



FINANCIAL STATEMENTS
June 30, 2016

City of Portland
Ionia County, Michigan
June 30, 2016

CITY COUNCIL AND ADMINISTRATION

James E. Barnes	Mayor
Joel T. VanSlambrouck	Mayor Pro-Tem
Robert J. Baldyga	Council member
Patrick Fitzsimmons	Council member
Amanda L. Johnston	Council member
S. Tutt Gorman	City Manager
Nikki Miller	City Clerk
Kristina Kinde	Finance Director/ Treasurer

City of Portland

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

Change in Accounting Principles

As discussed in Note Q to the financial statements, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the year. As a result, the City has applied fair value to certain investments and disclosures related to all fair value measurements. 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, schedule of changes in employer'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 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

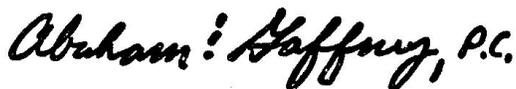
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portland's basic financial statements. The combining and individual nonmajor fund financial statements, and miscellaneous statistical data are presented for purposes of additional 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 November 14, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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's internal control over financial reporting and compliance.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 14, 2016

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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, 2016. 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 \$24,501,053 (excluding component units).
- Governmental activities net position was \$11,762,005.
- Business-type activity net position was \$12,739,048.
- Component Unit net position was \$1,244,945.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,506,313 with \$1,570,157 being nonspendable, restricted, committed or assigned for specific purposes and \$1,936,156 being unassigned.
- The General Fund realized \$9,858 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$102,386 less than appropriated.
- Overall, the General Fund balance increased by \$35,045.

Capital and Long-term Debt Activities:

- The total additions to the capital asset schedule for the primary government were \$881,609, excluding reclassifications. Significant capital purchases during the year included Cutler Road improvements, Kent Street improvements, the purchase of a new tractor, the purchase of a new hook up electric generator, and the purchase of a new ambulance.
- The total long-term debt for the primary government was \$6,063,868, a decrease of \$688,291 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 \$9,613,534.

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, 2016

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 2015/2016. 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, 2016

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.

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.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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 \$24,501,053 at the end of this fiscal year's operations. The net position of the governmental activities was \$11,762,005; the business-type activities were \$12,739,048.

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, 2015 and 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Current and Other Assets	\$ 4,202,363	\$ 3,808,327	\$ 3,385,761	\$ 3,242,582	\$ 7,588,124	\$ 7,050,909
Capital Assets	13,163,817	13,079,090	17,809,551	17,236,636	30,973,368	30,315,726
Total Assets	\$ 17,366,180	\$ 16,887,417	\$ 21,195,312	\$ 20,479,218	\$ 38,561,492	\$ 37,366,635
Deferred outflows of resources	\$ 208,484	\$ 877,037	\$ 113,897	\$ 518,655	\$ 322,381	\$ 1,395,692
Current Liabilities	\$ 1,144,363	\$ 907,016	\$ 609,826	\$ 621,191	\$ 1,754,189	\$ 1,528,207
Noncurrent Liabilities	5,459,935	4,901,221	7,312,470	7,522,103	12,772,405	12,423,324
Total Liabilities	\$ 6,604,298	\$ 5,808,237	\$ 7,922,296	\$ 8,143,294	\$ 14,526,594	\$ 13,951,531
Deferred inflows of resources	\$ -	\$ 194,212	\$ -	\$ 115,531	\$ -0-	\$ 309,743
Net Investment in Capital Assets	\$ 13,326,044	\$ 12,570,446	\$ 12,175,679	\$ 11,783,764	\$ 25,501,723	\$ 24,354,210
Restricted	494,381	317,375	537,450	579,579	1,031,831	896,954
Unrestricted	(3,058,543)	(1,125,816)	673,784	375,705	(2,384,759)	(750,111)
Total Net Position	\$ 10,761,882	\$ 11,762,005	\$ 13,386,913	\$ 12,739,048	\$ 24,148,795	\$ 24,501,053

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Changes in Net Position for the Fiscal Year Ending June 30, 2015 and 2016

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 2014/2015 and 2015/2016.

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues						
Program Revenues						
Charges for						
Services	\$ 1,058,598	\$ 1,108,250	\$ 5,115,461	\$ 5,071,600	\$ 6,174,059	\$ 6,179,850
Grants and						
Contributions	583,356	651,883	-	-	583,356	651,883
General Revenues						
Property Taxes	1,057,094	1,088,127	-	-	1,057,094	1,088,127
State Shared						
Revenue	402,593	399,390	-	-	402,593	399,390
City Income Taxes	784,191	823,642	-	-	784,191	823,642
Investment Earnings	4,499	1,580	3,551	1,077	8,050	2,657
Miscellaneous	42,065	38,319	50,784	33,037	92,849	71,356
Transfers	2,045	53,796	(2,045)	(53,796)	-0-	-0-
Total Revenues	3,934,441	4,164,987	5,167,751	5,051,918	9,102,192	9,216,905
Expenses						
General Government	1,056,940	1,036,011	-	-	1,056,940	1,036,011
Public Safety	831,414	837,137	-	-	831,414	837,137
Public Works	1,375,347	1,262,091	-	-	1,375,347	1,262,091
Health and Welfare	601,040	643,784	-	-	601,040	643,784
Community and						
Economic Develop.	10,191	14,612	-	-	10,191	14,612
Recreation and						
Culture	263,684	292,755	-	-	263,684	292,755
Other	14,769	7,429	5,816,050	5,699,783	5,830,819	5,707,212
Total Expenses	4,153,385	4,093,819	5,816,050	5,699,783	9,969,435	9,793,602
Extraordinary Items						
Tornado revenues	198,020	-	33,819	-	231,839	-
Tornado related expenses	(210,814)	-	(80,658)	-	(291,472)	-
Total Extraordinary Items	(12,794)	-0-	(46,839)	-0-	(59,633)	-0-
Increase (decrease) in Net Position	(231,738)	71,168	(695,138)	(647,865)	(926,876)	(576,697)
Restated Net Position - Beginning	11,187,314	11,690,837	14,082,051	13,386,913	25,269,365	\$ 25,077,750
Net Position - Ending	\$ 10,955,576	\$ 11,762,005	\$ 13,386,913	\$ 12,739,048	\$ 24,342,489	\$ 24,501,053

Governmental Activities:

The result of 2015/2016 governmental activity was an increase of \$71,168 in net position to \$11,762,005. Of the total governmental activities' net position, \$12,570,446 is invested in capital assets less related debt, \$317,375 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 (\$1,125,816) is listed as unrestricted, having no legal commitment.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Revenues:

The three largest revenue categories were charges for services at 26.6% property taxes at 26.1%, and city income taxes at 19.8%. The City levied a property tax millage for the year ended June 30, 2016, 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 30.8% 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 20.4% 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 \$647,865 during fiscal year 2015/2016. Of the business-type activities' net position, \$11,783,764 is invested in capital assets net of related debt, \$579,579 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 \$375,705 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2015/2016, its governmental funds reported *combined* fund balances of \$3,506,313. This is a net increase of \$935,189. The net changes are summarized in the following chart:

	General Fund	City Income Tax	Major Street Fund	Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 6/30/2015	\$ 1,912,628	\$ 1,054,419	\$ 63,315	\$ 186,138	\$ 444,533	\$ 3,661,033
Fund Balance 6/30/2016	\$ 1,947,673	\$ 1,078,687	\$ 69,127	\$ 140,246	\$ 270,580	\$ 3,506,313
Net Change	\$ 35,045	\$ 24,268	\$ 5,812	\$ (45,892)	\$ (173,953)	\$ (154,720)

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, 2016, the General Fund reported a fund balance of \$1,947,673. This amount is a net of the restated fund balance of \$1,912,628 reported as of June 30, 2015. The 2015/2016 original budget had called for a \$38,534 decrease to fund balance.

The General Fund 2015/2016 revenues exceeded 2015/2016 expenditures by \$35,045 largely due to reduced spending.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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 \$2,031,579, \$9,858 higher the final amended budget.

The City's original General Fund expenditures and other financing uses budget was increased by \$68,815 during 2015/2016. The increase can be attributed to an increase in the amount paid to the ambulance fund.

Actual City expenditures and other financing uses for 2015/2016 were \$95,562 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, 2016, the City Income Tax Fund reported a fund balance of \$1,078,687, an increase of \$24,268 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.

Major Street Fund

As of June 30, 2016, the Major Street Fund reported a fund balance of \$69,127, which is an increase of \$5,812 from the prior year.

Ambulance Fund

As of June 30, 2016, the Ambulance Fund reported a fund balance of \$140,246, which is a decrease of \$45,892 from the prior year. The entire balance of \$140,246 is committed to ambulance operations.

Enterprise Funds

As the City completed 2015/2016, its enterprise funds reported *combined* net position of \$12,726,315. This is a net decrease of \$660,598 resulting from current year operations. The net changes are summarized in the following chart.

	Electric Light and Power System Fund	Sewage Disposal System Fund	Water System Fund	Nonmajor Enterprise Fund	Totals
Restated Net Position 6/30/2015	\$ 7,378,091	\$ 1,935,828	\$ 4,050,661	\$ 22,333	\$ 13,386,913
Net Position 6/30/2016	\$ 7,042,673	\$ 1,763,442	\$ 3,907,469	\$ 25,464	\$ 12,739,048
Net Change	\$ (335,418)	\$ (172,386)	\$ (143,192)	\$ 3,131	\$ (647,865)

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Electric Light and Power System Fund:

As of June 30, 2016, the Electric Light and Power System Fund reported a net position of \$7,029,940, a decrease of \$328,151 from the prior year. Of the entire net position amount, \$6,318,952 is invested in capital assets, net of related debt, \$400,000 is restricted for utility reserve, and \$310,988 is unrestricted.

Sewage Disposal System Fund:

As of June 30, 2016, the Sewer Fund reported a net position of \$1,763,442 a decrease of \$172,386 from the prior year. Of the entire net position, \$2,063,232 is invested in capital assets, net of related debt, \$179,579 is restricted, and (\$479,369) is unrestricted.

Water System Fund:

As of June 30, 2016, the Water System Fund reported a net position of \$3,907,469, a net decrease of \$143,192 from the prior year. Of the entire net position, \$3,401,580 is invested in capital assets, net of related debt and \$505,889 is unrestricted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2015/2016 the City had invested \$30,315,726, and \$1,278,866 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, 2016, was as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Totals</u>
Land	\$ 1,075,920	\$ -	\$ 1,075,920
Construction in Progress	258,873	-	258,873
Land Improvements, net	65,875	-	65,875
Buildings, net	184,662	-	184,662
Equipment and Furniture, net	791,489	-	791,489
Electric System, net	-	7,618,952	7,618,952
Sewer System, net	-	5,531,232	5,531,232
Water System, net	-	4,086,452	4,086,452
Infrastructure			
Streets and Bridges, net	10,702,271	-	10,702,271
Capital Assets, net	<u>\$ 13,079,090</u>	<u>\$ 17,236,636</u>	<u>\$ 30,315,726</u>

Long-term Debt - As of June 30, 2016, the City had \$6,063,868 in long-term debt outstanding for the primary government. This level of net obligation is \$688,291 less than the obligation recorded as of June 30, 2015.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Outstanding Debt as of June 30, 2016:

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, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Primary Government				
Governmental activities				
2012 Vactor Truck Lease-Purchase Agreement (\$85,500)	\$ 52,892	\$ -	\$ 17,248	\$ 35,644
2013 G.O. Limited Tax Bonds	940,000	-	467,000	473,000
Accumulated compensated absences	73,790	63,904	88,817	48,877
Business-type activities				
2008 Capital Improvement Bonds (\$1,690,000)	1,355,000	-	55,000	1,300,000
2004 Water System Bonds (\$1,344,872)	754,872	-	70,000	684,872
2010 Sanitary Sewer System (\$2,900,000) (Build America Bonds)	2,732,000	-	43,000	2,689,000
2011 Sanitary Sewer System (\$840,000)	792,000	-	13,000	779,000
Accumulated compensated absences	51,605	65,100	63,230	53,475
Total Primary Government	6,752,159	129,004	817,295	6,063,868
Component Unit				
2012 Refunding Bonds	440,000	-	220,000	220,000
Total Reporting Entity	\$ 7,192,159	\$ 129,004	\$ 1,037,295	\$ 6,283,868

CITY OF PORTLAND GOVERNMENT ECONOMIC OUTLOOK:

- * State revenue sharing is expected to increase 1.2% for the City's fiscal year 2016-2017, 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 \$434,906 to \$548,464 which reflects a 0.71% decrease for the non-union division, an 18.53% increase for the GELC division, and an 40.46% 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 decreased from \$750,535 in 2013 to \$747,889 in 2014 (a decrease of 0.35%). In 2015 City income tax revenues increased 3.09% rising from \$747,889 in 2014 to \$770,969 in 2015. In 2016 City income tax revenues increased 5.24% rising from \$770,969 in 2015 to \$811,413 in 2016.
- * The City's SEV decreased from \$100,070,000 in 2012 to \$94,892,800 in 2013 (a decrease of 5.17%), then to \$96,221,700 in 2014 (an increase of 1.40%), then to \$96,263,900 in 2015 (an increase of 0.04%). From 2015 to 2016 the SEV decreased to \$94,754,600 (a decrease of 1.56%), then from 2016 to 2017 the SEV increased to \$95,435,400 (an increase of 0.71%). The outlook for the 2017 SEV is expected to decrease due to the decline in personal property taxes.

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.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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, 2016

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,388,327	\$ 1,482,441	\$ 3,870,768	\$ 52,739
Cash and cash equivalents - restricted	-	651,297	651,297	110,536
Investments	1,109,909	-	1,109,909	-
Receivables	250,532	693,901	944,433	-
Due from other governmental units	52,307	-	52,307	27,551
Internal balances	21,110	(21,110)	-0-	-
Prepays	26,142	9,100	35,242	-
Inventories	-	386,953	386,953	-
Total current assets	3,848,327	3,202,582	7,050,909	190,826
Noncurrent assets				
Internal balances	(40,000)	40,000	-0-	-
Capital assets not being depreciated	1,334,793	307,183	1,641,976	-
Capital assets being depreciated, net	11,744,297	16,929,453	28,673,750	1,278,866
Total noncurrent assets	13,039,090	17,276,636	30,315,726	1,278,866
TOTAL ASSETS	16,887,417	20,479,218	37,366,635	1,469,692
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	877,037	518,655	1,395,692	-0-
LIABILITIES				
Current liabilities				
Accounts payable	251,316	288,151	539,467	1,877
Accrued liabilities	113,906	70,352	184,258	2,870
Accrued interest payable	2,289	26,213	28,502	-
Current portion of compensated absences	48,877	53,475	102,352	-
Current portion of long-term debt	490,628	183,000	673,628	220,000
Total current liabilities	907,016	621,191	1,528,207	224,747
Noncurrent liabilities				
Customer deposits payable from restricted assets	-	233,419	233,419	-
Noncurrent portion of long-term debt	18,016	5,269,872	5,287,888	-
Net pension liability	3,637,986	2,018,812	5,656,798	-
Net other post-employment benefits obligation	1,245,219	-	1,245,219	-
Total noncurrent liabilities	4,901,221	7,522,103	12,423,324	-0-
TOTAL LIABILITIES	5,808,237	8,143,294	13,951,531	224,747
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	194,212	115,531	309,743	-0-
NET POSITION				
Net investment in capital assets	12,570,446	11,783,764	24,354,210	1,058,866
Restricted				
Utilities	-	400,000	400,000	-
Debt service	-	100,557	100,557	110,536
Equipment replacement	-	79,022	79,022	-
Other purposes	317,375	-	317,375	-
Unrestricted	(1,125,816)	375,705	(750,111)	75,543
TOTAL NET POSITION	\$ 11,762,005	\$ 12,739,048	\$ 24,501,053	\$ 1,244,945

See accompanying notes to financial statements.

City of Portland
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Changes in Net Position			Component Unit (DDA)
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government							
Governmental activities							
General government	\$ 1,036,011	\$ 455,725	\$ 982	\$ (579,304)	\$ -	\$ (579,304)	\$ -
Public safety	837,137	6,738	1,325	(829,074)	-	(829,074)	-
Public works	1,262,091	-	608,517	(653,574)	-	(653,574)	-
Health and welfare	643,784	586,808	-	(56,976)	-	(56,976)	-
Community and economic development	14,612	-	-	(14,612)	-	(14,612)	-
Recreation and culture	292,755	58,979	41,059	(192,717)	-	(192,717)	-
Interest on long-term debt	7,429	-	-	(7,429)	-	(7,429)	-
Total governmental activities	4,093,819	1,108,250	651,883	(2,333,686)	-0-	(2,333,686)	-0-
Business-type activities							
Electric Light and Power System	3,857,135	3,558,180	-	-	(298,955)	(298,955)	-
Sewage Disposal System	1,024,181	823,044	-	-	(201,137)	(201,137)	-
Water System	701,935	587,520	-	-	(114,415)	(114,415)	-
Refuse	116,532	102,856	-	-	(13,676)	(13,676)	-
Total business-type activities	5,699,783	5,071,600	-0-	-0-	(628,183)	(628,183)	-0-
Total primary government	\$ 9,793,602	\$ 6,179,850	\$ 651,883	(2,333,686)	(628,183)	(2,961,869)	-0-
Component unit							
Downtown Development Authority	\$ 285,518	\$ -	\$ -	-0-	-0-	-0-	(285,518)
General revenues							
Property taxes				1,088,127	-	1,088,127	303,076
State shared revenue				399,390	-	399,390	-
City income taxes				823,642	-	823,642	-
Investment earnings				1,580	1,077	2,657	92
Miscellaneous				38,319	33,037	71,356	47,518
Transfers				53,796	(53,796)	-0-	-
Total general revenues and transfers				2,404,854	(19,682)	2,385,172	350,686
Change in net position				71,168	(647,865)	(576,697)	65,168
Restated net position, beginning of the year				11,690,837	13,386,913	25,077,750	1,179,777
Net position, end of the year				\$ 11,762,005	\$ 12,739,048	\$ 24,501,053	\$ 1,244,945

See accompanying notes to financial statements.

City of Portland
Governmental Funds
BALANCE SHEET
June 30, 2016

	General	City Income Tax	Major Street
ASSETS			
Cash and cash equivalents	\$ 568,489	\$ 1,173,985	\$ 194,329
Investments	1,109,909	-	-
Receivables			
Taxes	462	115,654	-
Accounts	10,658	-	225
Due from other governmental units	-	-	39,105
Due from other funds	358,525	-	800
Prepays	11,517	147	3,340
	<u>\$ 2,059,560</u>	<u>\$ 1,289,786</u>	<u>\$ 237,799</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	\$ 44,655	\$ 1,607	\$ 157,967
Accrued liabilities	64,998	4,492	10,705
Due to other funds	-	205,000	-
Advance from other funds	-	-	-
	<u>109,653</u>	<u>211,099</u>	<u>168,672</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	2,234	-	-
FUND BALANCES			
Nonspendable			
Prepays	11,517	147	3,340
Perpetual care	-	-	-
Restricted			
Streets	-	-	65,787
Perpetual care	-	-	-
Committed			
Street improvements	-	1,078,540	-
Ambulance	-	-	-
Assigned			
Recreation	-	-	-
Unassigned	1,936,156	-	-
	<u>1,947,673</u>	<u>1,078,687</u>	<u>69,127</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 2,059,560</u>	<u>\$ 1,289,786</u>	<u>\$ 237,799</u>

See accompanying notes to financial statements.

<u>Ambulance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 70,781	\$ 328,501	\$ 2,336,085
-	-	1,109,909
-	-	116,116
123,533	-	134,416
-	13,202	52,307
-	700	360,025
<u>6,527</u>	<u>3,870</u>	<u>25,401</u>
<u>\$ 200,841</u>	<u>\$ 346,273</u>	<u>\$ 4,134,259</u>
\$ 6,546	\$ 25,139	\$ 235,914
18,134	10,554	108,883
35,915	-	240,915
-	40,000	40,000
<u>60,595</u>	<u>75,693</u>	<u>625,712</u>
-	-	2,234
6,527	3,870	25,401
-	154,217	154,217
-	85,346	151,133
-	12,025	12,025
-	-	1,078,540
133,719	-	133,719
-	15,122	15,122
-	-	1,936,156
<u>140,246</u>	<u>270,580</u>	<u>3,506,313</u>
<u>\$ 200,841</u>	<u>\$ 346,273</u>	<u>\$ 4,134,259</u>

City of Portland

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

June 30, 2016

Total fund balances - governmental funds \$ 3,506,313

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	\$ 22,448,893	
Accumulated depreciation is	<u>(10,033,818)</u>	
Capital assets, net		12,415,075

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. 419,590

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	849,827	
Deferred inflows of resources related to pensions	<u>(188,418)</u>	
		661,409

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	1,715	
Compensated absences	42,776	
Direct obligations	473,000	
Net other post-employment benefits obligation	1,245,219	
Net pension liability	<u>3,479,906</u>	
		<u>(5,242,616)</u>

Net position of governmental activities \$ 11,762,005

City of Portland

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2016

	General	City Income Tax	Major Street
REVENUES			
Taxes	\$ 1,057,634	\$ 811,413	\$ -
Licenses and permits	34,521	-	-
Intergovernmental	403,895	-	290,644
Charges for services	355,256	-	-
Fines and forfeits	13,544	12,229	-
Interest and rents	9,181	1,535	-
Other	43,738	15,211	10,722
TOTAL REVENUES	1,917,769	840,388	301,366
EXPENDITURES			
Current			
General government	781,241	199,040	-
Public safety	786,214	-	-
Public works	56,971	-	507,287
Health and welfare	22,327	-	-
Community and economic development	13,742	-	-
Recreation and culture	158,295	-	-
Debt service	-	477,265	-
TOTAL EXPENDITURES	1,818,790	676,305	507,287
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	98,979	164,083	(205,921)
OTHER FINANCING SOURCES (USES)			
Transfers in	113,810	-	211,733
Transfers out	(177,744)	(139,815)	-
TOTAL OTHER FINANCING SOURCES (USES)	(63,934)	(139,815)	211,733
NET CHANGE IN FUND BALANCES	35,045	24,268	5,812
Restated fund balances, beginning of year	1,912,628	1,054,419	63,315
Fund balances, end of year	<u>\$ 1,947,673</u>	<u>\$ 1,078,687</u>	<u>\$ 69,127</u>

See accompanying notes to financial statements.

Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 77,944	\$ 1,946,991
-	-	34,521
-	318,877	1,013,416
586,808	62,228	1,004,292
-	-	25,773
-	-	10,716
867	4,944	75,482
<hr/>	<hr/>	<hr/>
587,675	463,993	4,111,191
-	-	980,281
-	-	786,214
-	442,992	1,007,250
562,652	-	584,979
-	-	13,742
-	112,941	271,236
-	-	477,265
<hr/>	<hr/>	<hr/>
562,652	555,933	4,120,967
25,023	(91,940)	(9,776)
-	90,682	416,225
(70,915)	(172,695)	(561,169)
<hr/>	<hr/>	<hr/>
(70,915)	(82,013)	(144,944)
(45,892)	(173,953)	(154,720)
186,138	444,533	3,661,033
<hr/>	<hr/>	<hr/>
\$ 140,246	\$ 270,580	\$ 3,506,313

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, 2016

Net change in fund balances - total governmental funds \$ (154,720)

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	\$ 508,898	
Depreciation expense	<u>(651,309)</u>	
Excess of depreciation expense over capital outlay		(142,411)

Internal service funds are used by management to charge the costs of certain activities to individual funds.		105,623
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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		467,000
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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	2,836	
Decrease in compensated absences	23,376	
(Increase) in net other post-employment benefits obligation	(67,062)	
(Increase) in net pension liability	(626,070)	
Increase in deferred outflows of resources related to pensions	651,014	
(Increase) in deferred inflows of resources related to pensions	<u>(188,418)</u>	
		<u>(204,324)</u>

Change in net position of governmental activities \$ 71,168

City of Portland

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2016

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
ASSETS			
Current assets			
Cash and cash equivalents	\$ 935,856	\$ 1,847	\$ 524,415
Cash and cash equivalents - restricted	324,690	296,081	30,526
Accounts receivable	483,691	113,076	82,239
Due from other funds	-	-	90,000
Inventories	353,029	-	33,924
Prepays	4,925	2,431	1,744
Total current assets	2,102,191	413,435	762,848
Noncurrent assets			
Advance to other funds	40,000	-	-
Capital assets not being depreciated	275,807	15,734	15,642
Capital assets being depreciated, net	7,343,145	5,515,498	4,070,810
Total noncurrent assets	7,658,952	5,531,232	4,086,452
TOTAL ASSETS	9,761,143	5,944,667	4,849,300
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	281,587	159,763	77,305
LIABILITIES			
Current liabilities			
Accounts payable	233,238	30,451	14,708
Accrued liabilities	38,260	22,711	9,381
Accrued interest payable	13,262	8,670	4,281
Due to other funds	3,000	108,070	40
Compensated absences	32,017	18,148	3,310
Current portion of long-term debt	55,000	58,000	70,000
Total current liabilities	374,777	246,050	101,720
Noncurrent liabilities			
Customer deposits payable from restricted assets	176,298	27,162	29,959
Net pension liability	1,141,491	622,190	255,131
Noncurrent portion of long-term debt	1,245,000	3,410,000	614,872
Total noncurrent liabilities	2,562,789	4,059,352	899,962
TOTAL LIABILITIES	2,937,566	4,305,402	1,001,682
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	62,491	35,586	17,454
NET POSITION			
Net investment in capital assets	6,318,952	2,063,232	3,401,580
Restricted for utility reserve	400,000	-	-
Restricted for debt service	-	100,557	-
Restricted for equipment replacement	-	79,022	-
Unrestricted	323,721	(479,369)	505,889
TOTAL NET POSITION	\$ 7,042,673	\$ 1,763,442	\$ 3,907,469

See accompanying notes to financial statements.

Activities		Governmental	
Nonmajor Enterprise Fund (Refuse)	Total	Internal Service Fund	
\$ 20,323	\$ 1,482,441	\$ 52,242	
-	651,297	-	
14,895	693,901	-	
-	90,000	-	
-	386,953	-	
-	9,100	741	
35,218	3,313,692	52,983	
-	40,000	-	
-	307,183	-	
-	16,929,453	664,015	
-0-	17,276,636	664,015	
35,218	20,590,328	716,998	
-	518,655	27,210	
9,754	288,151	15,402	
-	70,352	5,023	
-	26,213	574	
-	111,110	98,000	
-	53,475	6,101	
-	183,000	17,628	
9,754	732,301	142,728	
-	233,419	-	
-	2,018,812	158,080	
-	5,269,872	18,016	
-0-	7,522,103	176,096	
9,754	8,254,404	318,824	
-	115,531	5,794	
-	11,783,764	628,371	
-	400,000	-	
-	100,557	-	
-	79,022	-	
25,464	375,705	(208,781)	
\$ 25,464	\$ 12,739,048	\$ 419,590	

City of Portland

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2016

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
OPERATING REVENUES			
Charges for services			
User charges	\$ 3,558,180	\$ 815,544	\$ 587,520
Tap fees	-	7,500	-
Other	12,672	499	3,059
TOTAL OPERATING REVENUES	3,570,852	823,543	590,579
OPERATING EXPENSES			
Salaries and wages	484,829	277,940	134,524
Fringe benefits	285,854	175,196	78,295
Contractual services	55,540	35,635	6,220
Supplies	103,329	31,725	15,390
Heat, light, and power	2,314,255	47,760	27,439
Communications	1,640	4,533	2,490
Insurance and bonds	11,624	2,863	1,923
Repairs and maintenance	39,365	23,329	143,518
Administrative services	72,900	56,803	56,544
Building and equipment rental	13,506	37,068	32,556
Other	46,014	2,545	3,523
Depreciation	373,746	224,044	181,953
TOTAL OPERATING EXPENSES	3,802,602	919,441	684,375
OPERATING INCOME (LOSS)	(231,750)	(95,898)	(93,796)
NONOPERATING INCOME (EXPENSES)			
Interest earned	902	2	173
Interest expense and fees	(54,533)	(104,740)	(17,560)
TOTAL NONOPERATING REVENUES (EXPENSES)	(53,631)	(104,738)	(17,387)
INCOME (LOSS) BEFORE TRANSFERS	(285,381)	(200,636)	(111,183)
TRANSFERS			
Transfers in	-	63,689	-
Transfers out	(50,037)	(35,439)	(32,009)
TOTAL TRANSFERS	(50,037)	28,250	(32,009)
CHANGE IN NET POSITION	(335,418)	(172,386)	(143,192)
Net position, beginning of year	7,378,091	1,935,828	4,050,661
Net position, end of year	<u>\$ 7,042,673</u>	<u>\$ 1,763,442</u>	<u>\$ 3,907,469</u>

See accompanying notes to financial statements.

Activities Nonmajor Enterprise Fund (Refuse)	Total	Governmental Activities Internal Service Fund
\$ 102,856	\$ 5,064,100	\$ 279,480
-	7,500	-
16,807	33,037	6,303
119,663	5,104,637	285,783
-	897,293	45,040
-	539,345	62,935
116,532	213,927	1,265
-	150,444	41,497
-	2,389,454	7,457
-	8,663	1,368
-	16,410	13,551
-	206,212	61,537
-	186,247	34,956
-	83,130	-
-	52,082	-
-	779,743	108,199
116,532	5,522,950	377,805
3,131	(418,313)	(92,022)
-	1,077	-
-	(176,833)	(1,095)
-0-	(175,756)	(1,095)
3,131	(594,069)	(93,117)
-	63,689	198,740
-	(117,485)	-
-0-	(53,796)	198,740
3,131	(647,865)	105,623
22,333	13,386,913	313,967
<u>\$ 25,464</u>	<u>\$ 12,739,048</u>	<u>\$ 419,590</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 3,644,910	\$ 861,138	\$ 625,620
Cash paid to suppliers	(2,698,556)	(188,640)	(302,933)
Cash paid to employees	(772,321)	(449,748)	(216,565)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	174,033	222,750	106,122
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in	-	63,689	-
Transfers out	(50,037)	(35,439)	(32,009)
Payments of borrowing	(55,000)	(56,000)	(70,000)
Interest paid	(55,028)	(104,880)	(17,997)
Purchase of capital assets	(114,256)	(29,463)	(63,109)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(274,321)	(162,093)	(183,115)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	902	2	173
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(99,386)	60,659	(76,820)
Cash and cash equivalents, beginning of year	1,359,932	237,269	631,761
Cash and cash equivalents, end of year	<u>\$ 1,260,546</u>	<u>\$ 297,928</u>	<u>\$ 554,941</u>

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
\$ 111,105	\$ 5,242,773	\$ 291,577
(118,297)	(3,308,426)	(152,571)
-	(1,438,634)	(104,005)
(7,192)	495,713	35,001
-	63,689	198,740
-	(117,485)	-
-	(181,000)	(17,248)
-	(177,905)	(1,095)
-	(206,828)	(165,883)
-0-	(619,529)	14,514
-	1,077	-
(7,192)	(122,739)	49,515
27,515	2,256,477	2,727
<u>\$ 20,323</u>	<u>\$ 2,133,738</u>	<u>\$ 52,242</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2016

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (231,750)	\$ (95,898)	\$ (93,796)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	373,746	224,044	181,953
(Increase) decrease in:			
Accounts receivable	(34,828)	609	(3,358)
Due from other governments	19,990	-	-
Due from other funds	-	-	20,000
Inventories	(31,745)	-	(7,181)
Prepays	1,322	671	518
Deferred charges	(216,530)	(124,656)	(63,572)
Advance to other funds	20,000	-	-
Increase (decrease) in:			
Accounts payable	(9,960)	9,950	(6,667)
Accrued liabilities	7,249	9,800	1,830
Due to other funds	-	43,000	-
Net pension liability	207,643	118,244	57,996
Customer deposits	6,405	1,400	945
Deferred revenue	62,491	35,586	17,454
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 174,033</u>	 <u>\$ 222,750</u>	 <u>\$ 106,122</u>

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
\$ 3,131	\$ (418,313)	\$ (92,022)
-	779,743	108,199
(8,558)	(46,135)	-
-	19,990	-
-	20,000	-
-	(38,926)	-
-	2,511	74
-	(404,758)	(17,539)
-	20,000	-
(1,765)	(8,442)	8,986
-	18,879	2,257
-	43,000	-
-	383,883	19,252
-	8,750	-
-	115,531	5,794
<u>\$ (7,192)</u>	<u>\$ 495,713</u>	<u>\$ 35,001</u>

City of Portland

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2016

	<u>Current Tax Collection</u>
ASSETS	
Cash and cash equivalents	<u>\$ 49</u>
LIABILITIES	
Due to others	<u>\$ 49</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2015, are available at PAMA's administrative offices. As of December 31, 2015, PAMA had a fund balance of \$2,147.

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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

2. Joint Venture - continued

Portland Area Fire Authority - continued

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, 2015, are available at PAFA's administrative offices. As of June 30, 2015, the most recent financial statements available, PAFA had a fund balance of \$255,661.

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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- c. The Major Street Fund is used to account for restricted Act 51 financial resources that are used for repairs and maintenance of the City's major 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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

6. Basis of Accounting - continued

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.

8. Cash and Cash Equivalents

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

9. Investments

Investments are stated at fair value in accordance with the applicable GASB Statement. In accordance with GASB Statement No. 72, the City has accounted for its land held for resale as investments of the City.

10. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

11. Receivables

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

12. 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, 2016, 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 2015 levy for property within the City was \$92,934,804.

13. 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.

14. 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.

15. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

16. 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.

17. 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

18. 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.

19. 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 of 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

20. 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.

21. 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, CASH EQUIVALENTS AND INVESTMENTS

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.
- 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.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits

As of June 30, 2016, 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	\$ 4,521,738	\$ 4,567,120
FIDUCIARY FUND		
Checking	49	7,238
COMPONENT UNIT		
Checking	<u>162,709</u>	<u>163,070</u>
TOTAL REPORTING ENTITY	<u><u>\$ 4,684,496</u></u>	<u><u>\$ 4,737,428</u></u>

The primary government cash and cash equivalents caption on the basic financial statements included \$893 of imprest cash, of which \$327 is in primary government and \$566 is in the component unit. 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, 2016, the City accounts were insured by the FDIC for \$1,172,242 and the amount of \$3,565,186 was uninsured and uncollateralized.

Fair Value Measurements

Fair value is defined as 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. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The City had the following fair value measurements as of June 30, 2016:

	Fair Value Measurements				Weighted Average Maturity	S&P Rating
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total		
PRIMARY GOVERNMENT Land held for resale	\$ -	\$ -	\$ 1,109,909	\$ 1,109,909	N/A	N/A

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, 2016, 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.

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 advisors 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, 2016:

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and Cash Equivalents	\$ 3,870,768	\$ 52,739	\$ 49	\$ 3,923,556
Cash and Cash Equivalents - restricted	651,297	110,536	-	761,833
Investments	<u>1,109,909</u>	<u>-</u>	<u>-</u>	<u>1,109,909</u>
	<u>\$ 5,631,974</u>	<u>\$ 163,275</u>	<u>\$ 49</u>	<u>\$ 5,795,298</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, 2016:

	<u>Customer Deposits</u>	<u>Debt Retirement</u>	<u>Total</u>
Enterprise Funds	\$ 245,677	\$ 405,620	\$ 651,297
Component Unit Fund	<u>-</u>	<u>110,536</u>	<u>110,536</u>
	<u>\$ 245,677</u>	<u>\$ 516,156</u>	<u>\$ 761,833</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

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

Due to General Fund from:	
Income Tax Fund	\$ 205,000
Ambulance Fund	35,915
Electric Light and Power System Fund	1,500
Sewage Disposal Fund	108,070
Water System Fund	40
Internal Service Fund	<u>8,000</u>
	<u>\$ 358,525</u>
Due to Water System Fund from:	
Internal Service Fund	<u>\$ 90,000</u>
Due to nonmajor governmental funds from:	
Electric Light and Power System Fund	<u>\$ 700</u>
Due to Major Street Fund 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.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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	\$ 50,037
Sewage Disposal System Fund	31,764
Water System Fund	<u>32,009</u>
	<u>\$ 113,810</u>
Transfer to Major Street Fund from:	
City Income Tax Fund	\$ 84,011
Sewage Disposal System Fund	3,675
Nonmajor governmental funds	<u>124,047</u>
	<u>\$ 211,733</u>
Transfer to Sewer Disposal System Fund from:	
General Fund	\$ 15,041
Nonmajor governmental funds	<u>48,648</u>
	<u>\$ 63,689</u>
Transfer to Internal Service Fund from:	
General Fund	\$ 127,825
Ambulance Fund	<u>70,915</u>
	<u>\$ 198,740</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 34,878
City Income Tax Fund	<u>55,804</u>
	<u>\$ 90,682</u>

The transfers from the Electric Light and Power System Fund, Sewage Disposal Fund and Water System Fund to the General Fund were to fund current year operations. The transfers to the Sewage Disposal System Fund, Major Street Fund, and the nonmajor governmental funds were to fund current year projects. The transfer from the General Fund and Ambulance Fund to the Internal Service Fund was to fund capital outlay.

NOTE F: ADVANCES RECEIVABLE AND PAYABLE

The amount of advances receivable and payable at June 30, 2016, are as follows:

Advance to nonmajor governmental funds from:	
Electric Light and Power System Fund	<u>\$ 40,000</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

Primary Government

	Restated Balance July 1, 2015	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2016
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,075,920	\$ -	\$ -	\$ 1,075,920
Construction in progress	579,816	258,873	(579,816)	258,873
Subtotal	1,655,736	258,873	(579,816)	1,334,793
Capital assets being depreciated				
Land improvements	84,228	6,865	-	91,093
Buildings and additions	399,721	-	-	399,721
Equipment and furniture	1,797,878	218,856	(6,522)	2,010,212
Infrastructure - streets and bridges	19,316,850	770,003	-	20,086,853
Subtotal	21,598,677	995,724	(6,522)	22,587,879
Less accumulated depreciation for:				
Land improvements	(22,110)	(3,108)	-	(25,218)
Buildings and additions	(203,313)	(11,746)	-	(215,059)
Equipment and furniture	(1,099,040)	(126,205)	6,522	(1,218,723)
Infrastructure - streets and bridges	(8,766,133)	(618,449)	-	(9,384,582)
Subtotal	(10,090,596)	(759,508)	6,522	(10,843,582)
Net capital assets being depreciated	11,508,081	236,216	-0-	11,744,297
Capital assets, net	<u>\$ 13,163,817</u>	<u>\$ 495,089</u>	<u>\$ (579,816)</u>	<u>\$ 13,079,090</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 17,083
Public safety	18,656
Public works	681,281
Health and welfare	38,130
Recreation and culture	4,358
Total depreciation expense	<u>\$ 759,508</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

	Balance July 1, 2015	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2016
Business-type activities (Electric Light and Power System)				
Capital assets not being depreciated				
Land	\$ 275,807	\$ -	\$ -	\$ 275,807
Capital assets being depreciated				
Buildings	4,893,223	-	-	4,893,223
Transmission and disbursement	6,742,267	92,672	-	6,834,939
Equipment	675,327	21,584	-	696,911
Subtotal	12,310,817	114,256	-0-	12,425,073
Less accumulated depreciation for:				
Buildings	(1,325,771)	(115,162)	-	(1,440,933)
Transmissions and disbursement	(3,006,993)	(203,528)	-	(3,210,521)
Equipment	(375,418)	(55,056)	-	(430,474)
Subtotal	(4,708,182)	(373,746)	-0-	(5,081,928)
Net capital assets being depreciated	7,602,635	(259,490)	-0-	7,343,145
Capital assets, net	<u>\$ 7,878,442</u>	<u>\$ (259,490)</u>	<u>\$ -0-</u>	<u>\$ 7,618,952</u>
Business-type activities (Sewage Disposal System)				
Capital assets not being depreciated				
Land	\$ 11,003	\$ -	\$ -	\$ 11,003
Construction in progress	67,468	4,731	(67,468)	4,731
Subtotal	78,471	4,731	(67,468)	15,734
Capital assets being depreciated				
Buildings	4,455,040	-	-	4,455,040
Sewage Disposal System	3,312,914	67,468	-	3,380,382
Equipment	108,012	24,732	-	132,744
Subtotal	7,875,966	92,200	-0-	7,968,166
Less accumulated depreciation for:				
Building	(846,002)	(96,241)	-	(942,243)
Sewage Disposal System	(1,358,660)	(122,200)	-	(1,480,860)
Equipment	(23,962)	(5,603)	-	(29,565)
Subtotal	(2,228,624)	(224,044)	-0-	(2,452,668)
Net capital assets being depreciated	5,647,342	(131,844)	-0-	5,515,498
Capital assets, net	<u>\$ 5,725,813</u>	<u>\$ (127,113)</u>	<u>\$ (67,468)</u>	<u>\$ 5,531,232</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

	Balance July 1, 2015	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2016
Business-type activities				
(Water System)				
Capital assets not being depreciated				
Land	\$ 14,353	\$ -	\$ -	\$ 14,353
Construction in progress	41,830	1,289	(41,830)	1,289
Subtotal	56,183	1,289	(41,830)	15,642
Capital assets being depreciated				
Water System	6,232,260	43,462	-	6,275,722
Equipment	200,780	60,188	-	260,968
Subtotal	6,433,040	103,650	-0-	6,536,690
Less accumulated depreciation for:				
Water System	(2,208,606)	(169,152)	-	(2,377,758)
Equipment	(75,321)	(12,801)	-	(88,122)
Subtotal	(2,283,927)	(181,953)	-0-	(2,465,880)
Net capital assets being depreciated	4,149,113	(78,303)	-0-	4,070,810
Capital assets, net	<u>\$ 4,205,296</u>	<u>\$ (77,014)</u>	<u>\$ (41,830)</u>	<u>\$ 4,086,452</u>
Component Unit (DDA)				
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	(303,572)	(31,293)	-	(334,865)
City Hall building	(1,560,600)	(130,050)	-	(1,690,650)
Subtotal	(1,864,172)	(161,343)	-0-	(2,025,515)
Net capital assets being depreciated	1,440,209	(161,343)	-0-	1,278,866
Capital assets, net	<u>\$ 1,440,209</u>	<u>\$ (161,343)</u>	<u>\$ -0-</u>	<u>\$ 1,278,866</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016.

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Primary Government					
Governmental activities					
2012 Vector Truck Lease Purchase Agreement	\$ 52,892	\$ -	\$ (17,248)	\$ 35,644	\$ 17,628
2013 G.O. Limited Tax Bonds	940,000	-	(467,000)	473,000	473,000
Compensated absences	73,790	63,904	(88,817)	48,877	48,877
	1,066,682	63,904	(573,065)	557,521	539,505
Business-type activities					
2008 Capital Improvement Bonds	1,355,000	-	(55,000)	1,300,000	55,000
2004 Water System Bonds	754,872	-	(70,000)	684,872	70,000
2010 Sanitary Sewer System	2,732,000	-	(43,000)	2,689,000	45,000
2011 Sanitary Sewer System	792,000	-	(13,000)	779,000	13,000
Compensated absences	51,605	65,100	(63,230)	53,475	53,475
	5,685,477	65,100	(244,230)	5,506,347	236,475
Total Primary Government	6,752,159	129,004	(817,295)	6,063,868	775,980
Component Unit					
2012 Refunding Bonds	440,000	-	(220,000)	220,000	220,000
Total Long-term debt	\$ 7,192,159	\$ 129,004	\$ (1,037,295)	\$ 6,283,868	\$ 995,980

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 \$17,628 to \$18,016 through October 1, 2017, with interest at 2.20 percent, payable annually.

\$ 35,644

2013 General Obligation Limited Tax Bonds

\$1,400,000 General Obligation Limited Tax Bonds dated September 4, 2013, due in an annual installment of \$473,000 on September 1, 2016, with interest of 1.45%, payable semi-annually.

\$ 473,000

2008 Electric Light and Power System Capital Improvement Bonds

\$1,690,000 Capital Improvement Bonds dated April 17, 2008, due in an 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.

\$ 1,300,000

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: LONG-TERM DEBT - CONTINUED

Primary Government - Continued

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. \$ 684,872

2010 Sanitary Sewer System Revenue Bonds

\$2,900,000 Sewer System Revenue Bonds dated December 29, 2010, due in annual installments ranging from \$45,000 to \$121,000 through December 1, 2050, with interest of 3.00 percent, payable semi-annually. \$ 2,689,000

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. \$ 779,000

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 an annual installment of \$220,000 on October 1, 2016, with interest of 1.72 percent, payable annually. \$ 220,000

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 \$102,352 at June 30, 2016. Of this amount, \$48,877 and \$53,475 are shown as accrued liabilities in the governmental and business-type activities financial statements, respectively, in accordance with criteria disclosed in Note A.

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 Agreement</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 17,628	\$ 784	\$ 473,000	\$ 3,429
2018	18,016	396	-	-
	<u>\$ 35,644</u>	<u>\$ 1,180</u>	<u>\$ 473,000</u>	<u>\$ 3,429</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: LONG-TERM DEBT - CONTINUED

Primary Government - Continued

Year Ending June 30,	Capital Improvement Bonds		Water System Bonds	
	Principal	Interest	Principal	Interest
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	65,000	44,108	75,000	8,934
2022-2026	360,000	180,063	319,872	15,864
2027-2031	435,000	100,137	-	-
2032-2036	205,000	13,175	-	-
	<u>\$ 1,300,000</u>	<u>\$ 537,015</u>	<u>\$ 684,872</u>	<u>\$ 79,035</u>

Year Ending June 30,	Sanitary Sewer System Bonds	
	Principal	Interest
2017	\$ 58,000	\$ 103,170
2018	59,000	101,415
2019	62,000	99,600
2020	64,000	97,710
2021	66,000	95,760
2022-2026	355,000	447,845
2027-2031	410,000	390,630
2032-2036	477,000	324,135
2037-2041	548,000	247,470
2042-2046	639,000	158,625
2047-2051	730,000	56,250
	<u>\$ 3,468,000</u>	<u>\$ 2,122,610</u>

Component Unit

Year Ending June 30,	2012 Refunding Downtown Development Bonds	
	Principal	Interest
2017	<u>\$ 220,000</u>	<u>\$ 1,892</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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.

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. Reduced early retirement is available at 55 with 15 years of service. Unreduced early retirement is available 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, 2015, 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	13
Active employees	<u>32</u>
	<u>80</u>

Contributions

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

Employer contributions range from 4.31% to 4.91% based on annual payroll for open divisions.

Net Pension Liability

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I: RETIREMENT PLAN - CONTINUED

Actuarial Assumptions

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

Inflation: 2.50%

Salary increases: 3.75% in the long-term.

Investment rate of return: 7.75%, net of investment expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.50%.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the 2009-2013 Five-year Experience Study.

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%	8.52%
Global Fixed Income	20.00%	5.68%
Real Assets	12.50%	7.73%
Diversifying Strategies	10.00%	10.06%

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. 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.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I: RETIREMENT PLAN - CONTINUED

Changes in Net Pension Liability

	Calculating the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/14	\$ 12,529,571	\$ 7,901,978	\$ 4,627,593
Changes for the Year			
Service Cost	191,696	-	191,696
Interest on Total Pension Liability	1,014,053	-	1,014,053
Changes in benefits	-	-	-0-
Difference between expected and actual experience	(412,990)	-	(412,990)
Changes in assumptions	650,689	-	650,689
Employer contributions	-	548,464	(548,464)
Employee contributions	-	-	-0-
Net investment income	-	(117,021)	117,021
Benefit payments, including employee refunds	(667,741)	(667,741)	-0-
Administrative expense	-	(17,201)	17,201
Other changes	(1)	-	(1)
Net changes	<u>775,706</u>	<u>(253,499)</u>	<u>1,029,205</u>
Balances as of 12/31/15	<u>\$ 13,305,277</u>	<u>\$ 7,648,479</u>	<u>\$ 5,656,798</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 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 7,156,730	\$ 5,656,798	\$ 4,387,295

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I: RETIREMENT PLAN - CONTINUED

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the employer recognized pension expenses of \$813,154. 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>
Differences between expected and actual experience	\$ -	\$ 309,743
Changes in assumptions	488,017	-
Net difference between projected and actual earnings on pension plan investments	683,852	-
Contributions subsequent to the measurement date*	<u>223,823</u>	<u>-</u>
Total	<u>\$ 1,395,692</u>	<u>\$ 309,743</u>

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

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 (\$223,823), which will impact the net pension liability in fiscal year 2017, 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 Ending June 30,</u>	<u>Pension Expense</u>
2017	\$ 236,489
2018	236,489
2019	236,489
2020	152,659

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I: RETIREMENT PLAN - CONTINUED

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, 2016, the City contributed \$30,216 for the defined benefit portion and \$22,934 for the defined contribution portion and the employees contributed \$12,986 to the defined contribution part of the plan.

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, 2016, four (4) retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, expenditures of \$43,131 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, 2016, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of June 30, 2016. 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 thirty (30) years.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Progress - continued

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

Annual required contribution (ARC)	\$ 113,725
Interest on net OPEB obligation	51,316
Adjustment to annual required contribution	<u>(54,848)</u>
Net OPEB cost	110,193
Contributions made	<u>(43,131)</u>
Change in net OPEB obligation	67,062
Restated OPEB obligation - Beginning of year	<u>1,178,157</u>
OPEB obligation - End of year	<u><u>\$ 1,245,219</u></u>

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

	Year Ended June 30,		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual OPEB cost	\$ 241,888	\$ 244,226	\$ 110,193
Percentage contributed	15.8%	17.8%	39.1%
Net OPEB obligation	\$ 1,757,779	\$ 1,958,628	\$ 2,025,690

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]
6/30/2016	\$ -	\$ 1,245,219	\$ 1,245,219	0%	\$ 1,965,871	63%
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%

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Methods and Assumptions - continued

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, 2016, valuation, the entry age normal cost method was used. A discount rate of 2.62 percent was also used and there was a 3.75 percent 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, 2016, the City contributed \$281. 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, 2016, the City contributed \$0 for the plan and employees contributed \$11,797.

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, 2016, employees in this group contributed \$901.

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. State pool members' limits of coverage are detailed in their policy agreements with the authority. 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.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE M: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for the General Fund and Governmental Activities due to a change in accounting principle and overstated net other post-employment benefits obligation.

	<u>General Fund</u>	<u>Governmental Activities</u>
Beginning fund balance/net position	\$ 802,719	\$ 10,955,576
Overstated net post-employment benefits obligation	-	780,471
Fair market value of land reclassified as investment (previously capital asset)	1,109,909	1,109,909
Book value of land reclassified as investment	<u>-</u>	<u>(1,155,119)</u>
Increase/(decrease) in fund balance/net position	<u>1,109,909</u>	<u>735,261</u>
Restated beginning fund balance/net position	<u><u>\$ 1,912,628</u></u>	<u><u>\$ 11,690,837</u></u>

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, 2016:

Revenues	
Licenses and Permits	
Permits	\$ 3,527
Expenditures	
Salaries and wages	18,619
Fringe benefits	7,140
Contractual services	5,879
Supplies	980
Vehicle rental	312
Other	<u>2,591</u>
TOTAL EXPENDITURES	<u>35,521</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(31,994)
Code Enforcement (Deficit) at June 30, 2015	<u>(980,612)</u>
Code Enforcement (Deficit) at June 30, 2016	<u><u>\$ (1,012,606)</u></u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016:

PRIMARY GOVERNMENT	
Governmental Activities	
Other Purposes	
Streets	\$ 151,133
Cemetery Perpetual Care, expendable	12,025
Cemetery Perpetual Care, nonexpendable	<u>154,217</u>
	<u>\$ 317,375</u>
Business-type Activities	
Restricted for utilities	
Electric Light and Power	<u>\$ 400,000</u>
Restricted for debt service	
Sewage Disposal System	<u>\$ 100,557</u>
Restricted for equipment replacement	
Sewage Disposal System	<u>\$ 79,022</u>

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, 2016:

COMPONENT UNIT	
Downtown Development Authority	
Restricted for debt service	<u>\$ 110,536</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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

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.

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: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 72, *Fair Value Measurement and Application*, was implemented during the year. 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 measurements.

NOTE R: UPCOMING ACCOUNTING PRONOUNCEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE R: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED

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 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.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments and requires the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

NOTE S: CONTRACTUAL COMMITMENT

On June 20, 2016, the City approved the purchase of a new 2016 ambulance at a cost of \$166,806. This purchase had not been completed as of June 30, 2016. Current fund balance and future revenue is expected to be sufficient to cover this amount.

REQUIRED SUPPLEMENTARY INFORMATION

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 995,998	\$ 1,006,555	\$ 1,010,184	\$ 3,629
Penalties and interest	8,000	8,000	3,104	(4,896)
Tax collection	42,707	42,707	44,346	1,639
Total taxes	1,046,705	1,057,262	1,057,634	372
Licenses and permits				
Cable television license	28,000	28,000	30,425	2,425
City licenses and permits	2,500	2,500	4,096	1,596
Total licenses and permits	30,500	30,500	34,521	4,021
Intergovernmental				
State				
Sales tax	410,477	410,477	399,390	(11,087)
Act 302 training funds	900	900	1,325	425
State liquor license	3,200	3,200	3,180	(20)
Total intergovernmental	414,577	414,577	403,895	(10,682)
Charges for services				
Cemetery fees and lot sales	15,500	17,200	22,911	5,711
Administrative charges	318,857	318,857	319,044	187
Other fees	6,750	7,115	13,301	6,186
Total charges for services	341,107	343,172	355,256	12,084
Fines and forfeits				
Parking	2,400	2,400	1,267	(1,133)
District court	11,000	11,000	9,924	(1,076)
Other	3,500	3,500	2,353	(1,147)
Total fines and forfeits	16,900	16,900	13,544	(3,356)
Interest and rents	9,148	9,148	9,181	33
Other				
Donations	-	18,602	20,795	2,193
Reimbursements	12,000	17,750	22,943	5,193
Total other	12,000	36,352	43,738	7,386
TOTAL REVENUES	1,870,937	1,907,911	1,917,769	9,858

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
Council, boards, and commissions	\$ 7,485	\$ 7,485	\$ 5,252	\$ 2,233
Community promotions	85,770	89,475	90,252	(777)
City manager	129,385	129,394	129,456	(62)
Assessing services	55,261	57,261	54,723	2,538
Elections	6,910	6,910	4,007	2,903
City hall and grounds	50,050	55,651	52,065	3,586
General administrative	305,064	314,428	299,190	15,238
Cemetery operations	170,634	171,897	146,296	25,601
Total general government	810,559	832,501	781,241	51,260
Public safety				
Police department	691,182	691,182	646,928	44,254
Fire authority	102,513	102,513	103,765	(1,252)
Code enforcement	39,198	39,198	35,521	3,677
Total public safety	832,893	832,893	786,214	46,679
Public works				
Street lighting	55,000	55,000	56,971	(1,971)
Health and welfare				
Ambulance service	22,327	22,328	22,327	1
Community and economic development				
Economic development	3,000	13,700	13,742	(42)
Recreation and culture				
Parks department	148,502	166,264	158,295	7,969
TOTAL EXPENDITURES	1,872,281	1,922,686	1,818,790	103,896
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,344)	(14,775)	98,979	113,754

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in				
Electric Light and Power System Fund	\$ 50,037	\$ 50,037	\$ 50,037	\$ -0-
Sewage Disposal System Fund	31,764	31,764	31,764	-0-
Water System Fund	32,009	32,009	32,009	-0-
Transfers out				
Recreation Fund	(30,000)	(34,879)	(34,878)	1
Wastewater Fund	-	(15,041)	(15,041)	-0-
Motor Pool Fund	(121,000)	(121,000)	(127,825)	(6,825)
TOTAL OTHER FINANCING SOURCES (USES)	(37,190)	(57,110)	(63,934)	(6,824)
NET CHANGE IN FUND BALANCE	(38,534)	(71,885)	35,045	106,930
Restated fund balance, beginning of year	1,912,628	1,912,628	1,912,628	-0-
Fund balance, end of year	\$ 1,874,094	\$ 1,840,743	\$ 1,947,673	\$ 106,930

City of Portland

City Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 697,400	\$ 721,400	\$ 811,413	\$ 90,013
Fines and forfeits	19,012	19,012	12,229	(6,783)
Interest	300	300	1,535	1,235
Other				
Special assessments	3,174	15,174	15,211	37
TOTAL REVENUES	719,886	755,886	840,388	84,502
EXPENDITURES				
Current				
General government	196,177	214,227	199,040	15,187
Debt service	497,245	497,245	477,265	19,980
TOTAL EXPENDITURES	693,422	711,472	676,305	35,167
EXCESS OF REVENUES OVER EXPENDITURES	26,464	44,414	164,083	119,669
OTHER FINANCING (USES)				
Transfers out				
Major Street Fund	(451,500)	(151,500)	(84,011)	67,489
Local Street Fund	-	(38,000)	(55,804)	(17,804)
Sewage Disposal System Fund	(90,500)	-	-	-0-
TOTAL OTHER FINANCING (USES)	(542,000)	(189,500)	(139,815)	49,685
NET CHANGE IN FUND BALANCE	(515,536)	(145,086)	24,268	169,354
Fund balance, beginning of year	1,054,419	1,054,419	1,054,419	-0-
Fund balance, end of year	<u>\$ 538,883</u>	<u>\$ 909,333</u>	<u>\$ 1,078,687</u>	<u>\$ 169,354</u>

City of Portland

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 568,073	\$ 568,073	\$ 290,644	\$ (277,429)
Other	-	1,000	10,722	9,722
TOTAL REVENUES	568,073	569,073	301,366	(267,707)
EXPENDITURES				
Current				
Public works	1,105,991	695,218	507,287	187,931
EXCESS OF REVENUES (UNDER) EXPENDITURES	(537,918)	(126,145)	(205,921)	(79,776)
OTHER FINANCING SOURCES				
Transfers in				
City Income Tax Fund	451,500	151,500	84,011	(67,489)
Street Projects Fund	86,462	50,462	124,047	73,585
Sewage Disposal System Fund	-	3,675	3,675	-0-
TOTAL OTHER FINANCING SOURCES	537,962	205,637	211,733	6,096
NET CHANGE IN FUND BALANCE	44	79,492	5,812	(73,680)
Fund balance, beginning of year	63,315	63,315	63,315	-0-
Fund balance, end of year	\$ 63,359	\$ 142,807	\$ 69,127	\$ (73,680)

City of Portland

Ambulance Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 538,331	\$ 555,731	\$ 586,808	\$ 31,077
Other	-	-	867	867
TOTAL REVENUES	538,331	555,731	587,675	31,944
EXPENDITURES				
Current				
Health and welfare	534,888	606,888	562,652	44,236
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,443	(51,157)	25,023	76,180
OTHER FINANCING (USES)				
Transfers out	-	(70,915)	(70,915)	-0-
NET CHANGE IN FUND BALANCE	3,443	(122,072)	(45,892)	76,180
Fund balance, beginning of year	186,138	186,138	186,138	-0-
Fund balance, end of year	\$ 189,581	\$ 64,066	\$ 140,246	\$ 76,180

City of Portland

Defined Benefit Pension Plan

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

Last Two Measurement Dates (ultimately ten measurement dates will be displayed)
 (Amounts were determined as of 12/31 of each fiscal year)

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 195,518	\$ 191,696
Interest	996,910	1,014,053
Changes of benefit terms	-	-
Difference between expected and actual experience	-	(412,990)
Changes of assumptions	-	650,689
Benefit payments including employee refunds	(668,323)	(667,741)
Other	<u>(23,983)</u>	<u>(1)</u>
Net Change in Total Pension Liability	500,122	775,706
Total Pension Liability, beginning	<u>12,029,449</u>	<u>12,529,571</u>
Total Pension Liability, ending	<u>\$ 12,529,571</u>	<u>\$ 13,305,277</u>
Plan Fiduciary Net Position		
Contributions-employer	\$ 434,906	\$ 548,464
Contributions-employee	-	-
Net Investment income	481,656	(117,021)
Benefit payments including employee refunds	(668,323)	(667,741)
Administrative expense	<u>(17,676)</u>	<u>(17,201)</u>
Net Change in Plan Fiduciary Net Position	230,563	(253,499)
Plan Fiduciary Net Position, beginning	<u>7,671,415</u>	<u>7,901,978</u>
Plan Fiduciary Net Position, ending	<u>\$ 7,901,978</u>	<u>\$ 7,648,479</u>
Employer Net Pension Liability	<u>\$ 4,627,593</u>	<u>\$ 5,656,798</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	63%	57%
Covered Employee Payroll	\$ 2,011,873	\$ 2,002,154
Employer's Net Pension Liability as a percentage of covered employee payroll	230%	283%

City of Portland

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Two Fiscal Years (Ultimately ten fiscal years will be displayed)
 (Amounts were determined as of 6/30 of each fiscal year)

	<u>2015</u>	<u>2016</u>
Actuarial determined contributions	\$ 447,139	\$ 447,697
Contributions in relation to the actuarially determined contribution	<u>447,139</u>	<u>447,697</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 2,132,656	\$ 2,171,832
Contributions as a percentage of covered employee payroll	21%	21%

City of Portland

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2016

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, 2016, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Community promotions	\$ 89,475	\$ 90,252	\$ 777
City manager	129,394	129,456	62
Public safety			
Fire authority	102,513	103,765	1,252
Public works			
Street lighting	55,000	56,971	1,971
Community and economic development			
Economic development	13,700	13,742	42
Other financing uses			
Transfers out	170,920	177,744	6,824

NOTE B: EMPLOYEE RETIREMENT PLAN

Changes of benefits terms: There were no changes of benefit terms during fiscal year 2016.

Changes in assumptions: - Assumption changes as a result of the 2009-2013 Five-Year Experience Study were adopted by MERS for use in the December 31, 2015 annual pension valuation.

- For amounts reported prior to the December 31, 2015 actuarial valuation, the expectation of retired life mortality was based on the 1994 Group Annuity Mortality table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table was used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members. For the December 31, 2015 actuarial valuation, the mortality table was adjusted to reflect longer lifetimes. The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

- The assumed annual rate of investment return, net of all expenses, was lowered from 8% to 7.75%.

OTHER SUPPLEMENTARY INFORMATION

City of Portland
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2016

	Special Revenue		Capital
	Local Street	Recreation	Capital Projects Fund
ASSETS			
Cash and cash equivalents	\$ 139,261	\$ 19,636	\$ 3,362
Due from other governmental units	13,202	-	-
Due from other funds	700	-	-
Prepays	3,340	530	-
TOTAL ASSETS	\$ 156,503	\$ 20,166	\$ 3,362
LIABILITIES			
Accounts payable	\$ 22,493	\$ 2,646	\$ -
Accrued liabilities	8,686	1,868	-
Advance from other funds	40,000	-	-
TOTAL LIABILITIES	71,179	4,514	-0-
FUND BALANCES			
Nonspendable			
Prepays	3,340	530	-
Perpetual care	-	-	-
Restricted			
Streets	81,984	-	3,362
Perpetual care	-	-	-
Assigned			
Recreation	-	15,122	-
TOTAL FUND BALANCES	85,324	15,652	3,362
TOTAL LIABILITIES AND FUND BALANCES	\$ 156,503	\$ 20,166	\$ 3,362

<u>Projects</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Street Projects</u>	<u>Cemetery Perpetual Care</u>	
\$ -	\$ 166,242	\$ 328,501
-	-	13,202
-	-	700
-	-	3,870
<u>\$ -0-</u>	<u>\$ 166,242</u>	<u>\$ 346,273</u>
\$ -	\$ -	\$ 25,139
-	-	10,554
-	-	40,000
-0-	-0-	75,693
-	-	3,870
-	154,217	154,217
-	-	85,346
-	12,025	12,025
-	-	15,122
<u>-0-</u>	<u>166,242</u>	<u>270,580</u>
<u>\$ -0-</u>	<u>\$ 166,242</u>	<u>\$ 346,273</u>

City of Portland

Nonmajor Governmental Funds

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

Year Ended June 30, 2016

	Special Revenue		Capital
	Local Street	Recreation	Capital Projects Fund
REVENUES			
Taxes	\$ 77,944	\$ -	\$ -
Intergovernmental	301,627	17,250	-
Charges for services	-	58,978	-
Other	924	4,020	-
TOTAL REVENUES	380,495	80,248	-0-
EXPENDITURES			
Current			
Public works	442,992	-	-
Recreation and culture	-	112,941	-
TOTAL EXPENDITURES	442,992	112,941	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(62,497)	(32,693)	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	55,804	34,878	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	55,804	34,878	-0-
NET CHANGE IN FUND BALANCES	(6,693)	2,185	-0-
Fund balances, beginning of year	92,017	13,467	3,362
Fund balances, end of year	\$ 85,324	\$ 15,652	\$ 3,362

<u>Projects</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Street Projects	Cemetery Perpetual Care	
\$ -	\$ -	\$ 77,944
-	-	318,877
-	3,250	62,228
-	-	4,944
-0-	3,250	463,993
-	-	442,992
-	-	112,941
-0-	-0-	555,933
-0-	3,250	(91,940)
-	-	90,682
(172,695)	-	(172,695)
(172,695)	-0-	(82,013)
(172,695)	3,250	(173,953)
172,695	162,992	444,533
<u>\$ -0-</u>	<u>\$ 166,242</u>	<u>\$ 270,580</u>

City of Portland

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2016

ASSETS	
Cash	\$ 52,739
Cash - restricted	110,536
Due from other governments	<u>27,551</u>
TOTAL ASSETS	<u>\$ 190,826</u>
LIABILITIES	
Accounts payable	\$ 1,877
Accrued liabilities	<u>2,870</u>
TOTAL LIABILITIES	4,747
FUND BALANCE	
Restricted	
Debt service	110,536
Unassigned	<u>75,543</u>
TOTAL FUND BALANCE	<u>186,079</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 190,826</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, 2016

Total fund balance - governmental fund **\$ 186,079**

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>(2,025,515)</u>	
Capital assets, net		1,278,866

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>(220,000)</u>	
---------------	------------------	--

Net position of governmental activities **\$ 1,244,945**

City of Portland

Component Unit Fund

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

Year Ended June 30, 2016

REVENUES	
Taxes	\$ 303,076
Interest	92
Other	<u>47,518</u>
TOTAL REVENUES	350,686
EXPENDITURES	
Current	
Community and economic development	90,111
Capital outlay	
Contracted services	20,463
Decorations and banners	7,925
Debt service	
Principal	220,000
Interest and fiscal charges	<u>5,676</u>
TOTAL EXPENDITURES	<u>344,175</u>
NET CHANGE IN FUND BALANCE	6,511
Fund balance, beginning of year	<u>179,568</u>
Fund balance, end of year	<u><u>\$ 186,079</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, 2016

Net change in fund balance - governmental fund \$ 6,511

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 220,000

Change in net position of governmental activities \$ 65,168

City of Portland

Miscellaneous Statistical Data (Unaudited)

June 30, 2016

Total Taxable Value
Fiscal Years Ended or Ending June 30, 2013 Through 2017

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended or Ending June 30	Ad Valorem Taxable Value (2)	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198(1)	Total Taxable Value	Percent Increase Over Prior Year
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
2015	2016	2017	91,476,376	699,944	92,176,320	(1.600)

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2017 (3)..... \$23,738.43

(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, 2013 Through 2017

Use	Fiscal Year Ended or Ending June 30				
	2013	2014	2015	2016	2017
Residential.....	\$62,926,125	\$63,848,655	\$63,930,194	\$64,328,254	\$65,272,848
Commercial.....	23,583,807	23,627,088	22,947,567	22,911,358	22,670,188
Industrial.....	4,667,392	5,094,884	5,393,951	5,577,792	3,205,484
Utility.....	756,300	765,200	769,600	853,600	1,027,800
Development.....	0	0	0	0	0
	<u>\$ 91,933,624</u>	<u>\$ 93,335,827</u>	<u>\$ 93,041,312</u>	<u>\$ 93,671,004</u>	<u>\$ 92,176,320</u>

Class	Fiscal Year Ended or Ending June 30				
	2013	2014	2015	2016	2017
Real Property	\$ 85,616,724	\$ 86,894,927	\$ 87,140,712	\$ 87,457,304	\$ 87,964,820
Personal Property .	<u>6,316,900</u>	<u>6,440,900</u>	<u>5,900,600</u>	<u>6,213,700</u>	<u>4,211,500</u>
	<u>\$ 91,933,624</u>	<u>\$ 93,335,827</u>	<u>\$ 93,041,312</u>	<u>\$ 93,671,004</u>	<u>\$ 92,176,320</u>

Source: City of Portland

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2016

Total State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2013 Through 2017

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended or Ending June 30	Ad Valorem SEV (2)	SEV of Property Granted Tax Abatement Under Act 198 (1)	Total SEV	Percent Increase Over Prior Year
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)
2015	2016	2017	95,435,400	699,944	96,135,344	.6750

Per Capita Total SEV for the Fiscal Year Ending June 30, 2017 (3)..... \$24,758.01

- (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, 2013 Through 2017

Use	Fiscal Year Ended or Ending June 30				
	2013	2014	2015	2016	2017
Residential.....	\$	\$	\$	\$	\$
Commercial	65,892,101	64,845,600	65,761,200	65,647,300	67,301,100
Industrial.....	23,583,807	25,503,100	24,339,000	23,412,100	24,585,900
Utility.....	4,667,392	5,107,800	5,394,100	5,577,800	3,220,544
Development	756,300	765,200	769,600	853,600	1,027,800
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 94,899,600</u>	<u>\$ 96,221,700</u>	<u>\$ 96,263,900</u>	<u>\$ 95,490,800</u>	<u>\$ 96,135,344</u>

Class	Fiscal Year Ended or Ending June 30				
	2013	2014	2015	2016	2017
Real Property	\$ 88,582,700	\$ 89,780,800	\$ 90,363,300	\$ 89,277,100	\$ 91,923,844
Personal Property.....	<u>6,316,900</u>	<u>6,440,900</u>	<u>5,900,600</u>	<u>6,213,700</u>	<u>4,211,500</u>
	<u>\$ 94,899,600</u>	<u>\$ 96,221,700</u>	<u>\$ 96,263,900</u>	<u>\$ 95,490,800</u>	<u>\$ 96,135,344</u>

Source: City of Portland

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2016

Maximum Property Tax Rates
Fiscal Year Ending June 30, 2017

<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, 2013 Through 2017

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Total Operating</u>
2012	2013	13.6574 (3)
2013	2014	13.6574 (2)
2014	2015	13.6574 (2)
2015	2016	13.6574 (2)
2016	2017	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, 2013 Through 2017

<u>Governmental Unit</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</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	4.6378
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	4.4696
Intermediate School District-Tech Ed.	1.0000	1.0000	1.0000	1.0000	.9996
Library	1.7839	1.7639	1.6939	1.7139	1.6827
Seniors	<u>.3750</u>	<u>.3750</u>	<u>.5000</u>	<u>.5000</u>	<u>.4994</u>
Total.....	<u>\$39.2825</u>	<u>\$39.2625</u>	<u>\$39.3175</u>	<u>\$39.3375</u>	<u>\$39.2929</u>

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2016

Non-Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended June 30, 2013 Through 2017

Governmental Unit	Fiscal Year Ending June 30				
	2013	2014	2015	2016	2017
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	4.4696
Intermediate School District-Tech. Ed...	1.0000	1.0000	1.0000	1.0000	.9996
Library.....	1.7839	1.7639	1.6939	1.7139	1.6827
Seniors.....	.3750	.3750	.5000	.5000	.4994
Total.....	<u>\$57.2825</u>	<u>\$57.2625</u>	<u>\$57.3175</u>	<u>\$57.3375</u>	<u>\$57.3021</u>

(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, 2013 Through 2017

July 1 Levy	Fiscal Year Ended or Ending June 30	City Tax Levy(1)	Collections to March 1 Following Levy	Percent Collected
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	1,040,554	97.35
2016	2017	1,081,601	(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, 2016

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	\$3,088,677	3.351%
.....			
Parkers Landing (Portland Partners)	Apartments	2,093,060	2.271
THK	Tie Rods, Steering, Linkages	1,219,400	1.323
Portland Products	Automotive Manufacturing	1,206,500	1.309
Consumers Energy	Utility	1,018,600	1.105
Portland Apartments (LAWCO)...	Apartments	959,469	1.041
Rindlehaven Land Co. LLC.....	Land	784,425	0.851
Family Farm & Home (HEB, LLC)	Farm supplies, retail sales	652,050	0.707
.....			
Speedway America LLC.	Gas Station	589,684	0.639
Grand River/Bridge Associates.....	Pharmacy.....		<u>0.621</u>
		<u>572,010</u>	
		<u>\$ 12,183,875</u>	<u>13.218%</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 \$92,176,320, which is the City's Total Taxable Value for the fiscal year ending June 30, 2017. 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, 2012 Through 2016

<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>
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
2016	830,815	752,439	4.0016

(1) Gross collections less refunds equals net tax.

Source: City of Portland

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2016

Revenues from the State of Michigan
Fiscal Years Ended or Ending June 30, 2012 through 2016

	Fiscal Years Ended or Ending June 30				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
State Revenue Sharing.....	\$ 376,262	\$ 379,928	\$ 391,871	\$ 402,593	\$ 399,390
Other	3,560	4,182	4,086	4,353	4,505
Total Revenues From the State of Michigan.....	<u>\$ 379,822</u>	<u>\$ 384,110</u>	<u>\$ 395,957</u>	<u>\$ 406,946</u>	<u>\$ 403,895</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, 2016

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, 2016:

Debt Limit (1).....	\$ 9,613,534
Debt Outstanding	\$ 6,146,000
Less: Exempt Debt (2).....	<u>(4,153,000)</u> <u>1,993,000</u>
Legal Debt Margin	<u>\$ 7,620,534</u>

(1) 10% of \$96,135,344, which is the City's Total SEV for the fiscal year ending June 30, 2017. 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, 2016, 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) .	\$ 220,000	\$ -0-	\$ 440,000
Subtotal	<u>\$ 220,000</u>	<u>\$ -0-</u>	<u>\$ 440,000</u>
Water and Wastewater Revenue Bonds:			
Dated March 8, 2011 (6).....	\$ 779,000	\$ 779,000	\$ -0-
Dated December 29, 2010 (6)	\$ 2,689,000	\$ 2,689,000	\$ -0-
Dated September 25, 2003 (5).....	\$ 685,000	\$ 685,000	\$ -0-
Subtotal	<u>\$ 4,153,000</u>	<u>\$ 4,153,000</u>	<u>\$ -0-</u>
Capital Improvement Bonds:			
Dated April 17, 2008 (Limited Tax) (1)	\$ 1,300,000	\$ 1,300,000	\$ -0-
Dated September 4, 2013 (Limited Tax) (7)	\$ 473,000	\$ -0-	\$ 473,000
Subtotal	<u>\$ 1,773,000</u>	<u>\$ 1,300,000</u>	<u>\$ 473,000</u>
 Total City Direct Debt:	 <u>\$ 6,146,000</u>	 <u>\$ 5,453,000</u>	 <u>\$ 913,000</u>

Per Capita Net Direct Debt (3)	\$235.13
Percent of Net Direct Debt to Total SEV (4)	0.95 %

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2016

<u>Overlapping Debt (2)</u>	<u>Gross</u>	<u>City Share as a Percent of Gross</u>	<u>Net</u>
Ionia County	\$ 136,000	6.08%	\$ 8,269
Ionia County Intermediate School District	410,000	5.34	21,894
Portland District Library	1,385,000	31.55	436,968
Portland Public Schools	<u>22,927,412</u>	25.76	<u>5,906,101</u>
Total Overlapping Debt	<u>24,858,412</u>		<u>6,373,232</u>
Total City Direct and Overlapping Debt.....	<u>\$ 31,004,412</u>		<u>\$ 7,286,232</u>
Per Capita Net Overlapping Debt (3)			\$1,641.32
Percent of Net Overlapping Debt to Total SEV (4)			6.63%
Per Capita Net Direct and Overlapping Debt (3).....			\$1,876.44
Percent of Net Direct and Overlapping Debt to Total SEV (4).....			7.58%

- (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.
- (4) Based on \$96,135,344, which is the City's Total SEV for the fiscal year ending June 30, 2017. 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.
- (5) The Bonds described herein will be paid with water system revenues.
- (6) The Bonds described herein will be paid with wastewater system revenues.
- (7) The Bonds described herein will be paid with income tax revenues.
- (8) The Bonds described herein will be paid with Downtown Development Authority captured tax revenues.
- (9) 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 \$1,084,037.

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

Principals

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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, 2016, 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 November 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. We consider the following deficiency in the City's internal control to be a material weakness:

MATERIAL JOURNAL ENTRY PROPOSED BY AUDITORS

A material journal entry for the proper recognition of property tax receivable was proposed by the auditors. This misstatement was not detected by the City's internal control over financial reporting. This entry was brought to the attention of management and were subsequently recorded in the City's general ledger.

MATERIAL JOURNAL ENTRY PROPOSED BY AUDITORS - CONTINUED

Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operation, and cash flows (where applicable), including the proper recorded of journal entries to assure the trial balances from which the financial statements are prepared are in conformity with U.S. generally accepted accounting principles.

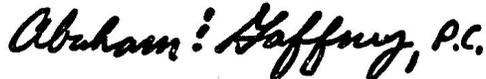
We recommend that the City take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.
Certified Public Accountants

November 14, 2016