



FINANCIAL STATEMENTS
June 30, 2017

City of Portland
Ionia County, Michigan
June 30, 2017

CITY COUNCIL AND ADMINISTRATION

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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, 2017, 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, 2017, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portland's basic financial statements. The 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, including nonmajor fund and component unit financial 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, 2017, 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, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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, 2017. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net position was \$24,540,978 (excluding component units).
- Governmental activities net position was \$12,098,734.
- Business-type activity net position was \$12,442,244.
- Component Unit net position was \$1,231,095.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,703,787 with \$5,033,604 being nonspendable, restricted, committed or assigned for specific purposes and \$670,183 being unassigned.
- The General Fund realized \$347,867 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$206,050 less than appropriated.
- Overall, the General Fund balance increased by \$562,163.

Capital and Long-term Debt Activities:

- The total additions to the capital asset schedule for the primary government were \$1,462,463, excluding reclassifications. Significant capital purchases during the year included Kent Street and James Street improvements, the purchase of heart monitors and river trail maintenance.
- The total long-term debt for the primary government was \$7,707,503, a net increase of \$1,623,635 from the prior year. This increase was largely due to the new debt that was issued during the year.
- The City remains well below its authorized legal debt limit. The City debt limit, as defined by statute, is ten percent (10%) of the state equalized property values, which currently equals \$9,147,638.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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

The Statement of Activities (page 2) presents information showing how the City's net position changed during 2016/2017. 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, 2017

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 Major Street Fund, the Ambulance Fund, the Electric Light and Power System Fund, the Sewage Disposal System Fund and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type.

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

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

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 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, 2017

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously stated, City of Portland's combined net position was \$24,540,978 at the end of this fiscal year's operations. The net position of the governmental activities was \$12,098,734; the business-type activities were \$12,442,244.

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

Net Position as of June 30, 2016 and 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Current and Other Assets	\$ 3,808,327	\$ 5,913,783	\$ 3,242,582	\$ 3,179,928	\$ 7,050,909	\$ 9,093,711
Capital Assets	13,079,090	13,211,010	17,236,636	16,936,825	30,315,726	30,147,835
Total Assets	\$ 16,887,417	\$ 19,124,793	\$ 20,479,218	\$ 20,116,753	\$ 37,366,635	\$ 39,241,546
Deferred outflows of resources	\$ 877,037	\$ 685,869	\$ 518,655	\$ 402,798	\$ 1,395,692	\$ 1,088,667
Current Liabilities	907,016	820,839	621,191	633,911	1,528,207	1,454,750
Noncurrent Liabilities	4,901,221	6,579,230	7,522,103	7,260,017	12,423,324	13,839,247
Total Liabilities	5,808,237	7,400,069	8,143,294	7,893,928	13,951,531	15,293,997
Deferred inflows of resources	194,212	311,859	115,531	183,379	309,743	495,238
Net Investment in Capital Assets	12,570,446	10,885,860	11,783,764	11,666,953	24,354,210	22,552,813
Restricted	317,375	2,300,861	579,579	588,842	896,954	2,889,703
Unrestricted	(1,125,816)	(1,087,987)	375,705	186,449	(750,111)	(901,538)
Total Net Position	\$ 11,762,005	\$ 12,098,734	\$ 12,739,048	\$ 12,442,244	\$ 24,501,053	\$ 24,540,978

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Changes in Net Position for the Fiscal Year Ending June 30, 2016 and 2017

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 2015/2016 and 2016/2017.

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Revenues						
Program Revenues						
Charges for						
Services	\$ 1,108,250	\$ 1,091,339	\$ 5,071,600	\$ 5,248,450	\$ 6,179,850	\$ 6,339,789
Grants and Contributions	651,883	801,370	-	-	651,883	801,370
General Revenues						
Property Taxes	1,088,127	1,174,017	-	-	1,088,127	1,174,017
State Shared Revenue	399,390	416,319	-	-	399,390	416,319
City Income Taxes	823,642	921,230	-	-	823,642	921,230
Investment Earnings	1,580	355,838	1,077	1,299	2,657	357,137
Miscellaneous Transfers	38,319	59,158	33,037	54,632	71,356	113,790
	53,796	(62,489)	(53,796)	62,489	-0-	-0-
Total Revenues	4,164,987	4,756,782	5,051,918	5,366,870	9,216,905	10,123,652
Expenses						
General Government	1,036,011	1,049,791	-	-	1,036,011	1,049,791
Public Safety	837,137	890,870	-	-	837,137	890,870
Public Works	1,262,091	1,425,763	-	-	1,262,091	1,425,763
Health and Welfare	643,784	692,473	-	-	643,784	692,473
Community and Economic Develop.	14,612	27,819	-	-	14,612	27,819
Recreation and Culture	292,755	291,200	-	-	292,755	291,200
Other	7,429	42,137	5,699,783	5,663,674	5,707,212	5,705,811
Total Expenses	4,093,819	4,420,053	5,699,783	5,663,674	9,793,602	10,083,727
Increase (decrease) in Net Position	71,168	336,729	(647,865)	(296,804)	(576,697)	39,925
Net Position - Beginning	11,690,837	11,762,005	13,386,913	12,739,048	25,077,750	\$ 24,501,053
Net Position - Ending	\$ 11,762,005	\$ 12,098,734	\$ 12,739,048	\$ 12,442,244	\$ 24,501,053	\$ 24,540,978

Governmental Activities:

The result of 2016/2017 governmental activity was an increase of \$336,729 in net position to \$12,098,734. Of the total governmental activities' net position, \$10,885,860 is invested in capital assets less related debt, \$2,300,861 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of (\$1,087,987) is listed as unrestricted, having no legal commitment.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Revenues:

The three largest revenue categories were charges for services at 22.9%, property taxes at 24.7%, and city income taxes at 19.4%. The City levied a property tax millage for the year ended June 30, 2017, for general government operations at 12.6574 mills, which includes 1.0000 mills for local streets. Charges for services, which reimburse the City for specific activities, examples include items such as ambulance fees, township fire fees, recreation fees and contributions, administrative charges, permits and motor pool equipment rental. The City income tax is set at 1% for residents and ½% for nonresidents that work in the City. It provided the third largest source of governmental activity revenue.

Expenses:

Public works is the largest governmental activity, expending approximately 32.2% of the governmental activities total. General government is the second largest area, expending approximately 23.8% of the governmental activities total and general government includes departments (e.g., council, community promotions, city manager, elections, general administration, assessor, city hall maintenance, and cemetery operations). Public safety is the third largest governmental activity, expended 20.1% of the governmental activities total on law enforcement, fire protection and code enforcement.

Business-type Activities:

Net position in business-type activities was decreased by \$296,804 during fiscal year 2016/2017. Of the business-type activities' net position, \$11,666,953 is invested in capital assets net of related debt, \$588,842 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 \$186,449 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2016/2017, its governmental funds reported *combined* fund balances of \$5,804,501. This is a net increase of \$2,298,188 mainly due to unspent debt proceeds of almost \$1.9 million in the Street Projects Fund (Capital Projects). The net changes are summarized in the following chart:

	General Fund	City Income Tax	Major Street Fund	Ambulance	Street Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 6/30/2016	\$ 1,947,673	\$ 1,078,687	\$ 69,127	\$ 140,246	\$ -	\$ 270,580	\$ 3,506,313
Fund Balance 6/30/2017	\$ 2,399,835	\$ 805,390	\$ 186,466	\$ 179,541	\$ 1,888,411	\$ 244,144	\$ 5,703,787
Net Change	\$ 452,162	\$ (273,297)	\$ 117,339	\$ 39,295	\$ 1,888,411	\$ (26,436)	\$ 2,197,474

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, 2017, the General Fund reported a fund balance of \$2,399,835. The 2016/2017 original budget had called for no change to fund balance.

The General Fund 2016/2017 revenues exceeded 2016/2017 expenditures by \$452,162 largely due to reduced spending so that expenditures were under budget by approximately \$206,000 and an increase in the market value of the land held for resale (increase in investment) of approximately \$364,000.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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 \$2,511,979, \$347,867 higher the final amended budget as a result of the market value increase as noted above.

The City's original General Fund expenditures and other financing uses budget was increased by \$174,073 during 2016/2017. The increase can be attributed to an increase in the amount paid to the ambulance fund.

Actual City expenditures and other financing uses for 2016/2017 were \$110,781 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, 2017, the City Income Tax Fund reported a fund balance of \$805,390, a decrease of \$273,297 from the prior year. The total fund balance is committed for street improvements. The City has used the income tax funds exclusively for the improvement of streets, sidewalks, curb, gutter, street lighting, parking areas, associated utilities and their appurtenances. To address these capital needs, accelerate projects, and reduce inconvenience to residents the City issued \$1,400,000 in Capital Improvements Bonds on September 4, 2013. The Capital Improvement Bond debt issued was serviced with income tax revenues and was paid in full on September 1, 2016.

Major Street Fund

As of June 30, 2017, the Major Street Fund reported a fund balance of \$186,466, which is an increase of \$117,339 from the prior year. The increase is due to a reduction in the amount of funds transferred from the Major Street Fund to the Local Street Fund.

Ambulance Fund

As of June 30, 2017, the Ambulance Fund reported a fund balance of \$179,541, which is an increase of \$39,295 from the prior year. The entire balance of \$179,541 is committed to ambulance operations.

Street Projects Fund

As of June 30, 2017, the Street Projects Fund reported a fund balance of \$1,888,411. The City issued Capital Improvement Bonds in the current year for various street projects over the next few years.

Enterprise Funds

As the City completed 2016/2017, its enterprise funds reported *combined* net position of \$12,442,244. This is a net decrease of \$296,804 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
Net Position 6/30/2016	\$ 7,042,673	\$ 1,763,442	\$ 3,907,469	\$ 25,464	\$ 12,739,048
Net Position 6/30/2017	\$ 6,902,599	\$ 1,713,218	\$ 3,807,902	\$ 18,525	\$ 12,442,244
Net Change	\$ (140,074)	\$ (50,224)	\$ (99,567)	\$ (6,939)	\$ (296,804)

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Electric Light and Power System Fund:

As of June 30, 2017, the Electric Light and Power System Fund reported a net position of \$6,902,599, a decrease of \$140,074 from the prior year. Of the entire net position amount, \$6,147,181 is invested in capital assets, net of related debt, \$453,086 is restricted for utility reserve, and \$302,332 is unrestricted.

Sewage Disposal System Fund:

As of June 30, 2017, the Sewer Fund reported a net position of \$1,713,218 a decrease of \$50,224 from the prior year. Of the entire net position, \$2,132,361 is invested in capital assets, net of related debt, \$135,756 is restricted, and (\$554,899) is unrestricted.

Water System Fund:

As of June 30, 2017, the Water System Fund reported a net position of \$3,807,902, a net decrease of \$99,567 from the prior year. Of the entire net position, \$3,387,411 is invested in capital assets, net of related debt and \$420,491 is unrestricted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2016/2017 the City had invested \$30,147,835, and \$1,117,524 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, 2017, 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	33,089	-	33,089
Land Improvements, net	81,377	-	81,377
Buildings, net	174,316	-	174,316
Equipment and Furniture, net	1,154,100	-	1,154,100
Electric System, net	-	7,392,181	7,392,181
Sewer System, net	-	5,542,361	5,542,361
Water System, net	-	4,002,283	136,507
Infrastructure			
Streets and Bridges, net	10,692,208	-	10,692,208
Capital Assets, net	<u>\$ 13,211,010</u>	<u>\$ 16,936,825</u>	<u>\$ 30,147,835</u>

Long-term Debt - As of June 30, 2017, the City had \$7,707,503 in long-term debt outstanding for the primary government. This level of net obligation is \$1,643,635 less than the obligation recorded as of June 30, 2016.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Outstanding Debt as of June 30, 2017:

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, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Primary Government				
Governmental activities				
2012 Vactor Truck Installment Purchase Agreement (\$85,500)	\$ 35,644	\$ -	\$ 17,628	\$ 18,016
2016 Ambulance Installment Purchase Agreement (\$166,806)	-	166,806	-	166,806
2016 Snow Plow Installment Purchase Agreement (\$147,582)	-	147,582	-	147,582
2016 Heart Monitors/Defibrillators Purchase Agreement (\$92,254)	-	92,254	19,508	72,746
2013 G.O. Limited Tax Bonds	473,000	-	473,000	-0-
2017 G.O. Limited Tax Bonds	-	1,920,000	-	1,920,000
Accumulated compensated absences	48,877	65,765	65,370	49,272
Business-type activities				
2008 Capital Improvement Bonds (\$1,690,000)	1,300,000	-	55,000	1,245,000
2004 Water System Bonds (\$1,344,872)	684,872	-	70,000	614,872
2010 Sanitary Sewer System (\$2,900,000) (Build America Bonds)	2,689,000	-	45,000	2,644,000
2011 Sanitary Sewer System (\$840,000)	779,000	-	13,000	766,000
Accumulated compensated absences	53,475	80,504	70,770	63,209
Total Primary Government	6,063,868	2,472,911	829,276	7,707,503
Component Unit				
2012 Refunding Bonds	220,000	-	220,000	-0-
Total Reporting Entity	\$ 6,283,868	\$ 2,472,911	\$ 1,049,276	\$ 7,707,503

CITY OF PORTLAND GOVERNMENT ECONOMIC OUTLOOK:

- * State revenue sharing is expected to increase 1.2% for the City's fiscal year 2017-2018, 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 \$548,464 to \$480,164 which reflects a 9.57% increase for the non-union division, an 19.69% increase for the GELC division, and an 7.04% decrease in the POLC Division, which has no active retirees.
- * The City is requiring all employee enrolled in the Defined Benefit plan to contribute to pension plan. Employees contribution 1% for fiscal year 2016-2017. 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.
- * 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 increase in personal property taxes.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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

CONTACTING THE CITY

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

BASIC FINANCIAL STATEMENTS

City of Portland

STATEMENT OF NET POSITION

June 30, 2017

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,974,351	\$ 1,577,199	\$ 5,551,550	\$ 117,758
Cash and cash equivalents - restricted	-	620,306	620,306	-
Investments	1,463,616	-	1,463,616	-
Receivables	223,612	704,593	928,205	-
Due from other governmental units	71,774	-	71,774	305
Internal balances	134,110	(134,110)	-0-	-
Prepays	66,320	21,294	87,614	-
Inventories	-	370,646	370,646	-
Total current assets	5,933,783	3,159,928	9,093,711	118,063
Noncurrent assets				
Internal balances	(20,000)	20,000	-0-	-
Capital assets not being depreciated	1,109,009	315,616	1,424,625	-
Capital assets being depreciated, net	12,102,001	16,621,209	28,723,210	1,117,524
Total noncurrent assets	13,191,010	16,956,825	30,147,835	1,117,524
TOTAL ASSETS	19,124,793	20,116,753	39,241,546	1,235,587
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	685,869	402,798	1,088,667	-0-
LIABILITIES				
Current liabilities				
Accounts payable	88,299	297,378	385,677	690
Accrued liabilities	111,983	59,189	171,172	3,802
Accrued interest payable	16,073	25,135	41,208	-
Current portion of compensated absences	49,272	63,209	112,481	-
Current portion of long-term debt	555,212	189,000	744,212	-
Total current liabilities	820,839	633,911	1,454,750	4,492
Noncurrent liabilities				
Customer deposits payable from restricted assets	-	241,972	241,972	-
Noncurrent portion of long-term debt	1,769,938	5,080,872	6,850,810	-
Net pension liability	3,500,749	1,937,173	5,437,922	-
Net other post-employment benefits obligation	1,308,543	-	1,308,543	-
Total noncurrent liabilities	6,579,230	7,260,017	13,839,247	-0-
TOTAL LIABILITIES	7,400,069	7,893,928	15,293,997	4,492
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	311,859	183,379	495,238	-0-
NET POSITION				
Net investment in capital assets	10,885,860	11,666,953	22,552,813	1,117,524
Restricted				
Utilities	-	453,086	453,086	-
Debt service	-	107,387	107,387	-
Equipment replacement	-	28,369	28,369	-
Other purposes	2,300,861	-	2,300,861	-
Unrestricted	(1,087,987)	186,449	(901,538)	113,571
TOTAL NET POSITION	\$ 12,098,734	\$ 12,442,244	\$ 24,540,978	\$ 1,231,095

See accompanying notes to financial statements.

City of Portland
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

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	\$ 1,049,791	\$ 444,535	\$ 7,096	\$ (598,160)	\$ -	\$ (598,160)	\$ -
Public safety	890,870	30,049	952	(859,869)	-	(859,869)	-
Public works	1,425,763	-	777,615	(648,148)	-	(648,148)	-
Health and welfare	692,473	551,082	5,805	(135,586)	-	(135,586)	-
Community and economic development	27,819	-	-	(27,819)	-	(27,819)	-
Recreation and culture	291,200	65,673	9,902	(215,625)	-	(215,625)	-
Interest on long-term debt	42,137	-	-	(42,137)	-	(42,137)	-
Total governmental activities	4,420,053	1,091,339	801,370	(2,527,344)	-0-	(2,527,344)	-0-
Business-type activities							
Electric Light and Power System	3,813,840	3,693,235	-	-	(120,605)	(120,605)	-
Sewage Disposal System	1,041,482	846,004	-	-	(195,478)	(195,478)	-
Water System	680,579	608,608	-	-	(71,971)	(71,971)	-
Refuse	127,773	100,603	-	-	(27,170)	(27,170)	-
Total business-type activities	5,663,674	5,248,450	-0-	-0-	(415,224)	(415,224)	-0-
Total primary government	\$ 10,083,727	\$ 6,339,789	\$ 801,370	(2,527,344)	(415,224)	(2,942,568)	-0-
Component unit							
Downtown Development Authority	\$ 299,646	\$ -	\$ -	-0-	-0-	-0-	(299,646)
General revenues							
Property taxes				1,174,017	-	1,174,017	247,508
State shared revenue				416,319	-	416,319	-
City income taxes				921,230	-	921,230	-
Investment earnings				355,838	1,299	357,137	75
Miscellaneous				59,158	54,632	113,790	38,213
Transfers				(62,489)	62,489	-0-	-
Total general revenues and transfers				2,864,073	118,420	2,982,493	285,796
Change in net position				336,729	(296,804)	39,925	(13,850)
Net position, beginning of the year				11,762,005	12,739,048	24,501,053	1,244,945
Net position, end of the year				\$ 12,098,734	\$ 12,442,244	\$ 24,540,978	\$ 1,231,095

See accompanying notes to financial statements.

City of Portland
Governmental Funds
BALANCE SHEET
June 30, 2017

	General	City Income Tax	Major Street
ASSETS			
Cash and cash equivalents	\$ 777,857	\$ 692,521	\$ 139,884
Investments	1,463,616	-	-
Receivables			
Taxes	462	121,736	-
Accounts	8,531	-	98
Due from other governmental units	-	-	54,235
Due from other funds	263,525	-	800
Prepays	19,556	608	4,033
	<u>\$ 2,533,547</u>	<u>\$ 814,865</u>	<u>\$ 199,050</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	\$ 62,084	\$ 773	\$ 5,771
Accrued liabilities	69,394	3,702	6,813
Due to other funds	-	5,000	-
Advance from other funds	-	-	-
	<u>131,478</u>	<u>9,475</u>	<u>12,584</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	2,234	-	-
FUND BALANCES			
Nonspendable			
Prepays	19,556	608	4,033
Perpetual care	-	-	-
Land held for resale	1,463,616	-	-
Restricted			
Streets	-	-	182,433
Committed			
Street improvements	-	804,782	-
Ambulance	-	-	-
Assigned			
Recreation	-	-	-
Subsequent year's expenditures	246,480	-	-
Unassigned	670,183	-	-
	<u>2,399,835</u>	<u>805,390</u>	<u>186,466</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 2,533,547</u>	<u>\$ 814,865</u>	<u>\$ 199,050</u>

See accompanying notes to financial statements.

<u>Ambulance</u>	<u>Street Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 138,183	\$ 1,888,411	\$ 254,766	\$ 3,891,622
-	-	-	1,463,616
-	-	-	122,198
92,509	-	171	101,309
-	-	17,539	71,774
-	-	700	265,025
8,938	-	4,877	38,012
<u>\$ 239,630</u>	<u>\$ 1,888,411</u>	<u>\$ 278,053</u>	<u>\$ 5,953,556</u>
\$ 5,784	\$ -	\$ 5,478	\$ 79,890
18,390	-	8,431	106,730
35,915	-	-	40,915
-	-	20,000	20,000
60,089	-0-	33,909	247,535
-	-	-	2,234
8,938	-	4,877	38,012
-	-	168,142	168,142
-	-	-	1,463,616
-	1,888,411	61,875	2,132,719
-	-	-	804,782
170,603	-	-	170,603
-	-	9,250	9,250
-	-	-	246,480
-	-	-	670,183
<u>179,541</u>	<u>1,888,411</u>	<u>244,144</u>	<u>5,703,787</u>
<u>\$ 239,630</u>	<u>\$ 1,888,411</u>	<u>\$ 278,053</u>	<u>\$ 5,953,556</u>

City of Portland

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

June 30, 2017

Total fund balances - governmental funds \$ 5,703,787

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

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

The cost of capital assets is	\$ 22,923,063	
Accumulated depreciation is	<u>(10,650,433)</u>	
Capital assets, net		12,272,630

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. 458,737

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

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

Deferred outflows of resources related to pensions	663,634	
Deferred inflows of resources related to pensions	<u>(301,827)</u>	
		361,807

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	8,601	
Compensated absences	43,807	
Direct obligations	1,992,746	
Net other post-employment benefits obligation	1,308,543	
Net pension liability	<u>3,346,764</u>	
		<u>(6,700,461)</u>

Net position of governmental activities \$ 12,098,734

City of Portland

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2017

	General	City Income Tax	Major Street
REVENUES			
Taxes	\$ 1,140,436	\$ 902,912	\$ -
Licenses and permits	33,276	-	-
Intergovernmental	426,346	-	680,644
Charges for services	343,155	-	-
Fines and forfeits	37,723	19,225	-
Interest and rents	363,547	1,224	-
Other	43,121	1,512	2,816
TOTAL REVENUES	2,387,604	924,873	683,460
EXPENDITURES			
Current			
General government	761,401	208,080	-
Public safety	815,461	-	-
Public works	53,219	-	883,236
Health and welfare	22,327	-	-
Community and economic development	26,248	-	-
Recreation and culture	167,711	-	-
Debt service	-	476,449	-
TOTAL EXPENDITURES	1,846,367	684,529	883,236
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	541,237	240,344	(199,776)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of land	10,565	-	-
Debt proceeds	-	-	-
Transfers in	113,810	-	317,115
Transfers out	(213,450)	(513,641)	-
TOTAL OTHER FINANCING SOURCES (USES)	(89,075)	(513,641)	317,115
NET CHANGE IN FUND BALANCES	452,162	(273,297)	117,339
Fund balances, beginning of year	1,947,673	1,078,687	69,127
Fund balances, end of year	<u>\$ 2,399,835</u>	<u>\$ 805,390</u>	<u>\$ 186,466</u>

See accompanying notes to financial statements.

Ambulance	Street Projects	Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ 79,457	\$ 2,122,805
-	-	-	33,276
-	-	103,258	1,210,248
556,887	-	67,573	967,615
-	-	-	56,948
-	-	-	364,771
1,809	-	3,785	53,043
<hr/>	<hr/>	<hr/>	<hr/>
558,696	-0-	254,073	4,808,706
-	-	-	969,481
-	-	-	815,461
-	-	219,527	1,155,982
591,934	-	-	614,261
-	-	-	26,248
-	-	93,909	261,620
19,721	31,589	-	527,759
<hr/>	<hr/>	<hr/>	<hr/>
611,655	31,589	313,436	4,370,812
<hr/>	<hr/>	<hr/>	<hr/>
(52,959)	(31,589)	(59,363)	437,894
-	-	-	10,565
92,254	1,920,000	-	2,012,254
-	-	32,927	463,852
-	-	-	(727,091)
<hr/>	<hr/>	<hr/>	<hr/>
92,254	1,920,000	32,927	1,759,580
<hr/>	<hr/>	<hr/>	<hr/>
39,295	1,888,411	(26,436)	2,197,474
<hr/>	<hr/>	<hr/>	<hr/>
140,246	-	270,580	3,506,313
<hr/>	<hr/>	<hr/>	<hr/>
\$ 179,541	\$ 1,888,411	\$ 244,144	\$ 5,703,787
<hr/>	<hr/>	<hr/>	<hr/>

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, 2017

Net change in fund balances - total governmental funds **\$ 2,197,474**

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	\$ 542,166	
Depreciation expense	<u>(684,611)</u>	
Excess of depreciation expense over capital outlay		(142,445)

Internal service funds are used by management to charge the costs of certain activities to individual funds.	39,147
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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	492,508
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Debt proceeds	(2,012,254)
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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:

(Increase) in accrued interest payable	(6,886)	
(Increase) in compensated absences	(1,031)	
(Increase) in net other post-employment benefits obligation	(63,324)	
Decrease in net pension liability	133,142	
(Decrease) in deferred outflows of resources related to pensions	(186,193)	
(Increase) in deferred inflows of resources related to pensions	<u>(113,409)</u>	
		<u>(237,701)</u>

Change in net position of governmental activities **\$ 336,729**

City of Portland

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2017

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,089,621	\$ 15,363	\$ 453,712
Cash and cash equivalents - restricted	320,166	269,203	30,937
Accounts receivable	487,048	117,197	84,643
Due from other funds	-	-	90,000
Inventories	321,089	-	49,557
Prepays	15,365	3,690	2,239
Total current assets	2,233,289	405,453	711,088
Noncurrent assets			
Advance to other funds	20,000	-	-
Capital assets not being depreciated	275,807	19,675	20,134
Capital assets being depreciated, net	7,116,374	5,522,686	3,982,149
Total noncurrent assets	7,412,181	5,542,361	4,002,283
TOTAL ASSETS	9,645,470	5,947,814	4,713,371
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	219,648	124,082	59,068
LIABILITIES			
Current liabilities			
Accounts payable	245,636	3,845	32,214
Accrued liabilities	32,640	17,086	9,463
Accrued interest payable	12,767	8,525	3,843
Due to other funds	3,000	221,070	40
Compensated absences	43,047	16,407	3,755
Current portion of long-term debt	60,000	59,000	70,000
Total current liabilities	397,090	325,933	119,315
Noncurrent liabilities			
Customer deposits payable from restricted assets	183,178	28,212	30,582
Net pension liability	1,097,333	597,043	242,797
Noncurrent portion of long-term debt	1,185,000	3,351,000	544,872
Total noncurrent liabilities	2,465,511	3,976,255	818,251
TOTAL LIABILITIES	2,862,601	4,302,188	937,566
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	99,918	56,490	26,971
NET POSITION			
Net investment in capital assets	6,147,181	2,132,361	3,387,411
Restricted for utility reserve	453,086	-	-
Restricted for debt service	-	107,387	-
Restricted for equipment replacement	-	28,369	-
Unrestricted	302,332	(554,899)	420,491
TOTAL NET POSITION	\$ 6,902,599	\$ 1,713,218	\$ 3,807,902

See accompanying notes to financial statements.

<u>Activities</u>		<u>Governmental</u>	
<u>Nonmajor</u>		<u>Internal</u>	
<u>Enterprise</u>		<u>Service</u>	
<u>Fund (Refuse)</u>	<u>Total</u>	<u>Fund</u>	
\$ 18,503	\$ 1,577,199	\$ 82,729	
-	620,306	-	
15,705	704,593	105	
-	90,000	-	
-	370,646	-	
-	21,294	28,308	
34,208	3,384,038	111,142	
-	20,000	-	
-	315,616	-	
-	16,621,209	938,380	
-0-	16,956,825	938,380	
34,208	20,340,863	1,049,522	
-	402,798	22,235	
15,683	297,378	8,409	
-	59,189	5,253	
-	25,135	7,472	
-	224,110	90,000	
-	63,209	5,465	
-	189,000	67,907	
15,683	858,021	184,506	
-	241,972	-	
-	1,937,173	153,985	
-	5,080,872	264,497	
-0-	7,260,017	418,482	
15,683	8,118,038	602,988	
-	183,379	10,032	
-	11,666,953	605,976	
-	453,086	-	
-	107,387	-	
-	28,369	-	
18,525	186,449	(147,239)	
<u>\$ 18,525</u>	<u>\$ 12,442,244</u>	<u>\$ 458,737</u>	

City of Portland

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2017

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
OPERATING REVENUES			
Charges for services			
User charges	\$ 3,693,235	\$ 846,004	\$ 608,608
Other	29,710	719	3,972
TOTAL OPERATING REVENUES	3,722,945	846,723	612,580
OPERATING EXPENSES			
Salaries and wages	477,080	269,679	133,539
Fringe benefits	314,185	183,202	86,693
Contractual services	31,718	29,903	8,127
Supplies	114,568	27,997	15,837
Heat, light, and power	2,241,224	49,434	28,731
Communications	2,633	8,250	3,549
Insurance and bonds	13,929	3,374	2,385
Repairs and maintenance	48,669	40,612	107,861
Administrative services	72,900	56,544	56,544
Building and equipment rental	18,148	37,068	32,556
Other	49,627	1,771	3,510
Depreciation	376,606	230,623	185,438
TOTAL OPERATING EXPENSES	3,761,287	938,457	664,770
OPERATING (LOSS)	(38,342)	(91,734)	(52,190)
NONOPERATING INCOME (EXPENSES)			
Interest earned	858	-	441
Interest expense and fees	(52,553)	(103,025)	(15,809)
TOTAL NONOPERATING REVENUES (EXPENSES)	(51,695)	(103,025)	(15,368)
(LOSS) BEFORE TRANSFERS	(90,037)	(194,759)	(67,558)
TRANSFERS			
Transfers in	-	176,299	-
Transfers out	(50,037)	(31,764)	(32,009)
TOTAL TRANSFERS	(50,037)	144,535	(32,009)
CHANGE IN NET POSITION	(140,074)	(50,224)	(99,567)
Net position, beginning of year	7,042,673	1,763,442	3,907,469
Net position, end of year	<u>\$ 6,902,599</u>	<u>\$ 1,713,218</u>	<u>\$ 3,807,902</u>

See accompanying notes to financial statements.

Activities Nonmajor Enterprise Fund (Refuse)	Total	Governmental Activities Internal Service Fund
\$ 100,603	\$ 5,248,450	\$ 241,980
20,231	54,632	17,553
120,834	5,303,082	259,533
-	880,298	68,842
-	584,080	45,655
127,773	197,521	1,726
-	158,402	42,835
-	2,319,389	8,447
-	14,432	1,711
-	19,688	14,241
-	197,142	41,964
-	185,988	34,957
-	87,772	-
-	54,908	-
-	792,667	153,076
127,773	5,492,287	413,454
(6,939)	(189,205)	(153,921)
-	1,299	-
-	(171,387)	(7,682)
-0-	(170,088)	(7,682)
(6,939)	(359,293)	(161,603)
-	176,299	200,750
-	(113,810)	-
-0-	62,489	200,750
(6,939)	(296,804)	39,147
25,464	12,739,048	419,590
\$ 18,525	\$ 12,442,244	\$ 458,737

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 3,783,895	\$ 864,556	\$ 620,316
Cash paid to suppliers	(2,559,518)	(169,818)	(257,722)
Cash paid to employees	(768,074)	(449,713)	(213,802)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	456,303	245,025	148,792
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in	-	176,299	-
Transfers out	(50,037)	(31,764)	(32,009)
Payments of borrowing	(55,000)	(58,000)	(70,000)
Interest paid	(53,048)	(103,170)	(16,247)
Proceeds from debt issuance	-	-	-
Purchase of capital assets	(149,835)	(241,752)	(101,269)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(307,920)	(258,387)	(219,525)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	858	-	441
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	149,241	(13,362)	(70,292)
Cash and cash equivalents, beginning of year	1,260,546	297,928	554,941
Cash and cash equivalents, end of year	<u>\$ 1,409,787</u>	<u>\$ 284,566</u>	<u>\$ 484,649</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
\$ 120,024 (121,844) -	\$ 5,388,791 (3,108,902) (1,431,589)	\$ 263,666 (188,441) (114,023)
(1,820)	848,300	(38,798)
-	176,299	200,750
-	(113,810)	-
-	(183,000)	(17,628)
-	(172,465)	(784)
-	-0-	314,388
-	(492,856)	(427,441)
-0-	(785,832)	69,285
-	1,299	-
(1,820)	63,767	30,487
20,323	2,133,738	52,242
<u>\$ 18,503</u>	<u>\$ 2,197,505</u>	<u>\$ 82,729</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2017

	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 (loss)	\$ (38,342)	\$ (91,734)	\$ (52,190)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	376,606	230,623	185,438
(Increase) decrease in:			
Accounts receivable	(3,357)	(4,121)	(2,404)
Inventories	31,940	-	(15,633)
Prepays	(10,440)	(1,259)	(495)
Deferred charges	61,939	35,681	18,237
Advance to other funds	20,000	-	-
Increase (decrease) in:			
Accounts payable	12,398	(26,606)	17,506
Accrued liabilities	5,410	(7,366)	527
Due to other funds	-	113,000	-
Net pension liability	(44,158)	(25,147)	(12,334)
Customer deposits	6,880	1,050	623
Deferred revenue	37,427	20,904	9,517
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 456,303</u>	 <u>\$ 245,025</u>	 <u>\$ 148,792</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
\$ (6,939)	\$ (189,205)	\$ (153,921)
-	792,667	153,076
(810)	(10,692)	(105)
-	16,307	-
-	(12,194)	(27,567)
-	115,857	4,975
-	20,000	-
5,929	9,227	(6,993)
-	(1,429)	(406)
-	113,000	(8,000)
-	(81,639)	(4,095)
-	8,553	-
-	67,848	4,238
<u>\$ (1,820)</u>	<u>\$ 848,300</u>	<u>\$ (38,798)</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

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

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

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

1. Reporting Entity

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

2. Joint Venture

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

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

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

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

The financial activities of PAMA are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended December 31, 2016, are available at PAMA's administrative offices. As of December 31, 2016, PAMA had a fund balance of \$2,864.

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, 2017

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

2. Joint Venture - continued

Portland Area Fire Authority - continued

The financial activities of PAFA are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2016, are available at PAFA's administrative offices. As of June 30, 2016, the most recent financial statements available, PAFA had a fund balance of \$189,823.

3. Discretely Presented Component Unit

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

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

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component unit as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

FUND FINANCIAL STATEMENTS

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

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The City Income Tax Fund is used to account for the revenue from income tax collection. The City income tax was approved by voters for the purpose of funding street improvements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- c. The Major Street Fund is used to account for restricted Act 51 financial resources that are used for repairs and maintenance of the City's major streets.
- d. The Ambulance Fund is used to account for funds received and expended for health and welfare.
- e. The Street Projects Fund is a capital projects fund used to account for restricted financial resources that are used for repairs and maintenance of the City's streets.

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, 2017

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, 2017

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 are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2017, 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 2016 levy for property within the City was \$91,476,376.

13. Income Tax Revenues

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

14. Inventories

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

15. Compensated Absences

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

16. Interfund Transactions

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

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

17. Capital Assets

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

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

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

18. Net Pension Liability

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

19. Deferred Outflows/Inflows of Resources

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

20. Long-term Liabilities

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

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

21. Comparative Data

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

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.

NOTE B: CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Deposits

As of June 30, 2017, 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	\$ 6,170,963	\$ 6,209,904
FIDUCIARY FUND		
Checking	-	14,996
COMPONENT UNIT		
Checking	<u>117,758</u>	<u>121,143</u>
TOTAL REPORTING ENTITY	<u>\$ 6,288,721</u>	<u>\$ 6,346,043</u>

The primary government cash and cash equivalents caption on the basic financial statements included \$893 of imprest cash. Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2017, the City accounts were insured by the FDIC for \$1,174,626 and the amount of \$5,171,417 was uninsured and uncollateralized.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

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

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

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Fair Value Measurements - continued

The City had the following fair value measurements as of June 30, 2017:

	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 increased by \$353,707 to \$1,463,616 during the year as a result of recent comparable land sales in the area.

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, 2017, 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 advisers with which the City will do business in accordance with Council approved policy.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents captions on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2017:

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Custodial Credit Risk - continued

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,551,550	\$ 117,758	\$ 5,669,308
Cash and cash equivalents - restricted	620,306	-	620,306
Investments	1,463,616	-	1,463,616
	<u>\$ 7,635,472</u>	<u>\$ 117,758</u>	<u>\$ 7,753,230</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, 2017:

	<u>Customer Deposits</u>	<u>Debt Retirement</u>	<u>Total</u>
Enterprise Funds	<u>\$ 242,356</u>	<u>\$ 377,950</u>	<u>\$ 620,306</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2017, are as follows:

Due to General Fund from:	
Income Tax Fund	\$ 5,000
Ambulance Fund	35,915
Electric Light and Power System Fund	1,500
Sewage Disposal Fund	221,070
Water System Fund	40
	<u>\$ 263,525</u>
Due to Water System Fund from:	
Internal Service Fund	<u>\$ 90,000</u>
Due to nonmajor governmental funds from:	
Electric Light and Power System Fund	<u>\$ 700</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to Major Street Fund from:	
Electric Light and Power System Fund	\$ <u>800</u>

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

NOTE E: INTERFUND TRANSFERS

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

Transfer to General Fund from:	
Electric Light and Power System Fund	\$ 50,037
Sewage Disposal System Fund	31,764
Water System Fund	<u>32,009</u>
	<u>\$ 113,810</u>
Transfer to Major Street Fund from:	
City Income Tax Fund	<u>\$ 317,115</u>
Transfer to Sewer Disposal System Fund from:	
City Income Tax Fund	<u>\$ 176,299</u>
Transfer to Internal Service Fund from:	
General Fund	<u>\$ 200,750</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 12,700
City Income Tax Fund	<u>20,227</u>
	<u>\$ 32,927</u>

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, Major Street Fund, and the nonmajor governmental funds were to fund current year projects. The transfer from the General Fund and Ambulance Fund to the Internal Service Fund was to fund capital outlay.

NOTE F: ADVANCES RECEIVABLE AND PAYABLE

The amount of advances receivable and payable at June 30, 2017, are as follows:

Advance to nonmajor governmental funds from:	
Electric Light and Power System Fund	\$ <u>20,000</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

Primary Government

	Balance July 1, 2016	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,075,920	\$ -	\$ -	\$ 1,075,920
Construction in progress	258,873	33,089	(258,873)	33,089
Subtotal	1,334,793	33,089	(258,873)	1,109,009
Capital assets being depreciated				
Land improvements	91,093	27,295	(6,865)	111,523
Buildings and additions	399,721	-	(28,000)	371,721
Equipment and furniture	2,010,212	541,492	(205,764)	2,345,940
Infrastructure - streets and bridges	20,086,853	626,604	-	20,713,457
Subtotal	22,587,879	1,195,391	(240,629)	23,542,641
Less accumulated depreciation for:				
Land improvements	(25,218)	(4,928)	-	(30,146)
Buildings and additions	(215,059)	(10,346)	28,000	(197,405)
Equipment and furniture	(1,218,723)	(160,586)	187,469	(1,191,840)
Infrastructure - streets and bridges	(9,384,582)	(636,667)	-	(10,021,249)
Subtotal	(10,843,582)	(812,527)	215,469	(11,440,640)
Net capital assets being depreciated	11,744,297	382,864	(25,160)	12,102,001
Capital assets, net	<u>\$ 13,079,090</u>	<u>\$ 415,953</u>	<u>\$ (284,033)</u>	<u>\$ 13,211,010</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 17,001
Public safety	26,652
Public works	734,302
Health and welfare	41,484
Recreation and culture	18,248
Total depreciation expense	<u>\$ 837,687</u>

The current year depreciation expense for governmental activities of \$812,527 has been adjusted by \$25,160 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.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

	Balance July 1, 2016	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2017
Business-type activities (Electric Light and Power System)				
Capital assets not being depreciated				
Land	\$ 275,807	\$ -	\$ -	\$ 275,807
Capital assets being depreciated				
Buildings	4,893,223	-	-	4,893,223
Transmission and disbursement	6,834,939	80,128	(80,703)	6,834,364
Equipment	696,911	69,707	(23,988)	742,630
Subtotal	12,425,073	149,835	(104,691)	12,470,217
Less accumulated depreciation for:				
Buildings	(1,440,933)	(115,162)	-	(1,556,095)
Transmissions and disbursement	(3,210,521)	(204,535)	80,703	(3,334,353)
Equipment	(430,474)	(56,909)	23,988	(463,395)
Subtotal	(5,081,928)	(376,606)	104,691	(5,353,843)
Net capital assets being depreciated	7,343,145	(226,771)	-0-	7,116,374
Capital assets, net	<u>\$ 7,618,952</u>	<u>\$ (226,771)</u>	<u>\$ -0-</u>	<u>\$ 7,392,181</u>
Business-type activities (Sewage Disposal System)				
Capital assets not being depreciated				
Land	\$ 11,003	\$ -	\$ -	\$ 11,003
Construction in progress	4,731	8,672	(4,731)	8,672
Subtotal	15,734	8,672	(4,731)	19,675
Capital assets being depreciated				
Buildings	4,455,040	-	-	4,455,040
Sewage Disposal System	3,380,382	237,811	-	3,618,193
Equipment	132,744	-	-	132,744
Subtotal	7,968,166	237,811	-0-	8,205,977
Less accumulated depreciation for:				
Building	(942,243)	(96,241)	-	(1,038,484)
Sewage Disposal System	(1,480,860)	(127,955)	-	(1,608,815)
Equipment	(29,565)	(6,427)	-	(35,992)
Subtotal	(2,452,668)	(230,623)	-0-	(2,683,291)
Net capital assets being depreciated	5,515,498	7,188	-0-	5,522,686
Capital assets, net	<u>\$ 5,531,232</u>	<u>\$ 15,860</u>	<u>\$ (4,731)</u>	<u>\$ 5,542,361</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

	<u>Balance July 1, 2016</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2017</u>
Business-type activities				
(Water System)				
Capital assets not being depreciated				
Land	\$ 14,353	\$ -	\$ -	\$ 14,353
Construction in progress	1,289	5,781	(1,289)	5,781
Subtotal	15,642	5,781	(1,289)	20,134
Capital assets being depreciated				
Water System	6,275,722	62,063	-	6,337,785
Equipment	260,968	34,714	(9,941)	285,741
Subtotal	6,536,690	96,777	(9,941)	6,623,526
Less accumulated depreciation for:				
Water System	(2,377,758)	(170,529)	-	(2,548,287)
Equipment	(88,122)	(14,909)	9,941	(93,090)
Subtotal	(2,465,880)	(185,438)	9,941	(2,641,377)
Net capital assets being depreciated	4,070,810	(88,661)	-0-	3,982,149
Capital assets, net	<u>\$ 4,086,452</u>	<u>\$ (82,880)</u>	<u>\$ (1,289)</u>	<u>\$ 4,002,283</u>
Component Unit				
Component Unit (DDA)				
Capital assets being depreciated				
Downtown improvements	\$ 703,381	\$ -	\$ -	\$ 703,381
City Hall building	2,601,000	-	-	2,601,000
Subtotal	3,304,381	-0-	-0-	3,304,381
Less accumulated depreciation				
Downtown improvements	(334,865)	(31,292)	-	(366,157)
City Hall building	(1,690,650)	(130,050)	-	(1,820,700)
Subtotal	(2,025,515)	(161,342)	-0-	(2,186,857)
Net capital assets being depreciated	1,278,866	(161,342)	-0-	1,117,524
Capital assets, net	<u>\$ 1,278,866</u>	<u>\$ (161,342)</u>	<u>\$ -0-</u>	<u>\$ 1,117,524</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017.

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Primary Government					
Governmental activities					
Purchase Agreements					
2012 Vactor Truck contract payable	\$ 35,644	\$ -	\$ (17,628)	\$ 18,016	\$ 18,016
2016 Ambulance contract payable	-	166,806	-	166,806	21,915
2016 Snow Plow contract payable	-	147,582	-	147,582	27,976
2016 Heart Monitors/Defibrillators contract payable	-	92,254	(19,508)	72,746	17,305
2013 G.O. Limited Tax Bonds	473,000	-	(473,000)	-0-	-
2017 G.O. Limited Tax Bonds	-	1,920,000	-	1,920,000	470,000
Compensated absences	48,877	65,765	(65,370)	49,272	49,272
	<u>557,521</u>	<u>2,392,407</u>	<u>(575,506)</u>	<u>2,374,422</u>	<u>604,484</u>
Business-type activities					
2008 Capital Improvement Bonds	1,300,000	-	(55,000)	1,245,000	60,000
2004 Water System Bonds	684,872	-	(70,000)	614,872	70,000
2010 Sanitary Sewer System	2,689,000	-	(45,000)	2,644,000	46,000
2011 Sanitary Sewer System	779,000	-	(13,000)	766,000	13,000
Compensated absences	53,475	80,504	(70,770)	63,209	63,209
	<u>5,506,347</u>	<u>80,504</u>	<u>(253,770)</u>	<u>5,333,081</u>	<u>252,209</u>
Total Primary Government	6,063,868	2,472,911	(829,276)	7,707,503	856,693
Component Unit					
2012 Refunding Bonds	220,000	-	(220,000)	-0-	-
Total Long-term debt	<u>\$ 6,283,868</u>	<u>\$ 2,472,911</u>	<u>\$ (1,049,276)</u>	<u>\$ 7,707,503</u>	<u>\$ 856,693</u>

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

Primary Government

Equipment Purchase Agreements

\$85,500 Equipment Purchase Agreement dated May 1, 2012, due in annual installments ranging of \$18,016 on October 1, 2017, with interest at 2.20 percent, payable annually. \$ 18,016

\$166,806 Equipment Purchase Agreement dated July 1, 2016, due in annual installments ranging from \$21,915 to \$25,834 through July 1, 2023, with interest at 2.78 percent, payable annually. 166,806

\$147,582 Equipment Purchase Agreement dated November 7, 2016, due in annual installments ranging from \$27,976 to \$31,098 through July 1, 2021, with interest at 2.68 percent, payable annually. 147,582

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE H: LONG-TERM DEBT - CONTINUED

Primary Government - Continued

Equipment Purchase Agreements - continued

\$92,254 Equipment Purchase Agreement dated October 25, 2016, due in annual installments ranging from \$17,305 to \$19,087 through July 1, 2020, with interest at 3.32 percent, payable annually. \$ 72,746

\$ 405,150

2017 General Obligation Limited Tax Bonds

\$1,920,000 Capital Improvement Bonds dated May 2, 2017, due in annual installments ranging from \$470,000 to \$490,000 through June 30, 2021, with interest ranging at 1.81 percent, payable semi-annually. \$ 1,920,000

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. \$ 1,245,000

2004 Water System Bonds

\$1,344,872 Water System Bonds dated September 25, 2003, due in annual installments ranging from \$70,000 to \$85,000 through October 1, 2024, with interest of 2.50 percent, payable semi-annually. \$ 614,872

2010 Sanitary Sewer System Revenue Bonds

\$2,900,000 Sewer System Revenue Bonds dated December 29, 2010, due in annual installments ranging from \$46,000 to \$121,000 through December 1, 2050, with interest of 3.00 percent, payable semi-annually. \$ 2,644,000

2011 Sanitary Sewer System Revenue Bonds

\$840,000 Sewer System Revenue Bonds dated March 9, 2011, due in annual installments ranging from \$13,000 to \$36,000 through December 1, 2050, with interest of 3.00 percent, payable semi-annually. \$ 766,000

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amounts of these vested rights including related payroll taxes, which have been accrued on the government-wide financial statements. The total liability amounted to approximately \$112,481 at June 30, 2017. Of this amount, \$49,272 and \$63,209 are shown as accrued liabilities in the governmental and business-type activities financial statements, respectively, in accordance with criteria disclosed in Note A.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE H: LONG-TERM DEBT - CONTINUED

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

Primary Government

Year Ending June 30,	<u>Equipment Purchase Agreements</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 85,212	\$ 11,404	\$ 470,000	\$ 31,759
2019	69,130	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	-	-
2023-2024	50,969	2,135	-	-
	<u>\$ 405,150</u>	<u>\$ 37,664</u>	<u>\$ 1,920,000</u>	<u>\$ 84,521</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>
2018	\$ 60,000	\$ 51,068	\$ 70,000	\$ 14,497
2019	60,000	48,908	75,000	12,684
2020	60,000	46,508	75,000	10,809
2021	65,000	44,108	75,000	8,934
2022	65,000	41,508	80,000	6,997
2023-2027	375,000	117,324	239,872	8,867
2028-2032	455,000	81,898	-	-
2033-2034	105,000	4,461	-	-
	<u>\$ 1,245,000</u>	<u>\$ 435,783</u>	<u>\$ 614,872</u>	<u>\$ 62,788</u>

Year Ending June 30,	<u>Sanitary Sewer System Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 59,000	\$ 101,415
2019	62,000	99,600
2020	64,000	97,710
2021	66,000	95,760
2022	67,000	93,765
2023-2027	365,000	437,025
2028-2032	423,000	378,135
2033-2037	490,000	309,630
2038-2042	565,000	230,775
2043-2047	655,000	139,245
2048-2051	594,000	36,360
	<u>\$ 3,410,000</u>	<u>\$ 2,019,420</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 1.00%.

At the December 31, 2016, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	38
Inactive employees entitled to but not year receiving benefits	11
Active employees	<u>30</u>
	<u><u>79</u></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 5.07% to 6.91% based on annual payroll for open divisions.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2016, 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, 2017

NOTE I: RETIREMENT PLAN - CONTINUEDActuarial Assumptions

The total pension liability in the December 31, 2016 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, 2017

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 12/31/15	\$ 13,305,277	\$ 7,648,479	\$ 5,656,798
Service Cost	184,007	-	184,007
Interest on Total Pension Liability	1,042,491	-	1,042,491
Changes in benefits	(5,276)	-	(5,276)
Difference between expected and actual experience	(107,437)	-	(107,437)
Employer contributions	-	480,164	(480,164)
Employee contributions	-	7,880	(7,880)
Net investment income	-	861,635	(861,635)
Benefit payments, including employee refunds	(732,278)	(732,278)	-0-
Administrative expense	-	(17,018)	17,018
Other changes	1	1	-0-
Net changes	<u>381,508</u>	<u>600,384</u>	<u>(218,876)</u>
Balances as of 12/31/16	<u>\$ 13,686,785</u>	<u>\$ 8,248,863</u>	<u>\$ 5,437,922</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	\$ 6,964,101	\$ 5,437,922	\$ 4,145,733

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017, the employer recognized pension expenses of \$786,521. 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	\$ -	\$ 287,073
Changes in assumptions	325,345	-
Net difference between projected and actual earnings on pension plan investments	506,789	208,165
Contributions subsequent to the measurement date*	<u>256,533</u>	<u>-</u>
Total	<u>\$ 1,088,667</u>	<u>\$ 495,238</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, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$256,533), which will impact the net pension liability in fiscal year 2018, rather than pension expense.

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

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2018	\$ 157,588
2019	157,588
2020	73,761
2021	(52,041)

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE I: RETIREMENT PLAN - CONTINUED

Defined Benefit/Defined Contribution (Hybrid) Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit/defined contribution (hybrid) pension plan that covers all eligible full-time employees of the City hired after July 1, 2010. This plan consists of a defined benefit and a defined contribution portion. In a defined benefit plan, an employer/sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

As established by the City Council, the City contributes 7 percent of the eligible employee wages. Of this 7 percent, 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, 2017, the City contributed \$27,376 for the defined benefit portion and \$9,314 for the defined contribution portion and the employees contributed \$15,813 to the defined contribution part of the plan.

NOTE J: OTHER POST-EMPLOYMENT BENEFITS

Defined Benefit Plan Description

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

During the year ended June 30, 2017, five (5) retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, expenditures of \$51,136 were recognized for post-employment benefits.

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

Funding Policy

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

Funding Progress

For the year ended June 30, 2017, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of June 30, 2016. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Progress - continued

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

Annual required contribution (ARC)	\$ 116,705
Interest on net OPEB obligation	32,625
Adjustment to annual required contribution	<u>(34,870)</u>
Net OPEB cost	114,460
Contributions made	<u>(51,136)</u>
Change in net OPEB obligation	63,324
OPEB obligation - Beginning of year	<u>1,245,219</u>
OPEB obligation - End of year	<u><u>\$ 1,308,543</u></u>

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

	Year Ended June 30,		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual OPEB cost	\$ 244,226	\$ 110,193	\$ 114,460
Percentage contributed	17.8%	39.1%	44.7%
Net OPEB obligation	\$ 1,958,628	\$ 1,245,219	\$ 1,308,543

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

Actuarial Valuation Date	Value of Assets (a)	Liability (AAL) Entry Age (b)	AAL Underfunded (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
6/30/2016	\$ -	\$ 1,245,219	\$ 1,245,219	0%	\$ 1,965,871	63%
6/30/2013	-	2,437,486	2,437,486	0%	1,928,545	126%
6/30/2012	-	4,225,507	4,225,507	0%	1,909,950	221%

Methods and Assumptions

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Methods and Assumptions - continued

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

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

In the June 30, 2016, valuation, the entry age normal cost method was used. A discount rate of 2.62 percent was also used and there was a 3.75 percent inflationary rate assumption factored into the calculation.

Defined Contribution Plan Description

The City participates in the Michigan Municipal Employees Retirement System Health Care Savings Plan (HCSP), an agent multiple-employer defined contribution OPEB plan that covers all eligible full-time employees of the City hired after July 1, 2013. As established by City Council, the City contributes 1 percent of eligible employee wages for the police department. For the year ended June 30, 2017, the City contributed \$810. 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, 2017, the City contributed \$0 for the plan and employees contributed \$18,024.

In addition, police department employees hired prior to July 1, 2013 contribute 0.25% of wages to the HCSP. Employees in this group also are required to contribute up to 48 hours of wages per year if the individual employee's unused sick leave time exceeds the 320 hour maximum agreed upon in the police union contract. For the year ended June 30, 2017, employees in this group contributed \$616.

NOTE K: DEFERRED COMPENSATION PLANS

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

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE M: 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, 2017:

Revenues	
Licenses and Permits	
Permits	\$ 3,254
Expenditures	
Salaries and wages	19,928
Fringe benefits	6,923
Contractual services	961
Supplies	476
Vehicle rental	312
Other	<u>2,012</u>
 TOTAL EXPENDITURES	 <u>30,612</u>
 EXCESS OF REVENUES (UNDER) EXPENDITURES	 (27,358)
 Code Enforcement (Deficit) at June 30, 2016	 <u>(1,012,580)</u>
 Code Enforcement (Deficit) at June 30, 2017	 <u><u>\$ (1,039,938)</u></u>

NOTE N: 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, 2017:

PRIMARY GOVERNMENT	
Governmental Activities	
Other Purposes	
Streets	\$ 2,132,719
Cemetery Perpetual Care, nonexpendable	<u>168,142</u>
	<u><u>\$ 2,300,861</u></u>
 Business-type Activities	
Restricted for utilities	
Electric Light and Power	<u>\$ 453,086</u>
 Restricted for debt service	
Sewage Disposal System	<u>\$ 107,387</u>
 Restricted for equipment replacement	
Sewage Disposal System	<u>\$ 28,369</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE N: RESTRICTED NET POSITION - CONTINUED

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

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

NOTE O: DETAILS OF FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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

Fund Balance Classification Policies and Procedures

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

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

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE P: UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

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.

REQUIRED SUPPLEMENTARY INFORMATION

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 1,006,536	\$ 1,080,812	\$ 1,094,560	\$ 13,748
Penalties and interest	4,500	4,500	4,314	(186)
Tax collection	43,000	43,000	41,562	(1,438)
Total taxes	1,054,036	1,128,312	1,140,436	12,124
Licenses and permits				
Cable television license	30,000	30,000	29,319	(681)
City licenses and permits	1,700	1,700	3,957	2,257
Total licenses and permits	31,700	31,700	33,276	1,576
Intergovernmental				
State				
Grants	-	5,000	5,715	715
Sales tax	414,222	414,222	416,319	2,097
Act 302 training funds	900	900	952	52
State liquor license	3,100	3,100	3,360	260
Total intergovernmental	418,222	423,222	426,346	3,124
Charges for services				
Cemetery fees and lot sales	17,500	17,500	17,750	250
Administrative charges	318,857	318,857	319,044	187
Other fees	6,950	6,950	6,361	(589)
Total charges for services	343,307	343,307	343,155	(152)
Fines and forfeits				
Parking	2,400	2,400	2,475	75
District court	10,000	10,000	9,233	(767)
Other	2,500	24,500	26,015	1,515
Total fines and forfeits	14,900	36,900	37,723	823
Interest and rents				
Rent	1,300	9,800	9,840	40
Change in market value of land held for resale	-	-	353,707	353,707
Total interest and rents	1,300	9,800	363,547	353,747
Other				
Donations	1,500	10,600	1,381	(9,219)
Reimbursements	17,750	55,896	41,740	(14,156)
Total other	19,250	66,496	43,121	(23,375)
TOTAL REVENUES	1,882,715	2,039,737	2,387,604	347,867

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2017

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
Council, boards, and commissions	\$ 7,487	\$ 7,529	\$ 6,783	\$ 746
Community promotions	76,694	89,147	75,145	14,002
City manager	136,679	137,410	126,760	10,650
Assessing services	42,243	42,733	34,559	8,174
Elections	9,756	9,756	4,650	5,106
City hall and grounds	68,340	73,959	59,735	14,224
General administrative	313,211	335,736	310,332	25,404
Cemetery operations	134,000	143,022	143,437	(415)
Total general government	788,410	839,292	761,401	77,891
Public safety				
Police department	688,062	729,537	673,352	56,185
Fire authority	110,172	111,572	111,498	74
Code enforcement	45,374	45,600	30,611	14,989
Total public safety	843,608	886,709	815,461	71,248
Public works				
Street lighting	65,000	65,000	53,219	11,781
Health and welfare				
Ambulance service	22,328	22,328	22,327	1
Community and economic development				
Economic development	6,460	40,960	26,248	14,712
Recreation and culture				
Parks department	146,969	198,128	167,711	30,417
TOTAL EXPENDITURES	1,872,775	2,052,417	1,846,367	206,050
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,940	(12,680)	541,237	553,917

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of land	\$ -	\$ 10,565	\$ 10,565	\$ -0-
Transfers in				
Electric Light and Power System Fund	50,037	50,037	50,037	-0-
Sewage Disposal System Fund	31,764	31,764	31,764	-0-
Water System Fund	32,009	32,009	32,009	-0-
Transfers out				
Recreation Fund	(30,000)	(12,700)	(12,700)	-0-
Motor Pool Fund	(93,750)	(105,481)	(200,750)	(95,269)
TOTAL OTHER FINANCING SOURCES (USES)	(9,940)	6,194	(89,075)	(95,269)
NET CHANGE IN FUND BALANCE	-0-	(6,486)	452,162	458,648
Fund balance, beginning of year	1,947,673	1,947,673	1,947,673	-0-
Fund balance, end of year	<u>\$ 1,947,673</u>	<u>\$ 1,941,187</u>	<u>\$ 2,399,835</u>	<u>\$ 458,648</u>

City of Portland

City Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 682,050	\$ 732,800	\$ 902,912	\$ 170,112
Fines and forfeits	10,000	10,900	19,225	8,325
Interest	300	350	1,224	874
Other				
Special assessments	-	1,500	1,512	12
TOTAL REVENUES	692,350	745,550	924,873	179,323
EXPENDITURES				
Current				
General government	203,446	216,450	208,080	8,370
Debt service	496,429	496,429	476,449	19,980
TOTAL EXPENDITURES	699,875	712,879	684,529	28,350
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,525)	32,671	240,344	207,673
OTHER FINANCING (USES)				
Transfers out				
Major Street Fund	(336,270)	(336,270)	(317,115)	19,155
Local Street Fund	-	(60,000)	(20,227)	39,773
Sewage Disposal System Fund	(261,160)	(261,160)	(176,299)	84,861
TOTAL OTHER FINANCING (USES)	(597,430)	(657,430)	(513,641)	143,789
NET CHANGE IN FUND BALANCE	(604,955)	(624,759)	(273,297)	351,462
Fund balance, beginning of year	1,078,687	1,078,687	1,078,687	-0-
Fund balance, end of year	<u>\$ 473,732</u>	<u>\$ 453,928</u>	<u>\$ 805,390</u>	<u>\$ 351,462</u>

City of Portland

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 619,500	\$ 619,500	\$ 680,644	\$ 61,144
Other	1,000	2,600	2,816	216
TOTAL REVENUES	620,500	622,100	683,460	61,360
EXPENDITURES				
Current				
Public works	1,003,383	974,028	883,236	90,792
EXCESS OF REVENUES (UNDER) EXPENDITURES	(382,883)	(351,928)	(199,776)	152,152
OTHER FINANCING SOURCES				
Transfers in				
City Income Tax Fund	333,575	333,575	317,115	(16,460)
Street Projects Fund	2,695	2,695	-	(2,695)
TOTAL OTHER FINANCING SOURCES	336,270	336,270	317,115	(19,155)
NET CHANGE IN FUND BALANCE	(46,613)	(15,658)	117,339	132,997
Fund balance, beginning of year	69,127	69,127	69,127	-0-
Fund balance, end of year	\$ 22,514	\$ 53,469	\$ 186,466	\$ 132,997

City of Portland

Ambulance Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 518,431	\$ 557,681	\$ 556,887	\$ (794)
Other	-	1,000	1,809	809
TOTAL REVENUES	518,431	558,681	558,696	15
EXPENDITURES				
Current				
Health and welfare	488,634	539,227	591,934	(52,707)
Debt service	27,060	21,502	19,721	1,781
TOTAL EXPENDITURES	515,694	560,729	611,655	(50,926)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,737	(2,048)	(52,959)	(50,911)
OTHER FINANCING SOURCES				
Debt proceeds	-	-	92,254	92,254
NET CHANGE IN FUND BALANCE	2,737	(2,048)	39,295	41,343
Fund balance, beginning of year	140,246	140,246	140,246	-0-
Fund balance, end of year	\$ 142,983	\$ 138,198	\$ 179,541	\$ 41,343

City of Portland

Defined Benefit Pension Plan

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

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

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

City of Portland

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

City of Portland

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017

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			
General government			
Cemetery operations	\$ 143,022	\$ 143,437	\$ 415
Transfers out	118,181	213,450	95,269
Ambulance Fund	560,729	611,655	50,926

NOTE B: EMPLOYEE RETIREMENT PLAN

Changes of benefits terms: There were no changes of benefit terms during fiscal year 2017.

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

OTHER SUPPLEMENTARY INFORMATION

City of Portland
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2017

	Special Revenue		Capital Projects	Permanent Fund	Total
	Local Street	Recreation	Capital Projects Fund	Cemetery Perpetual Care	
ASSETS					
Cash and cash equivalents	\$ 69,444	\$ 13,818	\$ 3,362	\$ 168,142	\$ 254,766
Accounts receivable	171	-	-	-	171
Due from other governmental units	17,539	-	-	-	17,539
Due from other funds	700	-	-	-	700
Prepays	4,033	844	-	-	4,877
TOTAL ASSETS	\$ 91,887	\$ 14,662	\$ 3,362	\$ 168,142	\$ 278,053
LIABILITIES					
Accounts payable	\$ 2,346	\$ 3,132	\$ -	\$ -	\$ 5,478
Accrued liabilities	6,995	1,436	-	-	8,431
Advance from other funds	20,000	-	-	-	20,000
TOTAL LIABILITIES	29,341	4,568	-0-	-0-	33,909
FUND BALANCES					
Nonspendable					
Prepays	4,033	844	-	-	4,877
Perpetual care	-	-	-	168,142	168,142
Restricted					
Streets	58,513	-	3,362	-	61,875
Assigned					
Recreation	-	9,250	-	-	9,250
TOTAL FUND BALANCES	62,546	10,094	3,362	168,142	244,144
TOTAL LIABILITIES AND FUND BALANCES	\$ 91,887	\$ 14,662	\$ 3,362	\$ 168,142	\$ 278,053

City of Portland

Nonmajor Governmental Funds

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

Year Ended June 30, 2017

	Special Revenue		Capital Projects	Permanent Fund	Total
	Local Street	Recreation	Capital Projects Fund	Cemetery Perpetual Care	
REVENUES					
Taxes	\$ 79,457	\$ -	\$ -	\$ -	\$ 79,457
Intergovernmental	95,258	8,000	-	-	103,258
Charges for services	-	65,673	-	1,900	67,573
Other	1,807	1,978	-	-	3,785
TOTAL REVENUES	176,522	75,651	-0-	1,900	254,073
EXPENDITURES					
Current					
Public works	219,527	-	-	-	219,527
Recreation and culture	-	93,909	-	-	93,909
TOTAL EXPENDITURES	219,527	93,909	-0-	-0-	313,436
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(43,005)	(18,258)	-0-	1,900	(59,363)
OTHER FINANCING SOURCES					
Transfers in	20,227	12,700	-	-	32,927
NET CHANGE IN FUND BALANCES	(22,778)	(5,558)	-0-	1,900	(26,436)
Fund balances, beginning of year	85,324	15,652	3,362	166,242	270,580
Fund balances, end of year	\$ 62,546	\$ 10,094	\$ 3,362	\$ 168,142	\$ 244,144

City of Portland

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2017

ASSETS	
Cash	\$ 117,758
Accounts receivable	<u>305</u>
TOTAL ASSETS	<u>\$ 118,063</u>
LIABILITIES	
Accounts payable	\$ 690
Accrued liabilities	<u>3,802</u>
TOTAL LIABILITIES	4,492
FUND BALANCE	
Unassigned	<u>113,571</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 118,063</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, 2017

Total fund balance - governmental fund \$ 113,571

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>(2,186,857)</u>	
Capital assets, net		<u>1,117,524</u>
Net position of governmental activities		<u><u>\$ 1,231,095</u></u>

City of Portland

Component Unit Fund

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

Year Ended June 30, 2017

REVENUES	
Taxes	\$ 247,508
Interest	75
Other	<u>38,213</u>
TOTAL REVENUES	285,796
EXPENDITURES	
Current	
Community and economic development	136,507
Debt service	
Principal	220,000
Interest and fiscal charges	<u>1,797</u>
TOTAL EXPENDITURES	<u>358,304</u>
NET CHANGE IN FUND BALANCE	(72,508)
Fund balance, beginning of year	<u>186,079</u>
Fund balance, end of year	<u><u>\$ 113,571</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, 2017

Net change in fund balance - governmental fund \$ (72,508)

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)

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

Bond principal retirements 220,000

Change in net position of governmental activities \$ (13,850)

City of Portland

Miscellaneous Statistical Data (Unaudited)

June 30, 2017

Total Taxable Value
Fiscal Years Ended or Ending June 30, 2014 Through 2018

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
2012	2013	2014	\$92,486,927	\$848,900	\$93,335,827	1.525%
2013	2014	2015	92,245,012	796,300	93,041,312	(.315)
2014	2015	2016	92,934,804	736,200	93,671,004	.676
2015	2016	2017	91,476,376	699,944	92,176,320	(1.600)
2016	2017	2018	92,968,902	630,384	93,599,286	1.543

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2017 (3)..... \$24,104.89

(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, 2014 Through 2018

Use	Fiscal Year Ended or Ending June 30				
	2014	2015	2016	2017	2018
Residential	\$ 63,848,655	\$ 63,930,194	\$ 64,328,254	\$ 65,272,848	\$ 65,535,607
Commercial.....	23,627,088	22,947,567	22,911,358	22,670,188	23,127,074
Industrial	5,094,884	5,393,951	5,577,792	3,205,484	2,960,405
Utility	765,200	769,600	853,600	1,027,800	976,200
Development.....	0	0	0	0	0
	<u>\$ 93,335,827</u>	<u>\$ 93,041,312</u>	<u>\$ 93,671,004</u>	<u>\$ 92,176,320</u>	<u>\$ 93,599,286</u>
Class	2014	2015	2016	2017	2018
Real Property	\$ 86,894,927	\$ 87,140,712	\$ 87,457,304	\$ 87,964,820	\$ 89,462,886
Personal Property .	6,440,900	5,900,600	6,213,700	4,211,500	4,136,400
	<u>\$ 93,335,827</u>	<u>\$ 93,041,312</u>	<u>\$ 93,671,004</u>	<u>\$ 92,176,320</u>	<u>\$ 93,599,286</u>

Source: City of Portland

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2017

Total State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2014 Through 2018

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
2012	2013	2014	\$95,372,800	\$848,900	\$96,221,700	1.3931%
2013	2014	2015	95,467,600	796,300	96,263,900	.04388
2014	2015	2016	94,754,600	736,200	95,490,800	(.80310)
2015	2016	2017	95,435,400	699,944	96,135,344	.6750
2016	2017	2018	97,200,956	630,384	97,831,340	1.7000

Per Capita Total SEV for the Fiscal Year Ending June 30, 2018 (3)..... \$25,194.78

- (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, 2014 Through 2018

Use	Fiscal Year Ended or Ending June 30				
	2014	2015	2016	2017	2018
Residential.....	\$ 64,845,600	\$ 65,761,200	\$ 65,647,300	\$ 67,301,100	\$ 69,499,600
Commercial.....	25,503,100	24,339,000	23,412,100	24,585,900	24,395,135
Industrial.....	5,107,800	5,394,100	5,577,800	3,220,544	2,960,405
Utility.....	765,200	769,600	853,600	1,027,800	976,200
Development.....	0	0	0	0	0
	<u>\$ 96,221,700</u>	<u>\$ 96,263,900</u>	<u>\$ 95,490,800</u>	<u>\$ 96,135,344</u>	<u>\$ 97,831,340</u>
Class	2014	2015	2016	2017	2018
Real Property.....	\$ 89,780,800	\$ 90,363,300	\$ 89,277,100	\$ 91,923,844	\$ 93,694,940
Personal Property.....	6,440,900	5,900,600	6,213,700	4,211,500	4,136,400
	<u>\$ 96,221,700</u>	<u>\$ 96,263,900</u>	<u>\$ 95,490,800</u>	<u>\$ 96,135,344</u>	<u>\$ 97,831,340</u>

Source: City of Portland

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2017

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, 2014 Through 2018

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Total Operating</u>
2013	2014	13.6574 (2)
2014	2015	13.6574 (2)
2015	2016	13.6574 (2)
2016	2017	13.6574 (2)
2017	2018	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, 2014 Through 2018

<u>Governmental Unit</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City of Portland.....	\$ 13.6574	\$ 13.6574	\$ 13.6574	\$ 13.6574	\$ 13.6574
County of Ionia	4.6434	4.6434	4.6434	4.6378	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	4.4728	4.4696	4.4614
Intermediate School District-Tech Ed...	1.0000	1.0000	1.0000	.9996	.9987
Library.....	1.7639	1.6939	1.7139	1.6827	1.7116
Seniors	<u>.3750</u>	<u>.5000</u>	<u>.5000</u>	<u>.4994</u>	<u>.4988</u>
Total.....	<u>\$ 39.2625</u>	<u>\$ 39.3175</u>	<u>\$ 39.3375</u>	<u>\$ 39.2929</u>	<u>\$ 39.3105</u>

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2017

Non-Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended June 30, 2014 Through 2018

<u>Governmental Unit</u>	<u>Fiscal Year Ending June 30</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City of Portland.....	\$ 13.6574	\$ 13.6574	\$ 13.6574	\$ 13.6574	\$ 13.6574
County of Ionia.....	4.6434	4.6434	4.6434	4.6434	4.6434
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Portland Public Schools	25.3500	25.3500	25.3500	25.3500	25.3500
Intermediate School District	4.4728	4.4728	4.4728	4.4696	4.4614
Intermediate School Dist.-Tech. Ed...	1.0000	1.0000	1.0000	.9996	.9987
Library	1.7639	1.6939	1.7139	1.6827	1.7116
Seniors3750	.5000	.5000	.4994	.4988
Total.....	<u>\$ 57.2625</u>	<u>\$ 57.3175</u>	<u>\$ 57.3375</u>	<u>\$ 57.3021</u>	<u>\$ 57.3105</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, 2014 Through 2018

<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>
2013	2014	\$1,067,199	\$1,023,146	96.87%
2014	2015	1,064,832	1,035,206	97.22
2015	2016	1,068,898	1,040,554	97.35
2016	2017	1,081,601	1,049,933	97.07
2017	2018	1,097,399	(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, 2017

Ten Largest Taxpayers
Fiscal Year Ending June 30, 2017

<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	\$ 2,919,646	3.116%
Parkers Landing (Portland Partners)	Apartments	2,100,408	2.242
THK.....	Tie Rods, Steering, Linkages ...	1,115,371	1.191
Portland Products.....	Automotive Manufacturing.....	1,001,484	1.069
Consumers Energy.	Utility.....	966,086	1.031
Portland Apartments (LAWCO).....	Apartments	941,139	1.005
Rindlehaven Land Co. LLC.....	Land.....	683,411	0.729
Family Farm & Home (HEB, LLC).....	Farm supplies, retail sales.....	648,297	0.692
Speedway America LLC.	Gas Station.....	611,850	0.653
Grand River/Bridge Associates.....	Pharmacy	<u>576,264</u>	<u>0.615</u>
		<u>\$ 11,563,956</u>	<u>12.343%</u>

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

(2) Based on \$93,686,257, which is the City's Total Taxable Value for the fiscal year ending June 30, 2017. Includes the Taxable Value of property granted tax abatement under Act 198. See "Property Valuations" and "Tax Abatement" herein.

Source: City of Portland

Income Tax Collections
Fiscal Years Ended June 30, 2013 Through 2017

<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>
2013	\$772,808	\$710,853	7.8945%
2014	771,078	713,953	.4360
2015	785,813	723,488	1.3355
2016	830,815	752,439	4.0016
2017	923,413	834,190	10.8348

(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, 2013 through 2017

	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
State Revenue Sharing	\$ 379,928	\$ 391,871	\$ 402,593	\$ 399,390	\$ 416,319
Other	<u>4,182</u>	<u>4,086</u>	<u>4,353</u>	<u>4,505</u>	<u>4,312</u>
Total Revenues From the State of Michigan	<u>\$ 384,110</u>	<u>\$ 395,957</u>	<u>\$ 406,946</u>	<u>\$ 403,895</u>	<u>\$ 420,631</u>

Source: City of Portland

June 30, 2017

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, 2017

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, 2017:

Debt Limit (1)		\$ 9,783,134
Debt Outstanding	\$ 7,190,000	
Less: Exempt Debt (2).....	<u>(4,025,000)</u>	<u>3,165,000</u>
Legal Debt Margin		<u>\$ 6,618,134</u>

(1) 10% of \$97,831,340, which is the City's Total SEV for the fiscal year ending June 30, 2017. Includes the SEV of property granted tax abatement under Act 198. See "CITY TAXATION AND LIMITATIONS - Property Valuations" and "CITY TAXATION AND LIMITATIONS - Tax Abatement" herein.

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

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

Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2017, 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).....	\$ 766,000	\$ 766,000	\$ -0-
Dated December 29, 2010 (6)	\$ 2,644,000	\$ 2,644,000	\$ -0-
Dated September 25, 2003 (5)	\$ 615,000	\$ 615,000	\$ -0-
Subtotal.....	<u>\$ 4,025,000</u>	<u>\$ 4,025,000</u>	<u>\$ -0-</u>
Capital Improvement Bonds:			
Dated May 2, 2017 (Limited Tax) (7)	\$ 1,920,000	\$ -0-	\$ 1,920,000
Dated April 17, 2008 (Limited Tax) (1)	\$ 1,245,000	\$ 1,245,000	\$ -0-
Subtotal.....	<u>\$ 3,165,000</u>	<u>\$ 1,245,000</u>	<u>\$ 1,920,000</u>
 Total City Direct Debt:	 <u>\$ 7,190,000</u>	 <u>\$ 5,270,000</u>	 <u>\$ 1,920,000</u>

Per Capita Net Direct Debt (3)	\$494.46
Percent of Net Direct Debt to Total SEV (4)	1.96 %

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

June 30, 2017

<u>Overlapping Debt (2)</u>	<u>Gross</u>	<u>City Share as a Percent of Gross</u>	<u>Net</u>
Ionia County	\$ 119,000	5.90%	\$ 7,021
Ionia County Intermediate School District	310,000	5.20	16,120
Portland District Library	1,200,000	30.85	370,200
Portland Public Schools	<u>20,171,162</u>	25.27	<u>5,097,253</u>
Total Overlapping Debt	<u>21,800,162</u>		<u>5,490,594</u>
 Total City Direct and Overlapping Debt	 <u>\$ 28,990,162</u>		 <u>\$ 7,410,594</u>
 Per Capita Net Overlapping Debt (3)			 \$1,414.01
Percent of Net Overlapping Debt to Total SEV (4)			5.61%
 Per Capita Net Direct and Overlapping Debt (3)			 \$1,908.47
Percent of Net Direct and Overlapping Debt to Total SEV (4)			7.57%

- (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 \$97,831,340, which is the City's Total SEV for the fiscal year ending June 30, 2017. Includes the SEV of property granted tax abatement under Act 198. See "CITY TAX AND LIMITATIONS - Property Valuations" and "CITY TAX AND LIMITATIONS - Tax Abatement" herein.
- (5) The Bonds described herein will be paid with water system revenues.
- (6) The Bonds described herein will be paid with wastewater system revenues.
- (7) The Bonds described herein will be paid with income tax revenues.
- (8) The Bonds described herein will be paid with Downtown Development Authority captured tax revenues.
- (9) The City is a participant in the Michigan Public Power Agency (MPPA). The City has not pledged full faith and credit to the Bonds issued by MPPA. The City's share of the MPPA bonds is \$877,128.

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, 2017, 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, 2017.

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 2017-001, that is required to be reported under *Government Auditing Standards*.

2017-001 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 the Ambulance Fund and in two (2) functions in the General 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. 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.

Corrective Action Response: The City had unexpected expenditures at year-end and has corrected the issue. The City will increase emphasis on year-end adjustments.

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, 2017