed monthly.

The City also receives a percent of the sublease of these cell towers. Terms of the lessees' subleases are similar to the terms of the original leases. Minimum payments received by the City are fixed in amount.

During the year ended June 30, 2023, the City recognized the following related to its lessor agreements:

Lease revenue	\$ 341,550
Interest income related to its leases	81,383

**Note 11 - Commitments From Component Units**

The Downtown Development Authority, the Tax Increment Finance Authority, the Local Development Finance Authority, and the Brownfield Redevelopment Authority have committed to repay the General Fund \$715,029 and the Land Purchase Fund \$7,051,589 for payments made on behalf of the authorities. Such payments were made to finance various improvements, public facilities, and infrastructure needs in accordance with each authority's specific purposes. The payments made on behalf of the authorities are to be repaid from the future collection of property tax revenue restricted for those purposes. The future collection of property tax revenue is dependent upon several factors, including development and sale of real estate, increases in property valuation, and general economic conditions. It is not known when or if such amounts due from component units will be repaid. Because collectibility cannot be reasonably estimated or assured due to the uncertainties discussed above and the extended period of the expected repayments, the City has not recorded the outstanding balances due from component units.

Revenue is recognized annually as nonoperating revenue - operating grants and contributions as payments are made by the component units from available incremental tax receipts. If further tax revenue is insufficient, such amounts due from component units may not be repaid. The activity from component units for the year ended June 30, 2023 is summarized as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Commitment from component units - Downtown development - On behalf of payments from primary government:				
General Fund	\$ 551,166	\$ -	\$ (150,000)	\$ 401,166
Land Purchase Fund	4,710,019	-	(213,169)	4,496,850
Total downtown development	5,261,185	-	(363,169)	4,898,016
Tax increment finance - On behalf of payments from primary government:				
General Fund	163,863	-	-	163,863
Land Purchase Fund	1,867,794	-	-	1,867,794
Total tax increment finance	2,031,657	-	-	2,031,657
Brownfield Redevelopment Authority - On behalf of payments from primary government - Land Purchase Fund	473,776	-	(27,340)	446,436
Total commitment from component units	\$ 7,766,618	\$ -	\$ (390,509)	\$ 7,376,109

**Note 12 - Deferred Inflows/Outflows of Resources**

At the end of the current fiscal year, the various components of deferred outflows of resources are as follows:

**Governmental Activities**

	Motor Vehicle Fund	Data Processing Fund	All Other Governmental Activities	Total
Pension	\$ 299,932	\$ 219,196	\$ 10,186,981	\$ 10,706,109
OPEB	22,046	16,062	863,583	901,691
Total governmental activities deferred outflows	\$ 321,978	\$ 235,258	\$ 11,050,564	\$ 11,607,800

**Business-type Activities**

	Water Fund	Wastewater Fund	All Other Business-type Activities	Total
OPEB	\$ 73,176	\$ 108,393	\$ 39,829	\$ 221,398
Pension	938,376	1,754,942	275,554	2,968,872
Total business-type activities deferred outflows	\$ 1,011,552	\$ 1,863,335	\$ 315,383	\$ 3,190,270

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

**Governmental Activities**

	Motor Vehicle Fund	Data Processing Fund	General Fund	Nonmajor Governmental Funds	All Other Governmental Activities	Total
OPEB	\$ 8,658	\$ 6,308	\$ -	\$ -	\$ 339,136	\$ 354,102
Pension	2,568	1,877	-	-	87,212	91,657
Leases	-	-	2,048,384	-	-	2,048,384
Opioid settlement	-	-	-	356,616	-	356,616
Other deferred inflows	-	-	742,772	-	-	742,772
Total governmental activities deferred inflows	\$ 11,226	\$ 8,185	\$ 2,791,156	\$ 356,616	\$ 426,348	\$ 3,593,531

The opioid settlement and other deferred inflows are deferred in the governmental funds because revenue is unavailable but earned and, therefore, not reported as a deferral on the statement of net position.

**Business-type Activities**

	Water Fund	Wastewater Fund	All Other Business-type Activities	Total
OPEB	\$ 28,737	\$ 42,567	\$ 15,643	\$ 86,947
Pension	8,034	15,024	2,358	25,416
Total business-type activities deferred outflows	\$ 36,771	\$ 57,591	\$ 18,001	\$ 112,363

**Note 13 - Deferred Compensation**

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City makes contributions to the plan on behalf of certain employees. The plan permits employees to defer a portion of their salary until future years. The plan is administered by unrelated financial institutions. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. It is the opinion of the City's legal counsel that the City has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor.

The City also offers a MERS Defined Contribution Plus Pension Plan for all full-time employees hired after February 1, 2020. This plan incorporates features of Internal Revenue Code Section 401(a) and Section 457. Mandatory contributions include a 7 percent employer contribution of eligible wages and a 3 percent employee contribution. In addition, the employee has the option to contribute an additional 3 percent, with the City matching this additional contribution up to 3 percent. For the year ended June 30, 2023, contributions by the City totaled \$318,333 on eligible wages of \$3,318,886.

**Note 14 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal Risk Management Authority (MMRMA) program for general, auto, professional, public officials, and errors and omissions liabilities. MMRMA also provides coverage for property damage, inland marine/mobile equipment (contractor type of equipment), electronic data processing (EDP) media, and equipment and blanket employee fidelity. The City has an administrative service contract with the Blue Cross Blue Shield of Michigan (BCBSM) to provide third-party administration of employee and retiree health care claims with stop-loss coverage above certain limits. The City also participates in a third-party administered retained risk program for workers' compensation with reinsurance coverage provided for claims in excess of \$750,000 for police officers and firefighters and \$550,000 for all other employees. The City is uninsured for acts of nature and environmental cleanup losses.

The component units of the City are also included.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year.

The Michigan Municipal Risk Management Authority pool operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. The City currently has a \$150,000 deductible for each and every loss on all lines of coverage. The risk pool's normal coverage will pay losses up to \$15,000,000 for liabilities and \$1,500,000 for vehicle physical damage. Any liability for losses that exceed this amount would remain with the City. Past experience indicates that incurred but not reported claims for either general liability or workers' compensation, in aggregate, do not represent a material amount; however, such claims are considered part of the estimated liability.

June 30, 2023

**Note 14 - Risk Management (Continued)**

Changes in the estimated liabilities for claims for general liability, health care, and workers' compensation are as follows:

The City estimates the liability for general liability, health care, and workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. Changes in the estimated liability for the year were as follows:

Estimated liability - Beginning of year	\$ 1,485,003
Estimated claims incurred, including changes in estimates	5,675,808
Claim payments	<u>(5,308,944)</u>
Estimated liability - End of year	<u>\$ 1,851,867</u>

**Note 15 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although city administration expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorneys, the resolution of these matters will not have a material adverse effect on the City's financial condition.

**Note 16 - Change in Accounting Principle**

During 2023, the City elected to change its method of accounting for funds donated in a prior year to the Community Foundation to recognize the funds as beneficial interest in assets held by the Community Foundation of St. Clair County, whereas, in all prior years, the funds were not recorded as assets on the City's balance sheet. The City believes recognizing the funds as assets on the City's balance sheet provides readers with more context as to the resources available to the City.

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Required Supplementary Information

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City of Port Huron, Michigan

Required Supplementary Information  
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes:				
Property taxes	\$ 10,040,000	\$ 10,040,000	\$ 10,148,079	\$ 108,079
Income taxes	7,600,000	7,600,000	10,015,449	2,415,449
Rents	405,000	405,000	341,260	(63,740)
Intergovernmental:				
Federal grants	9,432,299	9,432,299	5,844,243	(3,588,056)
State sources:				
State-shared revenue	4,930,000	4,930,000	5,388,454	458,454
State grants	820,000	820,000	424,002	(395,998)
Local grants and contributions:				
Operating grants	-	-	63,134	63,134
Capital grants	1,400,000	1,400,000	1,327,918	(72,082)
Charges for services:				
Recreation fees	541,000	541,000	540,117	(883)
Blue Water Bridge reimbursement	300,000	300,000	300,000	-
County parks millage	152,000	152,000	158,438	6,438
Other	147,000	147,000	181,664	34,664
Fines and forfeitures	145,000	145,000	340,131	195,131
Licenses and permits:				
Cable franchise fees	350,000	350,000	330,306	(19,694)
Nonbusiness licenses and permits	505,000	505,000	590,823	85,823
Other business licenses and permits	5,000	5,000	149,026	144,026
Investment income	20,000	20,000	720,716	700,716
Charges to other funds:				
Garbage and rubbish collection fund	111,449	111,449	111,449	-
Marina Fund	48,495	48,495	48,495	-
Parking fund	13,225	13,225	13,225	-
Water Fund	804,581	804,581	804,581	-
Wastewater Fund	1,245,196	1,245,196	1,245,196	-
Central Stores Fund	8,341	8,341	8,341	-
Data Processing Fund	97,213	97,213	97,213	-
Motor Vehicle Fund	174,694	174,694	174,694	-
Downtown development	-	-	150,000	150,000
Total revenue	39,295,493	39,295,493	39,516,954	221,461
<b>Expenditures</b>				
Current services:				
General government:				
City Council	122,983	143,983	142,832	1,151
City manager	340,254	364,935	363,544	1,391
Finance and accounting	711,149	754,032	752,646	1,386
Purchasing	72,716	78,777	77,653	1,124
Income tax	400,080	480,937	477,620	3,317
Treasurer	263,045	270,512	265,629	4,883
Assessing	390,901	388,228	383,622	4,606
Board of review	2,802	2,802	2,458	344
Clerk	302,582	324,561	323,426	1,135
Legal	157,280	144,280	144,034	246
Elections	131,160	137,100	135,701	1,399
Human resources	407,871	476,735	473,562	3,173
Municipal office center	801,372	854,992	851,646	3,346

See notes to required supplementary information. 78

City of Port Huron, Michigan

Required Supplementary Information  
Budgetary Comparison Schedule - General Fund (Continued)

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Public safety:				
Police administration	\$ 1,699,720	\$ 1,681,263	\$ 1,629,423	\$ 51,840
Fire	6,019,358	6,585,899	6,552,159	33,740
Communications	51,607	51,607	40,951	10,656
Detectives	1,479,564	1,459,181	1,377,133	82,048
Patrol	6,735,703	7,634,040	7,601,724	32,316
Public works:				
Inspection	449,226	496,766	495,485	1,281
Emergency management	155,786	2,374,786	2,371,917	2,869
Public works administration	135,740	148,007	146,341	1,666
Engineering	458,084	474,163	455,609	18,554
Street lighting	745,575	771,783	769,974	1,809
Blight and code reinforcement	325,147	313,983	305,869	8,114
Senior citizens - Discount for senior citizens	2,949	4,049	3,971	78
General support services:				
Planning	273,725	333,550	331,771	1,779
Telephone service	18,511	18,511	8,516	9,995
Contingencies	40,000	-	-	-
Taxes written off	14,851	14,851	10,036	4,815
Insurance, health, and safety	103,270	111,470	111,101	369
Demolition	49,501	49,501	41,718	7,783
Recreation and culture:				
Parks and forestry	1,639,760	1,959,628	1,956,536	3,092
Boat launch ramps	19,586	33,600	32,463	1,137
Recreation	689,842	704,811	681,836	22,975
Rockin the Rivers	59,173	59,376	43,680	15,696
20th and Court pool	118,874	132,874	131,815	1,059
Sanborn pool	197,100	201,600	200,840	760
Chillyfest	14,598	29,772	28,976	796
Parades and special events	38,730	42,623	42,323	300
Lighthouse park	77,627	42,974	38,679	4,295
Lakeside park	225,174	291,144	289,609	1,535
Palmer park recreation center	299,348	723,138	721,340	1,798
Library	8,000	8,000	8,000	-
Museum	62,870	77,870	76,009	1,861
Capital outlay	7,379,499	8,944,499	8,911,963	32,536
Debt service	-	270,000	268,088	1,912
Total expenditures	33,692,693	40,467,193	40,080,228	386,965
<b>Excess of Revenue Over (Under) Expenditures</b>	5,602,800	(1,171,700)	(563,274)	608,426
<b>Other Financing (Uses) Sources</b>				
Transfers out	(5,103,300)	(1,143,300)	(1,143,300)	-
New debt issued	-	9,755,000	9,754,909	(91)
Sale of capital assets	500	500	89,036	88,536
Total other financing (uses) sources	(5,102,800)	8,612,200	8,700,645	88,445
<b>Net Change in Fund Balance</b>	500,000	7,440,500	8,137,371	696,871
<b>Fund Balance - Beginning of year</b>	5,933,930	5,933,930	5,933,930	-
<b>Fund Balance - End of year</b>	<b>\$ 6,433,930</b>	<b>\$ 13,374,430</b>	<b>\$ 14,071,301</b>	<b>\$ 696,871</b>

See notes to required supplementary information. 79

**City of Port Huron, Michigan**

Required Supplementary Information  
Budgetary Comparison Schedule - Major Special Revenue Funds  
Major Streets

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue - Intergovernmental</b>	\$ 4,440,000	\$ 4,440,000	\$ 4,318,390	\$ (121,610)
<b>Expenditures</b>				
Current services - Public works	2,121,806	2,121,806	1,867,390	254,416
Capital outlay	3,380,000	2,480,000	1,277,923	1,202,077
Total expenditures	<u>5,501,806</u>	<u>4,601,806</u>	<u>3,145,313</u>	<u>1,456,493</u>
<b>Excess of Revenue (Under) Over Expenditures</b>	(1,061,806)	(161,806)	1,173,077	1,334,883
<b>Other Financing Uses - Transfers out</b>	<u>(500,000)</u>	<u>(1,400,000)</u>	<u>(882,902)</u>	<u>517,098</u>
<b>Net Change in Fund Balance</b>	(1,561,806)	(1,561,806)	290,175	1,851,981
<b>Fund Balance - Beginning of year</b>	<u>2,115,360</u>	<u>2,115,360</u>	<u>2,115,360</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 553,554</u></u>	<u><u>\$ 553,554</u></u>	<u><u>\$ 2,405,535</u></u>	<u><u>\$ 1,851,981</u></u>

**City of Port Huron, Michigan**

Required Supplementary Information  
Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)  
Local Streets

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue - Intergovernmental</b>	\$ 1,042,000	\$ 1,042,000	\$ 1,055,588	\$ 13,588
<b>Expenditures</b>				
Current services - Public works	1,001,715	1,001,715	804,864	196,851
Capital outlay	3,300,000	3,300,000	1,435,231	1,864,769
Total expenditures	<u>4,301,715</u>	<u>4,301,715</u>	<u>2,240,095</u>	<u>2,061,620</u>
<b>Excess of Expenditures Over Revenue</b>	(3,259,715)	(3,259,715)	(1,184,507)	2,075,208
<b>Other Financing Sources - Transfers in</b>	<u>3,260,000</u>	<u>3,260,000</u>	<u>982,902</u>	<u>(2,277,098)</u>
<b>Net Change in Fund Balance</b>	285	285	(201,605)	(201,890)
<b>Fund Balance - Beginning of year</b>	<u>383,457</u>	<u>383,457</u>	<u>383,457</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 383,742</u></u>	<u><u>\$ 383,742</u></u>	<u><u>\$ 181,852</u></u>	<u><u>\$ (201,890)</u></u>

City of Port Huron, Michigan

Required Supplementary Information  
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)  
 Municipal Streets

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes - Property taxes	\$ 1,605,000	\$ 1,605,000	\$ 1,635,071	\$ 30,071
Intergovernmental	105,000	105,000	189,619	84,619
Charges for services	135,000	135,000	157,676	22,676
Total revenue	1,845,000	1,845,000	1,982,366	137,366
<b>Expenditures</b> - Current services - Public works	447,082	447,082	429,306	17,776
<b>Excess of Revenue Over Expenditures</b>	1,397,918	1,397,918	1,553,060	155,142
<b>Other Financing Uses</b> - Transfers out	(3,760,000)	(3,760,000)	(100,000)	3,660,000
<b>Net Change in Fund Balance</b>	(2,362,082)	(2,362,082)	1,453,060	3,815,142
<b>Fund Balance</b> - Beginning of year	7,807,559	7,807,559	7,807,559	-
<b>Fund Balance</b> - End of year	<u>\$ 5,445,477</u>	<u>\$ 5,445,477</u>	<u>\$ 9,260,619</u>	<u>\$ 3,815,142</u>

City of Port Huron, Michigan

	2023	2022	2021	2020	2019
<b>Total Pension Liability</b>					
Service cost	\$ 1,209,777	\$ 1,103,259	\$ 1,260,526	\$ 1,407,211	\$ 1,666,791
Interest	11,766,933	11,899,968	11,498,638	11,599,968	12,141,293
Changes in benefit terms	-	-	-	(813,573)	(8,911,168)
Differences between expected and actual experience	1,791,267	(351,219)	824,338	1,372,320	374,885
Changes in assumptions	-	5,653,576	4,271,526	5,098,392	-
Benefit payments, including refunds	(12,728,328)	(12,541,411)	(12,450,039)	(12,135,354)	(11,681,756)
<b>Net Change in Total Pension Liability</b>	2,039,649	5,764,173	5,404,989	6,528,964	(6,409,955)
<b>Total Pension Liability</b> - Beginning of year	168,061,795	162,297,622	156,892,633	150,363,669	156,773,624
<b>Total Pension Liability</b> - End of year	<u>\$ 170,101,444</u>	<u>\$ 168,061,795</u>	<u>\$ 162,297,622</u>	<u>\$ 156,892,633</u>	<u>\$ 150,363,669</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 2,587,788	\$ 2,200,038	\$ 54,368,446	\$ 4,215,474	\$ 4,957,393
Contributions - Member	483,558	465,654	479,503	559,183	869,239
Net investment (loss) income	(17,328,062)	19,408,926	26,098,092	10,129,512	(3,194,651)
Administrative expenses	(281,777)	(230,824)	(242,425)	(174,274)	(163,443)
Benefit payments, including refunds	(12,728,328)	(12,541,411)	(12,450,039)	(12,135,354)	(11,681,756)
<b>Net Change in Plan Fiduciary Net Position</b>	(27,266,821)	9,302,383	68,253,577	2,594,541	(9,213,218)
<b>Plan Fiduciary Net Position</b> - Beginning of year	157,600,321	148,297,938	80,044,361	77,449,820	86,663,038
<b>Plan Fiduciary Net Position</b> - End of year	<u>\$ 130,333,500</u>	<u>\$ 157,600,321</u>	<u>\$ 148,297,938</u>	<u>\$ 80,044,361</u>	<u>\$ 77,449,820</u>
<b>City's Net Pension Liability</b> - Ending	<u>\$ 39,767,944</u>	<u>\$ 10,461,474</u>	<u>\$ 13,999,684</u>	<u>\$ 76,848,272</u>	<u>\$ 72,913,849</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	76.62 %	93.78 %	91.37 %	51.02 %	51.51 %
<b>Covered Payroll</b>	\$ 14,088,178	\$ 13,925,974	\$ 13,839,804	\$ 14,233,983	\$ 13,975,269
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	282.28 %	75.12 %	101.16 %	539.89 %	521.73 %

Required Supplementary Information  
Schedule of Changes in the Net Pension Liability and Related Ratios

Last Nine Fiscal Years

	2018	2017	2016	2015
\$	1,764,161	\$ 1,772,330	\$ 1,757,825	\$ 1,808,963
	11,928,206	11,834,909	11,228,924	11,010,397
	-	-	-	(410)
	391,125	(1,483,605)	2,491,086	-
	-	-	6,951,357	-
	(11,057,994)	(10,851,323)	(10,365,273)	(9,923,800)
	3,025,498	1,272,311	12,063,919	2,895,150
	153,748,126	152,475,815	140,411,896	137,516,746
<b>\$</b>	<b>156,773,624</b>	<b>\$ 153,748,126</b>	<b>\$ 152,475,815</b>	<b>\$ 140,411,896</b>
\$	4,275,121	\$ 4,350,070	\$ 4,561,758	\$ 3,266,049
	1,021,459	1,040,220	1,138,153	1,153,294
	10,520,868	8,693,531	(1,225,499)	5,295,419
	(167,113)	(171,949)	(182,216)	(193,299)
	(11,057,994)	(10,851,323)	(10,365,273)	(9,923,800)
	4,592,341	3,060,549	(6,073,077)	(402,337)
	82,070,697	79,010,148	85,083,225	85,485,562
<b>\$</b>	<b>86,663,038</b>	<b>\$ 82,070,697</b>	<b>\$ 79,010,148</b>	<b>\$ 85,083,225</b>
<b>\$</b>	<b>70,110,586</b>	<b>\$ 71,677,429</b>	<b>\$ 73,465,667</b>	<b>\$ 55,328,671</b>
	55.28 %	53.38 %	51.82 %	60.60 %
\$	13,944,929	\$ 13,768,369	\$ 13,808,346	\$ 13,780,076
	502.77 %	520.59 %	532.04 %	401.51 %

Note: GASB 68 was implemented during the fiscal year ended June 30, 2015. This schedule is being developed prospectively.

City of Port Huron, Michigan

Required Supplementary Information  
Schedule of Pension Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,413,488	\$ 2,917,854	\$ 1,823,490	\$ 3,942,578	\$ 4,295,151	\$ 4,606,653	\$ 4,169,901	\$ 3,716,779	\$ 3,709,560	\$ 2,941,737
Contributions in relation to the contractually required contribution	2,413,488	2,917,854	1,823,490	55,942,578	4,795,151	4,606,653	4,669,901	4,216,779	3,709,560	2,941,737
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 52,000,000</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ -</b>
City's Covered-employee Payroll	\$ 14,088,178	\$ 14,850,476	\$ 14,366,004	\$ 14,724,248	\$ 14,622,078	\$ 14,446,746	\$ 14,842,828	\$ 13,674,382	\$ 13,913,491	\$ 13,775,289
<b>Contributions as a Percentage of Covered-employee Payroll</b>	<b>17.13 %</b>	<b>19.65 %</b>	<b>12.69 %</b>	<b>379.94 %</b>	<b>32.79 %</b>	<b>31.89 %</b>	<b>31.46 %</b>	<b>30.84 %</b>	<b>26.66 %</b>	<b>21.36 %</b>
<b>Notes to Schedule of Pension Contributions</b>										
Actuarial valuation information relative to the determination of contributions:										
Valuation date	Actuarially determined contribution rates are calculated as of December 31, eighteen months prior to the end of the fiscal year in which the contributions are reported. Contributions for the City's fiscal year ended June 30, 2023 were determined based on the actuarial valuation as of December 31, 2022.									
Methods and assumptions used to determine contribution rates:										
Actuarial cost method	Entry age									
Amortization method	Level percent, closed									
Remaining amortization period	25 years									
Asset valuation method	5-year smoothed market									
Inflation	2.50 percent									
Salary increase	3.00 percent									
Investment rate of return	7.60 percent; gross of pension plan investment expense, including inflation									
Retirement age	Experience-based table of rates are specific to the type of eligibility condition									
Mortality	50 percent male and 50 percent female blend used for RP-2014 Healthy Annuity Mortality Table (rates multiplied by 105%), RP-2014 Employee Mortality Table, and RP-2014 Juvenile Mortality Table. For disabled retirees, RP-2014 Disabled Retiree Mortality Table, 50 percent male and 50 percent female blend									
Other information	None									

See notes to required supplementary information.

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City of Port Huron, Michigan

Required Supplementary Information  
Schedule of Changes in the Total OPEB Liability and Related Ratios

Last Seven Fiscal Years

	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>							
Service cost	\$ 174,109	\$ 174,972	\$ 364,868	\$ 308,199	\$ 374,392	\$ 367,910	\$ 354,612
Interest	2,588,800	4,948,758	4,976,354	4,559,909	4,503,392	4,109,240	4,030,397
Changes in benefit terms	-	(28,548,250)	-	-	-	-	-
Differences between expected and actual experience	512,034	(713,213)	746,481	2,589,233	3,047,340	-	-
Changes in assumptions	(1,089,649)	(6,529,980)	(1,623,283)	(4,975,636)	1,718,262	-	-
Benefit payments, including refunds	(3,020,979)	(3,069,254)	(3,582,743)	(3,524,113)	(3,513,225)	(3,218,912)	(3,125,166)
<b>Net Change in Total OPEB Liability</b>	(835,685)	(33,736,967)	881,677	(1,042,408)	6,130,161	1,258,238	1,259,843
<b>Total OPEB Liability - Beginning of year</b>	38,319,232	72,056,199	71,174,522	72,216,930	66,086,769	64,828,531	63,568,688
<b>Total OPEB Liability - End of year</b>	<b>\$ 37,483,547</b>	<b>\$ 38,319,232</b>	<b>\$ 72,056,199</b>	<b>\$ 71,174,522</b>	<b>\$ 72,216,930</b>	<b>\$ 66,086,769</b>	<b>\$ 64,828,531</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 3,024,448	\$ 3,080,886	\$ 4,961,666	\$ 4,916,346	\$ 4,130,796	\$ 3,222,467	\$ 3,126,902
Net investment income (loss)	1,917,795	(2,311,466)	5,870,929	434,319	570,510	1,296,615	1,920,945
Administrative expenses	(48,554)	(50,379)	(43,396)	(35,676)	(38,380)	(42,094)	(38,758)
Benefit payments, including refunds	(3,020,979)	(3,069,254)	(3,582,743)	(3,524,113)	(3,513,225)	(3,218,912)	(3,125,166)
<b>Net Change in Plan Fiduciary Net Position</b>	1,872,710	(2,350,213)	7,206,456	1,790,876	1,149,701	1,258,076	1,883,923
<b>Plan Fiduciary Net Position - Beginning of year</b>	25,733,116	28,083,329	20,876,873	19,085,997	17,936,296	16,678,220	14,794,297
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 27,605,826</b>	<b>\$ 25,733,116</b>	<b>\$ 28,083,329</b>	<b>\$ 20,876,873</b>	<b>\$ 19,085,997</b>	<b>\$ 17,936,296</b>	<b>\$ 16,678,220</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 9,877,721</b>	<b>\$ 12,586,116</b>	<b>\$ 43,972,870</b>	<b>\$ 50,297,649</b>	<b>\$ 53,130,933</b>	<b>\$ 48,150,473</b>	<b>\$ 48,150,311</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	73.65 %	67.15 %	38.97 %	29.33 %	26.43 %	27.14 %	25.73 %
<b>Covered Payroll</b>	\$ 8,081,085	\$ 6,430,945	\$ 6,402,718	\$ 6,576,217	\$ 6,824,559	\$ 7,415,530	\$ 7,634,516
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	122.23 %	195.71 %	686.78 %	764.84 %	778.53 %	649.32 %	630.69 %

Note: GASB 74 was implemented during the fiscal year ended June 30, 2017. This schedule is being developed prospectively.

City of Port Huron, Michigan

Required Supplementary Information  
Schedule of OPEB Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,235,112	\$ 1,085,478	\$ 4,700,998	\$ 4,246,075	\$ 4,254,101	\$ 3,833,526	\$ 2,697,774	\$ 2,689,768	\$ 3,413,907	\$ 3,266,897
Contributions in relation to the actuarially determined contribution	3,024,448	3,080,886	4,961,666	4,916,346	4,127,840	3,218,912	3,192,066	3,075,907	3,413,907	3,266,897
<b>Contribution Excess (Deficiency)</b>	<b>\$ 1,789,336</b>	<b>\$ 1,995,408</b>	<b>\$ 260,668</b>	<b>\$ 670,271</b>	<b>\$ (126,261)</b>	<b>\$ (614,614)</b>	<b>\$ 494,292</b>	<b>\$ 386,139</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered-employee Payroll</b>	\$ 6,430,945	\$ 6,402,718	\$ 6,576,217	\$ 6,824,559	\$ 7,415,530	\$ 7,634,292	\$ 13,674,382	\$ 13,913,491	\$ 13,775,289	\$ 13,711,611
<b>Contributions as a Percentage of Covered-employee Payroll</b>	47.03 %	48.12 %	75.45 %	72.04 %	55.66 %	42.16 %	23.34 %	22.11 %	24.78 %	23.83 %
<b>Notes to Schedule of Contributions</b>										
Actuarial valuation information relative to the determination of contributions:										
Valuation date	See above for valuation date information by fiscal year.									
Methods and assumptions used to determine contribution rates:										
Actuarial cost method	Entry age									
Amortization method	Level percent, closed									
Remaining amortization period	24 years									
Asset valuation method	Market value									
Inflation	2.50 percent									
Health care cost trend rates	7.50 percent pre-65/6.00 percent post-65 decreasing to a trend rate of 4.50 percent									
Salary increase	3.00 percent									
Investment rate of return	7.0 percent, net of OPEB plan investment expense, including inflation									
Retirement age	Experience-based table of rates are specific to the type of eligibility condition									
Mortality	Mortality rates are based on the Society of Actuaries General Pub - 2010 total dataset mortality tables using Scale MP-2019									
Other information	None									

See notes to required supplementary information.

**City of Port Huron, Michigan**

**Required Supplementary Information  
Schedule of OPEB Investment Returns**

**Last Seven Fiscal Years  
Year Ended June 30**

	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return - Net of investment expense	7.46 %	(8.24)%	28.00 %	2.20 %	3.10 %	7.80 %	13.00 %

Note: GASB 74 was implemented during the fiscal year ended June 30, 2017. This schedule is being developed prospectively.

**City of Port Huron, Michigan**

**Notes to Required Supplementary Information**

**June 30, 2023**

***Pension Information***

**Changes in Assumptions**

June 30, 2016 - The beginning of the year total pension liability was based on a single discount rate of 8.25 percent and the 1994 Group Annuity Mortality Tables. The end of the year total pension liability was based on a single discount rate of 8.00 percent and the RP-2014 Mortality Tables.

June 30, 2020 - The beginning of year total pension liability was based on a single discount rate of 8.00 percent, and the end of the year total pension liability was based on a single discount rate of 7.60 percent.

June 30, 2021 - The beginning of year total pension liability was based on the RP-2014 mortality tables, and the end of the year total pension liability was based on the Pub-2010 mortality tables.

June 30, 2022 - The beginning of year total pension liability was based on a single discount rate of 7.60 percent, and the end of the year total pension liability was based on a single discount rate of 7.25 percent.

***OPEB Information***

**Changes in Assumptions**

June 30, 2019 - Assumptions were updated related to the health care cost trend rate.

June 30, 2020 - Assumptions were updated related to the investment rate of return, health care cost trend rate, and mortality.

June 30, 2021 - The mortality rates were updated to be based on the sex distinct Pub-2010 tables. In addition, the health care cost trend rates were updated for pre-65 medical and drug costs to 7.50 percent, and the health care cost trend rates for post-65 medical and drug costs were updated to 5.75 percent.

June 30, 2022 - The health care cost trend rates were updated for pre-65 medical and drug costs to 7.25 percent, and the health care cost trend rates for post-65 medical and drug costs were updated to 5.50 percent. The benefit change is that, effective January 1, 2022, all Medicare-eligible retirees who have qualified for retiree health care benefits are covered by a Medicare Advantage Plan.

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## Other Supplementary Information

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### City of Port Huron, Michigan

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#### Other Supplementary Information Nonmajor Governmental Funds Fund Descriptions

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##### **Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The combined nonmajor special revenue funds comprise the following individual funds:

##### **Rental Certification Fund**

This fund records the activities under the rental housing certification program.

##### **Law Enforcement Fund**

Property forfeited to the City in connection with drug-related activities and the enhanced 911 communications program is accounted for in this fund.

##### **Rubbish and Garbage Collection Fund**

This fund has been established to account for property tax revenue restricted for rubbish and garbage collection.

##### **Cemetery Fund**

This fund has been established to account for the operation of the city cemetery.

##### **Loan Revolving Fund**

This fund has been established to account for grants received from the U.S. Department of Housing and Urban Development. Revenue is restricted for specific community projects in the City. There was no activity in this fund for the year ended June 30, 2023.

##### **Community Development Block Grant Fund**

This fund was established to account for grants received from the U.S. Department of Housing and Urban Development for residential and other capital improvements.

##### **Home Fund**

Grants received from the U.S. Department of Housing and Urban Development for housing and related programs are accounted for in this fund.

##### **Streetscape Maintenance Fund**

This fund records the activity under the streetscape maintenance program.

##### **Beautification Commission Fund**

This fund was established to account for private donations that are used for beautification projects throughout the City.

##### **Ambulance Fund**

This fund was established to account for the EMS millage that is received from St. Clair County and remitted to Tri-Hospital EMS.

##### **Opioid Settlement Fund**

This fund was established to record activities related to the opioid settlement.

City of Port Huron, Michigan

	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery Operating	Community Development Block Grant
<b>Assets</b>					
Cash and cash equivalents	\$ 413,847	\$ 38,125	\$ 653,007	\$ 12,173	\$ 150
Receivables:					
Property taxes receivable	101,295	-	834	-	-
Other receivables	38,265	-	650	-	-
Due from other governments	-	-	-	-	56,863
Due from other funds	-	-	60,796	-	-
Prepaid expenses	-	-	-	14,015	-
<b>Total assets</b>	<b>\$ 553,407</b>	<b>\$ 38,125</b>	<b>\$ 715,287</b>	<b>\$ 26,188</b>	<b>\$ 57,013</b>
<b>Liabilities</b>					
Accounts payable	\$ 67	\$ 6,230	\$ 165,766	\$ 1,846	\$ 545
Due to other funds	-	-	-	-	48,240
Accrued liabilities and other	16,438	-	695	22,962	8,228
Unearned revenue	-	-	50	-	-
Contracts payable	5,500	-	-	-	-
<b>Total liabilities</b>	<b>22,005</b>	<b>6,230</b>	<b>166,511</b>	<b>24,808</b>	<b>57,013</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total liabilities and deferred inflows of resources	22,005	6,230	166,511	24,808	57,013
<b>Fund Balances</b>					
Restricted:					
Law enforcement	-	31,895	-	-	-
Opioid settlement	-	-	-	-	-
Streetscape maintenance	-	-	-	-	-
Rubbish and garbage collection	-	-	548,776	-	-
Committed	531,402	-	-	1,380	-
Assigned	-	-	-	-	-
<b>Total fund balances</b>	<b>531,402</b>	<b>31,895</b>	<b>548,776</b>	<b>1,380</b>	<b>-</b>
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 553,407</b>	<b>\$ 38,125</b>	<b>\$ 715,287</b>	<b>\$ 26,188</b>	<b>\$ 57,013</b>

Other Supplementary Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2023

Home	Streetscape Maintenance	Beautification Commission	Ambulance	Opioid Settlement	Total Special Revenue Funds
\$ -	\$ 7,619	\$ 10,094	\$ 314,703	\$ 89,972	\$ 1,539,690
-	-	-	-	-	102,129
-	-	-	-	368,445	407,360
13,667	-	-	-	-	70,530
-	-	-	-	-	60,796
-	-	-	-	-	14,015
<b>\$ 13,667</b>	<b>\$ 7,619</b>	<b>\$ 10,094</b>	<b>\$ 314,703</b>	<b>\$ 458,417</b>	<b>\$ 2,194,520</b>
\$ -	\$ 1,388	\$ -	\$ 314,703	\$ -	\$ 490,545
12,556	-	-	-	-	60,796
1,111	-	-	-	-	49,434
-	-	-	-	-	50
-	-	-	-	-	5,500
<b>13,667</b>	<b>1,388</b>	<b>-</b>	<b>314,703</b>	<b>-</b>	<b>606,325</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>356,616</b>	<b>356,616</b>
<b>13,667</b>	<b>1,388</b>	<b>-</b>	<b>314,703</b>	<b>356,616</b>	<b>962,941</b>
-	-	-	-	-	31,895
-	-	-	-	101,801	101,801
-	6,231	-	-	-	6,231
-	-	-	-	-	548,776
-	-	10,094	-	-	542,876
-	-	-	-	-	-
<b>-</b>	<b>6,231</b>	<b>10,094</b>	<b>-</b>	<b>101,801</b>	<b>1,231,579</b>
<b>\$ 13,667</b>	<b>\$ 7,619</b>	<b>\$ 10,094</b>	<b>\$ 314,703</b>	<b>\$ 458,417</b>	<b>\$ 2,194,520</b>



**City of Port Huron, Michigan**

	Rental Certification	Law Enforcement	Rubbish and Garbage Collection	Cemetery Operating
<b>Revenue</b>				
Taxes - Property taxes	\$ -	\$ -	\$ 1,760,980	\$ -
Intergovernmental:				
Federal grants	-	-	-	14,120
State sources - State-shared sources	-	-	267,097	-
Local grants and contributions	-	24,600	-	-
Charges for services	560,982	5,672	256,150	146,490
Miscellaneous income	-	-	-	-
Total revenue	560,982	30,272	2,284,227	160,610
<b>Expenditures</b>				
Current services:				
General government	-	-	-	-
Public safety	-	20,359	-	-
Public works	-	-	2,170,406	614,393
Community and economic development	357,650	-	-	-
Capital outlay	-	12,083	-	14,120
Total expenditures	357,650	32,442	2,170,406	628,513
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	203,332	(2,170)	113,821	(467,903)
<b>Other Financing Sources - Transfers in</b>	-	-	-	419,840
<b>Net Change in Fund Balances</b>	203,332	(2,170)	113,821	(48,063)
<b>Fund Balances - Beginning of year</b>	328,070	34,065	434,955	49,443
<b>Fund Balances - End of year</b>	<b>\$ 531,402</b>	<b>\$ 31,895</b>	<b>\$ 548,776</b>	<b>\$ 1,380</b>

Other Supplementary Information  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds

Year Ended June 30, 2023						
Community Development Block Grant	Home	Streetscape Maintenance	Beautification Commission	Ambulance	Opioid Settlement	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 314,703	\$ -	\$ 2,075,683
767,422	258,570	-	-	-	-	1,040,112
-	-	-	-	-	-	267,097
-	-	-	-	-	-	24,600
93,378	21,000	29,093	3,180	-	-	1,115,945
-	-	-	-	-	101,801	101,801
860,800	279,570	29,093	3,180	314,703	101,801	4,625,238
-	-	-	-	314,703	-	314,703
-	-	-	-	-	-	20,359
-	-	56,638	6,499	-	-	2,847,936
860,800	279,570	-	-	-	-	1,498,020
-	-	-	-	-	-	26,203
860,800	279,570	56,638	6,499	314,703	-	4,707,221
-	-	(27,545)	(3,319)	-	101,801	(81,983)
-	-	-	3,300	-	-	423,140
-	-	(27,545)	(19)	-	101,801	341,157
-	-	33,776	10,113	-	-	890,422
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,231</b>	<b>\$ 10,094</b>	<b>\$ -</b>	<b>\$ 101,801</b>	<b>\$ 1,231,579</b>

**City of Port Huron, Michigan**

Other Supplementary Information  
Budgetary Comparison Schedule - Nonmajor Governmental Funds  
Rental Certification

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Charges for services	\$ 436,979	\$ 436,979	\$ 560,982	\$ 124,003
<b>Expenditures</b> - Current services - Community and economic development	436,979	436,979	357,650	79,329
<b>Net Change in Fund Balance</b>	-	-	203,332	203,332
<b>Fund Balance</b> - Beginning of year	328,070	328,070	328,070	-
<b>Fund Balance</b> - End of year	<u>\$ 328,070</u>	<u>\$ 328,070</u>	<u>\$ 531,402</u>	<u>\$ 203,332</u>

**City of Port Huron, Michigan**

Other Supplementary Information  
Budgetary Comparison Schedule - Nonmajor Governmental Funds  
(Continued)  
Law Enforcement

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Intergovernmental	\$ -	\$ -	\$ 24,600	\$ 24,600
Charges for services	21,000	21,000	5,672	(15,328)
Total revenue	21,000	21,000	30,272	9,272
<b>Expenditures</b>				
Current services - Public safety	25,000	25,000	20,359	4,641
Capital outlay	22,500	22,500	12,083	10,417
Total expenditures	47,500	47,500	32,442	15,058
<b>Net Change in Fund Balance</b>	(26,500)	(26,500)	(2,170)	24,330
<b>Fund Balance</b> - Beginning of year	34,065	34,065	34,065	-
<b>Fund Balance</b> - End of year	<u>\$ 7,565</u>	<u>\$ 7,565</u>	<u>\$ 31,895</u>	<u>\$ 24,330</u>

City of Port Huron, Michigan

Other Supplementary Information  
Budgetary Comparison Schedule - Nonmajor Governmental Funds  
(Continued)  
Rubbish and Garbage Collection

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes - Property taxes	\$ 1,740,000	\$ 1,740,000	\$ 1,760,980	\$ 20,980
Intergovernmental	150,000	150,000	267,097	117,097
Charges for services	245,000	245,000	256,150	11,150
Total revenue	<u>2,135,000</u>	<u>2,135,000</u>	<u>2,284,227</u>	<u>149,227</u>
<b>Expenditures</b> - Current services - Public works	<u>2,176,833</u>	<u>2,176,833</u>	<u>2,170,406</u>	<u>6,427</u>
<b>Net Change in Fund Balance</b>	(41,833)	(41,833)	113,821	155,654
<b>Fund Balance</b> - Beginning of year	<u>434,955</u>	<u>434,955</u>	<u>434,955</u>	<u>-</u>
<b>Fund Balance</b> - End of year	<u><b>\$ 393,122</b></u>	<u><b>\$ 393,122</b></u>	<u><b>\$ 548,776</b></u>	<u><b>\$ 155,654</b></u>

City of Port Huron, Michigan

Other Supplementary Information  
Budgetary Comparison Schedule - Nonmajor Governmental Funds  
(Continued)  
Cemetery Operating

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 14,120	\$ (35,880)
Charges for services	150,000	150,000	146,490	(3,510)
Total revenue	<u>200,000</u>	<u>200,000</u>	<u>160,610</u>	<u>(39,390)</u>
<b>Expenditures</b>				
Current services - Public works	577,739	577,739	614,393	(36,654)
Capital outlay	96,500	96,500	14,120	82,380
Total expenditures	<u>674,239</u>	<u>674,239</u>	<u>628,513</u>	<u>45,726</u>
<b>Excess of Expenditures Over Revenue</b>	(474,239)	(474,239)	(467,903)	6,336
<b>Other Financing Sources</b> - Transfers in	<u>425,000</u>	<u>425,000</u>	<u>419,840</u>	<u>(5,160)</u>
<b>Net Change in Fund Balance</b>	(49,239)	(49,239)	(48,063)	1,176
<b>Fund Balance</b> - Beginning of year	<u>49,443</u>	<u>49,443</u>	<u>49,443</u>	<u>-</u>
<b>Fund Balance</b> - End of year	<u><b>\$ 204</b></u>	<u><b>\$ 204</b></u>	<u><b>\$ 1,380</b></u>	<u><b>\$ 1,176</b></u>

**City of Port Huron, Michigan**

Other Supplementary Information  
 Budgetary Comparison Schedule - Nonmajor Governmental Funds  
 (Continued)  
 Community Development Block Grant

**Year Ended June 30, 2023**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Intergovernmental	\$ 1,700,542	\$ 1,700,542	\$ 767,422	\$ (933,120)
Charges for services	-	-	93,378	93,378
Total revenue	1,700,542	1,700,542	860,800	(839,742)
<b>Expenditures</b> - Current services - Community and economic development	1,700,542	1,700,542	860,800	839,742
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance</b> - Beginning of year	-	-	-	-
<b>Fund Balance</b> - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Port Huron, Michigan**

Other Supplementary Information  
 Budgetary Comparison Schedule - Nonmajor Governmental Funds  
 (Continued)  
 Home

**Year Ended June 30, 2023**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Intergovernmental	\$ 682,584	\$ 682,584	\$ 258,570	\$ (424,014)
Charges for services	-	-	21,000	21,000
Total revenue	682,584	682,584	279,570	(403,014)
<b>Expenditures</b> - Current services - Community and economic development	682,584	682,584	279,570	403,014
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance</b> - Beginning of year	-	-	-	-
<b>Fund Balance</b> - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Port Huron, Michigan**

Other Supplementary Information  
Budgetary Comparison Schedule - Nonmajor Governmental Funds  
(Continued)  
Streetscape Maintenance

**Year Ended June 30, 2023**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue - Charges for services</b>	\$ 28,950	\$ 38,950	\$ 29,093	\$ (9,857)
<b>Expenditures - Current services - Public works</b>	50,350	60,350	56,638	3,712
<b>Net Change in Fund Balance</b>	(21,400)	(21,400)	(27,545)	(6,145)
<b>Fund Balance - Beginning of year</b>	33,776	33,776	33,776	-
<b>Fund Balance - End of year</b>	<u>\$ 12,376</u>	<u>\$ 12,376</u>	<u>\$ 6,231</u>	<u>\$ (6,145)</u>

**City of Port Huron, Michigan**

Other Supplementary Information  
Budgetary Comparison Schedule - Nonmajor Governmental Funds  
(Continued)  
Beautification Commission

**Year Ended June 30, 2023**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue - Charges for services</b>	\$ -	\$ -	\$ 3,180	\$ 3,180
<b>Expenditures - Current services - Public works</b>	9,300	9,300	6,499	2,801
<b>Excess of Expenditures Over Revenue</b>	(9,300)	(9,300)	(3,319)	5,981
<b>Other Financing Sources - Transfers in</b>	3,300	3,300	3,300	-
<b>Net Change in Fund Balance</b>	(6,000)	(6,000)	(19)	5,981
<b>Fund Balance - Beginning of year</b>	10,113	10,113	10,113	-
<b>Fund Balance - End of year</b>	<u>\$ 4,113</u>	<u>\$ 4,113</u>	<u>\$ 10,094</u>	<u>\$ 5,981</u>

**City of Port Huron, Michigan**

Other Supplementary Information  
 Budgetary Comparison Schedule - Nonmajor Governmental Funds  
 (Continued)  
 Ambulance

**Year Ended June 30, 2023**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Taxes - Property taxes	\$ -	\$ -	\$ 314,703	\$ 314,703
<b>Expenditures</b> - Current services - General government	-	-	314,703	(314,703)
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance</b> - Beginning of year	-	-	-	-
<b>Fund Balance</b> - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Port Huron, Michigan**

Other Supplementary Information  
 Budgetary Comparison Schedule - Nonmajor Governmental Funds  
 (Continued)  
 Opioid Settlement

**Year Ended June 30, 2023**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Settlement income	\$ -	\$ -	\$ 101,801	\$ 101,801
<b>Expenditures</b>	-	-	-	-
<b>Net Change in Fund Balance</b>	-	-	101,801	101,801
<b>Fund Balance</b> - Beginning of year	-	-	-	-
<b>Fund Balance</b> - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,801</u>	<u>\$ 101,801</u>

**City of Port Huron, Michigan**

Other Supplementary Information  
Nonmajor Enterprise Funds  
Fund Descriptions

These funds report operations that provide services to citizens financed primarily by a user charge or activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The combined nonmajor enterprise funds comprise the following individual funds:

**Parking Fund**

The operation of the City's metered parking lots are accounted for in this fund.

**Land Purchase Fund**

This fund accounts for the acquisition and sale of land and the rental property held by the City for the purpose of attracting commercial, residential, and industrial development in the Port Huron area.

**Marina Fund**

This fund accounts for the operation of the City's marina and other activities associated with pleasure boating. The City has entered into a contract with an independent proprietor to operate the River Street Marina and the other City marina operations.

**McMorran Fund**

This fund accounts for the operation of the McMorran Arena and the McMorran Theater.

**City of Port Huron, Michigan**

Other Supplementary Information  
Combining Statement of Net Position  
Nonmajor Enterprise Funds

**June 30, 2023**

	Parking	Land Purchase	Marina	McMorran	Total Nonmajor Enterprise Funds
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 136,826	\$ 633,148	\$ 141,956	\$ 397,748	\$ 1,309,678
Receivables	-	-	-	43,165	43,165
Inventory	-	-	-	55,675	55,675
Prepaid expenses	-	-	-	25,646	25,646
Total current assets	136,826	633,148	141,956	522,234	1,434,164
Noncurrent assets:					
Restricted assets	-	-	-	420,254	420,254
Capital assets:					
Assets not subject to depreciation	861,665	2,167,251	702,513	2,605,284	6,336,713
Assets subject to depreciation - Net	733,213	836,198	116,795	2,634,216	4,320,422
Total noncurrent assets	1,594,878	3,003,449	819,308	5,659,754	11,077,389
Total assets	1,731,704	3,636,597	961,264	6,181,988	12,511,553
<b>Deferred Outflows of Resources</b>	-	-	-	315,383	315,383
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	-	16,476	32,831	56,671	105,978
Accrued liabilities and other	645	-	-	36,752	37,397
Unearned revenue	-	-	-	89,001	89,001
Contracts payable	-	-	108,791	336,458	445,249
Total current liabilities	645	16,476	141,622	518,882	677,625
Noncurrent liabilities:					
Net pension liability	-	-	-	801,333	801,333
Net OPEB obligation	-	-	-	350,307	350,307
Total noncurrent liabilities	-	-	-	1,151,640	1,151,640
<b>Deferred Inflows of Resources</b>	-	-	-	18,001	18,001
<b>Net Position</b>					
Net investment in capital assets	1,594,878	3,003,449	819,308	5,239,500	10,657,135
Restricted - Assets held at Community Foundation	-	-	-	420,254	420,254
Unrestricted	136,181	616,672	334	(850,906)	(97,719)
Total net position	<u>\$ 1,731,059</u>	<u>\$ 3,620,121</u>	<u>\$ 819,642</u>	<u>\$ 4,808,848</u>	<u>\$ 10,979,670</u>

**City of Port Huron, Michigan**

Other Supplementary Information  
Combining Statement of Revenue, Expenses, and Changes in Net Position  
Nonmajor Enterprise Funds

June 30, 2023

	Parking	Land Purchase	Marina	McMorran	Total Nonmajor Enterprise Funds
<b>Operating Revenue</b>					
Charges for services	\$ 38,053	\$ -	\$ 25,000	\$ 2,058,563	\$ 2,121,616
Rents	-	9,900	81,696	-	91,596
Total operating revenue	38,053	9,900	106,696	2,058,563	2,213,212
<b>Operating Expenses</b>					
Personal services	31,995	-	1,713	1,234,970	1,268,678
Supplies and materials	18,439	-	439	89,188	108,066
Contractual services	72,385	181,031	730,022	1,515,316	2,498,754
Depreciation	78,033	68,463	35,757	240,882	423,135
Total operating expenses	200,852	249,494	767,931	3,080,356	4,298,633
<b>Operating (Loss) Income</b>	(162,799)	(239,594)	(661,235)	(1,021,793)	(2,085,421)
<b>Nonoperating Revenue (Expense)</b>					
Investment income (loss)	-	3,700	-	(8,266)	(4,566)
Operating assistance - Component units	-	(199,306)	-	-	(199,306)
Loss on sale of assets	-	(11,418)	-	(63,396)	(74,814)
Operating grants and contributions	-	240,507	-	88,869	329,376
Total nonoperating revenue	-	33,483	-	17,207	50,690
<b>Loss - Before capital contributions</b>	(162,799)	(206,111)	(661,235)	(1,004,586)	(2,034,731)
<b>Capital Contributions - Capital grants</b>	-	-	-	1,565,686	1,565,686
<b>(Loss) Income - Before transfers</b>	(162,799)	(206,111)	(661,235)	561,100	(469,045)
<b>Transfers In</b>	90,000	-	596,000	1,347,000	2,033,000
<b>Transfers Out</b>	-	(1,043,000)	-	-	(1,043,000)
<b>Change in Net Position</b>	(72,799)	(1,249,111)	(65,235)	1,908,100	520,955
<b>Net Position - Beginning of year</b>	1,803,858	4,869,232	884,877	2,900,748	10,458,715
<b>Net Position - End of year</b>	<u>\$ 1,731,059</u>	<u>\$ 3,620,121</u>	<u>\$ 819,642</u>	<u>\$ 4,808,848</u>	<u>\$ 10,979,670</u>

**City of Port Huron, Michigan**

Other Supplementary Information  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds

June 30, 2023

	Parking	Land Purchase	Marina	McMorran	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 38,053	\$ 9,900	\$ 106,864	\$ 2,414,545	\$ 2,569,362
Payments to suppliers	(77,637)	(185,025)	(545,699)	(1,673,312)	(2,481,673)
Payments to employees and fringes	(31,860)	-	(1,713)	(1,060,623)	(1,094,196)
Payments connected with interfund services	(13,225)	-	(48,495)	-	(61,720)
Net cash and cash equivalents used in operating activities	(84,669)	(175,125)	(489,043)	(319,390)	(1,068,227)
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating grants and subsidies	-	240,507	-	88,869	329,376
Transfers from other funds	89,999	-	596,000	1,347,000	2,032,999
Transfers to other funds	-	(1,043,000)	-	-	(1,043,000)
Repayments of loans from other funds	-	-	-	(94,074)	(94,074)
Operating assistance - Component units	-	(199,306)	-	-	(199,306)
Net cash and cash equivalents provided by (used in) noncapital financing activities	89,999	(1,001,799)	596,000	1,341,795	1,025,995
<b>Cash Flows from Capital and Related Financing Activities</b>					
Receipt of capital grants	-	-	-	1,565,686	1,565,686
Proceeds from sale of capital assets	-	163,292	-	600	163,892
Purchase of capital assets	-	(34,517)	(32,617)	(1,774,423)	(1,841,557)
Net cash and cash equivalents provided by (used in) capital and related financing activities	\$ -	\$ 128,775	\$ (32,617)	\$ (208,137)	\$ (111,979)



City of Port Huron, Michigan

Other Supplementary Information  
Combining Statement of Cash Flows (Continued)  
Nonmajor Enterprise Funds

June 30, 2023

	Parking	Land Purchase	Marina	McMorran	Total
<b>Cash Flows from Investing Activities</b>					
Income (loss) on investments	\$ -	\$ 3,700	\$ -	\$ (8,266)	\$ (4,566)
Beneficial Interest held at Community Foundation	-	-	-	(420,254)	(420,254)
Net cash and cash equivalents provided by (used in) investing activities	-	3,700	-	(428,520)	(424,820)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	5,330	(1,044,449)	74,340	385,748	(579,031)
<b>Cash and Cash Equivalents - Beginning of year</b>	131,496	1,677,597	67,616	12,000	1,888,709
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 136,826</u>	<u>\$ 633,148</u>	<u>\$ 141,956</u>	<u>\$ 397,748</u>	<u>\$ 1,309,678</u>
<b>Classification of Cash and Cash Equivalents - Cash and investments</b>	<u>\$ 136,826</u>	<u>\$ 633,148</u>	<u>\$ 141,956</u>	<u>\$ 397,748</u>	<u>\$ 1,309,678</u>
<b>Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities</b>					
Operating loss	\$ (162,799)	\$ (239,594)	\$ (661,235)	\$ (1,021,793)	\$ (2,085,421)
Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities:					
Depreciation	78,033	68,463	35,757	240,882	423,135
Changes in assets and liabilities:					
Receivables	-	-	168	355,982	356,150
Inventories	-	-	-	790	790
Prepaid and other assets	-	-	-	(25,646)	(25,646)
Accounts payable	(38)	(3,994)	136,267	(43,952)	88,283
Net pension or OPEB liability	-	-	-	690,684	690,684
Deferrals related to pension or OPEB	-	-	-	(524,316)	(524,316)
Accrued payroll	135	-	-	7,979	8,114
Total adjustments	78,130	64,469	172,192	702,403	1,017,194
Net cash and cash equivalents used in operating activities	<u>\$ (84,669)</u>	<u>\$ (175,125)</u>	<u>\$ (489,043)</u>	<u>\$ (319,390)</u>	<u>\$ (1,068,227)</u>

City of Port Huron, Michigan

Other Supplementary Information  
Internal Service Funds  
Fund Descriptions

These funds are used to record the financing of goods or services provided by the City to other departments and funds or to other governmental units on a cost-reimbursement basis. The internal service funds comprise the following individual funds:

**Central Stores Fund**

This fund was established to account for the supply room and copier activities.

**Motor Vehicle Fund**

The rental charges of city-owned equipment (principally cars and trucks) to other city departments are accounted for in this fund.

**Data Processing Fund**

The data processing charges to other city departments and outside municipalities for which the City provides data processing services are accounted for in this fund.

**Energy Performance Services Fund**

The City has entered into a guaranteed energy savings performance contract to update various city facilities. This fund was established to account for the allocation of the project costs to other city departments.

**Insurance and Fringe Benefit Fund**

This fund is the clearing account for the City's property, liability, and other insurances and the other payroll-related fringe benefits. Moneys are accumulated in this fund as a result of insurance and payroll allocations based on an activity/fund basis.

City of Port Huron, Michigan

Other Supplementary Information  
Combining Statement of Net Position  
Internal Service Funds

June 30, 2023

	Central Stores	Motor Vehicle	Data Processing	Energy Performance Services	Insurance and Fringe Benefit	Total Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 2,953	\$ 844,395	\$ 246,806	\$ 228,019	\$ 6,114,716	\$ 7,436,889
Receivables	-	6,301	2,804	-	937,960	947,065
Inventory	12,484	247,442	23,892	-	-	283,818
Prepaid expenses	-	-	11,806	-	78,527	90,333
Total current assets	15,437	1,098,138	285,308	228,019	7,131,203	8,758,105
Noncurrent assets -						
Capital assets:						
Assets not subject to depreciation	-	889,257	-	-	-	889,257
Assets subject to depreciation - Net	10,275	3,501,808	384,234	1,612,792	-	5,509,109
Total noncurrent assets	10,275	4,391,065	384,234	1,612,792	-	6,398,366
Total assets	25,712	5,489,203	669,542	1,840,811	7,131,203	15,156,471
<b>Deferred Outflows of Resources</b>	-	321,978	235,258	-	-	557,236
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	165	113,941	5,380	-	18,448	137,934
Accrued liabilities and other	176	26,380	19,169	28,766	1,706,557	1,781,048
Contracts payable	-	2,634	-	-	-	2,634
Compensated absences	-	-	-	-	252,441	252,441
Current portion of bonds and contracts payable	-	-	-	366,648	1,375,000	1,741,648
Total current liabilities	341	142,955	24,549	395,414	3,352,446	3,915,705
Noncurrent liabilities:						
Compensated absences	-	-	-	-	2,704,250	2,704,250
Net pension liability	-	872,226	637,440	-	-	1,509,666
Net OPEB obligation	-	193,895	141,268	-	-	335,163
Bonds and contracts payable - Net of current portion	-	-	-	777,464	47,325,000	48,102,464
Claims and judgments payable (noncurrent portion)	-	-	-	-	910,266	910,266
Total liabilities	341	1,209,076	803,257	1,172,878	54,291,962	57,477,514
<b>Deferred Inflows of Resources</b>	-	11,226	8,185	-	-	19,411
<b>Net Position (Deficit)</b>						
Net investment in capital assets	10,275	4,391,065	384,234	468,680	-	5,254,254
Unrestricted	15,096	199,814	(290,876)	199,253	(47,160,759)	(47,037,472)
Total net position (deficit)	\$ 25,371	\$ 4,590,879	\$ 93,358	\$ 667,933	\$ (47,160,759)	\$ (41,783,218)

City of Port Huron, Michigan

Other Supplementary Information  
Combining Statement of Revenue, Expenses, and Changes in Net Position  
Internal Service Funds

Year Ended June 30, 2023

	Central Stores	Motor Vehicle	Data Processing	Energy Performance Services	Insurance and Fringe Benefit	Total Internal Service Funds
<b>Operating Revenue - Charges for services</b>	\$ 96,220	\$ 2,278,086	\$ 1,057,245	\$ 330,000	\$ 13,913,463	\$ 17,675,014
<b>Operating Expenses</b>						
Personal services	4,592	399,397	366,279	-	11,807,524	12,577,792
Supplies and materials	10,014	432,463	342	-	11,734	454,553
Contractual services	79,610	725,506	512,950	-	793,627	2,111,693
Depreciation	4,605	671,281	147,430	200,390	-	1,023,706
Total operating expenses	98,821	2,228,647	1,027,001	200,390	12,612,885	16,167,744
<b>Operating (Loss) Income</b>	(2,601)	49,439	30,244	129,610	1,300,578	1,507,270
<b>Nonoperating Revenue (Expense)</b>						
Investment income (loss)	-	-	-	-	137,150	137,150
Interest expense	-	-	-	(33,766)	(1,310,429)	(1,344,195)
Gain on sale of assets	-	39,052	200	-	-	39,252
Total nonoperating revenue (expense)	-	39,052	200	(33,766)	(1,173,279)	(1,167,793)
<b>(Loss) Income - Before capital contributions</b>	(2,601)	88,491	30,444	95,844	127,299	339,477
<b>Capital Contributions - Other capital contributions</b>	-	336,880	2,359	-	-	339,239
<b>Change in Net Position</b>	(2,601)	425,371	32,803	95,844	127,299	678,716
<b>Net Position (Deficit) - Beginning of year</b>	27,972	4,165,508	60,555	572,089	(47,288,058)	(42,461,934)
<b>Net Position (Deficit) - End of year</b>	\$ 25,371	\$ 4,590,879	\$ 93,358	\$ 667,933	\$ (47,160,759)	\$ (41,783,218)

City of Port Huron, Michigan

Other Supplementary Information  
Combining Statement of Cash Flows  
Internal Service Funds

Year Ended June 30, 2023

	Central Stores	Motor Vehicle	Data Processing	Energy Performance Services	Fringe Benefit	Total Internal Service Funds
<b>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 96,220	\$ 2,271,785	\$ 1,054,441	\$ 330,000	\$ 15,008,488	\$ 18,760,934
Payments to suppliers	(80,639)	(919,774)	(392,505)	-	(886,849)	(2,279,767)
Payments to employees and fringes	(4,575)	(672,534)	(500,347)	-	(11,547,784)	(12,725,240)
Payments connected with interfund services	(8,341)	(174,694)	(97,213)	-	-	(280,248)
Net cash and cash equivalents provided by operating activities	2,665	504,783	64,376	330,000	2,573,855	3,475,679
<b>Cash Flows Provided by Noncapital Financing Activities - Operating grants and subsidies</b>	-	336,880	2,558	-	-	339,438
<b>Cash Flows from Capital and Related Financing Activities</b>						
Proceeds from sale of capital assets	-	39,052	-	-	-	39,052
Purchase of capital assets	-	(847,504)	-	-	-	(847,504)
Principal and interest paid on capital debt	-	-	-	(387,467)	(2,671,849)	(3,059,316)
Net cash and cash equivalents used in capital and related financing activities	-	(808,452)	-	(387,467)	(2,671,849)	(3,867,768)
<b>Cash Flows Provided by Investing Activities - Interest received on investments</b>	-	-	-	-	137,150	137,150
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,665	33,211	66,934	(57,467)	39,156	84,499
<b>Cash and Cash Equivalents - Beginning of year</b>	288	811,184	179,872	285,486	6,075,560	7,352,390
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 2,953</u>	<u>\$ 844,395</u>	<u>\$ 246,806</u>	<u>\$ 228,019</u>	<u>\$ 6,114,716</u>	<u>\$ 7,436,889</u>

City of Port Huron, Michigan

Other Supplementary Information  
Combining Statement of Cash Flows (Continued)  
Internal Service Funds

Year Ended June 30, 2023

	Central Stores	Motor Vehicle	Data Processing	Energy Performance Services	Fringe Benefit	Total Internal Service Funds
<b>Reconciliation of Operating (Loss) Income to Net Cash and Cash Equivalents from Operating Activities</b>						
Operating (loss) income	\$ (2,601)	\$ 49,439	\$ 30,244	\$ 129,610	\$ 1,300,578	\$ 1,507,270
Adjustments to reconcile operating (loss) income to net cash and cash equivalents from operating activities:						
Depreciation	4,605	671,281	147,430	200,390	-	1,023,706
Changes in assets and liabilities:						
Receivables	-	(6,301)	(2,804)	-	1,095,025	1,085,920
Inventories	1,026	22,208	(5,069)	-	-	18,165
Prepaid and other assets	-	-	55,647	-	(78,527)	(22,880)
Accounts payable	(383)	41,293	(27,004)	-	(2,961)	10,945
Net pension or OPEB liability	-	374,693	317,752	-	-	692,445
Deferrals related to pension or OPEB	-	(651,157)	(454,007)	-	-	(1,105,164)
Accrued and other liabilities	18	3,327	2,187	-	259,740	265,272
Total adjustments	5,266	455,344	34,132	200,390	1,273,277	1,968,409
Net cash and cash equivalents provided by operating activities	<u>\$ 2,665</u>	<u>\$ 504,783</u>	<u>\$ 64,376</u>	<u>\$ 330,000</u>	<u>\$ 2,573,855</u>	<u>\$ 3,475,679</u>

**City of Port Huron, Michigan**

Other Supplementary Information  
Fiduciary Funds  
Fund Descriptions

Fiduciary funds are used to account for assets held by the City in a trustee capacity for others and, therefore, cannot be used to support the City's own programs. The Retiree Health Care Benefits Fund is a pension and other employee benefits trust fund. This type of fund is used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. The senior citizens fund is a private purpose trust fund. Private purpose trust funds are used to account for any trust arrangement not properly reported in a pension (and other employee benefit) trust fund or an investment trust fund under which principal and income benefit individuals, private organizations, or other governments. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (or other employee benefit) trust funds, investment trust funds, or private purpose trust funds.

**Retiree Health Care Benefits Fund**

This fund accounts for resources accumulated to offset the future cost of medical benefits provided to retirees.

**Senior Citizens Fund**

Assets donated to the City that are to be used for various senior citizens' projects are accounting for in this fund.

**Tax Collection Fund**

This custodial fund accounts for taxes collected for the City and other units of government.

**City of Port Huron, Michigan**

Other Supplementary Information  
Statement of Fiduciary Net Position  
Fiduciary Funds

**June 30, 2023**

	Retiree Health Care Benefits	Private Purpose Trust Fund Senior Citizens	Custodial Fund Tax Collections	Total Fiduciary Funds
<b>Assets -</b> Cash and cash equivalents	\$ 27,605,826	\$ 24,583	\$ 1,239	\$ 27,631,648
<b>Liabilities -</b> Due to other governmental units	-	-	1,239	1,239
<b>Net Position -</b> Restricted:				
Postemployment benefits other than pension	27,605,826	-	-	27,605,826
Senior citizens	-	24,583	-	24,583
Total net position	<b>\$ 27,605,826</b>	<b>\$ 24,583</b>	<b>\$ -</b>	<b>\$ 27,630,409</b>

City of Port Huron, Michigan

Other Supplementary Information  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year Ended June 30, 2023

	Retiree Health Care Benefits	Senior Citizens	Custodial Fund Tax Collections	Total Fiduciary Funds
<b>Additions</b>				
Investment income	\$ 1,917,795	\$ 170	\$ -	\$ 1,917,965
Contributions - Employer contributions	3,024,448	-	-	3,024,448
Property tax collections for other governments	-	-	20,966,599	20,966,599
Total additions	4,942,243	170	20,966,599	25,909,012
<b>Deductions</b>				
Benefit payments	3,020,979	-	-	3,020,979
Service charges and fees	48,554	-	-	48,554
Property tax payments to other governments	-	-	20,966,599	20,966,599
Total deductions	3,069,533	-	20,966,599	24,036,132
<b>Net Increase in Fiduciary Net Position</b>	1,872,710	170	-	1,872,880
<b>Net Position - Beginning of year</b>	25,733,116	24,413	-	25,757,529
<b>Net Position - End of year</b>	<b>\$ 27,605,826</b>	<b>\$ 24,583</b>	<b>\$ -</b>	<b>\$ 27,630,409</b>

City of Port Huron, Michigan

Other Supplementary Information  
Statement of Net Position/Governmental Fund Balance Sheet  
Downtown Development

June 30, 2023

	Downtown Development	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 1,252,817	\$ -	\$ 1,252,817
Receivables	6,731	-	6,731
Prepaid expenses	7,100	-	7,100
Capital assets:			
Assets not subject to depreciation	-	38,816	38,816
Assets subject to depreciation - Net	-	423,211	423,211
Total assets	<b>\$ 1,266,648</b>	462,027	1,728,675
<b>Liabilities</b>			
Accounts payable	\$ 51,618	-	51,618
Accrued liabilities and other	6,201	-	6,201
Unearned revenue	135,741	-	135,741
Contracts payable	3,882	-	3,882
Total liabilities	197,442	-	197,442
<b>Fund Balances - Unassigned</b>	1,069,206	(1,069,206)	-
Total liabilities and fund balances	<b>\$ 1,266,648</b>		
<b>Net Position</b>			
Net investment in capital assets		462,027	462,027
Unrestricted		1,069,206	1,069,206
Total net position	<b>\$ 1,531,233</b>	<b>\$ 1,531,233</b>	

**City of Port Huron, Michigan**

Other Supplementary Information  
Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement  
of Activities  
Downtown Development

**Year Ended June 30, 2023**

	Downtown Development	Adjustments	Statement of Activities
<b>Revenue</b>			
Taxes - Property taxes	\$ 1,173,055	\$ -	\$ 1,173,055
Intergovernmental:			
Federal grants	59,802	-	59,802
State sources - State-shared revenue	18,543	-	18,543
Charges for services	77,639	-	77,639
Miscellaneous income	199,306	-	199,306
Total revenue	<u>1,528,345</u>	<u>-</u>	<u>1,528,345</u>
<b>Expenditures</b>			
Current services:			
Senior citizens	150,000	-	150,000
Community and economic development	1,184,210	(462,027)	722,183
Capital outlay	39,376	-	39,376
Total expenditures	<u>1,373,586</u>	<u>(462,027)</u>	<u>911,559</u>
<b>Net Change in Fund Balances/Net Position</b>	154,759	462,027	616,786
<b>Fund Balances/Net Position - Beginning of year</b>	914,447	-	914,447
<b>Fund Balances/Net Position - End of year</b>	<u>\$ 1,069,206</u>	<u>\$ 462,027</u>	<u>\$ 1,531,233</u>

**City of Port Huron, Michigan**

Other Supplementary Information  
Statement of Net Position/Governmental Fund Balance Sheet  
Local Development Finance

**June 30, 2023**

	Local Development Finance	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 599,358	\$ -	\$ 599,358
Receivables	2,516	-	2,516
Total assets	<u>\$ 601,874</u>	<u>-</u>	<u>601,874</u>
<b>Liabilities</b>	\$ -	-	-
<b>Fund Balances - Unassigned</b>	601,874	(601,874)	-
Total liabilities and fund balances	<u>\$ 601,874</u>	<u>-</u>	<u>-</u>
<b>Net Position - Unrestricted</b>		<u>\$ 601,874</u>	<u>\$ 601,874</u>

**City of Port Huron, Michigan**

Other Supplementary Information  
Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement  
of Activities  
Local Development Finance

**Year Ended June 30, 2023**

	Local Development Finance	Adjustments	Statement of Activities
<b>Revenue</b>			
Taxes - Property taxes	\$ 160,148	\$ -	\$ 160,148
Intergovernmental - State-shared revenue	255,600	-	255,600
Miscellaneous income	97,758	(97,758)	-
Total revenue	513,506	(97,758)	415,748
<b>Expenditures</b>			
Current services - Community and economic development	94,156	-	94,156
Capital outlay	1,404	-	1,404
Total expenditures	95,560	-	95,560
<b>Net Change in Fund Balances/Net Position</b>	417,946	(97,758)	320,188
<b>Fund Balances/Net Position</b> - Beginning of year	183,928	97,758	281,686
<b>Fund Balances/Net Position</b> - End of year	<u>\$ 601,874</u>	<u>\$ -</u>	<u>\$ 601,874</u>

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Statistical Section

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City of Port Huron

**NET POSITION BY COMPONENT**  
Last Ten Fiscal Years

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
<b>Governmental Activities:</b>										
Net investment in capital assets	\$ 48,210,858	\$ 47,481,678	\$ 49,313,974	\$ 49,124,163	\$ 50,618,671	\$ 51,509,742	\$ 51,574,627	\$ 51,325,631	\$ 55,284,068	\$ 61,134,054
Restricted	10,106,748	11,027,891	9,963,492	10,736,753	11,725,849	13,815,807	14,969,093	19,505,245	19,899,751	22,990,787
Unrestricted	12,744,008	(30,067,979)	(34,586,200)	(37,693,862)	(78,610,549)	(77,600,229)	(93,471,160)	(91,605,148)	(63,867,764)	(64,537,177)
Total Net Position	<u>71,061,614</u>	<u>28,441,590</u>	<u>24,691,266</u>	<u>22,167,054</u>	<u>(16,266,029)</u>	<u>(12,274,680)</u>	<u>(26,927,440)</u>	<u>(20,774,272)</u>	<u>11,316,055</u>	<u>19,587,664</u>
<b>Business Type Activities:</b>										
Net investment in capital assets	74,324,636	76,156,318	81,339,430	83,762,539	88,630,753	93,520,480	101,956,484	105,938,738	109,971,708	112,115,362
Restricted								475,925	376,450	801,789
Unrestricted	18,533,611	6,407,057	1,786,858	870,702	(14,475,130)	(15,778,665)	(8,616,555)	(8,393,786)	2,989,409	7,114,746
Total Net Position	<u>92,858,247</u>	<u>82,563,375</u>	<u>83,126,288</u>	<u>84,633,241</u>	<u>74,155,623</u>	<u>77,741,815</u>	<u>93,339,929</u>	<u>98,020,877</u>	<u>113,337,567</u>	<u>120,031,897</u>
<b>Total Primary Government:</b>										
Net investment in capital assets	122,535,494	123,637,996	130,653,404	132,886,702	139,249,424	145,030,222	153,531,111	157,264,369	165,255,776	173,249,416
Restricted	10,106,748	11,027,891	9,963,492	10,736,753	11,725,849	13,815,807	14,969,093	19,981,170	20,276,201	23,792,576
Unrestricted (deficit)	31,277,619	(23,660,922)	(32,799,342)	(36,823,160)	(93,085,679)	(93,378,894)	(102,087,715)	(99,998,934)	(60,878,355)	(57,422,431)
<b>TOTAL NET POSITION</b>	<u>\$ 163,919,861</u>	<u>\$ 111,004,965</u>	<u>\$ 107,817,554</u>	<u>\$ 106,800,295</u>	<u>\$ 57,889,594</u>	<u>\$ 65,467,135</u>	<u>\$ 66,412,489</u>	<u>\$ 77,246,605</u>	<u>\$ 124,653,622</u>	<u>\$ 139,619,561</u>



City of Port Huron

**CHANGES IN NET POSITION**  
Last Ten Fiscal Years

	Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018	Year Ended June 30, 2019	Year Ended June 30, 2020	Year Ended June 30, 2021	Year Ended June 30, 2022	Year Ended June 30, 2023
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 3,090,941	\$ 3,406,255	\$ 3,754,388	\$ 3,707,038	\$ 3,653,823	\$ 3,471,212	\$ 6,995,204	\$ 3,692,577	\$ 504,204	\$ 5,594,373
Public safety	13,389,126	14,845,689	15,574,118	16,694,564	16,001,002	14,755,885	19,272,776	16,262,581	(672,800)	21,490,898
Public works	8,880,522	9,322,369	9,849,087	9,403,801	9,533,767	9,340,327	15,400,485	9,582,011	6,547,096	8,408,224
Health and welfare	1,661	2,063	1,056	749	684	1,077	1,234	2,241	531,163	3,817
Community and economic development	2,809,208	1,944,973	3,156,293	3,452,377	2,423,498	2,266,590	2,752,492	2,764,076	1,242,795	2,929,474
Recreation, parks and culture	2,781,203	3,060,253	2,952,371	2,820,060	2,891,793	2,929,717	6,060,125	2,833,894	2,200,278	4,693,719
Interest on long-term debt							439,138	1,361,982	1,372,089	1,444,054
<b>Total Governmental Activities Expenses</b>	<b>30,952,661</b>	<b>32,581,602</b>	<b>35,287,313</b>	<b>36,078,589</b>	<b>34,504,567</b>	<b>32,764,808</b>	<b>50,921,454</b>	<b>36,499,362</b>	<b>11,724,825</b>	<b>44,564,559</b>
<b>Business Type Activities:</b>										
Water	7,156,211	6,962,269	7,067,753	7,228,070	7,481,214	6,608,839	3,041,608	6,961,655	4,336,672	6,643,984
Wastewater	14,414,801	13,292,051	13,726,582	13,721,641	14,181,754	13,260,458	7,652,068	14,036,349	10,182,016	13,923,716
Land purchase	920,613	253,718	739,554	695,283	309,476	741,821	285,621	145,107	1,067,887	3,080,356
Parking	128,795	114,255	144,040	159,446	194,716	159,232	183,197	175,346	191,324	200,852
McMorran					2,351,263	1,727,876	791,951	1,136,928	1,304,712	448,800
Marina	234,898	188,090	221,577	159,867	247,049	226,209	284,785	415,394	376,705	767,931
<b>Total Business-Type Activities Expenses</b>	<b>22,855,318</b>	<b>20,810,383</b>	<b>21,899,506</b>	<b>21,964,307</b>	<b>24,765,472</b>	<b>22,724,435</b>	<b>12,239,230</b>	<b>22,870,779</b>	<b>17,459,316</b>	<b>25,065,639</b>
<b>Total Primary Governmental Expenses</b>	<b>53,807,979</b>	<b>53,391,985</b>	<b>57,186,819</b>	<b>58,042,896</b>	<b>59,270,039</b>	<b>55,489,243</b>	<b>63,160,684</b>	<b>59,370,141</b>	<b>29,184,141</b>	<b>69,630,198</b>
<b>Program Revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	2,103,355	2,248,918	2,371,660	2,373,220	2,420,181	2,485,134	2,487,675	2,544,379	2,508,371	3,015,707
Public safety	487,862	520,872	508,885	485,674	488,603	468,910	454,276	424,384	573,641	644,865
Public works	345,457	379,390	564,406	622,012	603,402	595,784	635,708	700,941	716,467	711,060
Community and economic development	531,319	1,740,860	612,023	681,189	863,623	910,438	708,127	970,747	1,071,823	1,266,183
Recreation, parks and culture	354,452	323,207	436,671	507,047	548,231	539,643	556,414	482,745	564,148	550,528
<b>Operating grants and contributions:</b>										
General government							391,297	18,662	10,120	155,800
Public safety	182,995	59,208	71,399	98,665	118,732	101,492	74,591	1,824,307	183,424	766,984
Public works	2,751,227	2,816,370	3,113,541	3,059,711	4,263,067	4,452,267	4,269,950	4,658,023	4,708,003	5,298,034
Health and welfare									528,272	521,143
Community and economic development	1,827,286	973,765	1,286,164	2,018,641	1,133,173	1,028,025	1,029,107	1,689,695	1,357,759	1,625,247
Recreation, parks and culture	30,506	14,008	38,916	8,380	27,000	26,966	28,000	28,700	31,359	175,252
<b>Capital grants and contributions:</b>										
General government									40,199	2,359
Public safety	226,415	36,062	60,380	21,252	56,922	19,040	63,913	28,113	120,208	1,199,106
Public works	1,252,362	269,903	753,135	1,158,355	1,663,970	747,718	878,003	934,874	3,175,511	1,014,010
Community and economic development									5,425	
Recreation, parks and culture	162,229	203,795	656,052	199,005	168,901	575,065	273,951	166,706	1,934,032	4,080,652
<b>Total Governmental Activities Program Revenues</b>	<b>10,255,465</b>	<b>9,586,358</b>	<b>10,473,232</b>	<b>11,233,151</b>	<b>12,355,805</b>	<b>11,950,482</b>	<b>11,851,012</b>	<b>14,472,276</b>	<b>17,528,762</b>	<b>21,026,930</b>

(Continued on next page)

City of Port Huron  
**CHANGES IN NET POSITION**  
 Last Ten Fiscal Years

	Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018	Year Ended June 30, 2019	Year Ended June 30, 2020	Year Ended June 30, 2021	Year Ended June 30, 2022	Year Ended June 30, 2023
<b>Business-type activities:</b>										
Charges for services:										
Water	\$ 6,787,849	\$ 7,218,217	\$ 7,689,530	\$ 8,121,677	\$ 8,298,959	\$ 8,178,968	\$ 7,973,304	\$ 8,033,369	\$ 8,464,906	\$ 9,083,951
Wastewater	10,198,546	11,854,622	12,872,347	13,610,180	14,365,509	15,507,210	16,943,854	16,877,605	17,517,561	18,050,471
Land purchase	233,328	233,328	233,598	136,337	54					9,900
Parking	44,491	44,178	45,258	36,538	38,157	37,166	34,961	37,577	36,106	38,053
Senior citizens										
McMorran					1,118,478	1,127,790	870,201	144,139	955,079	2,058,563
Marina	37,473	41,247	22,961	71,077	68,830	64,726	70,579	94,259	75,987	106,696
Operating grants and contributions:										
Water										
Wastewater									9,246	
Land purchase	890,053	997,097	994,322	1,354,172	771,753	400,133	618,968	471,160	461,502	240,507
Parking										
Senior citizens										
McMorran										88,869
Marina	180,662	3,453	7,828							
Capital grants and contributions:										
Water	308,622	4,771							143,513	34,955
Wastewater	479,387	103,114			5,239		398,046	550,116	215,543	53,736
Land purchase									677,264	
Parking			581,183	58,511						
McMorran					52,912	188,633	598,508	322,000	2,757,222	1,565,686
					22,887	82,580		82,580		
<b>Total Business-Type Activities Prog. Rev.</b>	<b>19,160,411</b>	<b>20,500,027</b>	<b>22,447,027</b>	<b>23,388,492</b>	<b>24,719,891</b>	<b>25,527,513</b>	<b>27,508,421</b>	<b>26,612,805</b>	<b>31,313,929</b>	<b>31,331,387</b>
<b>Total Primary Government Prog. Rev.</b>	<b>29,415,876</b>	<b>30,086,385</b>	<b>32,920,259</b>	<b>34,621,643</b>	<b>37,075,696</b>	<b>37,477,995</b>	<b>39,359,433</b>	<b>41,085,081</b>	<b>48,842,691</b>	<b>52,358,317</b>
<b>Net (expense)/revenue:</b>										
Governmental activities	(20,697,196)	(22,995,244)	(24,814,081)	(24,845,438)	(22,148,762)	(20,814,326)	(39,070,442)	(22,027,086)	5,803,937	(23,537,629)
Business-type activities	(3,694,907)	(310,356)	547,521	1,424,185	(45,581)	2,803,078	15,269,191	3,742,026	13,854,613	6,265,748
<b>Total Primary Government Net Expense</b>	<b>(24,392,103)</b>	<b>(23,305,600)</b>	<b>(24,266,560)</b>	<b>(23,421,253)</b>	<b>(22,194,343)</b>	<b>(18,011,248)</b>	<b>(23,801,251)</b>	<b>(18,285,060)</b>	<b>19,658,550</b>	<b>(17,271,881)</b>
<b>General revenues and other changes in net position:</b>										
Governmental activities:										
Property taxes	9,824,683	9,607,615	9,552,236	9,262,088	9,685,014	12,143,052	12,384,773	12,724,367	13,065,524	13,858,833
Income tax	5,934,153	6,431,121	6,366,498	6,669,875	6,489,338	6,615,692	6,575,928	7,387,448	9,156,399	10,015,449
Unrestricted state-shared revenues	3,336,089	3,414,887	3,915,367	4,616,341	4,717,779	4,795,078	4,772,912	5,455,193	5,660,387	5,840,375
Unrestricted investment income	1,066,266	403,634	792,532	738,955	813,973	1,542,420	610,895	2,648,846	(611,578)	1,868,744
Gain (loss) on sale of capital assets	600,091	141,526	60,477	542,952	57,687	31,553	55	25,417	114,712	128,088
Unrestricted cable fees and other income	343,183	357,291	376,647	371,015	356,299	343,880	341,359	358,983	350,946	1,087,749
Transfers				120,000	33,046	(666,000)	(268,240)	(420,000)	(1,450,000)	(990,000)
<b>Total Governmental Activities</b>	<b>21,104,465</b>	<b>20,356,074</b>	<b>21,063,757</b>	<b>21,063,757</b>	<b>22,153,136</b>	<b>24,805,675</b>	<b>24,417,682</b>	<b>28,180,254</b>	<b>26,286,390</b>	<b>31,809,238</b>
<b>Business-type activities:</b>										
Unrestricted investment income	165,658	6,799	13,254	19,690	22,839	117,114	57,083	46,426	12,077	147,830
Gain (loss) on sale of capital assets	39	3,895	2,138	183,078	(129,256)		3,600			(709,248)
Proceeds from legal settlement								472,496		
Transfers				(120,000)	(33,046)	666,000	268,240	420,000	1,450,000	990,000
<b>Total Business-Type Activities</b>	<b>165,697</b>	<b>10,694</b>	<b>15,392</b>	<b>82,768</b>	<b>(139,463)</b>	<b>783,114</b>	<b>328,923</b>	<b>938,922</b>	<b>1,462,077</b>	<b>428,582</b>
<b>Total Primary Government</b>	<b>21,270,162</b>	<b>20,366,768</b>	<b>21,079,149</b>	<b>21,146,525</b>	<b>22,013,673</b>	<b>25,588,789</b>	<b>24,746,605</b>	<b>29,119,176</b>	<b>27,748,467</b>	<b>32,237,820</b>
<b>Change in net position:</b>										
Governmental activities	407,269	(2,639,170)	(3,750,324)	(2,524,212)	4,374	3,991,349	(14,652,760)	6,153,168	32,090,327	8,271,609
Business-type activities	(3,529,210)	(299,662)	562,913	1,506,953	(185,044)	3,586,192	15,598,114	4,680,948	15,316,690	6,694,330
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ (3,121,941)</b>	<b>\$ (2,938,832)</b>	<b>\$ (3,187,411)</b>	<b>\$ (1,017,259)</b>	<b>\$ (180,670)</b>	<b>\$ 7,577,541</b>	<b>\$ 945,354</b>	<b>\$ 10,834,116</b>	<b>\$ 47,407,017</b>	<b>\$ 14,965,939</b>

City of Port Huron

**FUND BALANCES OF GOVERNMENTAL FUNDS**  
Last Ten Fiscal Years

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
<b>General Fund:</b>										
Nonspendable:										
Inventories	\$	\$	\$ 7,996	\$ 6,741	\$ 8,617	\$	\$	\$	\$	\$
Prepaid items	153,286	28,904	64,953	26,199	32,689	21,331	49,758	39,016	22,846	48,493
Nonexpendable/endowment										148,312
Assigned:										
Subsequent year's expenditures	231,777									
Unspent bond proceeds										7,709,077
Unassigned	4,093,692	4,462,630	4,617,524	4,681,423	4,687,612	4,728,907	4,736,415	5,415,571	5,911,084	6,165,419
<b>Total General Fund</b>	<b>4,478,755</b>	<b>4,491,534</b>	<b>4,690,473</b>	<b>4,714,363</b>	<b>4,728,918</b>	<b>4,750,238</b>	<b>4,786,173</b>	<b>5,454,587</b>	<b>5,933,930</b>	<b>14,071,301</b>
<b>All Other Governmental Funds:</b>										
Nonspendable:										
Inventories	153,035	334,701	237,762	260,512	272,473	270,116	267,848	247,219	264,768	291,110
Endowments	7,158,692	7,288,382	7,711,530	8,130,493	8,546,135	9,317,892	9,379,249	11,772,755	10,786,852	11,645,423
Restricted:										
Streets	2,269,102	1,900,650	556,957	912,539	1,438,458	2,950,825	4,266,570	6,475,933	8,345,335	11,556,896
Law enforcement	413,286	407,830	404,428	332,294	362,354	243,496	47,696	28,442	34,065	31,895
Opioid settlement										101,801
Rubbish and garbage collection	414,428	265,198	423,026	560,831	580,934	500,693	463,878	438,809	434,955	548,776
Loan revolving		1,100,000	570,663	495,726	493,387	493,387	493,387	490,467		
Streetscape maintenance	84,268	65,831	59,126	44,358	32,108	22,859	34,166	35,313	33,776	6,231
Section 108				1,509,106	1,392,465	16,539	16,299	16,307		
Committed:										
Subsequent year's expenditures	1,593,901	1,482,941	1,613,077	1,030,057	295,471	723,108	78,988	104,397	1,747,216	
Municipal streets			97,667	681,457	1,404,140	975,627	1,696,273	1,672,340		
Nonmajor governmental funds	255,173	94,334	54,482	112,394	149,420	145,714	42,886	158,013	336,683	542,876
<b>Total All Governmental Funds</b>	<b>12,341,885</b>	<b>12,939,867</b>	<b>11,728,318</b>	<b>14,069,767</b>	<b>14,967,345</b>	<b>15,660,256</b>	<b>16,787,240</b>	<b>21,439,995</b>	<b>21,983,650</b>	<b>24,725,008</b>
<b>TOTAL ALL GOVERNMENTAL FUND</b>	<b>\$ 16,820,640</b>	<b>\$ 17,431,401</b>	<b>\$ 16,418,791</b>	<b>\$ 18,784,130</b>	<b>\$ 19,696,263</b>	<b>\$ 20,410,494</b>	<b>\$ 21,573,413</b>	<b>\$ 26,894,582</b>	<b>\$ 27,917,580</b>	<b>\$ 38,796,309</b>

City of Port Huron

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
Last Ten Fiscal Years

	Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2018	Year Ended June 30, 2019	Year Ended June 30, 2020	Year Ended June 30, 2021	Year Ended June 30, 2022	Year Ended June 30, 2023
<b>Revenues:</b>										
<b>Taxes:</b>										
Property taxes:										
General fund	\$ 6,715,401	\$ 6,560,133	\$ 6,515,877	\$ 6,318,557	\$ 6,702,351	\$ 9,112,669	\$ 9,272,991	\$ 9,533,023	\$ 9,787,582	\$ 10,148,079
Municipal street fund:										
Streets millage	1,146,310	1,121,462	1,116,808	1,082,435	1,096,397	1,114,751	1,145,022	1,181,819	1,197,582	1,251,759
BWATC millage	354,770	346,592	346,353	336,382	341,724	345,331	353,857	360,380	374,644	383,312
Rubbish and garbage collection fund	1,608,202	1,579,428	1,573,198	1,524,714	1,544,542	1,570,301	1,612,903	1,649,145	1,705,716	2,075,683
Total	9,824,683	9,607,615	9,552,236	9,262,088	9,685,014	12,143,052	12,384,773	12,724,367	13,065,524	13,858,833
Income taxes	5,934,153	6,431,121	6,366,498	6,669,875	6,489,338	6,615,692	6,575,928	7,387,448	9,156,399	10,015,449
Total Taxes	15,758,836	16,038,736	15,918,734	15,931,963	16,174,352	18,758,744	18,960,701	20,111,815	22,221,923	23,874,282
Licenses and permits	601,331	724,084	731,592	746,917	843,222	863,134	679,581	794,735	818,759	1,070,155
Grants	3,396,124	1,362,344	2,580,387	4,658,392	2,954,557	1,345,847	2,498,794	3,955,750	4,254,330	8,300,007
State shared revenues	6,065,771	6,233,650	7,009,850	7,656,181	8,957,521	9,232,070	9,298,794	9,753,786	10,361,743	11,643,150
Charges for services	1,568,186	2,654,510	1,868,496	2,003,928	2,128,276	2,144,353	2,176,888	2,321,303	2,474,229	2,571,373
Fines and forfeits	138,892	187,647	153,718	155,059	135,649	134,220	141,252	105,841	246,526	340,131
Investment income	947,431	351,762	733,036	678,928	743,249	1,448,799	511,358	2,568,315	(696,198)	1,731,594
Rents	361,487	369,695	407,208	399,772	373,993	376,810	383,201	392,762	370,409	341,260
Other income	1,758	2,074	1,070	126,117	250		391,297			
Administrative charges	1,939,739	2,077,499	2,148,828	2,195,648	2,276,890	2,324,364	2,327,947	2,402,198	2,406,721	2,754,995
Total Revenues	30,779,555	30,002,001	31,552,919	34,552,905	34,587,959	36,628,341	37,369,813	42,406,505	42,458,442	52,626,947
<b>Expenditures:</b>										
Current:										
General government	2,998,897	3,006,830	3,096,888	3,277,553	3,438,237	3,695,507	3,918,209	4,110,725	4,175,359	5,106,817
Public safety	12,670,195	12,827,107	12,792,670	14,077,352	14,474,260	15,406,842	16,493,369	16,588,385	17,069,424	19,593,666
Public works	6,718,411	6,806,099	6,916,435	6,725,184	6,831,167	6,973,546	7,220,233	7,919,107	8,286,754	7,363,138
Senior citizens	1,661	2,063	1,056	749	684	1,077	1,234	2,241	2,891	3,971
Recreation, parks and culture	2,570,282	2,418,991	2,459,874	2,418,171	2,645,096	3,015,628	2,808,951	2,842,759	4,062,619	2,631,145
General support services	1,266,312	1,086,723	1,130,956	1,192,059	1,330,802	1,325,737	1,440,519	1,238,113	1,352,065	4,252,106
Capital outlay	3,577,878	3,071,918	6,189,033	4,683,488	4,864,507	3,284,331	4,056,194	3,965,006	5,037,332	11,651,320
Debt Service:										
Principal					112,000	1,387,000				
Interest expense			4	10,281	24,603	164,727				
Total Expenditures	29,803,636	29,219,731	32,586,916	32,384,837	33,721,356	35,254,395	35,938,709	36,666,336	39,986,444	50,602,163
Revenues over (under) Expenditures	975,919	782,270	(1,033,997)	2,168,068	866,603	1,373,946	1,431,104	5,740,169	2,471,998	2,024,784
Other financing sources (uses):										
Transfers in	1,067,437	2,313,010	2,825,678	2,379,010	2,121,506	1,258,616	660,241	617,488	627,262	1,406,042
Transfers out	(1,067,437)	(2,613,010)	(2,825,678)	(2,714,010)	(2,088,460)	(1,924,616)	(928,481)	(1,037,488)	(2,077,262)	(2,396,042)
New debt issued										9,754,909
Sale of property	574,889	128,491	21,387	532,271	12,484	6,285	55	1,000	1,000	89,036
Total	574,889	(171,509)	21,387	197,271	45,530	(659,715)	(268,185)	(419,000)	(1,449,000)	8,853,945
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 1,550,808</b>	<b>\$ 610,761</b>	<b>\$ (1,012,610)</b>	<b>\$ 2,365,339</b>	<b>\$ 912,133</b>	<b>\$ 714,231</b>	<b>\$ 1,162,919</b>	<b>\$ 5,321,169</b>	<b>\$ 1,022,998</b>	<b>\$ 10,878,729</b>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.04%</b>	<b>0.47%</b>	<b>4.85%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

City of Port Huron

**TAXABLE, ASSESSED AND EQUALIZED AND ESTIMATED ACTUAL VALUATION OF PROPERTY**  
Last Ten Fiscal Years and Succeeding Year

TAXABLE VALUATION OF PROPERTY

AD VALOREM ASSESSMENT ROLL

	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total Real Property</u>	<u>Personal Property</u>	<u>Total Ad Valorem</u>
2013-2014	\$ 347,365,012	\$ 117,213,382	\$ 35,261,743	\$ 499,840,137	\$ 95,837,300	\$ 595,677,437
2014-2015	344,676,626	120,237,031	36,234,808	501,148,465	84,704,400	585,852,865
2015-2016	347,200,964	122,010,710	34,292,803	503,504,477	86,071,300	589,575,777
2016-2017	348,810,571	133,497,254	33,026,765	515,334,590	59,788,400	575,122,990
2017-2018	353,847,084	136,807,963	32,933,667	523,588,714	58,240,500	581,829,214
2018-2019	363,163,579	139,783,362	33,750,815	536,697,756	57,180,600	593,878,356
2019-2020	377,721,702	146,422,033	34,815,393	558,959,128	52,509,000	611,468,128
2020-2021	393,275,567	150,501,095	36,903,150	580,679,812	51,080,600	631,760,412
2021-2022	407,660,072	150,586,393	38,250,243	596,496,708	54,365,900	650,862,608
2022-2023	435,756,788	153,408,125	38,925,075	628,089,988	49,810,500	677,900,488
2023-2024	474,428,952	179,138,040	44,453,197	698,020,189	50,607,500	748,627,689

ASSESSED AND EQUALIZED VALUATION OF PROPERTY

AD VALOREM ASSESSMENT ROLL

	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total Real Property</u>	<u>Personal Property</u>	<u>Total Ad Valorem</u>
2013-2014	\$ 353,021,500	\$ 123,244,500	\$ 35,561,900	\$ 511,827,900	\$ 95,837,300	\$ 607,665,200
2014-2015	354,162,400	126,067,500	36,594,900	516,824,800	84,704,400	601,529,200
2015-2016	366,183,200	128,355,700	34,609,500	529,148,400	86,071,300	615,219,700
2016-2017	387,122,500	146,059,300	33,334,700	566,516,500	59,788,400	626,304,900
2017-2018	406,846,100	149,716,400	34,737,000	591,299,500	58,240,500	649,540,000
2018-2019	419,556,100	157,264,800	34,918,800	611,739,700	57,180,600	668,920,300
2019-2020	457,051,000	176,953,800	40,117,200	674,122,000	52,509,000	726,631,000
2020-2021	501,120,600	187,095,900	42,889,300	731,105,800	51,080,600	782,186,400
2021-2022	546,903,900	186,795,200	45,116,200	778,815,300	54,365,900	833,181,200
2022-2023	605,751,200	186,184,000	46,027,200	837,962,400	49,810,500	887,772,900
2023-2024	703,340,200	229,060,600	59,153,400	991,554,200	50,607,500	1,042,161,700

A decision of the Michigan Supreme Court of November 30, 1944, (Cheeseman vs. Dell, 310 Michigan 108) defined the term "assessed valuation" as used in the property tax limitation amendment to the State Constitution to mean "the local assessments, as approved or changed and corrected through the statutory process of County equalization." Based upon this decision, all real and personal property taxes for the fiscal years 1945-1946, through 1953-1954, were levied upon County equalized valuations. Since 1954-1955, pursuant to a Supreme Court decision of November 29, 1954, (Pittsfield School District vs Washtenaw County, 341 Michigan 388) the State equalized valuations have been used.

The assessed and equalized valuation of taxable property is determined as of December 31st of each year and is the basis upon which taxes are levied during the succeeding fiscal year. The passage of Proposal A in May, 1994 altered how tax values are determined. Beginning in the 1995-1996 fiscal year, property taxes are based on taxable value instead of state equalized value. Proposal A also capped taxable value of each parcel of property, adjusted for additions and losses, at the previous year's rate of inflation or 5% whichever is less, until the property is sold or transferred. When ownership of a parcel of property is transferred, the taxable value becomes 50% of true cash value, or the state equalized valuation.

INDUSTRIAL FACILITIES AND OTHER SPECIAL ACTS ASSESSMENT ROLL

<u>Industrial Real Property</u>	<u>Industrial Personal Property</u>	<u>Other Real Property</u>	<u>Total IFT and Other</u>	<u>Total Taxable Valuation</u>	<u>Taxable Value as a Percent Actual</u>
\$ 5,759,700	\$ 23,457,500	\$ 766,863	\$ 29,984,063	\$ 625,661,500	48.98%
3,902,800	18,825,000	766,871	23,494,671	609,347,536	48.66%
3,458,500	21,814,900	1,218,484	26,491,884	616,067,661	47.91%
2,712,800	14,128,400	2,127,099	18,968,299	594,091,289	45.99%
2,732,336	10,857,700	5,512,421	19,102,457	600,931,671	44.89%
3,096,610	6,388,400	7,109,068	16,594,078	610,472,434	44.48%
3,052,606	5,082,200	6,991,270	15,126,076	626,594,204	42.13%
3,766,932	2,094,200	7,958,129	13,819,261	645,579,673	40.41%
3,498,694	1,444,400	9,357,396	14,300,490	665,163,098	39.10%
3,614,147	1,208,200	12,821,246	17,643,593	695,544,081	38.29%
3,425,549	0	17,409,996	20,835,545	769,463,234	36.06%

INDUSTRIAL FACILITIES AND OTHER SPECIAL ACTS ASSESSMENT ROLL

<u>Industrial Real Property</u>	<u>Industrial Personal Property</u>	<u>Other Real Property</u>	<u>Total IFT and Other</u>	<u>Total Equalized Valuation</u>	<u>Estimated Actual Value</u>
\$ 6,051,800	\$ 23,457,500	\$ 1,565,100	\$ 31,074,400	\$ 638,739,600	\$ 1,277,479,200
4,194,900	18,825,000	1,555,200	24,575,100	626,104,300	1,252,208,600
3,721,000	21,814,900	2,175,600	27,711,500	642,931,200	1,285,862,400
2,970,200	14,128,400	2,536,300	19,634,900	645,939,800	1,291,879,600
3,103,700	10,857,700	5,770,800	19,732,200	669,272,200	1,338,544,400
3,421,700	6,388,400	7,540,000	17,350,100	686,270,400	1,372,540,800
3,722,100	5,082,200	8,129,200	16,933,500	743,564,500	1,487,129,000
4,121,100	2,094,200	10,399,900	16,615,200	798,801,600	1,597,603,200
3,858,900	1,444,400	12,039,200	17,342,500	850,523,700	1,701,047,400
3,924,200	1,208,200	15,252,800	20,385,200	908,158,100	1,816,316,200
3,858,800	0	20,992,500	24,851,300	1,067,013,000	2,134,026,000

The Industrial and Commercial Facilities Tax Acts permit certain property to be taxed at one-half the tax rate for a period up to twelve years. The City Council has adopted a policy that such abatements will be twelve years for real property and six years for personal property. The ad valorem taxable valuation of \$677,900,488 and the abated taxable valuation of \$17,643,593 as of December 31, 2021 were used as the basis for determining the fiscal 2022-2023 operating taxes.

During August, 2014 Michigan voters approved Proposal 1, thereby instituting personal property tax reform. This reform exempts two categories of personal property from taxation. The first category exempts small taxpayers whose true cash value totals less than \$80,000. The small taxpayer exemption went into effect during 2014. The second category of property is Eligible Manufacturing Personal Property (EMPP). Taxation of EMPP will be phased out through 2022.

The total direct and overlapping tax rate applied to the tax base shown on this page is presented on the following page. Since each tax rate presented in the chart on the following page applies equally throughout the City, the weighted average tax rate is essentially equivalent to the direct and overlapping tax rate.

**DIRECT AND OVERLAPPING PROPERTY TAX RATES  
PROPERTY TAX RATES PER \$1,000 TAXABLE VALUATION**  
Last Ten Fiscal Years

Year	CITY				Total	BWATC Bus Operating
	Operating	Public Safety/ Parks & Rec.	Streets	Rubbish and Garbage Collection		
2013-2014	\$ 11.2696		\$ 2.0000	\$ 2.8173	\$ 16.0869	\$.6214
2014-2015	11.2696		2.0000	2.8173	16.0869	.6214
2015-2016	11.2696		2.0000	2.8173	16.0869	.6214
2016-2017	11.2696		2.0000	2.8173	16.0869	.6214
2017-2018	11.2504		1.9966	2.8125	16.0595	.6203
2018-2019	11.2504	4.0000	1.9966	2.8125	20.0595	.6203
2019-2020	11.2278	3.9920	1.9926	2.8068	20.0192	.6173
2020-2021	11.2132	3.9868	1.9900	2.8031	19.9931	.6173
2021-2022	11.2132	3.9868	1.9900	2.8031	19.9931	.6173
2022-2023	11.1391	3.9604	1.9768	2.7845	19.8608	.6068

Year	COUNTY				Total	COLLEGE Operating and Debt
	St. Clair County	Intermediate School	Special Education	Vocational Education		
2013-2014	\$ 7.9522	\$.1938	\$ 2.3113	\$.9245	\$ 11.3818	\$ 1.8891
2014-2015	7.9522	.1938	2.3113	.9245	11.3818	1.8891
2015-2016	7.9522	.1938	2.3113	.9245	11.3818	1.8891
2016-2017	8.2329	.1938	2.3113	.9245	11.6625	1.8891
2017-2018	8.2329	.1938	2.3113	.9245	11.6625	1.8891
2018-2019	8.2329	.1938	2.3113	.9245	11.6625	1.8891
2019-2020	8.2329	.1938	2.3113	.9245	11.6625	1.8891
2020-2021	8.2329	.1938	2.3113	.9245	11.6625	1.8891
2021-2022	8.2156	.1931	2.3038	.9215	11.6340	1.8830
2022-2023	9.2171	.1930	2.3026	.9210	12.6337	1.8820

Year	SCHOOL			STATE School Operating	GRAND TOTAL	
	Operating	Debt	Total		Homestead	Non- Homestead
2013-2014	\$ 18.0000*	\$ 2.5000	\$ 20.5000	\$ 6.0000	\$ 38.4792	\$ 56.4792
2014-2015	18.0000*	2.5000	20.5000	6.0000	38.4792	56.4792
2015-2016	18.0000*	2.5000	20.5000	6.0000	38.4792	56.4792
2016-2017	18.0000*	4.2400	22.2400	6.0000	40.4999	58.4999
2017-2018	18.0000*	4.2400	22.2400	6.0000	40.4714	58.4714
2018-2019	18.0000*	4.2400	22.2400	6.0000	44.4714	62.4714
2019-2020	18.0000*	4.2400	22.2400	6.0000	44.4281	62.4281
2020-2021	18.0000*	4.2400	22.2400	6.0000	44.4020	62.4020
2021-2022	18.0000*	3.2000	21.2000	6.0000	43.3274	61.3274
2022-2023	18.0000*	3.2000	21.2000	6.0000	44.1833	62.1833

Without local voter approval, the City of Port Huron's millage levies are limited to the amounts currently levied (11.1391 mills for operating, 2.9703 mills for public safety, .9901 mill for parks & recreation, 1.9768 mills for streets and 2.7845 mills for rubbish and garbage collection).

An additional levy of 1.9874 mills applies to properties within the Downtown Development Authority.

\*Non personal residence property only

**TAX INFORMATION**

TAXES DUE:

July 1st

PAYABLE:

City, School and County operating taxes are due and payable July 1st at the office of the City Treasurer. (Other County taxes are due and payable December 1st)

PENALTIES

FOR DELINQUENCY:

An addition of one percent (1%) is made on the first day of August, and on the first day of each month thereafter in the succeeding months, until the delinquent tax roll is returned to the County Treasurer (City Charter). Another addition of one percent (1%) is made on the fifteenth day of September and each month or fraction thereof thereafter (State law). Commencing March 1st, taxes on real property are collected through the Treasurer of St. Clair County, who adds and retains a collection fee of 4%, and in addition adds interest at the rate of 1% per month or fraction thereof to the date of payment.

LIEN ON PROPERTY:

Unpaid taxes, together with all charges thereon, become a continuing lien on the property assessed. The General Tax Law provides for disposition at public sale of real estate delinquent for taxes as follows:

<u>Date of Sale</u>	<u>Delinquent Tax Properties to be Sold</u>
May, 2026	Year 2023
May, 2027	Year 2024

STATE LAND SALE:

The State Land Office Board Act No. 155, Public Acts of 1937, as amended, created a State agency to dispose of certain land held by the State of Michigan. (The functions of this agency were taken over by the State Department of Natural Resources in 1949.) Unsold taxes offered at the annual County May tax sale are deemed to be "bid in" by the State, which assumes jurisdiction over them. The taxpayer has twelve months from the date of the County May tax sale in which to redeem his property by paying all unpaid taxes and assessments in full, together with all interest, penalties and collection fees at the office of the County Treasurer. "Redemption interest" at the rate of 1% per month from the date of the County May tax sale is charged on those taxes and assessments paid during this redemption period. Taxes "bid in" by the State, which remain unpaid at the expiration of the redemption period, are deeded to the State of Michigan, and outstanding taxes, special assessments, etc. are immediately canceled. Administration of this property is then transferred from the Auditor General to the Department of Natural Resources.

On the first Tuesday in February, following acquisition by the State, these properties are offered at public auction at the statutory State Land Sale (minimum bid - 25% of the assessed valuation for the year preceding vesting of title in the State.) Properties offered but not sold at the State Land Sale may be appraised and again offered for sale by the Department of Natural Resources as they see fit. The proceeds from sales, together with any income from properties while under the jurisdiction of the Department of Natural Resources, are remitted to the taxing subdivisions on the basis of their equities in the properties.

City of Port Huron

**PRINCIPAL PROPERTY TAXPAYERS**  
June 30, 2023

Taxpayer	2023	2023	2023	Percent of	2023	2014	Percent of	2014
	Ad Valorem Taxable Valuation	Industrial Facilities Taxable Value	Total Taxable Valuation	Total Taxable Valuation		Total Taxable Valuation	Total Taxable Valuation	
DTE Energy	\$ 19,624,702		\$ 19,624,702	2.55%	1	\$ 10,317,930	1.69%	5
Lake Huron Medical Center	14,732,556		14,732,556	1.91%	2			
SEMCO Energy Gas Company	13,790,895		13,790,895	1.79%	3	6,528,464	1.07%	8
Sperry's/City Flats	9,287,068		9,287,068	1.21%	4			
Winkle Industrial	5,671,925		5,671,925	0.74%	5			
HVG PH (former Arbors)	5,172,135		5,172,135	0.67%	6			
Landmark/Monroe/Wrigley	5,007,127		5,007,127	0.65%	7			
Acheson Ventures, LLC & Affiliated Properties	4,471,018		4,471,018	0.58%	8	14,555,589	2.39%	2
Blue Water View/Stevens	4,384,904		4,384,904	0.57%	9			
Rahf IV Northport Inc.	3,733,236		3,733,236	0.49%	10			
Orthopedic Associates Campus	3,440,881		3,440,881	0.45%	11	3,274,779	0.54%	14
Asset Link	3,279,493		3,279,493	0.43%	12			
Parkview Property Management, Inc.	3,087,950		3,087,950	0.40%	13	3,821,004	0.63%	11
Port Huron Apartments	3,021,067		3,021,067	0.39%	14			
JB Real Estate	2,921,232		2,921,232	0.38%	15	3,384,100	0.56%	13
Domtar Industries, Inc. & Affiliated Properties	2,696,745	0	2,696,745	0.35%	16	18,506,268	3.04%	1
Earl Smith	1,562,889	1,039,571	2,602,460	0.34%	17			
Eissman	839,604	1,699,244	2,538,848	0.33%	18			
SMW	2,415,614		2,415,614	0.31%	19	10,084,700	1.65%	6
Pine Grove Plaza	2,234,039		2,234,039	0.29%	20			
Mueller Brass, Co. & Affiliated Properties						14,005,172	2.30%	3
ALD Thermal						10,438,000	1.71%	4
H.P. Pelzer						6,783,600	1.11%	7
Dunn Paper						5,928,407	0.97%	9
Royal Oak Boring						4,188,200	0.69%	10
Henkel-Acheson Industries, Inc.						3,721,716	0.61%	12
JCIM (formerly Plastech and LDM)						3,143,200	0.52%	15
Shawmut Mills						2,820,400	0.46%	16
Cross Hueller Ex-Cell-O-Lamb						2,811,900	0.46%	17
Northport Association						2,810,600	0.46%	18
I.A.C. (formerly Lear Corporation)						2,743,700	0.45%	19
Michigan Metal Coatings						2,656,100	0.44%	20
<b>TOTAL</b>	<b>\$ 111,375,080</b>	<b>\$ 2,738,815</b>	<b>\$ 114,113,895</b>	<b>14.83%</b>		<b>\$ 132,523,829</b>	<b>21.75%</b>	

City of Port Huron

**PROPERTY TAX LEVIES AND COLLECTIONS**  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Collected by March 1 of the Fiscal Year		Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy		Amount	Percentage of Levy
2014-2015	\$ 8,946,675	\$ 8,144,896	91.04%	\$ 8,936,232	99.88%	\$ 1,746	\$ 8,937,978	99.90%
2015-2016	8,956,372	8,450,343	94.35%	8,944,662	99.87%	3,294	8,947,956	99.91%
2016-2017	8,696,644	8,196,863	94.25%	8,681,964	99.83%	2,087	8,684,051	99.86%
2017-2018	8,811,650	8,319,252	94.41%	8,796,899	99.83%	3,495	8,800,394	99.87%
2018-2019	11,175,686	10,568,584	94.57%	11,165,207	99.91%	3,548	11,168,755	99.94%
2019-2020	11,437,781	10,863,449	94.98%	11,427,224	99.91%	3,957	11,431,181	99.94%
2020-2021	11,718,432	10,973,165	93.64%	11,704,592	99.88%	6,063	11,710,655	99.93%
2021-2022	12,118,772	11,557,603	95.37%	12,107,872	99.91%	28	12,107,900	99.91%
2022-2023	12,560,069	12,021,260	95.71%	12,545,283	99.88%			
2023-2024	11,587,012							

Amounts include Operating, Public Safety, Parks and Recreation, Streets, and Rubbish and Garbage Collection (exclusive of taxes captured by component units).

The total tax levy for the upcoming fiscal year is an estimated amount. The upcoming levy is subject to change due to Michigan Tax Tribunal, State Tax Commission and/or Board of Review adjustments. This estimated tax levy is presented to facilitate continuing disclosure requirements.



City of Port Huron

**RATIOS OF OUTSTANDING DEBT BY TYPE**  
Last Ten Fiscal Years

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Outstanding Debt:										
Business-type Activities:										
Water Supply System Revenue Bonds	\$ 6,661,651	\$ 6,534,738	\$ 6,402,825	\$ 6,265,912	\$ 6,123,999	\$ 5,982,086	\$ 5,830,173	\$ 5,673,260	\$ 5,746,191	\$ 5,497,062
Water Supply System Revenue Bonds (Limited Tax General Obligation)	6,008,141	5,224,580	4,406,019	3,527,458	2,623,897	1,675,336	671,775	457,850	233,925	-
Wastewater General Obligation Limited Tax Bonds	30,442,870	28,369,792	26,181,713	23,978,634	21,580,555	19,127,476	16,618,617	27,096,994	25,182,991	22,346,690
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	34,909,738	33,532,389	30,020,142	26,733,217	23,208,217	19,608,217	15,935,025	12,482,270	9,741,808	7,404,032
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	18,882,806	18,718,828	17,226,399	15,718,554	13,973,554	12,178,554	10,343,554	8,458,554	6,536,199	5,096,223
Water Meter Refunding Bonds (Limited Tax General Obligation)	4,557,189	4,331,337	4,039,352	3,806,236	3,455,020	3,085,655	2,697,380	2,289,402	1,860,902	1,411,028
Total Business-type Activities Debt	101,462,395	96,711,664	88,276,450	80,030,011	70,965,242	61,657,324	52,096,524	56,458,330	49,302,016	41,755,035
Governmental Activities:										
Pension Bonds (Limited Tax General Obligation)							52,710,000	51,390,000	50,055,000	48,700,000
Fire Station #1 Bond (Limited Tax General Obligation)										9,753,790
Energy Services Refunding Bonds (Limited Tax General Obligation)	3,482,238	3,358,601	3,155,038	2,921,358	2,671,144	2,403,630	2,118,016	1,813,474	1,489,138	1,144,112
HUD Section 108				1,499,000	1,387,000					
Total Outstanding Debt	\$ 104,944,633	\$ 100,070,265	\$ 91,431,488	\$ 84,450,369	\$ 75,023,386	\$ 64,060,954	\$ 106,924,540	\$ 109,661,804	\$ 100,846,154	\$ 101,352,937
Total Taxable Valuation	\$ 625,661,500	\$ 609,347,536	\$ 616,067,661	\$ 594,091,289	\$ 600,931,671	\$ 610,472,434	\$ 626,594,204	\$ 645,579,673	\$ 665,163,098	\$ 695,544,081
Ratio of Outstanding Debt to Taxable Value	16.77%	16.42%	14.84%	14.22%	12.48%	10.49%	17.06%	16.99%	15.16%	14.57%
Population	30,184	30,184	30,184	30,184	30,184	30,184	30,184	28,983	28,983	28,983
Per Capita Direct Outstanding Debt	\$ 3,476.83	\$ 3,315.34	\$ 3,029.14	\$ 2,797.85	\$ 2,485.53	\$ 2,122.35	\$ 3,542.42	\$ 3,783.66	\$ 3,479.49	\$ 3,496.98

Note: Personal income by individual year for residents is not available.

City of Port Huron

**DIRECT AND OVERLAPPING BONDED DEBT**  
June 30, 2023

<b>DIRECT BONDED DEBT:</b>		
Pension Bonds (Limited Tax General Obligation)	\$	48,700,000
Fire Station#1 Bonds (Limited Tax General Obligation)		9,753,790
Energy Services Refunding Bonds (Limited Tax General Obligation)		<u>1,411,028</u>
<b>Total Direct Bonded Debt</b>		<u><b>59,864,818</b></u>
<b>OVERLAPPING BONDED DEBT:</b>		
10.44% of St. Clair County Community College debt	\$	264,654
9.60% of St. Clair County debt		2,909,287
34.01% of Port Huron Area School District debt Overlapping Bonded Debt		<u>35,538,750</u>
		<u>38,712,691</u>
<b>DIRECT AND OVERLAPPING BONDED DEBT</b>		<u><b>\$ 98,577,509</b></u>

	<u>Per Capita Bonded Debt</u>	<u>Ratio of Bonded Debt to State Equalized Value</u>
Direct Bonded Debt	\$ 2,065.52	5.61%
Direct and Overlapping Bonded Debt	\$ 3,401.22	9.24%

The percentage of overlapping bonded debt applicable to each governmental unit is estimated using the taxable valuation of assessed property. Applicable percentages were estimated by determining the portion of each governmental unit's taxable property located within the boundaries of the City of Port Huron and dividing it by that governmental unit's total taxable value.

City of Port Huron

**COMPUTATION OF LEGAL DEBT MARGIN**  
June 30, 2023

STATE EQUALIZED VALUATION AT DECEMBER 31, 2022				<u>\$1,042,161,700</u>
	<u>Legal Margin</u>			
	<u>Actual Net Debt</u>	<u>Percentage of State Equalized Valuation</u>	<u>Amount</u>	<u>Legal Debt Margin Totals</u>
General obligation debt	\$ 95,855,875			
Portion issued under order	<u>(17,856,207)</u>			
Balance	<u>\$ 77,999,668</u>	10%	<u>\$ 104,216,170</u>	<u>\$ 26,216,502</u>
Emergency bonds	None	3/8 of 1%	<u>\$ 3,908,106</u>	<u>\$ 3,908,106</u>
Special assessment bonds	None	12%	<u>\$ 125,059,404</u>	<u>\$125,059,404</u>

The statutory debt limit of net bonded indebtedness incurred for all public purposes shall not at any one time exceed 10% of the State equalized valuation of property in the City (\$1,042,161,700), except that this limit may be exceeded by 3/8ths of 1% in case of fire, flood or other calamity. This limitation does not include bonds issued in anticipation of the payment of special assessments, nor bonds issued pursuant to court order.

The Michigan State Bond Act provides that the total debt in special assessment bonds, which would require that the City pledge its faith and credit, shall not exceed 12% of the state equalized valuation of property of the City, nor shall such bonds be issued in any calendar year in excess of 3% unless voted.

As described in the schedule of Assessed and Equalized Valuation of Taxable Property the State taxable valuation at December 31, 2022 of \$748,627,689 will be used as a basis for determining the fiscal 2023-2024 operating taxes.

City of Port Huron

**LEGAL DEBT MARGIN**  
Last Ten Fiscal Years

	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Direct Bonded Debt:										
Water Supply System Revenue Bond \$	6,661,651	\$ 6,534,738	\$ 6,402,825	\$ 6,265,912	\$ 6,123,999	\$ 5,982,086	\$ 5,830,173	\$ 5,673,260	\$ 5,746,191	\$ 5,497,062
Water Supply System Revenue Bonds (Limited Tax General Obligation)	6,008,141	5,224,580	4,406,019	3,527,458	2,623,897	1,675,336	671,775	457,850	233,925	-
Wastewater General Obligation Limited Tax Bonds	30,442,870	28,369,792	26,181,713	23,978,634	21,580,555	19,127,476	16,618,617	27,096,994	25,182,991	22,346,690
State Revolving Fund Wastewater General Obligation Limited Tax Bonds	34,909,738	33,532,389	30,020,142	26,733,217	23,208,217	19,608,217	15,935,025	12,482,270	9,741,808	7,404,032
Drinking Water Revolving Fund Water Supply System General Obligation Limited Tax Bonds	18,882,806	18,718,828	17,226,399	15,718,554	13,973,554	12,178,554	10,343,554	8,458,554	6,536,199	5,096,223
Water Meter Refunding Bonds (Limited Tax General Obligation)	4,557,189	4,331,337	4,039,352	3,806,236	3,455,020	3,085,655	2,697,380	2,289,402	1,860,902	1,411,028
Pension Bonds (Limited Tax General Obligations)							52,710,000	51,390,000	50,055,000	48,700,000
Fire Station #1 Bond (Limited Tax General Obligation)										9,753,790
Energy Performance Services Bonds (Limited Tax General Obligation)	3,482,238	3,358,601	3,155,038	2,921,358	2,671,144	2,403,630	2,118,016	1,813,474	1,489,138	1,144,112
HUD Section 108 Loan				1,499,000	1,387,000					
<b>Total Direct Bonded Debt</b>	<b>104,944,633</b>	<b>100,070,265</b>	<b>91,431,488</b>	<b>84,450,369</b>	<b>75,023,386</b>	<b>64,060,954</b>	<b>106,924,540</b>	<b>109,661,804</b>	<b>100,846,154</b>	<b>101,352,937</b>
Less self-supporting revenue bonds:										
Water Supply System Revenue Bond	6,661,651	6,534,738	6,402,825	6,265,912	6,123,999	5,982,086	5,830,173	5,673,260	5,746,191	5,497,062
Water Supply System Revenue Bonds (Limited Tax General Obligation)	6,008,141	5,224,580	4,406,019	3,527,458	2,623,897	1,675,336	671,775	457,850	233,925	-
Less portion issued under an order:										
Wastewater General Obligation Limited Tax Bonds	30,442,870	28,369,792	26,181,713	23,978,634	21,580,555	19,127,476	16,618,617	14,561,178	12,647,175	10,452,175
State Revolving Fund Wastewater General Obligation Limited Tax Bond	34,909,738	33,532,389	30,020,142	26,733,217	23,208,217	19,608,217	15,935,025	12,482,270	9,741,808	7,404,032
<b>Total Excluded</b>	<b>78,022,400</b>	<b>73,661,499</b>	<b>67,010,699</b>	<b>60,505,221</b>	<b>53,536,668</b>	<b>46,393,115</b>	<b>39,055,590</b>	<b>33,174,558</b>	<b>28,369,099</b>	<b>23,353,269</b>
Net debt applicable to limit	26,922,233	26,408,766	24,420,789	23,945,148	21,486,718	17,667,839	67,868,950	76,487,246	72,477,055	77,999,668
Debt limit	60,152,920	61,521,970	62,630,490	64,954,000	66,892,030	72,663,100	78,218,640	83,318,120	88,777,290	104,216,170
Legal debt margin	<u>\$ 33,230,687</u>	<u>\$ 35,113,204</u>	<u>\$ 38,209,701</u>	<u>\$ 41,008,852</u>	<u>\$ 45,405,312</u>	<u>\$ 54,995,261</u>	<u>\$ 10,349,690</u>	<u>\$ 6,830,874</u>	<u>\$ 16,300,235</u>	<u>\$ 26,216,502</u>
Total net debt applicable to the limit as a percentage of debt limit	44.76%	42.93%	38.99%	36.87%	32.12%	24.31%	86.77%	91.80%	81.64%	74.84%

City of Port Huron

**REVENUE BOND COVERAGE**  
Last Ten Fiscal Years

WATER SUPPLY SYSTEM

Fiscal Year	Gross Revenue	Expenses and Operating Transfers	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2013-2014	6,793,255	3,293,968	3,499,287	736,620	776,583	1,513,203	2.31
2014-2015	7,219,219	3,473,874	3,745,345	910,474	543,612	1,454,086	2.58
2015-2016	7,693,281	3,568,715	4,124,566	950,474	524,613	1,475,087	2.80
2016-2017	8,128,963	3,913,817	4,215,146	1,015,474	479,317	1,494,791	2.82
2017-2018	8,308,738	4,248,309	4,060,429	1,045,474	438,407	1,483,881	2.74
2018-2019	8,241,601	3,456,184	4,785,417	1,090,474	395,609	1,486,083	3.22
2019-2020	7,990,762	*(53,883)	*8,044,645	1,155,474	364,024	1,519,498	5.29
2020-2021	8,033,375	3,929,483	4,103,892	370,838	340,717	711,555	5.77
2021-2022	8,464,906	**1,467,929	**6,996,977	388,925	226,852	615,777	11.36
2022-2023	8,876,671	**3,918,166	**4,958,505	430,000	146,104	576,104	8.61

Gross revenues include operating and nonoperating revenues.

\*The pension bonding decreased Expenses and Operating Transfers by approximately \$4,160,000, thereby increasing Net Revenue Available For Debt Service by the same amount.

\*\*The adoption of Medicare Advantage for OPEB purposes decreased Expenses and Operating Transfers by approximately \$2,695,000, thereby increasing Net Revenue Available for Debt Service by the same amount.

City of Port Huron

**WATER AND WASTEWATER – CURRENT RATES IN EFFECT**  
June 30, 2023

Commodity Charge, per 1,000 cubic feet of water used (effective July 1, 2023)

Water	Wastewater
<u>\$ 18.04</u>	<u>\$ 47.50</u>

Monthly Fixed Charge, based on the size of the water meter:

Meter Size	Water	Wastewater
5/8"	\$ 12.76	\$ 52.98
3/4"	19.14	79.47
1"	31.90	132.46
1-1/2"	63.79	264.92
2"	102.07	423.87
3"	223.27	927.21
4"	382.75	1,589.50
6"	797.40	3,311.45
8"	1,148.26	4,768.49
10"	1,849.97	7,682.56
12"	2,743.07	11,391.39
16"	3,827.53	15,894.96
20"	5,741.30	23,842.44
24"	8,611.95	35,763.66

Each customer pays a Monthly Fixed Charge based upon the size of the meter and a Commodity Charge based on the quantity of water used. The monthly rate charged for water and wastewater for consumers within the limits of the City is equal to the sum of the Monthly Fixed Charge and the Commodity Charge multiplied by the monthly usage. The rates above reflect charges to City customers. Users outside of the City generally pay 150% of City rates. Prior to December 1, 2014, City of Port Huron customers were billed on a quarterly, rather than monthly basis.

City of Port Huron  
**WATER AND WASTEWATER - HISTORY OF RESIDENTIAL UTILITY RATES**  
 June 30, 2023  
 RATE HISTORY

Effective Date	Water		Wastewater	
	Commodity	Monthly Fixed Charge	Commodity	Monthly Fixed Charge
July 1, 2023	\$18.04	\$12.76	\$ 47.50	\$52.98
July 1, 2022	17.18	12.15	46.12	51.44
July 1, 2021	16.60	11.74	44.56	49.70
July 1, 2020	15.81	11.18	42.44	48.49
July 1, 2019	15.81	11.18	39.30	46.18
July 1, 2018	15.50	11.18	39.30	41.60
July 1, 2017	15.20	11.18	39.30	37.14
July 1, 2016	14.90	11.18	39.30	33.01
July 1, 2015	14.62	10.98	37.66	32.01
December 1, 2014	14.34	10.78	36.16	31.01
July 1, 2014	14.34	8.50	36.16	21.50
July 1, 2013	14.00	8.33	34.80	20.50
July 1, 2012	13.64	8.00	32.40	19.00
July 1, 2011	12.86	7.47	30.60	17.73
July 1, 2010	12.12	7.00	28.72	16.67
July 1, 2009	11.48	6.59	27.24	15.60
July 1, 2008	11.48	6.59	27.24	15.60
October 1, 2007	11.48	6.59	27.24	15.60
July 1, 2007	10.60	6.08	27.24	15.60
July 1, 2006	10.00	5.73	24.32	13.93
July 1, 2005	9.34	5.43	22.70	13.17
July 1, 2004	8.66	5.17	21.38	12.33

COMPARABLE MONTHLY BILLING

Effective Date	Monthly Billing	Percent Change
July 1, 2023	\$109.46	3.45%
July 1, 2022	105.81	3.50%
July 1, 2021	102.23	3.77%
July 1, 2020	98.52	4.67%
July 1, 2019	94.12	5.36%
July 1, 2018	89.33	5.50%
July 1, 2017	84.67	5.39%
July 1, 2016	80.34	3.19%
July 1, 2015	77.86	3.18%
December 1, 2014	75.46	18.52%
July 1, 2014	63.67	3.75%
July 1, 2013	61.37	6.37%
July 1, 2012	57.69	6.50%
July 1, 2011	54.17	6.44%
July 1, 2010	50.89	6.03%
July 1, 2009	48.00	0.00%
July 1, 2008	48.00	0.00%
October 1, 2007	48.00	2.33%
July 1, 2007	46.91	10.25%
July 1, 2006	42.55	6.47%
July 1, 2005	39.96	6.48%
July 1, 2004	37.53	6.47%

Comparable Monthly Billing assumes 667 metered cubic feet of usage and a 5/8" water meter.  
 The average monthly residential usage for the twelve months ended March 31, 2023 was 470 metered cubic feet of usage. One metered cubic foot of water is equal to 7.48 gallons.

City of Port Huron  
**PRINCIPAL WATER AND WASTEWATER CUSTOMERS**  
 June 30, 2023

Customer	Volume of Water Used	Percent of Total
Fort Gratiot Township	61,944,900	23.2%
Port Huron Township	49,373,330	18.5%
Kimball Township	32,544,500	12.2%
Mueller Brass	7,871,750	2.9%
McLaren Port Huron Hospital	3,109,990	1.2%
City of Port Huron	3,050,414	1.1%
Dunn Paper	1,864,600	0.7%
Port Huron Housing Commission	1,641,675	0.6%
Lake Huron Medical Center	1,592,765	0.6%
Marwood	1,512,290	0.6%
Estimate for all others	103,044,616	38.4%
<b>Totals</b>	<b>267,550,830</b>	<b>100.0%</b>

WATER AND WASTEWATER REVENUE

	Water Revenue		Wastewater Revenue	
	Water Revenue	Percent of Total	Revenue	Percent of Total
Fort Gratiot Township	\$ 1,562,242	17.6%	\$ 974,323	5.4%
Port Huron Township	1,415,635	15.9%	1,039,900	5.8%
Kimball Township	831,845	9.4%	452,151	2.5%
Mueller Brass	163,710	1.8%	494,908	2.7%
McLaren Port Huron Hospital	91,527	1.0%	278,629	1.5%
City of Port Huron	158,441	1.8%	469,925	2.6%
Dunn Paper	47,606	0.5%	152,066	0.8%
Port Huron Housing Commission	96,014	1.1%	349,572	1.9%
Lake Huron Medical Center	37,779	0.4%	115,592	0.6%
Marwood	23,661	0.3%	65,074	0.4%
Estimate for all others	4,448,211	50.2%	13,658,332	75.8%
<b>Totals</b>	<b>\$ 8,876,671</b>	<b>100.0%</b>	<b>\$ 18,050,472</b>	<b>100.0%</b>

Total Active Accounts 11,756  
 Total Water Only Accounts 244  
 Total Sewer Accounts 11,512  
 Volume of water used is shown in metered cubic feet.

City of Port Huron

WATER USAGE BY CUSTOMER TYPE

<u>Customer Type</u>	<u>Volume of Water Used</u>	<u>Percent of Total</u>
Residential	59,349,094	23.0%
Multi-Units	11,382,870	4.4%
Commercial	14,207,197	5.5%
Industrial	16,223,390	6.3%
Institutional	7,722,035	3.0%
Governmental	5,169,952	2.0%
Wholesale	143,862,730	55.8%
<b>Total</b>	<b>257,917,268</b>	<b>100.0%</b>

The Wholesale water usage pertains to the various townships that surround the City of Port Huron. Volume of water used is shown in metered cubic feet.

City of Port Huron

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

Area: 8.00 square miles (5,120 acres)

Form of Government: Council-Manager (Since April 7, 1941)

Present Charter: Adopted November 2, 2010 - effective January 1, 2011 (Previous Charter adopted April 7, 1969, effective April 18, 1969)

Fiscal Year Begins: July 1

City Employees: 255 regular budgeted, 248 regular filled, 25 part-time filled, 217 seasonal positions

Fire Protection: 3 stations, 34 fire fighting personnel, 2-way radio equipment

Police Protection: 1 station, 54 police officers, 2-way radio equipment

Streets: 141.11 miles improved  
1.92 miles unimproved

Population:

Source:	1850	(Village)	1,584	1940	31,759
Official U.S. Census	1860	(City)	4,371	1950	35,725
	1870		5,973	1960	36,084
	1880		8,883	1970	35,794
	1890		13,543	1980	33,934
	1900		19,158	1990	33,694
	1910		18,863	2000	32,338
	1920		25,944	2010	30,184
	1930		31,361	2020	28,983

Unemployment:

Source:	June 30, 2014	13.3%
State of Michigan	2015	9.7%
	2016	8.7%
	2017	5.3%
	2018	6.2%
	2019	6.6%
	2020	23.6%
	2021	6.0%
	2022	5.1%
	2023	4.3%

Statistical Information From the U.S. Census Bureau:

	2010	2020
Total population	30,184	28,983
In-labor force	15,289	17,570
Median household income	\$32,896	\$38,808
Per capita income	\$17,974	\$22,647
Housing units	13,871	*
Occupied housing units		87.8%
Owner-occupied housing units	6,594	47.5%
Renter-occupied housing units	5,583	40.2%
Vacant housing units	1,694	12.2%

Note: Personal income by individual year for residents is not available. Median household income and per capita income information was obtained from the American Community Survey.

\*2020 U.S. Census Bureau housing information is not available

City of Port Huron

**PRINCIPAL EMPLOYERS**

June 30, 2023

<u>Firm Name</u>	<u>Product/Service</u>	<u>2023 Approximate Number of Employees</u>	<u>2023 Rank</u>	<u>2014 Approximate Number of Employees</u>	<u>2014 Rank</u>
McLaren Port Huron (formerly Port Huron Hospital)	Health care services	1,279	1	1,406	1
*Port Huron Area School District	Public education	535	2	632	3
U.S. Farathane Corp.	Automotive supplier	344	3	303	7
Lake Huron Medical Center (formerly St. Joseph Mercy Port)	Health care services	339	4	758	2
HP Pelzer	Automotive supplier	325	5		
*St. Clair County	Public government	320	6	377	5
Mueller Brass	Copper and brass tubing	280	7	258	9
*Aludyne (formerly Chassix/SMW Automotive)	Automotive supplier	250	8	389	4
City of Port Huron	Public government	248	9		
St. Clair County Community College	Public education	177	10		
J.C.I.M. (formerly Plastech Engineered Products)	Automotive supplies/plastics	-		310	6
IAC (formerly Lear Corporation)	Freight and Cargo	-		267	8
Domtar Industries Inc.	Lightweight, publ., pkg., spec. papers	-		250	10

\*Multiple locations, an estimate of employees within the City of Port Huron is included above.

Source: City of Port Huron Finance Department obtained information from the Michigan Economic Development Corporation and through direct inquiries of employers in 2023. The information pertaining to 2014 was obtained through direct inquiries of employers.

Note: In-City labor force is not available. As a result, the percentage of the labor force is not presented.

City of Port Huron

**FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES**

Last Ten Fiscal Years

Function/Program	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
General government:										
City manager	2.00	1.00	1.00	1.00	1.00	1.30	1.50	1.00	1.40	1.40
City clerk/elections	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance/purchasing	6.00	6.00	6.00	6.00	6.05	6.00	6.00	6.00	4.00	5.00
Income tax	3.00	3.00	3.00	3.00	3.00	3.00	2.00	3.00	3.00	2.00
Assessing	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
City treasurer/water office	5.00	6.00	6.00	6.00	8.00	6.00	6.00	6.00	6.00	6.00
Data processing	4.00	4.00	4.00	4.00	4.00	4.00	3.00	4.00	4.00	4.00
Human Resources	2.50	2.50	2.50	2.50	3.00	3.00	3.00	3.00	3.00	3.00
Health and safety/marinas										
Public safety:										
Police	57.50	59.50	56.50	58.50	58.00	64.00	64.00	63.00	65.00	61.00
Fire	42.50	40.50	35.50	35.50	37.00	36.40	37.00	38.00	40.00	40.00
Public works:										
DPW administration	1.80	1.80	1.80	1.20	1.20	1.20	1.20	1.20	1.20	1.20
MOC grounds	3.00	3.00	3.00	3.00	3.00	3.00	4.00	3.00	3.00	3.00
Engineering	4.00	4.00	4.00	4.00	4.00	4.00	3.00	4.00	4.00	4.00
Code Enforcement			3.00	2.00	2.10	1.40	1.50	3.50	3.50	3.25
Streets	15.485	16.235	15.485	16.425	16.025	15.15	14.65	16.15	15.15	15.15
Refuse collection/disposal	0.125	0.250	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Motor vehicle pool	6.10	6.225	6.10	6.10	6.05	6.625	5.125	5.625	6.625	6.625
Water filtration plant	9.75	9.75	9.75	9.95	9.55	10.80	10.80	10.80	11.80	10.80
Utilities - water distribution	6.00	6.00	5.875	5.875	5.750	5.80	5.80	5.80	5.80	4.55
Water meter	2.50	2.50	2.50	2.50	2.00	1.50	1.50	1.50	1.50	1.00
Water reclamation facility	21.075	21.075	20.20	23.00	20.10	22.05	21.05	22.05	21.05	21.05
Utilities - sewer collection	9.165	9.165	9.165	8.825	8.00	8.75	8.75	8.75	8.75	8.50
Community and economic development	12.00	10.00	8.00	8.00	7.90	8.60	9.50	8.50	10.50	10.75
Recreation, parks and culture:										
Recreation	4.65	4.65	4.65	4.50	4.55	5.00	4.10	5.50	5.40	5.35
Cemetery	3.15	3.15	2.65	2.80	2.85	2.85	2.90	2.68	2.68	2.68
Parking										
Parks and forestry	8.70	8.70	9.20	9.50	8.90	9.75	9.80	9.76	10.06	11.06
McMorran			4.00	4.70	5.35	6.70	6.70	6.06	7.46	9.51
Downtown Development Authority					0.50	1.00	1.00	1.00	1.00	1.00
	<u>235.00</u>	<u>234.00</u>	<u>229.00</u>	<u>235.00</u>	<u>234.00</u>	<u>244.00</u>	<u>240.00</u>	<u>246.00</u>	<u>252.00</u>	<u>248.00</u>

The number of employees are based on the filled positions as of each June 30.  
The number of employees budgeted may vary.

Source: City of Port Huron Human Resources Department



City of Port Huron

**OPERATING INDICATORS**  
Last Ten Fiscal Years

Function/Program	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
<b>Election data:</b>										
Registered voters - November	20,898	21,138	21,025	21,479	21,206	21,323	21,676	23,265	23,132	23,613
Voters (at the polls or absentee) - November	3,331	6,898		11,026		9,474		12,088		9,801
Percent voting	15.9%	32.6%		51.3%		44.4%		52.0%		42.0%
<b>Police:</b>										
Physical arrests*	2,460	2,363	1,905	2,069	1,708	1,574	1,803	1,204	1,308	1,698
Traffic violations*	5,334	5,313	4,482	5,367	4,370	5,021	5,376	4,002	4,028	5,212
Police reports*	7,268	7,270	6,246	5,399	4,872	5,264	5,262	5,313	5,302	5,709
Calls for service*	32,586	33,363	32,385	30,647	28,482	30,289	30,218	22,744	29,678	29,443
<b>Fire:</b>										
Fire runs*	123	118	121	118	125	111	113	90	107	104
Emergency medical runs*	2,867	2,910	1,804	1,805	2,513	2,489	2,483	2,657	2,999	3,029
Other*	1,053	995	910	951	1,032	948	1,061	879	1,067	889
<b>Public works:</b>										
Miles of streets resurfaced	0	1.79	1.37	0	0.52	0.15	0	2.73	0.32	3.89
Miles of streets reconstructed	1.00	2.43	1.39	1.32	0.96	0.98	0.84	0	0.17	0.41
<b>Water:</b>										
<b>Accounts:</b>										
City - regular	12,716	12,588	12,349	12,049	12,049	12,049	12,049	12,049	12,049	12,049
Port Huron Township	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350
Fort Gratiot - regular	135	135	135	135	135	135	135	135	135	135
Fort Gratiot - Water District No. F	4,858	4,858	4,858	4,858	4,858	4,858	4,858	4,858	4,858	4,858
Kimball Township	1,993	1,993	1,993	1,993	1,993	1,993	1,993	1,993	1,993	1,993
Clyde Township	743	743	743	743	743	743	743	743	743	743
Average daily pumpage (gallons per day)	5,788,000	5,300,000	5,200,000	5,400,000	5,400,000	5,500,000	5,100,000	5,291,000	5,331,000	5,619,000
<b>Sewer:</b>										
Equivalent connected population (based on flows)	55,556	55,556	55,556	55,556	55,556	55,556	55,556	55,556	55,556	55,556
Average daily sewer treatment (gallons per day)	9,010,000	8,890,000	9,530,000	9,400,000	9,400,000	10,203,333	10,118,333	8,825,000	9,280,000	7,681,700
<b>Building construction:</b>										
<b>Residential:</b>										
New construction permits	4	6	3	6	6	5	4	3	4	9
Estimated value	\$ 1,262,470	\$ 1,090,000	\$ 320,000	\$ 455,000	\$ 342,900	\$ 6,572,625	\$ 670,000	\$ 275,000	\$ 308,687	\$ 1,760,000
Alterations/additions/demo permits	468	460	514	526	475	575	477	736	845	1,369
Estimated value	\$ 3,453,068	\$ 5,142,902	\$ 3,004,653	\$ 3,415,293	\$ 3,562,333	\$ 4,869,304	\$ 3,416,791	\$ 17,304,521	\$ 9,696,822	\$ 6,798,408
<b>Commercial:</b>										
New constructin permits	2	3	7	4	59	8	0	3	2	1
Estimated value	\$ 8,500,000	\$ 10,213,000	\$ 8,976,400	\$ 7,671,698	\$ 5,787,264	\$ 3,288,000	\$ 0	\$ 1,647,000	\$ 905,000	\$ 10,820,000
Alterations/additions/demo permits	67	92	82	82	4	91	52	70	79	201
Estimated value	\$ 6,049,106	\$ 10,307,545	\$ 6,853,182	\$ 9,506,303	\$ 33,085,758	\$ 27,916,719	\$ 4,864,521	\$ 10,851,638	\$ 2,270,298	\$ 29,522,151

\*All information as of December 31st

Source: City of Port Huron

City of Port Huron

**CAPITAL ASSET STATISTICS**  
Last Ten Fiscal Years

Function/Program	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
<b>Fire:</b>										
Stations	3	3	3	3	3	3	3	3	3	3
Fire fighting apparatus	5	5	5	5	5	5	6	6	6	6
Rescue boat	1	1	1	1	1	1	1	1	1	1
Heavy rescue truck	1	1	1	1	1	1	1	1	1	1
Hazmat trailer	1	1	1	1	1	1	1	1	1	1
Special response trailer	1	1	1	1	1	1	2	2	2	2
<b>Marina:</b>										
Seasonal boat wells	66	66	66	66	66	66	66	66	66	66
Transient boat wells	65	65	65	65	65	65	65	65	65	65
<b>Public works:</b>										
<b>Streets (miles):</b>										
Major streets	43.210	43.210	43.000	43.000	43.000	42.840	42.740	42.750	42.750	42.670
Local streets	90.750	90.750	90.750	90.750	90.750	90.480	90.450	90.020	90.190	90.190
Trunkline	10.076	10.076	10.076	10.076	10.076	10.076	10.076	10.076	10.076	10.076
Streetlights	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096	3,096
<b>Parks and recreation:</b>										
Parks/playgrounds (City owned)	20	20	20	20	20	20	20	20	20	20
Tennis courts (City and school owned)	32	32	32	32	32	32	35	35	35	35
Public beaches	2	2	2	2	2	2	2	2	2	2
Public swimming pools	2	2	2	2	2	2	2	2	2	2
Splash Pad	1	1	1	1	1	1	2	2	2	4
Boat ramps	2	2	2	2	2	2	2	2	2	2
ADA Accessible Kayak/Canoe Launch	1	1	1	1	1	1	1	1	1	1
Public scenic turnouts	5	5	5	5	5	5	5	5	5	5
Public waterfront parkways	2	2	2	2	2	2	2	2	2	2
Combined acreage	195.25	195.25	195.25	195.25	195.25	195.25	195.25	195.25	195.25	195.25
Parks/playgrounds (school owned)	10	10	10	10	10	10	10	10	10	10
Acreage	94	94	94	94	94	94	94	94	94	94
Community center	1	1	1	1	1	1	1	1	1	1
<b>Parking:</b>										
Metered lots	3	3	3	3	3	3	3	3	3	
Spaces - metered lots	223	223	223	223	223	223	223	223	223	
Unmetered lots	10	10	10	10	10	10	10	10	10	13
Spaces - unmetered lots	770	770	727	704	704	704	704	704	704	927
Seasonal attended lot - spaces	460	460	460	533	533	533	533	533	533	533
Permit only spaces in metered/unmetered lots	98	118	118	118	118	118	118	118	72	72
Seasonal unattended lots - spaces	72	72	72							
ADA market spaced in City lots	58	58	54	54	54	54	54	54	54	54
Street meters - spaces	209	209	209	203	203	203	202	202	129	
Street meters - government zone	487	487	487	487	487	487	487	487	487	
<b>Water:</b>										
Watermains (miles)	171.0	171.0	171.0	169.4	169.5	169.5	169.4	169.4	168.8	168.8
Average capacity (gallons per day)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Maximum daily capacity (gallons per day)	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Fire hydrants (City maintained)	1,457	1,452	1,452	1,471	1,471	1,476	1,469	1,469	1,475	1,475
Fire hydrants (private)	127	127	127	127	127	130	128	128	130	130
<b>Sewer:</b>										
Miles of sanitary, storm and a combination of sanitary and storm sewers	244.0	244.0	244.0	245.0	245.0	245.0	245.0	245.0	245.0	245.0
Average treatment capacity (gallons per day)	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Maximum treatment capacity (gallons per day)	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000

Source: City of Port Huron



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

**Independent Auditor's Report**

To the Honorable Mayor and Members of the City Council  
 City of Port Huron, Michigan

We have audited the 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 Port Huron, Michigan (the "City") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 15, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 15, 2023.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Plante & Moran, PLLC*

December 15, 2023

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Single Audit Section

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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*

**Independent Auditor's Report**

To Management, the Honorable Mayor, and  
 Members of the City Council  
 City of Port Huron, Michigan

We have audited, 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, the basic 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 Port Huron, Michigan (the "City") as of and for the year ended June 30, 2023 and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2023-001, that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The City's Response to the Finding**

*Government Auditing Standards* require the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.



To Management, the Honorable Mayor, and  
 Members of the City Council  
 City of Port Huron, Michigan

**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 results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

December 15, 2023



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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

**Independent Auditor's Report**

To the Honorable Mayor and Members of the City Council  
 City of Port Huron, Michigan

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited the City of Port Huron, Michigan's (the "City") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2023.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.



To the Honorable Mayor and Members of the City Council  
 City of Port Huron, Michigan

**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as Findings 2023-002 and 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* require the auditor to perform limited procedures on the City's responses to the noncompliance findings identified in our compliance audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

**Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2023

To the Honorable Mayor and Members of the City Council  
City of Port Huron, Michigan

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2023-002 and 2023-003 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* require the auditor to perform limited procedures on the City's responses to the internal control over compliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

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

*Plante & Moran, PLLC*

December 15, 2023

Federal Agency/Pass-through Agency Program Title	ALN Number	Pass-through Entity Project/Grant Number	Award Amount	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development:					
Community Development Block Grants/Entitlement Grants Cluster:					
Program year 2016	14.218	B-16-MC-26-0038	\$ 692,366	\$	\$ 15,174
Program year 2017	14.218	B-17-MC-26-0038	670,655		9,445
Program year 2018	14.218	B-18-MC-26-0038	683,239		98,800
Program year 2019	14.218	B-19-MC-26-0038	713,823		126,436
Program year 2020	14.218	B-20-MC-26-0038	765,886		42,867
Program year 2021	14.218	B-21-MC-26-0038	745,984		419,709
Program year 2022	14.218	B-22-MC-26-0038	1,084,354		54,990
Total CDBG - Entitlement Grants Cluster				-	767,421
U.S. Department of Housing and Urban Development:					
Home Investment Partnership Program:					
Program year 2019	14.239	M-19-MC-260217	267,869	1,364	1,364
Program year 2020	14.239	M-20-MC-260217	261,242	10,449	68,434
Program year 2021	14.239	M-21-MC-260217	259,042		177,246
Program year 2022	14.239	M-22-MC-260217	280,490		11,525
Total Home Investment Partnership Program				11,813	258,269
Total U.S. Department of Housing and Urban Development				11,813	1,025,990
U.S. Department of Homeland Security – Passed through Michigan Department of State Police, Emergency Management Division - Passed through St. Clair County:					
Homeland Security Grant Program - Operation Stonegarden - 2019					
	97.067	EMW-2019-00042-S01	101,907		101,907
Homeland Security Grant Program - Operation Stonegarden - 2020					
	97.067	EMW-2020-SS-00044	20,534		20,534
Homeland Security Grant Program - Operation Stonegarden - 2021					
	97.067	EMW-2021-SS-00011	4,871		4,871
Total Homeland Security Grant Program					127,312
U.S. Department of Homeland Security – Passed through Michigan Department of State Police, Emergency Management Division:					
Disaster Grant - Public Assistance Grant Program					
	97.036	FEMA 4494 DR-MI	132,580		11,222
Total U.S. Department of Homeland Security				-	138,534
U.S. Department of Interior – Passed through Michigan Department of Natural Resources:					
Outdoor Recreation, Acquisition, Development & Planning					
	15.916	RR-TF20-0087-00991	300,000		300,000

(continued on next page)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
Year Ended June 30, 2023

Federal Agency/Pass-through Agency Program Title	ALN Number	Pass-through Entity Project/Grant Number	Award Amount	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Justice – Bureau of Justice Bulletproof Vest Partnership Program	16.607	N/A	\$ 6,508	\$	\$ 6,508
U.S. Department of Justice-Office of Community Oriented Policing Services Public Safety Partnership and Community Policing Grants - Stop School Violence Prevention Program	16.710	15COPS-21-GG-03645-SSIX	37,162		14,815
Total U.S. Department of Justice					21,323
U.S. Department of Transportation – Passed through Management Division, - Passed through St. Clair County State and Community Highway Safety Cluster: State and Community Highway Safety - OWI	20.600	PT-22-14	2,300		2,300
State and Community Highway Safety - OWI	20.600	PT-23-14	4,676		4,676
Total Highway Safety Cluster					6,976
Total U.S. Department of Transportation					6,976
U.S. Department of the Treasury COVID 19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	SLT-4262	17,959,868	1,045,644	7,398,362
Total federal awards				\$ 1,057,457	\$ 8,891,185

The notes to the schedule of expenditures of federal awards is an integral part of this schedule.

**City of Port Huron, Michigan**

**Notes to Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2023**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Port Huron, Michigan (the "City") under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Passed through entity identifying numbers are presented where available.

The City has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

**Note 3 - Disaster Grants Public Assistance Program (ALN 97.036)**

Included in the Schedule for the year ended June 30, 2023 is \$11,222 of expenditures incurred, under the Disaster Grants Public Assistance grant (ALN 97.036), in a previous fiscal year. The project worksheet for these expenditures was approved in the current fiscal year, and these expenditures have been reported in the current fiscal year in accordance with the reporting requirements outlined in the 2023 Compliance Supplement.

## Schedule of Findings and Questioned Costs

### City of Port Huron, Michigan

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   None reported

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   X   None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?   X   Yes        No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
21.027	Coronavirus State and Local Fiscal Recovery Funds	Unmodified
14.218	Community Development Block Grants/Entitlement Grants	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?        Yes   X   No



Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section II - Financial Statement Audit Findings

Reference Number	Finding
2023-001	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Management should have a process in place to review underlying support for GASB 68 pension expense and related deferrals and inclusion of other post-employment benefit (OPEB) pay-go costs in the trust fund in accordance with GASB 74 to ensure activity and related entries are recorded in the correct period and amount based on the period and nature of the transaction.</p> <p><b>Condition</b> - Adjusting journal entries were identified by the auditors and posted by the City in order to prepare the City's financial statements in accordance with U.S. generally accepted accounting principles. The entries were related to employer contributions, deferred outflows, and pension expense.</p> <p><b>Context</b> - The City has a year-end closing process that includes review of pension and OPEB balances. However, two audit adjustments were identified. One related to a material adjustment to recognize the OPEB annual required contribution, as calculated by the City's contracted actuary. This adjustment totaled approximately \$3,021,000. Another related to the adjustment needed to ensure the City's deferred outflows and pension expense, as it relates to GASB 68, was recorded properly. This adjustment totaled approximately \$693,000. These entries are typically only made during the month-end or year-end closing process.</p> <p><b>Cause</b> - The City did not identify the above-described journal entry prior to the start of the audit.</p> <p><b>Effect</b> - As a result of audit inquiry and testing, adjustments were made by the City.</p> <p><b>Recommendation</b> - The City should continue to work with all departments to ensure everyone is following the processes and procedures that the finance department adheres to in order to ensure that all appropriate journal entries are made for these types of entries and independently reviewed prior to the start of the audit.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City will continue to work with all departments to ensure everyone is following the processes and procedures that the finance department adheres to in order to ensure that all appropriate journal entries are made for these types of entries and the journal entries will be independently reviewed prior to the start of the audit.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
2023-002	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN 21.027, Department of the Treasury, Coronavirus State and Local Fiscal Recovery Fund</p> <p><b>Federal Award Identification Number and Year</b> - SLFRP2024-2001</p> <p><b>Pass-through Entity</b> - Not applicable</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - Yes</p> <p>2022-002</p> <p><b>Criteria</b> - The City should ensure there is a process in place, prior to entering contracts with subrecipients, to verify that such subrecipients are not suspended, debarred, or otherwise excluded pursuant to 2 CFR Section 180.300.</p> <p><b>Condition</b> - We noted during testing that the City had unintentionally omitted a subrecipient from its search to ensure that the subrecipient was not suspended, debarred, or otherwise excluded pursuant to 2 CFR Section 180.300.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - Not applicable</p> <p><b>Context</b> - From July 1, 2022 through June 30, 2023, any subrecipient with which the City entered into a contract using federal award funds should have been verified as not being suspended, debarred, or otherwise excluded pursuant to 2 CFR Sections 200.212, 200.318(h), and 180.300 and 48 CFR Section 52.209-6. We selected three subrecipients for testing, and one lacked any verification. However, based on our testing, we noted that the one subrecipient was not suspended, debarred, or otherwise excluded pursuant to 2 CFR Section 180.300, thereby creating no questioned costs.</p> <p><b>Cause and Effect</b> - The City is required to verify that any subrecipient with which it plans to enter into a contract using federal award funds is not suspended, debarred, or otherwise excluded pursuant to 2 CFR Section 180.300. The City did not complete this requirement due to timing of final approval of the subrecipient pass-through funds.</p> <p><b>Recommendation</b> - We recommend that an additional internal control be put in place to ensure the dual verification of subrecipients occurs.</p> <p><b>Views of Responsible Officials and Corrective Action Plan</b> - Procedures have already been put into place to ensure that each new contractor is not on the federal list of suspended and/or debarred contractors. Furthermore, all vendors previously paid have been searched for in the federal list, and none were suspended and/or debarred.</p>	None



City of Port Huron, Michigan

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding	Questioned Costs
2023-003	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN 21.027, Department of the Treasury, Coronavirus State and Local Fiscal Recovery Fund</p> <p><b>Federal Award Identification Number and Year</b> - SLFRP2024-2001</p> <p><b>Pass-through Entity</b> - Not applicable</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - The City should ensure there is a process in place, prior to the procurement of goods and services, to verify that the City has followed its internal procurement policy pursuant to 2 CFR 200.319 and 200.320.</p> <p><b>Condition</b> - We identified 4 expenditures, during testing, that the City did not verify were in accordance with its internal procurement policy, pursuant to 2 CFR 200.319 and 200.320 prior to entering into contracts with award funds.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - Not applicable</p> <p><b>Context</b> - From July 1, 2022 through June 30, 2023, any good or service purchased by the City is subject to the City's internal procurement policy, pursuant to 2 CFR 200.319 and 200.320. We selected 22 expenditures for testing, and 4 lacked evidence of the City following its internal procurement policy. However, based on our testing, we noted that all 4 expenditures were allowable under the terms of the grant, thereby creating no questioned costs.</p> <p><b>Cause and Effect</b> - The City is required to verify that there is a process in place to ensure all eligible expenditures adhere to its internal procurement policy, pursuant to 2 CFR 200.319 and 200.320. The City did not complete this requirement due to override of preexisting controls implemented by the City.</p> <p><b>Recommendation</b> - We recommend that an additional internal control be put in place to ensure that all eligible expenditures adhere to the City's internal procurement policy.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Procedures have already been put into place to ensure that each purchase adheres to the internal purchasing policies. City management and staff will continue to improve communication with and between departments to ensure all staff understand the purchasing policy.</p>	None

City of Port Huron, Michigan

June 30, 2023

Summary Schedule of Prior Audit Findings

Prior Year Finding Number:

2022-001

Fiscal Year in Which the Finding Initially Occurred:

2022

Federal Program, Assistance Listing Number and Name:

N/A

Original Finding Description:

Adjusting journal entries were proposed by the auditors and posted by the City in order to prepare the City's financial statements in accordance with U.S generally accepted accounting principles. The entries were related to revenue, as well as accounts payable and the related expenditures and assets.

Status/Partial Corrective Action (as applicable):

Fully corrected

Planned Corrective Action:

N/A if the finding has been fully completed

Prior Year Finding Number:

2022-002

Fiscal Year in Which the Finding Initially Occurred:

2022

Federal Program, Assistance Listing Number and Name:

ALN 21.027, Coronavirus State and Local Fiscal Recovery Fund, SLFRP2024-2001

Original Finding Description:

We noted during testing that the City had no procedure in place to verify contractors are not suspended, debarred, or otherwise excluded pursuant to 2 CFR Section 180.300 prior to entering into contracts with award funds.

Status/Partial Corrective Action (as applicable):

Partially corrected



**Planned Corrective Action:**

Procedures have already been put into place to ensure that each new contractor is not on the Federal list of suspended and/or debarred contractors. Furthermore, all vendors previously paid have been searched for in the Federal list and none were suspended and/or debarred.

**City of Port Huron, Michigan**

**June 30, 2023**

**Corrective Action Plan**

**Finding Number:** 2023-001

**Condition:** Adjusting journal entries were identified by the auditors and posted by the City in order to prepare the City's financial statements in accordance with U.S generally accepted accounting principles. The entries were related to property and equipment, employer contributions, deferred outflows, and pension expense.

**Planned Corrective Action:** The City will continue to work with all departments to ensure everyone is following the processes and procedures that the Finance Department adheres to in order to ensure that all appropriate journal entries are made for these types of entries and the journal entries will be independently reviewed prior to the start of the audit.

**Contact person responsible for corrective action:** Lee Ward, Director of Finance

**Anticipated Completion Date:** 12/15/2023

**Finding Number:** 2023-002

**Condition:** We noted during testing that the City had omitted a subrecipient from its search to ensure that the subrecipient was not suspended, debarred, or otherwise excluded pursuant to 2 CFR section 180.300.

**Planned Corrective Action:** Procedures have already been put into place to ensure that each new contractor is not on the Federal list of suspended and/or debarred contractors. Furthermore, all vendors previously paid have been searched for in the Federal list and none were suspended and/or debarred.

**Contact person responsible for corrective action:** Lee Ward, Director of Finance

**Anticipated Completion Date:** 12/15/2023

**Finding Number:** 2023-003

**Condition:** We identified 4 expenditures, during testing, that the City did not verify were in accordance with their internal procurement policy, pursuant to 2 CFR 200.319 and 200.320 prior to entering into contracts with award funds.



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Planned Corrective Action: Procedures have already been put into place to ensure that each purchase adheres to the internal purchasing policies. City of Port Huron management and staff will continue to improve communication with and between departments to ensure all staff understands the purchasing policy.

Contact person responsible for corrective action: Lee Ward, Director of Finance

Anticipated Completion Date: 12/15/2023

December 15, 2023

To the Honorable Mayor and Members
of the City Council
City of Port Huron, Michigan

We have audited the financial statements of the City of Port Huron, Michigan (the "City") as of and for the year ended June 30, 2023 and have issued our report thereon dated December 15, 2023. Professional standards require that we provide you with the following information related to our audit.

The following section includes information that we are required to communicate to those individuals charged with governance of the City and communicates significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process.

We would like to take this opportunity to thank the City's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

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

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

[Handwritten signature of Lisa C. Plonka]

Lisa C. Plonka

[Handwritten signature of David W. Herrington]

David W. Herrington

## Required Communications with Those Charged with Governance

### Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 27, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We have noted the following potential instance of noncompliance with laws and regulations during the course of our audit: the beneficial interest held by the Community Foundation of St. Clair County may have funds held within investments where Public Act 20 applies. We strongly suggest the City investigate this further to determine whether these investments fall under Public Act 20 and, if those investments are allowable, to ensure the City stays in compliance.

Our audit of the City's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the City, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated December 15, 2023 regarding our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 2, 2023.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements.

As described in Note 16, the City changed accounting principles related to the funds donated to the Community Foundation of St. Clair County.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

## Required Communications with Those Charged with Governance (Continued)

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 financial statements were management's estimate of the net other postemployment benefit liability, the net pension liability, claims incurred but not reported, and alternative investment valuations.

Management's estimate of the net other postemployment benefit liability is based on an actuarial report prepared using data provided by the City and the statement of fiduciary net position for the City. We evaluated the key factors and assumptions used to develop the net other postemployment benefit liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability is based on an actuarial report prepared using data provided by the City and the statement of fiduciary net position for the City. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liability for claims incurred but not reported for general liability and workers' compensation as of June 30, 2023 is based on a mathematical analysis of claim development over the past 10 years adjusted for any known circumstances that would significantly impact that calculation. Management's estimate of the liability for claims incurred but not reported for health claims is based on two months of claims, which is the estimated lag time in processing claims based on actual claims incurred during the year. We evaluated the key factors and assumptions used to develop the liability to determine that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of alternative investment valuations are based on information provided by investment managers, general partners, real estate advisors, and other means. We evaluated these valuations based on capital account statements and audited financial statements and determined that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

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

### *Disagreements with Management*

For the purpose 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.

### *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.

**Required Communications with Those Charged with Governance  
(Continued)**

***Significant Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated December 15, 2023.

***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 City'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 the relevant facts.

As part of a change in accounting principle, the City elected to record the investments held within the Community Foundation of St. Clair County that were donated by the City. As part of that process, the City consulted with another auditing firm for treatment of similar transactions.

**Other Information Included in Annual Reports**

Our responsibility for other information included in annual reports does not extend beyond the financial statements, and we do not express an opinion or any form of assurance on the other information. However, we read the information included in the introductory and statistical sections, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially misstated or materially inconsistent with the information or manner of its presentation appearing in the financial statements.

**SELECTED SEWAGE DISPOSAL SYSTEM FUND FINANCIAL INFORMATION**

This Appendix contains excerpts from the City's annual financial reports for the fiscal years ended June 30, 2021, 2022 and 2023. The information contained in this Appendix does not include all of the financial information and disclosures required for a fair presentation of the City's financial position or the City's financial position in conformity with generally accepted accounting principles. The complete audited reports of the City for the same fiscal years are available at [www.porthuron.org](http://www.porthuron.org) found under Open Government.

**City of Port Huron Wastewater System  
Wastewater Fund  
Statement of Net Position  
Fiscal Years Ended June 30, 2021, 2022 and 2023**

	June 30		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents .....	\$ 2,269,512	\$ 5,170,674	\$ 8,542,597
Cash and Cash Equivalents - restricted .....	9,084,519	5,191,967	1,913,911
Account Receivable (Net of Allowance for Uncollectible).....	2,135,883	2,319,828	2,207,972
Due From Other Funds.....	-	94,074	-
Prepaid Items and Other Assets.....	-	-	1,000
Inventories.....	114,291	112,411	133,720
Total Current Assets .....	<u>13,604,205</u>	<u>12,888,954</u>	<u>12,799,200</u>
Noncurrent Assets:			
Capital assets not being depreciated .....	737,637	836,941	1,378,730
Capital assets, net of accumulated depreciation .....	<u>99,363,640</u>	<u>98,542,701</u>	<u>96,221,265</u>
Total Noncurrent Assets.....	<u>100,101,277</u>	<u>99,379,642</u>	<u>97,599,995</u>
Total Assets.....	<u>113,705,482</u>	<u>112,268,596</u>	<u>110,399,195</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows of resources related to pensions .....	905,436	1,017,446	1,754,942
Deferred outflows of resources related to OPEB .....	<u>90,310</u>	<u>159,699</u>	<u>108,393</u>
Total Deferred Outflows of Resources.....	<u>995,746</u>	<u>1,177,145</u>	<u>1,863,335</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts payable .....	187,888	134,934	78,950
Other accrued liabilities .....	1,341,208	1,040,079	625,577
Accrued interest payable .....	192,054	246,997	203,720
Current portion of long-term debt .....	<u>4,877,901</u>	<u>5,174,077</u>	<u>2,773,666</u>
Total Current Liabilities .....	<u>6,599,051</u>	<u>6,596,087</u>	<u>33,681,913</u>
Noncurrent Liabilities:			
Noncurrent portion of long-term debt .....	34,701,363	29,750,722	26,977,056
Net pension liability .....	1,679,958	1,255,374	5,103,512
Net other post-employment benefits liability .....	<u>5,276,747</u>	<u>1,510,334</u>	<u>953,328</u>
Total Noncurrent Liabilities .....	<u>41,658,068</u>	<u>32,516,430</u>	<u>33,033,896</u>
Total Liabilities .....	<u>48,257,119</u>	<u>39,112,517</u>	<u>36,715,809</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions.....	1,698,886	2,137,954	15,024
Deferred outflows of resources related to OPEB .....	<u>511,394</u>	<u>400,807</u>	<u>42,567</u>
Total Deferred inflows of Resources.....	<u>2,209,980</u>	<u>2,538,761</u>	<u>57,591</u>
Net Investment in capital assets .....	69,606,532	69,646,810	69,763,184
Unrestricted .....	<u>(5,372,403)</u>	<u>2,147,653</u>	<u>5,725,946</u>
Total Net Position	<u>\$ 64,234,129</u>	<u>\$ 71,794,463</u>	<u>\$ 75,489,130</u>



**City of Port Huron Wastewater System  
Wastewater Fund  
Statement of Revenue, Expenses and Changes in Fund Net Assets  
Fiscal Years Ended June 30, 2021, 2022 and 2023**

	June 30		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Operating Revenue</b>			
Charges for Services.....	\$ 16,877,605	\$ 17,517,561	\$ 18,050,471
<b>Operating Expenses</b>			
Personal Services.....	3,834,228	(399,214)	3,848,213
Supplies and Materials.....	736,814	761,974	896,967
Contractual Services.....	3,622,079	3,672,541	3,330,023
Depreciation .....	4,911,089	5,133,253	5,308,610
Total Operating Expenses .....	<u>13,104,210</u>	<u>9,168,554</u>	<u>13,383,813</u>
<b>Operating Income</b> .....	3,773,395	8,349,007	4,666,658
<b>Non-Operating Revenue (Expenses)</b>			
Intergovernmental .....	-	9,246	-
Interest revenue.....	1,835	-	147,325
Gain (Loss) on capital assets .....	-	-	(633,149)
Interest expense .....	(932,139)	(1,013,462)	(539,903)
Total Non-Operating Revenue (Expenses)...	<u>(930,304)</u>	<u>(1,004,216)</u>	<u>(1,025,727)</u>
Net Income before capital contribution	2,843,091	7,344,791	3,640,931
<b>Capital Contribution</b> .....	<u>550,116</u>	<u>215,543</u>	<u>53,736</u>
<b>Change in Net Position</b> .....	3,393,207	7,560,334	3,694,667
Net position, beginning of year .....	60,840,922	64,234,129	71,794,463
Net position, end of year.....	<u>\$ 64,234,129</u>	<u>\$ 71,794,463</u>	<u>\$ 75,489,130</u>

**THE RESOLUTION**

**CITY OF PORT HURON  
(St. Clair County, Michigan)**

**Resolution No. \_\_\_\_\_**

**RESOLUTION TO AUTHORIZE ISSUANCE  
OF SEWAGE DISPOSAL SYSTEM REVENUE BONDS**

Minutes of a regular meeting of the City Council of the City of Port Huron, St. Clair County, Michigan, held at the City Hall on \_\_\_\_\_, 2024, at \_\_\_\_ p.m., local time.

PRESENT: \_\_\_\_\_

\_\_\_\_\_

ABSENT: \_\_\_\_\_

The following Resolution was offered by Member \_\_\_\_\_ and supported by Member \_\_\_\_\_:

WHEREAS, pursuant to Act 94, Public Acts of Michigan, 1933, as amended (the "Act") the City Council of the City of Port Huron (the "City") has determined to make improvements to the City's Sewage Disposal System; and

WHEREAS, the improvements will enable the City to provide more efficient and better quality public services to the users of the Sewage Disposal System; and

WHEREAS, the improvements shall be financed in part by the issuance of revenue bonds in accordance with the Act.

NOW, THEREFORE, BE IT RESOLVED as follows:

Section 1. DEFINITIONS. Whenever used in this Resolution except when otherwise indicated by context, the following definitions shall apply:

- (a) "Act" means Act 94, Public Acts of Michigan, 1933, as amended.
- (b) "Additional First Lien Bonds" means any additional First Lien Bonds issued in the future.
- (c) "Additional Junior Lien Bonds" means any Junior Lien Bonds issued in the future.
- (d) "Adjusted Net Revenues" means for any operating year the Net Revenues to which may be made the following adjustments:
  - (i) Revenues may be augmented by the amount of any rate increase adopted prior to the issuance of additional Bonds or to be placed into effect before the time

principal or interest on the additional Bonds becomes payable from Revenues as applied to quantities of service furnished during the operating year or portion thereof that the increased rates were not in effect.

(ii) Revenues may be augmented by amounts that may be derived from rates and charges to be paid by new customers of the System.

(e) "Authorized Officer," means the Mayor, City Manager, the Clerk, and the Director of Finance of the City, or any one or more of them acting alone or together.

(f) "Bondholder" or "Bondholders" means the holder or holders of the Bonds.

(g) "Bond Reserve Account" means the subaccount established within the Redemption Account pursuant to Section 16(b)(ii)(B).

(h) "Bonds" means the Series 2024 Bonds, any Additional Junior Lien Bonds, and any Additional First Lien Bonds authorized pursuant to this Resolution or any resolution supplemental to this Resolution.

(i) "City" means the City of Port Huron, St. Clair County, Michigan.

(j) "Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(k) "Construction Fund" shall mean the 2024 Sewage Disposal Construction Fund created pursuant to Section 16(a).

(l) "Council" means the City Council of the City, the legislative and governing body thereof.

(m) "First Lien Bonds" shall mean any bonds or other obligations that may be issued or incurred by the City payable from the Revenues of the System that are secured by a lien that is a first lien on the Net Revenues of the System, senior in standing and priority of lien with respect to the Net Revenues to the claim of any Junior Lien Bonds and shall include the Series 2024 Bonds.

(n) "First Lien Redemption Account" means the First Lien Bond and Interest Redemption Account created as a subaccount of the Redemption Account pursuant to Section 16(b)(ii)(A).

(o) "G. O. Fund" means the General Obligation Debt Fund created pursuant to Section 16(b)(iii).

(p) "Government Obligations" means any bonds or other obligations not callable at the option of the Issuer thereof, which as to principal and interest constitute direct obligations of the United States of America, or obligations the principal of and interest on which is fully guaranteed by the United States of America, including U.S. Treasury Trust Receipts, or any other obligations permitted under the terms of an escrow agreement.

(q) "Improvements" means the design, acquisition, and construction of improvements to the System, including without limitation, the design, acquisition, construction, and installation of a new raw sewage pump, new collection and conveyance equipment in the primary clarifier and secondary clarifier tanks, lighting improvements in the primary, secondary, and thickener buildings, a new splitter box, piping and electrical improvements in the thickener building, replacement of the secondary building roof, replacement of the make up air units in the grit bay, grit channel room, primary building, and thickener building, repairs to the existing screw pumps, installation of access points to the screw pump room and solids handling transfer pump galley, cleanout of the retention basin and piping repairs, an odor control system evaluation, existing odor control and air handling system repairs, and a new odor control system, at the wastewater treatment plant (WWTP) and rehabilitation of the 10<sup>th</sup> Street, Holland Avenue, Indian Creek, and Thomas Street sanitary pump stations, as well as all work, equipment, and appurtenances necessary or incidental to these improvements and such other System improvements as the City shall determine to make.

(r) "Junior Lien Bonds" shall mean any bonds or other obligations that may be issued or incurred by the City in the future payable from the Revenues of the System that are secured by a lien on the Net Revenues of the System that is subordinate to a first lien on the Net Revenues of the System created for the benefit of any First Lien Bonds.

(s) "Junior Lien Redemption Account" shall mean the Junior Lien Bond and Interest Redemption Account created as a subaccount of the Redemption Account pursuant to Section 16(b)(ii)(C).

(t) "Net Revenues" shall have the same meaning as defined in Section 3 of the Act.

(u) "Operation and Maintenance Fund" means the Operation and Maintenance Fund created pursuant to Section 16(b)(i).

(v) "Paying Agent" shall mean a paying agent appointed pursuant to Section 8, which may also act as transfer agent and bond registrar.

(w) "Receiving Fund" shall mean the Sewage Disposal System Receiving Fund created pursuant to Section 16(b).

(x) "Redemption Account" shall mean the Bond and Interest Redemption Account created pursuant to Section 16(b)(ii).

(y) "Resolution" means this Resolution and all amendments hereto.

(z) "Revenues" shall have the same meaning as defined in Section 3 of the Act and shall include all earnings on investment of funds of the System and all other revenues derived from or pledged to the operation of the System.

(aa) "Series 2024 Bonds" means the City's Sewage Disposal System Revenue Bonds, Series 2024 to be issued pursuant to this Resolution in one or more series.

(bb) "System" means the City's complete Sewage Disposal system, both inside and outside the City, including all collection and treatment facilities for Sewage Disposal and all appurtenances thereto now owned by the City and those acquired pursuant to this Resolution and all extensions and improvements thereto hereafter made.

(cc) "United States" means the United States of America.

Section 2. NECESSITY, PUBLIC PURPOSE. It is hereby determined to be necessary for the public health, safety, and welfare of the City to acquire and construct the Improvements to the System in accordance with the maps, plans, and specifications therefor prepared by the City's consulting engineers, which are hereby approved.

Section 3. ESTIMATED COST; PERIOD OF USEFULNESS. The cost of the Improvements is currently estimated by the engineers to be \$7,685,000, including the payment of legal, engineering, financial and other expenses, which estimate of cost is approved and confirmed, and the period of usefulness of the Improvements is estimated to be greater than thirty (30) years.

Section 4. ISSUANCE OF BONDS. To pay a portion of the cost of designing, acquiring and constructing the Improvements, to fund a deposit to the Bond Reserve Account, and to pay the legal and financial expenses and all other expenses incidental to the issuance of the Series 2024 Bonds, the City shall borrow the sum of not to exceed \$7,685,000 and issue its revenue bonds pursuant to the provisions of the Act in one or more series in the aggregate principal sum of not to exceed \$7,685,000, as finally determined by the Authorized Officer at the time of sale.

Section 5. SERIES 2024 BOND TERMS. The Series 2024 Bonds shall be issued in one or more series with each series issued in fully registered form as to both principal and interest, in denominations of \$5,000 each or any whole multiple of that amount. The Series 2024 Bonds shall be dated the date of delivery, or such other date approved by the Authorized Officer, and shall mature serially or as term bonds subject to mandatory redemption on such dates and in such amounts as determined by the Authorized Officer at the time of sale. The Series 2024 Bonds shall bear interest at a rate or rates and shall be payable semiannually on dates all as determined by the Authorized Officer. The Authorized Officer may determine or alter the Bond terms within the parameters of this resolution as hereafter provided.

Section 6. PAYMENT OF BONDS; PLEDGE OF NET REVENUES. Principal of and interest on the Bonds shall be payable in lawful money of the United States to the person appearing on the Bond registration books as the registered owner thereof. Payment of principal on the Bonds shall be made at the principal office of the Paying Agent, and payment of interest on the Bonds shall be paid to the registered owner at the address as it appears on the registration books.

The principal of and interest on the Bonds shall be payable from the Net Revenues derived from the operation of the System, including future improvements, enlargements and extensions thereof, after provision has been made for the payment of expenses of administration, operation and maintenance thereof. The Net Revenues of the System, including future enlargements, improvements, and extensions thereto, are hereby pledged to the payment of the principal of and interest on the Bonds. To secure the payment of the principal of and interest on the Bonds a statutory lien is created pursuant to the Act to and in favor of the Bondholders of the Bonds upon the Net Revenues of the System, including future enlargements, improvements, and extensions thereof. The statutory lien on the Net Revenues securing all First Lien Bonds, including the Series 2024 Bonds, shall be a first lien as provided in the Act and shall at all times and in all respects be and remain superior to the lien on the Net Revenues securing any Junior Lien Bonds. The Net Revenues so pledged shall be and remain subject to such lien until the payment in full of the principal of and interest on the Bonds or until Bonds are defeased as provided in Section 23.

The Series 2024 Bonds, including both principal and interest thereon, shall not be a general obligation of the City and shall not constitute an indebtedness of the City for the purpose of any debt limitations imposed by any applicable charter, constitutional or statutory provisions.

Section 7. PRIOR REDEMPTION. The Series 2024 Bonds shall be subject to mandatory and optional redemption prior to maturity as determined by the Authorized Officer at the time of sale.

Section 8. PAYING AGENT AND REGISTRATION.

(a) Appointment of Paying Agent. From time to time the Authorized Officer shall designate and appoint a Paying Agent. The initial Paying Agent for the Series 2024 Bonds shall be determined by the Authorized Officer. The Authorized Officer shall also have the authority to remove the Paying Agent and to appoint successor Paying Agents. In the event of a change in the Paying Agent, notice shall be given in writing, by certified mail, to each Registered Owner not less than sixty (60) days prior to the next interest payment date. The Paying Agent shall keep the official books for the recordation of the Registered Owners of the Bonds.

(b) Book-Entry Eligible. At the option of the initial purchaser, the Series 2024 Bonds may be issued initially in book-entry-only form as one fully registered bond per maturity and will be registered in the name of Cede & Co., as bondholder and nominee for the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2024 Bonds, purchase of the Series 2024 Bonds will be made in book-entry-only form, in the denomination of \$5,000 or any integral multiple thereof, and purchasers will not receive certificates representing their interest in Series 2024 Bonds purchased. Payment of principal and interest will be made by the Paying Agent to DTC. While the Series 2024 Bonds are held in book-entry-only form, the Series 2024 Bonds shall be transferred in accordance with the procedures established by DTC. So long as the Series 2024 Bonds are registered to DTC or another bond depository, the Paying Agent or bond registrar shall have no responsibility with respect to such transfers. The Authorized Officer shall have the authority from time to time to appoint a successor depository trustee to serve in the place of DTC. While the Series 2024 Bonds are issued in book-entry-only form the Paying Agent shall serve as paying agent only.

(c) Registration of Bonds Outside of Book-Entry. If book-entry-only form is not chosen or is discontinued, the following provisions would apply to the Bonds. Registration of the Bonds shall be recorded in the registration books of the City to be kept by a Paying Agent. Bonds may be transferred only by submitting the same, together with a satisfactory instrument of transfer signed by the Registered Owner or the Registered Owner's legal representative duly authorized in writing, to the Paying Agent, after which a new Bond or Bonds shall be issued by

the Paying Agent to the transferee (new registered owner) in any denomination, in the same aggregate principal amount as the Bond submitted for transfer. No transfer of Bonds shall be valid unless and until recorded on the bond registration books in accordance with the foregoing. The person in whose name any Bond is registered may for all purposes, notwithstanding any notice to the contrary, be deemed and treated by the City and the Paying Agent as the absolute owner thereof, and any payment of the principal of and interest on any Bond to the Registered Owner thereof shall constitute a valid discharge of the City's liability upon such Bond to the extent of such payment. No Bond shall be transferred less than fifteen (15) days prior to an interest payment date nor after the Bond has been called for redemption. So long as the Bonds are registered to DTC or another bond depository, the Paying Agent, acting as bond registrar, shall have no responsibility with respect to such transfers.

Section 9. BOND FORM. The Series 2024 Bonds shall be substantially in the form attached hereto as Exhibit A, and incorporated herein, with such completions, changes and additions as may be recommended by the City's Bond counsel and approved by the officers of the City signing the Series 2024 Bonds.

Section 10. EXECUTION OF BONDS. The Mayor or the Mayor Pro Tem and the Clerk or the Deputy Clerk of the City are hereby authorized and directed to sign the Series 2024 Bonds, either manually or by facsimile signature, on behalf of the City. Upon execution, the Series 2024 Bonds shall be delivered to the purchaser thereof.

Section 11. SALE OF BONDS. The Series 2024 Bonds shall be sold at a competitive sale. The Authorized Officer shall set the date and time for sale of the Series 2024 Bonds, which date shall be at least seven (7) days after the publication of the official notice of sale. The Authorized Officer shall cause notice of the sale of the Series 2024 Bonds to be published in The Bond Buyer, which notice shall be in such form as is approved by the Authorized Officer. Following the receipt of such bids, the Authorized Officer is authorized to award the Series 2024 Bonds to the successful bidder therefor or reject all bids and negotiate the sale of the Series 2024 Bonds with a selected purchaser and to enter into a bond purchase agreement with such purchaser, in which case the Council determines a negotiated sale would be in the best interests of the City in order to provide for an efficient and timely issuance of the Series 2024 Bonds.

Section 12. AUTHORIZED OFFICER. The Authorized Officer is hereby designated, for and on behalf of the City, to do all acts and to take all necessary steps required to effectuate the sale,

issuance, and delivery of the Series 2024 Bonds. Notwithstanding any other provision of this Resolution, the Authorized Officer is authorized within the limitations set forth below to determine the title of the Series 2024 Bonds, the interest rate or rates, maximum interest rate, amount of discount or premium, amount of maturities, principal amount, amount of good faith deposit, if any, denominations, dates of issuance, dates of maturities, interest payment dates, optional and mandatory redemption rights, and term bond options. The authority granted to the Authorized Officer by this Section, is subject to the following limitations:

- (a) The par amount of the Series 2024 Bonds shall not exceed \$7,685,000.
- (b) The true interest cost on the Series 2024 Bonds shall not exceed 6.00%.
- (c) The final maturity date of the Series 2024 Bonds shall not be later than twenty-six years from the date of issuance of the Series 2024 Bonds.
- (d) The Series 2024 Bonds shall not be sold at a price of less than 98% of the par value of the Series 2024 Bonds.

The Authorized Officer is hereby authorized for and on behalf of the City, without further Council approval, to: (a) approve the circulation of a preliminary and a final Official Statement describing the Series 2024 Bonds, if considered necessary; (b) to award the bid for the sale of the Series 2024 Bonds or enter into a bond purchase agreement; (c) purchase municipal bond insurance, if considered necessary, as additional security for the bondholders; (d) apply to rating agencies for a rating on the Series 2024 Bonds, if considered necessary; (e) to make any elections or designations under the Code, and (f) do all other acts and take all other necessary procedures required to effectuate the sale, issuance and delivery of the Series 2024 Bonds.

Approval by the City of the matters delegated in this section or any other sections may be evidenced by execution or approval of such documents by the Authorized Officer. The Authorized Officer, together with the Treasurer, or any one or more of them, are authorized to execute any documents or certificates necessary to complete the transaction, including, but not limited to, any applications including applications to the Michigan Department of Treasury (including an Application for State Treasurer's Approval to Issue Long-Term Securities, applications for waivers, and the submission of any supporting or related documents), any certificates, receipts, orders, agreements, instruments, security reports, a blanket letter of representations, and any certificates relating to federal or state securities laws, rules or regulations, and to pay any fees required by the State of Michigan. The Authorized Officer shall have the

power to approve such policies as deemed necessary to comply with federal securities and tax laws, which shall be binding on the City.

Section 13. RIGHTS OF BONDHOLDERS. The Bondholders representing in the aggregate not less than twenty percent (20%) of the entire amount of Bonds then outstanding may protect and enforce the statutory lien, either at law or in equity, by suit, action, mandamus, or other proceedings, and enforce and compel the performance of all duties of the officials of the City, including the fixing of sufficient rates, the collection of revenues, the proper segregation of revenues and the proper application thereof; provided, however, that such statutory lien shall not be construed to give any Registered Owner of any Bond authority to compel the sale of the System, the revenues of which are pledged thereto.

If there is any default in the payment of the principal of or interest on any of the Bonds, any court having jurisdiction in any proper action may appoint a receiver to administer and operate the System on behalf of the City and under the direction of such court, and by and with the approval of such court, to fix and charge rates and collect revenues sufficient to provide for the payment of any Bonds or other obligations outstanding against the revenues of the System and for the payment of the expenses of operating and maintaining the System and to apply the income and revenues of the System in conformity with the Act and this Resolution.

The owners or Bondholders, from time to time, of the Bonds, shall have all the rights and remedies given by law, and particularly by the Act, for the collection and enforcement of the Bonds and the security therefor.

Section 14. MANAGEMENT OF SYSTEM. Except as provided in this Resolution, the construction, alteration, repair and management of the System shall be under the supervision and control of the Council. The City may employ such persons in such capacities as it deems advisable to carry on the efficient management and operation of the System. The Council may make such rules, orders and regulations as it deems advisable and necessary to assure the efficient management and operation of the System.

Section 15. SUPERVISED BANK ACCOUNTS. The Finance Director and/or Treasurer shall be custodian of all funds belonging to and/or associated with the System and such funds shall be deposited in a bank or banks, , savings and loan associations, or credit unions, each of which has unimpaired capital and surplus of at least \$2,000,000, or which are each a member of the Federal

Deposit Insurance Corporation the Federal Savings and Loan insurance Corporation, or the National Credit Union Share Insurance Fund or successor agencies.

Section 16. FUNDS AND ACCOUNTS. The Finance Director and/or Treasurer is hereby directed to create and maintain the following funds, which shall be designated as follows, into which the Bond proceeds and the revenues and income from the System shall be deposited, which funds and accounts shall be established and maintained, except as otherwise provided, so long as any of the Bonds hereby authorized remain unpaid.

(a) Construction Fund. Such amount of the proceeds of the Series 2024 Bonds as determined by the Authorized Officer shall be deposited in the Construction Fund. Such moneys shall be used solely for the purpose for which the Series 2024 Bonds were issued. Any unexpended balance in the Construction Fund remaining after completion of the Improvements may be used for such purposes as allowed by law. After completion of the Improvements and disposition of remaining Series 2024 Bond proceeds, if any, pursuant to the provisions of this Section, the Construction Fund shall be closed.

(b) Receiving Fund. The gross income and revenue of the System shall be set aside into the Receiving Fund. The moneys so deposited are pledged for the purpose of the following funds and accounts and shall be expended and used only in the manner and order as follows:

(i) Operation and Maintenance Fund. The City shall create and maintain the Operation and Maintenance Fund. Prior to the beginning of each fiscal year, the Council shall prepare an annual budget of the System for the ensuing fiscal year. Out of the revenues in the Receiving Fund, there shall be set aside, quarterly and deposited into the Operation and Maintenance Fund a sum sufficient to pay the reasonable and necessary current expenses of administering, operating and maintaining the System for the ensuing three months.

(ii) Redemption Account. The City shall create and maintain the Redemption Account.

(A) First Lien Redemption Account. The First Lien Redemption Account shall be established as a subaccount within the Redemption Account to be used solely for the purpose of paying the principal of and interest on First Lien Bonds. After the transfers required above, there shall first be transferred quarterly from the Receiving Fund, and deposited in the First Lien Redemption Account, for payment of principal of and interest on the First Lien Bonds, a sum

equal to at least one-half (1/2) of the amount of interest due on First Lien Bonds on the next ensuing interest payment dates plus not less than one-fourth (1/4) of the principal maturing on First Lien Bonds on the next ensuing principal payment dates in each year. The moneys in the First Lien Redemption Account shall be accounted for separately.

(B) Bond Reserve Account. The Bond Reserve Account shall also be established as a subaccount of the Redemption Account for the benefit of the First Lien Bonds. The City shall deposit into the Bond Reserve Account at the time of delivery of the Series 2024 Bonds from cash on hand and/or proceeds of the Series 2024 Bonds, a sum equal to the lesser of (a) the maximum annual principal and interest requirements on the First Lien Bonds outstanding but not including any First Lien Bonds that have been defeased (the "Outstanding First Lien Bonds"); (b) 125% of the average annual debt service on the Outstanding First Lien Bonds; or (c) an amount equal to 10% of the principal amount of the Outstanding First Lien Bonds (the "Required Reserve"). The requirements of the Bond Reserve Account may be satisfied by a surety bond, an insurance policy, or similar credit facility, which the Authorized Officer is authorized to obtain. In the event that the amount in said Bond Reserve Account is greater than the Required Reserve, such excess amount shall be transferred to the First Lien Redemption Account. Except as hereinafter provided, no further deposits or additions need be made into the Bond Reserve Account once the Required Reserve has been deposited therein. The moneys in the Bond Reserve Account shall be used solely for the payment of the principal of and interest on First Lien Bonds as to which there would otherwise be a default.

If at any time it shall be necessary to use moneys in the Bond Reserve Account for payment of principal and/or interest on First Lien Bonds, then the moneys so used shall be replaced from the revenues first received thereafter that are not required by this Resolution to be used for operation and maintenance or for current principal and interest requirements. The Bond Reserve Account shall be maintained while First Lien Bonds remain outstanding or until they are defeased. The Bond Reserve Account may be applied to the final payments of principal and interest on First Lien Bonds or to provide funds for their defeasance.

(C) Junior Lien Redemption Account. The Junior Lien Redemption Account shall also be established as a subaccount within the Redemption Account to be used solely for the purpose of paying the principal of and interest on Junior Lien Bonds. After the transfers required above, there shall be transferred quarterly from the Receiving Fund, and deposited in the

Junior Lien Redemption Account for payment of principal of and interest on the Junior Lien Bonds, a sum equal to at least one-half (1/2) of the amount of interest on Junior Lien Bonds due on the next ensuing interest payment dates plus not less than one-fourth (1/4) of the principal maturing on Junior Lien Bonds on the next ensuing principal payment dates in each year. The monies in the Junior Lien Redemption Account shall be accounted for separately.

(D) Additional Deposits. If for any reason there is a failure to make a required deposit to any of the subaccounts of the Redemption Account or for any reason there is a deficiency in any of the subaccounts, then an amount equal to the deficiency shall be set aside and deposited in the subaccount from the Net Revenues in the next succeeding period, which amount shall be in addition to the regular deposit required during such succeeding period.

No further payments need be made into a subaccount of the Redemption Account after the amount accumulated and held in the subaccount, or in the case of any series of First Lien Bonds together with amounts held in the Required Reserve with respect to that series, is sufficient to pay when due the entire amount of principal and interest that will be payable at the time of maturity or at an earlier redemption date of the Bonds then remaining outstanding that are payable from the subaccount, or for Bonds that have been defeased as provided in Section 23.

(iii) General Obligation Debt Fund. The G. O. Fund is hereby established. After meeting the requirement of the foregoing funds, there may be transferred quarterly from remaining revenues in the Receiving Fund, or from other available monies, and deposited in the G. O. Fund, such sums as the Council, in its sole discretion determines to be desirable to pay debt service on presently existing or future general obligation bond issues of the City or general obligation contractual obligations of the City incurred or to be incurred for System purposes. This section shall not be construed to create a lien on the Net Revenues in favor of any obligations the debt service on which may be paid from the G. O. Fund from time to time.

(iv) Repair Replacement and Improvement Fund. The City shall create and maintain the Repair Replacement and Improvement Fund. After meeting the requirements of the subsections set forth above, the Council shall deposit into the Repair Replacement and Improvement Fund such amounts as the Council shall determine to be necessary from time to time. Moneys in the Repair Replacement and Improvement Fund shall be used by the City for the



purpose of acquiring and constructing improvements, additions and extensions to the System and for making repairs and replacements to the System.

(v) Surplus Moneys. All moneys remaining in the Receiving Fund at the end of any operating year after satisfying the above requirements may be transferred to the Redemption Account and its subaccounts and used as authorized in this Resolution or, at the option of the City, transferred to the G. O. Fund or the Repair Replacement and Improvement Fund and used for the purposes for which said funds were established. Provided, however, that if there should be a deficit in the Operation and Maintenance Fund, and any subaccount of the Redemption Account, the G. O. Fund or a bond reserve account on account of defaults in setting aside therein the amounts required in this Resolution, or a future resolution, then the City shall transfer the moneys remaining in the Receiving Fund at the end of any operating year to such funds in the priority and order named, to the extent of such deficits. Available surplus moneys may be used to retire any outstanding obligations of the City incurred for construction, expansion or addition to the System, including additional bonds, the issuance of which is authorized by this Resolution, or if no other disposition has been provided for, such moneys may be used for such other purposes of the System as the Council may deem to be for the best interest of the City.

(vi) Priority of Accounts. In the event the monies in the Receiving Fund are insufficient to provide for the current requirements of the Operation and Maintenance Fund or any subaccounts of the Redemption Account, any monies or securities in other funds of the System, except the Construction Fund, shall be credited or transferred, first, to the Operation and Maintenance Fund, second to the First Lien Redemption Account, third to the Junior Lien Redemption Account and fourth to a bond reserve account, to the extent of any deficit therein.

Section 17. INVESTMENT OF FUNDS. Moneys in the funds and accounts established herein may be invested by the City in bonds, notes, bills and certificates of, or guaranteed by, the United States, or in interest bearing time deposits or other investments as shall be determined by the City, subject to the provisions of Act 20, Public Acts of Michigan, 1943, as amended, or any statute subsequently adopted regulating investments by the City, and subject to the limitations imposed by arbitrage regulations and Section 148 of the Code. Profit realized or interest income earned on investment of funds in the various funds and accounts shall be deposited in or credited as received to the Receiving Fund.

Section 18. DEPOSITORY AND FUNDS ON HAND. Monies in the several funds and accounts maintained pursuant to this Resolution, except monies in the Construction Fund and Redemption Account, which must be kept in a separate account, may be kept in one or more accounts at financial institutions designated by resolution of the City, and if kept in one account, the monies shall be allocated on the books and records of the City in the manner and at the times provided in this Resolution.

Section 19. RATES AND CHARGES. The rates and charges for the services of the System shall be those in effect on the date of adoption of this Resolution. Rates shall be fixed and revised from time to time by the Council so as to produce amounts that are sufficient to pay the expenses of administration and the costs of operation and maintenance of the System, to provide an amount of revenues adequate for the payment of principal of and interest on the Bonds, reserve, replacement and improvement requirements, if any, and to otherwise comply with all requirements and covenants provided herein; and such that are reasonably expected to yield annual Net Revenues of the System, in the current fiscal year equal to at least 110% of the principal maturing and interest payable in the following fiscal year on the then outstanding First Lien Bonds and equal to such percentage of the principal maturing and interest thereafter payable on any outstanding Junior Lien Bonds, if any, as is established by the resolution authorizing the issuance of the Junior Lien Bonds; and promptly upon any material change in the circumstances which were not contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each fiscal year, review the rates and charges for its services and promptly revise such rates and charges as necessary to comply with the foregoing requirement, in which case the City will be in compliance with the requirements of this Section. The rates and charges for all services and facilities rendered by the System shall be reasonable and just, taking into consideration the costs and value of the System, the cost of maintaining, repairing, and operating the System, and the amounts necessary for the retirement of all Bonds and interest accruing on all Bonds, and there shall be charged such rates and charges as shall be adequate to meet the requirement of this and the preceding sections.

Section 20. NO FREE SERVICE. No free service shall be furnished by the System to the City or to any individual, firm or corporation, public or private, or to any agency or instrumentality.

Section 21. REVENUE BOND COVENANTS. The City covenants and agrees, so long as any of the Bonds hereby authorized remain unpaid, as follows:

(a) It will punctually perform all duties with reference to the System and comply with applicable State laws and regulations and continually operate and maintain the System in good condition.

(b) It will not sell, lease, mortgage or in any manner dispose of the System, or any substantial part of it, until all Bonds payable from the revenues of the System shall have been paid in full, defeased, or provision has been made or an agreement entered into for the payment of such Bonds. The City is explicitly authorized to enter into arrangements, including a lease of the system, with a regional authority in which the City is a participant if such arrangements require the authority to provide funds to make payments sufficient to pay the debt service on any of the bonds affected by the arrangement.

(c) It will cause an annual review of rates and charges to be made and based thereon will adjust such rates and charges to provide the amounts required by this Resolution.

(d) It will maintain complete books and records relating to the operation of the System and its financial affairs, will cause such books and records to be audited annually at the end of each fiscal year and an audit report prepared, and will furnish a Bondholder a copy of such report upon written request.

(e) It will maintain and carry insurance on all physical properties of the System, for the benefit of the Bondholders, of the kinds and in the amounts normally carried by municipalities engaged in the operation of similar systems. All moneys received for losses under any such insurance policies shall be applied solely to the replacement and restoration of the property damaged or destroyed, and to the extent not so used, shall be used for the purpose of calling Bonds.

Section 22. ADDITIONAL BONDS. Additional Bonds of equal standing with the Series 2024 Bonds may be issued in an amount of not to exceed 10% of the Series 2024 Bonds authorized herein, as may be necessary to complete construction of the Improvements. Additional First Lien Bonds of equal standing and priority with any outstanding First Lien Bonds and superior to Junior Lien Bonds may be issued for repair, replacement, improvement or extension of the System and to refund all or a portion of Bonds and paying the costs of issuing the Additional First Lien Bonds, but only if the average actual or Adjusted Net Revenues of the System for any consecutive 12 month period out of the 30 months preceding the adoption of the resolution authorizing the issuance of such Bonds shall be equal to at least one hundred ten percent (110%) of the average annual principal and

interest thereafter maturing in any operating year on the then outstanding First Lien Bonds and the Additional First Lien Bonds then being issued. In addition, Additional First Lien Bonds of equal standing and priority with any outstanding First Lien Bonds may be issued to refund all or a portion of outstanding First Lien Bonds if the refunding would provide a net present value debt service savings to the City. If the Additional First Lien Bonds are to be issued in whole or in part for refunding outstanding Bonds, the annual principal and interest requirements shall be determined by deducting from the principal and interest requirements for each operating year the annual principal and interest requirements of any Bonds to be refunded from the proceeds of the Additional First Lien Bonds. In addition, notwithstanding the above, Additional First Lien Bonds may be issued at any time that the holders of at least fifty-one percent (51%) of all of the First Lien Bonds outstanding consent.

In addition, Additional First Lien Bonds may be issued without meeting any of the conditions and tests set forth above to pay: (i) the cost of acquisition and construction of any repairs, replacements, improvements, major renewals, or corrections of any damage or loss to the System necessary, in the opinion of the City's engineers, to keep the System in good operating condition or to prevent a loss of Revenues therefrom to the extent that the cost thereof cannot reasonably be paid from the Repair Replacement and Improvement Fund or from insurance proceeds, or (ii) the cost of decommissioning, disposal or termination of any part of the System.

Additional Junior Lien Bonds of equal standing and priority with outstanding Junior Lien Bonds may be issued in the discretion of the City.

Determination by the Council as to existence of conditions permitting the issuance of Additional Bonds shall be conclusive, provided this shall not eliminate any requirement for any other approval required herein.

Any additional Bonds shall be subject to the various funds herein established, and all revenue from any such extension or replacement constructed by the proceeds of any additional Bonds shall be paid into the Receiving Fund.

Section 23. DEFEASANCE. In the event cash or direct obligations of the United States or obligations the principal of and interest on which are guaranteed by the United States, or a combination thereof, the principal of and interest on which, without reinvestment, come due at times and in amounts sufficient to pay at maturity or irrevocable call for earlier optional or mandatory redemption, the principal of, premium, if any, and interest on any of the Bonds, shall be deposited

in trust, this Resolution shall be defeased with respect to such Bonds (the “Defeased Bonds”), and the owners of the Defeased Bonds shall have no further rights under this Resolution except to receive payment of the principal of, premium, if any, and interest on the bonds from the cash or securities deposited in trust and the interest and gains thereon and to transfer and exchange bonds as provided herein. Defeased Bonds shall be treated as if they have been redeemed for all purposes under this Resolution.

Section 24. FISCAL YEAR OF SYSTEM. The fiscal year for operating the System shall coincide with the fiscal year of the City.

Section 25. TAX COVENANT. The City covenants to comply with all requirements of the Code necessary to assure that the interest on the bonds will be and will remain excludable from gross income for federal income tax purposes. The Authorized Officer and other appropriate officials of the City are authorized to do all things necessary (including the making of such covenants of the City as shall be appropriate) to assure that the interest on the Series 2024 Bonds will be and will remain excludable from gross income for federal income tax purposes.

Section 26. QUALIFIED TAX-EXEMPT OBLIGATION. The City reasonably anticipates that the amount of qualified tax-exempt obligations that will be issued by the City and all subordinate entities during the calendar year 2024 shall not exceed \$10,000,000. The City hereby designates the Series 2024 Bonds, in their total principal amount, as qualified tax-exempt obligations for purposes of Section 265(b)(3)(B) of the Code.

Section 27. MUNICIPAL BOND INSURANCE. The Authorized Officer is hereby authorized to acquire municipal bond insurance to enhance the marketability of the Series 2024 Bonds. If the City or the purchaser of the Series 2024 Bonds acquires municipal bond insurance from a municipal bond insurer (the “Insurer”), the Authorized Officer is hereby authorized to take all actions, and to execute any documents, certificates, orders, applications, agreements, conditions, covenants or other instruments necessary to effectuate the issuance of the policy of bond insurance, including, but not limited to the execution of an order or agreement containing such provisions as the Insurer may require with respect to the insurance and the Insurer, which shall be binding on the City in the same manner as if contained herein. The Authorized Officer is further authorized to sign such agreements or other documents and to pay such fees as are required for the City to become a member of a mutual insurance company.

Section 28. CONTINUING DISCLOSURE. The City agrees to provide or cause to be provided, in accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (a) on or prior to the last day of the seventh month after the end of the fiscal year of the City, commencing with the first fiscal year ending after the issuance of the Series 2024 Bonds, certain annual financial information and operating data, including audited financial statements for the preceding fiscal year (or if audited financial statements are not available, unaudited financial statements), generally consistent with certain information that was contained or cross-referenced in the Official Statement relating to the Series 2024 Bonds, (b) timely notice of the occurrence of certain material events with respect to the Series 2024 Bonds, and (c) timely notice of a failure by the City to provide the required annual financial information on or before the date specified in (a) above.

Section 29. OFFICIAL STATEMENT. The City is hereby authorized to approve, execute, and deliver a Preliminary Official Statement relating to the Series 2024 Bonds in such form as the Authorized Officer shall approve. The Authorized Officer is hereby authorized and directed to approve, execute and deliver the Official Statement on behalf of the City with such changes or modifications as they deem necessary in order to assure that the statements therein are true, and that it does not contain any untrue statement or material fact and does not omit a material fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading.

Section 30. APPOINTMENT OF BOND COUNSEL. The firm of Dickinson Wright PLLC is hereby approved as bond counsel to the City. The City acknowledges that Dickinson Wright PLLC represents a number of financial institutions in public finance matters, including financial institutions that may potentially purchase the Bonds, and consents to Dickinson Wright PLLC’s representation of the City as bond counsel and, and waives any conflict of interest arising from such representation of a financial institution or underwriter that may purchase the Bonds in other matters not involving the City. The Authorized Officer is authorized to enter into an engagement letter with bond counsel in accordance with the fees shown in the financial reports of the Municipal Advisor as updated from time to time.

Section 31. PUBLICATION AND RECORDATION. This Resolution shall be published once in full in a newspaper of general circulation in the City qualified under state law to publish

legal notices, and the same shall be recorded in the records of the City and such recording authenticated by the signature of the City Clerk.

Section 32. RESOLUTION SUBJECT TO MICHIGAN LAW. The provisions of this Resolution are subject to the laws of the State of Michigan.

Section 33. SECTION HEADINGS. The section headings in this Resolution are furnished for convenience of reference only and shall not be considered to be a part of this Resolution.

Section 34. SEVERABILITY. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Resolution.

Section 35. CONFLICT. All resolutions or parts thereof, insofar as the same may be in conflict herewith, are hereby repealed to the extent of the conflict; provided that the foregoing shall not operate to repeal any provision thereof, the repeal of which would impair the obligation on the Bonds.

Section 36. EFFECTIVE DATE OF RESOLUTION. Pursuant to Section 6 of the Act, this Resolution shall be approved on the date of first reading and this Resolution shall be effective immediately upon its adoption.

YEAS: \_\_\_\_\_

NAYS: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

RESOLUTION DECLARED ADOPTED.

\_\_\_\_\_  
Pauline Repp, Mayor

\_\_\_\_\_  
Cyndee M. Jonseck, Clerk

**CERTIFICATION**

I, Cyndee M. Jonseck, the duly qualified and acting Clerk of the City of Port Huron, St. Clair County, Michigan, do hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council at a regular meeting held on \_\_\_\_\_, 2024, and that notice of said meeting was given pursuant to Act 267, Public Acts of Michigan, 1976, as amended.

Date: \_\_\_\_\_, 2024

\_\_\_\_\_  
Cyndee M. Jonseck, Clerk

**EXHIBIT A**

**UNITED STATES OF AMERICA  
STATE OF MICHIGAN  
COUNTY OF ST. CLAIR  
CITY OF PORT HURON  
SEWAGE DISPOSAL SYSTEM REVENUE BONDS,  
SERIES 2024**

**Interest Rate      Maturity Date      Date of Original Issue      CUSIPS**

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Registered Owner:

Principal Amount:    [Insert par amount]

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The City of Port Huron, St. Clair County, Michigan (the "Issuer"), acknowledges itself indebted and, for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, out of the net revenues of the Sewage Disposal System of the Issuer (the "System"), including all appurtenances, additions, extensions and improvements thereto after provision has been made for reasonable and necessary expenses of operation, maintenance and administration of the System (the "Net Revenues"), the Principal Amount specified above, on the Maturity Date specified above, unless prepaid prior thereto as hereinafter provided, in lawful money of the United States of America, together with interest thereon from the Date of Original Issue specified above, or such later date to which interest has been paid, at the Interest Rate per annum specified above, first payable on the first day of \_\_\_\_\_ and \_\_\_\_\_ of each year, beginning \_\_\_\_\_, except as the provisions hereinafter set forth with respect to redemption of this Bond prior to maturity may become applicable hereto.

This Bond, is one of a total authorized issue of bonds of even date and like tenor, except as to date of maturity, amount and rate of interest, numbered in order of registration, aggregating the principal sum of \$ \_\_\_\_\_; issued in accordance with the provisions of Act 94, Public Acts of Michigan, 1933, as amended and a resolution adopted by the City Council of the Issuer on \_\_\_\_\_, 2024 (the "Resolution"), for the purpose of paying the cost of acquiring and constructing improvements to the System. This Bond is a self-liquidating Bond, and is not a general obligation of the Issuer within any applicable constitutional, statutory or charter limitations but is payable, both as to principal and interest, solely from the Net Revenues of the System. The principal of and interest on this Bond are secured by a statutory lien on the Net Revenues.

The Issuer hereby covenants and agrees to fix, and maintain at all times while any of the Bonds shall be outstanding, such rates for service furnished by the System as are required by the Resolution, to maintain a bond and interest redemption account, a bond reserve account and to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the same in good repair and working order, and to provide for such other expenditures and funds for the System as are required by the Resolution. The statutory liens securing this series of Bonds, which are First Lien Bonds (as defined in the Resolution) are first liens that are and shall remain superior to the lien on the Net Revenues securing any of the Issuer's Junior Lien Bonds (as defined in the Resolution) that may be issued pursuant to the Resolution, and additional First Lien Bonds of equal standing to the bonds of this series may be issued pursuant to the Resolution. For a complete statement of the revenues from which, and the conditions under which, this Bond is payable, a statement of the conditions under which additional bonds of equal or subordinate standing may hereafter be issued, and the general covenants and provisions pursuant to which this Bond is issued, reference is made to the Resolution.

Principal of this Bond is payable at the principal office of \_\_\_\_\_, \_\_\_\_\_, Michigan, or such other Paying Agent as the Issuer may hereafter designate (the "Paying Agent") by notice mailed to the Registered Owner not less than sixty (60) days prior to the next interest payment date. Interest on this Bond is payable to the Registered Owner of record as of the fifteenth (15th) day of the month preceding the payment date as shown on the registration books of the Issuer maintained by the Paying Agent, by check or draft mailed to the Registered Owner at the registered address.

Bonds maturing on \_\_\_\_\_, \_\_\_\_ (the "Term Bonds"), are subject to mandatory redemption prior to maturity in part, by lot, on each \_\_\_\_\_ 1, commencing \_\_\_\_\_, \_\_\_\_\_, and will be redeemed at the par value thereof plus accrued interest to the redemption date on October 1 of each of the following years in the amounts as follows:

<b>Redemption Date</b>	<b>Principal Amount</b>
------------------------	-------------------------

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Term Bonds purchased by the Issuer and delivered to the Paying Agent for cancellation or which are redeemed in a manner other than by mandatory redemption, shall reduce the principal

amount of the Term Bonds subject to mandatory redemption by the amount of the Bonds so redeemed, in the order determined by the Issuer.

Bonds maturing on or before \_\_\_\_\_ 1, 20\_\_\_\_, shall not be subject to redemption prior to maturity. Bonds maturing on or after \_\_\_\_\_ 1, 20\_\_\_\_, are subject to redemption prior to maturity as a whole or in part, at the option of the Issuer, in such order as the Issuer shall determine, on any dates, on or after \_\_\_\_\_ 1, 20\_\_\_\_. Bonds called for redemption shall be redeemed at the par value thereof and accrued interest to the date of redemption, without a premium.

Notice of the call of any Bonds for redemption shall be given by first class mail not less than thirty (30) days prior to the date fixed for redemption, to the Registered Owner at the registered address. Bonds called for redemption shall not bear interest after the date fixed for redemption, provided funds are on hand with the Paying Agent to redeem such Bonds. Bonds shall be called for redemption in multiples of \$5,000, and Bonds of denominations of more than \$5,000 shall be treated as representing the number of bonds obtained by dividing the denomination of the Bond by \$5,000, and such Bonds may be redeemed in part. The notice of redemption of Bonds redeemed in part shall state that upon surrender of the Bond to be redeemed, a new Bond or Bonds in aggregate principal amount equal to the unredeemed portion of the Bond surrendered shall be issued to the Registered Owner thereof. So long as the book-entry-only system remains in effect, the Paying Agent will give notice to Cede & Co., as nominee of The Depository Trust Company, a New York corporation, only and only Cede & Co. will be deemed to be a holder of the Bonds.

This Bond shall be registered in the name of the Registered Owner on the registration books kept by the Paying Agent and such registration noted hereon and thereafter no transfer shall be valid unless made upon the registration books and likewise noted hereon. This Bond is exchangeable at the request of the Registered Owner hereof, in person or by the Registered Owner's attorney duly authorized in writing, at the office of the Paying Agent, but only in the manner, subject to the limitations and at the Registered Owner's sole expense, for other bonds of an equal aggregate amount, upon surrender of this Bond to the Paying Agent. Upon such transfer, a new registered bond or bonds of the same series and the same maturity of authorized denomination will be issued to the transferee in exchange therefor.

The Issuer has designated the Bonds of this series as "qualified tax exempt obligations" for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

It is hereby certified and recited that all acts, conditions and things required by law, precedent to and in the issuance of this Bond, exist and have been done and performed in regular and due time and form as required by law and that the total indebtedness of the Issuer including this Bond, does not exceed any applicable constitutional, statutory, or charter limitation.

IN WITNESS WHEREOF, the City of Port Huron, St. Clair County, Michigan, by its City Council, has caused this Bond to be signed, by the manual or facsimile signatures of its Mayor and the Clerk, all as of the \_\_\_\_\_ day of \_\_\_\_\_ 2024.

\_\_\_\_\_  
Pauline M. Repp, Mayor

\_\_\_\_\_  
Cyndee M. Jonseck, Clerk

**CERTIFICATE OF REGISTRATION AND AUTHENTICATION**

This Bond is one of the Issuer's \$ \_\_\_\_\_ Sewage Disposal System Revenue Bonds, Series 2024, and has been registered in the name of the Registered Owner designated on the face hereof in the bond register maintained for the Issuer.

Authentication Date: \_\_\_\_\_, 2024

\_\_\_\_\_  
As Paying Agent/Bond Registrar/Transfer Agent

**ASSIGNMENT**

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
(please print or type social security number or taxpayer identification number and name and address of transferee)

the within bond and all rights thereunder, and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_ Signed: \_\_\_\_\_

In the presence of: \_\_\_\_\_

**Notice:** The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever. When assignment is made by a guardian, trustee, executor or administrator, an officer of a corporation, or anyone in a representative capacity, proof of his City to act must accompany the bond.

Signature(s) must be guaranteed by an eligible guarantor institution participating in a Securities Transfer Association recognized signature guaranty program.

Signature Guaranteed: \_\_\_\_\_

**WRONGFUL USE OF CERTIFICATE**

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

**FORM OF APPROVING OPINION**



[Date of Delivery], 2024

City of Port Huron  
St. Clair County, Michigan

Ladies and Gentlemen:

We have acted as bond counsel to the City of Port Huron, St. Clair County, Michigan (the “Issuer”) and in connection therewith have examined the law and certified copies of the proceedings and other documents relating to the issuance by the Issuer of its Sewage Disposal System Revenue Bonds, Series 2024, in the aggregate principal amount of \$[PRINCIPAL AMOUNT], dated as of [Date of Delivery], 2024 (the “Bonds”).

As to questions of fact material to our opinion, we have relied upon certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation. The Issuer has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the “Code”).

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are valid and legally binding obligations of the Issuer payable solely from the net revenues of the sewage disposal system of the Issuer. The payment of the principal of and interest on the Bonds, and on any additional bonds of equal standing with the Bonds that have been or may be issued in accordance with the provisions of the resolution authorizing the issuance of the Bonds, is secured by a statutory first lien on such net revenues.

2. The Bonds and the interest thereon are exempt from taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment, or other disposition thereof.

3. The interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the federal corporate alternative minimum tax under Section 55 of the Code. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The

City of Port Huron  
[Date of Delivery], 2024  
Page 2

Issuer has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The rights of the holders of the Bonds and the enforceability of thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the official statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**CONTINUING DISCLOSURE CERTIFICATE**

**CITY OF PORT HURON  
(St. Clair County, Michigan)**

§ \_\_\_\_\_

**SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 2024**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Port Huron, County of St. Clair, Michigan (the “Issuer”), in connection with the issuance of its Sewage Disposal System Revenue Refunding Bonds, Series 2024, in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”). The Issuer covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate.**

(a) This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriter in complying with subsection (b)(5) of the Rule.

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Certificate shall be deemed to be and shall constitute a contract between the Issuer and the Bondholders and Beneficial Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Issuer shall be for the benefit of the Bondholders and Beneficial Owners of any and all of the Bonds.

**Section 2. Definitions.** The following capitalized terms shall have the following meanings:

“1934 Act” shall mean the Securities Exchange Act of 1934, as amended.

“Annual Report” shall mean any Annual Report of the Issuer provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).

“Bondholder” shall mean the registered owner of any Bonds.

“Dissemination Agent” shall mean the Issuer or any successor Dissemination Agent appointed in writing by the Issuer and which has filed with the Issuer a written acceptance of such appointment.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB. As of the date of this Disclosure Certificate, the EMMA internet web site address is <http://www.emma.msrb.org>.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, and existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“GAAP” shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Governmental Accounting Standards Board and in effect from time to time.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act. As of the date of this Disclosure Certificate, the address and telephone and telecopy numbers of the MSRB are as follows:

Municipal Securities Rulemaking Board  
1300 I Street NW, Suite 1000  
Washington, DC 20005  
Tel: (202) 838-1500  
Fax: (202) 898-1500

“Official Statement” shall mean the final Official Statement for the Bonds dated \_\_\_\_\_, 2024.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the primary offering of the Bonds.

“Rule” shall mean Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidances or other official interpretations or explanations thereof that are promulgated by the SEC.

“SEC” shall mean the United States Securities and Exchange Commission.

“Securities Counsel” shall mean legal counsel expert in federal securities law.

“State” shall mean the State of Michigan.

### **Section 3. Provision of Annual Reports.**

(a) Each year, the Issuer shall provide, or shall cause the Dissemination Agent to provide, not later than the date seven (7) months after the end of the Issuer’s fiscal year, commencing with the Issuer’s Annual Report for its fiscal year ending June 30, 2024, to the MSRB an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 business days (or such lesser

number of days as is acceptable to the Dissemination Agent) prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). Currently, the Issuer's fiscal year commences on July 1. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that if the audited financial statements of the Issuer are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements then most recently prepared for the Issuer shall be included in the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report of the Issuer by the date required in subsection (a), the Issuer shall file a notice, in a timely fashion, with the MSRB, in substantially the form attached as Exhibit A.

(c) If the Issuer's fiscal year changes, the Issuer shall file written notice of such change with the MSRB, in substantially the form attached as Exhibit B.

(d) Whenever any Annual Report or portion thereof is filed as described above, it shall be attached to a cover sheet in substantially the form attached as Exhibit C.

(e) If the Dissemination Agent is other than the Issuer, the Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

(f) In connection with providing the Annual Report, the Dissemination Agent (if other than the Issuer) is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

**Section 4. Content of Annual Reports.** The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for its fiscal year immediately preceding the due date of the Annual Report.

(b) A current-year update of the financial information and operating data relating to the Issuer of the same nature as that contained in the tables under the following headings contained in the Official Statement and in Appendix A thereto:

- (1) Service Area and Customer Base;
- (2) Rates and Charges;
- (3) Wastewater Treatment Volume;
- (4) Ten Largest Wastewater Customers;
- (5) Debt Service Supported by the Water System;

- (6) Historical and Projected Operating Cash Flow and Debt Service Coverage (Total Debt Service Coverage Ratio only); and
- (7) Appendix A – Legal Debt Margin; and
- (8) Appendix A – Debt Statement – City Direct Debt.

The Issuer’s financial statements shall be audited and prepared in accordance with GAAP with such changes as may be required from time to time in accordance with State law.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the MSRB’s internet web site or filed with the SEC. The Issuer shall clearly identify each such other document so included by reference.

**Section 5. Reporting of Significant Events.**

(a) The Issuer covenants to provide, or cause to be provided, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event and in accordance with the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Tender offers;

(13) Bankruptcy, insolvency, receivership or similar event of the obligated person;

(14) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(15) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(16) Incurrence of a Financial Obligation of the Issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or obligated person, any of which affect security holders, if material; and

(17) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Issuer or obligated person, any of which reflect financial difficulties.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14), (15), or (16), the Issuer shall as soon as possible determine if such Listed Event would be material under applicable federal securities laws. The Issuer covenants that its determination of materiality will be made in conformance with federal securities laws.

(c) If the Issuer determines that (i) a Listed Event described in subsection (a)(1), (3), (4), (5), (6), (9), (11), (12), (13), or (17) has occurred or (ii) the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14), (15), or (16) would be material under applicable federal securities laws, the Issuer shall cause a notice of such occurrence to be filed with the MSRB within ten (10) business days of the occurrence of the Listed Event, together with a cover sheet in substantially the form attached as Exhibit D. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the Issuer shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the Issuer), solely in its capacity as such, is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The Issuer acknowledges that the “rating changes” referred to in subsection (a)(11) above may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the Issuer is liable.



(f) The Issuer acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the Issuer does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

**Section 6. Mandatory Electronic Filing with EMMA.**

All filings with the MSRB under this Disclosure Certificate shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 59062 on December 5, 2008.

**Section 7. Termination of Reporting Obligation.**

(a) The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or the prior redemption or payment in full of all of the Bonds. If the Issuer's obligation to pay a portion of the principal of and interest on the Bonds is assumed in full by some other entity, such entity shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder.

(b) This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer (i) receives an opinion of Securities Counsel, addressed to the Issuer, to the effect that those portions of the Rule, which require such provisions of this Disclosure Certificate, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) files notice to such effect with the MSRB.

**Section 8. Dissemination Agent.** The Issuer, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Except as otherwise provided in this Disclosure Certificate, the Dissemination Agent (if other than the Issuer) shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate.

**Section 9. Amendment; Waiver.**

(a) Notwithstanding any other provision of this Disclosure Certificate, this Disclosure Certificate may be amended, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(i) if the amendment or waiver relates to the provisions of Section 3(a), (b), (c), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the Issuer, or type of business conducted by the Issuer;

(ii) this Disclosure Certificate, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the

Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

(b) In the event of any amendment to, or waiver of a provision of, this Disclosure Certificate, the Issuer shall describe such amendment or waiver in the next Annual Report and shall include an explanation of the reason for such amendment or waiver. In particular, if the amendment results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Disclosure Certificate, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

(c) If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Disclosure Certificate, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be filed by the Issuer or the Dissemination Agent (if other than the Issuer) at the written direction of the Issuer with the MSRB.

**Section 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 11. Failure to Comply.** In the event of a failure of the Issuer or the Dissemination Agent (if other than the Issuer) to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may bring an action to obtain specific performance of the obligations of the Issuer or the Dissemination Agent (if other than the Issuer) under this Disclosure Certificate, but no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and any failure to comply with the obligations under this Disclosure Certificate shall not constitute a default with respect to the Bonds. Notwithstanding the foregoing, if the alleged failure of the Issuer to comply with this Disclosure

Certificate is the inadequacy of the information disclosed pursuant hereto, then the Bondholders and the Beneficial Owners (on whose behalf a Bondholder has not acted with respect to this alleged failure) of not less than a majority of the aggregate principal amount of the then outstanding Bonds must take the actions described above before the Issuer shall be compelled to perform with respect to the adequacy of such information disclosed pursuant to this Disclosure Certificate.

**Section 12. Duties of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

**Section 13. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

**Section 14. Transmission of Information and Notices.** Unless otherwise required by law or this Disclosure Certificate, and, in the sole determination of the Issuer or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the Issuer or the Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of such information and notices.

**Section 15. Additional Disclosure Obligations.** The Issuer acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the Issuer, and that under some circumstances, compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

**Section 16. Governing Law.** This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

**CITY OF PORT HURON**

By: \_\_\_\_\_  
James R. Freed  
Its: City Manager

Dated: \_\_\_\_\_, 2024

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: City of Port Huron, Michigan

Name of Bond Issue: \$\_\_\_\_\_ Sewage Disposal System Revenue Bonds, Series  
2024

Date of Bonds \_\_\_\_\_, 2024

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**NOTICE IS HEREBY GIVEN** that the City of Port Huron has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Certificate with respect to the Bonds. The City of Port Huron anticipates that the Annual Report will be filed by \_\_\_\_\_, \_\_\_\_.

**CITY OF PORT HURON**

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT B**

**NOTICE OF CHANGE IN ISSUER'S FISCAL YEAR**

Name of Obligated Person: City of Port Huron, Michigan

Name of Bond Issue: \$\_\_\_\_\_ Sewage Disposal System Revenue Bonds, Series  
2024

Date of Bonds \_\_\_\_\_, 2024

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**NOTICE IS HEREBY GIVEN** that the City of Port Huron's fiscal year has changed. Previously, the City of Port Huron's fiscal year ended on \_\_\_\_\_. It now ends on \_\_\_\_\_.

**CITY OF PORT HURON**

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT C**

**ANNUAL REPORT COVER SHEET**

This cover sheet and the attached Annual Report or portion thereof should be filed electronically with the Municipal Securities Rulemaking Board through the EMMA Dataport at <http://www.emma.msrb.org> pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(A) and (B).

Issuer's /Other Obligated Person's Name: City of Port Huron

Issuer's Six-Digit CUSIP Number(s): \_\_\_\_\_

or Nine-Digit CUSIP Number(s) to which the attached Annual Report relates: \_\_\_\_\_

Number of pages of the attached Annual Report or portion thereof: \_\_\_\_\_

Name of Bond Issue to which the attached Annual Report relates: \$ Sewage Disposal System Revenue Bonds, Series 2024

Date of such Bonds: \_\_\_\_\_, 2024

I hereby represent that I am authorized by the Issuer/Other Obligated Person or its agent to distribute this information publicly:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Employer: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Voice Telephone Number: \_\_\_\_\_

**EXHIBIT D**

**EVENT NOTICE COVER SHEET**

This cover sheet and the attached Event Notice should be filed electronically with the Municipal Securities Rulemaking Board through the EMMA Dataport at <http://www.emma.msrb.org> pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name: City of Port Huron

Issuer's Six-Digit CUSIP Number(s): \_\_\_\_\_

or Nine-Digit CUSIP Number(s) to which the attached Event Notice relates: \_\_\_\_\_

Number of pages of the attached Event Notice: \_\_\_\_\_

Description of the attached Event Notice (Check One):

- |     |       |  |
|-----|-------|--|
| 1.  | _____ | Principal and interest payment delinquencies   |
| 2.  | _____ | Non-Payment related defaults   |
| 3.  | _____ | Unscheduled draws on debt service reserves reflecting financial difficulties   |
| 4.  | _____ | Unscheduled draws on credit enhancements reflecting financial difficulties   |
| 5.  | _____ | Substitution of credit or liquidity providers, or their failure to perform   |
| 6.  | _____ | Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security  |
| 7.  | _____ | Modifications to rights of securities holders  |
| 8.  | _____ | Bond calls   |
| 9.  | _____ | Defeasances  |
| 10. | _____ | Release, substitution, or sale of property securing repayment of the securities  |
| 11. | _____ | Rating changes   |
| 12. | _____ | Tender offers  |
| 13. | _____ | Bankruptcy, insolvency, receivership or similar event of an obligated person   |
| 14. | _____ | The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms |
| 15. | _____ | Appointment of a successor or additional trustee, or the change of name of a trustee   |
| 16. | _____ | Incurrence of a Financial Obligation of an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an obligated person, any of which affect security holders, if material  |
| 17. | _____ | Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of an obligated person, any of which reflect financial difficulties  |
| 18. | _____ | Failure to provide annual financial information as required  |
| 19. | _____ | Other material event notice (specify) _____  |

I hereby represent that I am authorized by the Issuer/Other Obligated Person or its agent to distribute this information publicly:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Voice Telephone Number: \_\_\_\_\_

**Please format the Event Notice attached to this cover sheet in 10 point type or larger. Contact the MSRB at (202) 223-9503 with questions regarding this form or the dissemination of this notice.**

**OFFICIAL NOTICE OF SALE AND BID FORM**



**OFFICIAL NOTICE OF SALE**

**\$7,685,000\***

\*(subject to adjustment as described below)

**CITY OF PORT HURON  
COUNTY OF ST. CLAIR, STATE OF MICHIGAN  
SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 2024**

BIDS for the purchase of the above bonds (the “Bonds”) will be received by undersigned on the 24th day of October, 2024, until 11:00 a.m., Eastern Time, at which time they will be opened and read. Bids may be submitted to the Municipal Advisory Council of Michigan (the “MAC”) by email at munibids@macmi.com, but no bid will be received after the time for receiving bids specified above and the bidder bears all risks of transmission failure.

IN THE ALTERNATIVE: Bids may be submitted electronically via PARITY pursuant to this Notice on the same date and until the same time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this Notice, the terms of this Notice shall control. For further information about PARITY, potential bidders may contact the Municipal Advisor (identified below) or PARITY at (212) 849-5021.

BOND DETAILS: The Bonds will be fully registered bonds of the denomination of \$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity at the option of the purchaser thereof, dated the date of their delivery, and will bear interest from their date payable on May 1, 2025, and semiannually thereafter.

The Bonds will mature on the first day of November as follows (provided, however, that the amounts set forth below may be adjusted as described under “ADJUSTMENT IN PRINCIPAL AMOUNT” herein):

<b>YEAR</b>	<b>AMOUNT</b>	<b>YEAR</b>	<b>AMOUNT</b>
2025	\$205,000	2038	\$305,000
2026	210,000	2039	315,000
2027	215,000	2040	325,000
2028	220,000	2041	335,000
2029	225,000	2042	350,000
2030	235,000	2043	365,000
2031	240,000	2044	380,000
2032	250,000	2045	395,000
2033	255,000	2046	410,000
2034	265,000	2047	425,000
2035	275,000	2048	445,000
2036	285,000	2049	460,000
2037	295,000		

**TERM BOND OPTION:** Bidders shall have the option of designating bonds as serial bonds or term bonds, or both. The bid must designate whether each of the principal amounts shown above represents a serial maturity or a mandatory redemption requirement for a term bond maturity. There may be more than one term bond designated. In the event that term bonds are utilized, the principal amount scheduled for maturity in the years shown above shall be represented by either serial bond maturities or mandatory redemption requirements, or a combination of both. Any such designation must be made at the time bids are submitted.

**PRIOR REDEMPTION:**

A. **MANDATORY REDEMPTION.** Bonds designated as term bonds shall be subject to mandatory redemption at par and accrued interest on the dates and in the amounts corresponding to the annual principal maturities hereinbefore set forth. The Bonds or portions of bonds to be redeemed shall be selected by lot.

B. **OPTIONAL REDEMPTION.** Bonds maturing on or before November 1, 2034, are not subject to redemption prior to maturity. Bonds maturing on and after November 1, 2035, are subject to redemption prior to maturity, at the option of the City, in such order as determined by the City, in whole or in part at any time on and after November 1, 2034, in integral multiples of \$5,000 and by lot within a maturity, at par value of the bond or portion of the bond called to be redeemed, plus accrued interest to the redemption date.

C. **NOTICE OF REDEMPTION.** Not less than thirty days' notice of redemption shall be given by first class mail to the registered owner at the registered address. Failure to receive notice of redemption shall not affect the validity of the proceedings for redemption. Bonds or portions of bonds called for redemption shall not bear interest after the redemption date; provided, funds are on hand with the bond registrar and paying agent to redeem the Bonds called for redemption.

**INTEREST RATE AND BIDDING DETAILS:** The Bonds shall bear interest at a rate or rates not exceeding 6% per annum, to be fixed by the bids therefor, expressed in multiples of 1/8 or 1/100 of 1%, or both. Bonds maturing after 2034 shall bear interest at a minimum coupon rate of 4.00%. The interest on any one bond maturity shall be at one rate only and all bonds maturing in any one year must carry the same interest rate. No proposal for the purchase of less than all of the Bonds or at a price less than 100% of their par value will be considered.

**BOOK-ENTRY-ONLY:** At the option of the purchaser of the Bonds, the Bonds will be issued in book-entry-only form as one fully-registered bond per maturity and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchase of the Bonds will be made in book-entry-only form, in the denomination of \$5,000 or any multiple thereof. Purchasers will not receive certificates representing their interest in bonds purchased. The Bonds will not be issued in book-entry form if the purchaser is willing to accept physical delivery of the Bonds in denominations equal to the aggregate principal amount for each maturity and, if necessary, transfer the Bonds only in such denominations. If requested by the purchaser of the Bonds and determined by an authorized officer of the City, the Bonds may be issued in the form of a single bond with an exhibit containing the principal maturity amounts and applicable interest rates and due dates. The book-entry-only system is described further in the preliminary official statement for the Bonds.

**BOND REGISTRAR AND PAYING AGENT:** The Bonds shall be payable as to principal in lawful money of the United States upon surrender thereof at the corporate trust office of The Huntington National Bank, Grand Rapids, Michigan, the bond registrar and paying agent. Interest shall be paid to the registered owner of each bond as shown on the registration books at the close of business on the 15<sup>th</sup> day of the calendar month preceding the month in which the interest payment is due. Interest shall be paid when due by check or draft drawn upon and mailed by the bond registrar and paying agent to the registered owner at the registered address. As long as DTC, or its nominee Cede & Co., is the registered owner of the Bonds, payments will be made directly to such registered owner. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants and indirect participants as described in the preliminary official statement for the Bonds. The City from time to time as required may designate a successor bond registrar and paying agent. Alternatively, a City official may serve as bond registrar and paying agent for the Bonds.

**PURPOSE AND SECURITY:** The Bonds are issued under the provisions of Act 94, Public Acts of Michigan, 1933, as amended, and Resolution No. 24-108 adopted on October 14, 2024 (the “Resolution”), for the purpose of paying the cost of improvements to the Sewage Disposal System of the City (the “System”). The Bonds are payable solely from the net revenues of the System and any additions thereto, and a statutory first lien on said revenues has been established by said Resolution. The Bonds do not constitute a general obligation of the City. The City has covenanted and agreed to fix and maintain at all times while any of such Bonds shall be outstanding such rates for service furnished by the System as shall be sufficient to provide for payment of the necessary expenses or operation, maintenance, and administration of said System, of the principal and interest on said Bonds when due, to create a bond reserve account therefor and to provide for such other expenditures and funds for said System as are required by said Resolution.

**ADJUSTMENT IN PRINCIPAL AMOUNT:** Following receipt of bids and prior to final award, the City reserves the right to increase or decrease the principal amount of the Bonds. Such adjustment, if necessary, will be made in increments of \$5,000, and may be made in one or more maturities. The purchase price will be adjusted proportionately to the increase or decrease in the principal amount of the Bonds, but the interest rates specified by the successful bidder will not change. The successful bidder may not withdraw its bid as a result of any changes made as provided in this paragraph.

**GOOD FAITH:** A good faith deposit in the form of a certified or cashier’s check drawn upon an incorporated bank or trust company, or wire transfer, in the amount of \$153,700<sup>1</sup> payable to the order of the City will be required of the successful bidder. If a check is used, it must accompany the bid. If a wire transfer is used, the successful bidder is required to wire its good faith deposit to the City not later than Noon, prevailing Eastern Time, on the next business day following the sale using the wire instructions provided by the Municipal Advisor. The good faith deposit will be applied to the purchase price of the Bonds. In the event the purchaser fails to honor its accepted bid, the good faith deposit will be retained by the City. No interest shall be allowed on the good faith deposit, and checks of the unsuccessful bidders will be promptly returned to such bidder’s

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<sup>1</sup> Subject to change.

representative or by registered mail. The good faith check of the successful bidder will be cashed and payment for the balance of the purchase price of the Bonds shall be made at the closing.

**AWARD OF BONDS:** The Bonds will be awarded to the bidder whose bid produces the lowest true interest cost to the City. True interest cost shall be computed by determining the annual interest rate (compounded semiannually) necessary to discount the debt service payments on the Bonds from the payment dates thereof to November 14, 2024, and to the price bid.

**LEGAL OPINION:** Bids shall be conditioned upon the approving opinion of Dickinson Wright PLLC, attorneys of Grand Rapids, Michigan, the original of which will be furnished without expense to the purchaser at the delivery of the Bonds. The fees of Dickinson Wright PLLC for services rendered in connection with such approving opinion are expected to be paid from bond proceeds. Except to the extent necessary to issue its approving opinion as to the validity of the above Bonds, Dickinson Wright PLLC has made no inquiry as to any financial information, statements or material contained in any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and, accordingly, will not express any opinion with respect to the accuracy or completeness of any such financial information, statements or materials. By submitting a bid, the bidder consents to the engagement of Dickinson Wright PLLC as bond counsel to the City notwithstanding any representation of the bidder by such firm in matters unrelated to the issuance of the Bonds.

**TAX MATTERS:** The approving opinion of bond counsel will include an opinion to the effect that under existing law, as enacted and construed on the date of the initial delivery of the Bonds, the interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the federal corporate alternative minimum tax under Section 55 of the Code. The opinion set forth above will be subject to the condition that the City comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements. The opinion will express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

If the successful bidder will obtain a municipal bond insurance policy or other credit enhancement for the Bonds in connection with their original issuance at its expense, the successful bidder will be required, as a condition of delivery of the Bonds, to certify that the premium therefor will be less than the present value of the interest expected to be saved as a result of such insurance or other credit enhancement. The form of an acceptable certificate will be provided by bond counsel.

In addition, the approving opinion of bond counsel will include an opinion to the effect that under existing law, as enacted and construed on the date of the initial delivery of the Bonds, the Bonds and the interest thereon are exempt from any and all taxation by the State of Michigan (the “State”) or by any taxing authority within the State, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

**ISSUE PRICE:** The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form provided by Bond Counsel, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City’s Municipal Advisor identified herein and any notice or report to be provided to the City may be provided to the City’s Municipal Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (1) the City is disseminating this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that competitive sale requirements are satisfied, the winning bidder shall be expected to certify as to the reasonably expected initial offering price of the Bonds to the public.

In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. The City shall treat (i) the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as of the sale date as the issue price of that maturity and (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds not satisfying the 10% test as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. Any maturity of the Bonds (and if different interest rates apply within a

maturity, to each separate CUSIP number within that maturity) that does not satisfy the 10% test as of the date and time of the award of the Bonds shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that any maturity of the Bonds is subject to the hold-the-offering-price rule. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

By submitting a bid, each bidder confirms that, except as otherwise provided in its bid, it has an established industry reputation for underwriting new issuances of municipal bonds, and, further, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5<sup>th</sup>) business day after the sale date.

The City acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the

selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date that the Bonds are awarded by the City to the winning bidder.

**OFFICIAL STATEMENT:** An electronic copy of the City’s preliminary official statement relating to the Bonds may be obtained by contacting the Municipal Advisor at the address referred to below. The preliminary official statement is in a form deemed final by the City for purposes of paragraph (b)(1) of SEC Rule 15c2-12 (the “Rule”), but is subject to revision, amendment and completion in a final official statement.

After the award of the bonds, the City will provide on a timely basis copies of a final official statement, as that term is defined in paragraph (f)(3) of the Rule, at the City’s expense in sufficient quantity to enable the successful bidder or bidders to comply with paragraphs (b)(3) and (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board. Requests for such additional copies of the final official statement shall be made to the Municipal Advisor at the address set forth below within 24 hours of the award of the bonds.

CONTINUING DISCLOSURE: In order to assist bidders in complying with paragraph (b)(5) of the Rule, the City will undertake, pursuant to the Resolution and a continuing disclosure certificate, to provide annual reports and notices of certain events. A description of these undertakings is set forth in the preliminary official statement and will also be set forth in the final official statement.

CUSIP: It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print CUSIP numbers nor any improperly printed CUSIP numbers shall be cause for the purchaser to refuse to take delivery of and pay the purchase price for the Bonds. The CUSIP Service Bureau's charge for the assignment of CUSIP identification numbers shall be paid by the purchaser.

BIDDER CERTIFICATION: NOT "IRAN-LINKED BUSINESS": By submitting a bid, the bidder shall be deemed to have certified that it is not an "Iran-Linked Business" as defined in Act 517, Public Acts of Michigan, 2012; MCL 129.311 *et seq.*

DELIVERY OF BONDS: The City will furnish bonds ready for execution at its expense. Bonds will be delivered without expense to the purchaser through DTC in New York, New York, or such other place or by such other means as may be agreeable to the purchaser and the City. The usual closing documents, including a continuing disclosure certificate (to the extent that the purchaser is subject to the Rule) and a certificate that no litigation is pending affecting the issuance of the Bonds, will be delivered at the time of the delivery of the Bonds. If the Bonds are not tendered for delivery by twelve o'clock noon, prevailing Eastern Time, on the 45<sup>th</sup> day following the date of sale, or the first business day thereafter if said 45<sup>th</sup> day is not a business day, the successful bidder on that day, or any time thereafter until delivery of the Bonds, may withdraw its proposal by serving notice of cancellation, in writing, on the undersigned, in which event the City shall return the good faith deposit. Payment for the Bonds shall be made in Federal Reserve Funds.

THE RIGHT IS RESERVED TO REJECT ANY OR ALL BIDS.

MUNICIPAL ADVISOR: MFCI, LLC (the "Municipal Advisor") is a Registered Municipal Advisor in accordance with the rules of the Municipal Securities Rulemaking Board. The Municipal Advisor has been retained by the City to provide certain financial advisory services relating to the planning, structuring, and issuance of the bonds. The Municipal Advisor is not engaged in the business of underwriting, trading, marketing, or the distribution of securities or any other negotiable instruments. The Municipal Advisor's duties, responsibilities, and fees arise solely as a Registered Municipal Advisor to the City and it has no secondary obligation or other responsibility. Further information regarding the bonds may be obtained from the Municipal Advisor, 435 Union Street, Milford, Michigan 48381. Telephone: (313) 782-3011.

James Freed, City Manager  
City of Port Huron



**BID FORM**  
**\$7,685,000\***  
**CITY OF PORT HURON**  
**County of St. Clair, State of Michigan**  
**Sewage Disposal System Revenue Bonds, Series 2024**

For your legally issued Bonds, as described in the Official Notice of Sale, we will pay you par plus a premium / minus a discount (cross-out non-applicable) of \$\_\_\_\_\_ for Bonds maturing and bearing interest as follows:

<u>Maturity</u>	<u>Amount†</u>	<u>Interest</u>	<u>Maturity</u>	<u>Amount†</u>	<u>Interest</u>
<u>Nov. 1</u>		<u>Rate %</u>	<u>Nov. 1</u>		<u>Rate %</u>
2025	\$205,000	_____	2038 *	\$305,000	_____
2026	210,000	_____	2039 *	315,000	_____
2027	215,000	_____	2040 *	325,000	_____
2028	220,000	_____	2041 *	335,000	_____
2029	225,000	_____	2042 *	350,000	_____
2030	235,000	_____	2043 *	365,000	_____
2031	240,000	_____	2044 *	380,000	_____
2032	250,000	_____	2045 *	395,000	_____
2033	255,000	_____	2046 *	410,000	_____
2034	265,000	_____	2047 *	425,000	_____
2035 *	275,000	_____	2048 *	445,000	_____
2036 *	285,000	_____	2049 *	460,000	_____
2037 *	295,000	_____			

\*Subject to prior redemption.

This Bid is for all or none of the Bonds.

In making this offer, we accept all of the terms and conditions of the Official Notice of Sale published in The Bond Buyer.

Bid of :

Respectfully submitted,

\_\_\_\_\_  
 Firm

\_\_\_\_\_  
 Contact Name

By: \_\_\_\_\_

Authorized Representative

\_\_\_\_\_  
 Contact Email

\_\_\_\_\_  
 Contact Phone Number

\*\*\*\*\*

The following is a computation of the interest cost on the above Bid. This computation is not to be considered as a part of the Bid and is subject to verification.

Gross Interest Cost	\$ _____
(-) Premium / (+) Discount	\$ _____
Interest Cost	\$ _____
True Interest Rate	_____ %

† Preliminary, subject to change

**\$7,685,000<sup>†</sup>**  
**City of Port Huron**  
**County of St. Clair, State of Michigan**  
**Sewage Disposal System Revenue Bonds, Series 2024**

**Municipal Advisor:**



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<sup>†</sup>Preliminary, subject to change.