

**City of Portland  
Ionia County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2015**

City of Portland  
Ionia County, Michigan  
June 30, 2015

CITY COUNCIL AND ADMINISTRATION

James E. Barnes	Mayor
Joel T. VanSlambrouck	Mayor Pro-Tem
Kyle Butler	Council member
Patrick Fitzsimmons	Council member
Julie Clement	Council member
S. Tutt Gorman	City Manager
Nikki Miller	City Clerk
Kristina Kinde	Finance Director/ Treasurer

City of Portland

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Portland, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Michigan (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Michigan, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principles**

As discussed in Note S to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the City's unfunded defined pension benefit obligation as a liability for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note S to the financial statements, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the City recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portland's basic financial statements. The combining and individual nonmajor fund financial statements, and miscellaneous statistical data are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The miscellaneous statistical data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015, on our consideration of the City of Portland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Portland's internal control over financial reporting and compliance.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 27, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The following is a discussion and analysis of City of Portland's (the City's) financial performance and position, providing an overview of the activities for the year ended June 30, 2015. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

**Government-wide:**

- Total net position was \$24,342,489 (excluding component units).
- Governmental activities net position was \$10,955,576.
- Business-type activity net position was \$13,386,913.
- Component Unit net position was \$1,179,777.

**Fund Level:**

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,551,124 with \$1,801,283 being nonspendable, restricted, committed or assigned for specific purposes and \$749,841 being unassigned.
- The General Fund realized \$21,104 less in revenues than anticipated for the fiscal year. The General Fund operations also expended \$185,484 less than appropriated.
- Overall, the General Fund balance increased by \$194,688.

**Capital and Long-term Debt Activities:**

- The total additions to the capital asset schedule for the primary government were \$1,439,888, excluding reclassifications. Significant capital purchases during the year included Cutler Road, Cutler Road sewer and water main improvements; purchase of a new tractor; purchase of a new pickup truck, purchase of wastewater pumps, and electric transformer.
- The total long-term debt for the primary government was \$6,752,159, a decrease of \$633,317 from the prior year. This decrease was largely due to scheduled payments on outstanding bonds, while no new debt was issued during the year.
- The City remains well below its authorized legal debt limit. The City debt limit, as defined by statute, is ten percent (10%) of the state equalized property values, which currently equals \$9,224,501.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's annual financial report. The annual financial report of the City consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), 4) *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and 5) *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds and other financial data.

**Government-wide Financial Statements (Reporting the City as a Whole)**

The set of government-wide financial statements are made up of the Statement of Net Position and the Statement of Activities, which report information about the City as a whole, and about its activities. Their purpose is to assist in answering the question, is the City, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all nonfiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The Statement of Net Position (page 1) presents all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, recording the difference between them as "net position". Over time, increases or decreases in net position measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City's net position changed during 2014/2015. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee vacation leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments, public safety, public works, health and welfare (ambulance), economic development, city improvements, street improvements, recreation activities, and other City wide elected official operations are reported under these activities.
- **Business-type Activities** - These activities operate like private businesses. The City charges fees to recover the cost of the services provided. The Electric Light and Power System, the Sewage Disposal System and Water System Fund and are examples of these activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the City Council and Administration appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. One organization is included as a discretely presented component unit: the Downtown Development Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Fund Financial Statements (Reporting the City's Major Funds)**

The fund financial statements, which begin on page 3, provide information on the City's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets and deferred outflows of resources, total liabilities and deferred inflows of resources, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of Portland include the General Fund, the City Income Tax Fund, the Local Street Fund, the Ambulance Fund, the Electric Light and Power System Fund, the Sewage Disposal System Fund and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type.

The City's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted, e.g., income tax, major street, local street, ambulance and recreation funds), *Capital Projects Funds* (used to report major capital acquisitions and construction, e.g., the Capital Improvement Fund - Street Projects), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest, e.g. the special assessments fund).
- **Proprietary Funds** - Services for which the City charges customers (whether outside the City structure or a City department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer Disposal System Fund. *Internal Service funds* report activities that provide supplies or service to the City's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

**Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 18 of this report.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes budgetary comparison schedules for the General Fund and the major special revenue funds.

**Other Supplementary Information**

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together by fund type and are presented in aggregate single columns in the appropriate single columns in the appropriate basic financial statements.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

As previously stated, City of Portland's combined net position was \$24,342,489 at the end of this fiscal year's operations. The net position of the governmental activities was \$10,955,576; the business-type activities were \$13,386,913.

This table has been restated from last year to reflect the recording of the pension liability and corresponding deferred inflows and outflows of resources that are required to be recorded as a result of a change in accounting principles. The City also reports its investment in capital assets (e.g. land, buildings, equipment, etc.) The City uses these capital assets to provide services to students and residents of the community; consequently, these assets are not available for future spending. Also, a certain amount of net position was restricted for specific purposes such as major streets, perpetual care, ambulance services, and debt service.

**Net Position as of June 30, 2014 and 2015**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Current and Other Assets	\$ 3,990,091	\$ 3,032,454	\$ 3,745,850	\$ 3,385,761	\$ 7,735,941	\$ 6,418,215
Capital Assets	14,021,068	14,318,936	18,215,763	17,809,551	32,236,831	32,128,487
<b>Total Assets</b>	<b>\$ 18,011,159</b>	<b>\$ 17,351,390</b>	<b>\$ 21,961,613</b>	<b>\$ 21,195,312</b>	<b>\$ 39,972,772</b>	<b>\$ 38,546,702</b>
Deferred outflows of resources	\$ 135,136	\$ 208,484	\$ 73,826	\$ 113,897	\$ 208,962	\$ 322,381
Current Liabilities	\$ 976,281	\$ 1,144,363	\$ 550,919	\$ 609,826	\$ 1,527,200	\$ 1,754,189
Noncurrent Liabilities	5,982,700	5,459,935	7,402,469	7,312,470	13,385,169	12,772,405
<b>Total Liabilities</b>	<b>\$ 6,958,981</b>	<b>\$ 6,604,298</b>	<b>\$ 7,953,388</b>	<b>\$ 7,922,296</b>	<b>\$ 14,912,369</b>	<b>\$ 14,526,594</b>
Net Investment in Capital Assets	\$ 12,551,298	\$ 13,326,044	\$ 12,412,891	\$ 12,175,679	\$ 24,964,189	\$ 25,501,723
Restricted	1,411,548	494,381	744,508	537,450	2,156,056	1,031,831
Unrestricted	(2,775,532)	(2,864,849)	924,652	673,784	(1,850,880)	(2,191,065)
<b>Total Net Position</b>	<b>\$ 11,187,314</b>	<b>\$ 10,955,576</b>	<b>\$ 14,082,051</b>	<b>\$ 13,386,913</b>	<b>\$ 25,269,365</b>	<b>\$ 24,342,489</b>

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Changes in Net Position for the Fiscal Year Ending June 30, 2015 and 2014**

The results of this year's operations for the City as a whole are reported in the condensed statement of activities, which shows the changes in net position for the fiscal years 2013/2014 and 2014/2015. (Note: The 2014 column is prior to the implementation of GASB No. 68 which was effective for fiscal years beginning after June 15, 2014.)

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
<b>Revenues</b>						
Program Revenues						
Charges for						
Services	\$ 1,100,558	\$ 1,058,598	\$ 5,183,301	\$ 5,115,461	\$ 6,283,859	\$ 6,174,059
Grants and						
Contributions	382,695	583,356	-	-	382,695	583,356
General Revenues						
Property Taxes	1,062,322	1,057,094	-	-	1,062,322	1,057,094
State Shared						
Revenue	391,871	402,593	-	-	391,871	402,593
City Income Taxes	769,845	784,191	-	-	769,845	784,191
Investment Earnings	1,754	4,499	2,669	3,551	4,423	8,050
Miscellaneous	32,200	42,065	32,420	50,784	64,620	92,849
Transfers	15,320	2,045	(15,320)	(2,045)	-0-	-0-
<b>Total Revenues</b>	<b>3,756,565</b>	<b>3,934,441</b>	<b>5,203,070</b>	<b>5,167,751</b>	<b>8,959,635</b>	<b>9,102,192</b>
<b>Expenses</b>						
General Government	1,009,384	1,056,940	-	-	1,009,384	1,056,940
Public Safety	749,701	831,414	-	-	749,701	831,414
Public Works	1,144,183	1,375,347	-	-	1,144,183	1,375,347
Health and Welfare	549,403	601,040	-	-	549,403	601,040
Community and						
Economic Develop.	9,072	10,191	-	-	9,072	10,191
Recreation and						
Culture	259,500	263,684	-	-	259,500	263,684
Other	32,975	14,769	5,812,384	5,816,050	5,845,359	5,830,819
<b>Total Expenses</b>	<b>3,754,218</b>	<b>4,153,385</b>	<b>5,812,384</b>	<b>5,816,050</b>	<b>9,566,602</b>	<b>9,969,435</b>
<b>Extraordinary Items</b>						
Tornado revenues	-	198,020	-	33,819	-	231,839
Tornado related expenses	-	(210,814)	-	(80,658)	-	(291,472)
<b>Total Extraordinary Items</b>	<b>-0-</b>	<b>(12,794)</b>	<b>-0-</b>	<b>(46,839)</b>	<b>-0-</b>	<b>(59,633)</b>
Increase (decrease) in Net Position	<b>2,347</b>	<b>(231,738)</b>	<b>(609,314)</b>	<b>(695,138)</b>	<b>(606,967)</b>	<b>(926,876)</b>
Restated Net Position - Beginning	14,254,108	11,187,314	19,088,281	14,082,051	33,342,389	\$ 25,269,365
<b>Net Position - Ending</b>	<b>\$ 14,256,455</b>	<b>\$ 10,955,576</b>	<b>\$ 18,478,967</b>	<b>\$ 13,386,913</b>	<b>\$ 32,735,422</b>	<b>\$ 24,342,489</b>

**Governmental Activities:**

The result of 2014/2015 governmental activity was a decrease of \$231,738 in net position to \$10,955,576. Of the total governmental activities' net position, \$13,326,044 is invested in capital assets less related debt, \$494,381 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of (\$2,864,849) is listed as unrestricted, having no legal commitment.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Revenues:**

The three largest revenue categories were charges for services at 26.9%, property taxes at 26.8%, and city income taxes at 19.9%. The City levied a property tax millage for the year ended June 30, 2015, for general government operations at 13.6574 mills, which includes 1.0000 mills for local streets. Charges for services, which reimburse the City for specific activities, examples include items such as ambulance fees, township fire fees, recreation fees and contributions, administrative charges, permits and motor pool equipment rental. The City income tax is set at 1% for residents and ½% for nonresidents that work in the City. It provided the third largest source of governmental activity revenue.

**Expenses:**

Public works is the largest governmental activity, expending approximately 33.1% of the governmental activities total. General government is the second largest area, expending approximately 25.4% of the governmental activities total and general government includes departments (e.g., council, community promotions, city manager, elections, general administration, assessor, city hall maintenance, and cemetery operations). Public safety is the third largest governmental activity, expended 20% of the governmental activities total on law enforcement, fire protection and code enforcement.

**Business-type Activities:**

Net position in business-type activities was decreased by \$695,138 during fiscal year 2014/2015. Of the business-type activities' net position, \$12,175,679 is invested in capital assets net of related debt, \$537,450 is reported as restricted, meaning the net position is legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of \$673,784 is listed as unrestricted, having no legal commitment.

**FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS**

As the City completed 2014/2015, its governmental funds reported *combined* fund balances of \$2,551,124. This is a net decrease of \$595,205. The net changes are summarized in the following chart:

	<b>General Fund</b>	<b>City Income Tax</b>	<b>Local Street Fund</b>	<b>Ambulance</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Fund Balance 6/30/2014</b>	\$ 608,031	\$ 941,499	\$ 80,207	\$ 177,231	\$ 1,339,361	\$ 3,146,329
<b>Fund Balance 6/30/2015</b>	\$ 802,719	\$ 1,054,419	\$ 92,017	\$ 186,138	\$ 415,831	\$ 2,551,124
<b>Net Change</b>	\$ 194,688	\$ 112,920	\$ 11,810	\$ 8,907	\$ (923,530)	\$ (595,205)

**General Fund:**

The General Fund is the chief operating fund of the City. Unless otherwise required by statute, contractual agreement or Board policy, all City revenues and expenditures are recorded in the General Fund. As of June 30, 2015, the General Fund reported a fund balance of \$802,719. This amount is a net increase of \$194,688 from the fund balance of \$608,031 reported as of June 30, 2014. The 2014/2015 original budget had called for a \$20,945 decrease to fund balance.

The General Fund 2014/2015 revenues exceeded 2014/2015 expenditures by \$138,427 largely due to reduced spending.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**General Fund Budgetary Highlights:**

The City of Portland's budget is a dynamic document. Although adopted in May (prior to the start of the year), the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$1,995,128, \$21,104 below the final amended budget.

The City's original General Fund expenditures and other financing uses budget was increased by \$44,805 during 2014/2015. The increase can be attributed to an increase in the amount paid to the fire authority.

Actual City expenditures and other financing uses for 2014/2015 were \$189,832 below the amended budget. The additions to the original budget were offset by reduced spending because of financial uncertainty associated with State cuts to revenue sharing.

**City Income Tax Fund**

As of June 30, 2015, the City Income Tax Fund reported a fund balance of \$1,054,419, an increase of \$112,920 from the prior year. The total fund balance is committed for street improvements. The City has used the income tax funds exclusively for the improvement of streets, sidewalks, curb, gutter, street lighting, parking areas, associated utilities and their appurtenances. To address these capital needs, accelerate projects, and reduce inconvenience to residents the City issued \$1,400,000 in Capital Improvements Bonds on September 4, 2013. The Capital Improvement Bond debt issued will be serviced with income tax revenues and be paid in full on September 1, 2016.

**Local Street Fund**

As of June 30, 2015, the Local Street Fund reported a fund balance of \$92,017, which is an increase of \$11,810 from the prior year.

**Ambulance Fund**

As of June 30, 2015, the Ambulance Fund reported a fund balance of \$186,138, which is an increase of \$8,907 from the prior year. The entire balance of \$186,138 is committed to ambulance operations.

**Enterprise Funds**

As the City completed 2014/2015, its enterprise funds reported *combined* net position of \$13,386,913. This is a net decrease of \$695,138 resulting from current year operations. The net changes are summarized in the following chart.

	<b>Electric Light and Power System Fund</b>	<b>Sewage Disposal System Fund</b>	<b>Water System Fund</b>	<b>Nonmajor Enterprise Fund</b>	<b>Totals</b>
<b>Restated Net Position 6/30/2014</b>	\$ 7,868,993	\$ 1,985,524	\$ 4,202,812	\$ 24,722	\$ 14,082,051
<b>Net Position 6/30/2015</b>	\$ 7,378,091	\$ 1,935,828	\$ 4,050,661	\$ 22,333	\$ 13,386,913
<b>Net Change</b>	\$ (490,902)	\$ (49,696)	\$ (152,151)	\$ (2,389)	\$ (695,138)

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Electric Light and Power System Fund:**

As of June 30, 2015, the Electric Light and Power System Fund reported a net position of \$7,378,091, a decrease of \$490,902 from the prior year. Of the entire net position amount, \$6,523,442 is invested in capital assets, net of related debt and \$454,649 is unrestricted.

**Sewage Disposal System Fund:**

As of June 30, 2015, the Sewer Fund reported a net position of \$1,935,828 a decrease of \$49,696 from the prior year. Of the entire net position, \$2,201,813 is invested in capital assets, net of related debt, \$137,450 is restricted, and (\$403,435) is unrestricted.

**Water System Fund:**

As of June 30, 2015, the Water System Fund reported a net position of \$4,050,661, a net decrease of \$152,150 from the prior year. Of the entire net position, \$3,450,424 is invested in capital assets, net of related debt and \$600,237 is unrestricted.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of Fiscal Year 2014/2015 the City had invested \$32,128,487, and \$1,601,552 for the component units, net of accumulated depreciation, in a broad range of capital assets (see table below). Additional information related to capital assets is detailed in Note G of the Financial Statements. Net Book value of capital assets at June 30, 2015, was as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Business- type Activities</u></b>	<b><u>Totals</u></b>
Land	\$ 2,231,039	\$ -	\$ 2,231,039
Construction in Progress	579,816	-	579,816
Land Improvements, net	62,118	-	62,118
Buildings, net	196,408	-	196,408
Equipment and Furniture, net	698,838	-	698,838
Electric System, net	-	7,878,442	7,878,442
Sewer System, net	-	5,725,813	5,725,813
Water System, net	-	4,205,296	4,205,296
Infrastructure			
Streets and Bridges, net	10,550,717	-	10,550,717
<b>Capital Assets, net</b>	<b><u>\$ 14,318,936</u></b>	<b><u>\$ 17,809,551</u></b>	<b><u>\$ 32,128,487</u></b>

Long-term Debt - As of June 30, 2015, the City had \$6,752,159 in long-term debt outstanding for the primary government. This level of net obligation is \$633,317 less than the obligation recorded as of June 30, 2014.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Outstanding Debt as of June 30, 2015:**

A more detailed discussion of the City's long-term debt obligations is presented in Note H to the financial statements.

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Primary Government</b>				
Governmental activities				
2012 Vactor Truck Lease-Purchase Agreement (\$85,500)	\$ 69,770	\$ -	\$ 16,878	\$ 52,892
2013 G.O. Limited Tax Bonds	1,400,000	-	460,000	940,000
Accumulated compensated absences	70,753	95,004	91,967	73,790
Business-type activities				
2008 Capital Improvement Bonds (\$1,690,000)	1,405,000	-	50,000	1,355,000
2004 Water System Bonds (\$1,344,872)	819,872	-	65,000	754,872
2010 Sanitary Sewer System (\$2,900,000) (Build America Bonds)	2,774,000	-	42,000	2,732,000
2011 Sanitary Sewer System (\$840,000)	804,000	-	12,000	792,000
Accumulated compensated absences	42,081	62,583	53,059	51,605
<b>Total Primary Government</b>	<b><u>\$ 7,385,476</u></b>	<b><u>\$ 157,587</u></b>	<b><u>\$ 790,904</u></b>	<b><u>\$ 6,752,159</u></b>
Component Unit				
2012 Refunding Bonds	\$ 640,000	\$ -	\$ 200,000	\$ 440,000
Accumulated compensated absences	1,189	2,707	3,896	-0-
<b>Total Component Unit</b>	<b><u>641,189</u></b>	<b><u>2,707</u></b>	<b><u>203,896</u></b>	<b><u>440,000</u></b>
<b>Total Reporting Entity</b>	<b><u>\$ 8,026,665</u></b>	<b><u>\$ 160,294</u></b>	<b><u>\$ 994,800</u></b>	<b><u>\$ 7,192,159</u></b>

**CITY OF PORTLAND GOVERNMENT ECONOMIC OUTLOOK:**

- \* State revenue sharing is expected to increase 3.13% for the City's fiscal year 2014-2015, based on State of Michigan revenue sharing estimates.
- \* While health and dental insurance premiums continue to rise much faster than the rate of inflation, the City has decreased its premium exposure by increasing the premium percentage paid by employees from 10% to 11% in FY 2012-13; from 11% to 14% in FY 2013-14; from 14% to 17% in FY 2014-15; and from 17% to 20% in FY 2015-16.
- \* The City has limited its MERS B4 plan to current employees only in an effort to contain future pension costs. All new hires will be enrolled in a MERS Hybrid pension plan in which the City's contribution is capped at 7% and employees must contribute 3%. Actual pension costs increased from \$417,924 to \$436,536 which reflects a 4.29% increase for the non-union division, a 0.82% decrease for the GELC division, and an 89.7% increase in the POLC Division, which has no active retirees.
- \* Investment earnings on City deposits are expected to remain flat as market interest rates are not expected to increase.
- \* The City's income tax revenues increased from \$704,016 in 2012 to \$750,535 in 2013 (an increase of 6.61%). In 2014 City income tax revenues decreased 0.35% dropping from \$750,535 in 2013 to \$747,889 in 2014. In 2015 City income tax revenues increased 3.09% rising from \$747,889 in 2014 to \$770,969 in 2015.
- \* The City's SEV decreased from \$102,983,300 in 2011 to \$100,070,000 in 2012 (a decrease of 2.83%), then to \$94,892,800 in 2013 (a decrease of 5.17%), then to \$96,221,700 in 2014 (an increase of 1.40%). From 2014 to 2015 the SEV rose to \$96,263,900 (an increase of 0.04%), then from 2015 to 2016 the SEV decreased to \$95,490,800 (a decrease of 0.80%). The outlook for the 2016 SEV is expected to remain flat.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The City has paid off higher interest debt and taken advantage of low interest rates to finance necessary improvements and place it in a better long term position. The City expects modest increases in income tax and income tax revenues. The City's ability to continue to provide a full range of high quality municipal services coupled with its location along I-96 between two larger metropolitan markets supports a positive outlook for stability.

**CONTACTING THE CITY**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Portland's Treasurer's Office at (517) 647-2933.

## **BASIC FINANCIAL STATEMENTS**

City of Portland

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 2,636,359	\$ 1,682,877	\$ 4,319,236	\$ 5,563
Cash and cash equivalents - restricted	-	573,600	573,600	174,005
Receivables	329,749	647,766	977,515	-
Due from other governmental units	135,023	19,990	155,013	-
Internal balances	(41,890)	41,890	-0-	-
Prepays	33,213	11,611	44,824	-
Inventories	-	348,027	348,027	-
<b>Total current assets</b>	<b>3,092,454</b>	<b>3,325,761</b>	<b>6,418,215</b>	<b>179,568</b>
Noncurrent assets				
Internal balances	(60,000)	60,000	-0-	-
Capital assets not being depreciated	2,810,855	410,461	3,221,316	-
Capital assets being depreciated, net	11,508,081	17,399,090	28,907,171	1,440,209
<b>Total noncurrent assets</b>	<b>14,258,936</b>	<b>17,869,551</b>	<b>32,128,487</b>	<b>1,440,209</b>
<b>TOTAL ASSETS</b>	<b>17,351,390</b>	<b>21,195,312</b>	<b>38,546,702</b>	<b>1,619,777</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	208,484	113,897	322,381	-0-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	476,324	296,593	772,917	-
Accrued liabilities	104,875	53,343	158,218	-
Accrued interest payable	5,125	27,285	32,410	-
Current portion of compensated absences	73,790	51,605	125,395	-
Current portion of long-term debt	484,249	181,000	665,249	220,000
<b>Total current liabilities</b>	<b>1,144,363</b>	<b>609,826</b>	<b>1,754,189</b>	<b>220,000</b>
Noncurrent liabilities				
Customer deposits payable from restricted assets	-	224,669	224,669	-
Noncurrent portion of long-term debt	508,643	5,452,872	5,961,515	220,000
Net pension liability	2,992,664	1,634,929	4,627,593	-
Net other post-employment benefits obligation	1,958,628	-	1,958,628	-
<b>Total noncurrent liabilities</b>	<b>5,459,935</b>	<b>7,312,470</b>	<b>12,772,405</b>	<b>220,000</b>
<b>TOTAL LIABILITIES</b>	<b>6,604,298</b>	<b>7,922,296</b>	<b>14,526,594</b>	<b>440,000</b>
<b>NET POSITION</b>				
Net investment in capital assets	13,326,044	12,175,679	25,501,723	1,000,209
Restricted				
Utilities	-	400,000	400,000	-
Debt service	-	94,168	94,168	174,005
Equipment replacement	-	43,282	43,282	-
Other purposes	494,381	-	494,381	-
Unrestricted	(2,864,849)	673,784	(2,191,065)	5,563
<b>TOTAL NET POSITION</b>	<b>\$ 10,955,576</b>	<b>\$ 13,386,913</b>	<b>\$ 24,342,489</b>	<b>\$ 1,179,777</b>

See accompanying notes to financial statements.



City of Portland  
Governmental Funds  
BALANCE SHEET  
June 30, 2015

	General	City Income Tax	Local Street
<b>ASSETS</b>			
Cash and cash equivalents	\$ 806,446	\$ 964,522	\$ 331,470
Receivables			
Taxes	462	118,150	-
Accounts	120,527	-	-
Due from other governmental units	71,798	-	16,810
Due from other funds	79,610	-	700
Prepays	14,344	163	4,462
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 1,093,187</u>	<u>\$ 1,082,835</u>	<u>\$ 353,442</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 229,171	\$ 792	\$ 193,076
Accrued liabilities	59,063	2,624	8,349
Due to other funds	-	25,000	-
Advance from other funds	-	-	60,000
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	288,234	28,416	261,425
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	2,234	-	-
<b>FUND BALANCES</b>			
Nonspendable			
Prepays	14,344	163	4,462
Perpetual care	-	-	-
Restricted			
Streets	-	-	87,555
Perpetual care	-	-	-
Committed			
Street improvements	-	1,054,256	-
Ambulance	-	-	-
Assigned			
Recreation	-	-	-
Subsequent year's expenditures	38,534	-	-
Unassigned	749,841	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	802,719	1,054,419	92,017
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,093,187</u>	<u>\$ 1,082,835</u>	<u>\$ 353,442</u>

See accompanying notes to financial statements.

Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
\$ 114,601	\$ 416,593	\$ 2,633,632
-	-	118,612
90,610	-	211,137
-	46,415	135,023
-	800	81,110
<u>8,323</u>	<u>5,106</u>	<u>32,398</u>
<u>\$ 213,534</u>	<u>\$ 468,914</u>	<u>\$ 3,211,912</u>
\$ 10,722	\$ 36,147	\$ 469,908
16,674	16,936	103,646
-	-	25,000
<u>-</u>	<u>-</u>	<u>60,000</u>
27,396	53,083	658,554
-	-	2,234
8,323	5,106	32,398
-	154,217	154,217
-	234,910	322,465
-	8,775	8,775
-	-	1,054,256
177,815	-	177,815
-	12,823	12,823
-	-	38,534
<u>-</u>	<u>-</u>	<u>749,841</u>
<u>186,138</u>	<u>415,831</u>	<u>2,551,124</u>
<u>\$ 213,534</u>	<u>\$ 468,914</u>	<u>\$ 3,211,912</u>

City of Portland

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

June 30, 2015

**Total fund balances - governmental funds** \$ 2,551,124

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 23,101,636	
Accumulated depreciation is	<u>(9,389,031)</u>	
Capital assets, net		13,712,605

An Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the government-wide Statement of Net Position. 313,967

Long-term receivables are not available to pay for current period expenditures and, therefore, are considered unavailable in the funds. These consist of:

Unavailable revenue	2,234
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Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	198,813
--	---------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Accrued interest payable	4,551	
Compensated absences	66,152	
Direct obligations	940,000	
Net other post-employment benefits obligation	1,958,628	
Net pension liability	<u>2,853,836</u>	
		<u>(5,823,167)</u>

**Net position of governmental activities** \$ 10,955,576

City of Portland

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	General	City Income Tax	Local Street
<b>REVENUES</b>			
Taxes	\$ 1,026,361	\$ 770,969	\$ 77,416
Licenses and permits	31,489	-	-
Intergovernmental	406,946	-	257,957
Charges for services	351,261	-	-
Fines and forfeits	21,881	13,223	-
Interest and rents	12,143	1,306	-
Other	31,727	315	4,169
<b>TOTAL REVENUES</b>	<b>1,881,808</b>	<b>785,813</b>	<b>339,542</b>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	787,413	176,040	-
Public safety	771,873	-	-
Public works	57,584	-	1,052,510
Health and welfare	22,327	-	-
Community and economic development	9,484	-	-
Recreation and culture	116,717	-	-
Capital outlay	-	-	-
Debt service	-	476,985	-
<b>TOTAL EXPENDITURES</b>	<b>1,765,398</b>	<b>653,025</b>	<b>1,052,510</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>116,410</b>	<b>132,788</b>	<b>(712,968)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	113,320	-	803,235
Transfers out	(85,652)	(20,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>27,668</b>	<b>(20,000)</b>	<b>803,235</b>
<b>EXTRAORDINARY ITEMS</b>			
Reimbursements	189,808	-	2,053
Tornado related expenditures	(195,459)	-	(4,056)
<b>TOTAL EXTRAORDINARY ITEMS</b>	<b>(5,651)</b>	<b>-0-</b>	<b>(2,003)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>138,427</b>	<b>112,788</b>	<b>88,264</b>
Fund balances, beginning of year	608,031	941,499	80,207
Prior period adjustments	56,261	132	(76,454)
<b>Fund balances, end of year</b>	<b>\$ 802,719</b>	<b>\$ 1,054,419</b>	<b>\$ 92,017</b>

See accompanying notes to financial statements.

<u>Ambulance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,874,746
-	-	31,489
-	286,171	951,074
514,408	83,091	948,760
-	-	35,104
-	-	13,449
<u>2,667</u>	<u>38,896</u>	<u>77,774</u>
517,075	408,158	3,932,396
-	-	963,453
-	-	771,873
-	353,999	1,464,093
514,979	-	537,306
-	-	9,484
-	124,625	241,342
-	1,730	1,730
-	-	476,985
<u>514,979</u>	<u>480,354</u>	<u>4,466,266</u>
2,096	(72,196)	(533,870)
652	43,118	960,325
-	(912,628)	(1,018,280)
652	(869,510)	(57,955)
-	6,159	198,020
<u>(456)</u>	<u>(10,843)</u>	<u>(210,814)</u>
<u>(456)</u>	<u>(4,684)</u>	<u>(12,794)</u>
2,292	(946,390)	(604,619)
177,231	1,339,361	3,146,329
<u>6,615</u>	<u>22,860</u>	<u>9,414</u>
<u>\$ 186,138</u>	<u>\$ 415,831</u>	<u>\$ 2,551,124</u>

City of Portland

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

Year Ended June 30, 2015

**Net change in fund balances - total governmental funds** \$ (604,619)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 901,570	
Depreciation expense	<u>(695,800)</u>	
Excess of capital outlay over depreciation expense		205,770

Internal service funds are used by management to charge the costs of certain activities to individual funds. 4,220

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Long-term debt principal retirements		460,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	2,216	
(Increase) in compensated absences	(2,185)	
(Increase) in net other post-employment benefits obligation	(200,849)	
(Increase) in net pension liability	(166,237)	
Increase in deferred outflows of resources related to pensions	<u>69,946</u>	
		<u>(297,109)</u>

**Change in net position of governmental activities** \$ (231,738)

City of Portland

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2015

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,052,230	\$ 905	\$ 602,227
Cash and cash equivalents - restricted	307,702	236,364	29,534
Accounts receivable	448,863	113,685	78,881
Due from other governments	19,990	-	-
Due from other funds	-	-	110,000
Inventories	321,284	-	26,743
Prepays	6,247	3,102	2,262
<b>Total current assets</b>	<b>2,156,316</b>	<b>354,056</b>	<b>849,647</b>
Noncurrent assets			
Advance to other funds	60,000	-	-
Capital assets not being depreciated	275,807	78,471	56,183
Capital assets being depreciated, net	7,602,635	5,647,342	4,149,113
<b>Total noncurrent assets</b>	<b>7,938,442</b>	<b>5,725,813</b>	<b>4,205,296</b>
<b>TOTAL ASSETS</b>	<b>10,094,758</b>	<b>6,079,869</b>	<b>5,054,943</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	65,057	35,107	13,733
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	243,198	20,501	21,375
Accrued liabilities	33,625	13,948	5,770
Accrued interest payable	13,757	8,810	4,718
Due to other funds	3,000	65,070	40
Compensated absences	29,403	17,111	5,091
Current portion of long-term debt	55,000	56,000	70,000
<b>Total current liabilities</b>	<b>377,983</b>	<b>181,440</b>	<b>106,994</b>
Noncurrent liabilities			
Customer deposits payable from restricted assets	169,893	25,762	29,014
Net pension liability	933,848	503,946	197,135
Noncurrent portion of long-term debt	1,300,000	3,468,000	684,872
<b>Total noncurrent liabilities</b>	<b>2,403,741</b>	<b>3,997,708</b>	<b>911,021</b>
<b>TOTAL LIABILITIES</b>	<b>2,781,724</b>	<b>4,179,148</b>	<b>1,018,015</b>
<b>NET POSITION</b>			
Net investment in capital assets	6,523,442	2,201,813	3,450,424
Restricted for utility reserve	400,000	-	-
Restricted for debt service	-	94,168	-
Restricted for equipment replacement	-	43,282	-
Unrestricted	454,649	(403,435)	600,237
<b>TOTAL NET POSITION</b>	<b>\$ 7,378,091</b>	<b>\$ 1,935,828</b>	<b>\$ 4,050,661</b>

See accompanying notes to financial statements.

<u>Activities</u> Nonmajor Enterprise Fund (Refuse)	<u>Total</u>	<u>Governmental</u> <u>Activities</u> Internal Service Fund
\$ 27,515	\$ 1,682,877	\$ 2,727
-	573,600	-
6,337	647,766	-
-	19,990	-
-	110,000	-
-	348,027	-
-	11,611	815
<u>33,852</u>	<u>3,393,871</u>	<u>3,542</u>
-	60,000	-
-	410,461	-
-	17,399,090	606,331
<u>-0-</u>	<u>17,869,551</u>	<u>606,331</u>
33,852	21,263,422	609,873
-	113,897	9,671
11,519	296,593	6,416
-	53,343	1,229
-	27,285	574
-	68,110	98,000
-	51,605	7,638
-	181,000	17,249
<u>11,519</u>	<u>677,936</u>	<u>131,106</u>
-	224,669	-
-	1,634,929	138,828
-	5,452,872	35,643
<u>-0-</u>	<u>7,312,470</u>	<u>174,471</u>
<u>11,519</u>	<u>7,990,406</u>	<u>305,577</u>
-	12,175,679	553,439
-	400,000	-
-	94,168	-
-	43,282	-
<u>22,333</u>	<u>673,784</u>	<u>(239,472)</u>
<u>\$ 22,333</u>	<u>\$ 13,386,913</u>	<u>\$ 313,967</u>

City of Portland

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2015

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
<b>OPERATING REVENUES</b>			
Charges for services			
User charges	\$ 3,624,597	\$ 815,055	\$ 572,948
Tap fees	-	9,000	-
Other	27,216	1,835	7,358
<b>TOTAL OPERATING REVENUES</b>	<b>3,651,813</b>	<b>825,890</b>	<b>580,306</b>
<b>OPERATING EXPENSES</b>			
Salaries and wages	472,758	257,401	139,307
Fringe benefits	253,223	138,184	74,530
Contractual services	64,457	28,279	10,444
Supplies	206,622	38,622	12,301
Heat, light, and power	2,437,062	47,013	28,734
Communications	1,701	4,233	2,544
Insurance and bonds	10,888	2,359	2,206
Repairs and maintenance	45,045	14,385	142,362
Administrative services	72,900	56,544	56,544
Building and equipment rental	15,530	35,304	31,008
Other	41,650	1,985	7,575
Depreciation	370,720	219,286	179,668
<b>TOTAL OPERATING EXPENSES</b>	<b>3,992,556</b>	<b>843,595</b>	<b>687,223</b>
<b>OPERATING (LOSS)</b>	<b>(340,743)</b>	<b>(17,705)</b>	<b>(106,917)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest earned	2,705	38	808
Interest expense and fees	(56,378)	(106,395)	(19,278)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(53,673)</b>	<b>(106,357)</b>	<b>(18,470)</b>
<b>(LOSS) BEFORE TRANSFERS</b>	<b>(394,416)</b>	<b>(124,062)</b>	<b>(125,387)</b>
<b>TRANSFERS</b>			
Transfers in	-	106,275	5,000
Transfers out	(49,792)	(31,764)	(31,764)
<b>TOTAL TRANSFERS</b>	<b>(49,792)</b>	<b>74,511</b>	<b>(26,764)</b>
<b>EXTRAORDINARY ITEMS</b>			
Reimbursements	33,819	-	-
Tornado related expenses	(80,513)	(145)	-
<b>TOTAL EXTRAORDINARY ITEMS</b>	<b>(46,694)</b>	<b>(145)</b>	<b>-0-</b>
<b>CHANGE IN NET POSITION</b>	<b>(490,902)</b>	<b>(49,696)</b>	<b>(152,151)</b>
Restated net position, beginning of year	7,868,993	1,985,524	4,202,812
<b>Net position, end of year</b>	<b>\$ 7,378,091</b>	<b>\$ 1,935,828</b>	<b>\$ 4,050,661</b>

See accompanying notes to financial statements.

<u>Activities</u> Nonmajor Enterprise Fund (Refuse)	<u>Total</u>	<u>Governmental</u> <u>Activities</u> Internal Service Fund
\$ 93,861	\$ 5,106,461	\$ 266,184
-	9,000	-
14,375	50,784	4,817
108,236	5,166,245	271,001
-	869,466	57,075
-	465,937	44,984
110,625	213,805	1,688
-	257,545	58,137
-	2,512,809	8,259
-	8,478	1,603
-	15,453	16,459
-	201,792	19,505
-	185,988	34,956
-	81,842	-
-	51,210	-
-	769,674	82,758
110,625	5,633,999	325,424
(2,389)	(467,754)	(54,423)
-	3,551	-
-	(182,051)	(1,357)
-0-	(178,500)	(1,357)
(2,389)	(646,254)	(55,780)
-	111,275	60,000
-	(113,320)	-
-0-	(2,045)	60,000
-	33,819	-
-	(80,658)	-
-0-	(46,839)	-0-
(2,389)	(695,138)	4,220
24,722	14,082,051	309,747
<u>\$ 22,333</u>	<u>\$ 13,386,913</u>	<u>\$ 313,967</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 3,671,098	\$ 820,965	\$ 479,641
Cash paid to suppliers	(2,762,653)	(204,970)	(369,805)
Cash paid to employees	(674,470)	(368,464)	(205,530)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>233,975</b>	<b>247,531</b>	<b>(95,694)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfers in	-	106,275	5,000
Transfers out	(49,792)	(31,764)	(31,764)
Payments of borrowing	(50,000)	(54,000)	(65,000)
Interest paid	(56,828)	(106,530)	(19,684)
Purchase of capital assets	(125,825)	(171,859)	(65,778)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(282,445)</b>	<b>(257,878)</b>	<b>(177,226)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	2,705	38	808
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(45,765)</b>	<b>(10,309)</b>	<b>(272,112)</b>
Cash and cash equivalents, beginning of year	1,405,697	247,578	903,873
Cash and cash equivalents, end of year	<u>\$ 1,359,932</u>	<u>\$ 237,269</u>	<u>\$ 631,761</u>

See accompanying notes to financial statements.

<u>Activities</u> Nonmajor Enterprise Fund (Refuse)	<u>Total</u>	<u>Governmental Activities</u> Internal Service Fund
\$ 107,637 (109,394) -	\$ 5,079,341 (3,446,822) (1,248,464)	\$ 271,001 (45,918) (96,170)
(1,757)	384,055	128,913
-	111,275	60,000
-	(113,320)	-
-	(169,000)	(16,878)
-	(183,042)	(1,550)
-	(363,462)	(174,856)
-0-	(717,549)	(133,284)
-	3,551	-
(1,757)	(329,943)	(4,371)
29,272	2,586,420	7,098
<u>\$ 27,515</u>	<u>\$ 2,256,477</u>	<u>\$ 2,727</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2015

	Business-type Activities		
	Electric Light and Power System	Sewage Disposal System	Water System
Reconciliation of operating (loss) to net cash provided (used) by operating activities			
Operating (loss)	\$ (340,743)	\$ (17,705)	\$ (106,917)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	370,720	219,286	179,668
(Loss) on extraordinary items	(46,694)	(145)	-
(Increase) decrease in:			
Accounts receivable	34,070	(5,525)	(1,145)
Due from other governments	(19,990)	-	-
Due from other funds	-	-	(100,000)
Inventories	51,031	-	16,854
Prepays	(1,500)	(637)	(523)
Deferred charges	(22,889)	(12,351)	(4,831)
Increase (decrease) in:			
Accounts payable	127,365	(30,534)	(92,458)
Accrued liabilities	20,003	10,116	1,655
Due to other funds	3,000	55,070	40
Net pension liability	54,397	29,356	11,483
Customer deposits	5,205	600	480
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 233,975</u>	 <u>\$ 247,531</u>	 <u>\$ (95,694)</u>

See accompanying notes to financial statements.

Business-type Activities		Governmental Activities
Nonmajor Enterprise Fund (Refuse)	Total	Internal Service Fund
\$ (2,389)	\$ (467,754)	\$ (54,423)
-	769,674	82,758
-	(46,839)	-
(599)	26,801	-
-	(19,990)	-
-	(100,000)	-
-	67,885	-
-	(2,660)	(167)
-	(40,071)	(3,402)
1,231	5,604	(3,144)
-	31,774	1,203
-	58,110	98,000
-	95,236	8,088
-	6,285	-
<u>\$ (1,757)</u>	<u>\$ 384,055</u>	<u>\$ 128,913</u>

City of Portland

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2015

	<u>Current Tax Collection</u>
ASSETS	
Cash and cash equivalents	<u>\$ 9,609</u>
LIABILITIES	
Due to others	<u>\$ 9,609</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Portland is located in Ionia County, Michigan and has a population of approximately 4,000. The City of Portland operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has five (5) City Council members who are elected at large for overlapping two (2) or four (4) year terms. The Council elects two (2) of its members to serve as Mayor and Mayor Pro-Tem. The Council appoints the City Manager, City Clerk, Finance Director/Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City of Portland (primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

2. Joint Venture

The City participates in the following activity which is considered to be a joint venture in relation to the City, due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Portland Area Municipal Authority - The City is a member of the Portland Area Municipal Authority (PAMA), which is a joint venture between the City of Portland and the Townships of Portland and Danby. The City appoints two (2) of the five (5) members of the governing board. PAMA is charged with the responsibility of acquiring, financing, equipping, and improving an emergency services building for use by the participating municipalities.

The constituent municipalities are responsible for their share of the costs incurred by PAMA according to the following percentages:

City of Portland	40%
Portland Township	40%
Danby Township	20%

The financial activities of PAMA are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended December 31, 2014, are available at PAMA's administrative offices. As of December 31, 2014, PAMA had a fund balance of \$1,837.

Portland Area Fire Authority - The City is a member of the Portland Area Fire Authority (PAFA), which is a joint venture between the City of Portland and the Townships of Portland and Danby. The City appoints two (2) of the six (6) members of the governing board. PAFA is charged with the responsibility of providing fire protection services.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Joint Venture - continued

Portland Area Fire Authority - continued

The constituent municipalities are responsible for their share of the costs incurred by PAFA according to a funding formula that considers population, state equalized value, and number of runs incurred in each municipal area over the previous three years.

The financial activities of PAFA are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2014, are available at PAFA's administrative offices. As of June 30, 2014, the most recent financial statements available, PAFA had a fund balance of \$153,434.

3. Discretely Presented Component Unit

The component unit is reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for this entity or the nature and significance of the relationship between the entity and the City is such that exclusion of the entity would render the financial statements misleading. The financial statements contain the following discretely presented component unit:

Downtown Development Authority - A majority of the members of the governing board of the Downtown Development Authority (DDA) are appointed by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority. The DDA is included in the City's audited financial statements and is not audited separately.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component unit as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are 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.

The statement of activities presents the direct functional expenses of the primary government and its component unit and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The City Income Tax Fund is used to account for the revenue from income tax collection. The City income tax was approved by voters for the purpose of funding street improvements.
- c. The Local Street Fund is used to account for restricted Act 51 financial resources that are used for repairs and maintenance of the City's local streets.
- d. The Ambulance Fund is used to account for funds received and expended for health and welfare.

The City reports the following major enterprise funds:

- a. The Electric Light and Power System Fund is used to account for the operations required to provide electric services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- b. The Sewage Disposal System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- c. The Water System Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Additionally, the City reports an internal service fund to account for the management of motor vehicles pool services provided to other departments on a cost reimbursement basis.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

6. Basis of Accounting

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both “measurable” and “available to finance expenditures of the current period”). The length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General and Special Revenue Funds budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. On the City Council meeting date nearest to the third Monday in April, the City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers’ comments.
- c. Prior to the second regular council meeting in May, the budget is legally enacted through passage of a resolution.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

8. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts.

9. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for various payments and grants and accounts receivable for charges for services provided to local governmental units.

10. Receivables

Receivables consist of amounts due related to charges for services, interest receivable, and other amounts owed to the City at year-end.

11. Property Tax

The City of Portland bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Portland on July 1 and December 1 and are payable without penalty through September 30 and February 14, respectively. The July 1 levy is composed of the City's millage, the County's millage assessments, and school taxes. The December 1 levy is composed of school taxes. All real property taxes not paid to the City by March 1 are turned over to the Ionia County Treasurer for collection. The Ionia County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2015, the City levied 13.6574 mills per \$1,000 of taxable valuation for general governmental services, which includes 1.0000 mill for local streets. The total taxable value for the 2014 levy for property within the City was \$92,245,012.

12. Income Tax Revenues

In accordance with GASB Statement No. 22, *Accounting for Taxpayer - Assessed Tax Revenues in Governmental Funds*, the City has recognized taxpayer-assessed taxes, net of estimated refunds, as revenue in the accounting period in which they become susceptible to accrual (i.e., measurable and available to finance expenditures of the fiscal period). The City has calculated this amount based on the income tax collections made within 60 days after year end that relate to the prior years. Estimated refunds of these amounts are considered to be immaterial.

13. Inventories

Inventories in the Enterprise Funds consist of Electric Light and Power and Water System supplies which are stated at cost on a first-in/first-out basis.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

14. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days up to the equivalent of 10 days of vacation. Employees are not paid for accumulated sick leave.

For governmental funds, the cost of accumulated vacation along with the related payroll taxes expected to be paid in the next 60 days is recorded as a fund liability, and amounts expected to be paid after 60 days are recorded only in the government-wide financial statements. For proprietary funds, the cost is recorded as a fund liability when incurred.

15. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The Internal Service Fund (Motor Pool) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

16. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions	30 - 40 years
Electric, Water and Sewer systems	10 - 50 years
Machinery and equipment	5 - 40 years
Infrastructure - streets and bridges	30 years
Land improvements	20 years
Downtown improvements	20 years

17. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized on the City's government-wide and proprietary funds financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

18. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting in these categories. These items correspond the City's net pension liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply. The City also reports unavailable revenue in the governmental funds, which is related to special assessment revenue that is not available for collection within 60 days of year-end.

19. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

20. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH AND CASH EQUIVALENTS**

The City deposits consist of a common checking, various savings and money market accounts maintained by individual funds and are reported as cash and cash equivalents in the financial statements.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

As of June 30, 2015, the carrying amounts and bank balances for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and Savings	\$ 4,891,943	\$ 4,942,863
FIDUCIARY FUND		
Checking	9,609	19,495
COMPONENT UNIT		
Checking	<u>179,568</u>	<u>184,724</u>
TOTAL REPORTING ENTITY	<u><u>\$ 5,081,120</u></u>	<u><u>\$ 5,147,082</u></u>

The primary government cash and cash equivalents caption on the basic financial statements included \$893 of imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2015, the City accounts were insured by the FDIC for \$1,231,321 and the amount of \$3,915,761 was uninsured and uncollateralized.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2015, the City did not have any investments that would be subject to rating.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Concentration of credit risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

Limiting investments to the types of securities listed in the “Authorized Investments” section; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with the “Authorized Institutions” section; and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business in accordance with Council approved policy.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents captions on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2015:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and Cash Equivalents	\$ 4,319,236	\$ 5,563	\$ 9,609	\$ 4,334,408
Cash and Cash Equivalents - Restricted	<u>573,600</u>	<u>174,005</u>	<u>-</u>	<u>747,605</u>
	<u>\$ 4,892,836</u>	<u>\$ 179,568</u>	<u>\$ 9,609</u>	<u>\$ 5,082,013</u>

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

**NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED**

The following summarizes the restricted cash and cash equivalents as of June 30, 2015:

	<u>Customer Deposits</u>	<u>Debt Retirement</u>	<u>Total</u>
Enterprise Funds	\$ 225,442	\$ 348,158	\$ 573,600
Component Unit Fund	<u>-</u>	<u>174,005</u>	<u>174,005</u>
	<u>\$ 225,442</u>	<u>\$ 522,163</u>	<u>\$ 747,605</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

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

Due to General Fund from:	
Income Tax Fund	\$ 5,000
Electric Light and Power System Fund	1,500
Sewage Disposal Fund	65,070
Water System Fund	40
Internal Service Fund	<u>8,000</u>
	<u>\$ 79,610</u>
Due to Water System Fund from:	
City Income Tax Fund	\$ 20,000
Internal Service Fund	<u>90,000</u>
	<u>\$ 110,000</u>
Due to Local Street Fund from:	
Electric Light and Power System Fund	<u>\$ 700</u>
Due to nonmajor governmental funds from:	
Electric Light and Power System Fund	<u>\$ 800</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE E: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

Transfer to General Fund from:	
Electric Light and Power System Fund	\$ 49,792
Sewage Disposal System Fund	31,764
Water System Fund	<u>31,764</u>
	<u>\$ 113,320</u>
Transfer to Ambulance Fund from:	
General Fund	<u>\$ 652</u>
Transfer to Local Street Fund from:	
City Income Tax Fund	\$ 20,000
Nonmajor governmental funds	<u>783,235</u>
	<u>\$ 803,235</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE E: INTERFUND TRANSFERS - CONTINUED**

Transfer to Sewer Disposal System Fund from: Nonmajor governmental funds	<u>\$ 106,275</u>
Transfer to Water System Fund from: Nonmajor governmental funds	<u>\$ 5,000</u>
Transfer to Internal Service Fund from: General Fund	<u>\$ 60,000</u>
Transfers to nonmajor governmental funds from: General Fund	\$ 25,000
Nonmajor governmental funds	<u>18,118</u>
	<u>\$ 43,118</u>

The transfers from the Electric Light and Power System Fund, Sewage Disposal Fund and Water System Fund to the General Fund and from the General Fund, Water System Fund, Major Streets Fund, and Capital Improvement Fund - Street Projects to the nonmajor governmental funds were to fund current year operations. The transfer from the General Fund to the Internal Service Fund was to fund capital outlay. The transfers to the Sewage Disposal System Fund and the nonmajor governmental funds were to fund current year projects. The transfer from the City Income Tax Fund to the Electric Light and Power System Fund was to fund capital outlay.

**NOTE F: ADVANCES RECEIVABLE AND PAYABLE**

The amount of advances receivable and payable at June 30, 2015, are as follows:

Advance to Local Street Fund from: Electric Light and Power System Fund	<u>\$ 60,000</u>
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**NOTE G: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

**Primary Government**

	<u>Balance July 1, 2014</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2015</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 2,231,039	\$ -	\$ -	\$ 2,231,039
Construction in progress	272,951	901,344	(594,479)	579,816
Subtotal	2,503,990	901,344	(594,479)	2,810,855

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
<b>Governmental activities - continued</b>				
Capital assets being depreciated				
Land improvements	\$ 84,228	\$ -	\$ -	\$ 84,228
Buildings and additions	399,721	-	-	399,721
Equipment and furniture	2,215,156	174,856	(592,134)	1,797,878
Infrastructure - streets and bridges	18,722,145	594,705	-	19,316,850
Subtotal	21,421,250	769,561	(592,134)	21,598,677
Less accumulated depreciation for:				
Land improvements	(19,002)	(3,108)	-	(22,110)
Buildings and additions	(190,167)	(13,146)	-	(203,313)
Equipment and furniture	(1,582,286)	(102,967)	586,213	(1,099,040)
Infrastructure - streets and bridges	(8,112,717)	(653,416)	-	(8,766,133)
Subtotal	(9,904,172)	(772,637)	586,213	(10,090,596)
Net capital assets being depreciated	11,517,078	(3,076)	(5,921)	11,508,081
Capital assets, net	<u>\$ 14,021,068</u>	<u>\$ 898,268</u>	<u>\$ (600,400)</u>	<u>\$ 14,318,936</u>

The current year depreciation expenses of \$772,637 has been adjusted by \$5,921 for deletions of capital assets that occurred during the year in accordance with GASB Statement No. 34 implementation guide, which states that certain immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense was charged to the following governmental activities:

General government	\$ 19,510
Public safety	18,566
Public works	700,040
Health and welfare	36,084
Recreation and culture	4,358
Total depreciation expense	<u>\$ 778,558</u>

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
<b>Business-type activities (Electric Light and Power System)</b>				
Capital assets not being depreciated				
Land	\$ 270,129	\$ 5,678	\$ -	\$ 275,807
Capital assets being depreciated				
Buildings	4,893,223	-	-	4,893,223
Transmission and disbursement	6,622,120	120,147	-	6,742,267
Equipment	678,229	-	(2,902)	675,327
Subtotal	12,193,572	120,147	(2,902)	12,310,817

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
<b>Business-type activities (Electric Light and Power System) - continued</b>				
Less accumulated depreciation for:				
Buildings	\$ (1,210,605)	\$ (115,166)	\$ -	\$ (1,325,771)
Transmissions and disbursement	(2,806,488)	(200,505)	-	(3,006,993)
Equipment	(323,271)	(55,049)	2,902	(375,418)
Subtotal	(4,340,364)	(370,720)	2,902	(4,708,182)
Net capital assets being depreciated	7,853,208	(250,573)	-0-	7,602,635
Capital assets, net	<u>\$ 8,123,337</u>	<u>\$ (244,895)</u>	<u>\$ -0-</u>	<u>\$ 7,878,442</u>
<b>Business-type activities (Sewage Disposal System)</b>				
Capital assets not being depreciated				
Land	\$ 11,003	\$ -	\$ -	\$ 11,003
Construction in progress	105,639	110,001	(148,172)	67,468
Subtotal	116,642	110,001	(148,172)	78,471
Capital assets being depreciated				
Buildings	4,455,040	-	-	4,455,040
Sewage Disposal System	3,164,742	148,172	-	3,312,914
Equipment	46,154	61,858	-	108,012
Subtotal	7,665,936	210,030	-0-	7,875,966
Less accumulated depreciation for:				
Building	(749,761)	(96,241)	-	(846,002)
Sewage Disposal System	(1,239,424)	(119,236)	-	(1,358,660)
Equipment	(20,153)	(3,809)	-	(23,962)
Subtotal	(2,009,338)	(219,286)	-0-	(2,228,624)
Net capital assets being depreciated	5,656,598	(9,256)	-0-	5,647,342
Capital assets, net	<u>\$ 5,773,240</u>	<u>\$ 100,745</u>	<u>\$ (148,172)</u>	<u>\$ 5,725,813</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
<b>Business-type activities</b>				
<b>(Water System)</b>				
Capital assets not being depreciated				
Land	\$ 8,675	\$ 5,678	\$ -	\$ 14,353
Construction in progress	163,339	60,100	(181,609)	41,830
Subtotal	172,014	65,778	(181,609)	56,183
Capital assets being depreciated				
Water System	6,050,651	181,609	-	6,232,260
Equipment	200,780	-	-	200,780
Subtotal	6,251,431	181,609	-0-	6,433,040
Less accumulated depreciation for:				
Water System	(2,041,526)	(167,080)	-	(2,208,606)
Equipment	(62,733)	(12,588)	-	(75,321)
Subtotal	(2,104,259)	(179,668)	-0-	(2,283,927)
Net capital assets being depreciated	4,147,172	1,941	-0-	4,149,113
Capital assets, net	<u>\$ 4,319,186</u>	<u>\$ 67,719</u>	<u>\$ (181,609)</u>	<u>\$ 4,205,296</u>
<b>Component Unit (DDA)</b>				
Capital assets being depreciated				
Downtown improvements	\$ 703,381	\$ -	\$ -	\$ 703,381
City Hall building	2,601,000	-	-	2,601,000
Subtotal	3,304,381	-0-	-0-	3,304,381
Less accumulated depreciation				
Downtown improvements	(272,279)	(31,293)	-	(303,572)
City Hall building	(1,430,550)	(130,050)	-	(1,560,600)
Subtotal	(1,702,829)	(161,343)	-0-	(1,864,172)
Net capital assets being depreciated	1,601,552	(161,343)	-0-	1,440,209
Capital assets, net	<u>\$ 1,601,552</u>	<u>\$ (161,343)</u>	<u>\$ -0-</u>	<u>\$ 1,440,209</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2015.

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
<b>Primary Government</b>					
<b>Governmental activities</b>					
2012 Vector Truck Lease Purchase Agreement	\$ 69,770	\$ -	\$ (16,878)	\$ 52,892	\$ 17,249
2013 G.O. Limited Tax Bonds	1,400,000	-	(460,000)	940,000	467,000
Compensated absences	70,753	95,004	(91,967)	73,790	73,790
	1,540,523	95,004	(568,845)	1,066,682	558,039
<b>Business-type activities</b>					
2008 Capital Improvement Bonds	1,405,000	-	(50,000)	1,355,000	55,000
2004 Water System Bonds	819,872	-	(65,000)	754,872	70,000
2010 Sanitary Sewer System	2,774,000	-	(42,000)	2,732,000	43,000
2011 Sanitary Sewer System	804,000	-	(12,000)	792,000	13,000
Compensated absences	42,081	62,583	(53,059)	51,605	51,605
	5,844,953	62,583	(222,059)	5,685,477	232,605
<b>Total Primary Government</b>	7,385,476	157,587	(790,904)	6,752,159	790,644
<b>Component Unit</b>					
2012 Refunding Bonds	640,000	-	(200,000)	440,000	220,000
Compensated absences	1,189	2,707	(3,896)	-0-	-
<b>Total Component Unit</b>	641,189	2,707	(203,896)	440,000	220,000
<b>Total Long-term debt</b>	<u>\$ 8,026,665</u>	<u>\$ 160,294</u>	<u>\$ (994,800)</u>	<u>\$ 7,192,159</u>	<u>\$ 1,010,644</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

**Primary Government**

Equipment Purchase Agreement

\$85,500 Equipment Purchase Agreement dated May 1, 2012, due in annual installments ranging from \$17,249 to \$18,015 through October 1, 2017, with interest at 2.20 percent, payable annually.

\$ 52,892

2013 General Obligation Limited Tax Bonds

\$1,400,000 General Obligation Limited Tax Bonds dated September 4, 2013, due in annual installments ranging from \$467,000 to \$473,000 through September 1, 2016, with interest of 1.45%, payable semi-annually.

\$ 940,000

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: LONG-TERM DEBT - CONTINUED**

**Primary Government - continued**

2008 Electric Light and Power System Capital Improvement Bonds

\$1,690,000 Capital Improvement Bonds dated April 17, 2008, due in annual installments ranging from \$55,000 to \$105,000 through June 30, 2033, with interest ranging from 3.60 to 4.25 percent, payable semi-annually. \$ 1,355,000

2004 Water System Bonds

\$1,344,872 Water System Bonds dated September 25, 2003, due in annual installments ranging from \$70,000 to \$85,000 through October 1, 2024, with interest of 2.50 percent, payable semi-annually. \$ 754,872

2010 Sanitary Sewer System Revenue Bonds

\$2,900,000 Sewer System Revenue Bonds dated December 29, 2010, due in annual installments ranging from \$43,000 to \$121,000 through December 1, 2050, with interest of 3.00 percent, payable semi-annually. \$ 2,732,000

2011 Sanitary Sewer System Revenue Bonds

\$840,000 Sewer System Revenue Bonds dated March 9, 2011, due in annual installments ranging from \$13,000 to \$36,000 through December 1, 2050, with interest of 3.00 percent, payable semi-annually. \$ 792,000

**Component Unit - DDA**

2012 Downtown Development Refunding Bonds

The following summarizes the significant details regarding the bond issue:

\$985,000 Downtown Development Refunding Bonds dated January 12, 2012, due in annual installments of \$220,000 through October 1, 2016, with interest of 1.72 percent, payable annually. \$ 440,000

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amounts of these vested rights including related payroll taxes, which have been accrued on the government-wide financial statements. The total liability amounted to approximately \$125,395 at June 30, 2015. Of this amount, \$73,790 and \$51,605 are shown as accrued liabilities in the governmental and business-type activities financial statements, respectively, in accordance with criteria disclosed in Note A.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: LONG-TERM DEBT - CONTINUED**

The annual requirements to pay the debt principal and interest outstanding for the long-term debt are as follows:

**Primary Government**

Year Ending June 30,	<u>Equipment Purchase Agreements</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 17,249	\$ 1,164	\$ 467,000	\$ 10,245
2017	17,628	784	473,000	3,429
2018	18,015	396	-	-
	<u>\$ 52,892</u>	<u>\$ 2,344</u>	<u>\$ 940,000</u>	<u>\$ 13,674</u>
Year Ending June 30,	<u>Capital Improvement Bonds</u>		<u>Water System Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 55,000	\$ 55,028	\$ 70,000	\$ 17,997
2017	55,000	53,048	70,000	16,247
2018	60,000	51,068	70,000	14,497
2019	60,000	48,908	75,000	12,684
2020	60,000	46,508	75,000	10,809
2021-2025	345,000	193,940	394,872	24,796
2026-2030	420,000	117,622	-	-
2031-2033	300,000	25,926	-	-
	<u>\$ 1,355,000</u>	<u>\$ 592,048</u>	<u>\$ 754,872</u>	<u>\$ 97,030</u>
Year Ending June 30,	<u>Sanitary Sewer System Bonds</u>			
	<u>Principal</u>	<u>Interest</u>		
2016	\$ 56,000	\$ 104,880		
2017	58,000	103,170		
2018	59,000	101,415		
2019	62,000	99,600		
2020	64,000	97,710		
2021-2025	346,000	458,340		
2026-2030	397,000	402,735		
2031-2035	464,000	338,250		
2036-2040	532,000	263,670		
2041-2045	620,000	177,480		
2046-2050	709,000	77,865		
2051	157,000	2,355		
	<u>\$ 3,524,000</u>	<u>\$ 2,227,470</u>		

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: LONG-TERM DEBT - CONTINUED**

**Component Unit**

Year Ending June 30,	2012 Refunding Downtown Development Bonds	
	Principal	Interest
2016	\$ 220,000	\$ 5,676
2017	220,000	1,892
	<u>\$ 440,000</u>	<u>\$ 7,568</u>

**NOTE I: RETIREMENT PLAN**

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Summary of Significant Accounting Policies

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

Benefits Provided

Benefits provided include plans with multipliers ranging from 1.00% to 2.50%.

Vesting periods range from 6 to 10 years.

Normal retirement age is 60 with early retirement at 50 with 25 years of service.

Final average compensation is calculated based on 3 to 5 years. Member contributions are 0.00%.

At the December 31, 2014, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	35
Inactive employees entitled to but not year receiving benefits	11
Active employees	<u>33</u>
	<u><u>79</u></u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE I: RETIREMENT PLAN - CONTINUED**

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 4.29% to 5.40% based on annual payroll for open divisions. Three divisions that are closed to new employees have an annual employer contribution range of 0.75% to 2.75%.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, and 2016, respectively).

Investment rate of return: 8.0%, net of investment expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE I: RETIREMENT PLAN - CONTINUED**

Discount Rate

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

Changes in Net Pension Liability

<b>Calculating the Net Pension Liability</b>			
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a)-(b)</b>
Balances at 12/31/13	\$ 12,029,449	\$ 7,671,415	\$ 4,358,034
Changes for the Year			
Service Cost	195,518	-	195,518
Interest on Total Pension Liability	996,910	-	996,910
Changes in benefits	-	-	-0-
Difference between expected and actual experience	-	-	-0-
Changes in assumptions	-	-	-0-
Employer contributions	-	434,906	(434,906)
Employee contributions	-	-	-0-
Net investment income	-	481,656	(481,656)
Benefit payments, including employee refunds	(668,323)	(668,323)	-0-
Administrative expense	-	(17,676)	17,676
Other changes	(23,983)	-	(23,983)
Net changes	<u>500,122</u>	<u>230,563</u>	<u>269,559</u>
Balances as of 12/31/14	<u>\$ 12,529,571</u>	<u>\$ 7,901,978</u>	<u>\$ 4,627,593</u>

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rates 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 6,003,728	\$ 4,627,593	\$ 3,456,495

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE I: RETIREMENT PLAN - CONTINUED**

For the year ended June 30, 2015, the employer recognized pension expenses of \$606,854. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 97,611	\$ -
Contributions subsequent to the measurement date*	<u>224,770</u>	<u>-</u>
Total	<u>\$ 322,381</u>	<u>\$ -0-</u>

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2015.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$224,770), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

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

<u>Year Ended June 30,</u>	<u>Pension Expense</u>
2016	\$ 24,403
2017	24,403
2018	24,403
2019	24,402

**Defined Benefit/Defined Contribution (Hybrid) Plan Description**

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit/defined contribution (hybrid) pension plan that covers all eligible full-time employees of the City hired after July 1, 2010. This plan consists of a defined benefit and a defined contribution portion. In a defined benefit plan, an employer/sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the City Council, the City contributes 7 percent of the eligible employee wages. Of this 7 percent, 3.63 percent is allocated to the defined benefit portion and 3.37 percent is allocated to the defined contribution portion of the plan. Employees contribute 3 percent of their wages to the defined contribution portion of the plan. For the year ended June 30, 2015, the City contributed \$12,511 for the defined benefit portion and \$8,202 for the defined contribution portion and the employees contributed \$8,927 to the defined contribution part of the plan.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE J: OTHER POST-EMPLOYMENT BENEFITS**

Defined Benefit Plan Description

The City provides certain retiree medical benefits as other post-employment benefits (OPEB) to all applicable employees, in accordance with union agreements and/or personnel policies. The following are the Governmental Accounting Standards Board Statement No. 45 (GASB Statement 45) required disclosures and these disclosures have been implemented prospectively by the City. The City pays the full cost of coverage for these benefits for certain retirees and their beneficiaries. The retirees must contribute the balance of premiums not paid by the City in accordance with plan provisions.

During the year ended June 30, 2015, three (3) retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, expenditures of \$43,377 were recognized for post-employment benefits.

The plan does not issue a separate stand-alone financial statement.

Funding Policy

The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). The current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the City.

Funding Progress

For the year ended June 30, 2015, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of June 30, 2013. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed twenty-eight (28) years.

The City’s computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 224,041
Interest on net OPEB obligation	52,733
Adjustment to annual required contribution	<u>(32,548)</u>
Net OPEB cost	244,226
Contributions made	<u>(43,377)</u>
Change in net OPEB obligation	200,849
OPEB obligation - Beginning of year	<u>1,757,779</u>
OPEB obligation - End of year	<u><u>\$ 1,958,628</u></u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last two (3) years, are as follows:

	Year Ended June 30,		
	2013	2014	2015
Annual OPEB cost	\$ 224,041	\$ 241,888	\$ 244,226
Percentage contributed	12.7%	15.8%	17.8%
Net OPEB obligation	\$ 1,554,132	\$ 1,757,779	\$ 1,958,628

The current funding progress of the plan for the last three (3) valuation dates, are as follows:

Actuarial Valuation Date	Value of Assets (a)	Liability (AAL) Entry Age (b)	AAL Underfunded (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
6/30/2013	\$ -	\$ 2,437,486	\$ 2,437,486	0%	\$ 1,928,545	126%
6/30/2012	-	4,225,507	4,225,507	0%	1,909,950	221%
6/30/2010	-	4,922,955	4,922,955	0%	1,935,712	254%

**Methods and Assumptions**

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revisions as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point.

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in estimated accrued liabilities and the estimated value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013, valuation, the entry age normal cost method was used. The assumptions include a 3.0 percent per year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets. A discount rate of 3.0 percent was also used. There was also an inflationary rate assumption factored into the calculation.

**Defined Contribution Plan Description**

The City participates in the Michigan Municipal Employees Retirement System Health Care Savings Plan (HCSP), an agent multiple-employer defined contribution OPEB plan that covers all eligible full-time employees of the City hired after July 1, 2013. As established by City Council, the City contributes 1 percent of eligible employee wages for the police department. For the year ended June 30, 2015, there were no police officers participating in this plan. For all other employees, the City does not contribute. Participating employees contribute 3 percent of their wages to the plan. For the year ended June 30, 2015, the City contributed \$0 for the plan and employees contributed \$5,021.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**Defined Contribution Plan Description - continued

In addition, police department employees hired prior to July 1, 2013 contribute 0.25% of wages to the HCSP. Employees in this group also are required to contribute up to 48 hours of wages per year if the individual employee's unused sick leave time exceeds the 320 hour maximum agreed upon in the police union contract. For the year ended June 30, 2015, employees in this group contributed \$3,026.

**NOTE K: DEFERRED COMPENSATION PLAN**

The City of Portland offers its employees a deferred compensation plan sponsored by the ICMA Retirement Corporation, which is a compensation plan created in accordance with IRC Section #457. The plan, available to all City employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency. The City's deferred compensation program is administered by the ICMA Retirement Corporation.

**NOTE L: RISK MANAGEMENT**

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal League Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

**NOTE M: RESTATEMENT OF BEGINNING NET POSITION**

Beginning net position has been restated for governmental activities and business-type activities due to changes in accounting principles and accounting errors in financial reporting.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Beginning net position	\$ 14,256,455	\$ 15,478,967
Understated prepaids	26,150	8,951
Overstated accounts payable	18,802	-
Overstated (understated) advance	(80,000)	60,000
Understated investments	45,111	-
Deferred outflows of contributions	135,136	73,826
Net pension liability	<u>(3,214,340)</u>	<u>(1,539,693)</u>
Restated beginning net position	<u>\$ 11,187,314</u>	<u>\$ 14,082,051</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE N: CODE ENFORCEMENT FINANCIAL INFORMATION**

The City has elected to report the financial activities of the code enforcement department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2015:

Revenues		
Licenses and Permits		
Permits	\$	522
Expenditures		
Salaries and wages		18,186
Fringe benefits		4,649
Contractual services		12,209
Supplies		871
Vehicle rental		300
Other		2,828
		<u>39,043</u>
TOTAL EXPENDITURES		<u>39,043</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES		(38,521)
Code Enforcement (Deficit) at June 30, 2014		<u>(942,091)</u>
Code Enforcement (Deficit) at June 30, 2015	\$	<u><u>(980,612)</u></u>

**NOTE O: RESTRICTED NET POSITION**

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of June 30, 2015:

PRIMARY GOVERNMENT		
Governmental Activities		
Other Purposes		
Streets	\$	331,389
Cemetery Perpetual Care, expendable		8,775
Cemetery Perpetual Care, nonexpendable		154,217
		<u>494,381</u>
Business-type Activities		
Restricted for utilities		
Electric Light and Power	\$	400,000
		<u>400,000</u>
Restricted for debt service		
Sewage Disposal System	\$	94,168
		<u>94,168</u>
Restricted for equipment replacement		
Sewage Disposal System	\$	43,282
		<u>43,282</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE O: RESTRICTED NET POSITION - CONTINUED**

Section 12.9 of the City Charter created an electric utility reserve fund for the purpose of accumulating and holding such money which, in addition to insurance carried by the City, may be deemed by the Board of Light and Power to be prudently necessary for the protection, improvement, replacement, and extension of the City electric public utility plants and facilities.

Monies expended from the utility reserve fund must be replaced from the revenues of the City electric utility, and the amount in the fund must total the sum required by the charter (i.e., 10% of the undepreciated original cost of the electric utility of the City) before any electric utility revenues can be appropriated for other capital expenditures of the City.

The following are the component unit net position restrictions at June 30, 2015:

COMPONENT UNIT	
Downtown Development Authority	
Restricted for debt service	<u>\$ 174,005</u>

**NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

**Fund Balance Classification Policies and Procedures**

For committed fund balance, the City of Portland's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment is through passage of a resolution.

For assigned fund balance, the City of Portland has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the City Council.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS**

Fund Balance Classification Policies and Procedures - continued

For the classification of fund balances, the City of Portland considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City of Portland considers committed amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**NOTE Q: EXTRAORDINARY ITEMS**

During the 2014-15 fiscal year, a tornado caused significant damage to various parts of the City, including City Hall. An insurance claim was submitted and a portion, \$231,839 has been received. Expenses related to repairs of the damage caused by the tornado are \$291,472. This event was both unusual in nature and infrequent in occurrence in the Mid-Michigan area so therefore these proceeds were reported in the audited financial statements as an extraordinary item in the current year.

**NOTE R: PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS OF BEGINNING NET POSITION**

The following prior period adjustments were made during the period, which were the result of either changes in accounting principles or adjustments to various accounts related to prior year activities. These adjustments were reported as changes to the beginning fund balances/beginning net position. The effect on operations and other affected balances for the current and prior period are as follows.

	June 30,		
	2015	2014	Description
Primary Government			
General Fund			
Investments	\$ -	\$ 45,111	To correct understated prepaids and investments
Prepaids	-	11,150	
Change in fund balance	-	56,261	
Fund balance - beginning	56,261	-	
Income Tax Fund			
Prepaids	-	132	To correct understated prepaids
Change in fund balance	-	132	
Fund balance - beginning	132	-	
Major Street Fund			
Prepaids	-	3,546	To correct understated prepaids and overstated accounts payable
Accounts payable	-	18,802	
Change in fund balance	-	22,348	
Fund balance - beginning	22,348	-	
Local Street Fund			
Prepaids	-	3,546	To correct understated prepaids and overstated advance from Electric Fund
Advance from Electric Fund	-	(80,000)	
Change in fund balance	-	(76,454)	
Fund balance - beginning	(76,454)	-	

## City of Portland

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE R: PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS OF BEGINNING NET POSITION - CONTINUED**

	June 30,		Description
	2015	2014	
Primary Government - continued			
Recreation Fund			
Prepays	\$ -	\$ 512	To correct understated prepays
Change in fund balance	-	512	
Fund balance - beginning	512	-	
Ambulance Fund			
Prepays	-	6,615	To correct understated prepays
Change in fund balance	-	6,615	
Fund balance - beginning	6,615	-	
Electric Light and Power Fund			
Prepays	-	4,747	To correct understated prepays,
Advance to Local Streets Fund	-	60,000	advance to Local Streets Fund
Change in accounting principles	-	(837,283)	and recognition of changes for
Change in net position	-	(772,536)	GASB No. 68 & 71
Net position - beginning	(772,536)	-	
Sewage Disposal Fund			
Prepays	-	2,465	To correct understated prepays
Change in accounting principles	-	(451,834)	and recognition of changes for
Change in net position	-	(449,369)	GASB No. 68 & 71
Net position - beginning	(449,369)	-	
Water Fund			
Prepays	-	1,739	To correct understated prepays
Change in accounting principles	-	(176,750)	and recognition of changes for
Change in net position	-	(175,011)	GASB No. 68 & 71
Net position - beginning	(175,011)	-	
Internal Service Fund			
Prepays	-	648	To correct understated prepays
Change in accounting principles	-	(124,471)	and recognition of changes for
Change in net position	-	(123,823)	GASB No. 68 & 71
Net position - beginning	(123,823)	-	

**NOTE S: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE S: CHANGES IN ACCOUNTING PRINCIPLES - CONTINUED**

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses and issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

**NOTE T: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurement. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the City's 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement will establish accounting and financial reporting requirements related to other postemployment benefit plans and specify the required approach to measuring the OPEB liability of employers. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. This statement will be effective for the City's 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2017-2018 fiscal year.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2015-2016 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2016-2017 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 987,700	\$ 987,700	\$ 979,678	\$ (8,022)
Penalties and interest	8,015	8,015	4,295	(3,720)
Tax collection	42,120	42,120	42,388	268
Total taxes	1,037,835	1,037,835	1,026,361	(11,474)
Licenses and permits				
Cable television license	28,000	29,000	29,206	206
City licenses and permits	2,750	5,750	2,283	(3,467)
Total licenses and permits	30,750	34,750	31,489	(3,261)
Intergovernmental				
State				
Sales tax	405,620	405,620	402,593	(3,027)
Act 302 training funds	1,200	1,200	1,169	(31)
State liquor license	3,200	3,200	3,184	(16)
Total intergovernmental	410,020	410,020	406,946	(3,074)
Charges for services				
Cemetery fees and lot sales	15,500	20,500	21,860	1,360
Administrative charges	318,857	318,857	319,044	187
Other fees	7,850	8,350	10,357	2,007
Total charges for services	342,207	347,707	351,261	3,554
Fines and forfeits				
Parking	2,400	2,400	2,875	475
District court	13,000	13,000	12,344	(656)
Other	2,700	6,700	6,662	(38)
Total fines and forfeits	18,100	22,100	21,881	(219)
Interest and rents	8,900	11,000	12,143	1,143
Other				
Donations	2,000	3,500	2,225	(1,275)
Reimbursements	12,000	36,000	29,502	(6,498)
Total other	14,000	39,500	31,727	(7,773)
<b>TOTAL REVENUES</b>	<b>1,861,812</b>	<b>1,902,912</b>	<b>1,881,808</b>	<b>(21,104)</b>

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
Council, boards, and commissions	\$ 7,733	\$ 6,333	\$ 5,498	\$ 835
Community promotions	112,248	100,173	87,509	12,664
City manager	134,804	146,073	139,198	6,875
Assessing services	51,088	52,613	50,253	2,360
Elections	7,105	6,906	5,148	1,758
City hall and grounds	58,133	59,348	50,694	8,654
General administrative	339,512	335,692	307,715	27,977
Cemetery operations	157,205	160,195	141,398	18,797
Total general government	867,828	867,333	787,413	79,920
Public safety				
Police department	680,028	691,568	629,270	62,298
Fire authority	85,000	104,000	103,560	440
Code enforcement	38,304	46,514	39,043	7,471
Total public safety	803,332	842,082	771,873	70,209
Public works				
Street lighting	57,100	58,400	57,584	816
Health and welfare				
Ambulance service	22,327	22,327	22,327	-0-
Community and economic development				
Economic development	8,000	9,500	9,484	16
Recreation and culture				
Parks department	147,490	151,240	116,717	34,523
TOTAL EXPENDITURES	1,906,077	1,950,882	1,765,398	185,484
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(44,265)	(47,970)	116,410	164,380

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in				
Electric Light and Power System Fund	\$ 49,792	\$ 49,792	\$ 49,792	\$ -0-
Sewage Disposal System Fund	31,764	31,764	31,764	-0-
Water System Fund	31,764	31,764	31,764	-0-
Transfers out				
Recreation Fund	(30,000)	(30,000)	(25,000)	5,000
Ambulance Fund	-	-	(652)	(652)
Motor Pool Fund	(60,000)	(60,000)	(60,000)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	23,320	23,320	27,668	4,348
EXTRAORDINARY ITEMS				
Reimbursements	-	-	189,808	189,808
Tornado related expenditures	-	-	(195,459)	(195,459)
TOTAL EXTRAORDINARY ITEMS	-0-	-0-	(5,651)	(5,651)
NET CHANGE IN FUND BALANCE	(20,945)	(24,650)	138,427	163,077
Fund balance, beginning of year	608,031	608,031	608,031	-0-
Prior period adjustment	-	-	56,261	56,261
Fund balance, end of year	\$ 587,086	\$ 583,381	\$ 802,719	\$ 219,338

City of Portland  
City Income Tax Fund  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 690,400	\$ 690,400	\$ 770,969	\$ 80,569
Fines and forfeits	16,000	16,000	13,223	(2,777)
Interest	-	-	1,306	1,306
Other	-	-	315	315
TOTAL REVENUES	706,400	706,400	785,813	79,413
EXPENDITURES				
Current				
General government	199,682	199,632	176,040	23,592
Debt service	477,005	477,005	476,985	20
TOTAL EXPENDITURES	676,687	676,637	653,025	23,612
EXCESS OF REVENUES OVER EXPENDITURES	29,713	29,763	132,788	103,025
OTHER FINANCING (USES)				
Transfers out	(20,000)	(20,000)	(20,000)	-0-
NET CHANGE IN FUND BALANCE	9,713	9,763	112,788	103,025
Fund balance, beginning of year	941,499	941,499	941,499	-0-
Prior period adjustment	-	-	132	132
Fund balance, end of year	\$ 951,212	\$ 951,262	\$ 1,054,419	\$ 103,157

City of Portland

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 78,288	\$ 78,288	\$ 77,416	\$ (872)
Intergovernmental	454,000	454,000	257,957	(196,043)
Other	-	4,100	4,169	69
TOTAL REVENUES	532,288	536,388	339,542	(196,846)
EXPENDITURES				
Current				
Public works	1,160,909	999,721	1,052,510	(52,789)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(628,621)	(463,333)	(712,968)	(249,635)
OTHER FINANCING SOURCES				
Transfers in	634,500	809,500	803,235	(6,265)
EXTRAORDINARY ITEMS				
Reimbursements	-	-	2,053	2,053
Tornado related expenditures	-	-	(4,056)	(4,056)
TOTAL EXTRAORDINARY ITEMS	-0-	-0-	(2,003)	(2,003)
NET CHANGE IN FUND BALANCE	5,879	346,167	88,264	(257,903)
Fund balance, beginning of year	80,207	80,207	80,207	-0-
Prior period adjustments	-	-	(76,454)	(76,454)
Fund balance, end of year	<u>\$ 86,086</u>	<u>\$ 426,374</u>	<u>\$ 92,017</u>	<u>\$ (334,357)</u>

City of Portland

Ambulance Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 536,430	\$ 540,830	\$ 514,408	\$ (26,422)
Other	-	2,500	2,667	167
TOTAL REVENUES	536,430	543,330	517,075	(26,255)
EXPENDITURES				
Current				
Health and welfare	531,273	567,763	514,979	52,784
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,157	(24,433)	2,096	26,529
OTHER FINANCING SOURCES				
Transfers in	-	-	652	652
EXTRAORDINARY ITEMS				
Tornado related expenditures	-	-	(456)	(456)
NET CHANGE IN FUND BALANCE	5,157	(24,433)	2,292	26,725
Fund balance, beginning of year	177,231	177,231	177,231	-0-
Prior period adjustment	-	-	6,615	6,615
Fund balance, end of year	\$ 182,388	\$ 152,798	\$ 186,138	\$ 33,340

City of Portland

Defined Benefit Pension Plan

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Last Fiscal Year (ultimately ten fiscal years will be displayed)

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 195,518
Interest	996,910
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments including employee refunds	(668,323)
Other	<u>(23,983)</u>
Net Change in Total Pension Liability	500,122
Total Pension Liability, beginning	<u>12,029,449</u>
Total Pension Liability, ending	<u>\$ 12,529,571</u>
Plan Fiduciary Net Position	
Contributions-employer	\$ 434,906
Contributions-employee	-
Net Investment income	481,656
Benefit payments including employee refunds	(668,323)
Administrative expense	<u>(17,676)</u>
Net Change in Plan Fiduciary Net Position	230,563
Plan Fiduciary Net Position, beginning	<u>7,671,415</u>
Plan Fiduciary Net Position, ending	<u>\$ 7,901,978</u>
Employer Net Pension Liability	<u>\$ 4,627,593</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	63%
Covered Employee Payroll	\$ 2,011,873
Employer's Net Pension Liability as a percentage of covered employee payroll	230%

City of Portland

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2015

Last Fiscal Year (Ultimately ten fiscal years will be displayed)

	<u>2014</u>
Actuarial determined contributions	\$ 447,139
Contributions in relation to the actuarially determined contribution	<u>447,139</u>
Contribution deficiency (excess)	<u><u>\$ -0-</u></u>
Covered employee payroll	\$ 2,132,656
Contributions as a percentage of covered employee payroll	21%

City of Portland

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2015, the City incurred expenditures in the Local Street Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Local Street Fund	\$ 999,721	\$ 1,056,566	\$ 56,845

## **OTHER SUPPLEMENTARY INFORMATION**

City of Portland  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET  
June 30, 2015

	Special Revenue		Capital
	Major Street	Recreation	Capital Projects Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 58,309	\$ 19,235	\$ 3,362
Due from other governmental units	46,415	-	-
Due from other funds	800	-	-
Prepays	4,462	644	-
TOTAL ASSETS	\$ 109,986	\$ 19,879	\$ 3,362
<b>LIABILITIES</b>			
Accounts payable	\$ 32,941	\$ 3,206	\$ -
Accrued liabilities	13,730	3,206	-
TOTAL LIABILITIES	46,671	6,412	-0-
<b>FUND BALANCES</b>			
Nonspendable			
Prepays	4,462	644	-
Perpetual care	-	-	-
Restricted			
Streets	58,853	-	3,362
Perpetual care	-	-	-
Assigned			
Recreation	-	12,823	-
TOTAL FUND BALANCES	63,315	13,467	3,362
TOTAL LIABILITIES AND FUND BALANCES	\$ 109,986	\$ 19,879	\$ 3,362

Projects		Permanent Fund	Total Nonmajor Governmental Funds
Street Projects	Wellhead Improvement	Cemetery Perpetual Care	
\$ 172,695	\$ -	\$ 162,992	\$ 416,593
-	-	-	46,415
-	-	-	800
-	-	-	5,106
<u>\$ 172,695</u>	<u>\$ -0-</u>	<u>\$ 162,992</u>	<u>\$ 468,914</u>
\$ -	\$ -	\$ -	\$ 36,147
-	-	-	16,936
-0-	-0-	-0-	53,083
-	-	-	5,106
-	-	154,217	154,217
172,695	-	-	234,910
-	-	8,775	8,775
-	-	-	12,823
<u>172,695</u>	<u>-0-</u>	<u>162,992</u>	<u>415,831</u>
<u>\$ 172,695</u>	<u>\$ -0-</u>	<u>\$ 162,992</u>	<u>\$ 468,914</u>

City of Portland

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	Special Revenue		Capital
	Major Street	Recreation	Capital Projects Fund
<b>REVENUES</b>			
Intergovernmental	\$ 263,171	\$ 20,000	\$ -
Charges for services	-	79,541	-
Other	3,812	5,084	30,000
<b>TOTAL REVENUES</b>	<b>266,983</b>	<b>104,625</b>	<b>30,000</b>
<b>EXPENDITURES</b>			
Current			
Public works	327,361	-	26,638
Recreation and culture	-	124,625	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>327,361</b>	<b>124,625</b>	<b>26,638</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(60,378)</b>	<b>(20,000)</b>	<b>3,362</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	18,118	25,000	-
Transfers out	(57,500)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(39,382)</b>	<b>25,000</b>	<b>-0-</b>
<b>EXTRAORDINARY ITEMS</b>			
Reimbursements	6,159	-	-
Tornado related expenditures	(10,778)	(65)	-
<b>TOTAL EXTRAORDINARY ITEMS</b>	<b>(4,619)</b>	<b>(65)</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(104,379)</b>	<b>4,935</b>	<b>3,362</b>
Fund balances, beginning of year	145,346	8,020	-0-
Prior period adjustment	22,348	512	-
Fund balances, end of year	<u>\$ 63,315</u>	<u>\$ 13,467</u>	<u>\$ 3,362</u>

Projects		Permanent Fund	Total Nonmajor Governmental Funds
Street Projects	Wellhead Improvement	Cemetery Perpetual Care	
\$ -	\$ 3,000	\$ -	\$ 286,171
-	-	3,550	83,091
-	-	-	38,896
-0-	3,000	3,550	408,158
-	-	-	353,999
-	-	-	124,625
-	1,730	-	1,730
-0-	1,730	-0-	480,354
-0-	1,270	3,550	(72,196)
-	-	-	43,118
(850,128)	(5,000)	-	(912,628)
(850,128)	(5,000)	-0-	(869,510)
-	-	-	6,159
-	-	-	(10,843)
-0-	-0-	-0-	(4,684)
(850,128)	(3,730)	3,550	(946,390)
1,022,823	3,730	159,442	1,339,361
-	-	-	22,860
<u>\$ 172,695</u>	<u>\$ -0-</u>	<u>\$ 162,992</u>	<u>\$ 415,831</u>

City of Portland

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2015

ASSETS	
Cash	\$ 5,563
Cash - restricted	<u>174,005</u>
TOTAL ASSETS	<u>\$ 179,568</u>
LIABILITIES	\$ -0-
FUND BALANCE	
Restricted	
Debt service	174,005
Unassigned	<u>5,563</u>
TOTAL FUND BALANCE	<u>179,568</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 179,568</u>

City of Portland

Component Unit Fund

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE  
STATEMENT OF NET POSITION - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2015

**Total fund balance - governmental fund** **\$ 179,568**

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 3,304,381	
Accumulated depreciation is	<u>(1,864,172)</u>	
Capital assets, net		1,440,209

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	<u>(440,000)</u>	
---------------	------------------	--

**Net position of governmental activities** **\$ 1,179,777**

City of Portland

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2015

REVENUES	
Taxes	\$ 305,828
Interest	68
Other	<u>20,875</u>
TOTAL REVENUES	326,771
EXPENDITURES	
Current	
Community and economic development	79,871
Capital outlay	
Contracted services	22,823
Decorations and banners	5,978
Debt service	
Principal	200,000
Interest and fiscal charges	<u>9,326</u>
TOTAL EXPENDITURES	<u>317,998</u>
NET CHANGE IN FUND BALANCE	8,773
Fund balance, beginning of year	<u>170,795</u>
Fund balance, end of year	<u><u>\$ 179,568</u></u>

City of Portland

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENT FUND  
TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2015

**Net change in fund balance - governmental fund** \$ 8,773

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (161,343)

Repayment of long-term debt is reported as expenditures in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond principal retirements 200,000

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

Decrease in compensated absences 1,189

**Change in net position of governmental activities** \$ 48,619

City of Portland

Miscellaneous Statistical Data (Unaudited)

June 30, 2015

Total Taxable Value  
Fiscal Years Ended or Ending June 30, 2012 Through 2016

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>City's Fiscal Year Ended or Ending June 30</u>	<u>Ad Valorem Taxable Value (2)</u>	<u>Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198(1)</u>	<u>Total Taxable Value</u>	<u>Percent Increase Over Prior Year</u>
2010	2011	2012	\$94,179,917	\$1,012,200	\$95,192,117	(.907)
2011	2012	2013	91,017,724	915,900	91,933,624	(3.423)
2012	2013	2014	92,486,927	848,900	93,335,827	1.525
2013	2014	2015	92,245,012	796,300	93,041,312	(.315)
2014	2015	2016	92,934,804	736,200	93,671,004	.676

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2016 (3).....\$24,123.36

(1) At the full tax rate. See "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

(2) Original warrant values prior to Board of Review and Tax Tribunal adjustments.

(3) Based on the City's 2010 Census of 3,883.

Source: City of Portland

Total Taxable Value by Use and Class  
Fiscal Years Ended or Ending June 30, 2012 Through 2016

<u>Use</u>	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Residential.....	\$ 66,075,613	\$ 62,926,125	\$ 63,848,655	\$ 63,930,194	\$ 64,328,254
Commercial.....	23,864,352	23,583,807	23,627,088	22,947,567	22,911,358
Industrial.....	4,491,452	4,667,392	5,094,884	5,393,951	5,577,792
Utility.....	760,700	756,300	765,200	769,600	853,600
Development.....	0	0	0	0	0
.....	<u>\$ 95,192,117</u>	<u>\$ 91,933,624</u>	<u>\$ 93,335,827</u>	<u>\$ 93,041,312</u>	<u>\$ 93,671,004</u>
<u>Class</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Real Property	\$ 89,520,093	\$ 85,616,724	\$ 86,894,927	\$ 87,140,712	\$ 87,457,304
Personal Property	<u>5,672,024</u>	<u>6,316,900</u>	<u>6,440,900</u>	<u>5,900,600</u>	<u>6,213,700</u>
	<u>\$ 95,192,117</u>	<u>\$ 91,933,624</u>	<u>\$ 93,335,827</u>	<u>\$ 93,041,312</u>	<u>\$ 93,671,004</u>

Source: City of Portland

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2015

Total State Equalized Valuation  
Fiscal Years Ended or Ending June 30, 2012 Through 2016

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization And Tax Levy</u>	<u>City's Fiscal Year Ended or Ending June 30</u>	<u>Ad Valorem SEV (2)</u>	<u>SEV of Property Granted Tax Abatement Under Act 198 (1)</u>	<u>Total SEV</u>	<u>Percent Increase Over Prior Year</u>
2010	2011	2012	\$99,058,400	\$1,012,200	\$100,070,60	(2.8283)
2011	2012	2013	93,983,700	915,900	94,899,600	(5.1674)
2012	2013	2014	95,372,800	848,900	96,221,700	1.3931
2013	2014	2015	95,467,600	796,300	96,263,900	.04388
2014	2015	2016	94,754,600	736,200	95,490,800	(.80310)

Per Capita Total SEV for the Fiscal Year Ending June 30, 2016 (3)..... \$24,592.02

(1) See "CITY TAXATION AND LIMITATIONS - Tax Abatement" herein.

(2) Original warrant values prior to Board of Review and Tax Tribunal adjustments.

(3) Based on the City's 2010 census of 3,883.

Source: City of Portland

Total SEV by Use and Class  
Fiscal Years Ended or Ending June 30, 2012 Through 2016

<u>Use</u>	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Residential .....	\$ 68,927,300	\$ 65,892,101	\$ 64,845,600	\$ 65,761,200	\$ 65,647,300
Commercial .....	25,888,700	23,583,807	25,503,100	24,339,000	23,412,100
Industrial .....	4,493,900	4,667,392	5,107,800	5,394,100	5,577,800
Utility .....	760,700	756,300	765,200	769,600	853,600
Development .....	0	0	0	0	0
	<u>\$ 100,070,600</u>	<u>\$ 94,899,600</u>	<u>\$ 96,221,700</u>	<u>\$ 96,263,900</u>	<u>\$ 95,490,800</u>
<u>Class</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Real Property .....	\$ 93,905,000	\$ 88,582,700	\$ 89,780,800	\$ 90,363,300	\$ 89,277,100
Personal Property .....	<u>6,165,600</u>	<u>6,316,900</u>	<u>6,440,900</u>	<u>5,900,600</u>	<u>6,213,700</u>
	<u>\$ 100,070,600</u>	<u>\$ 94,899,600</u>	<u>\$ 96,221,700</u>	<u>\$ 96,263,900</u>	<u>\$ 95,490,800</u>

Source: City of Portland

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2015

Maximum Property Tax Rates  
Fiscal Year Ending June 30, 2016

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Millage Reduction Fraction (1)</u>	<u>Maximum Allowable Millage</u>
Operating (2).....	15.0000	0.9227	13.6574

(1) Cumulative.

(2) Includes 1.00 mill for local streets.

Source: City of Portland

Property Tax Rates (1)  
Fiscal Years Ended or Ending June 30, 2012 Through 2016

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Total Operating</u>
2011	2012	13.6574 (2)
2012	2013	13.6574 (3)
2013	2014	13.6574 (2)
2014	2015	13.6574 (2)
2015	2016	13.6574 (2)

(1) See "CITY TAXATION AND LIMITATIONS - Property Taxes" and "CITY TAXATION AND LIMITATIONS - State Limitations on Property Taxes," herein.

(2) Includes 1.00 mill for local streets.

(3) 2012 Includes .60 mill for local streets.

Source: City of Portland

Homestead (1) Property Tax Rates by Governmental Unit  
Fiscal Years Ended June 30, 2012 Through 2016

<u>Governmental Unit</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City of Portland.....	\$13.6574	\$13.6574	\$13.6574	\$13.6574	\$13.6574
County of Ionia .....	4.6434	4.6434	4.6434	4.6434	4.6434
State of Michigan .....	6.0000	6.0000	6.0000	6.0000	6.0000
Portland Public Schools .....	7.3500	7.3500	7.3500	7.3500	7.3500
Intermediate School District .....	4.4728	4.4728	4.4728	4.4728	4.4728
Intermediate School District-Tech Ed..	1.0000	1.0000	1.0000	1.0000	1.0000
Library .....	1.8239	1.7839	1.7639	1.6939	1.7139
Seniors .....	.3750	.3750	.3750	.5000	.5000
Total.....	<u>\$39.3225</u>	<u>\$39.2825</u>	<u>\$39.2625</u>	<u>\$39.3175</u>	<u>\$39.3375</u>

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2015

Non-Homestead (1) Property Tax Rates by Governmental Unit  
Fiscal Years Ended June 30, 2012 Through 2016

<u>Governmental Unit</u>	<u>Fiscal Year Ending June 30</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City of Portland.....	\$13.6574	\$13.6574	\$13.6574	\$13.6574	\$13.6574
County of Ionia.....	4.6434	4.6434	4.6434	4.6434	4.6434
State of Michigan.....	6.0000	6.0000	6.0000	6.0000	6.0000
Portland Public Schools.....	25.3500	25.3500	25.3500	25.3500	25.3500
Intermediate School District.....	4.4728	4.4728	4.4728	4.4728	4.4728
Intermediate School District-Tech. Ed	1.0000	1.0000	1.0000	1.0000	1.0000
Library.....	1.8239	1.7839	1.7639	1.6939	1.7139
Seniors.....	.3750	.3750	.3750	.5000	.5000
<b>Total.....</b>	<b><u>\$57.3225</u></b>	<b><u>\$57.2825</u></b>	<b><u>\$57.2625</u></b>	<b><u>\$57.3175</u></b>	<b><u>\$57.3375</u></b>

(1) Homestead Property means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the Living Care Disclosure Act, Act 440, Public Acts of Michigan, 1976, as amended. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-homestead Property is property not included in the above definition.

Source: City of Portland

Property Tax Collections  
Fiscal Years Ended or Ending June 30, 2012 Through 2016

<u>July 1 Levy</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>City Tax Levy(1)</u>	<u>Collections to March 1 Following Levy</u>	<u>Percent Collected</u>
2011	2012	\$1,093,318	\$1,047,607	95.82
2012	2013	1,051,641	968,094	92.06
2013	2014	1,067,199	1,023,146	96.87
2014	2015	1,064,832	1,035,206	97.22
2015	2016	1,068,898	(In Process of Collection)	

(1) City taxes only. See "CITY TAXATION AND LIMITATIONS - Property Tax Rates" herein. Levy reported excludes Downtown Development Authority tax capture and certain taxes on properties granted tax abatement under Act 198. See "CITY TAXATION AND LIMITATIONS - Tax Abatement" herein.

Source: City of Portland

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2015

Ten Largest Taxpayers  
Fiscal Year Ending June 30, 2016

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Total Taxable Value (1)</u>	<u>Percent of Total (2)</u>
Tom's Food Center (Ellen's Prop)	Grocery, Hardware.....	\$ 3,083,175	3.291%
TRW.....	Tie Rods, Steering, Linkages	2,582,000	2.757
Portland Products.....	Automotive	2,230,400	2.381
	Manufacturing .....		
Parkers Landing (Portland Partners)	Apartments.....	2,086,800	2.228
Portland Apartments (LAWCO) ..	Apartments.....	956,600	1.021
Consumers Energy.....	Utility .....	844,800	0.902
Rindlehaven Land Co. LLC. ....	Land .....	757,100	0.808
ADM Alliance Nutrition. ....	Feed Production .....	756,736	0.808
Family Farm & Home (HEB, LLC)	Farm supplies, retail sales .....	650,100	0.694
Dick's Uptown, LLC.....	Auto Sales and Service .....	<u>639,254</u>	<u>0.683</u>
		<u>\$ 14,586,965</u>	<u>15.573%</u>

(1) Includes the Taxable Value of property granted tax abatement under Act 198. See "CITY TAXATION AND LIMITATIONS - Tax Abatement" herein.

(2) Based on \$93,671,004, which is the City's Total Taxable Value for the fiscal year ending June 30, 2016. Includes the Taxable Value of property granted tax abatement under Act 198. See "Property Valuations" and "Tax Abatement" herein.

Source: City of Portland

Income Tax Collections  
Fiscal Years Ended June 30, 2011 Through 2015

<u>Fiscal Year Ended June 30</u>	<u>Gross Tax Collections</u>	<u>Net Income Tax Collections</u>	<u>% Increase or (Decrease) over Prior Year</u>
2011	\$ 720,555	\$ 652,116	2.1584
2012	720,169	658,841	1.0314
2013	772,808	710,853	7.8945
2014	771,078	713,953	.4360
2015	785,813	723,488	1.3355

(1) Gross collections less refunds equals net tax.

Source: City of Portland

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2015

Revenues from the State of Michigan  
Fiscal Years Ended or Ending June 30, 2011 through 2015

	Fiscal Years Ended or Ending June 30				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
State Revenue Sharing .....	\$ 381,894	\$ 376,262	\$ 379,928	\$ 391,871	\$ 402,593
Other .....	<u>159,332</u>	<u>3,560</u>	<u>4,182</u>	<u>4,086</u>	<u>4,353</u>
Total Revenues From the State of Michigan .....	<u>\$ 541,226</u>	<u>\$ 379,822</u>	<u>\$ 384,110</u>	<u>\$ 395,957</u>	<u>\$ 406,946</u>

Source: City of Portland

**CITY DEBT**

**Statutory and Constitutional Debt Provisions**

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

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

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

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

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

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

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2015

**Legal Debt Margin**

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of June 30, 2015:

Debt Limit (1).....		\$ 9,549,080
Debt Outstanding .....	\$ 7,014,000	
Less: Exempt Debt (2).....	<u>(4,279,000)</u>	<u>2,735,000</u>
Legal Debt Margin .....		<u>\$ 6,814,080</u>

(1) 10% of \$95,490,800, which is the City's Total SEV for the fiscal year ending June 30, 2016. Includes the SEV of property granted tax abatement under Act 198. See "CITY TAXATION AND LIMITATIONS - Property Valuations" and "CITY TAXATION AND LIMITATIONS - Tax Abatement" herein.

(2) See "CITY DEBT-Statutory and Constitutional Debt Provisions" herein.

Source: Municipal Advisory Council of Michigan and the City of Portland.

**Debt Statement**

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2015, including the bonds described herein. Direct debt that is shown as self-supporting is paid from sources other than the City's general fund.

The City's ability to levy taxes to pay the debt service on the obligations that are designated as "Limited Tax" is subject to applicable charter, statutory and constitutional limitations. See "CITY TAXATION AND LIMITATIONS" herein.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Downtown Development Authority Bonds:			
Dated January 12, 2012 (Limited Tax) (8) .	\$ 440,000	\$ -0-	\$ 440,000
Subtotal .....	<u>\$ 440,000</u>	<u>\$ -0-</u>	<u>\$ 440,000</u>
Water and Wastewater Revenue Bonds:			
Dated March 8, 2011	\$ 792,000	\$ 792,000	\$ -0-
(6).....	\$ 2,732,000	\$ 2,732,000	\$ -0-
Dated December 29, 2010 (6)	\$ 755,000	\$ 755,000	\$ -0-
.....	<u>\$ 4,279,000</u>	<u>\$ 4,279,000</u>	<u>\$ -0-</u>
Dated September 25, 2003 (5).....			
Subtotal .....	\$ 1,355,000	\$ 1,355,000	\$ -0-
Capital Improvement Bonds:			
Dated April 17, 2008 (Limited Tax) (1) .....	\$ 940,000	\$ -0-	\$ 940,000
Dated September 4, 2013 (Limited Tax) (7)	\$ 2,295,000	\$ 1,355,000	\$ 940,000
Subtotal .....	<u>\$ 7,014,000</u>	<u>\$ 5,634,000</u>	<u>\$ 1,380,000</u>

Total City Direct Debt:

Per Capita Net Direct Debt (3) .....	\$355.40
Percent of Net Direct Debt to Total SEV (4) .....	1.45 %

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2015

<u>Overlapping Debt (2)</u>			
Ionia County .....	\$ 153,000	6.08%	\$ 9,302
Ionia County Intermediate School District .....	505,000	5.34	26,967
Portland District Library .....	1,565,000	31.55	493,758
Portland Public Schools .....	<u>24,553,911</u>	25.76	<u>6,325,087</u>
Total Overlapping Debt .....	<u>26,756,911</u>		<u>6,855,114</u>
Total City Direct and Overlapping Debt.....	<u>\$ 33,770,911</u>		<u>\$ 8,235,114</u>
Per Capita Net Overlapping Debt (3) .....			\$1,765.42
Percent of Net Overlapping Debt to Total SEV (4) .....			7.18%
Per Capita Net Direct and Overlapping Debt (3).....			\$2,120.81
Percent of Net Direct and Overlapping Debt to Total SEV (4).....			8.63%

- 
- (1) The Bonds described herein will be paid with electric system revenues.
  - (2) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the City are liable in addition to debt issued by the City.
  - (3) Based on the City's 2010 Census of 3,883.
  - (3) Based on \$95,490,800, which is the City's Total SEV for the fiscal year ending June 30, 2016. Includes the SEV of property granted tax abatement under Act 198. See "CITY TAX AND LIMITATIONS - Property Valuations" and "CITY TAX AND LIMITATIONS - Tax Abatement" herein.
  - (4) The Bonds described herein will be paid with water system revenues.
  - (5) The Bonds described herein will be paid with wastewater system revenues.
  - (6) The Bonds described herein will be paid with income tax revenues.
  - (7) The Bonds described herein will be paid with Downtown Development Authority captured tax revenues.
  - (8) The City is a participant in the Michigan Public Power Agency (MPPA). The City has not pledged full faith and credit to the Bonds issued by MPPA. The City's share of the MPPA bonds is \$1,369,727.
- Source: Municipal Advisory Council of Michigan and the City of Portland

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and  
Members of the City Council  
City of Portland, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Michigan, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Portland's basic financial statements and have issued our report thereon dated October 27, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 27, 2015