



FINANCIAL STATEMENTS
June 30, 2018

City of Portland
Ionia County, Michigan
June 30, 2018

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

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, 2018, 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, 2018, 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.

Changes in Accounting Principles

As discussed in Note M to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, during the year. Our opinions are not modified with respect to this matter.

Also, as discussed in Note M to the financial statements, the City implemented GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, during the year. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of changes in employer's net pension liability and contributions, and schedules of changes in the City's net OPEB liability and 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 other supplementary information, including nonmajor fund and component unit financial information, and miscellaneous statistical data as noted in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, including nonmajor fund and component unit financial information, is 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 28, 2018, 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, 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.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

November 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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, 2018. 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 \$25,774,001 (excluding component units).
- Governmental activities net position was \$13,127,768.
- Business-type activity net position was \$12,646,233.
- Component Unit net position was \$1,159,356.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,510,756 with \$4,179,538 being nonspendable, restricted, committed or assigned for specific purposes and \$331,218 being unassigned.
- The General Fund realized \$88,337 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$237,132 less than appropriated.
- Overall, the General Fund balance decreased by \$64,873.

Capital and Long-term Debt Activities:

- The total additions to the capital asset schedules for the primary government were \$2,811,113, excluding reclassifications. Significant capital purchases during the year included James Street and Cutler Road expansion, two pickup trucks, a new ambulance, a signal crossing, a copier for City Hall, new boilers, playground equipment, and an asphalt hot box trailer.
- The total long-term debt for the primary government was \$6,922,593, a net decrease of \$784,910 from the prior year. This decrease was largely due to the natural reduction of debt.
- 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 \$9,305,587.

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.

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.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

The Statement of Activities (page 2) presents information showing how the City's net position changed during 2017/2018. 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, 2018

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 is 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 17 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, 2018

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 \$25,774,001 at the end of this fiscal year's operations. The net position of the governmental activities was \$13,127,768; the business-type activities were \$12,646,233.

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, 2017 and 2018

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Current and Other Assets	\$ 5,913,783	\$ 4,908,790	\$ 3,179,928	\$ 3,797,569	\$ 9,093,711	\$ 8,706,359
Capital Assets	13,211,010	14,436,291	16,936,825	16,813,382	30,147,835	31,249,673
Total Assets	19,124,793	19,345,081	20,116,753	20,610,951	39,241,546	39,956,032
Deferred outflows of resources	685,869	558,680	402,798	333,936	1,088,667	892,616
Current Liabilities	820,839	973,557	633,911	628,900	1,454,750	1,602,457
Noncurrent Liabilities	6,579,230	5,027,899	7,260,017	7,211,704	13,839,247	12,239,603
Total Liabilities	7,400,069	6,001,456	7,893,928	7,840,604	15,293,997	13,842,060
Deferred inflows of resources	311,859	774,537	183,379	458,050	495,238	1,232,587
Net Investment in Capital Assets	10,885,860	12,688,876	11,666,953	11,732,510	22,552,813	24,421,386
Restricted	2,300,861	988,540	588,842	596,988	2,889,703	1,585,528
Unrestricted	(1,087,987)	(549,648)	186,449	316,735	(901,538)	(232,913)
Total Net Position	\$ 12,098,734	\$ 13,127,768	\$ 12,442,244	\$ 12,646,233	\$ 24,540,978	\$ 25,774,001

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Changes in Net Position for the Fiscal Year Ending June 30, 2017 and 2018

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 2016/2017 and 2017/2018.

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Revenues						
Program Revenues						
Charges for						
Services	\$ 1,091,339	\$ 1,124,798	\$ 5,248,450	\$ 5,504,670	\$ 6,339,789	\$ 6,629,468
Grants and						
Contributions	801,370	560,815	-	-	801,370	560,815
General Revenues						
Property Taxes	1,174,017	1,101,755	-	-	1,174,017	1,101,755
State Shared						
Revenue	416,319	427,283	-	-	416,319	427,283
City Income Taxes	921,230	963,391	-	-	921,230	963,391
Local Community Stabilization	-	56,328	-	-	-0-	56,328
Investment Earnings	355,838	5,035	1,299	796	357,137	5,831
Miscellaneous	59,158	305,797	54,632	158,710	113,790	464,507
Transfers	(62,489)	(407,916)	62,489	407,916	-0-	-0-
Total Revenues	4,756,782	4,137,286	5,366,870	6,072,092	10,123,652	10,209,378
Expenses						
General Government	1,049,791	1,044,407	-	-	1,049,791	1,044,407
Public Safety	890,870	825,498	-	-	890,870	825,498
Public Works	1,425,763	694,011	-	-	1,425,763	694,011
Health and Welfare	692,473	720,182	-	-	692,473	720,182
Community and						
Economic Develop.	27,819	75,124	-	-	27,819	75,124
Recreation and						
Culture	291,200	282,416	-	-	291,200	282,416
Other	42,137	33,209	5,663,674	5,564,368	5,705,811	5,597,577
Total Expenses	4,420,053	3,674,847	5,663,674	5,564,368	10,083,727	9,239,215
Increase (decrease) in Net Position	336,729	462,439	(296,804)	507,724	39,925	970,163
Restated Net Position - Beginning	11,762,005	12,665,329	12,739,048	12,138,509	24,501,053	\$ 24,803,838
Net Position - Ending	\$ 12,098,734	\$ 13,127,768	\$ 12,442,244	\$ 12,646,233	\$ 24,540,978	\$ 25,774,001

Governmental Activities:

The result of 2017/2018 governmental activity was an increase of \$462,439 in net position to \$13,127,768. Of the total governmental activities' net position, \$12,688,876 is invested in capital assets less related debt, \$988,540 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 (\$549,648) is listed as unrestricted, having no legal commitment.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Revenues:

The three largest revenue categories were charges for services at 27.2%, property taxes at 26.6%, and city income taxes at 23.2%. The City levied a property tax millage for the year ended June 30, 2018, for general government operations at 12.6574 mills, with an additional 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:

General government is the largest governmental activity, expending approximately 28.4% of the governmental activities total and includes general government departments (e.g., council, community promotions, city manager, elections, general administration, assessor, and city hall maintenance). Public safety is the second largest area, expending approximately 22.4% of the governmental activities total on law enforcement, fire protection and code enforcement. Health and welfare is the third largest governmental activity, and expended 19.6% of the governmental activities total.

Business-type Activities:

Net position in business-type activities was increased by \$507,724 during fiscal year 2017/2018. Of the business-type activities' net position, \$11,732,510 is invested in capital assets net of related debt, \$596,988 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 \$316,735 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2017/2018, its governmental funds reported *combined* fund balances of \$4,510,756. The net changes are summarized in the following chart:

	General Fund	City Income Tax	Local Street Fund	Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 6/30/2017	\$ 2,399,835	\$ 805,390	\$ 62,546	\$ 179,541	\$ 2,256,475	\$ 5,703,787
Fund Balance 6/30/2018	\$ 2,334,962	\$ 1,018,872	\$ 13,825	\$ 167,005	\$ 976,092	\$ 4,510,756
Net Change	\$ (64,873)	\$ 213,482	\$ (48,721)	\$ (12,536)	\$ (1,280,383)	\$ (1,193,031)

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, 2018, the General Fund reported a fund balance of \$2,334,962. The 2017/2018 original budget had called for a fund balance decrease of \$235,326.

The General Fund 2017/2018 expenditures exceeded 2017/2018 revenues by \$64,873 largely due to a transfer to the motor pool to cover cost of capital acquisitions. There was reduced spending as compared to the final amended budget, so that expenditures and other financing uses were under budget by approximately \$237,132. Actual revenues were in excess of budgeted revenues by approximately \$88,337. The final amended budget planned for a \$390,342 reduction in fund balance.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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 \$2,209,177; \$88,337 higher the final amended budget.

The City's original General Fund expenditures and other financing uses budget was increased by \$227,313 during 2017/2018. The increase can be partly attributed to in general administrative expenditures and increases to planned transfers out to other funds.

Actual City expenditures and other financing uses for 2017/2018 were \$237,132 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, 2018, the City Income Tax Fund reported a fund balance of \$1,018,872, an increase of \$213,482 from the prior year. The 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.

Local Street Fund

As of June 30, 2018, the Local Street Fund reported a fund balance of \$13,825, which is a decrease of \$48,721 from the prior year. The decrease is due to significant local street construction activity during the year.

Ambulance Fund

As of June 30, 2018, the Ambulance Fund reported a fund balance of \$167,005, which is a decrease of \$12,536 from the prior year. A portion of \$157,449 is committed to ambulance operations, with the remainder being nonspendable due to prepaids.

Enterprise Funds

As the City completed 2017/2018, its enterprise funds reported *combined* net position of \$12,646,233. This is a net increase of \$507,724 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 6/30/2017	\$ 6,768,252	\$ 1,611,585	\$ 3,740,147	\$ 18,525	\$ 12,138,509
Net Position 6/30/2018	\$ 6,989,046	\$ 1,697,869	\$ 3,939,798	\$ 19,520	\$ 12,646,233
Net Change	\$ 220,794	\$ 86,284	\$ 199,651	\$ 995	\$ 507,724

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Electric Light and Power System Fund:

As of June 30, 2018, the Electric Light and Power System Fund reported a net position of \$6,989,046, an increase of \$220,794 from the prior year. Of the entire net position amount, \$5,925,047 is invested in capital assets, net of related debt, \$453,086 is restricted for utility reserve, and \$610,913 is unrestricted.

Sewage Disposal System Fund:

As of June 30, 2018, the Sewer Fund reported a net position of \$1,697,869 an increase of \$86,284 from the prior year. Of the entire net position, \$2,216,724 is invested in capital assets, net of related debt, \$143,902 is restricted, and (\$662,757) is unrestricted.

Water System Fund:

As of June 30, 2018, the Water System Fund reported a net position of \$3,939,798, a net decrease of \$199,651 from the prior year. Of the entire net position, \$3,590,739 is invested in capital assets, net of related debt and \$349,059 is unrestricted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2017/2018 the City had invested \$31,249,673, and \$956,182 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, 2018, 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	958,185	-	958,185
Land Improvements, net	84,598	-	84,598
Buildings, net	163,970	-	163,970
Equipment and Furniture, net	1,222,033	-	1,222,033
Electric System, net	-	7,110,047	7,110,047
Sewer System, net	-	5,567,724	5,567,724
Water System, net	-	4,135,611	4,135,611
Infrastructure			
Streets and Bridges, net	10,931,585	-	10,931,585
Capital Assets, net	<u>\$ 14,436,291</u>	<u>\$ 16,813,382</u>	<u>\$ 31,249,673</u>

Long-term Debt - As of June 30, 2018, the City had \$6,922,593 in long-term debt outstanding for the primary government. This level of net obligation is \$784,910 less than the obligation recorded as of June 30, 2017.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Outstanding Debt as of June 30, 2018:

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

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Primary Government				
Governmental activities				
2012 Vactor Truck Installment Purchase Agreement (\$85,500)	\$ 18,016	\$ -	\$ 18,016	\$ -0-
2016 Ambulance Installment Purchase Agreement (\$166,806)	166,806	-	44,438	122,368
2016 Snow Plow Installment Purchase Agreement (\$147,582)	147,582	-	27,976	119,606
2016 Heart Monitors/Defibrillators Purchase Agreement (\$92,254)	72,746	-	17,305	55,441
2017 G.O. Limited Tax Bonds	1,920,000	-	470,000	1,450,000
Accumulated compensated absences	49,272	66,826	66,331	49,767
Business-type activities				
2008 Capital Improvement Bonds (\$1,690,000)	1,245,000	-	60,000	1,185,000
2004 Water System Bonds (\$1,344,872)	614,872	-	70,000	544,872
2010 Sanitary Sewer System (\$2,900,000) (Build America Bonds)	766,000	-	13,000	753,000
2011 Sanitary Sewer System (\$840,000)	2,644,000	-	46,000	2,598,000
Accumulated compensated absences	63,209	63,347	82,017	44,539
Total Reporting Entity	<u>\$ 7,707,503</u>	<u>\$ 130,173</u>	<u>\$ 915,083</u>	<u>\$ 6,922,593</u>

CITY OF PORTLAND GOVERNMENT ECONOMIC OUTLOOK:

- * State revenue sharing is expected to increase 2.3% for the City's fiscal year 2018-2019, based on State of Michigan revenue sharing estimates.
- * 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 \$480,164 to \$521,381 which reflects a 5.16% increase for the non-union division, an 9.66% increase for the GELC division, and an 1.43% increase in the POLC Division, which has no active retirees.
- * The City is requiring all employees enrolled in the Defined Benefit plan to contribute to pension plan. Employees contribution 1% for fiscal year 2017-2018. The amount will increase by 1% each year until it reaches a maximum of 3%.
- * The City's income tax revenues increased from \$747,889 in 2014 to \$770,969 in 2015 (an increase of 3.09%). In 2016 City income tax revenues increased 5.24% rising from \$770,969 in 2015 to \$811,413 in 2016. In 2017 City income tax revenues increased 11.28% rising from \$811,413 in 2016 to \$902,912 in 2017. In 2018, City income tax revenues increased to \$950,237 (an increase of 5%).
- * The City's SEV increased from \$94,892,800 in 2013 to \$96,221,700 in 2014 (an increase of 1.40%), then to \$96,263,900 in 2015 (an increase of 0.04%), then to \$94,754,600 in 2016 (a decrease of 1.56%). From 2016 to 2017 the SEV increased to \$95,435,400 (an increase of 0.72%), then from 2017 to 2018 the SEV increased to \$97,200,956 (an increase of 1.85%). The outlook for the 2019 SEV is expected to increase due to the residential market increasing.

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, 2018

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, 2018

	Primary Government		Total	Component Unit (DDA)
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,933,735	\$ 2,080,868	\$ 5,014,603	\$ 206,862
Cash and cash equivalents - restricted	-	649,592	649,592	-
Investments	1,463,616	-	1,463,616	-
Receivables	277,776	803,733	1,081,509	90
Due from other governmental units	76,055	-	76,055	-
Internal balances	138,110	(138,110)	-	-
Prepays	39,498	20,766	60,264	-
Inventories	-	360,720	360,720	-
Total current assets	4,928,790	3,777,569	8,706,359	206,952
Noncurrent assets				
Internal balances	(20,000)	20,000	-0-	-
Capital assets not being depreciated	2,034,105	858,125	2,892,230	-
Capital assets being depreciated, net	12,402,186	15,955,257	28,357,443	956,182
Total noncurrent assets	14,416,291	16,833,382	31,249,673	956,182
TOTAL ASSETS	19,345,081	20,610,951	39,956,032	1,163,134
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	472,826	287,217	760,043	-
Deferred outflows related to OPEB	85,854	46,719	132,573	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	558,680	333,936	892,616	-0-
LIABILITIES				
Current liabilities				
Accounts payable	275,749	311,207	586,956	549
Accrued liabilities	111,328	51,019	162,347	3,229
Accrued interest payable	15,107	25,135	40,242	-
Current portion of compensated absences	49,767	44,539	94,306	-
Current portion of long-term debt	521,606	197,000	718,606	-
Total current liabilities	973,557	628,900	1,602,457	3,778
Noncurrent liabilities				
Customer deposits payable from restricted assets	-	251,412	251,412	-
Noncurrent portion of long-term debt	1,225,809	4,883,872	6,109,681	-
Net pension liability	3,086,727	1,690,879	4,777,606	-
Net OPEB Liability	715,363	385,541	1,100,904	-
Total noncurrent liabilities	5,027,899	7,211,704	12,239,603	-0-
TOTAL LIABILITIES	6,001,456	7,840,604	13,842,060	3,778
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	545,752	333,554	879,306	-
Deferred inflows related to OPEB	228,785	124,496	353,281	-
TOTAL DEFERRED INFLOWS OF RESOURCES	774,537	458,050	1,232,587	-0-
NET POSITION				
Net investment in capital assets	12,688,876	11,732,510	24,421,386	956,182
Restricted				
Utilities	-	453,086	453,086	-
Debt service	-	121,500	121,500	-
Equipment replacement	-	22,402	22,402	-
Other purposes	988,540	-	988,540	-
Unrestricted	(549,648)	316,735	(232,913)	203,174
TOTAL NET POSITION	\$ 13,127,768	\$ 12,646,233	\$ 25,774,001	\$ 1,159,356

See accompanying notes to financial statements.

City of Portland
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

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	\$ 1,044,407	\$ 444,825	\$ 10,100	\$ (589,482)	\$ -	\$ (589,482)	\$ -
Public safety	825,498	6,224	800	(818,474)	-	(818,474)	-
Public works	694,011	19,298	528,033	(146,680)	-	(146,680)	-
Health and welfare	720,182	575,612	3,870	(140,700)	-	(140,700)	-
Community and economic development	75,124	-	-	(75,124)	-	(75,124)	-
Recreation and culture	282,416	78,839	18,012	(185,565)	-	(185,565)	-
Interest on long-term debt	33,209	-	-	(33,209)	-	(33,209)	-
Total governmental activities	3,674,847	1,124,798	560,815	(1,989,234)	-0-	(1,989,234)	-0-
Business-type activities							
Electric Light and Power System	3,735,632	3,862,254	-	-	126,622	126,622	-
Sewage Disposal System	977,619	872,943	-	-	(104,676)	(104,676)	-
Water System	697,929	626,108	-	-	(71,821)	(71,821)	-
Refuse	153,188	143,365	-	-	(9,823)	(9,823)	-
Total business-type activities	5,564,368	5,504,670	-0-	-0-	(59,698)	(59,698)	-0-
Total primary government	\$ 9,239,215	\$ 6,629,468	\$ 560,815	(1,989,234)	(59,698)	(2,048,932)	-0-
Component unit							
Downtown Development Authority	\$ 359,153	\$ -0-	\$ -0-	-0-	-0-	-0-	(359,153)
General revenues							
Property taxes				1,101,755	-	1,101,755	248,351
State shared revenue				427,283	-	427,283	-
City income taxes				963,391	-	963,391	-
Local community stabilization				56,328	-	56,328	-
Investment earnings				5,035	796	5,831	119
Miscellaneous				305,797	158,710	464,507	38,944
Transfers				(407,916)	407,916	-0-	-
Total general revenues and transfers				2,451,673	567,422	3,019,095	287,414
Change in net position				462,439	507,724	970,163	(71,739)
Restated net position, beginning of the year				12,665,329	12,138,509	24,803,838	1,231,095
Net position, end of the year				\$ 13,127,768	\$ 12,646,233	\$ 25,774,001	\$ 1,159,356

See accompanying notes to financial statements.

City of Portland
Governmental Funds
BALANCE SHEET
June 30, 2018

	<u>General</u>	<u>City Income Tax</u>	<u>Local Street</u>
ASSETS			
Cash and cash equivalents	\$ 722,391	\$ 886,199	\$ 141,800
Investments	1,463,616	-	-
Receivables			-
Taxes	462	140,974	-
Accounts	5,295	-	-
Due from other governmental units	-	-	18,582
Due from other funds	277,825	-	700
Prepays	18,678	771	4,109
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,488,267</u>	<u>\$ 1,027,944</u>	<u>\$ 165,191</u>
LIABILITIES			
Accounts payable	\$ 86,407	\$ 47	\$ 122,533
Accrued liabilities	64,664	4,025	8,833
Due to other funds	-	5,000	-
Advance from other funds	-	-	20,000
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	151,071	9,072	151,366
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	2,234	-	-
FUND BALANCES			
Nonspendable			
Prepays	18,678	771	4,109
Perpetual care	-	-	-
Land held for resale	1,463,616	-	-
Restricted			
Streets	-	-	9,716
Committed			
Capital projects	350,000	-	-
Street improvements	-	1,018,101	-
Ambulance	-	-	-
Assigned			
Recreation	-	-	-
Subsequent year's expenditures	171,450	-	-
Unassigned	331,218	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>2,334,962</u>	<u>1,018,872</u>	<u>13,825</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,488,267</u>	<u>\$ 1,027,944</u>	<u>\$ 165,191</u>

See accompanying notes to financial statements.

Ambulance	Nonmajor Governmental Funds	Total
\$ 102,838	\$ 960,227	\$ 2,813,455
-	-	1,463,616
-	-	141,436
130,720	169	136,184
-	57,473	76,055
-	800	279,325
9,556	5,132	38,246
<u>\$ 243,114</u>	<u>\$ 1,023,801</u>	<u>\$ 4,948,317</u>
\$ 23,111	\$ 25,257	\$ 257,355
17,083	12,152	106,757
35,915	10,300	51,215
-	-	20,000
76,109	47,709	435,327
-	-	2,234
9,556	5,132	38,246
-	170,692	170,692
-	-	1,463,616
-	799,914	809,630
-	-	350,000
-	-	1,018,101
157,449	-	157,449
-	354	354
-	-	171,450
-	-	331,218
<u>167,005</u>	<u>976,092</u>	<u>4,510,756</u>
<u>\$ 243,114</u>	<u>\$ 1,023,801</u>	<u>\$ 4,948,317</u>

City of Portland

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

June 30, 2018

Total fund balances - governmental funds \$ 4,510,756

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	\$ 24,941,971	
Accumulated depreciation is	<u>(11,326,564)</u>	
Capital assets, net		13,615,407

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.

332,862

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/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. 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 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	460,702	
Deferred outflows of resources related to OPEB	76,070	
Deferred inflows of resources related to pensions	(532,503)	
Deferred inflows of resources related to OPEB	<u>(202,713)</u>	
		(198,444)

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	7,635	
Compensated absences	42,035	
Direct obligations	1,505,441	
Net OPEB Liability	634,842	
Net pension liability	<u>2,945,094</u>	
		<u>(5,135,047)</u>

Net position of governmental activities \$ 13,127,768

City of Portland

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	General	City Income Tax	Local Street
REVENUES			
Taxes	\$ 1,071,414	\$ 950,237	\$ 80,497
Licenses and permits	58,347	-	-
Intergovernmental	488,141	-	147,231
Charges for services	339,665	-	-
Fines and forfeits	13,697	13,389	-
Interest and rents	2,720	4,801	-
Other	121,383	10,347	200
TOTAL REVENUES	2,095,367	978,774	227,928
EXPENDITURES			
Current			
General government	737,165	214,435	-
Public safety	763,476	-	-
Public works	199,491	-	1,150,404
Health and welfare	22,327	-	-
Community and economic development	72,762	-	-
Recreation and culture	178,504	-	-
Debt service	-	501,759	-
TOTAL EXPENDITURES	1,973,725	716,194	1,150,404
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	121,642	262,580	(922,476)
OTHER FINANCING SOURCES (USES)			
Transfers in	113,810	-	873,755
Transfers out	(300,325)	(49,098)	-
TOTAL OTHER FINANCING SOURCES (USES)	(186,515)	(49,098)	873,755
NET CHANGE IN FUND BALANCES	(64,873)	213,482	(48,721)
Fund balances, beginning of year	2,399,835	805,390	62,546
Fund balances, end of year	<u>\$ 2,334,962</u>	<u>\$ 1,018,872</u>	<u>\$ 13,825</u>

See accompanying notes to financial statements.

Ambulance	Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ 2,102,148
-	-	58,347
-	386,645	1,022,017
579,482	81,389	1,000,536
-	-	27,086
-	-	7,521
<u>188,469</u>	<u>7,148</u>	<u>327,547</u>
767,951	475,182	4,545,202
-	-	951,600
-	-	763,476
-	325,357	1,675,252
734,214	-	756,541
-	-	72,762
-	125,564	304,068
<u>19,721</u>	<u>-</u>	<u>521,480</u>
<u>753,935</u>	<u>450,921</u>	<u>5,045,179</u>
14,016	24,261	(499,977)
-	38,905	1,026,470
<u>(26,552)</u>	<u>(1,343,549)</u>	<u>(1,719,524)</u>
<u>(26,552)</u>	<u>(1,304,644)</u>	<u>(693,054)</u>
(12,536)	(1,280,383)	(1,193,031)
<u>179,541</u>	<u>2,256,475</u>	<u>5,703,787</u>
<u>\$ 167,005</u>	<u>\$ 976,092</u>	<u>\$ 4,510,756</u>

City of Portland

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

Year Ended June 30, 2018

Net change in fund balances - total governmental funds **\$ (1,193,031)**

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	\$ 2,105,996	
Depreciation expense	<u>(763,219)</u>	
Excess of capital outlay over depreciation expense		1,342,777

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

Change in net position of governmental activities accounted for in the Internal Service Fund		(30,449)
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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		487,305
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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	966	
Decrease in compensated absences	1,772	
Decrease in net OPEB liability	11,680	
Decrease in net pension liability	401,670	
Increase in deferred outflows of resources related to OPEB	76,070	
(Increase) in deferred inflows of resources related to OPEB	(202,713)	
(Decrease) in deferred outflows of resources related to pensions	(202,932)	
(Increase) in deferred inflows of resources related to pensions	<u>(230,676)</u>	
		<u>(144,163)</u>

Change in net position of governmental activities **\$ 462,439**

City of Portland

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2018

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,586,861	\$ 29,858	\$ 453,866
Cash and cash equivalents - restricted	328,480	289,411	31,701
Accounts receivable	571,805	122,284	87,918
Due from other funds	-	-	90,000
Inventories	322,806	-	37,914
Prepays	14,896	3,950	1,920
Total current assets	2,824,848	445,503	703,319
Noncurrent assets			
Advance to other funds	20,000	-	-
Capital assets not being depreciated	275,807	242,382	339,936
Capital assets being depreciated, net	6,834,240	5,325,342	3,795,675
Total noncurrent assets	7,130,047	5,567,724	4,135,611
TOTAL ASSETS	9,954,895	6,013,227	4,838,930
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	153,372	88,452	45,393
Deferred outflows related to OPEB	29,352	10,420	6,947
TOTAL DEFERRED OUTFLOWS OF RESOURCES	182,724	98,872	52,340
LIABILITIES			
Current liabilities			
Accounts payable	242,911	27,371	28,436
Accrued liabilities	26,930	15,406	8,683
Accrued interest payable	12,767	8,525	3,843
Due to other funds	3,000	225,070	40
Compensated absences	21,430	19,380	3,729
Current portion of long-term debt	60,000	62,000	75,000
Total current liabilities	367,038	357,752	119,731
Noncurrent liabilities			
Customer deposits payable from restricted assets	191,054	29,037	31,321
Net pension liability	964,112	521,180	205,587
Net OPEB Liability	245,763	86,776	53,002
Noncurrent portion of long-term debt	1,125,000	3,289,000	469,872
Total noncurrent liabilities	2,525,929	3,925,993	759,782
TOTAL LIABILITIES	2,892,967	4,283,745	879,513
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	177,390	102,717	53,447
Deferred inflows related to OPEB	78,216	27,768	18,512
TOTAL DEFERRED INFLOWS OF RESOURCES	255,606	130,485	71,959
NET POSITION			
Net investment in capital assets	5,925,047	2,216,724	3,590,739
Restricted for utility reserve	453,086	-	-
Restricted for debt service	-	121,500	-
Restricted for equipment replacement	-	22,402	-
Unrestricted	610,913	(662,757)	349,059
TOTAL NET POSITION	\$ 6,989,046	\$ 1,697,869	\$ 3,939,798

See accompanying notes to financial statements.

Activities		Governmental	
Nonmajor		Internal	
Enterprise		Service	
Fund (Refuse)	Total	Fund	
\$ 10,283	\$ 2,080,868	\$ 120,280	
-	649,592	-	
21,726	803,733	156	
-	90,000	-	
-	360,720	-	
-	20,766	1,252	
32,009	4,005,679	121,688	
-	20,000	-	
-	858,125	-	
-	15,955,257	820,884	
-0-	16,833,382	820,884	
32,009	20,839,061	942,572	
-	287,217	12,124	
-	46,719	9,784	
-0-	333,936	21,908	
12,489	311,207	18,394	
-	51,019	4,571	
-	25,135	7,472	
-	228,110	90,000	
-	44,539	7,732	
-	197,000	28,726	
12,489	857,010	156,895	
-	251,412	-	
-	1,690,879	141,633	
-	385,541	80,521	
-	4,883,872	213,248	
-0-	7,211,704	435,402	
12,489	8,068,714	592,297	
-	333,554	13,249	
-	124,496	26,072	
-0-	458,050	39,321	
-	11,732,510	578,910	
-	453,086	-	
-	121,500	-	
-	22,402	-	
19,520	316,735	(246,048)	
<u>\$ 19,520</u>	<u>\$ 12,646,233</u>	<u>\$ 332,862</u>	

City of Portland

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2018

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
OPERATING REVENUES			
Charges for services			
User charges	\$ 3,862,254	\$ 871,443	\$ 626,108
Tap fees	-	1,500	-
Other	143,803	1,162	2,927
TOTAL OPERATING REVENUES	4,006,057	874,105	629,035
OPERATING EXPENSES			
Salaries and wages	433,465	251,980	138,155
Fringe benefits	230,056	124,107	78,439
Contractual services	43,805	41,369	16,446
Supplies	149,007	34,599	14,681
Heat, light, and power	2,234,755	49,500	35,101
Communications	4,905	3,335	3,135
Insurance and bonds	14,845	3,241	2,299
Repairs and maintenance	46,096	35,901	109,075
Administrative services	72,900	56,544	56,544
Building and equipment rental	18,446	34,529	32,566
Other	70,627	3,190	10,517
Depreciation	365,657	237,909	186,474
TOTAL OPERATING EXPENSES	3,684,564	876,204	683,432
OPERATING INCOME (LOSS)	321,493	(2,099)	(54,397)
NONOPERATING INCOME (EXPENSES)			
Interest earned	406	-	390
Interest expense and fees	(51,068)	(101,415)	(14,497)
TOTAL NONOPERATING REVENUES (EXPENSES)	(50,662)	(101,415)	(14,107)
INCOME (LOSS) BEFORE TRANSFERS	270,831	(103,514)	(68,504)
TRANSFERS			
Transfers in	-	221,562	300,164
Transfers out	(50,037)	(31,764)	(32,009)
TOTAL TRANSFERS	(50,037)	189,798	268,155
CHANGE IN NET POSITION	220,794	86,284	199,651
Restated net position, beginning of year	6,768,252	1,611,585	3,740,147
Net position, end of year	\$ 6,989,046	\$ 1,697,869	\$ 3,939,798

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
\$ 143,365	\$ 5,503,170	\$ 180,145
-	1,500	-
10,818	158,710	14,272
154,183	5,663,380	194,417
-	823,600	74,516
-	432,602	54,729
153,188	254,808	2,202
-	198,287	27,813
-	2,319,356	7,665
-	11,375	2,896
-	20,385	10,967
-	191,072	37,284
-	185,988	34,956
-	85,541	-
-	84,334	87,943
-	790,040	156,016
153,188	5,397,388	496,987
995	265,992	(302,570)
-	796	-
-	(166,980)	(13,017)
-0-	(166,184)	(13,017)
995	99,808	(315,587)
-	521,726	285,138
-	(113,810)	-
-0-	407,916	285,138
995	507,724	(30,449)
18,525	12,138,509	363,311
<u>\$ 19,520</u>	<u>\$ 12,646,233</u>	<u>\$ 332,862</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 3,929,176	\$ 869,843	\$ 626,499
Cash paid to suppliers	(2,659,359)	(234,942)	(272,180)
Cash paid to employees	(671,973)	(366,309)	(217,647)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	597,844	268,592	136,672
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in	-	221,562	300,164
Transfers out	(50,037)	(31,764)	(32,009)
Payments of borrowing	(60,000)	(59,000)	(70,000)
Interest paid	(51,068)	(101,415)	(14,497)
Purchase of capital assets	(83,523)	(263,272)	(319,802)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(244,628)	(233,889)	(136,144)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	406	-	390
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	353,622	34,703	918
Restated cash and cash equivalents, beginning of year	1,561,719	284,566	484,649
Cash and cash equivalents, end of year	<u>\$ 1,915,341</u>	<u>\$ 319,269</u>	<u>\$ 485,567</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
\$ 148,162	\$ 5,573,680	\$ 194,366
(156,382)	(3,322,863)	(174,685)
-	(1,255,929)	(125,301)
<u> </u>	<u> </u>	<u> </u>
(8,220)	994,888	(105,620)
-	521,726	285,138
-	(113,810)	-
-	(189,000)	(90,430)
-	(166,980)	(13,017)
-	(666,597)	(38,520)
<u> </u>	<u> </u>	<u> </u>
-0-	(614,661)	143,171
<u> </u>	<u> </u>	<u> </u>
-	796	-
<u> </u>	<u> </u>	<u> </u>
(8,220)	381,023	37,551
<u>18,503</u>	<u>2,349,437</u>	<u>82,729</u>
<u>\$ 10,283</u>	<u>\$ 2,730,460</u>	<u>\$ 120,280</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2018

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
Reconciliation of operating (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 321,493	\$ (2,099)	\$ (54,397)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	365,657	237,909	186,474
(Increase) decrease in:			
Accounts receivable	(84,757)	(5,087)	(3,275)
Inventories	(1,717)	-	11,643
Prepays	469	(260)	319
Deferred outflows of resources	36,924	25,210	6,728
Increase (decrease) in:			
Accounts payable	(2,725)	23,526	(3,778)
Accrued liabilities	(27,327)	1,293	(806)
Due to other funds	-	4,000	-
Net pension liability	(133,221)	(75,863)	(37,210)
Net OPEB liability	(40,516)	(14,857)	(14,753)
Customer deposits	7,876	825	739
Deferred inflows of resources	155,688	73,995	44,988
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 597,844</u>	<u>\$ 268,592</u>	<u>\$ 136,672</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
\$ 995	\$ 265,992	\$ (302,570)
-	790,040	156,016
(6,021)	(99,140)	(51)
-	9,926	-
-	528	27,056
-	68,862	327
(3,194)	13,829	9,985
-	(26,840)	1,585
-	4,000	-
-	(246,294)	(12,352)
-	(70,126)	(14,905)
-	9,440	-
-	274,671	29,289
<u>\$ (8,220)</u>	<u>\$ 994,888</u>	<u>\$ (105,620)</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 Ventures

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, 2017, are available at PAMA's administrative offices. As of December 31, 2017, PAMA had a net position of \$31,665.

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, 2018

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

2. Joint Ventures - 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, 2017, are available at PAFA's administrative offices. As of June 30, 2017, the most recent financial statements available, PAFA had a net position of \$792,706.

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. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- b. The City Income Tax Fund is used to account for the revenue from income tax collection. The City income tax was approved by voters for the purpose of funding street improvements.
- c. The Local Street Fund is used to account for restricted financial resources that are used for repairs and maintenance of the City's local streets.
- d. The Ambulance Fund is used to account for committed 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

6. Basis of Accounting - continued

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

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

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

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

7. Budgets and Budgetary Accounting

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

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

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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.

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 is 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, 2018, 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 2017 levy for property within the City was \$93,426,461.

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. 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, 2018

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 acquisition cost 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 and are reported in the government-wide financial statement of net position, the governmental funds, or proprietary funds balance sheet/statement of net position.

The City reports deferred outflows of resources and deferred inflows of resources which correspond to the City's net pension liability and net OPEB liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

19. Deferred Outflows/Inflows of Resources - continued

The City also reports deferred inflows of resources which arise only under a modified accrual basis of accounting and qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from revenues collected subsequent to sixty (60) days after year end and from long-term special assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

22. Tax Abatements

The City's tax revenues have been reduced by tax abatements. Management has determined these amounts to be immaterial to the financial statements.

23. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

Deposits

As of June 30, 2018, 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	\$ 5,512,387	\$ 5,563,818
COMPONENT UNIT Checking	<u>206,862</u>	<u>221,274</u>
TOTAL REPORTING ENTITY	<u>\$ 5,719,249</u>	<u>\$ 5,785,092</u>

The primary government cash and cash equivalents caption on the basic financial statements included \$893 of imprest cash and \$150,915 on deposit with the Michigan Public Power Agency. 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, 2018, the City accounts were insured by the FDIC for \$1,181,601 and the amount of \$4,603,491 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.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Fair Value Measurements - continued

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.

The City had the following fair value measurements as of June 30, 2018:

	Fair Value Measurements					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Weighted Average Maturity	S&P Rating
PRIMARY GOVERNMENT						
Land held for resale	\$ -0-	\$ -0-	\$ 1,463,616	\$ 1,463,616	N/A	N/A

The fair value measurement for the land held for resale was unchanged for the year ended June 30, 2018.

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, 2018, 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.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Custodial Credit Risk - continued

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, 2018:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,014,603	\$ 206,862	\$ 5,221,465
Cash and cash equivalents - restricted	649,592	-	649,592
Investments	1,463,616	-	1,463,616
	<u>\$ 7,127,811</u>	<u>\$ 206,862</u>	<u>\$ 7,334,673</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, 2018:

	<u>Customer Deposits</u>	<u>Debt Retirement</u>	<u>Total</u>
Enterprise Funds	<u>\$ 253,292</u>	<u>\$ 396,300</u>	<u>\$ 649,592</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2018, are as follows:

Due to General Fund from:	
Income Tax Fund	\$ 5,000
Ambulance Fund	35,915
Nonmajor governmental funds	10,300
Electric Light and Power System Fund	1,500
Sewage Disposal System Fund	225,070
Water System Fund	40
	<u>\$ 277,825</u>
Due to Water System Fund from:	
Internal Service Fund	<u>\$ 90,000</u>
Due to Local Street Fund from:	
Electric Light and Power System Fund	<u>\$ 700</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to nonmajor governmental funds from:	
Electric Light and Power System Fund	\$ <u>800</u>

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

NOTE E: INTERFUND TRANSFERS

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

Transfer to General Fund from:	
Electric Light and Power System Fund	\$ 50,037
Sewage Disposal System Fund	31,764
Water System Fund	<u>32,009</u>
	<u>\$ 113,810</u>

Transfer to Local Streets Fund from:	
General Fund	\$ 50,000
Nonmajor governmental funds	<u>823,755</u>
	<u>\$ 873,755</u>

Transfer to Sewer Disposal System Fund from:	
City Income Tax Fund	\$ 1,932
Nonmajor governmental funds	<u>219,630</u>
	<u>\$ 221,562</u>

Transfer to Water System Fund from:	
Nonmajor governmental funds	<u>\$ 300,164</u>

Transfer to Internal Service Fund from:	
General Fund	\$ 230,000
City Income Tax Fund	28,586
Ambulance Fund	<u>26,552</u>
	<u>\$ 285,138</u>

Transfers to nonmajor governmental funds from:	
General Fund	\$ 20,325
City Income Tax Fund	<u>18,580</u>
	<u>\$ 38,905</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E: INTERFUND TRANSFERS - CONTINUED

The transfers from the Electric Light and Power System Fund, Sewage Disposal System Fund and Water System Fund to the General Fund were to fund current year operations. The transfers to the Sewage Disposal System Fund, Water System Fund, and the nonmajor governmental funds were to fund current year projects. The transfers 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, 2018, are as follows:

Advance to Local Street Fund from:	
Electric Light and Power System Fund	<u>\$ 20,000</u>

The advance was made to finance a capital asset acquisition in prior years.

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

Primary Government

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,075,920	\$ -	\$ -	\$ 1,075,920
Construction in progress	33,089	925,096	-	958,185
Subtotal	1,109,009	925,096	-0-	2,034,105
Capital assets being depreciated				
Land improvements	111,523	9,339	-	120,862
Buildings and additions	371,721	-	-	371,721
Equipment and furniture	2,345,940	341,446	(234,209)	2,453,177
Infrastructure - streets and bridges	20,713,457	868,635	-	21,582,092
Subtotal	23,542,641	1,219,420	(234,209)	24,527,852
Less accumulated depreciation for:				
Land improvements	(30,146)	(6,118)	-	(36,264)
Buildings and additions	(197,405)	(10,346)	-	(207,751)
Equipment and furniture	(1,191,840)	(186,425)	147,121	(1,231,144)
Infrastructure - streets and bridges	(10,021,249)	(629,258)	-	(10,650,507)
Subtotal	(11,440,640)	(832,147)	147,121	(12,125,666)
Net capital assets being depreciated	12,102,001	387,273	(87,088)	12,402,186
Capital assets, net	<u>\$ 13,211,010</u>	<u>\$ 1,312,369</u>	<u>\$ (87,088)</u>	<u>\$ 14,436,291</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

Depreciation expense was charged to the following governmental activities:

General government	\$ 47,359
Public safety	37,230
Public works	700,438
Health and welfare	126,233
Recreation and culture	<u>7,975</u>
Total depreciation expense	<u><u>\$ 919,235</u></u>

The current year depreciation expense for governmental activities of \$832,147 has been adjusted by \$87,088 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
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	36,701	-	4,929,924
Transmission and disbursement	6,834,364	19,513	-	6,853,877
Equipment	<u>742,630</u>	<u>27,309</u>	-	<u>769,939</u>
Subtotal	12,470,217	83,523	-0-	12,553,740
Less accumulated depreciation for:				
Buildings	(1,556,095)	(116,561)	-	(1,672,656)
Transmissions and disbursement	(3,334,353)	(203,588)	-	(3,537,941)
Equipment	<u>(463,395)</u>	<u>(45,508)</u>	-	<u>(508,903)</u>
Subtotal	<u>(5,353,843)</u>	<u>(365,657)</u>	-0-	<u>(5,719,500)</u>
Net capital assets being depreciated	<u>7,116,374</u>	<u>(282,134)</u>	-0-	<u>6,834,240</u>
Capital assets, net	<u><u>\$ 7,392,181</u></u>	<u><u>\$ (282,134)</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 7,110,047</u></u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Business-type activities				
(Sewage Disposal System)				
Capital assets not being depreciated				
Land	\$ 11,003	\$ -	\$ -	\$ 11,003
Construction in progress	8,672	222,707	-	231,379
Subtotal	19,675	222,707	-0-	242,382
Capital assets being depreciated				
Buildings	4,455,040	-	-	4,455,040
Sewage Disposal System	3,618,193	12,840	-	3,631,033
Equipment	132,744	27,725	-	160,469
Subtotal	8,205,977	40,565	-0-	8,246,542
Less accumulated depreciation for:				
Building	(1,038,484)	(96,241)	-	(1,134,725)
Sewage Disposal System	(1,608,815)	(133,701)	-	(1,742,516)
Equipment	(35,992)	(7,967)	-	(43,959)
Subtotal	(2,683,291)	(237,909)	-0-	(2,921,200)
Net capital assets being depreciated	5,522,686	(197,344)	-0-	5,325,342
Capital assets, net	<u>\$ 5,542,361</u>	<u>\$ 25,363</u>	<u>\$ -0-</u>	<u>\$ 5,567,724</u>
Business-type activities				
(Water System)				
Capital assets not being depreciated				
Land	\$ 14,353	\$ -	\$ -	\$ 14,353
Construction in progress	5,781	319,802	-	325,583
Subtotal	20,134	319,802	-0-	339,936
Capital assets being depreciated				
Water System	6,337,785	-	-	6,337,785
Equipment	285,741	-	-	285,741
Subtotal	6,623,526	-0-	-0-	6,623,526
Less accumulated depreciation for:				
Water System	(2,548,287)	(171,558)	-	(2,719,845)
Equipment	(93,090)	(14,916)	-	(108,006)
Subtotal	(2,641,377)	(186,474)	-0-	(2,827,851)
Net capital assets being depreciated	3,982,149	(186,474)	-0-	3,795,675
Capital assets, net	<u>\$ 4,002,283</u>	<u>\$ 133,328</u>	<u>\$ -0-</u>	<u>\$ 4,135,611</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: CAPITAL ASSETS - CONTINUED

Component Unit

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
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 for:				
Downtown improvements	(366,157)	(31,292)	-	(397,449)
City Hall building	(1,820,700)	(130,050)	-	(1,950,750)
Subtotal	(2,186,857)	(161,342)	-0-	(2,348,199)
Net capital assets being depreciated	1,117,524	(161,342)	-0-	956,182
Capital assets, net	<u>\$ 1,117,524</u>	<u>\$ (161,342)</u>	<u>\$ -0-</u>	<u>\$ 956,182</u>

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, 2018.

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Primary Government					
Governmental activities					
Purchase Agreements					
2012 Vactor Truck contract payable	\$ 18,016	\$ -	\$ (18,016)	\$ -0-	\$ -
2016 Ambulance contract payable	166,806	-	(44,438)	122,368	-
2016 Snow Plow contract payable	147,582	-	(27,976)	119,606	28,726
2016 Heart Monitors/Defibrillators contract payable	72,746	-	(17,305)	55,441	17,880
2017 G.O. Limited Tax Bonds	1,920,000	-	(470,000)	1,450,000	475,000
Compensated absences	49,272	66,826	(66,331)	49,767	49,767
	2,374,422	66,826	(644,066)	1,797,182	571,373
Business-type activities					
2008 Capital Improvement Bonds	1,245,000	-	(60,000)	1,185,000	60,000
2004 Water System Bonds	614,872	-	(70,000)	544,872	75,000
2010 Sanitary Sewer System	766,000	-	(13,000)	753,000	14,000
2011 Sanitary Sewer System	2,644,000	-	(46,000)	2,598,000	48,000
Compensated absences	63,209	63,347	(82,017)	44,539	44,539
	5,333,081	63,347	(271,017)	5,125,411	241,539
Total Long-term debt	<u>\$ 7,707,503</u>	<u>\$ 130,173</u>	<u>\$ (915,083)</u>	<u>\$ 6,922,593</u>	<u>\$ 812,912</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H: LONG-TERM DEBT - CONTINUED

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

Primary Government

Equipment Purchase Agreements

\$166,806 Equipment Purchase Agreement dated July 1, 2016, due in annual installments ranging from \$23,150 to \$25,834 through July 1, 2023, with interest at 2.78 percent, payable annually. \$ 122,368

\$147,582 Equipment Purchase Agreement dated November 7, 2016, due in annual installments ranging from \$28,726 to \$31,098 through July 1, 2021, with interest at 2.68 percent, payable annually. 119,606

\$92,254 Equipment Purchase Agreement dated October 25, 2016, due in annual installments ranging from \$17,890 to \$19,087 through July 1, 2020, with interest at 3.32 percent, payable annually. 55,441

\$ 297,415

2017 General Obligation Limited Tax Bonds

\$1,920,000 Capital Improvement Bonds dated May 2, 2017, due in annual installments ranging from \$475,000 to \$490,000 through June 30, 2021, with interest ranging at 1.81 percent, payable semi-annually. \$ 1,450,000

2008 Electric Light and Power System Capital Improvement Bonds

\$1,690,000 Capital Improvement Bonds dated April 17, 2008, due in annual installments ranging from \$60,000 to \$105,000 through June 30, 2033, with interest ranging from 3.60 to 4.25 percent, payable semi-annually. \$ 1,185,000

2004 Water System Bonds

\$1,344,872 Water System Bonds dated September 25, 2003, due in annual installments ranging from \$75,000 to \$85,000 through October 1, 2024, with interest of 2.50 percent, payable semi-annually. \$ 544,872

2010 Sanitary Sewer System Revenue Bonds

\$2,900,000 Sewer System Revenue Bonds dated December 29, 2010, due in annual installments ranging from \$48,000 to \$121,000 through December 1, 2050, with interest of 3.00 percent, payable semi-annually. \$ 2,598,000

2011 Sanitary Sewer System Revenue Bonds

\$840,000 Sewer System Revenue Bonds dated March 9, 2011, due in annual installments ranging from \$14,000 to \$36,000 through December 1, 2050, with interest of 3.00 percent, payable semi-annually. \$ 753,000

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H: LONG-TERM DEBT - CONTINUED

Primary Government - Continued

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 \$94,306 at June 30, 2018. Of this amount, \$49,767 and \$44,539 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:

Year Ending June 30,	<u>Equipment Purchase Agreements</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 46,606	\$ 9,074	\$ 475,000	\$ 26,245
2020	71,119	7,084	485,000	17,648
2021	73,167	5,037	490,000	8,869
2022	55,553	2,930	-	-
2023	50,970	2,135	-	-
	<u>\$ 297,415</u>	<u>\$ 26,260</u>	<u>\$ 1,450,000</u>	<u>\$ 52,762</u>
Year Ending June 30,	<u>Capital Improvement Bonds</u>		<u>Water System Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	65,000	41,508	80,000	6,997
2023	70,000	38,908	80,000	4,997
2024-2028	390,000	133,619	159,872	3,870
2029-2033	475,000	62,688	-	-
	<u>\$ 1,185,000</u>	<u>\$ 416,247</u>	<u>\$ 544,872</u>	<u>\$ 48,291</u>
Year Ending June 30,	<u>Sanitary Sewer System Bonds</u>			
	<u>Principal</u>	<u>Interest</u>		
2019	\$ 62,000	\$ 99,600		
2020	64,000	97,710		
2021	66,000	95,760		
2022	67,000	93,765		
2023	69,000	91,725		
2024-2028	376,000	425,910		
2029-2033	436,000	365,250		
2034-2038	503,000	294,735		
2039-2043	583,000	213,555		
2044-2048	673,000	119,325		
2049-2051	452,000	20,670		
	<u>\$ 3,351,000</u>	<u>\$ 1,918,005</u>		

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 these 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 2.00%.

At the December 31, 2017, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	40
Inactive employees or beneficiaries entitled to but not yet receiving benefits	11
Active employees	<u>31</u>
	<u>82</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 4.56% to 6.77% based on annual payroll for open divisions.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2017, 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, 2018

NOTE I: RETIREMENT PLAN - CONTINUED

Actuarial Assumptions

The total pension liability in the December 31, 2017 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	55.50%	8.65%
Global Fixed Income	18.50%	3.76%
Real Assets	13.50%	9.72%
Diversifying Strategies	12.50%	7.50%

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, 2018

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 12/31/16	\$ 13,686,785	\$ 8,248,863	\$ 5,437,922
Service Cost	176,437	-	176,437
Interest on Total Pension Liability	1,069,900	-	1,069,900
Changes in benefits	(6,729)	-	(6,729)
Difference between expected and actual experience	(292,292)	-	(292,292)
Employer contributions	-	521,381	(521,381)
Employee contributions	-	20,842	(20,842)
Net investment income	-	1,082,559	(1,082,559)
Benefit payments, including employee refunds	(802,498)	(802,498)	-0-
Administrative expense	-	(17,152)	17,152
Other changes	(2)	-	\$ (2)
Net changes	<u>144,816</u>	<u>805,132</u>	<u>(660,316)</u>
Balances as of 12/31/17	<u>\$ 13,831,601</u>	<u>\$ 9,053,995</u>	<u>\$ 4,777,606</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	<u>\$ 6,297,614</u>	<u>\$ 4,777,606</u>	<u>\$ 3,491,884</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018, the employer recognized pension expenses of \$584,870. 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	\$ -	\$ 376,185
Changes in assumptions	162,672	-
Net difference between projected and actual earnings on pension plan investments	329,725	503,121
Contributions subsequent to the measurement date*	<u>267,646</u>	<u>-</u>
Total	<u>\$ 760,043</u>	<u>\$ 879,306</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, 2019.

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

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2019	\$ (2,234)
2020	(86,062)
2021	(211,864)
2022	(86,749)

These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$267,646), which will impact the net pension liability in fiscal year 2019, rather than pension expense.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE I: RETIREMENT PLAN - CONTINUED

Defined Benefit/Defined Contribution (Hybrid) Plan Description - continued

As established by the City Council, the City contributes 7 percent of the eligible employee wages. Of this 7 percent, a range of 4.29%-5.40% is allocated to the defined benefit portion and a range of 1.60%-2.71% 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, 2018, the City contributed \$36,041 for the defined benefit portion and \$13,674 for the defined contribution portion and the employees contributed \$21,556 to the defined contribution part of the plan.

NOTE J: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Portland Retiree Healthcare Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City of Portland. The Plan was established and is being funded under the authority of the City and under agreements with the unions representing various classes of employees. The Plan can be amended at the discretion of the City. The Plan does not issue separate stand-alone financial statements.

Benefits Provided

The Plan provides retirees age 55 with 10 years of service hired prior to July 1, 2013 with medical, prescription drug, dental and vision coverage in accordance with union agreements and/or personnel policies. The City covers the cost of coverage for these benefits less the balance of premiums required to be contributed by retirees in accordance with Plan provisions.

Summary of Plan Participants

At the June 30, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	7
Active employees	<u>16</u>
	<u>23</u>

Contributions

The City has no obligations to make contributions in advance of when the premiums are due for payments (i.e., may be financed on a "pay-as-you-go" basis). The City is currently only paying premiums of retirees from current, available financial resources. For the year ended June 30, 2018, the City's only contribution was its portion of premium payments.

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	2.98%
Healthcare Cost Trend Rates:	
Current Year Trend	8.50%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2035
Salary Increases	3.75%

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of the measurement date.

The mortality assumption is a 50% Male - 50% Female blend of the following tables:

1. RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
2. RP-2014 Employee Mortality Tables
3. RP-2014 Juvenile Mortality Tables

The mortality assumptions include a 10% margin for future mortality improvements, relative to the actual mortality experience seen in the 2000-2013 Experience Study.

Change in Total OPEB Liability

The change in the total OPEB liability for the year ended June 30, 2018 is as follows:

	Calculating the Net OPEB Liability		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/17	\$ 1,293,041	\$ -	\$ 1,293,041
Service Cost	68,758	-	68,758
Interest on Total OPEB Liability	33,145	-	33,145
Difference between expected and actual experience	(381,164)	-	(381,164)
Changes in assumptions	143,037	-	143,037
Employer contributions	-	55,913	(55,913)
Benefit payments, including employee refunds	(55,913)	(55,913)	-0-
Net changes	(192,137)	-	(192,137)
Balances as of 6/30/18	\$ 1,100,904	\$ -0-	\$ 1,100,904

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Summary of Significant Accounting Policies

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported for the City. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if there were any, would be reported at fair value. At June 30, 2018, the City had no fiduciary plan assets so net position at June 30, 2018 was \$0.

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98) percent or 1-percentage-point higher (3.98 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 1,196,945</u>	<u>\$ 1,100,904</u>	<u>\$ 1,012,220</u>

Sensitivity of the OPEB liability to Changes in Healthcare Cost Trend Rates

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.50 percent trending to 3.50 percent) or 1-percentage-point higher (6.50 percent trending to 5.50 percent) than the current healthcare cost rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 981,708</u>	<u>\$ 1,100,904</u>	<u>\$ 1,241,596</u>

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$84,484. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 353,281
Changes in assumptions	<u>132,573</u>	<u>-</u>
Total	<u>\$ 132,573</u>	<u>\$ 353,281</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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

Year Ended June 30,	OPEB Expense
2019	\$ (17,419)
2020	(17,419)
2021	(17,419)
2022	(17,419)
2023	(17,419)
Thereafter	(133,613)

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, 2018, the City contributed \$1,771. 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, 2018, the City contributed \$0 for the plan and employees contributed \$22,266.

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.

NOTE K: DEFERRED COMPENSATION PLANS

The City of Portland offers its employees a deferred compensation plan sponsored by the ICMA Retirement Corporation or MERS, which are both compensation plans 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 programs are administered by the ICMA Retirement Corporation and MERS.

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, auto, crime, 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE M: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during the year. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This 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. This Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73* was also implemented during the year. This 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.

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, 2018:

Revenues		
Licenses and Permits		
Permits	\$	32,520
Expenditures		
Salaries and wages		19,896
Fringe benefits		7,563
Contractual services		3,394
Supplies		680
Vehicle rental		42
Other		2,817
		<hr/>
TOTAL EXPENDITURES		34,392
		<hr/>
EXCESS OF REVENUES (UNDER) EXPENDITURES		(1,872)
Code Enforcement (Deficit) at June 30, 2017		<hr/>
		(1,039,938)
Code Enforcement (Deficit) at June 30, 2018	\$	<hr/> <hr/>
		(1,041,810)

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018:

PRIMARY GOVERNMENT	
Governmental Activities	
Other Purposes	
Streets	\$ 817,848
Cemetery Perpetual Care, nonexpendable	<u>170,692</u>
	<u>\$ 988,540</u>
Business-type Activities	
Restricted for utilities	
Electric Light and Power	<u>\$ 453,086</u>
Restricted for debt service	
Sewage Disposal System	<u>\$ 121,500</u>
Restricted for equipment replacement	
Sewage Disposal System	<u>\$ 22,402</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.

NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE P: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

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: UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In April 2018, the GASB issued Statements No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE R: RESTATEMENT OF NET POSITION

Beginning net position has been restated for governmental activities, the Electric Light and Power System Fund, the Sewer Disposal System Fund, the Water System Fund, the business-type activities, the Internal Service Fund due to a change in accounting principles. In addition, the Electric Light and Power System Fund and the business-type activities have restated beginning net position due to an understatement of cash and cash equivalents.

	Governmental Activities	Electric Light and Power System	Sewage Disposal System	Water System	Business-type Activities	Internal Service Fund
Net position as previously stated July 1, 2017	\$ 12,098,734	\$ 6,902,599	\$ 1,713,218	\$ 3,807,902	\$ 12,442,244	\$ 458,737
Adoption of GASB Statement No. 75 -						
Net other postemployment benefit liability	566,595	(286,279)	(101,633)	(67,755)	(455,667)	(95,426)
Understated cash and cash equivalents	-	151,932	-	-	151,932	-
Net position as restated July 1, 2017	<u>\$ 12,665,329</u>	<u>\$ 6,768,252</u>	<u>\$ 1,611,585</u>	<u>\$ 3,740,147</u>	<u>\$ 12,138,509</u>	<u>\$ 363,311</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 1,009,650	\$ 1,019,500	\$ 1,021,258	\$ 1,758
Penalties and interest	3,000	6,400	6,453	53
Tax collection	40,000	43,500	43,703	203
Total taxes	1,052,650	1,069,400	1,071,414	2,014
Licenses and permits				
Cable television license	30,000	30,000	25,010	(4,990)
City licenses and permits	500	750	33,337	32,587
Total licenses and permits	30,500	30,750	58,347	27,597
Intergovernmental				
State				
Sales tax	411,126	411,126	427,283	16,157
Local community stabilization Act 302 training funds	70,000	70,000	56,328	(13,672)
State liquor license	900	900	800	(100)
State liquor license	3,100	3,100	3,730	630
Total intergovernmental	485,126	485,126	488,141	3,015
Charges for services				
Cemetery fees and lot sales	10,200	15,500	16,748	1,248
Administrative charges	318,857	318,857	319,044	187
Other fees	6,000	6,057	3,873	(2,184)
Total charges for services	335,057	340,414	339,665	(749)
Fines and forfeits				
Parking	2,400	3,100	3,175	75
District court	10,000	10,000	8,212	(1,788)
Other	2,500	3,000	2,310	(690)
Total fines and forfeits	14,900	16,100	13,697	(2,403)
Interest and rents				
Rent	-	1,530	2,720	1,190
Other				
Donations	-	100	54,253	54,153
Reimbursements	16,500	63,610	67,130	3,520
Total other	16,500	63,710	121,383	57,673
TOTAL REVENUES	1,934,733	2,007,030	2,095,367	88,337

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2018

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
Council, boards, and commissions	\$ 7,482	\$ 8,078	\$ 7,686	\$ 392
Community promotions	88,425	96,053	78,048	18,005
City manager	159,476	164,360	155,750	8,610
Assessing services	48,556	51,435	45,126	6,309
Elections	5,110	9,660	8,259	1,401
City hall and grounds	53,889	58,764	55,349	3,415
General administrative	332,268	391,111	386,947	4,164
Total general government	695,206	779,461	737,165	42,296
Public safety				
Police department	701,921	737,884	607,310	130,574
Fire authority	120,307	121,775	121,774	1
Code enforcement	45,432	47,852	34,392	13,460
Total public safety	867,660	907,511	763,476	144,035
Public works				
Street lighting	60,000	69,500	63,606	5,894
Cemetery operations	154,240	162,454	135,885	26,569
Total public works	214,240	231,954	199,491	32,463
Health and welfare				
Ambulance service	22,328	22,328	22,327	1
Community and economic development				
Economic development	6,960	31,960	72,762	(40,802)
Recreation and culture				
Parks department	240,475	258,968	178,504	80,464
TOTAL EXPENDITURES	2,046,869	2,232,182	1,973,725	258,457
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(112,136)	(225,152)	121,642	346,794

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
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				
Local Street Fund	(80,000)	(80,000)	(50,000)	30,000
Major Street Fund	(47,000)	(47,000)	-	47,000
Recreation Fund	-	(13,000)	(19,875)	(6,875)
Wellhead Grant Fund	-	-	(450)	(450)
Motor Pool Fund	(110,000)	(139,000)	(230,000)	(91,000)
TOTAL OTHER FINANCING SOURCES (USES)	(123,190)	(165,190)	(186,515)	(21,325)
NET CHANGE IN FUND BALANCE	(235,326)	(390,342)	(64,873)	325,469
Fund balance, beginning of year	2,399,835	2,399,835	2,399,835	-0-
Fund balance, end of year	\$ 2,164,509	\$ 2,009,493	\$ 2,334,962	\$ 325,469

City of Portland

City Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 692,550	\$ 771,550	\$ 950,237	\$ 178,687
Fines and forfeits	10,000	10,200	13,389	3,189
Interest	-	-	4,801	4,801
Special assessments	-	10,150	10,157	7
Other	-	180	190	10
TOTAL REVENUES	702,550	792,080	978,774	186,694
EXPENDITURES				
Current				
General government	184,347	236,704	214,435	22,269
Debt service	506,000	506,000	501,759	4,241
TOTAL EXPENDITURES	690,347	742,704	716,194	26,510
EXCESS OF REVENUES OVER EXPENDITURES	12,203	49,376	262,580	213,204
OTHER FINANCING (USES)				
Transfers out				
Major Street Fund	-	(60,744)	(18,580)	42,164
Sewage Disposal System Fund	-	-	(1,932)	(1,932)
Motor Pool Fund	-	-	(28,586)	(28,586)
TOTAL OTHER FINANCING (USES)	-0-	(60,744)	(49,098)	11,646
NET CHANGE IN FUND BALANCE	12,203	(11,368)	213,482	224,850
Fund balance, beginning of year	805,390	805,390	805,390	-0-
Fund balance, end of year	<u>\$ 817,593</u>	<u>\$ 794,022</u>	<u>\$ 1,018,872</u>	<u>\$ 224,850</u>

City of Portland

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 79,649	\$ 80,450	\$ 80,497	\$ 47
Intergovernmental	82,841	128,000	147,231	19,231
Other	-	200	200	-0-
TOTAL REVENUES	162,490	208,650	227,928	19,278
EXPENDITURES				
Current				
Public works	926,339	1,263,847	1,150,404	113,443
EXCESS OF REVENUES (UNDER) EXPENDITURES	(763,849)	(1,055,197)	(922,476)	132,721
OTHER FINANCING SOURCES				
Transfers in				
Street Projects Fund	683,900	850,000	823,755	(26,245)
General Fund	80,000	80,000	50,000	(30,000)
TOTAL OTHER FINANCING SOURCES	763,900	930,000	873,755	(56,245)
NET CHANGE IN FUND BALANCE	51	(125,197)	(48,721)	76,476
Fund balance, beginning of year	62,546	62,546	62,546	-0-
Fund balance, end of year	<u>\$ 62,597</u>	<u>\$ (62,651)</u>	<u>\$ 13,825</u>	<u>\$ 76,476</u>

City of Portland

Ambulance Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 576,932	\$ 581,232	\$ 579,482	\$ (1,750)
Other	-	188,407	188,469	62
TOTAL REVENUES	576,932	769,639	767,951	(1,688)
EXPENDITURES				
Current				
Health and welfare	604,420	837,824	734,214	103,610
Debt service	27,060	21,502	19,721	1,781
TOTAL EXPENDITURES	631,480	859,326	753,935	105,391
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(54,548)	(89,687)	14,016	103,703
OTHER FINANCING (USES)				
Transfers out	-	(26,552)	(26,552)	-0-
NET CHANGE IN FUND BALANCE	(54,548)	(116,239)	(12,536)	103,703
Fund balance, beginning of year	179,541	179,541	179,541	-0-
Fund balance, end of year	\$ 124,993	\$ 63,302	\$ 167,005	\$ 103,703

City of Portland

Defined Benefit Pension Plan

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

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

	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 195,518	\$ 191,696	\$ 184,007	176,437
Interest	996,910	1,014,053	1,042,491	1,069,900
Changes of benefit terms	-	-	(5,276)	(6,729)
Difference between expected and actual experience	-	(412,990)	(107,437)	(292,292)
Changes of assumptions	-	650,689	-	-
Benefit payments including employee refunds	(668,323)	(667,741)	(732,278)	(802,498)
Administrative expense	(23,983)	(1)	-	-
Other changes	-	-	1	(2)
Net Change in Total Pension Liability	500,122	775,706	381,508	144,816
Total Pension Liability, beginning	<u>12,029,449</u>	<u>12,529,571</u>	<u>13,305,277</u>	<u>13,686,785</u>
Total Pension Liability, ending	<u>\$ 12,529,571</u>	<u>\$ 13,305,277</u>	<u>\$ 13,686,785</u>	<u>\$ 13,831,601</u>
Plan Fiduciary Net Position				
Contributions-employer	\$ 434,906	\$ 548,464	\$ 480,164	\$ 521,381
Contributions-employee	-	-	7,880	20,842
Net Investment income	481,656	(117,021)	861,635	1,082,559
Benefit payments including employee refunds	(668,323)	(667,741)	(732,278)	(802,498)
Administrative expense	(17,676)	(17,201)	(17,018)	(17,152)
Other changes	-	-	1	-
Net Change in Plan Fiduciary Net Position	230,563	(253,499)	600,384	805,132
Plan Fiduciary Net Position, beginning	<u>7,671,415</u>	<u>7,901,978</u>	<u>7,648,479</u>	<u>8,248,863</u>
Plan Fiduciary Net Position, ending	<u>\$ 7,901,978</u>	<u>\$ 7,648,479</u>	<u>\$ 8,248,863</u>	<u>\$ 9,053,995</u>
Employer Net Pension Liability	<u>\$ 4,627,593</u>	<u>\$ 5,656,798</u>	<u>\$ 5,437,922</u>	<u>\$ 4,777,606</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	63%	57%	60%	65%
Covered Employee Payroll	\$ 2,011,873	\$ 2,002,154	\$ 1,964,499	\$ 1,968,154
Employer's Net Pension Liability as a percentage of covered employee payroll	230%	283%	277%	243%

City of Portland

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Last Four 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>	<u>2017</u>	<u>2018</u>
Actuarial determined contributions	\$ 447,139	\$ 447,697	\$ 512,810	\$ 532,687
Contributions in relation to the actuarially determined contribution	<u>447,139</u>	<u>447,697</u>	<u>512,810</u>	<u>532,687</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 2,132,656	\$ 2,171,832	\$ 2,218,598	\$ 2,058,415
Contributions as a percentage of covered employee payroll	21%	21%	23%	26%

City of Portland

Retired Employees' Health Care Benefits

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

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

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 68,758
Interest	33,145
Difference between expected and actual experience	(381,164)
Changes in assumptions	143,037
Benefit payments including employee refunds	<u>(55,913)</u>
Net Change in Total OPEB Liability	(192,137)
Total OPEB Liability - beginning	<u>1,293,041</u>
Total OPEB Liability - ending	<u><u>\$ 1,100,904</u></u>
Plan Fiduciary Net Position	
Contributions-employer	\$ 55,913
Benefit payments including employee refunds	<u>(55,913)</u>
Net Change in Plan Fiduciary Net Position	-0-
Plan Fiduciary Net Position - beginning	<u>-</u>
Plan Fiduciary Net Position - ending	<u><u>\$ -0-</u></u>
Employer Net OPEB Liability	<u><u>\$ 1,100,904</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%
Covered Employee Payroll	\$ 1,120,572
Employer's Net OPEB Liability as a percentage of covered employee payroll	98.24%

City of Portland

Retired Employees' Health Care Benefits

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

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

	<u>2018</u>
Actuarially determined contributions	\$ 119,762
Contributions in relation to the actuarially determined contribution	<u>55,913</u>
Contribution deficiency (excess)	<u>\$ 63,849</u>
Covered Employee Payroll	\$ 1,120,572
Contributions as a percentage of covered employee payroll	5.0%

City of Portland

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

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, 2017, 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			
Community and Economic Development			
Economic Development	\$ 31,960	\$ 72,762	\$ 40,802
Transfers out			
Recreation Fund	13,000	19,875	6,875
Wellhead Grant Fund	-	450	450
Motor Pool Fund	139,000	230,000	91,000

NOTE B: EMPLOYEE RETIREMENT PLAN

Changes of benefits terms: There was a change in the participant contribution rate to 2% for certain employee groups during plan year 2017.

Changes in assumptions: There were no changes of assumptions during plan year 2017.

NOTE C: OTHER POST-EMPLOYMENT BENEFIT PLAN

Changes of benefits terms: There were no changes of benefit terms during plan year 2018.

Changes in assumptions: The discount rate was changed from 3% and age-based premiums were implemented since the last actuarial valuation.

OTHER SUPPLEMENTARY INFORMATION

City of Portland
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2018

	Special Revenue		Capital
	Major Street	Recreation	Capital Projects Fund
ASSETS			
Cash and cash equivalents	\$ 222,108	\$ 18,753	\$ 3,362
Accounts receivable	169	-	-
Due from other governmental units	57,473	-	-
Due from other funds	800	-	-
Prepays	4,109	1,023	-
TOTAL ASSETS	\$ 284,659	\$ 19,776	\$ 3,362
LIABILITIES			
Accounts payable	\$ 20,149	\$ 4,958	\$ -
Accrued liabilities	8,711	3,441	-
Due to other funds	-	10,000	-
TOTAL LIABILITIES	28,860	18,399	-0-
FUND BALANCES			
Nonspendable			
Prepays	4,109	1,023	-
Perpetual care	-	-	-
Restricted			
Streets	251,690	-	3,362
Assigned			
Recreation	-	354	-
TOTAL FUND BALANCES	255,799	1,377	3,362
TOTAL LIABILITIES AND FUND BALANCES	\$ 284,659	\$ 19,776	\$ 3,362

Projects		Permanent Fund	
Street Projects	Wellhead Improvement	Cemetery Perpetual Care	Total
\$ 544,862	\$ 450	\$ 170,692	\$ 960,227
-	-	-	169
-	-	-	57,473
-	-	-	800
-	-	-	5,132
<u>\$ 544,862</u>	<u>\$ 450</u>	<u>\$ 170,692</u>	<u>\$ 1,023,801</u>
\$ -	\$ 150	\$ -	\$ 25,257
-	-	-	12,152
-	300	-	10,300
-0-	450	-0-	47,709
-	-	-	5,132
-	-	170,692	170,692
544,862	-	-	799,914
-	-	-	354
<u>544,862</u>	<u>-0-</u>	<u>170,692</u>	<u>976,092</u>
<u>\$ 544,862</u>	<u>\$ 450</u>	<u>\$ 170,692</u>	<u>\$ 1,023,801</u>

City of Portland

Nonmajor Governmental Funds

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

Year Ended June 30, 2018

	Special Revenue		Capital
	Major Street	Recreation	Capital Projects Fund
REVENUES			
Intergovernmental	\$ 370,645	\$ 16,000	\$ -
Charges for services	-	78,839	-
Other	5,015	2,133	-
TOTAL REVENUES	375,660	96,972	-0-
EXPENDITURES			
Current			
Public works	324,907	-	-
Recreation and culture	-	125,564	-
TOTAL EXPENDITURES	324,907	125,564	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50,753	(28,592)	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	18,580	19,875	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	18,580	19,875	-0-
NET CHANGE IN FUND BALANCES	69,333	(8,717)	-
Fund balances, beginning of year	186,466	10,094	3,362
Fund balances, end of year	<u>\$ 255,799</u>	<u>\$ 1,377</u>	<u>\$ 3,362</u>

Projects		Permanent Fund	
Street Projects	Wellhead Improvement	Cemetery Perpetual Care	Total
\$ -	\$ -	\$ -	\$ 386,645
-	-	2,550	81,389
	-	-	7,148
-0-	-0-	2,550	475,182
-	450	-	325,357
-	-	-	125,564
-0-	450	-0-	450,921
-0-	(450)	2,550	24,261
-	450	-	38,905
(1,343,549)	-	-	(1,343,549)
(1,343,549)	450	-0-	(1,304,644)
(1,343,549)	-	2,550	(1,280,383)
1,888,411	-	168,142	2,256,475
\$ 544,862	\$ -0-	\$ 170,692	\$ 976,092

City of Portland

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2018

ASSETS	
Cash	\$ 206,862
Accounts receivable	<u>90</u>
TOTAL ASSETS	<u><u>\$ 206,952</u></u>
LIABILITIES	
Accounts payable	\$ 549
Accrued liabilities	<u>3,229</u>
TOTAL LIABILITIES	3,778
FUND BALANCE	
Unassigned	<u>203,174</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 206,952</u></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, 2018

Total fund balance - governmental fund \$ 203,174

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>(2,348,199)</u>	
Capital assets, net		<u>956,182</u>
Net position of governmental activities		<u><u>\$ 1,159,356</u></u>

City of Portland

Component Unit Fund

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

Year Ended June 30, 2018

REVENUES	
Taxes	\$ 248,351
Interest	119
Other	<u>38,944</u>
TOTAL REVENUES	287,414
EXPENDITURES	
Current	
Community and economic development	<u>197,811</u>
NET CHANGE IN FUND BALANCE	89,603
Fund balance, beginning of year	<u>113,571</u>
Fund balance, end of year	<u><u>\$ 203,174</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, 2018

Net change in fund balance - governmental fund \$ 89,603

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 (161,342)

Change in net position of governmental activities \$ (71,739)

City of Portland

Miscellaneous Statistical Data (Unaudited)

June 30, 2018

Total Taxable Value
Fiscal Years Ended or Ending June 30, 2015 Through 2019

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 At 198(1)	Total Taxable Value	Percent Increase Over Prior Year
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)
2016	2017	2018	92,968,902	630,384	93,599,286	1.543
2017	2018	2019	94,601,116	616,272	95,217,388	1.729

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2018 (3)..... \$24,521.60

(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, 2015 Through 2019

Use	Fiscal Year Ended or Ending June 30				
	2015	2016	2017	2018	2019
Residential	\$ 63,930,194	\$ 64,328,254	\$ 65,272,848	\$ 66,535,607	\$ 67,790,533
Commercial.....	22,947,567	22,911,358	22,670,188	23,127,074	23,765,400
Industrial	5,393,951	5,577,792	3,205,484	2,960,405	2,662,155
Utility	769,600	853,600	1,027,800	976,200	999,300
Development.....	0	0	0	0	0
	<u>\$ 93,041,312</u>	<u>\$ 93,671,004</u>	<u>\$ 92,176,320</u>	<u>\$ 93,599,286</u>	<u>\$ 95,217,388</u>
Class	2015	2016	2017	2018	2019
Real Property	\$ 87,140,712	\$ 87,457,304	\$ 87,964,820	\$ 89,462,886	\$ 91,188,988
Personal Property .	5,900,600	6,213,700	4,211,500	4,136,400	4,028,400
	<u>\$ 93,041,312</u>	<u>\$ 93,671,004</u>	<u>\$ 92,176,320</u>	<u>\$ 93,599,286</u>	<u>\$ 95,217,388</u>

Source: City of Portland

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2018

Total State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2015 Through 2019

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
2013	2014	2015	\$95,467,600	\$796,300	\$96,263,900	.0439%
2014	2015	2016	94,754,600	736,200	95,490,800	(.8031)
2015	2016	2017	95,435,400	699,944	96,135,344	.6750
2016	2017	2018	97,200,956	630,384	97,831,340	1.7000
2017	2018	2019	100,439,300	616,272	101,055,572	3.2957

Per Capita Total SEV for the Fiscal Year Ending June 30, 2018 (3)..... \$26,025.13

- (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, 2015 Through 2019

Use	Fiscal Year Ended or Ending June 30				
	2015	2016	2017	2018	2019
Residential.....	\$ 65,761,200	\$ 65,647,300	\$ 67,301,100	\$ 69,499,600	\$ 71,409,100
Commercial.....	24,339,000	23,412,100	24,585,900	24,395,135	25,979,900
Industrial.....	5,394,100	5,577,800	3,220,544	2,960,405	2,667,272
Utility.....	769,600	853,600	1,027,800	976,200	999,300
Development.....	0	0	0	0	0
	<u>\$ 96,263,900</u>	<u>\$ 95,490,800</u>	<u>\$ 96,135,344</u>	<u>\$ 97,831,340</u>	<u>\$ 101,055,572</u>
Class	2015	2016	2017	2018	2019
Real Property.....	\$ 90,363,300	\$ 89,277,100	\$ 91,923,844	\$ 93,694,940	\$ 97,027,172
Personal Property.....	5,900,600	6,213,700	4,211,500	4,136,400	4,028,400
	<u>\$ 96,263,900</u>	<u>\$ 95,490,800</u>	<u>\$ 96,135,344</u>	<u>\$ 97,831,340</u>	<u>\$ 101,055,572</u>

Source: City of Portland

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2018

Maximum Property Tax Rates
Fiscal Year Ending June 30, 2018

<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, 2015 Through 2019

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Total Operating</u>
2014	2015	13.6574 (2)
2015	2016	13.6574 (2)
2016	2017	13.6574 (2)
2017	2018	13.6574 (2)
2018	2019	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.

Source: City of Portland

Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended June 30, 2015 Through 2019

<u>Governmental Unit</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City of Portland.....	\$ 13.6574	\$ 13.6574	\$ 13.6574	\$ 13.6574	\$ 13.6574
County of Ionia	4.6434	4.6434	4.6378	4.6326	4.6326
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	4.4696	4.8736	4.8736
Intermediate School District-Tech Ed...	1.0000	1.0000	.9996	.9987	.9987
Library.....	1.6939	1.7139	1.6827	1.7116	1.9525
Seniors	<u>.5000</u>	<u>.5000</u>	<u>.4994</u>	<u>.4988</u>	<u>.4988</u>
Total.....	<u>\$ 39.3175</u>	<u>\$ 39.3375</u>	<u>\$ 39.2929</u>	<u>\$ 39.7227</u>	<u>\$ 39.9636</u>

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2018

Non-Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended June 30, 2015 Through 2019

<u>Governmental Unit</u>	<u>Fiscal Year Ending June 30</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</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	4.6326
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	4.4696	4.8736	4.8736
Intermediate School Dist.-Tech. Ed..	1.0000	1.0000	.9996	.9987	.9987
Library	1.6939	1.7139	1.6827	1.7116	1.9525
Seniors5000	.5000	.4994	.4988	.4988
Total.....	<u>\$ 57.3175</u>	<u>\$ 57.3375</u>	<u>\$ 57.3021</u>	<u>\$ 57.7335</u>	<u>\$ 57.9636</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, 2015 Through 2019

<u>July 1 Levy</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>City Tax Levy (1)</u>	<u>Collections to March 1 Following Levy</u>	<u>Percent Collected</u>
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	1,049,933	97.07
2017	2018	1,097,399	1,069,006	97.41
2018	2019	1,114,891	(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, 2018

Ten Largest Taxpayers
Fiscal Year Ending June 30, 2018

<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	\$ 2,989,795	3.141%
Parkers Landing (Portland Partners)	Apartments	2,144,516	2.253
Consumers Energy	Utility	986,700	1.037
Portland Apartments (LAWCO).....	Apartments	960,902	1.010
Portland Products.....	Automotive Manufacturing.....	937,672	0.985
THK	Tie Rods, Steering, Linkages ...	925,802	0.973
Rindlehaven Land Co. LLC.....	Land.....	691,384	0.726
Family Farm & Home (HEB, LLC).....	Farm supplies, retail sales.....	661,911	0.695
Speedway America LLC.	Gas Station.....	594,836	0.625
Goodwill (Pinnacle Ventures, LLC) ...	Retail.....	564,950	0.594
		<u>\$ 11,458,468</u>	<u>12.039%</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 \$95,178,875, which is the City's Total Taxable Value for the fiscal year ending June 30, 2018. 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, 2014 Through 2018

<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>
2014	\$771,078	\$713,953	.4360%
2015	785,813	723,488	1.3355
2016	830,815	752,439	4.0016
2017	923,413	834,190	10.8648
2018	951,031	847,112	1.5490

(1) Gross collections less refunds equal net tax.

Source: City of Portland

Revenues from the State of Michigan
Fiscal Years Ended or Ending June 30, 2014 through 2018

	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
State Revenue Sharing	\$ 391,871	\$ 402,593	\$ 399,390	\$ 416,319	\$ 427,283
Other	<u>4,086</u>	<u>4,353</u>	<u>4,505</u>	<u>4,312</u>	<u>4,529</u>
Total Revenues From the State of Michigan	<u>\$ 395,957</u>	<u>\$ 406,946</u>	<u>\$ 403,895</u>	<u>\$ 420,631</u>	<u>\$ 431,812</u>

Source: City of Portland

June 30, 2018

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, 2018

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, 2018:

Debt Limit (1)		\$ 10,105,557
Debt Outstanding	\$ 6,531,000	
Less: Exempt Debt (2).....	<u>(3,896,000)</u>	<u>2,635,000</u>
Legal Debt Margin		<u>\$ 7,470,557</u>

(1) 10% of \$101,055,572, which is the City's Total SEV for the fiscal year ending June 30, 2018. 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, 2018, 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>
Water and Wastewater Revenue Bonds:			
Dated March 8, 2011 (6).....	\$ 753,000	\$ 753,000	\$ -0-
Dated December 29, 2010 (6)	2,598,000	2,598,000	-0-
Dated September 25, 2003 (5)	<u>545,000</u>	<u>545,000</u>	<u>-0-</u>
Subtotal.....	<u>3,896,000</u>	<u>3,896,000</u>	<u>-0-</u>
Capital Improvement Bonds:			
Dated May 2, 2017 (Limited Tax) (7)	1,450,000	-0-	1,450,000
Dated April 17, 2008 (Limited Tax) (1)	<u>1,185,000</u>	<u>1,185,000</u>	<u>-0-</u>
Subtotal.....	<u>2,635,000</u>	<u>1,185,000</u>	<u>1,450,000</u>
 Total City Direct Debt:	 <u>\$ 6,531,000</u>	 <u>\$ 5,081,000</u>	 <u>\$ 1,450,000</u>

Per Capita Net Direct Debt (3)	\$373.42
Percent of Net Direct Debt to Total SEV (4)	1.43 %

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2018

<u>Overlapping Debt (2)</u>	<u>Gross</u>	<u>City Share as a Percent of Gross</u>	<u>Net</u>
Ionia County	\$ 467,000	5.80%	\$ 27,086
Ionia County Intermediate School District	210,000	5.10	10,710
Portland District Library	1,015,000	30.49	309,474
Portland Public Schools	<u>18,096,704</u>	24.98	<u>4,520,557</u>
Total Overlapping Debt	<u>21,800,162</u>		<u>4,867,827</u>
 Total City Direct and Overlapping Debt	 <u>\$ 28,331,162</u>		 <u>\$ 6,317,827</u>
 Per Capita Net Overlapping Debt (3)			 \$1,253.63
Percent of Net Overlapping Debt to Total SEV (4)			4.82%
 Per Capita Net Direct and Overlapping Debt (3)			 \$1,627.05
Percent of Net Direct and Overlapping Debt to Total SEV (4)			6.25%

- (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 \$101,055,572, which is the City's Total SEV for the fiscal year ending June 30, 2018. 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.
- Source: Municipal Advisory Council of Michigan and the City of Portland



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*

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, 2018, 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 28, 2018.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 an instance of noncompliance or other matters, described below as 2018-001, that is required to be reported under *Government Auditing Standards*.

2018-001 EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS

Condition: During our review of the City's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated in various functions in the General Fund. In addition, we noted that the City had budgeted for an ending deficit fund balance in the final budget for the Local Street Fund.

Criteria: The Michigan Public Act 621 of 1978, as amended, provides that the City adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. In addition, the combination of beginning fund balance plus current year budgeted revenues must equal or exceed current year budgeted expenditures. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The City adopted the budget for the General Fund at the functional level and the Special Revenue funds at the fund level.

Cause: The City did not amend expenditures in relation to budgeted amounts in the areas stated above. It appears year-end audit adjustments were the main cause for the noted overages.

Effect: The City is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed. We also recommend the City not budget for a fund to end in a deficit situation.

Corrective Action Response: The City had unexpected expenditures at year-end and has corrected the issue. The City will increase emphasis on year-end budget adjustments and monitor budgets prior to adoption to assure we are not budgeting for a deficit.

The City of Portland's Response to Finding

The City of Portland's response to the finding identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

November 28, 2018