FINANCIAL STATEMENTS

CITY OF HOUGHTON, MICHIGAN

June 30, 2004

Michigan Dept. of Treasury, Local Audit & Finance Division
496 (3-98), Formerly L-3147

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type	Local Government Name	County
[X] City [ ] Township [ ] Village [ ] Other	City of Houghton	Houghton

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
June 30, 2004	November 24, 2004	December 27, 2004

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

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LOCAL AUDIT & FINANCE DIV.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

[ ] yes [X] no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

[X] yes [ ] no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

[ ] yes [X] no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

[ ] yes [X] no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

[ ] yes [X] no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

[ ] yes [X] no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

[ ] yes [X] no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

[ ] yes [X] no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

[ ] yes [X] no 9. The local unit has not adopted an Investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)			
Joseph M. Daavettila, P.C., CPA			
Street Address	City	State	ZIP
417 Shelden Avenue	Houghton	MI	49931
Accountant Signature	Joseph M Daavettila CPA		

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JOSEPH M. DAAVETTILA, P.C.
Certified Public Accountant
417 Shelden Avenue, P.O. Box 488
Houghton, Michigan 49931

November 24, 2004

City Council
City of Houghton
Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the CITY OF HOUGHTON, MICHIGAN as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the CITY OF HOUGHTON, MICHIGAN as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2004 on our consideration of the CITY OF HOUGHTON, MICHIGAN'S internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

As described in Note B the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 10 through 16 and 66 through 70 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF HOUGHTON, MICHIGAN's basic financial statements. The introductory section, individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Joseph M Drawthorne PC

Certified Public Accountant

JOSEPH M. DAAVETTILA, P.C.
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417 Shelden Avenue, P.O. Box 488
Houghton, Michigan 49931

November 24, 2004

City Council
City of Houghton
Michigan

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the CITY OF HOUGHTON, MICHIGAN as of and for the year ended June 30, 2004, and have issued our report thereon dated November 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the CITY OF HOUGHTON, MICHIGAN'S financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the CITY OF HOUGHTON, MICHIGAN in a separate letter dated November 24, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CITY OF HOUGHTON, MICHIGAN'S internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and

its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the CITY OF HOUGHTON, MICHIGAN in a separate letter dated November 24, 2004.

This report is intended for the information and the use of the City Council, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joseph M Dawette PC

Certified Public Accountant

Our discussion and analysis of the City of Houghton's financial performance provides an overview of the City's financial activities for the year ended June 30, 2004. This report is a new requirement under GASBS #34 as mandated by the State. Please read it in conjunction with the the City's financial statements which begin on Page 17.

USING THIS ANNUAL REPORT

This Annual Report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 17-18) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on Page 19. For governmental activities these statements tell how these activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on Page 12. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about the activities in a way that helps answer these questions. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

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

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

1. Governmental Activities - Most of the City's basic services are reported here including police, fire, general administration, streets, parks and neighborhoods. Sales taxes, franchise fees, fines, state and federal grants finance most of these activities.

2. Business-type Activities - The City charges a fee to customers to help cover all or most of the cost of certain services provided. The City's water, sewer, transit and parking systems are reported here.

3. Component Units - The City includes three separate legal entities in its report - The Downtown Development Authority, the Tax Increment Finance Authority, and the Brownfield Redevelopment Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on Page 14. The Fund Financial Statements begin on Page 19 and provide detailed information about the most significant funds, not the City as a whole. Some Funds are required to be established by State law and by bond covenants; however, the City Council establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other monies. The City's two kinds of funds, government and proprietary, use different accounting approaches:

1. Governmental Funds - Most of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at the end of the year which are available for spending. These funds are reported using the accounting method called modified accrual accounting which measures cash and other financial assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.

2. Proprietary Funds - When the City charges customers for the service it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE CITY AS TRUSTEE

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Net Assets and Changes in Net Assets on Pages 28 and 29. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
City of Houghton's Net Assets
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 2,525,702	$ 938,880	$ 3,464,582
Capital assets	6,847,569	12,136,894	18,984,463
Total assets	$ 9,373,271	$ 13,075,774	$22,449,045
Long-term liabilities	$ 1,022,697	$ 5,095,000	$ 6,117,697
Other liabilities	585,607	290,140	875,747
Total liabilities	$ 1,608,304	$ 5,385,140	$ 6,993,444
Net assets:			
Invested in capital assets, net of related debt	$ 5,711,571	$ 6,972,894	$12,684,465
Restricted	-	237,511	237,511
Unrestricted	2,053,396	480,229	2,533,625
Total net assets	$ 7,764,967	$ 7,690,634	$15,455,601

Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current and prior year assets, liabilities, and changes in net assets.

Table 2
City of Houghton's Changes in Net Assets
Year ended June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	$ 739,452	$ 2,347,678	$ 3,087,130
Operating grants and contributions	2,306,677	257,634	2,564,311
Capital grants and contributions	11,329	38,048	49,377
General revenues:			
Property taxes	1,000,786	-	1,000,786
Investment earnings	24,996	10,235	35,231
Gain on sale of assets	297,549	-	297,549
Miscellaneous	8,183	-	8,183
Total revenues	$ 4,388,972	$ 2,653,595	$ 7,042,567
Expenses:			
General government	$ 934,109	$ -	$ 934,109
Public safety	493,313	-	493,313
Public works	1,781,695	-	1,781,695
Community development	58,259	-	58,259
Recreation and parks	378,197	-	378,197
Interest on long-term debt	44,550	-	44,550
Water	-	847,941	847,941
Sewer	-	1,712,121	1,712,121
Parking	-	232,012	232,012
Transit	-	526,844	526,844
Total expenses	$ 3,690,123	$ 3,318,918	$ 7,009,041
Increase in net assets before transfers	$ 698,849	($ 665,323)	$ 33,526
Transfers	(66,595)	86,000	19,405
Increase in net assets	$ 632,254	($ 579,323)	$ 52,931
Net assets-beginning of year	7,132,713	8,269,957	15,402,670
Net assets-end of year	$ 7,764,967	$ 7,690,634	$15,455,601

Governmental Activities
Again, because this is the first year to report Governmental Activities on an accrual basis of accounting a comparison of prior years is not possible. However, in next year's discussion this section will show a condensed financial comparison of revenue and expenses and provide explanation for significant differences. To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from a particular program reported to the right. The result is a Net (Expense) Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions of the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Overall this year there was a net gain of $632,254 in government activities for 2003-04. The General Fund experienced unexpected expenses with increases in utility costs, renovation to city parks and increased contributions to the Downtown Development Authority and the Transit Fund. These costs were offset by income from the sale of the Hellman Transportation Building and 70 percent of the Peninsula Travel Building. Reimbursements for some of the land purchases and park expenses will show up in the 2004-05 budget.

Business-type Activities (Water, Sewer, Parking and Transit)
For 2003-04 all four of the above funds experienced a loss in fund balance. Revenue from Michigan Technological University and Portage Township was down significantly this year in the Water and Sewer funds. Most of the loss was expected as Michigan Technological University is taking steps to make their campus more efficient with renovations that reduced their water use. The number of students living on campus has also declined, thus reducing their water use. We also experienced a very low spring run-off this year which reduced the Sewer revenue from Portage Township and increased our share of the costs to operate and maintain the Portage Lake Water and Sewage Authority Plant.

The Transit Fund equity decreased, but it had an increase of $5,508 in cash for 2003-04. The Parking System has a large depreciation expense which causes this fund to decrease its fund balance every year. All business-type activity funds had plenty of fund balance to cover these losses.

The City Funds
With the implementation of two new accounting standards, the analysis of current and prior year governmental funds (particularly the General Fund), balance sheets is difficult to do. In subsequent years this section will discuss and analyze significant differences. However, some individual funds are not affected by these new account values for various reasons and a review of those funds follows.

The following schedule presents a summary of general, special revenue, capital projects and debt service fund revenues and expenditures for the fiscal year ending June 30, 2004 and the amount and percentages of increases and decreases in relation to the prior year.

	2004 Amount	Percent of Total	Increase (Decrease) from 2003	Percent Increase (Decrease)
Revenues:				
Taxes	$ 955,656	21.98	$ 76,690	8.02
License and permits	1,010	0.02	(155)	(15.35)
Federal grants	1,661	0.04	554	33.35
State grants	2,316,346	53.28	271,079	11.70
Charges for services	710,602	16.35	80,152	11.28
Interest and rents	24,975	0.57	(9,207)	(36.86)
Other revenue	337,131	7.76	160,200	47.52
Total revenues	$4,347,381	100.00	$ 579,313	13.33
Expenditures:				
General governmental administration	$ 768,298	17.28	$ 263,204	34.26
Public safety	550,019	12.37	49,042	8.92
Public works	1,631,172	36.68	(229,544)	(14.07)
Recreation and parks	768,913	17.29	360,450	46.88
Debt service	139,441	3.13	13,948	10.00
Other expenditures	589,249	13.25	111,900	18.99
Total expenditures	$4,447,092	100.00	$ 569,000	12.79

Overall the General Fund lost money by purchasing assets which show up as a fund loss of $188,883 on the individual fund statements. Grant revenue from the purchase of waterfront property and some other reimbursements for 2003-04 projects will show up next year, but will not completely offset this loss. The Employee Benefit Fund showed a loss of $62,056. The City did adjust the employee benefit payroll rate to 90 percent during the 2003-04 year which should be enough to allow this fund to have a net gain for 2004-05.

General Fund Budgetary Highlights

Over the course of this year the City Council revised the General Fund budget to reflect changes in revenue and expenses. The City had some unexpected purchases of land both for development and a new visitors' center, significant increase in utility costs, renovations to the City parks larger than anticipated, and increased contributions to the DDA and the Transit Fund which led to significant changes in the budget.

Capital Asset and Debt Administration

Capital Assets

On June 30, 2004 the city had $18,984,467 invested in capital assets including police and fire equipment, buildings, park facilities, roads, water and sewer.

	Governmental Activities	Business-Type Activities	Total
Land	$ 529,196	$ -	$ 529,196
Investment in Portage Lake Water and Sewer Authority	-	941,313	941,313
Buildings	1,361,224	168,989	1,530,213
Improvements	1,750,234	29,335	1,779,569
Equipment	1,201,338	356,883	1,558,221
Infrastructure	2,005,581	10,640,374	12,645,955
Total	$ 6,847,573	$ 12,136,894	$18,984,467

Debt

At year end, the City had $6,092,440 in bonds, notes, and contracts outstanding.

	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	$ 615,000	$ -	$ 615,000
Revenue Bonds	-	5,164,000	5,164,000
Installment Purchase Contract	19,101	-	19,101
Limited Tax Investment Note	108,000	-	108,000
Economic Development Grant Loan	186,339	-	186,339
	$ 928,440	$ 5,164,000	$ 6,092,440

Economic Factors for Next Year's Budgets and Rates

This year the General Fund revenue will be about the same amount as last year. Property tax is increasing as State Revenue Sharing payments are decreasing. Revenues for 2004-05 will also include income from the DNR Grant for the purchase of the Bekkala property and the Rotary contribution for the concession stand renovation. Expenses for both of these projects occurred in 2003-04. To reduce General Fund expenses we have reduced the police department by one person which will help off-set increases and expenses for healthcare and employee raises.

Contacting the City's Financial Management

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

CITY OF HOUGHTON, MICHIGAN

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government			
	Governmental Activities	Business - Type Activities	Total	Component Units
ASSETS				
Cash	$ 1,009,090	$ 345,196	$ 1,354,286	$ 407,600
Accounts receivable	67,059	325,107	392,166	-
Grant receivable	-	1,653	1,653	-
Taxes receivable	45,130	-	45,130	40,680
Due from other governmental units	607,628	1,542	609,170	378,120
Internal balances	49,970	(49,970)	-	-
Inventories	6,094	-	6,094	-
Restricted assets	-	315,352	315,352	-
Investments	418,855	-	418,855	-
Long-term loans	321,876	-	321,876	-
Capital assets - net	6,847,569	12,136,894	18,984,463	3,468,701
TOTAL ASSETS	$ 9,373,271	$13,075,774	$22,449,045	$4,295,101
LIABILITIES				
Accounts payable	$ 198,781	$ 64,783	$ 263,564	$ 122,788
Accrued expenses	74,710	107,325	182,035	33,964
Due to component unit	177,185	13,278	190,463	(196,008)
Due to other governmental units	21,630	35,754	57,384	-
Noncurrent liabilities:				
Due within one year	113,301	69,000	182,301	168,162
Due in more than one year	1,022,697	5,095,000	6,117,697	2,913,657
TOTAL LIABILITIES	$ 1,608,304	$ 5,385,140	$ 6,993,444	$3,042,563
NET ASSETS				
Invested in capital assets, net of related debt	$ 5,711,571	$ 6,972,894	$12,684,465	$1,642,662
Restricted for debt service	-	237,511	237,511	-
Unrestricted	2,053,396	480,229	2,533,625	(390,124)
TOTAL NET ASSETS	$ 7,764,967	$ 7,690,634	$15,455,601	$1,252,538

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

CITY OF HOUGHTON, MICHIGAN

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES

Year ended June 30, 2004

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental activities:				
General government	$ 934,109	$ 122,163	$ 1,275,450	$ -
Public safety	493,313	29,245	10,635	-
Public works	1,781,695	449,126	1,020,592	11,329
Community development	58,259	-	-	-
Recreation and parks	378,197	138,918	-	-
Interest on long-term debt	44,550	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	$3,690,123	$ 739,452	$ 2,306,677	$ 11,329
Business-type activities:				
Water	$ 847,941	$ 560,420	$ 7,025	$ -
Sewer	1,712,121	1,594,645	-	-
Parking	232,012	94,076	-	-
Transit	526,844	98,537	250,609	38,048
TOTAL BUSINESS-TYPE ACTIVITIES	$3,318,918	$2,347,678	$ 257,634	$ 38,048
TOTAL PRIMARY GOVERNMENT	$7,009,041	$3,087,130	$ 2,564,311	$ 49,377
Component Units:				
DDA	$ 42,707	$ -	$ -	$ -
TIFA	273,574	-	-	-
Brownfield	2,840	-	-	-
TOTAL COMPONENT UNITS	$ 319,121	$ -	$ -	$ -

General revenues:
Property taxes, levied for general purposes
Unrestricted investment earnings
Miscellaneous
Special item-Gain on sale of assets
Transfers

Total general revenues, special items and transfers

Change in net assets

Net assets at beginning of year, as adjusted

Net assets at end of year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Government Activities	Business-type Activities	Total	Component Units
$ 463,504	$ -	$ 463,504	
(453,433)	-	(453,433)	
(300,648)	-	(300,648)	
(58,259)	-	(58,259)	
(239,279)	-	(239,279)	
(44,550)	-	(44,550)	
($ 632,665)	$ -	($ 632,665)	
$ -	($ 280,496)	($ 280,496)	
-	(117,476)	(117,476)	
-	(137,936)	(137,936)	
-	(139,650)	(139,650)	
$ -	($ 675,558)	($ 675,558)	
($ 632,665)	($ 675,558)	($ 1,308,223)	
$ -	$ -	$ -	($ 42,707)
-	-	-	(273,574)
-	-	-	(2,840)
$ -	$ -	$ -	($ 319,121)
$1,000,786	$ -	$ 1,000,786	$ 981,537
24,996	10,235	35,231	4,849
8,183	-	8,183	443
297,549	-	297,549	-
(66,595)	86,000	19,405	(19,405)
$1,264,919	$ 96,235	$ 1,361,154	$ 967,424
$ 632,254	($ 579,323)	$ 52,931	$ 648,303
7,132,713	8,269,957	15,402,670	604,235
$7,764,967	$7,690,634	$15,455,601	$1,252,538

CITY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2004

	General	Major Street	Local Street
ASSETS			
Cash and cash equivalents	$ 390,341	$ 111,488	$ 85,431
Accounts receivable	66,789	270	-
Taxes receivable	45,130	-	-
Inventories	6,094	-	-
Due from other funds	-	3,270	-
Due from other governmental units	484,962	65,016	57,026
Long-term loan	101,798	-	-
Investments	418,855	-	-
TOTAL ASSETS	$1,513,969	$ 180,044	$ 142,457
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 134,765	$ 6,864	$ 1,809
Accrued expenses	54,391	4,932	3,594
Due to other funds	162,889	6,855	93,630
Due to other governmental units	21,630	-	-
Due to component units	89,483	-	-
Deferred revenue	146,928	-	-
TOTAL LIABILITIES	$ 610,086	$ 18,651	$ 99,033
FUND BALANCES			
Reserved for inventory	$ 6,094	$ -	$ -
Unreserved, reported in:			
General fund	897,789	-	-
Special revenue funds	-	161,393	43,424
Capital project fund	-	-	-
Debt service fund	-	-	-
TOTAL FUND BALANCES	$ 903,883	$ 161,393	$ 43,424
TOTAL LIABILITIES AND FUND BALANCES	$1,513,969	$ 180,044	$ 142,457

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

Revolving	Capital Projects	Debt Service	Total
$ 191,199	$ 1,108	$ 115	$ 779,682
-	-	-	67,059
-	-	-	45,130
-	-	-	6,094
61,363	211,350	-	275,983
-	624	-	607,628
220,078	-	-	321,876
-	-	-	418,855
$ 472,640	$ 213,082	$ 115	$2,522,307
$ -	$ 10,228	$ -	$ 153,666
-	2,090	-	65,007
-	61,363	-	324,737
-	-	-	21,630
-	88,769	-	178,252
220,078	-	-	367,006
$ 220,078	$ 162,450	$ -	$1,110,298
$ -	$ -	$ -	$ 6,094
-	-	-	897,789
252,562	-	-	457,379
-	50,632	-	50,632
-	-	115	115
$ 252,562	$ 50,632	$ 115	$1,412,009
$ 472,640	$ 213,082	$ 115	$2,522,307

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS

June 30, 2004

Total fund balance - total governmental funds	$1,412,009
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	5,846,184
Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	1,154,004
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.	(5,339)
Deferred revenue is unavailable revenue and therefore is not reported as a liability in the statement of net assets.	367,006
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(1,008,897)
Net assets of governmental activities	$7,764,967

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

CITY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year ended June 30, 2004

	General	Major Street	Local Street
REVENUES:			
Taxes	$ 851,043	$ -	$ 104,613
License and permits	1,010	-	-
Federal grants	-	-	-
State grants	1,286,086	790,232	230,360
Charges for services	710,602	-	-
Interest and rents	18,742	1,327	493
Other revenue	331,757	-	-
TOTAL REVENUES	$3,199,240	$ 791,559	$ 335,466
EXPENDITURES:			
General government	$ 685,035	$ 19,506	$ 17,424
Public safety	550,019	-	-
Public works	586,942	592,045	308,573
Recreation and parks	768,913	-	-
Other expenditures	474,668	55,629	58,952
Debt service:			
Principal	19,557	-	-
Interest and other charges	5,829	-	-
TOTAL EXPENDITURES	$3,090,963	$ 667,180	$ 384,949
Excess (deficiency) of revenues over expenditures	$ 108,277	$ 124,379	($ 49,483)
OTHER FINANCING SOURCES (USES):			
Transfers in	$ -	$ -	$ 11,100
Transfers out	297,160	11,100	-
TOTAL OTHER FINANCING SOURCES (USES)	($ 297,160)	($ 11,100)	$ 11,100
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($ 188,883)	$ 113,279	($ 38,383)
Fund balances at beginning of year	$1,092,766	$ 48,114	$ 81,807
Fund balances at end of year	$ 903,883	$ 161,393	$ 43,424

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

Revolving	Capital Projects	Debt Service	Total
$ -	$ -	$ -	$ 955,656
-	-	-	1,010
-	1,661	-	1,661
-	9,668	-	2,316,346
-	-	-	710,602
4,413	-	-	24,975
5,374	-	-	337,131
$ 9,787	$ 11,329	$ -	$4,347,381
$ 1,189	$ 45,144	$ -	$ 768,298
-	-	-	550,019
-	143,612	-	1,631,172
-	-	-	768,913
-	-	-	589,249
-	-	80,000	99,557
-	-	34,055	39,884
$ 1,189	$ 188,756	$ 114,055	$4,447,092
$ 8,598	($ 177,427)	($ 114,055)	($ 99,711)
$ -	$ 103,000	$ 114,055	$ 228,155
-	-	-	308,260
$ -	$ 103,000	$ 114,055	($ 80,105)
$ 8,598	($ 74,427)	$ -	($ 179,816)
$ 243,964	$ 125,059	$ 115	$1,591,825
$ 252,562	$ 50,632	$ 115	$1,412,009

CITY OF HOUGHTON, MICHIGAN

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

June 30, 2004

Net change in fund balances - total governmental funds		($179,816)
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		772,634
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Fund's depreciation expense of $214,493		(482,361)
Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		99,557
Some property tax will not be collected for several months after the City's fiscal year end; therefore, they are not considered "available" revenues in the governmental funds.		45,130
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.		(4,666)
Internal service funds are used by management to charge the costs of certain activities, such as equipment rentals, to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities net of amount allocated to business-type and component units activities and depreciation expense.		
Change in net assets	$194,451	
Net of amount allocated to business-type and component units activities	(34,502)	
Depreciation expense	214,493	374,442
Change in net assets of governmental activities		$624,920

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

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

June 30, 2004

	Business-Type Activities - Enterprise Funds			
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund	Transit Fund
ASSETS				
CURRENT ASSETS				
Cash	$ 30,782	$ 276,740	$ 7,726	$ 29,948
Accounts receivable	65,368	253,172	5	6,562
Grant receivable	-	-	-	1,653
Due from other funds	-	138,112	-	-
Due from other governmental units	-	-	-	1,542
TOTAL CURRENT ASSETS	$ 96,150	$ 668,024	$ 7,731	$ 39,705
NONCURRENT ASSETS				
Restricted assets	$ 284,071	$ 31,281	$ -	$ -
Capital assets:				
Property and equipment	9,287,512	5,447,436	4,418,757	1,242,622
Less accumulated depreciation	(3,101,644)	(3,152,714)	(2,081,952)	(864,436)
Investment in Portage Lake Water and Sewer Authority	-	941,313	-	-
TOTAL NONCURRENT ASSETS	$6,469,939	$3,267,316	$2,336,805	$ 378,186
TOTAL ASSETS	$6,566,089	$3,935,340	$2,344,536	$ 417,891

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

Totals	Governmental Activities - Internal Service Fund
$ 345,196	$ 229,408
325,107	-
1,653	-
138,112	342,247
1,542	8,086
$ 811,610	$ 579,741
$ 315,352	$ -
20,396,327	3,140,726
(9,200,746)	(2,139,341)
941,313	-
$12,452,246	$ 1,001,385
$13,263,856	$ 1,581,126

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (CONTINUED)

June 30, 2004

	Business-Type Activities - Enterprise Funds			
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund	Transit Fund
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$ 35,277	$ 12,390	$ 2,031	$ 15,085
Accrued wages and benefits	8,489	6,035	2,260	12,700
Accrued expenses	67,606	10,235	-	-
Due to other funds	38,031	-	177,524	10
Due to component unit	3,455	9,823	-	-
Due to other governmental units	-	10,213	-	25,541
Current maturities on long-term debt	39,000	30,000	-	-
TOTAL CURRENT LIABILITIES	$ 191,858	$ 78,696	$ 181,815	$ 53,336
NONCURRENT LIABILITIES				
Loans payable	$ -	$ -	$ -	$ -
Bonds payable	4,544,000	620,000	-	-
Less current maturities	(39,000)	(30,000)	-	-
TOTAL NONCURRENT LIABILITIES	$4,505,000	$ 590,000	$ -	$ -
TOTAL LIABILITIES	$4,696,858	$ 668,696	$ 181,815	$ 53,336
NET ASSETS				
Invested in capital assets - net of related debt	$1,641,868	$2,616,035	$2,336,805	$378,186
Restricted for debt service	216,465	21,046	-	-
Unrestricted	10,898	629,563	(174,084)	(13,631)
TOTAL NET ASSETS	$1,869,231	$3,266,644	$2,162,721	$364,555

Reconciliation to government-wide statements of net assets:

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

Net assets of business-type activities.

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

Totals	Governmental Activities - Internal Service Fund
$ 64,783	$ 45,115
29,484	-
77,841	4,364
215,565	216,040
13,278	-
35,754	-
69,000	13,200
$ 505,705	$ 278,719
$ -	$ 127,101
5,164,000	-
(69,000)	(13,200)
$ 5,095,000	$ 113,901
$ 5,600,705	$ 392,620
$ 6,972,894	$ 874,284
237,511	-
452,746	314,222
$ 7,663,151	$ 1,188,506
27,483	
$ 7,690,634	

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2004

	Business-Type Activities - Enterprise Funds			
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund	Transit Fund
Operating revenues:				
Utility Services	$ 541,680	$1,594,232	$ -	$ -
Parking revenues	-	-	93,878	-
Transit fares	-	-	-	95,528
Rents and other revenues	25,765	413	198	3,009
TOTAL OPERATING REVENUES	$ 567,445	$1,594,645	$ 94,076	$ 98,537
Operating expenses:				
Operating expenses -				
Less depreciation	$ 457,348	$1,591,927	$ 130,462	$371,362
Depreciation	181,994	98,318	108,544	97,192
TOTAL OPERATING EXPENSES	$ 639,342	$1,690,245	$ 239,006	$468,554
OPERATING INCOME (LOSS)	($ 71,897)	($ 95,600)	($ 144,930)	($370,017)
Non-operating revenues:				
Interest income and other revenue	$ 9,109	$ 1,005	$ 107	$ 14
Gain on sale of equipment	-	-	-	-
Operating grants	-	-	-	250,609
TOTAL NON-OPERATING REVENUES	$ 9,109	$ 1,005	$ 107	$250,623
Non-operating expenses:				
Interest	$ 216,424	$ 34,540	$ -	$ 170
Service grants	-	-	-	58,120
TOTAL NON-OPERATING EXPENSES	$ 216,424	$ 34,540	$ -	$ 58,290
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	($ 279,212)	($ 129,135)	($ 144,823)	($177,684)
Capital contributions	-	-	-	38,048
Transfers in (out)	-	-	-	86,000
CHANGE IN NET ASSETS	($ 279,212)	($ 129,135)	($ 144,823)	($ 53,636)
Total net assets - beginning	$2,148,443	$3,395,779	$2,307,544	$418,191
Total net assets - ending	$1,869,231	$3,266,644	$2,162,721	$364,555

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

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

Change in net assets of business-type activities.

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

Totals	Governmental Activities-Internal Service Fund
$2,135,912	$ -
93,878	-
95,528	-
29,385	824,794
$2,354,703	$ 824,794
$2,551,099	$ 436,134
486,048	214,493
$3,037,147	$ 650,627
($ 682,444)	$ 174,167
$ 10,235	$ 21
-	12,549
250,609	-
$ 260,844	$ 12,570
$ 251,134	$ 5,796
58,120	-
$ 309,254	$ 5,796
($ 730,854)	$ 180,941
38,048	-
86,000	13,510
($ 606,806)	$ 194,451
	$ 994,055
	$ 1,188,506
27,483	
($ 579,323)	

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

Year ended June 30, 2004

	Business-Type Activites Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
Cash flows from operating activities:			
Receipts from customers	$ 543,811	$1,569,622	$ 93,873
Payments to suppliers	(391,764)	(1,550,617)	(112,649)
Payments to employees	(72,406)	(69,359)	(15,382)
Claims paid to outsiders	(477)	(420)	-
Other receipts (payments)	25,765	413	198
Net cash provided (used) by operating activities	$ 104,929	($ 50,361)	($ 33,960)
Cash flows from noncapital financing activities:			
Transfers from other funds and component units	$ 105,395	$ 198,416	$ 40,927
Transfers to other funds and component units	101,847	110,157	22,817
Proceeds from grants	-	-	-
Specialized services grants paid	-	-	-
Interest expense and finance charges	-	-	-
Net cash provided (used) by noncapital financing activities	$ 3,548	$ 88,259	$ 18,110
Cash flows from capital and related financing activities:			
Capital contributions	$ -	$ -	$ -
Proceeds from sale of equipment	-	-	-
Acquisition of property, plant and equipment	(59,247)	(30,940)	-
Issuance (reduction) of long-term debt	(37,000)	(30,000)	-
(Increase) decrease in restricted assets	190,886	(560)	-
Interest paid on long-term debt	(216,424)	(34,540)	-
Net cash provided (used) by capital and related financing activities	($ 121,785)	($ 96,040)	$ -

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

Transit Fund	Totals	Governmental Activities - Internal Service Fund
$ 108,147	$2,315,453	$ 782,637
(141,798)	(2,196,828)	(591,170)
(246,090)	(403,237)	(26,702)
-	(897)	-
3,009	29,385	254
($ 276,732)	($ 256,124)	$ 165,019
$ 150,509	$ 495,247	$ -
51,850	286,671	13,510
250,609	250,609	-
(58,120)	(58,120)	-
(170)	(170)	-
$ 290,978	$ 400,895	$ 13,510
$ 38,048	$ 38,048	$ -
-	-	20,198
(37,396)	(127,583)	(95,798)
(6,835)	(73,835)	21,823
-	190,326	(10,722)
-	(250,964)	(5,796)
($ 6,183)	($ 224,008)	($ 70,295)

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)

Year ended June 30, 2004

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
Cash flows from investing activities - Interest received	$ 9,109	$ 1,005	$ 107
Net increase (decrease) in cash and cash equivalents	($ 4,199)	($ 57,137)	($ 15,743)
Cash - beginning of year	34,981	333,877	23,469
Cash - end of year	$ 30,782	$ 276,740	$ 7,726
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	($ 71,897)	($ 95,600)	($ 144,930)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -			
Depreciation expense	181,994	98,318	108,544
Changes in assets and liabilities:			
Receivables	2,131	(24,610)	(5)
Accounts and other payables	(2,429)	(28,610)	1,876
Accrued expenses	(4,870)	141	555
Net cash provided by operating activities	$ 104,929	($ 50,361)	($ 33,960)

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

Transit Fund	Totals	Governmental Activities - Internal Service Fund
$ 14	$ 10,235	$ 21
$ 8,077	($ 69,002)	$ 108,255
21,871	414,198	121,153
$ 29,948	$ 345,196	$ 229,408
($ 370,017)	($ 682,444)	$ 174,167
97,192	486,048	214,493
12,619	(9,865)	(41,903)
(19,416)	(48,579)	(181,974)
2,890	(1,284)	236
($ 276,732)	($ 256,124)	$ 165,019

CITY OF HOUGHTON, MICHIGAN

FIDUCIARY FUND TYPES
STATEMENT OF NET ASSETS

June 30, 2004

	Pension Trust Fund Employee Retirement Fund	Employee Benefit Fund	Agency Fund Tax Collection Fund
ASSETS			
Cash	$ 47,020	$ 80,363	$ 34,355
Due from participants	1,600	-	-
Investments - at fair value	4,080,142	-	-
Prepaid expenses	-	42,605	-
Loans to retirement plan participants	168,456	-	-
TOTAL ASSETS	$ 4,297,218	$ 122,968	$ 34,355
LIABILITIES			
Accounts payable	$ 1,600	$ 3,985	$ -
Accrued expenses and payroll taxes	-	318	-
Due to other governmental units	-	-	28,809
Due to component units	-	-	5,546
Accumulated employee sick leave	-	71,897	-
Accumulated employee vacation	-	98,169	-
TOTAL LIABILITIES	$ 1,600	$ 174,369	$ 34,355
NET ASSETS			
Held in trust for pension benefits	$ 4,295,618	$ -	$ -
Unrestricted	-	(51,401)	-
TOTAL NET ASSETS	$ 4,295,618	($ 51,401)	$ -

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

CITY OF HOUGHTON, MICHIGAN

FIDUCIARY FUND TYPES
STATEMENT OF CHANGES IN NET ASSETS

Year ended June 30, 2004

	Pension Trust Fund Employee Retirement Fund	Employee Benefit Fund
Operating revenues:		
Employer contributions	$ 186,053	$ -
Investment income (loss)	104,143	-
Charges for services	-	867,850
Other revenue	-	2,182
TOTAL OPERATING REVENUES	$ 290,196	$ 870,032
Operating expenses:		
Plan distributions	$ 278,074	$ -
Payroll taxes - employee share	-	123,358
Hospitalization insurance	-	363,760
Sick pay	-	65,215
Vacation pay	-	83,710
Holiday pay	-	35,313
Funeral pay	-	353
Longevity pay	-	11,400
Workers' compensation insurance	-	13,371
Unemployment insurance	-	2,684
Retirement contributions	-	186,053
Life insurance	-	31,914
Disability insurance	-	5,006
Other	-	9,951
TOTAL OPERATING EXPENSES	$ 278,074	$ 932,088
OPERATING INCOME (LOSS)	$ 12,122	($ 62,056)
Nonoperating revenues (expenses) - Net appreciation (depreciation) in fair value of investments	418,117	-
Changes in net assets	$ 430,239	($ 62,056)
Net assets - beginning of year	3,865,379	10,655
Net assets - end of year	$ 4,295,618	($ 51,401)

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

CITY OF HOUGHTON, MICHIGAN

COMPONENT UNITS
STATEMENT OF NET ASSETS

June 30, 2004

	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Totals
ASSETS				
Cash	$ 19,589	$ 388,011	$ -	$ 407,600
Taxes receivable	13,810	26,870	-	40,680
Due from primary government	94,659	93,952	15,483	204,094
Due from other governmental units	-	-	378,120	378,120
Capital assets-net	578,578	2,890,123	-	3,468,701
TOTAL ASSETS	$ 706,636	$3,398,956	$ 393,603	$4,499,195
LIABILITIES				
Accounts payable	$ 106,677	$ 16,111	$ -	$ 122,788
Accrued expenses	1,451	32,513	-	33,964
Due to primary government	1,979	6,107	-	8,086
Noncurrent liabilities:				
Due within one year	10,000	111,282	46,880	168,162
Due in more than one year	953,030	1,629,387	331,240	2,913,657
TOTAL LIABILITIES	$ 1,073,137	$1,795,400	$ 378,120	$3,246,657
NET ASSETS				
Invested in capital assets, net of related debt	$ 493,208	$1,149,454	$ -	$1,642,662
Unrestricted	(859,709)	454,102	15,483	(390,124)
TOTAL NET ASSETS	($ 366,501)	$1,603,556	$ 15,483	$1,252,538

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

CITY OF HOUGHTON, MICHIGAN

COMPONENT UNITS - STATEMENT OF ACTIVITIES

Year ended June 30, 2004

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Downtown Development Authority:				
General government	$ 32,052	$ -	$ -	$ -
Public works	10,655	-	-	-
TOTAL DOWNTOWN DEVELOPMENT AUTHORITY	$ 42,707	$ -	$ -	$ -
Tax Increment Finance Authority:				
General government	$ 206,107	$ -	$ -	$ -
Public works	67,467	-	-	-
TOTAL TAX INCREMENT FINANCE AUTHORITY	$ 273,574	$ -	$ -	$ -
Brownfield Redevelopment Authority -				
General government	$ 2,840	$ -	$ -	$ -

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

Change in net assets

Net assets at beginning of year, as adjusted

Net assets at end of year

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

Net (Expense) Revenues and Changes in Net Assets			
Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Total
($ 32,052)	$ -	$ -	($ 32,052)
(10,655)	-	-	(10,655)
($ 42,707)	$ -	$ -	($ 42,707)
$ -	($ 206,107)	$ -	($ 206,107)
-	(67,467)	-	(67,467)
$ -	($ 273,574)	$ -	($ 273,574)
$ -	$ -	($ 2,840)	($ 2,840)
$ 283,577	$ 697,960	$ -	$ 981,537
634	4,215	-	4,849
443	-	-	443
(19,405)	-	-	(19,405)
$ 265,249	$ 702,175	$ -	$ 967,424
$ 222,542	$ 428,601	($ 2,840)	$ 648,303
(589,043)	1,174,955	18,323	604,235
($ 366,501)	$ 1,603,556	$ 15,483	$1,252,538

NOTE A - DESCRIPTION OF CITY OPERATIONS

The City was organized on June 8, 1970 and covers an area of approximately 1,869 acres. The City operates under a Council-Manager form of government with an elected council of seven members.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Houghton conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Houghton:

REPORTING ENTITY

The City of Houghton is governed by an elected seven-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government (see discussion below for description).

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate fund types and account groups.

BUILDING AUTHORITY

The Building Authority of the City of Houghton is governed by a five member board appointed by the City Council. It was created to facilitate the issuance of bonded debt. This unit has no day-to-day operations and the debt issued by it is reflected in the governmental activities in the government-wide statement of activities and the Downtown Development Authority.

DISCRETELY PRESENTED COMPONENT UNITS

The following component units are reported within the "component units" column in the financial statements. A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Downtown Development Authority, the Tax Increment Finance Authority and the Brownfield Redevelopment Authority are considered to be component units of the City and their financial statements are presented discretely with the City's. The Downtown Development Authority, the Tax Increment Finance Authority and the Brownfield Redevelopment Authority are governed by the same board. The board consists of nine members which include the City Manager and 8 others that are appointed by the Mayor subject to approval by the City Council.

The Houghton Housing Authority is a component unit of the City of Houghton. It is governed by a five member board appointed by the City Manager. It is audited separately.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED

Financial information for the Houghton Housing Authority as of December 31, 2002, the last year that audited financial information is available, is as follows:

Assets:	
Current assets	$ 259,613
Net fixed assets	1,750,106
Total Assets	$2,009,719
Liabilities:	
Current liabilities	$ 53,403
Long-term liabilities	1,345
Total Liabilities	$ 54,748
Equity:	
Contributed capital - net of accumulated depreciation	$1,378,182
Retained earnings - unreserved	576,789
Total Equity	$1,954,971
	$2,009,719
Operating Revenues:	
Tenant revenue	$ 165,848
Program grants - subsidies	215,880
Total Operating Revenues	$ 381,728
Operating Expenses:	
General operations	$ 269,985
Depreciation	127,786
Total Operating Expenses	$ 397,771
Operating Income (Loss)	($ 16,043)
Other Income (Expenses)	$ 4,795
Net Income (Loss)	($ 11,248)
Depreciation on assets acquired with contributed capital	123,548
Retained earnings, beginning of period	464,489
Retained earnings, end of period	$ 576,789

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

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

Audited financial information for the joint venture as of June 30, 2004:

Total assets	$24,860,299
Liabilities:	
Current liabilities	$ 462,448
Long-term liabilities	8,610,774
	$ 9,073,222
Total equity	15,787,077
	$24,860,299
Total revenues	$ 1,366,545
Total expenditures	1,366,545
INCREASE IN FUND EQUITY FROM OPERATIONS	$ -
Equity contributions	325,000
TOTAL INCREASE IN FUND EQUITY	$ 325,000

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

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 are reported as separate columns in the fund financial statements.

FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

General Obligation Debt Retirement Fund

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

Capital Projects Funds

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

PROPRIETARY FUNDS

Enterprise Funds

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (CONTINUED)

PROPRIETARY FUNDS (CONTINUED)

Internal Service Funds

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

FIDUCIARY FUNDS

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

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

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

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONTINUED)

Property taxes include amounts levied against all real and public utility property and tangible personal property which is used in businesses located in the City. Taxes are levied on July 1 on the taxable value listed as of the prior January 1. The due date for taxes to be paid without penalty for the 2004 summer levy is July 31, 2004, the winter levy due date is December 1, 2004. All real property taxes remaining unpaid by March 1 are bought by Houghton County. Property tax revenue is recognized as of July 1, when the taxes are levied. In the fund financial statements, any taxes collected before that date are recorded as deferred revenue. Property taxes receivable over 60 days are required to be recorded as deferred revenue in accordance with generally accepted accounting principles for local governments.

Taxable values are established by the City Assessor. A revaluation of all property is required annually. The City's tax rate applicable to 2003 was $14.00 on each $1,000.00 of tax valuation.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS

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

Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sale price. Investments that do not have an established market are reported at estimated fair value. All investments comply with Michigan Compiled Laws, Section 129.91.

RECEIVABLES AND PAYABLES

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

INVENTORIES AND PREPAID ITEMS

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

RESTRICTED ASSETS

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

CAPITAL ASSETS

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

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

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

LONG-TERM OBLIGATIONS

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

FUND EQUITY

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

ACCUMULATED EMPLOYEE SICK LEAVE AND VACATION

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

As a result of the implementation of GASB 34, net assets of July 1, 2003 are adjusted as follows:

	Governmental Activities	Component Units
Fund balance, July 1, 2003	$ 2,585,880	$ 341,877
Capitalizaton of infrastructure and other assets	8,524,994	3,770,633
Deferred revenue	337,985	378,120
Prior depreciation	(3,183,575)	(599,030)
Long-term debt	(1,131,898)	(3,284,577)
Accrued interest	(673)	(2,788)
Net Assets, July 1, 2003	$ 7,132,713	($ 604,235)

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

FUND DEFICITS

Deficit fund balances or retained earnings balances of individual funds and component units are as follows -

The Employee Benefits Fund has a deficit fund balance of $59,583 as of June 30, 2004.

NOTE D - DEPOSITS AND INVESTMENTS

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

At June 30, 2004, the City of Houghton's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	$ 1,009,090	$ 345,196	$ 161,738	$1,516,024	$ 407,600
Investments	418,855	-	4,080,141	4,498,996	-
Restricted assets	-	315,352	-	315,352	-
Total	$ 1,427,945	$ 660,548	$4,241,879	$6,330,372	$ 407,600

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

	Bank Balances		
Deposits	Primary Government	Component Unit	Total
Insured or collateralized	$1,975,586	$ 407,860	$2,383,446
Uninsured	158,827	-	158,827
Total Deposits	$2,134,413	$ 407,860	$2,542,273

At year end, the carrying amount of cash was $1,469,004 and $407,600 for the primary government and component units respectively. Deposits totalling $101,416 are included with Restricted Assets and deposits of $47,020 are classified as Retirement Account-Cash. Included with Cash was petty cash of $753. The total carrying amount of deposits in these accounts is $1,616,687 and $407,600 for the primary government and component units respectively.

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

Category 1: Insured or collateralized with securities held by the City or its agent in the City's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

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

NOTE D - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type

	(1)	(2)	(3)	Reported Amount	Fair Value
Risk-Categorized					
Cash equivalents	$ 140,857	$ -	$ -	$ 140,857	$ 140,857
Bonds and secure mortgages	888,499	-	-	888,499	888,499
	$1,029,356	$ -	$ -	$1,029,356	$1,029,356
Nonrisk-Categorized					
Mutual funds				$3,496,376	$3,496,376
Annuities				187,200	187,200
				$3,683,576	$3,683,576
Total investments				$4,712,932	$4,712,932

Investments totalling $213,936 are included with Restricted Assets. Bonds and secured mortgages, common stock, mutual funds, and annuities are held in the Employee Retirement Fund.

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

NOTE E - RECEIVABLES

Receivables as of June 30, 2004 are as follows:

	General Fund	Special Revenue Funds	Water Fund	Sewer Fund
Taxes receivable	$ 45,130	$ -	$ -	$ -
Accounts	66,789	270	65,368	253,172
Long-term loans	101,798	220,078	-	-
Intergovernmental	484,962	122,666	-	-
Grants	-	-	-	-
Other receivables	-	-	-	-
Total receivables	$ 698,679	$343,014	$ 65,368	$ 253,172

	Parking Fund	Transit Fund	Fiduciary Fund	Total
Taxes receivable	$ -	$ -	$ -	$ 45,130
Accounts	5	6,562	-	392,166
Long-term loans	-	-	168,456	490,332
Intergovernmental	-	1,542	-	609,170
Grants	-	1,653	-	1,653
Other receivables	-	-	1,600	1,600
Total receivables	$ 5	$ 9,757	$ 170,056	$1,540,051

NOTE E - RECEIVABLES (CONTINUED)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Delinquent property taxes	$ 45,130	$ -
Long-term loans receivable	321,876	-
Total	$ 367,006	$ -

LONG-TERM LOANS RECEIVABLE

The long-term loan receivable in the General Fund is the amount due on an installment sale ($200,000 original balance, $101,798 remaining) of a building to U.P. Engineering, Inc.. The agreement calls for 240 monthly payments of $1,432.90, which includes interest at a rate of 6% per annum.

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

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

TRANSIT FUND OPERATING GRANT UNDERPAYMENT (OVERPAYMENT)

a. The city received underpayments (overpayments) of State operating assistance in the current and prior years which have been recorded as a due from (to) State amount on the balance sheet at June 30, 2004. The amount receivable (owed) and the applicable years are as follows:

For Fiscal Year	Due from (to) State
1998-99	$ 990
1999-00	(5,340)
2000-01	(8,885)
2001-02	(5,581)
2002-03	(3,490)
2003-04	(3,235)
	($ 25,541)

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

NOTE E - RECEIVABLES (CONTINUED)

TRANSIT FUND OPERATING GRANT UNDERPAYMENT (OVERPAYMENT) (CONTINUED)

b. The City has Federal Section 5311 funds receivable and payable from current and prior years operations which have been included as net accounts receivable on the balance sheet at June 30, 2004. The amounts and the applicable years are as follows:

For Fiscal Year	Amount Receivable Payable
1998-99	($ 167)
1999-00	(3,070)
2000-01	(72)
2001-02	2,419
2002-03	3,103
2003-04	(671)
	$ 1,542

c. The amount of the 2003-04 State operating assistance receivable (payable) and Federal Section 5311 assistance receivable (payable) above was computed as follows:

	State Operating Assistance	Federal Section 5311 Funds
Maximum allowable per computation	$ 119,516	$ 30,985
2003-04 receipts	122,751	31,656
Amount receivable	($ 3,235)	($ 671)

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance July 1	Additions
Governmental activities:		
Capital assets not being depreciated - land	$ 31,802	$ 497,394
Capital assets being depreciated:		
Buildings	$ 1,593,881	$ 263,401
Improvements	3,543,116	-
Equipment	3,245,276	107,637
Infrastructure	3,159,261	81,054
Total capital assets being depreciated	$11,541,534	$ 452,092
Less accumulated depreciation for:		
Buildings	($ 457,409)	($ 38,649)
Improvements	(1,688,114)	(104,768)
Equipment	(1,892,421)	(251,505)
Infrastructure	(1,147,294)	(87,439)
Total accumulated depreciation	($ 5,185,238)	($ 482,361)
Total capital assets, being depreciated, net	$ 6,356,296	($ 30,269)
Governmental activities capital assets, net	$ 6,388,098	$ 467,125
Business-type activities:		
Capital assets not being depreciated - PLWSA	$ 941,313	$ -
Capital assets being depreciated:		
Buildings	$ 254,777	$ -
Improvements	-	29,335
Equipment	1,132,025	61,379
Infrastructure	18,881,943	36,870
Total capital assets being depreciated	$20,268,745	$ 127,584
Less accumulated depreciation for:		
Buildings	($ 78,925)	($ 6,863)
Improvements	-	-
Equipment	(720,044)	(116,477)
Infrastructure	(7,915,731)	(362,708)
Total accumulated depreciation	($ 8,714,700)	($ 486,048)
Total capital assets being depreciated, net	$11,554,045	($ 358,464)
Business-type activities capital assets, net	$12,495,358	($ 358,464)
Component unit activities:		
Capital assets not being depreciated - land	$ 52,111	$ -
Capital assets being depreciated:		
Buildings	$ 537,033	$ -
Infrastructure	3,181,489	375,220
Total capital assets being depreciated	$ 3,718,522	$ 375,220
Less accumulated depreciation for:		
Buildings	($ 97,564)	($ 12,241)
Infrastructure	(501,466)	(65,881)
Total accumulated depreciation	($ 599,030)	($ 78,122)
Total capital assets being depreciated, net	$ 3,119,492	$ 297,098
Component unit activities capital assets, net	$ 3,171,603	$ 297,098

Retirements	Balance June 30,
$ -	$ 529,196
$ -	$ 1,857,282
-	3,543,116
(84,464)	3,268,449
-	3,240,315
($ 84,464)	$11,909,162
$ -	($ 496,058)
-	(1,792,882)
76,815	(2,067,111)
-	(1,234,733
$ 76,815	($ 5,590,784)
($ 7,649)	($ 6,318,378)
($ 7,649)	$ 6,847,574
$ -	$ 941,313
$ -	$ 254,777
-	29,335
-	1,193,404
-	18,918,813
$ -	$20,396,329
$ -	($ 85,788)
-	-
-	(836,521)
-	(8,278,439)
$ -	($ 9,200,748)
$ -	$11,195,581
$ -	$12,136,894
$ -	$ 52,111
$ -	$ 537,033
-	3,556,709
$ -	$ 4,093,742
$ -	($ 109,805)
-	(567,347)
$ -	($ 677,152)
-	3,416,590
$ -	$ 3,468,701

NOTE F - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government and administration	$ 36,364
Public works	221,860
Public safety	106,438
Recreation and parks	117,699
Total depreciation expense - Governmental activities	$ 482,361
Business-type activities:	
Water	$ 181,994
Sewer	98,318
Parking	108,544
Transit	97,192
Total depreciation expense - Business-type activities	$ 486,048

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2004 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Major Street	$ 3,270	Local Street	$ 3,270
Revolving	$ 61,363	Public Improvement	$ 61,363
Public Improvement	$ 211,350	Local Street	$ 2,722
		Equipment	85,618
		General	72,216
		Parking	50,794
SUBTOTAL	$ 211,350	SUBTOTAL	$ 211,350
Sewage Disposal	$ 138,112	Equipment	$ 130,422
		Water	7,690
SUBTOTAL	$ 138,112	SUBTOTAL	$ 138,112
Equipment	$ 342,247	General	$ 90,673
		Water	30,341
		Major Street	6,855
		Local Street	87,638
		Transit	10
		Parking System	126,730
SUBTOTAL	$ 342,247	SUBTOTAL	$ 342,247
TOTALS	$ 756,342	TOTALS	$ 756,342

NOTE G - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

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

The amounts of receivables and payables between primary government and component units at June 30, 2004 are as follows:

	Receivable from Primary Government	Payable to Primary Government		Receivable from Component Unit	Payable to Component Unit
Downtown Development Authority - General	$ 91,654	$ 1,979	Tax Collection	$ -	$ 4,376
			General	1,979	87,278
	$ 91,654	$ 1,979		$ 1,979	$ 91,654
Tax Increment Finance Authority - General	$ 89,938	$ 6,107	Tax Collection	$ -	$ 1,169
			Public Improvement	-	88,769
			Equipment	6,107	-
	$ 89,938	$ 6,107		$ 6,107	$ 89,938
Brownfield Redevelopment Authority - General	$ 15,483	$ -	General	$ -	$ 15,483
TOTALS	$ 197,075	$ 8,086	TOTALS	$ 8,086	$ 197,075

NOTE H - LONG-TERM DEBT

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

NOTE H - LONG-TERM DEBT (CONTINUED)

	Governmental	Business-type
At June 30, 2004 bonds payable consisted of the following individual issues:		
Water supply and sewage disposal system revenue bonds dated March 9, 1978, mature annually on February 1, 2005 through February 1, 2017, with interest at 5.00% per annum.	$ -	$ 105,000
Water supply and sewage disposal system revenue bonds dated March 6, 1980, mature annually on May 1, 2005 through May 1, 2019, with interest at 5.00% per annum.	-	184,000
Water supply and sewage disposal system bonds dated December 1, 1996, mature annually on September 1, 2004 through September 1, 2017, with interest at 5.4525% per annum.	-	365,000
Water supply and sewage disposal system Junior Lien bonds dated October 18, 1995, mature annually on September 1, 2004 though September 1, 2035, with interest at 4.50% per annum.	-	4,089,000
Water supply and sewage disposal system Junior Lien bonds dated December 1, 1996, mature annually on September 1, 2004 through September 1, 2036, with interest at 4.50% per annum.	-	166,000
Sewage disposal limited tax general obligation bonds dated April 1, 1997, mature annually on October 1, 2004 through October 1, 2012.	-	255,000
Building Authority limited tax general obligation bonds dated September 1, 1997, mature annually on October 1, 2004 through October 1, 2017.	615,000	-
Total bonds payable	$ 615,000	$ 5,164,000
INSTALLMENT NOTE		
1999 Rural Development Service Installment note dated April 21, 1999, matures annually on March 1, 2005 through March 1, 2014 with interest at 4.75% per annum.	$ 108,000	$ -
INSTALLMENT PURCHASE CONTRACT		
Ford Ranger Pickup loan with monthly payments of $392.55 including interest through October, 2008 with interest at 3.0% per annum, financed through Wells Fargo Bank, a financial institution.	$ 19,101	$ -
ECONOMIC DEVELOPMENT GRANT LOAN		
Michigan CDBG Economic Development Grant Loan	$ 186,339	$ -

The long-term portion of employee compensated absences, totalling $151,361, and the Keyman Life Insurance retirement annuity, totalling $56,197 are both paid through the Employee Benefits fund, and reported as governmental activity in the Government-Wide Statement of Net Assets.

NOTE H - LONG-TERM DEBT (CONTINUED)

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2004, are as follows:

Year Ended June 30,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest
2005	$113,297	$ 40,939	$ 69,000	$ 238,805
2006	119,036	35,613	93,000	234,878
2007	90,798	30,902	106,000	230,087
2008	96,583	26,742	115,000	224,771
2009	96,115	22,598	122,000	218,972
2010	99,408	17,940	129,000	212,869
2011	80,120	13,823	135,000	206,361
2012	51,854	10,976	148,000	199,289
2013	33,229	9,080	154,000	191,686
2014	53,000	6,943	126,000	184,774
2015	40,000	4,125	135,000	178,444
2016	15,000	2,613	139,000	171,736
2017	20,000	1,650	149,000	164,588
2018	20,000	550	145,000	157,053
2019	-	-	121,000	150,701
2020-2038	-	-	3,278,000	1,436,961
	$928,440	$ 224,494	$5,164,000	$4,401,975

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

	Balance 06-30-03	Additions	Reductions	Balance 06-30-04
ENTERPRISE FUNDS				
REVENUE BONDS				
Water Supply and Sewage Disposal System Bonds (1978)	$ 111,000	$ -	$ 6,000	$ 105,000
Water Supply and Sewage Disposal System Bonds (1980)	192,000	-	8,000	184,000
Water Supply and Sewage System Bonds (1996)	375,000	-	10,000	365,000
Junior Lien Water Supply and Sewage System Bonds (1995)	4,110,000	-	21,000	4,089,000
Junior Lien Water Supply and Sewage System Bonds (1997)	168,000	-	2,000	166,000
Sewage System Limited Obligation Revenue Bonds (1997)	275,000	-	20,000	255,000
INSTALLMENT PURCHASE CONTRACT				
Transit bus	6,835	-	6,835	-
	$ 5,237,835	$ -	$ 73,835	$5,164,000

NOTE H - LONG-TERM DEBT (CONTINUED)

	Balance 06-30-03	Additions	Reductions	Balance 06-30-04
INTERNAL SERVICE FUND				
INSTALLMENT PURCHASE CONTRACT				
Equipment	$ -	$ 21,823	$ 2,722	$ 19,101
LIMITED TAX INVESTMENT NOTE				
1999 Rural Development Service Loan	116,000	-	8,000	108,000
	$ 116,000	$ 21,823	$ 10,722	$ 127,101
LONG-TERM DEBT GROUP OF ACCOUNTS				
GENERAL OBLIGATION BONDS				
Building Authority Bonds (1997)	$ 695,000	$ -	$ 80,000	$ 615,000
ECONOMIC DEVELOPMENT GRANT LOAN				
Michigan CDBG Economic Development Grant MSC 910052-EDIG (1992) including accrued interest	206,690	-	20,351	186,339
PROMISSORY NOTE				
Retirement annuity	62,077	-	5,880	56,197
	$ 963,767	$ -	$ 106,231	$ 857,536
Accrued compensated absences payable	353,849	-	32,422	321,427
Less current portion, included in Employee Benefit Fund	184,925	-	14,859	170,066
	$1,132,691	$ -	$ 123,794	$ 1,008,897
TAX INCREMENT FINANCE AUTHORITY				
TAX INCREMENT REVENUE BONDS				
Shopko Stores Project	$ 68,340	$ -	$ 62,058	$ 6,282
Walmart Project	270,087	-	55,700	214,387
LIMITED TAX DEVELOPMENT BONDS				
1994 TIFA Projects	195,000	-	60,000	135,000
1998 Refunding Bonds	930,000	-	10,000	920,000
1999 Tax Increment Bond	480,000	-	15,000	465,000
	$1,943,427	$ -	$ 202,758	$ 1,740,669

NOTE H - LONG-TERM DEBT (CONTINUED)

	Balance 06-30-03	Additions	Reductions	Balance 06-30-04
DOWNTOWN DEVELOPMENT AUTHORITY				
LIMITED TAX DEVELOPMENT BONDS				
1994 DDA Projects - including accrued interest	$ 812,382	$ 55,648	$ -	$ 868,030
1996 Building Authority Bonds	105,000	-	10,000	95,000
	$ 917,382	$ 55,648	$ 10,000	$ 963,030
BROWNFIELD REDEVELOPMENT AUTHORITY				
TAX INCREMENT REVENUE BONDS				
Former High School Project	$ 425,000	$ -	$ 46,880	$ 378,120
	$9,772,335	$ 77,471	$ 467,989	$9,381,817

1995 WATER AND SEWAGE SYSTEM JUNIOR LIEN REVENUE BONDS

Water and Sewage System Junior Lien Revenue Bonds ($4,233,000 authorized, $4,089,000 outstanding) dated October 18, 1995, mature annually on September 1, 2004 through September 1, 2035, with interest at 4.50% per annum.

Due year ended June 30,	September 1 Principal	September 1 Interest	March 1 Interest	Total
2005	$ 22,000	$ 92,002	$ 91,508	$ 205,510
2006	35,000	91,508	90,720	217,228
2007	48,000	90,720	89,640	228,360
2008	50,000	89,640	88,515	228,155
2009	52,000	88,515	87,345	227,860
2010	57,000	87,345	86,062	230,407
2011	57,000	86,062	84,780	227,842
2012	60,000	84,780	83,430	228,210
2013	65,000	83,430	81,967	230,397
2014	70,000	81,968	80,392	232,360
2015	73,000	80,392	78,750	232,142
2016	75,000	78,750	77,063	230,813
2017	80,000	77,063	75,262	232,325
2018	85,000	75,262	73,350	233,612
2019	100,000	73,350	71,100	244,450
2020	105,000	71,100	68,738	244,838
2021	127,000	68,738	65,880	261,618
2022	135,000	65,880	62,842	263,722

NOTE H - LONG-TERM DEBT (CONTINUED)
1995 WATER AND SEWAGE SYSTEM JUNIOR LIEN REVENUE BONDS (CONTINUED)

Due year ended June 30,	September 1 Principal	September 1 Interest	March 1 Interest	Total
2023	142,000	62,842	59,648	264,490
2024	149,000	59,648	56,295	264,943
2025	157,000	56,295	52,762	266,057
2026	164,000	52,762	49,073	265,835
2027	172,000	49,073	45,202	266,275
2028	182,000	45,202	41,108	268,310
2029	190,000	41,108	36,832	267,940
2030	200,000	36,832	32,333	269,165
2031	210,000	32,333	27,607	269,940
2032	222,000	27,607	22,613	272,220
2033	232,000	22,613	17,392	272,005
2034	245,000	17,392	11,880	274,272
2035	258,000	11,880	6,075	275,955
2036	270,000	6,075	-	276,075
	$4,089,000	$1,988,167	$1,896,164	$7,973,331

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS OF 1978

Water Supply and Sewage Disposal System Revenue Bonds (denomination $1,000 each, $188,000 originally issued, $105,000 outstanding) dated March 9, 1978, mature annually on February 1, 2005 through February 1, 2017, with interest at 5.00% per annum.

Due year ended June 30,	August 1 Interest	February 1 Principal	February 1 Interest	Total
2005	$ 2,625	$ 6,000	$ 2,625	$ 11,250
2006	2,475	6,000	2,475	10,950
2007	2,325	7,000	2,325	11,650
2008	2,150	7,000	2,150	11,300
2009	1,975	7,000	1,975	10,950
2010	1,800	8,000	1,800	11,600
2011	1,600	8,000	1,600	11,200
2012	1,400	8,000	1,400	10,800
2013	1,200	9,000	1,200	11,400
2014	975	9,000	975	10,950
2015	750	10,000	750	11,500
2016	500	10,000	500	11,000
2017	250	10,000	250	10,500
	$ 20,025	$105,000	$ 20,025	$145,050

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

NOTE H - LONG-TERM DEBT (CONTINUED)

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

Water Supply and Sewage Disposal System Revenue Bonds (denomination $1,000 each, $300,000 authorized, $184,000 outstanding) dated March 6, 1980, mature annually on May 1, 2005 through May 1, 2019, with interest at 5.00% per annum.

Due year ended June 30,	November 1 Interest	May 1 Principal	May 1 Interest	Total
2005	$ 4,600	$ 9,000	$ 4,600	$ 18,200
2006	4,375	9,000	4,375	17,750
2007	4,150	9,000	4,150	17,300
2008	3,925	10,000	3,925	17,850
2009	3,675	10,000	3,675	17,350
2010	3,425	11,000	3,425	17,850
2011	3,150	12,000	3,150	18,300
2012	2,850	12,000	2,850	17,700
2013	2,550	12,000	2,550	17,100
2014	2,250	13,000	2,250	17,500
2015	1,925	14,000	1,925	17,850
2016	1,575	15,000	1,575	18,150
2017	1,200	15,000	1,200	17,400
2018	825	16,000	825	17,650
2019	425	17,000	425	17,850
	$ 40,900	$184,000	$ 40,900	$265,800

NOTE H - LONG-TERM DEBT (CONTINUED)

1997 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BOND

Water Supply and Sewage Disposal System Junior Lien Revenue Bond ($180,000 originally issued and $166,000 outstanding) dated December 1, 1996, mature annually on September 1, 2004 through September 1, 2036, with interest at 4.50% per annum.

Due year ended June 30,	September 1 Principal	September 1 Interest	March 1 Interest	Total
2005	$ 2,000	$ 3,755	$ 3,660	$ 9,415
2006	3,000	3,720	3,593	10,313
2007	2,000	3,652	3,548	9,200
2008	3,000	3,607	3,491	10,098
2009	3,000	3,529	3,414	9,943
2010	3,000	3,471	3,347	9,818
2011	3,000	3,403	3,280	9,683
2012	3,000	3,335	3,222	9,557
2013	3,000	3,258	3,146	9,404
2014	4,000	3,199	3,057	10,256
2015	3,000	3,108	2,990	9,098
2016	4,000	3,040	2,909	9,949
2017	4,000	2,941	2,812	9,753
2018	4,000	2,858	2,723	9,581
2019	4,000	2,768	2,633	9,401
2020	5,000	2,677	2,529	10,206
2021	4,000	2,556	2,433	8,989
2022	5,000	2,473	2,321	9,794
2023	5,000	2,359	2,209	9,568
2024	5,000	2,246	2,103	9,349
2025	6,000	2,127	1,963	10,090
2026	6,000	1,996	1,830	9,826
2027	6,000	1,860	1,696	9,556
2028	6,000	1,724	1,566	9,290
2029	7,000	1,584	1,405	9,989
2030	7,000	1,429	1,250	9,679
2031	7,000	1,270	1,094	9,364
2032	8,000	1,112	917	10,029
2033	8,000	928	736	9,664
2034	8,000	749	557	9,306
2035	9,000	567	357	9,924
2036	9,000	363	157	9,520
2037	7,000	158	-	7,158
	$166,000	$ 77,822	$ 72,948	$316,770

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the City's option, on any interest payment date on or after September 1, 1997, at par and accrued interest to the date fixed for prepayment.

NOTE H - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS OF 1996

Water Supply and Sewage Disposal System Bonds (denomination $1,000 each, $400,000 originally issued, and $365,000 outstanding), dated December 1, 1996, mature annually on September 1, 2004 through September 1, 2017, with interest at 5.4525% per annum.

Due year ended June 30,	September 1 Principal	September 1 Interest	March 1 Interest	Total
2005	$ 10,000	$ 10,114	$ 9,876	$ 29,990
2006	15,000	9,876	9,513	34,389
2007	15,000	9,513	9,141	33,654
2008	20,000	9,141	8,636	37,777
2009	20,000	8,636	8,121	36,757
2010	20,000	8,121	7,596	35,717
2011	25,000	7,596	6,928	39,524
2012	30,000	6,928	6,110	43,038
2013	30,000	6,110	5,277	41,387
2014	30,000	5,278	4,430	39,708
2015	35,000	4,430	3,424	42,854
2016	35,000	3,424	2,400	40,824
2017	40,000	2,400	1,210	43,610
2018	40,000	1,210	-	41,210
	$365,000	$ 92,777	$ 82,662	$540,439

Bonds maturing through 2006 are not subject to redemption prior to maturity. Bonds maturing 2007 through 2017 are subject to redemption prior to maturity at the option of the City on any interest payment date on or after September 1, 2006.

1997 LIMITED TAX GENERAL OBLIGATION BONDS

Limited Tax General Obligation Bonds ($360,000 originally issued and $255,000 outstanding), dated April 1, 1997, mature annually on October 1, 2004 through October 1, 2012.

Year ended June 30,	Interest Rate - % Per Annum	October 1 Principal	October 1 Interest	April 1 Interest	Total
2005	5.30	$ 20,000	$ 6,985	$ 6,455	$ 33,440
2006	5.30	25,000	6,455	5,793	37,248
2007	5.30	25,000	5,793	5,130	35,923
2008	5.35	25,000	5,130	4,461	34,591
2009	5.40	30,000	4,461	3,651	38,112
2010	5.50	30,000	3,651	2,826	36,477
2011	5.60	30,000	2,826	1,986	34,812
2012	5.65	35,000	1,986	998	37,984
2013	5.70	35,000	998	-	35,998
		$255,000	$ 38,285	$ 31,300	$324,585

Bonds maturing in the years through 2008, shall be subject to redemption prior to maturity, at the option of the City, on any interest payment date on or after October 1, 2007, at par and accrued interest plus a premium as follows:

1% of par value on each bond called for redemption from October 1, 2007, but prior to October 1, 2008.

No premiums shall be paid on bonds called for redemption after October 1, 2008.

NOTE H - LONG-TERM DEBT (CONTINUED)

1997 BUILDING AUTHORITY AND BUILDING AUTHORITY REFUNDING BONDS

Limited Tax General Obligation Bonds ($955,000 originally issued and $615,000 outstanding), dated September 1, 1997, mature annually on October 1, 2004 through October 1, 2017.

Due year ended June 30,	Interest Rate - % Per Annum	October 1 Principal	October 1 Interest	April 1 Interest	Total
2005	5.05	$ 80,000	$ 16,018	$ 13,997	$ 110,015
2006	5.05	85,000	13,997	11,851	110,848
2007	5.00	55,000	11,851	10,476	77,327
2008	5.10	60,000	10,476	8,946	79,422
2009	5.15	60,000	8,946	7,401	76,347
2010	5.20	65,000	7,401	5,711	78,112
2011	5.30	45,000	5,711	4,519	55,230
2012	5.35	15,000	4,519	4,118	23,637
2013	5.40	15,000	4,118	3,713	22,831
2014	5.50	40,000	3,713	2,612	46,325
2015	5.50	40,000	2,612	1,513	44,125
2016	5.50	15,000	1,513	1,100	17,613
2017	5.50	20,000	1,100	550	21,650
2018	5.50	20,000	550	-	20,550
		$ 615,000	$ 92,525	$ 76,507	$ 784,032

Bonds of this issue maturing through 2007, are not subject to redemption prior to maturity.

Bonds or portions of bonds in multiples of $5,000 of this issue maturing on or after October 1, 2008, are subject to redemption prior to maturity, at the option of the Authority, in such order of maturity as the Authority shall determine and within any maturity by lot, on any interest payment date on or after October 1, 2007, at par plus accrued interest to the date fixed for redemption.

NOTE H - LONG-TERM DEBT (CONTINUED)

1996 BUILDING AUTHORITY BONDS

Building Authority Bonds ($150,000 originally issued and $95,000 outstanding) dated October 1, 1996, mature annually on October 1, 2004 through October 1, 2011.

Due year ended June 30,	Interest Rate - % Per Annum	October 1 Principal	October 1 Interest	April 1 Interest	Total
2005	5.20	$ 10,000	$ 2,648	$ 2,387	$ 15,035
2006	5.30	10,000	2,387	2,123	14,510
2007	5.40	10,000	2,123	1,852	13,975
2008	5.50	10,000	1,852	1,578	13,430
2009	5.60	10,000	1,578	1,297	12,875
2010	5.70	15,000	1,297	870	17,167
2011	5.75	15,000	870	439	16,309
2012	5.85	15,000	439	-	15,439
		$ 95,000	$ 13,194	$ 10,546	$ 118,740

Bonds maturing through 2006 are not subject to redemption prior to maturity. Bonds maturing in the year 2007 and thereafter shall be subject to redemption prior to maturity at the option of the Building Authority on any interest payment date on or after October 1, 2006 at par and accrued interest to the date of redemption.

DOWNTOWN DEVELOPMENT BOND (LIMITED TAX GENERAL OBLIGATION)

Downtown Development Authority Bonds ($461,604 originally issued and outstanding) dated December 21, 1994, mature annually on May 1, 2006, through May 1, 2014.

Due year ended June 30,	Interest Rate - % Per Annum	May 1 Principal	May 1 Interest	Total
2006	6.45	$ 48,615	$ 51,385	$ 100,000
2007	6.55	45,082	54,918	100,000
2008	6.65	43,811	61,189	105,000
2009	6.75	38,543	61,457	100,000
2010	6.80	35,801	64,199	100,000
2011	6.80	68,644	136,356	205,000
2012	6.85	63,667	141,333	205,000
2013	6.85	60,972	149,028	210,000
2014	6.90	56,469	153,531	210,000
		$461,604	$873,396	$1,335,000

The Bond is not subject to redemption prior to maturity.

NOTE H - LONG-TERM DEBT (CONTINUED)

MICHIGAN CDBG ECONOMIC DEVELOPMENT GRANT LOAN

On April 8, 1992 the City of Houghton accepted Michigan CDBG Economic Development Grant MSC 910052-EDIG ($200,000 received and $186,339 including accrued interest outstanding as of June 30, 2004) for the Midwest Loan Services, Inc. Commercial Rehabilitation Project. The City must remit two-thirds of the monthly rent payment from Midwest Loan Services, Inc. to the State of Michigan until the entire grant amount, plus 3% annual interest, has been repaid.

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY
TAX INCREMENT REVENUE BOND - SHOPKO STORES PROJECT

City of Houghton Tax Increment Finance Authority Tax Increment Revenue Bond ($478,000 originally issued, $6,282 outstanding) dated January 4, 1994 matures annually on February 15, until the principal amount is repaid, but no later than February 15, 2013, with interest at the rate of 6.500% per annum.

	February 15		
Due year ended June 30,	Principal	Interest	Total
2005	$ 6,282	$ 408	$ 6,690

This Bond is subject to prepayment in whole or in part prior to maturity at the option of the bondholder on a date two years from notice to the Authority that the bondholder reasonably demonstrates that principal of and interest on this Bond can be paid in full within two years from bondholder Tax Increment Revenues to be collected by the Authority during the period of time commencing on the date of said notice and ending on the redemption date.

NOTE H - LONG-TERM DEBT (CONTINUED)

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY
TAX INCREMENT REVENUE BOND - WAL-MART PROJECT

City of Houghton Tax Increment Finance Authority Tax Increment Revenue Bond ($512,188 originally issued, $214,387 outstanding) dated June 23, 1993 matures annually on February 15, 2005 through February 15, 2015, with interest at the rate of 6.50% per annum.

The annual installment amount is equal to the greater of eighty percent of the Developer Tax Increment Revenues due to be collected by the Authority during the previous calendar year, or the principal shown on the following schedule of minimum annual installments plus accrued interest:

Due year ended June 30,	February 15 Principal
2005	$ 15,000
2006	15,000
2007	15,000
2008	15,000
2009	20,000
2010	20,000
2011	20,000
2012	20,000
2013	25,000
2014	25,000
2015	24,387
	$ 214,387

Annual installments shall be applied first to accrued interest and then to principal until the outstanding balance is paid in full.

This Bond is subject to prepayment in whole or in part prior to maturity at the option of the Authority on any date at par plus accrued interest to the date of redemption.

This Bond is subject to prepayment in whole or in part prior to maturity at the option of the bondholder on a date two years from notice to the Authority that the bondholder reasonably demonstrates that principal of and interest on this Bond can be paid in full within two years from bondholder Tax Increment Revenues to be collected by the Authority during the period of time commencing on the date of said notice and ending on the redemption date.

NOTE H - LONG-TERM DEBT (CONTINUED)

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY
1994 LIMITED TAX DEVELOPMENT BOND

Tax Increment Finance Authority of the City of Houghton 1994 Limited Tax Development Bond ($1,410,000 originally issued, $135,000 outstanding) dated December 12, 1994 matures annually on November 1, 2004 through November 1, 2005.

Due Year ended June 30,	Interest Rate - % Per Annum	November 1 Principal	November 1 Interest	May 1 Interest	Total
2005	6.20	$ 65,000	$ 4,220	$ 2,205	$ 71,425
2006	6.30	70,000	2,205	-	72,205
		$ 135,000	$ 6,425	$ 2,205	$ 143,630

Bonds maturing through 2004 are not subject to redemption prior to maturity. Bonds maturing in 2005 are subject to redemption prior to maturity at the option of the Authority in integral multiples of $5,000, on any date on or after November 1, 2004 at par and accrued interest plus a premium as follows:

2% of par value on each bond called for redemption from November 1, 2004 through October 31, 2005.

1% of par value on each bond called for redemption on November 1, 2005.

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY
1998 LIMITED TAX DEVELOPMENT REFUNDING BONDS

City of Houghton Tax Incremental Finance Authority Limited Tax Development Refunding Bonds ($975,000 originally issued and $920,000 outstanding) dated May 1, 1998, mature annually on November 1, 2004 through November 1, 2014.

Due Year ended June 30,	Interest Rate - % Per Annum	November 1 Principal	November 1 Interest	May 1 Interest	Total
2005	4.65	$ 10,000	$ 22,829	$ 22,596	$ 55,425
2006	4.65	10,000	22,596	22,364	54,960
2007	4.65	80,000	22,364	20,503	122,867
2008	4.80	85,000	20,503	18,464	123,967
2009	4.80	90,000	18,464	16,304	124,768
2010	5.00	90,000	16,304	14,054	120,358
2011	5.00	100,000	14,054	11,553	125,607
2012	5.00	105,000	11,553	8,929	125,482
2013	5.05	110,000	8,929	6,151	125,080
2014	5.10	115,000	6,151	3,219	124,370
2015	5.15	125,000	3,219	-	128,219
		$920,000	$166,966	$144,137	$1,231,103

Bonds of this issue are subject to redemption prior to maturity on any date on or after November 1, 2007, in whole or in part without any premium or penalty, plus accrued interest thereon to the date fixed for redemption.

NOTE H - LONG-TERM DEBT (CONTINUED)

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

City of Houghton Tax Incremental Finance Authority Limited Tax General Obligation Bonds ($500,000 originally issued and $465,000 outstanding) dated October 1, 1999, mature annually on May 1, 2005 through May 1, 2019.

Year ended June 30,	Interest Rate - % Per Annum	November 1 Interest	May 1 Principal	May 1 Interest	Total
2005	5.00	$ 13,365	$ 15,000	$ 13,365	$ 41,730
2006	5.00	12,990	15,000	12,990	40,980
2007	5.20	12,615	20,000	12,615	45,230
2008	5.30	12,095	20,000	12,095	44,190
2009	5.40	11,565	20,000	11,565	43,130
2010	5.50	11,025	25,000	11,025	47,050
2011	5.60	10,338	25,000	10,337	45,675
2012	5.70	9,638	30,000	9,637	49,275
2013	5.80	8,783	30,000	8,782	47,565
2014	5.90	7,913	35,000	7,912	50,825
2015	5.90	6,880	40,000	6,880	53,760
2016	6.00	5,700	40,000	5,700	51,400
2017	6.00	4,500	45,000	4,500	54,000
2018	6.00	3,150	50,000	3,150	56,300
2019	6.00	1,650	55,000	1,650	58,300
		$132,207	$465,000	$132,203	$729,410

Bonds of this issue maturing on or before May 1, 2008, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of $5,000 of this issue maturing on or after May 1, 2009 shall be subject to redemption without a premium, at the option of the Authority, in such order as the Authority shall determine and within any maturity by lot, on any interest payment date on or after May 1, 2008, at par and accrued interest to the date fixed for redemption.

NOTE H - LONG-TERM DEBT (CONTINUED)

1999 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE
(LIMITED TAX GENERAL OBLIGATION)

Installment note ($145,000 issued and $108,000 outstanding) dated April 21, 1999, matures annually on March 1, 2005 through March 1, 2014 with interest at 4.75% per annnum.

Due Year Ended June 30	September 1 Interest	March 1 Principal	March 1 Interest	Total
2005	$ 2,579	$ 9,000	$ 2,544	$ 14,123
2006	2,371	9,000	2,332	13,703
2007	2,155	10,000	2,120	14,275
2008	1,916	10,000	1,890	13,806
2009	1,672	10,000	1,648	13,320
2010	1,437	11,000	1,413	13,850
2011	1,173	11,000	1,154	13,327
2012	910	12,000	898	13,808
2013	621	13,000	612	14,233
2014	311	13,000	306	13,617
	$ 15,145	$ 108,000	$ 14,917	$138,062

CITY OF HOUGHTON BROWNFIELD REDEVELOPMENT AUTHORITY
TAX INCREMENTAL REVENUE LOAN - FORMER HOUGHTON HIGH SCHOOL PROJECT

City of Houghton Brownfield Redevelopment Authority Tax Incremental Revenue Loan ($425,000 original proceeds and $378,120 outstanding principal) dated October 3,1998, matures annually on October 3, 2004 through October 3, 2012 with interest at the rate of 2.25% per annum. The loan is financed through the Michigan Department of Environmental Quality.

Due Year Ended June 30	October 3 Principal	October 3 Interest	Total
2005	$ 38,372	$ 8,508	$ 46,880
2006	39,236	7,644	46,880
2007	40,118	6,762	46,880
2008	41,021	5,859	46,880
2009	41,944	4,936	46,880
2010	42,888	3,992	46,880
2011	43,853	3,027	46,880
2012	44,840	2,040	46,880
2013	45,848	1,032	46,880
	$ 378,120	$ 43,800	$421,920

Interest did not accrue between October 3, 1998 and October 3, 2003.

NOTE I - SEGMENT INFORMATION

Generally accepted accounting principles require disclosure of segment information for certain individual Enterprise Funds. The City maintains four Enterprise Funds: the Water Supply Fund, the Sewage Disposal System Fund, the Parking System Fund, and the Transit Fund.

The Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that costs of providing the goods and services to the general public on a continuing basis will be financed or recovered through user charges. The City has four Enterprise Funds as follows:

Water Fund and Sewer Fund - to account for the provision of water and sewer services to the residents of the City. Activities of the funds include administration, operation and maintenance of the water and sewer system and billing and collection activities. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for Water and Sewer debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Parking Fund - to account for operation of the City's parking decks, including administration, operation and maintenance. The majority of costs are financed through parking fees and fines.

Transit Fund - to account for operation of the City's transit service, including administration, operation and maintenance. Costs are financed through fees charged to users and State and Federal Grants.

NOTE I - SEGMENT INFORMATION (CONTINUED)

Selected financial information for business segments of enterprise funds for the year ended June 30, 2004, is presented as follows:

	Water Supply Fund	Sewage Disposal System Fund	Parking System Fund
Operating revenues	$ 567,445	$1,594,645	$ 94,076
Operating expenses excluding depreciation	457,348	1,591,927	130,462
Depreciation	181,994	98,318	108,544
Operating income (loss)	(71,897)	(95,600)	(144,930)
Non operating revenues (expenses)	(207,315)	(33,535)	107
Net income (loss)	(279,212)	(129,135)	(144,823)
Current capital contributions	-	-	-
Property, plant, and equipment additions	59,247	30,940	-
Net working capital	(95,708)	589,328	(174,084)
Total assets	6,566,089	3,935,340	2,344,536
Long-term liabilities	4,505,000	590,000	-
Total equity	1,869,231	3,266,644	2,162,721

Transit Fund	Total
$ 98,537	$ 2,354,703
371,362	2,551,099
97,192	486,048
(370,017)	(682,444)
278,333	37,590
(91,684)	(644,854)
38,048	38,048
37,396	127,583
(13,631)	305,905
417,891	13,263,856
-	5,095,000
364,555	7,663,151

NOTE J - RESTRICTED ASSETS

The balances of the restricted asset accounts in the Enterprise Funds are revenue bond reserves totalling $315,352.

NOTE K - RISK MANAGEMENT

The City of Houghton 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 of Houghton has purchased commercial insurance for claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE L - PENSION AND POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

The City's total payroll in fiscal year ending June 30, 2004 was $1,612,522. The City's contributions were calculated using the base salary amount of $1,235,893. The City made the required contribution of $186,053.

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

NOTE M - DEFERRED COMPENSATION PLAN

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

The City neither acts as trustee nor has any management involvement in the plan.

The plan does not meet the reporting criteria defined in NCGA Statement 1, paragraph 26 (3) (8), consequently its financial statements are not presented herein.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2004

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	$ 854,000	$ 894,000	$ 851,043	($ 42,957)
Licenses and permits	800	800	1,010	210
State grants	908,300	915,300	1,286,086	370,786
Interest	40,000	40,000	18,742	(21,258)
Charges for services	671,350	719,700	710,602	(9,098)
Other revenues	15,100	300,100	331,757	31,657
TOTAL REVENUES	$2,489,550	$2,869,900	$3,199,240	$ 329,340
Expenditures:				
General government administration	$ 460,550	$ 566,550	$ 685,035	($ 118,485)
Public safety	504,500	554,500	550,019	4,481
Public works	559,500	586,500	586,942	(442)
Recreation and parks	157,900	310,900	768,913	(458,013)
Debt service	25,200	25,200	25,386	(186)
Other expenditures	621,600	637,600	474,668	162,932
TOTAL EXPENDITURES	$2,329,250	$2,681,250	$3,090,963	($ 409,713)
EXCESS OF REVENUES (EXPENDITURES)	$ 160,300	$ 188,650	$ 108,277	($ 80,373)
Other financing sources (uses) - Operating transfers out	($ 160,300)	($ 160,300)	($ 297,160)	($ 136,860)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	$ -	$ 28,350	($ 188,883)	($ 217,233)
Fund balance, July 1	1,092,766	1,092,766	1,092,766	-
FUND BALANCE, JUNE 30	$1,092,766	$1,121,116	$ 903,883	($ 217,233)

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2004

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
State grants	$350,000	$ 350,000	$ 413,451	$ 63,451
Interest and rents	3,000	3,000	1,327	(1,673)
TOTAL REVENUES	$353,000	$ 353,000	$ 414,778	$ 61,778
Expenditures:				
General government administration	$ 14,800	$ 14,800	$ 19,506	($ 4,706)
Public works:				
Construction	15,000	15,000	-	15,000
Routine maintenance	18,900	18,900	31,738	(12,838)
Traffic services	4,300	4,300	2,860	1,440
Snow and ice control	156,700	156,700	195,445	(38,745)
Roadway inspection	14,500	14,500	14,909	(409)
Other expenditures	128,700	128,700	55,629	73,071
TOTAL EXPENDITURES	$352,900	$ 352,900	$ 320,087	$ 32,813
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTENANCE	$ 100	$ 100	$ 94,691	$ 94,591
State trunkline maintenance - Excess of revenues (expenditures)	$ 11,000	$ 11,000	$ 29,688	$ 18,688
Other financing sources (uses) - Operating transfers out	($ 11,100)	($ 11,100)	($ 11,100)	$ -
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	$ -	$ -	$ 113,279	$ 113,279
Fund balance, July 1	48,114	48,114	48,114	-
FUND BALANCE, JUNE 30	$ 48,114	$ 48,114	$ 161,393	$ 113,279

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2004

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	$124,000	$ 124,000	$ 104,613	($ 19,387)
State grants	221,000	221,000	230,360	9,360
Interest and rents	1,000	1,000	493	(507)
TOTAL REVENUES	$346,000	$ 346,000	$ 335,466	($ 10,534)
Expenditures:				
General government administration	$ 16,400	$ 16,400	$ 17,424	($ 1,024)
Public works:				
Construction	33,100	24,100	21,046	3,054
Routine maintenance	41,000	41,000	40,036	964
Traffic services	4,500	4,500	6,306	(1,806)
Snow and ice control	167,000	167,000	241,185	(74,185)
Other expenditures	95,100	95,100	58,952	36,148
TOTAL EXPENDITURES	$357,100	$ 348,100	$ 384,949	($ 36,849)
EXCESS OF REVENUES (EXPENDITURES)	($ 11,100)	($ 2,100)	($ 49,483)	($ 47,383)
Other financing sources (uses)-				
Operating transfers in	$ 11,100	$ 11,100	$ 11,100	$ -
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	$ -	$ 9,000	($ 38,383)	($ 47,383)
Fund balance, July 1	81,807	81,807	81,807	-
FUND BALANCE, JUNE 30	$ 81,807	$ 90,807	$ 43,424	($ 47,383)

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

REVOLVING FUND
BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2004

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Interest and rents	$ -	$ -	$ 4,413	$ 4,413
Other revenue - loan repayments	6,400	6,400	5,374	(1,026)
TOTAL REVENUES	$ 6,400	$ 6,400	$ 9,787	$ 3,387
Expenditures:				
General government administration	$ 500	$ 500	$ 1,189	($ 689)
Loans and contingencies	5,900	5,900	-	5,900
TOTAL EXPENDITURES	$ 6,400	$ 6,400	$ 1,189	$ 5,211
EXCESS OF REVENUES (EXPENDITURES)	$ -	$ -	$ 8,598	$ 8,598
Fund balance, July 1	243,964	243,964	243,964	-
TOTAL FUND BALANCE, JUNE 30	$243,964	$ 243,964	$ 252,562	$ 8,598

See accompanying note to budgetary comparison schedules.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2004

BUDGETARY INFORMATION

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

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

During the year ended June 30, 2004, the City incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

Fund	Budget Appropriation	Actual Expenditures
General	$2,841,550	$3,388,123
Local Street	359,200	396,049

ADDITIONAL FINANCIAL INFORMATION

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
CURRENT ASSETS		
Cash	$ 390,341	$ 726,925
Accounts receivable	66,789	50,252
Inventory	6,094	1,929
Taxes receivable	45,130	52,078
Due from other governmental units	484,962	101,358
Due from other funds	-	130,514
Due from component units	-	44,536
TOTAL CURRENT ASSETS	$ 993,316	$1,107,592
OTHER ASSETS		
Long-term loan	$ 101,798	$ 112,533
Investments	418,855	290,846
TOTAL OTHER ASSETS	$ 520,653	$ 403,379
	$1,513,969	$1,510,971
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Accounts payable	$ 134,765	$ 126,054
Accrued expenses	54,391	36,826
Due to other governmental units	21,630	21,630
Due to other funds	162,889	44,385
Due to component units	89,483	15,483
TOTAL CURRENT LIABILITIES	$ 463,158	$ 244,378
OTHER LIABILITIES		
Deferred revenues	146,928	173,827
TOTAL LIABILITIES	$ 610,086	$ 418,205
FUND BALANCE		
Unreserved	$ 897,789	$1,090,837
Reserved	6,094	1,929
TOTAL FUND BALANCE	$ 903,883	$1,092,766
	$1,513,969	$1,510,971

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

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2004
With Comparative Actual Amounts for Year Ended June 30, 2003

	2004			2003
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Taxes	$ 894,000	$ 851,043	($ 42,957)	$ 775,884
Licenses and permits	800	1,010	210	1,165
State grants	915,300	1,286,086	370,786	908,416
Interest	40,000	18,742	(21,258)	25,888
Charges for services	719,700	710,602	(9,098)	630,450
Other revenues	300,100	331,757	31,657	38,153
TOTAL REVENUES	$2,869,900	$3,199,240	$ 329,340	$2,379,956
Expenditures:				
General government administration	$ 566,550	$ 685,184	($ 118,634)	$ 461,357
Public safety	537,700	533,219	4,481	500,977
Public works	586,500	586,942	(442)	551,766
Recreation and parks	331,550	789,563	(458,013)	408,463
Debt service	25,200	25,386	(186)	17,650
Other expenditures	637,600	474,519	163,081	380,242
TOTAL EXPENDITURES	$2,685,100	$3,094,813	($ 409,713)	$2,320,455
EXCESS OF REVENUES (EXPENDITURES)	$ 184,800	$ 104,427	($ 80,373)	$ 59,501
Other financing sources (uses) - Operating transfers out	($ 156,450)	($ 293,310)	($ 136,860)	($ 171,545)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	$ 28,350	($ 188,883)	($ 217,233)	($ 112,044)
Fund balance, July 1	977,883	1,092,766	114,883	1,204,810
FUND BALANCE, JUNE 30	$1,006,233	$ 903,883	($ 102,350)	$1,092,766

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

CITY OF HOUGHTON, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS

June 30, 2004
With Totals for June 30, 2003

	Totals (Memorandum Only) 2004	2003
ASSETS		
Cash	$ 388,118	$ 540,537
Accounts receivable	270	-
Prepaid expense	-	1,752
Due from other governmental units	122,042	111,417
Due from other funds	64,633	180,126
Long-term loans	220,078	225,452
	$ 795,141	$1,059,284
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 8,672	$ 11,406
Accrued wages and benefits	8,526	9,155
Due to other funds	100,486	439,386
Deferred revenue	220,078	225,452
TOTAL LIABILITIES	$ 337,762	$ 685,399
FUND BALANCE (DEFICIT)	457,379	373,885
	$ 795,141	$1,059,284

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

Major Street Fund	Local Street Fund	Revolving Fund
$111,488	$ 85,431	$ 191,199
270	-	-
-	-	-
65,016	57,026	-
3,270	-	61,363
-	-	220,078
$180,044	$142,457	$ 472,640

$ 6,864	$ 1,808	$ -
4,932	3,594	-
6,855	93,631	-
-	-	220,078
$ 18,651	$ 99,033	$ 220,078
161,393	43,424	252,562
$180,044	$142,457	$ 472,640

CITY OF HOUGHTON, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

Year ended June 30, 2004
With Totals for Year Ended June 30, 2003

	Totals (Memorandum Only)	
	2004	2003
Revenues:		
Taxes	$ 104,613	$ 103,082
Federal grants	-	1,107
State grants	1,020,592	941,770
Interest and rents	6,233	8,294
Other revenue	5,374	137,221
TOTAL REVENUES	$1,136,812	$1,191,474
Expenditures:		
General government administration	$ 38,119	$ 43,737
Public works	900,618	865,577
Other expenditures	114,611	97,107
TOTAL EXPENDITURES	$1,053,348	$1,006,421
EXCESS OF REVENUES (EXPENDITURES)	$ 83,464	$ 185,053
Other financing sources (uses):		
Operating transfers from other funds	$ 11,100	$ 34,400
Operating transfers to other funds	(11,100)	(34,400)
TOTAL OTHER FINANCING SOURCES (USES)	$ -	$ -
	$ 83,464	$ 185,053
Fund balance (deficit), July 1	373,885	188,832
FUND BALANCE (DEFICIT), JUNE 30	$ 457,349	$ 373,885

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

Major Street Fund	Local Street Fund	Revolving Fund
$ -	$104,613	$ -
-	-	-
790,232	230,360	-
1,327	493	4,413
-	-	5,374
$791,559	$335,466	$ 9,787
$ 19,506	$ 17,424	$ 1,189
592,045	308,573	-
55,629	58,952	-
$667,180	$384,949	$ 1,189
$124,379	($ 49,483)	$ 8,598
$ -	$ 11,100	$ -
(11,100)	-	-
($ 11,100)	$ 11,100	$ -
$113,279	($ 38,383)	$ 8,598
48,114	81,807	243,964
$161,393	$ 43,424	$ 252,562

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
Cash	$111,488	$257,593
Accounts receivable	270	-
Due from other governmental units	65,016	67,240
Due from other funds	3,270	-
	$180,044	$324,833
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 6,864	$ 5,144
Accrued wages and benefits	4,932	5,784
Due to other funds	6,855	265,791
TOTAL LIABILITIES	$ 18,651	$276,719
FUND BALANCE	161,393	48,114
	$180,044	$324,833

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

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2004
With Actual Amounts for Year Ended June 30, 2003

	2004			2003
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Federal FEMA	$ -	$ -	$ -	$ 1,107
State grants	350,000	413,451	63,451	373,682
Interest and rents	3,000	1,327	(1,673)	2,107
TOTAL REVENUES	$353,000	$414,778	($ 61,778)	$376,896
Expenditures:				
General government administration	$ 14,800	$ 19,506	($ 4,706)	$ 27,507
Public works:				
Construction	15,000	-	15,000	16,698
Routine maintenance	18,900	31,738	(12,838)	25,055
Traffic services	4,300	2,860	1,440	1,058
Snow and ice control	156,700	195,445	(38,745)	214,694
Roadway inspection	14,500	14,909	(409)	16,039
Other expenditures	128,700	55,629	73,071	49,923
TOTAL EXPENDITURES	$352,900	$320,087	$ 32,813	$350,974
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTENANCE	$ 100	$ 94,691	$ 94,591	$ 25,922
State trunkline maintenance - Excess of revenues (expenditures)	$ 11,000	$ 29,688	$ 18,688	$ 24,016
Other financing sources (uses) - Operating transfers out	($ 11,100)	($ 11,100)	$ -	($ 34,400)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	$ -	$113,279	$113,279	$ 15,538
Fund balance, July 1	48,114	48,114	-	32,576
FUND BALANCE, JUNE 30	$ 48,114	$161,393	$113,279	$ 48,114

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

CITY OF HOUGHTON, MICHIGAN

LOCAL STREET FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
Cash	$ 85,431	$100,343
Prepaid expense	-	1,752
Due from other governmental units	57,026	44,177
Due from other funds	-	118,763
	$142,457	$265,035
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 1,808	$ 6,262
Accrued wages and benefits	3,594	3,371
Due to other funds	93,631	173,595
TOTAL LIABILITIES	$ 99,033	$183,228
FUND BALANCE	43,424	81,807
	$142,457	$265,035

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

CITY OF HOUGHTON, MICHIGAN

LOCAL STREET FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2004
With Actual Amounts for Year Ended June 30, 2003

	2004			2003
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Taxes	$124,000	$104,613	($ 19,387)	$103,082
State grants	221,000	230,360	9,360	207,502
Interest and rents	1,000	493	(507)	809
Other	-	-	-	375
TOTAL REVENUES	$346,000	$335,466	($ 10,534)	$311,768
Expenditures:				
General government administration	$ 16,400	$ 17,424	($ 1,024)	$ 15,239
Public works:				
Construction	24,100	21,046	3,054	23,358
Routine maintenance	41,000	40,036	964	43,936
Traffic services	4,500	6,306	(1,806)	2,591
Snow and ice control	167,000	241,185	(74,185)	185,578
Other expenditures	95,100	58,952	36,148	47,184
TOTAL EXPENDITURES	$348,100	$384,949	($ 36,849)	$317,886
EXCESS OF REVENUES (EXPENDITURES)	($ 2,100)	($ 49,483)	($ 47,383)	($ 6,118)
Other financing sources (uses) -				
Operating transfers in	$ 11,100	$ 11,100	$ -	$ 34,400
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	$ 9,000	($ 38,383)	($ 47,383)	$ 28,282
Fund balance, July 1	81,807	81,807	-	53,525
FUND BALANCE, JUNE 30	$ 90,807	$ 43,424	($ 47,383)	$ 81,807

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

CITY OF HOUGHTON, MICHIGAN

REVOLVING FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
Cash	$ 191,199	$ 182,601
Due from other funds	61,363	61,363
Long-term loans	220,078	225,452
	$ 472,640	$ 469,416
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Deferred revenue	$ 220,078	$ 225,452
FUND BALANCE	252,562	243,964
	$ 472,640	$ 469,416

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

CITY OF HOUGHTON, MICHIGAN

REVOLVING FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2004
With Actual Amounts for Year Ended June 30, 2003

	2004			2003
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Interest and rents	$ -	$ 4,413	$ 4,413	$ 5,378
Other revenue - loan repayments	6,400	5,374	(1,026)	136,846
TOTAL REVENUES	$ 6,400	$ 9,787	$ 3,387	$142,224
Expenditures:				
General government administration	$ 500	$ 1,189	($ 689)	$ 991
Loans and contingencies	5,900	-	5,900	-
TOTAL EXPENDITURES	$ 6,400	$ 1,189	$ 5,211	$ 991
EXCESS OF REVENUES (EXPENDITURES)	$ -	$ 8,598	$ 8,598	$141,233
Fund Balance, July 1	243,964	243,964	-	102,731
TOTAL FUND BALANCE, JUNE 30	$243,964	$252,562	$ 8,598	$243,964

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

CITY OF HOUGHTON, MICHIGAN

CAPITAL PROJECTS FUND - PUBLIC IMPROVEMENT FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
Cash	$ 1,108	$ 106,431
Grants receivable	624	16,657
Due from other funds	211,350	184,910
	$ 213,082	$ 307,998
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 10,228	$ 28,307
Accrued salaries and benefits	2,090	4,500
Due to other funds	61,363	61,363
Due to component units	88,769	88,769
TOTAL LIABILITIES	$ 162,450	$ 182,939
FUND BALANCE	50,632	125,059
	$ 213,082	$ 307,998

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

CITY OF HOUGHTON, MICHIGAN

CAPITAL PROJECTS FUND - PUBLIC IMPROVEMENT FUND
ANALYSES OF CHANGES IN FUND BALANCE

	Year ended June 30, 2004	2003
Fund balance, July 1	$ 125,059	$ 3,069
Revenues for capital outlay:		
Grants	$ 11,329	$ 195,081
Miscellaneous income	-	1,557
TOTAL REVENUES	$ 11,329	$ 196,638
TOTAL AVAILABLE FOR CAPITAL OUTLAY	$ 136,388	$ 199,707
Expenditures for capital outlay:		
Springwood Project	$ 20,879	$ 16,019
U.S. 41 Islands	35,500	22,209
Bresnan Plat	-	1,912
Street Lighting Ridge Road	-	12,568
Sharon Avenue West	-	1,365
Parking Deck DDA	-	6,794
Portage Cove Subdivision	-	4,685
Powerhouse	8,873	-
Historic Walking Tour	1,461	3,542
Public Works Facility	4,426	237,257
Nara Nature Park Phase II	42,746	-
Nara Nature Park Phase III	629	-
College Avenue Park	9,476	23,394
Beach	2,328	1,693
Miscellaneous Projects	-	12,004
Sharon Avenue Landscaping	-	32,679
Razorback Drive	3,730	23,418
Downtown Signage	1,582	4,689
Mikkola Property	3,450	-
Huron Dam/Creek	653	-
DEQ - Waterfront Plan	1,191	-
Townsend Drive Streetlighting	6,688	-
General Administration	45,144	39,145
TOTAL EXPENDITURES	$ 188,756	$ 443,373
	($ 52,368)	($ 243,666)
Other financing sources (uses):		
Operating transfers from other funds	$ 103,000	$ 64,000
Operating transfers from component units	-	304,725
TOTAL OTHER FINANCING SOURCES (USES)	$ 103,000	$ 368,725
FUND BALANCE, JUNE 30	$ 50,632	$ 125,059

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

CITY OF HOUGHTON, MICHIGAN

DEBT SERVICE FUND - 1997 BUILDING AUTHORITY DEBT RETIREMENT FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
Cash	$ 115	$ 115
LIABILITIES AND FUND EQUITY		
Liabilities	$ -	$ -
Fund Equity	115	115
	$ 115	$ 115

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

CITY OF HOUGHTON, MICHIGAN

DEBT SERVICE FUND - 1997 BUILDING AUTHORITY DEBT RETIREMENT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	Year ended June 30, 2004	Year ended June 30, 2003
Revenues:		
Contributions from other funds	$ 20,650	$ 21,155
Contributions from component units	93,405	86,688
	$114,055	$107,843
Expenditures:		
Redemption of serial bonds	$ 80,000	$ 70,000
Interest on bonds	34,055	37,843
	$114,055	$107,843
EXCESS OF REVENUES	$ -	$ -
Fund balance, July 1	115	115
FUND BALANCE JUNE 30	$ 115	$ 115

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

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
CURRENT ASSETS		
Cash	$ 30,782	$ 34,981
Accounts receivable	65,368	67,499
TOTAL CURRENT ASSETS	$ 96,150	$ 102,480
PROPERTY, PLANT, AND EQUIPMENT		
Water distribution system	$9,287,512	$9,228,265
Less accumulated depreciation	3,101,644	2,919,650
TOTAL PROPERTY, PLANT, AND EQUIPMENT	$6,185,868	$6,308,615
OTHER ASSETS		
Restricted assets:		
Water Bond Reserve Account:		
Cash	$ 2,970	$ 4,611
Investments	29,231	28,980
General Purpose Account	-	10,006
Junior Lien Bond Reserve Account:		
Cash	55,930	148,424
Investments	155,771	41,347
Junior Lien Bond and Interest Redemption Account	39,789	241,209
1978 Water/Sewer Revenue Bonds - Debt Service Account	28	28
1980 Water/Sewer Revenue Bonds - Debt Service Account	194	194
1995 Water Project - Debt Service Account	119	119
1996 Water Completion - Debt Service Account	39	39
TOTAL OTHER ASSETS	$ 284,071	$ 474,957
	$6,566,089	$6,886,052
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 35,277	$ 37,706
Accrued wages and benefits	8,489	12,882
Accrued interest expense	67,606	68,083
Due to other funds	38,031	37,938
Due to component unit	3,455	-
Current maturities on long-term debt	39,000	37,000
TOTAL CURRENT LIABILITIES	$ 191,858	$ 193,609
LONG-TERM DEBT		
Bonds payable	$4,544,000	$4,581,000
Less current maturities	39,000	37,000
TOTAL LONG-TERM DEBT	$4,505,000	$4,544,000
TOTAL LIABILITIES	$4,696,858	$4,737,609
FUND EQUITY		
Contributed capital	$ 385,250	$ 398,685
Retained earnings	1,483,981	1,749,758
TOTAL FUND EQUITY	$1,869,231	$2,148,443
	$6,566,089	$6,886,052

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

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND
STATEMENTS OF REVENUES AND EXPENSES

	Year ended June 30, 2004	Year ended June 30, 2003
Operating revenues:		
Water sales	$ 533,777	$ 562,225
Repairs and new customer installations	7,903	8,284
Other revenue	25,765	24,680
TOTAL OPERATING REVENUES	$ 567,445	$ 595,189
Operating expenses:		
Source of water	$ 165,951	$ 134,072
Meter expenses	1,580	18,740
Customer installations	18,143	12,837
Maintenance of the water supply system, hydrants, and structure	141,556	120,172
Laboratory and office expense	19,880	22,740
Meter reading	2,923	9,174
Engineering and supervision	36,465	37,820
Employee benefits	68,013	66,225
Other	2,837	2,248
	$ 457,348	$ 424,028
Depreciation expense	181,994	175,610
TOTAL OPERATING EXPENSES	$ 639,342	$ 599,638
NET OPERATING INCOME (LOSS)	($ 71,897)	($ 4,449)
Non-operating revenues - Interest	$ 9,109	$ 16,130
Non-operating expenses - Interest	$ 216,424	$ 208,115
NET INCOME (LOSS)	($ 279,212)	($ 196,434)

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

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND
ANALYSES OF CHANGES IN FUND EQUITY

	Year ended June 30, 2004	Year ended June 30, 2003
CONTRIBUTED CAPITAL		
Federal grants for construction:		
Balance, July 1	$ 301,475	$ 311,200
Less depreciation attributable to capital grants	9,725	9,725
Balance, June 30	$ 291,750	$ 301,475
State grants for construction:		
Balance, July 1	$ 83,550	$ 86,754
Less depreciation attributable to capital grants	3,204	3,204
Balance, June 30	$ 80,346	$ 83,550
Local grants for construction - MTU:		
Balance, July 1	$ 4,494	$ 4,660
Less depreciation attributable to capital grants	166	166
Balance, June 30	$ 4,328	$ 4,494
Capital contributed by other funds - Public Improvement Fund:		
Balance, July 1	$ 9,166	$ 9,506
Less depreciation attributable to capital grants	340	340
Balance, June 30	$ 8,826	$ 9,166
CONTRIBUTED CAPITAL, JUNE 30	$ 385,250	$ 398,685
RETAINED EARNINGS		
Balance, July 1	$1,749,758	$1,932,757
Add (subtract):		
Net income (loss) for the year	($ 279,212)	($ 196,434)
Depreciation attributable to capital grants	13,435	13,435
	($ 265,777)	($ 182,999)
RETAINED EARNINGS, JUNE 30	$1,483,981	$1,749,758
FUND EQUITY, JUNE 30	$1,869,231	$2,148,443

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

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30, 2004	Year ended June 30, 2003
Cash flows from operating activities:		
Net operating income (loss)	($ 71,897)	($ 4,449)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	181,994	175,610
(Increase) decrease in accounts receivable	2,131	(1,650)
Increase (decrease) in accounts payable	(2,429)	(1,356)
Increase (decrease) in expenses accrued but not paid	(4,870)	8,295
Net cash provided (used) by operating activities	$ 104,929	$ 176,450
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds	$ -	$ 95,030
Increase (decrease) in due to other funds	93	29,162
Increase (decrease) in due to component unit	3,455	-
Net cash provided (used) by noncapital financing activities	$ 3,548	$ 124,192
Cash flows from capital and related financing activities:		
(Increase) decrease in restricted assets	$ 190,886	($ 53,562)
Acquisition of property, plant, and equipment	(59,247)	(13,375)
Reduction of long-term debt	(37,000)	(35,000)
Interest paid on long-term debt	(216,424)	(208,115)
Net cash provided (used) by capital and related financing activities	($ 121,785)	($ 310,052)
Cash flows from investing activities - interest received	$ 9,109	$ 16,130
NET INCREASE (DECREASE) IN CASH	($ 4,199)	$ 6,720
Cash, beginning of year	34,981	28,261
CASH, END OF YEAR	$ 30,782	$ 34,981

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

CITY OF HOUGHTON, MICHIGAN

SEWAGE DISPOSAL SYSTEM FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
CURRENT ASSETS		
Cash	$ 276,740	$ 333,877
Accounts receivable	253,172	228,562
Due from other funds	138,112	147,068
Due from other governmental units	-	62,082
TOTAL CURRENT ASSETS	$ 668,024	$ 771,589
PROPERTY, PLANT, AND EQUIPMENT		
Underground sewage collection system	$5,447,436	$5,416,496
Less accumulated depreciation	3,152,714	3,054,396
	$2,294,722	$2,362,100
Original investment in Portage Lake Water and Sewer Authority	941,313	941,313
TOTAL PROPERTY, PLANT, AND EQUIPMENT	$3,236,035	$3,303,413
OTHER ASSETS		
1996 Sewer Bond Reserve Accounts	$ 31,009	$ 29,328
Restricted cash - 1996 Sewer Disposal Bonds Debt Service account	100	1,221
Restricted cash - 1997 Limited General Obligation Bond Debt Service account	172	172
TOTAL OTHER ASSETS	$ 31,281	$ 30,721
	$3,935,340	$4,105,723
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 12,390	$ 41,000
Accrued interest expense	10,235	10,655
Accrued wages and benefits	6,035	5,474
Due to other funds	-	2,815
Due to component unit	9,823	-
Due to other governmental units	10,213	-
Current maturities on long-term debt	30,000	30,000
TOTAL CURRENT LIABILITIES	$ 78,696	$ 89,944
LONG-TERM DEBT		
Bonds payable	$ 620,000	$ 650,000
Less current maturities	30,000	30,000
TOTAL LONG-TERM DEBT	$ 590,000	$ 620,000
TOTAL LIABILITIES	$ 668,696	$ 709,944
FUND EQUITY		
Contributed capital	$1,256,237	$1,306,775
Retained earnings	2,010,407	2,089,004
TOTAL FUND EQUITY	$3,266,644	$3,395,779
	$3,935,340	$4,105,723

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

CITY OF HOUGHTON, MICHIGAN

SEWAGE DISPOSAL SYSTEM FUND
STATEMENTS OF REVENUES AND EXPENSES

	Year Ended June 30, 2004	Year Ended June 30, 2003
Operating revenues:		
Sewer charges	$1,589,832	$1,706,924
Repairs and new customer installations	4,400	6,400
Other revenue	413	5,843
TOTAL OPERATING REVENUES	$1,594,645	$1,719,167
Operating expenses:		
Customer installations	$ 13,053	$ 7,303
Maintenance of the sewage disposal system and structure	212,474	231,041
Laboratory and office expense	26,710	53,188
Engineering and supervision	13,357	52,536
Employee benefits	69,920	64,152
City share of Portage Lake Water and Sewer Authority expense	1,252,693	1,209,629
Other	3,720	2,727
	$1,591,927	$1,620,576
Depreciation expense	98,318	94,379
TOTAL OPERATING EXPENSES	$1,690,245	$1,714,955
NET OPERATING INCOME (LOSS)	($ 95,600)	$ 4,212
Non-operating revenues - Interest	$ 1,005	$ 6,908
Non-operating expenses - Interest	$ 34,540	$ 36,060
NET INCOME (LOSS)	($ 129,135)	($ 24,940)

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

CITY OF HOUGHTON, MICHIGAN

SEWAGE DISPOSAL SYSTEM FUND
ANALYSES OF CHANGES IN FUND EQUITY

	Year ended June 30, 2004	Year ended June 30, 2003
CONTRIBUTED CAPITAL		
Federal grants for construction:		
Balance, July 1	$1,306,775	$1,357,313
Less depreciation attributable to capital grants	50,538	50,538
CONTRIBUTED CAPITAL, JUNE 30	$1,256,237	$1,306,775
RETAINED EARNINGS		
Balance, July 1	$2,089,004	$2,063,406
Add (subtract):		
Net income (loss) for the year	($ 129,135)	($ 24,940)
Depreciation attributable to capital grants	50,538	50,538
	($ 78,597)	$ 25,598
RETAINED EARNINGS, JUNE 30	$2,010,407	$2,089,004
FUND EQUITY, JUNE 30	$3,266,644	$3,395,779

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

CITY OF HOUGHTON, MICHIGAN

SEWAGE DISPOSAL SYSTEM FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30, 2004	2003
Cash flows from operating activities:		
Net operating income (loss)	($ 95,600)	$ 4,212
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	98,318	94,379
(Increase) decrease in accounts receivable	(24,610)	(27,045)
Increase (decrease) in accounts payable	(28,610)	(10,147)
Increase (decrease) in expenses accrued but not paid	141	1,054
Net cash provided (used) by operating activities	($ 50,361)	$ 62,453
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds	$ 8,956	($ 79,965)
(Increase) decrease in due from other governmental units	62,082	(62,082)
Increase (decrease) in due to other funds	(2,815)	2,815
Increase (decrease) in due to component unit	9,823	-
Increase (decrease) in due to other governmental units	10,213	-
Net cash provided (used) by noncapital financing activities	$ 88,259	($139,232)
Cash flows from capital and related financing activities:		
Acquisition of property, plant, and equipment	($ 30,940)	($ 70,058)
Interest paid on long-term debt	(34,540)	(36,060)
Reduction of long-term debt	(30,000)	(30,000)
(Increase) decrease in restricted cash	(560)	19,495
Net cash provided (used) by capital and related financing activities	($ 96,040)	($116,623)
Cash flows from investing activities - interest received	$ 1,005	$ 6,908
NET INCREASE (DECREASE) IN CASH	($ 57,137)	($186,494)
Cash, beginning of year	333,877	520,371
CASH, END OF YEAR	$276,740	$333,877

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

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
CURRENT ASSETS		
Cash	$ 7,726	$ 23,469
Accounts receivable	5	-
TOTAL CURRENT ASSETS	$ 7,731	$ 23,469
PROPERTY, PLANT, AND EQUIPMENT		
Parking deck complex	$4,418,757	$4,418,757
Less accumulated depreciation	2,081,952	1,973,408
TOTAL PROPERTY, PLANT, AND EQUIPMENT	$2,336,805	$2,445,349
	$2,344,536	$2,468,818
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 2,031	$ 155
Accrued wages and benefits	2,260	1,705
Due to other funds	177,524	159,414
TOTAL CURRENT LIABILITIES	$ 181,815	$ 161,274
FUND EQUITY		
Contributed capital	$1,447,573	$1,520,014
Retained earnings (deficit)	715,148	787,530
TOTAL FUND EQUITY	$2,162,721	$2,307,544
	$2,344,536	$2,468,818

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

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND
STATEMENTS OF REVENUES AND EXPENSES

	Year ended June 30, 2004	2003
Operating revenues:		
Parking fees - Meters	$ 10,786	$ 9,633
Parking space permits	46,162	39,561
Parking fines	36,930	57,961
Miscellaneous	198	2,885
TOTAL OPERATING REVENUES	$ 94,076	$110,040
Operating expenses:		
Parking system maintenance	$ 37,425	$ 62,339
Parking law enforcement	24,147	18,725
Winter maintenance	49,561	58,230
Insurance	2,195	1,741
Employee benefits	15,937	17,775
Miscellaneous	1,197	1,042
	$130,462	$159,852
Depreciation expense	108,544	108,544
TOTAL OPERATING EXPENSES	$239,006	$268,396
NET OPERATING INCOME (LOSS)	($144,930)	($158,356)
Non-operating revenues - Interest	$ 107	$ 209
Non-operating expenses - Interest	$ -	$ 1,435
INCOME (LOSS) BEFORE OPERATING TRANSFERS	($144,823)	($159,582)
Other financing sources (uses) -		
Operating transfers from component unit	-	21,500
NET INCOME (LOSS)	($144,823)	($138,082)

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

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND
ANALYSES OF CHANGES IN FUND EQUITY

	Year ended June 30, 2004	Year ended June 30, 2003
CONTRIBUTED CAPITAL		
Federal Grants - Balance, July 1	$ 769,632	$ 815,301
Less depreciation attributable to Federal grants	45,669	45,669
Balance, June 30	$ 723,963	$ 769,632
Michigan Small Cities Grant - Balance, July 1	$ 243,379	$ 253,356
Less depreciation attributable to State grants	9,977	9,977
Balance, June 30	$ 233,402	$ 243,379
Local contributions for parking deck construction - Balance, July 1	$ 81,929	$ 87,392
Less depreciation attributable to local contributions	5,463	5,463
Balance, June 30	$ 76,466	$ 81,929
City of Houghton General Fund contributions - Balance, July 1	$ 42,650	$ 44,590
Less depreciation attributable to City of Houghton General Fund grants	1,940	1,940
Balance, June 30	$ 40,710	$ 42,650
City of Houghton Downtown Development Authority contributions - Balance, July 1	$ 382,424	$ 391,816
Less depreciation attributable to City of Houghton Downtown Development Authority contributions	9,392	9,392
Balance, June 30	$ 373,032	$ 382,424
CONTRIBUTED CAPITAL, JUNE 30	$1,447,573	$1,520,014
RETAINED EARNINGS		
Balance, July 1	$ 787,530	$ 853,171
Add (subtract):		
Net income (loss) for the year	($ 144,823)	($ 138,082)
Depreciation attributable to capital grants	72,441	72,441
	($ 72,382)	($ 65,641)
RETAINED EARNINGS, JUNE 30	$ 715,148	$ 787,530
FUND EQUITY, JUNE 30	$2,162,721	$2,307,544

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

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30, 2004	2003
Cash flows from operating activities:		
Net operating income (loss)	($144,930)	($158,356)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	108,544	108,544
(Increase) decrease in accounts receivable	(5)	25
Increase (decrease) in accounts payable	1,876	(852)
Increase (decrease) in expenses accrued but not paid	555	648
Net cash provided (used) by operating activities	($ 33,960)	($ 49,991)
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds and component units	$ -	$ 2,000
Increase (decrease) in due to other funds and component units	18,110	38,164
Operating transfers from component unit	-	21,500
Net cash provided (used) by noncapital financing activities	$ 18,110	$ 61,664
Cash flows from capital and related financing activities:		
(Increase) decrease in restricted cash	$ -	$ 50
Reduction of long-term debt	-	(19,815)
Interest paid on long-term debt	-	(1,435)
Net cash provided (used) by capital and related financing activities	$ -	($ 21,200)
Cash flows from investment activities - Interest received	$ 107	$ 209
NET INCREASE (DECREASE) IN CASH	($ 15,743)	($ 9,318)
Cash, beginning of year	23,469	32,787
CASH, END OF YEAR	$ 7,726	$ 23,469

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
CURRENT ASSETS		
Cash	$ 29,948	$ 21,871
Accounts receivable	6,562	6,510
Grant receivable	1,653	14,324
Due from Federal government	1,542	3,615
Due from other funds	-	11,000
TOTAL CURRENT ASSETS	$ 39,705	$ 57,320
PROPERTY, PLANT, AND EQUIPMENT		
Property and equipment	$1,242,622	$1,205,226
Less accumulated depreciation	864,436	767,244
TOTAL PROPERTY, PLANT, AND EQUIPMENT	$ 378,186	$ 437,982
	$ 417,891	$ 495,302
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 15,085	$ 34,501
Accrued wages and benefits	12,700	9,810
Due to State - State Operating Assistance	25,541	25,955
Due to other funds	10	10
Current maturities on long-term debt	-	6,835
TOTAL CURRENT LIABILITIES	$ 53,336	$ 77,111
LONG-TERM DEBT		
Loans payable	$ -	$ 6,835
Less current maturities	-	6,835
TOTAL LONG-TERM DEBT	$ -	$ -
TOTAL LIABILITIES	$ 57,336	$ 77,111
FUND EQUITY		
Contributed capital - State	$ 246,356	$ 311,863
Contributed capital - Federal	117,582	105,591
Retained earnings	617	737
TOTAL FUND EQUITY	$ 364,555	$ 418,191
	$ 417,891	$ 495,302

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
STATEMENTS OF REVENUES AND EXPENSES

	Year ended June 30, 2004	2003
Operating revenues	$ 98,537	$108,740
Operating expenses	468,554	500,615
OPERATING INCOME (LOSS)	($370,017)	($391,875)
Non-operating revenues	336,623	326,246
Non-operating expenses	58,290	47,873
NET INCOME (LOSS)	($ 91,684)	($113,502)

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
ANALYSES OF CHANGES IN FUND EQUITY

	Year ended June 30, 2004	2003
CONTRIBUTED CAPITAL		
State grants:		
Balance, July 1	$311,863	$396,153
Add grants received in current year:		
Contract 02-0046	7,610	3,730
Less depreciation attributable to State grants	73,117	88,020
Balance, June 30	$246,356	$311,863
Federal grants:		
Balance, July 1	$105,591	$108,911
Add grants received in current year:		
Contract 02-0046	30,438	14,922
Less depreciation attributable to Federal grants	18,447	18,242
Balance, June 30	$117,582	$105,591
TOTAL CONTRIBUTED CAPITAL, JUNE 30	$363,938	$417,454
RETAINED EARNINGS		
Balance, July 1	$ 737	$ 7,978
Net income (loss)	(91,684)	(113,502)
Add depreciation attributable to capital grants	91,564	106,261
RETAINED EARNINGS, JUNE 30	$ 617	$ 737
FUND EQUITY, JUNE 30	$364,555	$418,191

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30, 2004	2003
Cash flows from operating activities:		
Net operating income (loss)	($370,017)	($391,875)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	97,192	116,725
(Increase) decrease in receivables	12,619	17,740
Increase (decrease) in accounts payable	(19,416)	29,451
Increase (decrease) in expenses accrued but not paid	2,890	73
Net cash provided (used) by operating activities	($276,732)	($227,886)
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds	$ 11,000	($ 11,000)
(Increase) decrease in due from other governmental units	2,073	5,828
Increase (decrease) in due to other funds	-	(35,990)
Increase (decrease) in due to other governmental units	(414)	15,216
Operating transfers from other funds	86,000	72,500
Proceeds from grants	250,609	253,640
Specialized Services grants paid	(58,120)	(47,873
Interest expense and finance charges	(170)	-
Net cash provided (used) by noncapital financing activities	$290,978	$252,321
Cash flows from capital and related financing activities:		
Payments of installment loans	($ 6,835)	($ 12,984)
Acquisition of property and equipment	(37,396)	(19,770)
Capital contributions	38,048	18,652
Net cash provided (used) by capital and related financing activities	($ 6,183)	($ 14,102)
Cash flows from investing activities -		
Interest received	$ 14	$ 105
Net increase (decrease) in cash	$ 8,077	$ 10,438
Cash, beginning of year	21,871	11,433
CASH, END OF YEAR	$ 29,948	$ 21,871

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

CITY OF HOUGHTON, MICHIGAN

EQUIPMENT FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
CURRENT ASSETS		
Cash	$ 229,408	$ 121,153
Due from other funds	342,247	452,550
Due from component units	8,086	-
TOTAL CURRENT ASSETS	$ 579,741	$ 573,703
LAND, BUILDINGS, AND EQUIPMENT		
Land and buildings	$ 331,125	$ 331,125
Equipment	2,809,601	2,798,267
	$3,140,726	$3,129,392
Less accumulated depreciation	2,139,341	2,001,663
TOTAL LAND, BUILDINGS, AND EQUIPMENT	$1,001,385	$1,127,729
	$1,581,126	$1,701,432
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 45,115	$ 227,089
Accrued expenses	4,364	4,128
Due to other funds	216,040	360,160
Current maturities on long-term debt	13,200	8,000
TOTAL CURRENT LIABILITIES	$ 278,719	$ 599,377
LONG-TERM DEBT		
Notes payable	$ 127,101	$ 116,000
Less current maturities	13,200	8,000
TOTAL LONG-TERM DEBT	$ 113,901	$ 108,000
TOTAL LIABILITIES	$ 392,620	$ 707,377
FUND EQUITY		
Contributed capital	$ 4,067	$ 8,425
Retained earnings	1,184,439	985,630
TOTAL FUND EQUITY	$1,188,506	$ 994,055
	$1,581,126	$1,701,432

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

CITY OF HOUGHTON, MICHIGAN

EQUIPMENT FUND
STATEMENTS OF REVENUES AND EXPENSES

	Year ended June 30, 2004	2003
Operating revenues:		
Charges for services	$824,540	$755,837
Other revenue	254	90
TOTAL OPERATING REVENUES	$824,794	$755,927
Operating expenses:		
Equipment operations, maintenance, and storage	$385,510	$328,452
Insurance on equipment and garage	23,686	20,932
Employee benefits	26,938	24,246
	$436,134	$373,630
Depreciation expense	214,493	188,449
TOTAL OPERATING EXPENSES	$650,627	$562,079
NET INCOME FROM OPERATIONS	$174,167	$193,848
Non-operating income:		
Interest	$ 21	$ 297
Gain on sale of equipment	12,549	-
	$ 12,570	$ 297
Non-operating expense:		
Interest	$ 5,796	$ 5,804
Loss on sale of equipment	-	9,700
	$ 5,796	$ 15,504
Other financing sources (uses) -		
Operating transfers from other funds	$ 13,510	$ 13,890
NET INCOME (LOSS)	$194,451	$192,531

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

CITY OF HOUGHTON, MICHIGAN

EQUIPMENT FUND
ANALYSES OF CHANGES IN FUND EQUITY

	Year ended June 30, 2004	Year ended June 30, 2003
CONTRIBUTED CAPITAL		
City of Houghton General Fund:		
Balance, July 1	$ 8,425	$ 12,783
Less depreciation attributable to City of Houghton General Fund grants	4,358	4,358
TOTAL CONTRIBUTED CAPITAL, JUNE 30	$ 4,067	$ 8,425
RETAINED EARNINGS		
Balance, July 1	$ 985,630	$788,741
Add:		
Net income (loss)	$ 194,451	$192,531
Depreciation attributable to contributed capital	4,358	4,358
	$ 198,809	$196,889
TOTAL RETAINED EARNINGS, JUNE 30	$1,184,439	$985,630
FUND EQUITY, JUNE 30	$1,188,506	$994,055

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

CITY OF HOUGHTON, MICHIGAN

EQUIPMENT FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30, 2004	2003
Cash flows from operating activities:		
Excess of revenues and other sources (expenses and other uses)	$174,167	$193,848
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	214,493	188,449
Increase (decrease) in accounts payable	(181,974)	205,766
Increase (decrease) in expenses accrued but not paid	236	(164)
Net cash provided (used) by operating activities	$206,922	$587,899
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds and component units	$102,217	($239,356)
Increase (decrease) in due to other funds and component units	(144,120)	3,676
Operating transfers from other funds and component units	13,510	13,890
Net cash provided (used) by noncapital financing activities	($ 28,393)	($221,790)
Cash flows from capital and related financing activities:		
Acquisition of equipment	($ 95,798)	($286,287)
Proceeds from sale of equipment	20,198	4,500
Loan proceeds	21,823	-
Reduction of long-term debt	(10,722)	(11,659)
Interest paid on long-term debt	(5,796)	(5,804)
Net cash provided (used) by capital and related financing activities	($ 70,295)	($299,250)
Cash flows from investing activities - interest received	$ 21	$ 297
NET INCREASE (DECREASE) IN CASH	$108,255	$ 67,156
Cash, beginning of year	121,153	53,997
CASH, END OF YEAR	$229,408	$121,153

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE RETIREMENT FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
Cash and cash equivalents	$ 47,020	$ 109,913
Due from participants	1,600	2,500
Investments	4,080,142	3,582,057
Loans to participants	168,456	173,659
	$4,297,218	$3,868,129
LIABILITIES AND FUND BALANCE		
LIABILITIES	$ 1,600	$ 2,750
FUND BALANCE		
Reserved:		
Reserves for active employees:		
Employee contributions	$1,985,061	$1,867,508
Employer contributions	2,310,557	1,997,871
TOTAL FUND BALANCE	$4,295,618	$3,865,379
	$4,297,218	$3,868,129

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE RETIREMENT FUND
STATEMENTS OF REVENUES AND EXPENSES

	Year ended June 30, 2004	2003
Operating revenues:		
Employee contributions	$ -	$ 3,234
Employer contributions	186,053	176,744
Investment income (loss)	104,143	(19,825)
TOTAL OPERATING REVENUES	$290,196	$160,153
Operating expenses:		
Plan distributions	$278,074	$ 57,434
Administrative fees and miscellaneous	-	3,454
TOTAL OPERATING EXPENSES	$278,074	$ 60,888
NET OPERATING INCOME (LOSS)	$ 12,122	$ 99,265
Net appreciation (depreciation) in fair value of investments	418,117	50,214
NET INCOME (LOSS)	$430,239	$149,479

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE RETIREMENT FUND
STATEMENTS OF CHANGES IN FUND BALANCE

	Year ended June 30, 2004	Year ended June 30, 2003
FUND BALANCE		
Reserved, beginning of year	$3,865,379	$3,715,900
Net operating income (loss) for the year	430,239	149,479
FUND BALANCE RESERVED, JUNE 30	$4,295,618	$3,865,379

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE BENEFIT FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
Cash	$ 80,363	$173,097
Prepaid expense	42,605	38,395
	$122,968	$211,492
LIABILITIES AND RETAINED EARNINGS		
LIABILITIES		
Accounts payable	$ 3,985	$ 6,499
Accrued expenses and payroll taxes	318	9,413
Accumulated employee sick leave	71,897	64,653
Accumulated employee vacation	98,169	120,272
TOTAL LIABILITIES	$174,369	$200,837
RETAINED EARNINGS (DEFICIT)	(51,401)	10,655
	$122,968	$211,492

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE BENEFIT FUND
STATEMENTS OF REVENUES AND EXPENSES

	Year ended June 30, 2004	2003
Operating revenues:		
Charges for services	$867,850	$716,939
Other revenue	2,182	6,188
TOTAL OPERATING REVENUES	$870,032	$723,127
Operating expenses:		
Payroll taxes - Employer share	$123,358	$120,252
Hospitalization insurance	363,760	300,958
Sick pay	65,215	60,645
Vacation pay	83,710	100,352
Holiday pay	35,313	33,469
Funeral pay	353	1,032
Longevity pay	11,400	10,100
Workers' compensation insurance	13,371	22,865
Unemployment insurance	2,684	4,663
Retirement contributions	186,053	176,744
Life insurance	31,914	36,123
Disability insurance	5,006	7,484
Other	9,951	13,328
TOTAL OPERATING EXPENSES	$932,088	$888,015
NET OPERATING INCOME (LOSS)	($ 62,056)	($164,888)

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE BENEFIT FUND
ANALYSES OF CHANGES IN RETAINED EARNINGS

	Year ended June 30, 2004	Year ended June 30, 2003
Retained earnings (deficit), July 1	$ 10,655	$175,543
Net operating income (loss) for the year	(62,056)	(164,888)
RETAINED EARNINGS (DEFICIT), JUNE 30	($ 51,401)	$ 10,655

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

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE BENEFIT FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30, 2004	2003
Cash flows from operating activities:		
Net operating income (loss)	($ 62,056)	($164,888)
Adjustments to reconcile net income to net cash provided by operating activities:		
(Increase) decrease in prepaid expense	(4,210)	(4,511)
(Increase) decrease in due from other funds	-	2,433
Increase (decrease) in accounts payable	(2,514)	3,562
Increase (decrease) in accrued expenses	(23,954)	8,294
Increase (decrease) in due to other funds	-	(1)
Cash flows provided (used) by operating activities	($ 92,734)	($155,111)
Cash, beginning of year	173,097	328,208
CASH, END OF YEAR	$ 80,363	$173,097

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

CITY OF HOUGHTON, MICHIGAN

AGENCY FUND
TAX COLLECTION FUND

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
For the Year ended June 30, 2004

	Balance 07-01-03	Additions	Deductions	Balance 06-30-04
ASSETS				
Cash	$ 35,637	$3,749,179	$3,750,461	$ 34,355
LIABILITIES				
Due to (from) component units:				
Downtown Development Authority	$ 15,716	$ 269,767	$ 281,107	$ 4,376
Tax Increment Finance Authority	952	671,090	670,873	1,169
Due to other governmental units	18,969	2,808,322	2,798,481	28,810
TOTAL LIABILITIES	$ 35,637	$3,749,179	$3,750,461	$ 34,355

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

GROUPS OF ACCOUNTS

CITY OF HOUGHTON, MICHIGAN

GENERAL FIXED ASSETS GROUP OF ACCOUNTS
STATEMENTS OF GENERAL FIXED ASSETS

	June 30, 2004	June 30, 2003
GENERAL FIXED ASSETS		
Land, buildings, and improvements	$4,744,243	$4,766,884
Improvements other than buildings	2,668,846	2,657,008
	$7,413,089	$7,423,892
INVESTMENT IN GENERAL FIXED ASSETS		
Capital Projects Funds:		
State grants	$1,541,140	$1,541,140
Federal grants	1,029,744	1,029,744
County grants	70,000	70,000
Local contributions	56,976	56,976
General Fund and other fund grants	1,947,317	2,730,754
General Fund grants	1,508,219	1,108,631
State grants	877,193	504,147
Gifts	382,500	382,500
	$7,413,089	$7,423,892

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

CITY OF HOUGHTON, MICHIGAN

GENERAL LONG-TERM DEBT GROUP OF ACCOUNTS
STATEMENTS OF GENERAL LONG-TERM DEBT

	June 30, 2004	June 30, 2003
AMOUNT TO BE PROVIDED FOR THE RETIREMENT OF GENERAL LONG-TERM DEBT		
Amount to be provided for the payment of accrued compensated absences	$ 151,361	$ 168,924
Amounts to be provided for retirement of loans and bonds payable	857,536	963,767
	$1,008,897	$1,132,691
GENERAL LONG-TERM DEBT PAYABLE		
Accrued compensated absences payable	$ 151,361	$ 168,924
1997 Building Authority and Building Authority Refunding Bonds	615,000	695,000
Michigan CDBG Economic Development Grant Loan	186,339	206,690
Promissory Note - retirement annuity	56,197	62,077
	$1,008,897	$1,132,691

General Obligation Water Supply and Sewage Disposal System Revenue Bonds of 1978, 1980, 1995 and 1997, aggregating $4,544,000, which are not reflected above, are included in the balance sheet of the Water Supply Fund. Water Supply and Sewage System Bonds of 1996 totalling $365,000, and Sewage System Limited Obligation Revenue Bonds of 1997 totalling $255,000 which are not reflected above, are included in the balance sheet of the Sewage Disposal System Fund. All the above are scheduled in Note H to the financial statements at June 30, 2004.

Notes payable in the amount of $127,101 not reflected above, are included in the balance sheets of the Equipment Fund, and are described in Note H to the financial statements at June 30, 2004.

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

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF HOUGHTON, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS

June 30, 2004

	Totals (Memorandum Only)	
	2004	2003
ASSETS		
Cash	$ 19,589	$ 16,465
Taxes receivable	13,810	9,614
Due from primary government	91,654	15,716
Due from component unit	-	1,539
Amount to be provided for retirement of long-term debt	963,030	917,382
	$1,088,083	$ 960,716
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 106,677	$ 9,526
Deferred revenue	13,810	9,614
Due to primary government	1,979	44,536
Long-term debt	963,030	917,382
TOTAL LIABILITIES	$1,085,496	$ 981,058
FUND BALANCE (DEFICIT)	2,587	(20,342)
	$1,088,083	$ 960,716

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

General Fund	Debt Service Funds	Long-Term Debt Group of Accounts
$ 18,895	$ 694	$ -
13,810	-	-
91,654	-	-
-	-	-
-	-	963,030
$ 124,359	$ 694	$ 963,030
$ 106,677	$ -	$ -
13,810	-	-
1,979	-	-
-	-	963,030
$ 122,466	$ -	$ 963,030
1,893	694	-
$ 124,359	$ 694	$ 963,030

CITY OF HOUGHTON, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
COMBINED STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

Year ended June 30, 2004

	Totals (Memorandum Only) 2004	2003
Revenues:		
Taxes	$ 269,767	$ 266,624
Interest and rents	634	1,613
Miscellaneous	443	-
TOTAL REVENUES	$ 270,844	$ 268,237
Expenditures:		
Administration	$ 18,183	$ 46,648
Capital outlay	194,777	6,324
Debt Service:		
Principal	10,000	10,000
Interest	5,550	6,055
TOTAL EXPENDITURES	$ 228,510	$ 69,027
EXCESS OF REVENUES (EXPENDITURES)	$ 42,334	$ 199,210
Other financing sources (uses):		
Operating transfers from primary government	$ 74,000	$ -
Operating transfers to primary government	(93,405)	(108,188)
Operating transfers from other funds	15,550	16,055
Operating transfers to other funds	(15,550)	(16,055)
TOTAL OTHER FINANCING SOURCES (USES)	($ 19,405)	($ 108,188)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	$ 22,929	$ 91,022
Fund balance (deficit), July 1	(20,342)	(111,364)
TOTAL FUND BALANCE (DEFICIT), JUNE 30	$ 2,587	($ 20,342)

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

General Fund	Debt Service Funds
$ 269,767	$ -
634	-
443	-
$ 270,844	$ -
$ 18,183	$ -
194,777	-
-	10,000
-	5,550
$ 212,960	$ 15,550
$ 57,884	($ 15,550)
$ 74,000	$ -
(93,405)	-
-	15,550
(15,550)	-
($ 34,955)	$ 15,550
$ 22,929	$ -
(21,036)	694
$ 1,893	$ 694

CITY OF HOUGHTON, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
GENERAL FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
Cash	$ 18,895	$ 15,771
Taxes receivable	13,810	9,614
Due from primary government	91,654	15,716
Due from component unit	-	1,539
	$ 124,359	$ 42,640
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 106,677	$ 9,526
Due to primary government	1,979	44,536
Deferred revenue	13,810	9,614
TOTAL LIABILITIES	$ 122,466	$ 63,676
FUND BALANCE (DEFICIT)	1,893	(21,036)
	$ 124,359	$ 42,640

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

CITY OF HOUGHTON, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2004
With Actual Amounts for Year Ended June 30, 2003

	2004			2003
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Taxes	$281,000	$ 269,767	($ 11,233)	$ 266,624
Interest and rents	4,000	634	(3,366)	1,613
Miscellaneous	-	443	443	-
TOTAL REVENUES	$285,000	$ 270,844	($ 14,156)	$ 268,237
Expenditures:				
General government administration	$ 22,800	$ 18,183	$ 4,617	$ 46,648
Capital outlay	93,700	194,777	(101,077)	6,324
TOTAL EXPENDITURES	$116,500	$ 212,960	($ 96,460)	$ 52,972
EXCESS OF REVENUES (EXPENDITURES)	$168,500	$ 57,884	($ 110,616)	$ 215,265
Other financing sources (uses):				
Operating transfers from primary government	$ -	$ 74,000	$ 74,000	$ -
Operating transfers to primary government	(93,400)	(93,405)	(5)	(108,188)
Operating transfers to other funds	(15,600)	(15,550)	50	(16,055)
TOTAL OTHER FINANCING SOURCES (USES)	($109,000)	($ 34,955)	$ 74,045	($ 124,243)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	$ 59,500	$ 22,929	($ 36,571)	$ 91,022
Fund balance (deficit), July 1	(21,036)	(21,036)	-	(112,058)
TOTAL FUND BALANCE (DEFICIT), JUNE 30	$ 38,464	$ 1,893	($ 36,571)	($ 21,036)

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

CITY OF HOUGHTON, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS

June 30, 2004
With Totals for June 30, 2003

	Totals (Memorandum Only) 2004	Totals (Memorandum Only) 2003	1996 Building Authority Bonds	1994 DDA Limited Tax General Obligation Bonds
ASSETS				
Cash	$ 694	$ 694	$ 613	$ 81
LIABILITIES AND FUND EQUITY				
Liabilities	$ -	$ -	$ -	$ -
Fund Equity	694	694	613	81
	$ 694	$ 694	$ 613	$ 81

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

CITY OF HOUGHTON, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
DEBT SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY

Year ended June 30, 2004
With Totals for June 30, 2003

	Totals (Memorandum Only) 2004	Totals (Memorandum Only) 2003	1996 Building Authority Bonds	1994 DDA Limited Tax General Obligation Bonds
Revenues -				
Contributions from other funds	$ 15,550	$ 16,055	$ 15,550	$ -
Expenditures:				
Redemption of serial bonds	$ 10,000	$ 10,000	$ 10,000	$ -
Interest on bonds	5,500	6,055	5,550	-
TOTAL EXPENDITURES	$ 15,550	$ 16,055	$ 15,550	$ -
EXCESS OF REVENUES	$ -	$ -	$ -	$ -
Fund equity, July 1	694	694	613	81
FUND EQUITY, JUNE 30	$ 694	$ 694	$ 613	$ 81

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

CITY OF HOUGHTON, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
STATEMENTS OF GENERAL LONG-TERM DEBT

	June 30, 2004	June 30, 2003
AMOUNT TO BE PROVIDED FOR THE RETIREMENT OF GENERAL LONG-TERM DEBT		
Amounts to be provided for the retirement of long-term debt	$ 963,030	$ 917,382
GENERAL LONG-TERM DEBT PAYABLE		
Limited tax development bonds, including accrued interest	$ 868,030	$ 812,382
1996 Building Authority Bonds	95,000	105,000
	$ 963,030	$ 917,382

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

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS

June 30, 2004

	Totals (Memorandum Only)	
	2004	2003
ASSETS		
Cash	$ 388,011	$ 259,986
Taxes receivable	26,870	31,901
Due from primary government	89,938	89,721
Amount to be provided for retirement of long-term debt	1,740,669	1,943,427
	$2,245,488	$2,325,035
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 16,111	$ 3,722
Accrued wages and benefits	8,654	550
Due to primary government	6,107	-
Due to component unit	-	1,539
Deferred revenue	26,870	31,901
Long-term debt	1,740,669	1,943,427
TOTAL LIABILITIES	$1,798,411	$1,981,139
FUND BALANCE	447,077	343,896
	$2,245,488	$2,325,035

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

General Fund	Debt Service Funds	Long-Term Debt Group of Accounts
$387,394	$ 617	$ -
26,870	-	-
89,938	-	-
-	-	1,740,669
$504,202	$ 617	$1,740,669
$ 16,111	$ -	$ -
8,654	-	-
6,107	-	-
-	-	-
26,870	-	-
-	-	1,740,669
$ 57,742	$ -	$1,740,669
446,460	617	-
$504,202	$ 617	$1,740,669

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
COMBINED STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

Year ended June 30, 2004

	Totals (Memorandum Only) 2004	2003
Revenues:		
Taxes	$ 671,090	$ 629,752
Interest and rents	4,215	4,932
TOTAL REVENUES	$ 675,305	$ 634,684
Expenditures:		
General government administration	$ 82,967	$ 39,227
Capital outlay	180,440	-
Debt Service:		
Principal	202,758	186,791
Interest	105,878	118,086
Other	81	-
TOTAL EXPENDITURES	$ 572,124	$ 344,104
EXCESS OF REVENUES (EXPENDITURES)	$ 103,181	$ 290,580
Other financing sources (uses):		
Operating transfers to primary government	$ -	($ 304,725)
Operating transfers from other funds	308,936	305,177
Operating transfers to other funds	(308,936)	(305,177)
TOTAL OTHER FINANCING SOURCES (USES)	$ -	($ 304,725)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	$ 103,181	($ 14,145)
Fund balance (deficit), July 1	343,896	358,041
TOTAL FUND BALANCE (DEFICIT), JUNE 30	$ 447,077	$ 343,896

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

General Fund	Debt Service Funds
$ 671,090	$ -
4,215	-
$ 675,305	$ -
$ 82,667	$ 300
180,440	-
-	202,758
-	105,878
81	-
$ 263,188	$ 308,936
$ 412,117	($ 308,936)
$ -	$ -
-	308,936
(308,936)	-
($ 308,936)	$ 308,936
$ 103,184	$ -
343,279	617
$ 446,460	$ 617

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
GENERAL FUND
BALANCE SHEETS

	June 30, 2004	June 30, 2003
ASSETS		
Cash	$387,394	$259,369
Taxes receivable	26,870	31,901
Due from primary government	89,938	89,721
	$504,202	$380,991
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 16,111	$ 3,722
Accrued wages and benefits	8,654	550
Due to primary government	6,107	-
Due to component unit	-	1,539
Deferred revenue	26,870	31,901
TOTAL LIABILITIES	$ 57,742	$ 37,712
FUND BALANCE	446,460	343,279
	$504,202	$380,991

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

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2004
With Actual Amounts for Year Ended June 30, 2003

	2004			2003
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Taxes	$ 660,000	$ 671,090	$ 11,090	$ 629,752
Interest and rents	8,000	4,215	(3,785)	4,932
TOTAL REVENUES	$ 668,000	$ 675,305	$ 7,305	$ 634,684
Expenditures:				
General government administration	$ 55,000	$ 82,667	($ 27,667)	$ 38,927
Capital outlay	295,100	180,440	114,660	-
Other	-	81	(81)	-
TOTAL EXPENDITURES	$ 350,100	$ 263,188	$ 86,912	$ 38,927
EXCESS OF REVENUES (EXPENDITURES)	$ 317,900	$ 412,117	$ 94,217	$ 595,757
Other financing sources (uses):				
Operating transfers to primary government	$ -	$ -	$ -	($ 304,725)
Operating transfers to other funds	(308,690)	(308,936)	(246)	(305,177)
TOTAL OTHER FINANCING SOURCES (USES)	($ 308,690)	($ 308,936)	($ 246)	($ 609,902)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	$ 9,210	$ 103,181	$ 93,971	($ 14,145)
Fund balance (deficit), July 1	343,279	343,279	-	357,424
TOTAL FUND BALANCE (DEFICIT), JUNE 30	$ 352,489	$ 446,460	$ 93,971	$ 343,279

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

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS

June 30, 2004
With totals for June 30, 2003

	Totals (Memorandum Only)		Tax Increment Revenue Bonds		
	2004	2003	1994 Shopko Project	1993 Wal-mart Project	1995 TIFA Projects
ASSETS					
Cash	$ 617	$ 617	$ 63	$ 64	$ 369
LIABILITIES AND FUND EQUITY					
Liabilities	$ -	$ -	$ -	$ -	$ -
Fund Equity	617	617	63	64	369
	$ 617	$ 617	$ 63	$ 64	$ 369

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

1998 LTD Refunding Bonds	1999 Bluffs Bond Debt
$ 58	$ 63
$ -	$ -
58	63
$ 58	$ 63

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
DEBT SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY

Year ended June 30, 2004
With Totals for June 30, 2003

	Totals (Memorandum Only)		Tax Increment Revenue Bonds		
	2004	2003	1994 Shopko Project	1993 Wal-mart Project	1995 TIFA Projects
Revenues -					
Contributions from other funds	$308,936	$305,177	$66,500	$ 73,256	$ 70,540
Expenditures:					
Redemption of serial bonds	$202,758	$186,791	$62,058	$ 55,700	$ 60,000
Interest on bonds	105,878	118,086	4,442	17,556	10,540
Paying agent fees and miscellaneous	300	300	-	-	-
TOTAL EXPENDITURES	$308,936	$305,177	$66,500	$ 73,256	$ 70,540
EXCESS OF REVENUES	$ -	$ -	$ -	$ -	$ -
Fund equity, July 1	617	617	63	64	369
FUND EQUITY, JUNE 30	$ 617	$ 617	$ 63	$ 64	$ 369

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

1998 LTD Refunding Bonds	1999 Tax Increment Bonds
$ 55,890	$ 42,750
$ 10,000	$ 15,000
45,890	27,450
-	300
$ 55,890	$ 42,750
$ -	$ -
58	63
$ 58	$ 63

CITY OF HOUGHTON, MICHIGAN

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

	Year ended June 30, 2004	Year ended June 30, 2003
AMOUNT TO BE PROVIDED FOR THE RETIREMENT OF GENERAL LONG-TERM DEBT		
Amounts to be provided for the retirement of bonds payable	$1,740,669	$1,943,427
GENERAL LONG-TERM DEBT PAYABLE		
Shopko Store Project Bonds	$ 6,282	$ 68,340
Walmart Store Project Bonds	214,387	270,087
1995 TIFA Projects Bonds	135,000	195,000
1998 Limited Tax Development Refunding Bonds	920,000	930,000
1999 Bluffs Project Bonds	465,000	480,000
	$1,740,669	$1,943,427

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

CITY OF HOUGHTON, MICHIGAN

BROWNFIELD REDEVELOPMENT AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS

June 30, 2004

	Totals (Memorandum Only)		General Fund	Long-Term Debt Group of Accounts
	2004	2003		
ASSETS				
Cash	$ -	$ 2,840	$ -	$ -
Due from primary government	15,483	15,483	15,483	-
Due from other governmental units	378,120	425,000	378,120	-
Amount to be provided for retirement of long-term debt	378,120	425,000	-	378,120
	$771,723	$868,323	$393,603	$ 378,120
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Deferred revenue	$378,120	$425,000	$378,120	$ -
Long-term debt	378,120	425,000	-	378,120
TOTAL LIABILITIES	$756,240	$850,000	$378,120	$ 378,120
FUND BALANCE	15,483	18,323	15,483	-
	$771,723	$868,323	$393,603	$ 378,120

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

CITY OF HOUGHTON, MICHIGAN

BROWNFIELD REDEVELOPMENT AUTHORITY
A discretely presented component unit
GENERAL FUND
BALANCE SHEETS

	June 30,	
	2004	2003
ASSETS		
Cash	$ -	$ 2,840
Due from primary government	15,483	15,483
Due from other governmental units	378,120	425,000
	$393,603	$443,323
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Deferred revenue	$378,120	$425,000
FUND BALANCE	15,483	18,323
	$393,603	443,323

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

CITY OF HOUGHTON, MICHIGAN

BROWNFIELD REDEVELOPMENT AUTHORITY
A discretely presented component unit
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2004
With Actual Amounts for Year Ended June 30, 2003

	2004			2003
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
County	$ -	$ 44,040	$ 44,040	$ -
Interest and rents	-	-	-	4
TOTAL REVENUES	$ -	$ 44,040	$ 44,040	$ 4
Expenditures - Principal	-	46,880	(46,880)	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES	$ -	($ 2,840)	($ 2,840)	$ 4
Fund balance, July 1	18,323	18,323	-	18,319
TOTAL FUND BALANCE, JUNE 30	$ 18,323	$ 15,483	($ 2,840)	$ 18,323

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

CITY OF HOUGHTON, MICHIGAN

BROWNFIELD REDEVELOPMENT AUTHORITY
A discretely presented component unit
STATEMENTS OF GENERAL LONG-TERM DEBT

	June 30,	
	2004	2003
AMOUNT TO BE PROVIDED FOR THE RETIREMENT OF GENERAL LONG-TERM DEBT		
Amount to be provided for the retirement of bonds payable	$378,120	$425,000
GENERAL LONG-TERM DEBT PAYABLE		
Limited obligation revenue bonds	$378,120	$425,000

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

OTHER FINANCIAL INFORMATION

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE

	Year ended June 30, 2004	Year ended June 30, 2003
REVENUES:		
Taxes:		
Real property taxes	$ 730,590	$ 700,365
Personal property taxes	42,266	39,220
Payments in lieu of taxes	5,890	5,743
Previously written off	39,917	1,718
Administration fees and interest	32,380	28,838
TOTAL TAXES	$ 851,043	$ 775,884
Licenses and permits	$ 1,010	$ 1,165
State grants:		
Sales and use tax	$ 876,942	$ 891,009
Liquor licenses	6,835	6,216
Fire protection	10,635	11,191
Other	391,674	-
TOTAL STATE GRANTS	$ 1,286,086	$ 908,416
Charges for service:		
Accident reports	$ 1,405	$ 1,734
Lighting - MTU	3,411	3,411
Dee Stadium	110,195	101,441
Sanitation	402,275	390,833
Charges to users	193,316	133,031
TOTAL CHARGES FOR SERVICES	$ 710,602	$ 630,450
Interest and rents -		
Interest income	$ 18,742	$ 25,888
Other revenue:		
Sale of assets	$ 295,735	$ 10,927
Fines and forfeits	27,840	5,962
Miscellaneous	8,182	21,264
TOTAL OTHER REVENUE	$ 331,757	$ 38,153
TOTAL REVENUES	$ 3,199,240	$2,379,956

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

	Year ended June 30, 2004	Year ended June 30, 2003
EXPENDITURES:		
General government administration:		
Legislative	$ 8,794	$ 9,476
City manager	41,090	42,170
Elections	122	4,607
Assessor	21,807	19,394
Planning and professional services	54,526	41,244
Clerk	74,112	73,474
Treasurer	29,273	31,708
Accounting and auditing	17,560	16,500
Building and grounds	166,840	165,312
Community promotion	56,371	56,161
Capital outlay	213,391	-
Miscellaneous administration	1,149	1,311
TOTAL GENERAL GOVERNMENT ADMINISTRATION	$ 685,035	$ 461,357
Public safety:		
Police	$ 379,761	$ 388,324
Fire	120,248	112,653
Building acquisition - Schutz	50,010	-
TOTAL PUBLIC SAFETY	$ 550,019	$ 500,977
Public works:		
Department of public works	$ 5,212	$ 5,447
Building inspection	43,665	23,033
Sidewalks and curbs	19,605	29,341
Insurance claim repairs	-	588
Street lighting	118,627	86,200
Tree trimming	5,186	10,708
Refuse collections	394,647	396,449
TOTAL PUBLIC WORKS	$ 586,942	$ 551,766
Recreation and parks:		
Beach	$ 94,172	$ 46,408
Dee Stadium	100,199	302,772
Parks	77,148	59,283
Capital outlay	497,394	-
TOTAL RECREATION AND PARKS	$ 768,913	$ 408,463

CITY OF HOUGHTON, MICHIGAN

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

	Year ended June 30, 2004	Year ended June 30, 2003
Debt service:		
Principal	$ 19,557	$ 12,725
Interest	5,829	4,925
TOTAL DEBT SERVICE	$ 25,386	$ 17,650
Other expenditures:		
Beach concerts	$ -	$ 3,050
City beautification	7,048	12,175
Insurance, bonds, and fringes	463,342	359,741
Finance charge	482	609
Miscellaneous	3,796	4,667
TOTAL OTHER EXPENDITURES	$ 474,668	$ 380,242
TOTAL EXPENDITURES	$3,090,963	$2,320,455
EXCESS REVENUES OVER EXPENDITURES	$ 108,277	$ 59,501
Other financing sources (uses) - Operating transfers out	($ 297,160)	($ 171,545)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	($ 188,883)	($ 112,044)
Fund Balance, July 1	1,092,766	1,204,810
FUND BALANCE, JUNE 30	$ 903,883	$1,092,766

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

CITY OF HOUGHTON, MICHIGAN

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

	June 30,	
	2004	2003
Expenditures:		
Traffic signals	$ 6,444	$ 10,570
Surface maintenance	21,497	7 013
Sweeping and flushing	6,300	6,868
Culvert/underdrain	-	276
Snow and ice control	259,244	232,954
Pavement marking	114	-
Shoulder maintenance	1,991	1,955
Grass/Weed control	2,250	-
Construction	-	40,998
Other	2,857	766
Employee benefits	46,396	35,170
	$347,093	$336,570
Reimbursements - Michigan Department of Highways and Transportation	376,781	360,586
	$ 29,688	$ 24,016

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
SCHEDULE OF OPERATING REVENUES

	7-1-03 to 9-30-03	10-1-03 to 6-30-04	Total
Fare box	$ 16,741	$ 40,482	$ 57,223
Special contract fares	9,612	28,693	38,305
Other revenue - RTAP reimbursements	645	2,364	3,009
TOTAL OPERATING REVENUES	$ 26,998	$ 71,539	$ 98,537

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
SCHEDULE OF OPERATING EXPENSES

Year ended June 30, 2004

	Operations	Maintenance	General Administration	Total System
Labor:				
Operators' salaries and wages	$134,331	$ -	$ -	$134,331
Other salaries and wages	-	25,450	22,261	47,711
Fringe benefits	29,289	20,077	17,572	66,938
Services:				
Contracted services	3,684	-	-	3,684
Printing and publishing	-	-	580	580
Audit	-	-	2,600	2,600
Materials and supplies consumed:				
Fuel and lubricants	22,425	-	-	22,425
Repairs and maintenance	-	10,240	-	10,240
Other materials and supplies	13,654	19,529	128	33,311
Utilities	4,885	12,625	391	17,901
Casualty and liability cost - Premiums for public liability and property damage insurance	-	27,437	-	27,437
Miscellaneous expenses	1,129	188	2,887	4,204
Depreciation	73,560	6,863	16,769	97,192
TOTAL OPERATING EXPENSES	$282,957	$122,409	$ 63,188	$468,554

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

Year ended June 30, 2004

Non-operating revenues:	
Operating transfers in - General Fund	$ 86,000
State of Michigan operating grants:	
Local Bus Operating Assistance - Act 51	152,438
Specialized Services - Contract 02-0046	58,120
Federal Operating Grant - U.S. DOT Operating Grant - Section 5311 - Contract 02-0046	40,051
Interest income	14
TOTAL NON-OPERATING REVENUES	$336,623
Non-operating expenses - Specialized Services Grants:	
Contract 02-0046	$ 58,120
Finance charges	111
Interest expense	59
TOTAL NON-OPERATING EXPENSES	$ 58,290

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
MILEAGE SCHEDULE

Year ended June 30, 2004

	Public Transportation Mileage
LINE HAUL AND DEMAND RESPONSE	
First Quarter	25,973
Second Quarter	43,077
Third Quarter	38,698
Fourth Quarter	29,391
	137,139

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage. However, the methodology used does not differentiate between Line Haul and Demand Response Mileage.

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

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Year ended June 30, 2004

	Federal Section 5311*	
	02-0046 7-1-03 to 9-30-03	02-0046 10-1-03 to 6-30-04
Expenses:		
Labor	$ 39,506	$142,536
Fringe benefits	16,735	50,203
Services	297	6,567
Materials and supplies	16,244	49,732
Utilities	1,596	16,305
Casualty and liability costs	6,859	20,578
Miscellaneous expenses	2,193	2,011
Depreciation	24,298	72,894
TOTAL OPERATING EXPENSES	$107,728	$360,826
Less ineligible expenses:		
RTAP reimbursements	$ 645	$ 2,364
Audit	-	2,600
Depreciation	24,298	72,894
TOTAL INELIGIBLE EXPENSES AND REIMBURSEMENTS	$ 24,943	$ 77,858
NET ELIGIBLE EXPENSES	$ 82,785	$282,968
Maximum Section 5311 reimbursement:		
10.95%	$ 9,065	
10.95%		$ 30,985

State Statutory Operating Assistance - the lower of its:

Reimbursement Amount:

42.93218922% of eligible expenses for non-urbanized areas
(.4293218922 x $82,785)

42.236619648% of eligible expenses for non-urbanized areas
(.42236619648 x $282,968)

The percentages are calculated based on budgeted eligible operating expenses. Therefore, the percentages will be recalculated after total eligible operating expenses are determined based on the preliminary reconciliation and the audited close-out. There is a fixed amount of state funds available statewide and the percentages change based on the statewide eligible expenses.

Statutory Cap:

Non-urbanized areas and urbanized areas under 100,000 population can receive up to 60% of eligible operating expenses.

Mandatory Floor:

An agency must receive, as a minimum, the amount received for eligible operating expenses in FY 1997, contingent upon the local share requirements set forth in Act 51, as amended.

*Federal Section 5311 expenses are only those expenses incurred in providing service to non-urbanized areas.

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

Local Bus Operating Assistance

7-1-03 to 9-30-03	10-1-03 to 6-30-04
$ 39,506	$142,536
16,735	50,203
297	6,567
16,244	49,732
1,596	16,305
6,859	20,578
2,193	2,011
24,298	72,894
$107,728	$360,826
$ 645	$ 2,364
-	2,600
24,298	72,894
$ 24,943	$ 77,858
$ 82,785	$282,968
$ 35,541	
	$119,516

JOSEPH M. DAAVETTILA, P.C.
Certified Public Accountant
417 Shelden Avenue, P.O. Box 488
Houghton, Michigan 49931

November 24, 2004

City Council
City of Houghton
Michigan

Management Letter

In connection with our audit of the financial statements of the CITY OF HOUGHTON, MICHIGAN for the year ended June 30, 2004, the following comments and recommendations concerning accounting procedures and controls in effect in the City are presented for your consideration.

The following items are not a matter of internal accounting control, except as noted. They generally relate to the application of generally accepted accounting principles in the preparation of financial statements.

1. In previous years the City had accumulated significant interfund balances. The City has made some progress in paying off these interfund loans. We recommend that management continue to take the steps necessary to eliminate these balances. Ideally, all interfund balances should be disposed of on a current basis and all contributions should be budgeted. This comment has been included in previous years' reports.

2. As was noted in previous years' reports, there was a large deficit in the fund balance of the Downtown Development Authority. On October 23, 2002 the City Council approved a new deficit reduction plan. Implementation of this plan has been successful and the deficit has been eliminated.

3. During the year ended June 30, 2004, the City incurred expenditures in two funds which were in excess of the amounts appropriated. This is in violation of Public Act 621 of 1978. As purchase orders are approved, care should be taken to ensure that the amounts expended do not exceed the amount budgeted for that category.

4. During the year ended June 30, 2004 the Employee Benefit Fund suffered a loss which resulted in a significant deficit. We strongly urge the City to take immediate action to eliminate this deficit.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the June 30, 2004 financial statements, and this report does not affect our report on the financial statements dated November 24, 2004.

This report is intended solely for the use of management and should not be used for any other purpose. The comments contained herein are submitted as constructive suggestions to assist the City in strengthening controls and procedures, and are not intended to reflect upon the honesty or integrity of any employee.

We would be happy to discuss any of the comments in this report, and would like to thank the officials and employees of the City for the courtesy and excellent cooperation shown us during our audit.

Joseph M Dawettila PC

Certified Public Accountant