

**CITY OF PORTLAND
IONIA COUNTY, MICHIGAN**

REPORT ON FINANCIAL STATEMENTS
(with required and other supplementary information)

YEAR ENDED JUNE 30, 2019

**CITY OF PORTLAND
IONIA COUNTY, MICHIGAN
JUNE 30, 2019**

CITY COUNCIL AND ADMINISTRATION

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

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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, 2019, 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, 2019, 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, schedules of changes in employer's net pension liability and contributions, and schedules of changes in the City's net OPEB liability and contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portland's basic financial statements. The other supplementary information, including nonmajor fund and component unit financial information, and miscellaneous statistical data as noted in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, 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.

Manes Costeiran PC

November 25, 2019

CITY OF PORTLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide

- Total net position was \$25,855,018 (excluding component units).
- Governmental activities net position was \$12,912,184.
- Business-type activity net position was \$12,942,834.
- Component Unit net position was \$1,138,947.

Fund Level

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,649,197 with \$3,278,759 being nonspendable, restricted, committed or assigned for specific purposes and \$370,438 being unassigned.
- The General Fund realized \$314,810 less in revenues and other financing sources than anticipated for the fiscal year. The General Fund operations also expended \$274,638 less than appropriated.
- Overall, the General Fund balance decreased by \$860,085.

Capital and Long-term Debt Activities

- The total additions to the capital asset schedules for the primary government were \$1,650,320, excluding reclassifications. Significant capital purchases during the year included Hyland Drive expansion, building a new DPW facility, installing electric vacuum interrupters, and a new vehicle for Ambulance and Code.
- The total long-term debt for the primary government was \$6,187,750, a net decrease of \$734,843 from the prior year. This decrease was largely due to the natural reduction of debt.
- The City remains well below its authorized legal debt limit. The City debt limit, as defined by statute, is 10% of the state equalized property values, which currently equals \$10,517,998.

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.

CITY OF PORTLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The Statement of Net Position (page 15) 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 16) presents information showing how the City's net position changed during 2018/2019. 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 18 and 20 present reconciliations between the two statement types.

CITY OF PORTLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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

The fund financial statements, which begin on page 17, 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 10% of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds 5% of those categories for governmental and enterprise funds combined. The major funds for City of Portland include the General Fund, the City Income Tax Fund, the Local Street Fund, the Ambulance Fund, the Electric Light and Power System Fund, the Sewage Disposal System Fund and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type.

CITY OF PORTLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 24 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.

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously stated, City of Portland's combined net position was \$25,855,018 at the end of this fiscal year's operations. The net position of the governmental activities was \$12,912,184; the business-type activities were \$12,942,834.

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.

**CITY OF PORTLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net Position as of June 30, 2018 and 2019

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2019	2018	2019	2018	2019
Current and Other Assets	\$ 4,908,790	\$ 4,052,708	\$ 3,797,569	\$ 4,167,186	\$ 8,706,359	\$ 8,219,894
Capital Assets	14,436,291	14,684,528	16,813,382	16,533,686	31,249,673	31,218,214
Total Assets	19,345,081	18,737,236	20,610,951	20,700,872	39,956,032	39,438,108
Deferred outflows of resources	558,680	673,567	333,936	356,812	892,616	1,030,379
Current Liabilities	973,557	997,248	628,900	547,658	1,602,457	1,544,906
Noncurrent Liabilities	5,027,899	5,074,065	7,211,704	7,322,857	12,239,603	12,396,922
Total Liabilities	6,001,456	6,071,313	7,840,604	7,870,515	13,842,060	13,941,828
Deferred inflows of resources	774,537	427,306	458,050	244,335	1,232,587	671,641
Net Investment in Capital Assets	12,688,876	13,458,719	11,732,510	11,649,814	24,421,386	25,108,533
Restricted	988,540	1,116,793	596,988	919,513	1,585,528	2,036,306
Unrestricted	(549,648)	(1,663,328)	316,735	373,507	(232,913)	(1,289,821)
Total Net Position	\$ 13,127,768	\$ 12,912,184	\$ 12,646,233	\$ 12,942,834	\$ 25,774,001	\$ 25,855,018

Changes in Net Position for the Fiscal Year Ending June 30, 2018 and 2019

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 2017/2018 and 2018/2019.

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Revenues						
Program Revenues						
Charges for Services	\$ 1,124,798	\$ 1,100,400	\$ 5,504,670	\$ 5,633,980	\$ 6,629,468	\$ 6,734,380
Grants and Contributions	560,815	701,295	-	-	560,815	701,295
General Revenues						
Property Taxes	1,101,755	1,187,426	-	-	1,101,755	1,187,426
State Shared Revenue	427,283	442,936	-	-	427,283	442,936
City Income Taxes	963,391	866,988	-	-	963,391	866,988
Local Community Stabilization	56,328	5,916	-	-	56,328	5,916
Investment Earnings	5,035	9,416	796	11,905	5,831	21,321
Miscellaneous	305,797	78,391	158,710	118,837	464,507	197,228
Transfers	(407,916)	(26,272)	407,916	26,272	-	-
Total Revenues	4,137,286	4,366,496	6,072,092	5,790,994	10,209,378	10,157,490
Expenses						
General Government	1,044,407	1,058,257	-	-	1,044,407	1,058,257
Public Safety	825,498	877,810	-	-	825,498	877,810
Public Works	694,011	1,593,435	-	-	694,011	1,593,435
Health and Welfare	720,182	668,499	-	-	720,182	668,499
Community and Economic Develop.	75,124	97,450	-	-	75,124	97,450
Recreation and Culture	282,416	274,214	-	-	282,416	274,214
Other	33,209	5,869	5,564,368	5,396,761	5,597,577	5,402,630
Total Expenses	3,674,847	4,575,534	5,564,368	5,396,761	9,239,215	9,972,295
Change in net position before Special Item	462,439	(209,038)	507,724	394,233	970,163	185,195
Extraordinary Item	-	(6,546)	-	(97,632)	-	(104,178)
Increase (decrease) in Net Position	462,439	(215,584)	507,724	296,601	970,163	81,017
Net Position - Beginning	12,665,329	13,127,768	12,138,509	12,646,233	24,803,838	25,774,001
Net Position - Ending	\$ 13,127,768	\$ 12,912,184	\$ 12,646,233	\$ 12,942,834	\$ 25,774,001	\$ 25,855,018

**CITY OF PORTLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities

The result of 2018/2019 governmental activity was a decrease of \$215,584 in net position to \$12,912,184. Of the total governmental activities' net position, \$13,458,719 is invested in capital assets less related debt, \$1,116,793 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 (\$1,663,328) is listed as unrestricted, having no legal commitment.

Revenues

The three largest revenue categories were property taxes at 27.2%, charges for services at 25.2%, and city income taxes at 19.9%. Net revenues were approximately 5.5% less than the prior year mainly due to less transfers out in the current year. The City levied a property tax millage for the year ended June 30, 2019, for general government operations at 12.6574 mills, with an additional 1.0000 mills for local streets. Charges for services, which reimburse the City for specific activities, examples include items such as ambulance fees, township fire fees, recreation fees and contributions, administrative charges, permits and motor pool equipment rental. The City income tax is set at 1% for residents and ½% for nonresidents that work in the City. It provided the third largest source of governmental activity revenue.

Expenses

Public works is the largest governmental activity, expending approximately 34.8% of the governmental activities total. General government is the second largest area, expending approximately 23.1% of the governmental activities total and includes general government departments (e.g., council, community promotions, city manager, elections, general administration, assessor, and city hall maintenance). Public safety is the third largest governmental activity and expended 19.2% of the governmental activities total of the governmental activities total on law enforcement, fire protection and code enforcement.

Business-type Activities

Net position in business-type activities was increased by a net of \$296,585 during fiscal year 2018/2019. Of the business-type activities' net position, \$11,649,814 is invested in capital assets net of related debt, \$919,513 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 \$373,491 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2018/2019, its governmental funds reported *combined* fund balances of \$3,651,697. The net changes are summarized in the following chart:

	General Fund	City Income Tax	Local Street Fund	Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 6/30/2018	\$ 2,334,962	\$ 1,018,872	\$ 13,825	\$ 167,005	\$ 976,092	\$ 4,510,756
Fund Balance 6/30/2019	\$ 1,474,877	\$ 995,070	\$ 207,051	\$ 63,071	\$ 909,128	\$ 3,649,197
Net Change	\$ (860,085)	\$ (23,802)	\$ 193,226	\$ (103,934)	\$ (66,964)	\$ (861,559)

CITY OF PORTLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019, the General Fund reported a fund balance of \$1,474,877. The 2018/2019 original budget had called for a fund balance decrease of \$171,450.

The General Fund 2018/2019 expenditures exceeded 2018/2019 revenues by \$860,065 largely due to the planned \$411,829 expenditure for the DPW Site Improvement Project and a \$363,531 transfer to Income Tax from the proceeds of the sale of land to help recover the cost of constructing a new road for future economic development. There was reduced spending as compared to the final amended budget, so that expenditures and other financing uses were under budget by approximately \$274,638. Actual revenues and other financing sources were less than of budgeted by approximately \$314,810. The final amended budget planned for a \$819,629 reduction in fund balance.

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 revenues and other financing sources totaled \$2,259,280; \$314,810 less than the final amended budget.

The City's original General Fund expenditures and other financing uses budget was increased by \$1,104,905 during 2018/2019. The increase can be partly attributed to in general administrative expenditures and increases to planned transfers out to other funds for road improvement projects.

Actual City expenditures and other financing uses for 2018/2019 were \$274,638 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, 2019, the City Income Tax Fund reported a fund balance of \$995,070, a decrease of \$23,802 from the prior year. The fund balance is committed for street improvements. The City has used the income tax funds exclusively for the improvement of streets, sidewalks, curb, gutter, street lighting, parking areas, associated utilities and their appurtenances.

Local Street Fund

As of June 30, 2019, the Local Street Fund reported a fund balance of \$207,051, which is an increase of \$193,226 from the prior year. The increase is due to new revenue from the Ionia County Road Mileage and from transfers in from other funds outpacing current year expenditure increases.

Ambulance Fund

As of June 30, 2019, the Ambulance Fund reported a fund balance of \$63,071, which is a decrease of \$103,934 from the prior year fund balance due to a reduction in charges for services and a vehicle purchase. A portion of fund balance, \$54,976, is committed to ambulance operations, with the remainder being nonspendable due to prepaids.

**CITY OF PORTLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Enterprise Funds

As the City completed 2018/2019, its enterprise funds reported *combined* net position of \$12,942,818. This is a net increase of \$296,505 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 6/30/2018	\$ 6,989,046	\$ 1,697,869	\$ 3,939,798	\$ 19,520	\$ 12,646,233
Net Position 6/30/2019	\$ 7,439,280	\$ 1,617,653	\$ 3,866,280	\$ 19,621	\$ 12,942,834
Net Change	\$ 450,234	\$ (80,216)	\$ (73,518)	\$ 101	\$ 296,601

Electric Light and Power System Fund

As of June 30, 2019, the Electric Light and Power System Fund reported a net position of \$7,439,280, an increase of \$450,234 from the prior year. Of the entire net position amount, \$6,025,938 is invested in capital assets, net of related debt, \$453,086 is restricted for utility reserve, \$137,419 is restricted for debt service, and \$822,837 is unrestricted.

Sewage Disposal System Fund

As of June 30, 2019, the Sewer Fund reported a net position of \$1,617,653 a decrease of \$80,216 from the prior year. Of the entire net position, \$2,093,761 is invested in capital assets, net of related debt, \$329,008 is restricted, and (\$805,116) is unrestricted.

Water System Fund

As of June 30, 2019, the Water System Fund reported a net position of \$3,866,280, a net decrease of \$73,518 from the prior year. Of the entire net position, \$3,530,115 is invested in capital assets, net of related debt and \$336,165 is unrestricted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2018/2019 the City had invested \$31,218,214, and \$794,840 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 7 of the Financial Statements.

**CITY OF PORTLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net Book value of capital assets at June 30, 2019, was as follows:

	Governmental Activities	Business-type Activities	Totals
Land	\$ 1,199,132	\$ -	\$ 1,199,132
Construction in Progress	88,102	-	88,102
Land Improvements, net	84,730	-	84,730
Buildings, net	154,814	-	154,814
Equipment and Furniture, net	1,060,356	-	1,060,356
Electric System, net	-	7,150,938	7,150,938
Sewer System, net	-	5,382,761	5,382,761
Water System, net	-	3,999,987	3,999,987
Infrastructure:			
Streets and Bridges, net	12,097,394	-	12,097,394
Capital Assets, net	<u>\$ 14,684,528</u>	<u>\$ 16,533,686</u>	<u>\$ 31,218,214</u>

Long-term obligations - As of June 30, 2019, the City had \$6,187,750 in long-term obligations outstanding for the primary government. This level of net obligation is \$734,843 less than the obligation recorded as of June 30, 2018.

Outstanding Long-Term Obligations as of June 30, 2019:

A more detailed discussion of the City's long-term obligations is presented in Note 8 to the financial statements.

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Primary Government				
Governmental Activities				
2016 Ambulance Installment Purchase Agreement (\$166,806)	\$ 122,368	\$ -	\$ -	\$ 122,368
2016 Snow Plow Installment Purchase Agreement (\$147,582)	119,606	-	28,726	90,880
2016 Heart Monitors/Defibrillators Purchase Agreement (\$92,254)	55,441	-	17,880	37,561
2017 G.O. Limited Tax Bonds	1,450,000	-	475,000	975,000
Accumulated compensated absences	49,767	81,095	89,877	40,985
Business-type Activities				
2008 Capital Improvement Bonds (\$1,690,000)	1,185,000	-	60,000	1,125,000
2004 Water System Bonds (\$1,344,872)	544,872	-	75,000	469,872
2010 Sanitary Sewer System (\$2,900,000) (Build America Bonds)	753,000	-	14,000	739,000
2011 Sanitary Sewer System (\$840,000)	2,598,000	-	48,000	2,550,000
Accumulated compensated absences	44,539	50,901	58,356	37,084
Total Reporting Entity	<u>\$ 6,922,593</u>	<u>\$ 131,996</u>	<u>\$ 866,839</u>	<u>\$ 6,187,750</u>

**CITY OF PORTLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF PORTLAND GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing is expected to increase 4.54% for the City's fiscal year 2019-2020, based on State of Michigan revenue sharing estimates.
- The City has discontinued enrollment in its MERS B4 plan 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 \$521,381 to \$551,958 which reflects a 5.54% increase.
- The City is requiring all employees enrolled in the Defined Benefit plan to contribute to their own pension plan. All employees will contribute 3% for fiscal year 2019-2020.
- The City's income tax revenues increased 5.24% rising from \$770,969 in 2015 to \$811,413 in 2016. In 2017, City income tax revenues increased 11.28% rising from \$811,413 in 2016 to \$902,912 in 2017. In 2018, City income tax revenues increased to \$950,237 (an increase of 5%). In 2019, City income tax revenues decreased to \$915,685 (a decrease of 4%).
- The City's SEV increased 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%). From 2018 to 2019 the SEV increased to \$100,439,300 (an increase of 3.22%). The outlook for the 2020 SEV is expected to increase around 3.96% due to the residential market increasing.

The City has paid off higher interest debt and taken advantage of low interest rates to finance necessary improvements and place it in a better long-term position. The City expects modest increases in income tax 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, 2019

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,722,060	\$ 2,218,725	\$ 4,940,785	\$ 356,627
Cash and cash equivalents - restricted	-	729,032	729,032	-
Investments	1,028,016	-	1,028,016	-
Receivables	234,883	689,189	924,072	90
Due from other governmental units	82,606	-	82,606	-
Internal balances	(24,930)	24,930	-	-
Prepays	30,073	18,363	48,436	-
Inventories	-	466,947	466,947	-
Total current assets	4,072,708	4,147,186	8,219,894	356,717
Noncurrent assets				
Internal balances	(20,000)	20,000	-	-
Capital assets not being depreciated	1,287,234	301,163	1,588,397	-
Capital assets being depreciated, net	13,397,294	16,232,523	29,629,817	794,840
Total noncurrent assets	14,664,528	16,553,686	31,218,214	794,840
TOTAL ASSETS	18,737,236	20,700,872	39,438,108	1,151,557
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	594,598	313,672	908,270	-
Deferred outflows related to OPEB	78,969	43,140	122,109	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	673,567	356,812	1,030,379	-
LIABILITIES				
Current liabilities				
Accounts payable	248,595	239,104	487,699	5,909
Accrued liabilities	141,383	49,683	191,066	6,701
Accrued interest payable	10,165	22,787	32,952	-
Current portion of compensated absences	40,985	37,084	78,069	-
Current portion of long-term debt	556,120	199,000	755,120	-
Total current liabilities	997,248	547,658	1,544,906	12,610
Noncurrent liabilities				
Customer deposits payable from restricted assets	-	257,781	257,781	-
Noncurrent portion of long-term debt	669,689	4,684,872	5,354,561	-
Net pension liability	3,775,469	2,053,179	5,828,648	-
Net OPEB Liability	628,907	327,025	955,932	-
Total noncurrent liabilities	5,074,065	7,322,857	12,396,922	-
TOTAL LIABILITIES	6,071,313	7,870,515	13,941,828	12,610
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	102,893	70,113	173,006	-
Deferred inflows related to OPEB	324,413	174,222	498,635	-
TOTAL DEFERRED INFLOWS OF RESOURCES	427,306	244,335	671,641	-
NET POSITION				
Net investment in capital assets	13,458,719	11,649,814	25,108,533	794,840
Restricted				
Utilities	-	577,458	577,458	-
Debt service	-	275,119	275,119	-
Equipment replacement	-	66,936	66,936	-
Other purposes	1,116,793	-	1,116,793	-
Unrestricted	(1,663,328)	373,507	(1,289,821)	344,107
TOTAL NET POSITION	\$ 12,912,184	\$ 12,942,834	\$ 25,855,018	\$ 1,138,947

See notes to financial statements.

**CITY OF PORTLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

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	\$ 1,058,257	\$ 465,357	\$ 92,662	\$ (500,238)	\$ -	\$ (500,238)	\$ -
Public safety	877,810	5,688	940	(871,182)	-	(871,182)	-
Public works	1,593,435	30,462	578,464	(984,509)	-	(984,509)	-
Health and welfare	668,499	504,193	9,175	(155,131)	-	(155,131)	-
Community and economic development	97,450	-	-	(97,450)	-	(97,450)	-
Recreation and culture	274,214	94,700	20,054	(159,460)	-	(159,460)	-
Interest on long-term debt	5,869	-	-	(5,869)	-	(5,869)	-
Total governmental activities	4,575,534	1,100,400	701,295	(2,773,839)	-	(2,773,839)	-
Business-type activities							
Electric Light and Power System	3,460,493	3,945,467	-	-	484,974	484,974	-
Sewage Disposal System	1,037,356	909,677	-	-	(127,679)	(127,679)	-
Water System	749,170	630,411	-	-	(118,759)	(118,759)	-
Refuse	149,742	148,425	-	-	(1,317)	(1,317)	-
Total business-type activities	5,396,761	5,633,980	-	-	237,219	237,219	-
Total primary government	\$ 9,972,295	\$ 6,734,380	\$ 701,295	(2,773,839)	237,219	(2,536,620)	-
Component unit							
Downtown Development Authority	\$ 378,202	\$ -	\$ -	-	-	-	(378,202)
General revenues							
Property taxes				1,187,426	-	1,187,426	255,556
State shared revenue				442,936	-	442,936	-
City income taxes				866,988	-	866,988	-
Local community stabilization				5,916	-	5,916	40,301
Investment earnings				9,416	11,905	21,321	174
Miscellaneous				78,391	118,837	197,228	61,762
Transfers				(26,272)	26,272	-	-
Total general revenues and transfers				2,564,801	157,014	2,721,815	357,793
Extraordinary item - Flooding related expenses				(6,546)	(97,632)	(104,178)	-
Change in net position				(215,584)	296,601	81,017	(20,409)
Net position, beginning of the year				13,127,768	12,646,233	25,774,001	1,159,356
Net position, end of the year				\$ 12,912,184	\$ 12,942,834	\$ 25,855,018	\$ 1,138,947

See notes to financial statements.

**CITY OF PORTLAND
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General	City Income Tax	Local Street	Ambulance	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 562,875	\$ 903,620	\$ 259,554	\$ 30,444	\$ 853,363	\$ 2,609,856
Investments	1,028,016	-	-	-	-	1,028,016
Receivables						
Taxes	462	136,407	-	-	-	136,869
Accounts	6,396	-	-	81,793	9,679	97,868
Special assessments	-	-	-	-	-	-
Due from other governmental units			20,214		62,392	82,606
Due from other funds	105,070	-	-	-	40,010	145,080
Prepays	12,633	757	3,329	8,095	4,157	28,971
TOTAL ASSETS	\$ 1,715,452	\$ 1,040,784	\$ 283,097	\$ 120,332	\$ 969,601	\$ 4,129,266
LIABILITIES						
Accounts payable	\$ 154,607	\$ 723	\$ 47,202	\$ 3,404	\$ 36,247	\$ 242,183
Accrued liabilities	85,968	4,981	8,844	23,857	14,226	137,876
Due to other funds	-	40,010	-	30,000	10,000	80,010
Advance from other funds	-	-	20,000	-	-	20,000
TOTAL LIABILITIES	240,575	45,714	76,046	57,261	60,473	480,069
FUND BALANCES						
Nonspendable						
Prepays	12,633	757	3,329	8,095	4,157	28,971
Perpetual care	-	-	-	-	183,498	183,498
Land held for resale	1,028,016	-	-	-	-	1,028,016
Restricted						
Streets	-	-	203,722	-	712,915	916,637
Public works	10,000	-	-	-	-	10,000
Committed						
Street improvements	-	994,313	-	-	-	994,313
Ambulance	-	-	-	54,976	-	54,976
Assigned						
Recreation	-	-	-	-	8,558	8,558
Subsequent year's expenditures	53,790	-	-	-	-	53,790
Unassigned	370,438	-	-	-	-	370,438
TOTAL FUND BALANCES	1,474,877	995,070	207,051	63,071	909,128	3,649,197
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,715,452	\$ 1,040,784	\$ 283,097	\$ 120,332	\$ 969,601	\$ 4,129,266

See notes to financial statements.

**CITY OF PORTLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total fund balances - governmental funds \$ 3,649,197

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	\$ 26,034,161	
Accumulated depreciation is	<u>(12,024,561)</u>	
Capital assets, net		14,009,600

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. 213,878

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

Deferred outflows of resources related to pensions	571,874	
Deferred outflows of resources related to OPEB	69,983	
Deferred inflows of resources related to pensions	(96,595)	
Deferred inflows of resources related to OPEB	<u>(287,250)</u>	
		258,012

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	5,139	
Compensated absences	32,283	
Direct obligations	1,012,561	
Net OPEB Liability	555,969	
Net pension liability	<u>3,612,551</u>	
		<u>(5,218,503)</u>

Net position of governmental activities \$ 12,912,184

**CITY OF PORTLAND
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

	General	City Income Tax	Local Street	Ambulance	Nonmajor Governmental Funds	Total
REVENUES						
Taxes	\$ 1,089,122	\$ 858,331	\$ 147,834	\$ -	\$ -	\$ 2,095,287
Licenses and permits	74,623	-	-	-	-	74,623
Intergovernmental	536,037	-	178,105	-	415,925	1,130,067
Charges for services	341,743	-	-	513,368	107,863	962,974
Fines and forfeits	17,346	8,865	-	-	-	26,211
Interest and rents	4,546	9,207	-	-	-	13,753
Other	82,053	434	1,524	998	7,078	92,087
TOTAL REVENUES	2,145,470	876,837	327,463	514,366	530,866	4,395,002
EXPENDITURES						
Current						
General government	796,087	185,507	-	-	-	981,594
Public safety	867,609	-	-	-	-	867,609
Public works	204,619	-	652,779	-	406,758	1,264,156
Health and welfare	27,298	-	-	591,748	-	619,046
Community and economic development	97,450	-	-	-	-	97,450
Recreation and culture	261,408	-	-	-	139,183	400,591
Capital outlay	411,829	-	-	-	1,671	413,500
Debt service	-	501,245	-	-	-	501,245
TOTAL EXPENDITURES	2,666,300	686,752	652,779	591,748	547,612	5,145,191
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(520,830)	190,085	(325,316)	(77,382)	(16,746)	(750,189)
OTHER FINANCING SOURCES (USES)						
Transfers in	113,810	363,531	518,636	-	98,681	1,094,658
Transfers out	(448,741)	(577,418)	-	(26,552)	(146,771)	(1,199,482)
TOTAL OTHER FINANCING SOURCES (USES)	(334,931)	(213,887)	518,636	(26,552)	(48,090)	(104,824)
EXTRAORDINARY ITEM						
Flood related expenditures	(4,324)	-	(94)	-	(2,128)	(6,546)
NET CHANGE IN FUND BALANCES	(860,085)	(23,802)	193,226	(103,934)	(66,964)	(861,559)
Fund balances, beginning of year	2,334,962	1,018,872	13,825	167,005	976,092	4,510,756
Fund balances, end of year	<u>\$ 1,474,877</u>	<u>\$ 995,070</u>	<u>\$ 207,051</u>	<u>\$ 63,071</u>	<u>\$ 909,128</u>	<u>\$ 3,649,197</u>

See notes to financial statements.

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, 2019

Net change in fund balances - total governmental funds \$ (861,559)

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	\$ 1,092,190	
Depreciation expense	<u>(697,997)</u>	
Excess of capital outlay over depreciation expense		394,193

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

Change in net position of governmental activities accounted for in the Internal Service Fund		(118,984)
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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		492,880
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(Decrease) in unavailable revenue		(2,234)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	2,496	
Decrease in compensated absences	9,752	
Decrease in net OPEB liability	78,873	
(Increase) in net pension liability	(667,457)	
(Decrease) in deferred outflows of resources related to OPEB	(6,087)	
(Increase) in deferred inflows of resources related to OPEB	(84,537)	
Decrease in deferred outflows of resources related to pensions	111,172	
Increase in deferred inflows of resources related to pensions	<u>435,908</u>	
		<u>(119,880)</u>

Change in net position of governmental activities **\$ (215,584)**

**CITY OF PORTLAND
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Business-type Activities				Total	Governmental Activities
	Electric Light and Power System	Sewage Disposal System	Water System	Nonmajor Enterprise Fund (Refuse)		Internal Service Fund
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1,726,275	\$ -	\$ 482,417	\$ 10,033	\$ 2,218,725	\$ 112,204
Cash and cash equivalents - restricted	339,285	358,080	31,667	-	729,032	-
Accounts receivable	470,702	115,412	81,041	22,034	689,189	146
Due from other funds	130,000	-	110,902	-	240,902	-
Inventories	447,303	-	19,644	-	466,947	-
Prepays	13,257	3,463	1,643	-	18,363	1,102
Total current assets	3,126,822	476,955	727,314	32,067	4,363,158	113,452
Noncurrent assets						
Advance to other funds	20,000	-	-	-	20,000	-
Capital assets not being depreciated	275,807	11,003	14,353	-	301,163	-
Capital assets being depreciated, net	6,875,131	5,371,758	3,985,634	-	16,232,523	674,928
Total noncurrent assets	7,170,938	5,382,761	3,999,987	-	16,553,686	674,928
TOTAL ASSETS	10,297,760	5,859,716	4,727,301	32,067	20,916,844	788,380
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pension	163,718	96,636	53,318	-	313,672	22,724
Deferred outflows related to OPEB	27,342	9,512	6,286	-	43,140	8,986
TOTAL DEFERRED OUTFLOWS OF RESOURCES	191,060	106,148	59,604	-	356,812	31,710
LIABILITIES						
Current liabilities						
Accounts payable	185,034	7,102	34,522	12,446	239,104	6,412
Accrued liabilities	27,821	12,484	9,378	-	49,683	3,507
Accrued interest payable	11,627	8,223	2,937	-	22,787	5,026
Due to other funds	-	215,972	-	-	215,972	90,000
Current portion of compensated absences	22,470	8,448	6,166	-	37,084	8,702
Current portion of long-term debt	60,000	64,000	75,000	-	199,000	52,646
Total current liabilities	306,952	316,229	128,003	12,446	763,630	166,293
Noncurrent liabilities						
Customer deposits payable from restricted assets	197,098	29,237	31,446	-	257,781	-
Net pension liability	1,150,936	632,859	269,384	-	2,053,179	162,918
Net OPEB Liability	183,635	82,975	60,415	-	327,025	72,938
Noncurrent portion of long-term debt	1,065,000	3,225,000	394,872	-	4,684,872	160,602
Total noncurrent liabilities	2,596,669	3,970,071	756,117	-	7,322,857	396,458
TOTAL LIABILITIES	2,903,621	4,286,300	884,120	12,446	8,086,487	562,751
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pension	39,780	21,526	8,807	-	70,113	6,298
Deferred inflows related to OPEB	106,139	40,385	27,698	-	174,222	37,163
TOTAL DEFERRED INFLOWS OF RESOURCES	145,919	61,911	36,505	-	244,335	43,461
NET POSITION						
Net investment in capital assets	6,025,938	2,093,761	3,530,115	-	11,649,814	461,680
Restricted for utility reserve	453,086	124,372	-	-	577,458	-
Restricted for debt service	137,419	137,700	-	-	275,119	-
Restricted for equipment replacement	-	66,936	-	-	66,936	-
Unrestricted	822,837	(805,116)	336,165	19,621	373,507	(247,802)
TOTAL NET POSITION	\$ 7,439,280	\$ 1,617,653	\$ 3,866,280	\$ 19,621	\$ 12,942,834	\$ 213,878

See notes to financial statements.

**CITY OF PORTLAND
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

	Business-type Activities				Total	Governmental Activities
	Electric Light and Power System	Sewage Disposal System	Water System	Nonmajor Enterprise Fund (Refuse)		Internal Service Fund
OPERATING REVENUES						
Charges for services						
User charges	\$ 3,945,467	\$ 908,177	\$ 630,411	\$ 148,425	\$ 5,632,480	\$ 195,507
Tap fees	-	1,500	-	-	1,500	-
Other	4,984	80,078	1,190	1,418	87,670	5,341
TOTAL OPERATING REVENUES	3,950,451	989,755	631,601	149,843	5,721,650	200,848
OPERATING EXPENSES						
Salaries and wages	418,922	223,102	145,940	-	787,964	71,251
Fringe benefits	219,857	134,658	95,053	-	449,568	47,905
Contractual services	65,209	136,490	11,564	149,742	363,005	2,168
Supplies	-	32,417	15,624	-	48,041	29,079
Heat, light, and power	2,110,964	55,277	34,303	-	2,200,544	6,869
Communications	4,430	1,781	2,551	-	8,762	2,776
Insurance and bonds	14,836	3,459	2,396	-	20,691	11,899
Repairs and maintenance	33,750	25,994	146,934	-	206,678	44,366
Administrative services	72,900	56,544	56,544	-	185,988	34,956
Building and equipment rental	12,056	27,757	37,718	-	77,531	-
Other	45,476	2,616	3,227	-	51,319	400
Depreciation	395,282	237,963	185,538	-	818,783	145,956
TOTAL OPERATING EXPENSES	3,393,682	938,058	737,392	149,742	5,218,874	397,625
OPERATING INCOME (LOSS)	556,769	51,697	(105,791)	101	502,776	(196,777)
NONOPERATING INCOME (EXPENSES)						
Interest earned	11,178	-	727	-	11,905	-
Intergovernmental grants	-	31,167	-	-	31,167	-
(Loss) on disposal of assets	(19,043)	-	-	-	(19,043)	-
Interest expense and fees	(47,768)	(99,298)	(11,778)	-	(158,844)	(759)
TOTAL NONOPERATING REVENUES (EXPENSES)	(55,633)	(68,131)	(11,051)	-	(134,815)	(759)
INCOME (LOSS) BEFORE TRANSFERS	501,136	(16,434)	(116,842)	101	367,961	(197,536)
TRANSFERS						
Transfers in	-	64,749	75,333	-	140,082	78,552
Transfers out	(50,037)	(31,764)	(32,009)	-	(113,810)	-
TOTAL TRANSFERS	(50,037)	32,985	43,324	-	26,272	78,552
EXTRAORDINARY ITEM						
Flood related expenditures	(865)	(96,767)	-	-	(97,632)	-
CHANGE IN NET POSITION	450,234	(80,216)	(73,518)	101	296,601	(118,984)
Net position, beginning of year	6,989,046	1,697,869	3,939,798	19,520	12,646,233	332,862
Net position, end of year	\$ 7,439,280	\$ 1,617,653	\$ 3,866,280	\$ 19,621	\$ 12,942,834	\$ 213,878

See notes to financial statements.

**CITY OF PORTLAND
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	Business-type Activities				Total	Governmental
	Electric Light and Power System	Sewage Disposal System	Water System	Nonmajor Enterprise Fund (Refuse)		Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts from customers	\$ 4,057,598	\$ 996,827	\$ 638,603	\$ 149,535	\$ 5,842,563	\$ 200,858
Cash paid to suppliers	(2,544,221)	(467,982)	(286,268)	(149,785)	(3,448,256)	(144,345)
Cash paid to employees	(630,175)	(339,586)	(209,369)	-	(1,179,130)	(111,210)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	883,202	189,259	142,966	(250)	1,215,177	(54,697)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Proceeds from intergovernmental grants	-	31,167	-	-	31,167	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfers in	-	64,749	54,431	-	119,180	78,552
Transfers out	(180,037)	(31,764)	(32,009)	-	(243,810)	-
Payments of borrowing	(60,000)	(62,000)	(75,000)	-	(197,000)	(28,726)
Interest paid	(48,908)	(99,600)	(12,684)	-	(161,192)	(3,205)
Purchase of capital assets	(455,216)	(53,000)	(49,914)	-	(558,130)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(744,161)	(181,615)	(115,176)	-	(1,040,952)	46,621
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	11,178	-	727	-	11,905	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	150,219	38,811	28,517	(250)	217,297	(8,076)
Cash and cash equivalents, beginning of year	1,915,341	319,269	485,567	10,283	2,730,460	120,280
Cash and cash equivalents, end of year	<u>\$ 2,065,560</u>	<u>\$ 358,080</u>	<u>\$ 514,084</u>	<u>\$ 10,033</u>	<u>\$ 2,947,757</u>	<u>\$ 112,204</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 556,769	\$ 51,697	\$ (105,791)	\$ 101	\$ 502,776	\$ (196,777)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	395,282	237,963	185,538	-	818,783	145,956
(Loss) on special items	(865)	(96,767)	-	-	(97,632)	-
(Increase) decrease in:						
Accounts receivable	101,103	6,872	6,877	(308)	114,544	10
Due from other governments	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Inventories	(124,497)	-	18,270	-	(106,227)	-
Prepays	1,639	487	277	-	2,403	150
Deferred outflows of resources	(109,830)	(66,773)	(39,512)	-	(216,115)	(9,802)
Increase (decrease) in:						
Accounts payable	(57,877)	(20,269)	6,086	(43)	(72,103)	(11,982)
Accrued liabilities	1,931	(13,854)	3,132	-	(8,791)	(94)
Due to other funds	(3,000)	(9,098)	(40)	-	(12,138)	-
Net pension liability	186,824	111,679	63,797	-	362,300	21,285
Net OPEB liability	(62,128)	(3,801)	7,413	-	(58,516)	(7,583)
Customer deposits	6,044	200	125	-	6,369	-
Deferred inflows of resources	(8,193)	(9,077)	(3,206)	-	(20,476)	4,140
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 883,202	\$ 189,259	\$ 142,966	\$ (250)	\$ 1,215,177	\$ (54,697)

See notes to financial statements.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - 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 City Council members who are elected at large for overlapping two- or four-year terms. The Council elects two 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.

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.

Joint Ventures

The City participates in the following activity which is considered to be a joint venture in relation to the City, due to the formation of an organization by contractual agreement between two 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 of the five 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, 2018, are available at PAMA's administrative offices. As of December 31, 2018, PAMA had a net position of \$32,296.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Ventures (continued)

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 of the six 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.

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, 2018, are available at PAFA's administrative offices. As of June 30, 2018, the most recent financial statements available, PAFA had a net position of \$937,042.

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.

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.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

The City maintains fiduciary funds during the year to account for assets held in an agency capacity, however, these funds did not have any assets at year end and, therefore, there are no financial statements to report.

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.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

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

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.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash and Cash Equivalents

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

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.

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.

Receivables

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

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Tax

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

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

The City is permitted by charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2019, the City levied 12.6574 mills per \$1,000 of taxable valuation for general governmental services, and 1.0000 mill for local streets. The total taxable value for the 2018 levy for property within the City was \$94,601,116.

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.

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.

Compensated Absences

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

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

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Capital Assets

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

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

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

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.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position, the governmental funds, or proprietary funds balance sheet/statement of net position.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources (continued)

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

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.

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.

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.

Estimates

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

NOTE 2 - 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.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

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

Deposits

As of June 30, 2019, the carrying amounts and bank balances for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and Savings	\$ 5,508,941	\$ 5,572,429
COMPONENT UNIT		
Checking	<u>356,627</u>	<u>361,384</u>
TOTAL REPORTING ENTITY	<u>\$ 5,865,568</u>	<u>\$ 5,933,813</u>

The primary government cash and cash equivalents caption on the basic financial statements included \$893 of imprest cash and \$159,983 on deposit with the Michigan Public Power Agency. Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2019, the City accounts were insured by the FDIC for \$1,215,608 and the amount of \$4,718,205 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 levels of inputs that may be used to measure fair value:

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

- 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. The City had the following fair value measurements as of June 30, 2019:

	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	\$ -	\$ -	\$ 1,028,016	\$ 1,028,016	N/A	N/A

The fair value measurement for the land held for resale was reduced by \$435,600 during the year ended June 30, 2019 as a result of a portion of the land being resold.

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, 2019, 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.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Concentration of Credit Risk

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

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

Custodial Credit Risk

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

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents captions on the basic financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of June 30, 2019:

	Primary Government	Component Unit	Reporting Entity
Cash and cash equivalents	\$ 4,940,785	\$ 356,627	\$ 5,297,412
Cash and cash equivalents - restricted	729,032	-	729,032
Investments	1,028,016	-	1,028,016
	\$ 6,697,833	\$ 356,627	\$ 7,054,460

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 3 - CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of June 30, 2019:

	Customer Deposits	Debt Retirement	Repairs and Improvements	Restricted Utility Reserve	Total
Enterprise Funds	\$ 262,605	\$ 275,119	\$ 66,936	\$ 124,372	\$ 729,032

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2019, are as follows:

Due to General Fund from:	
Ambulance Fund	\$ 30,000
Nonmajor governmental funds	10,000
Sewage Disposal System Fund	<u>65,070</u>
	<u>\$ 105,070</u>
Due to Electric Light and Power System from:	
Sewage Disposal System Fund	<u>\$ 130,000</u>
Due to Water System Fund from:	
Internal Service Fund	\$ 90,000
Sewage Disposal System Fund	<u>20,902</u>
	<u>\$ 110,902</u>
Due to nonmajor governmental funds from:	
City Income Tax Fund	<u>\$ 40,010</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 5 - 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 City Income Tax fund from:	
General Fund	<u>\$ 363,531</u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - INTERFUND TRANSFERS (continued)

Transfer to Local Street Fund from:	
City Income Tax Fund	\$ 425,857
Nonmajor governmental funds	<u>92,779</u>
	<u><u>\$ 518,636</u></u>
Transfer to Sewer Disposal System Fund from:	
City Income Tax Fund	\$ 52,579
Nonmajor governmental funds	<u>12,170</u>
	<u><u>\$ 64,749</u></u>
Transfer to Water System Fund from:	
City Income Tax Fund	\$ 49,634
Nonmajor governmental funds	<u>25,699</u>
	<u><u>\$ 75,333</u></u>
Transfer to Internal Service Fund from:	
General Fund	\$ 52,000
Ambulance Fund	<u>26,552</u>
	<u><u>\$ 78,552</u></u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 33,210
Nonmajor governmental funds	16,123
City Income Tax Fund	<u>49,348</u>
	<u><u>\$ 98,681</u></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, Water System Fund, and the nonmajor governmental funds were to fund current year projects. The transfers to the Internal Service Fund was to fund capital outlay. The transfers to the Income Tax Fund and Local Street Fund were to fund infrastructure improvements.

NOTE 6 - ADVANCES RECEIVABLE AND PAYABLE

The amount of advances receivable and payable at June 30, 2019, are as follows:

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

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

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

Primary Government

	<u>Balance July 1, 2018</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2019</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,075,920	\$ 123,212	\$ -	\$ 1,199,132
Construction in progress	958,185	83,802	(953,885)	88,102
Subtotal	2,034,105	207,014	(953,885)	1,287,234
Capital assets being depreciated				
Land improvements	120,862	7,300	-	128,162
Buildings and additions	371,721	-	-	371,721
Equipment and furniture	2,453,177	33,603	-	2,486,780
Infrastructure - streets and bridges	21,582,092	1,798,158	-	23,380,250
Subtotal	24,527,852	1,839,061	-	26,366,913
Less accumulated depreciation for:				
Land improvements	(36,264)	(7,168)	-	(43,432)
Buildings and additions	(207,751)	(9,156)	-	(216,907)
Equipment and furniture	(1,231,144)	(195,280)	-	(1,426,424)
Infrastructure - streets and bridges	(10,650,507)	(632,349)	-	(11,282,856)
Subtotal	(12,125,666)	(843,953)	-	(12,969,619)
Net capital assets being depreciated	12,402,186	995,108	-	13,397,294
Capital assets, net	<u>\$ 14,436,291</u>	<u>\$ 1,202,122</u>	<u>\$ (953,885)</u>	<u>\$ 14,684,528</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 50,527
Public safety	48,814
Public works	707,625
Health and welfare	27,909
Recreation and culture	9,078
Total depreciation expense	<u>\$ 843,953</u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Business-type Activities (Electric Light and Power System)				
Capital assets not being depreciated				
Land	\$ 275,807	\$ -	\$ -	\$ 275,807
Capital assets being depreciated				
Buildings	4,929,924	5,000	(20,680)	4,914,244
Transmission and disbursement	6,853,877	-	-	6,853,877
Equipment	769,939	450,216	-	1,220,155
Subtotal	12,553,740	455,216	(20,680)	12,988,276
Less accumulated depreciation for:				
Buildings	(1,672,656)	(117,467)	1,637	(1,788,486)
Transmissions and disbursement	(3,537,941)	(197,322)	-	(3,735,263)
Equipment	(508,903)	(80,493)	-	(589,396)
Subtotal	(5,719,500)	(395,282)	1,637	(6,113,145)
Net capital assets being depreciated	6,834,240	59,934	(19,043)	6,875,131
Capital assets, net	<u>\$ 7,110,047</u>	<u>\$ 59,934</u>	<u>\$ (19,043)</u>	<u>\$ 7,150,938</u>
	Balance July 1, 2018	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2019
Business-type Activities (Sewage Disposal System)				
Capital assets not being depreciated				
Land	\$ 11,003	\$ -	\$ -	\$ 11,003
Construction in progress	231,379	9,872	(241,251)	-
Subtotal	242,382	9,872	(241,251)	11,003
Capital assets being depreciated				
Buildings	4,455,040	-	-	4,455,040
Sewage Disposal System	3,631,033	284,379	-	3,915,412
Equipment	160,469	-	-	160,469
Subtotal	8,246,542	284,379	-	8,530,921
Less accumulated depreciation for:				
Building	(1,134,725)	(96,241)	-	(1,230,966)
Sewage Disposal System	(1,742,516)	(133,446)	-	(1,875,962)
Equipment	(43,959)	(8,276)	-	(52,235)
Subtotal	(2,921,200)	(237,963)	-	(3,159,163)
Net capital assets being depreciated	5,325,342	46,416	-	5,371,758
Capital assets, net	<u>\$ 5,567,724</u>	<u>\$ 56,288</u>	<u>\$ (241,251)</u>	<u>\$ 5,382,761</u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - CAPITAL ASSETS (continued)

Primary Government (continued)

	<u>Balance July 1, 2018</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2019</u>
Business-type Activities (Water System)				
Capital assets not being depreciated				
Land	\$ 14,353	\$ -	\$ -	\$ 14,353
Construction in progress	325,583	24,167	(349,750)	-
Subtotal	339,936	24,167	(349,750)	14,353
Capital assets being depreciated				
Water System	6,337,785	375,497	-	6,713,282
Equipment	285,741	-	-	285,741
Subtotal	6,623,526	375,497	-	6,999,023
Less accumulated depreciation for:				
Water System	(2,719,845)	(171,272)	-	(2,891,117)
Equipment	(108,006)	(14,266)	-	(122,272)
Subtotal	(2,827,851)	(185,538)	-	(3,013,389)
Net capital assets being depreciated	3,795,675	189,959	-	3,985,634
Capital assets, net	<u>\$ 4,135,611</u>	<u>\$ 214,126</u>	<u>\$ (349,750)</u>	<u>\$ 3,999,987</u>

Component Unit

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Component Unit (DDA)				
Capital assets being depreciated				
Downtown improvements	\$ 703,381	\$ -	\$ -	\$ 703,381
City Hall building	2,601,000	-	-	2,601,000
Subtotal	3,304,381	-	-	3,304,381
Less accumulated depreciation for:				
Downtown improvements	(397,449)	(31,292)	-	(428,741)
City Hall building	(1,950,750)	(130,050)	-	(2,080,800)
Subtotal	(2,348,199)	(161,342)	-	(2,509,541)
Net capital assets being depreciated	956,182	(161,342)	-	794,840
Capital assets, net	<u>\$ 956,182</u>	<u>\$ (161,342)</u>	<u>\$ -</u>	<u>\$ 794,840</u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2019.

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Primary Government					
Governmental Activities					
Direct borrowings and direct placements					
2016 Ambulance contract payable	\$ 122,368	\$ -	\$ -	\$ 122,368	\$ 23,150
2016 Snow Plow contract payable	119,606	-	(28,726)	90,880	29,496
2016 Heart Monitors/Defibrillators contract payable	55,441	-	(17,880)	37,561	18,474
Other long-term obligations					
2017 G.O. Limited Tax Bonds	1,450,000	-	(475,000)	975,000	485,000
Compensated absences	49,767	81,095	(89,877)	40,985	40,985
	<u>1,797,182</u>	<u>81,095</u>	<u>(611,483)</u>	<u>1,266,794</u>	<u>597,105</u>
Business-type Activities					
Other long-term obligations					
2008 Capital Improvement Bonds - Electric	1,185,000	-	(60,000)	1,125,000	60,000
2004 Water System Bonds	544,872	-	(75,000)	469,872	75,000
2011 Sanitary Sewer System Bonds	753,000	-	(14,000)	739,000	14,000
2010 Sanitary Sewer System Bonds	2,598,000	-	(48,000)	2,550,000	50,000
Compensated absences	44,539	50,901	(58,356)	37,084	37,084
	<u>5,125,411</u>	<u>50,901</u>	<u>(255,356)</u>	<u>4,920,956</u>	<u>236,084</u>
Total Long-term Obligations	<u>\$ 6,922,593</u>	<u>\$ 131,996</u>	<u>\$ (866,839)</u>	<u>\$ 6,187,750</u>	<u>\$ 833,189</u>

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

Primary Government - Direct Borrowings and Direct Placements

Installment Purchase Agreements

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

\$147,582 Equipment Purchase Agreement dated November 7, 2016, due in annual installments ranging from \$29,496 to \$31,098 through November 7, 2021, with interest at 2.68%, payable annually. 90,880

\$92,254 Equipment Purchase Agreement dated October 25, 2016, due in annual installments ranging from \$18,474 to \$19,087 through November 25, 2020, with interest at 3.32%, payable annually. 37,561

\$ 250,809

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - LONG-TERM OBLIGATIONS (continued)

Primary Government - Other Long-term Obligations

2017 General Obligation Limited Tax Bonds

\$1,920,000 Capital Improvement Bonds dated May 2, 2017, due in annual installments ranging from \$485,000 to \$490,000 through April 1, 2021, with interest ranging at 1.81%, payable semi-annually. \$ 975,000

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 April 1, 2033, with interest ranging from 4.00% to 4.25%, payable semi-annually. \$ 1,125,000

2004 Water System Bonds

\$1,344,872 Water System Bonds dated September 25, 2003, due in annual installments ranging from \$74,872 to \$85,000 through October 1, 2024, with interest of 2.50%, payable semi-annually. \$ 469,872

2010 Sanitary Sewer System Revenue Bonds

\$2,900,000 Sewer System Revenue Bonds dated December 29, 2010, due in annual installments ranging from \$50,000 to \$121,000 through December 1, 2050, with interest of 3.00%, payable semi-annually. \$ 2,550,000

2011 Sanitary Sewer System Revenue Bonds

\$840,000 Sewer System Revenue Bonds dated March 9, 2011, due in annual installments ranging from \$14,000 to \$36,000 through December 1, 2050, with interest of 3.00%, payable semi-annually. \$ 739,000

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 \$78,069 at June 30, 2019. Of this amount, \$40,985 and \$37,084 are shown as compensated absences liabilities in the governmental and business-type activities financial statements, respectively, in accordance with criteria disclosed in Note 1.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - LONG-TERM OBLIGATIONS (continued)

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

Governmental Activities				
Year Ending June 30,	Direct Borrowings and Direct Placements		Other Long-term Obligations	
	Equipment Purchase Agreements		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 71,120	\$ 7,084	\$ 485,000	\$ 17,648
2021	73,167	5,037	490,000	8,869
2022	55,553	2,930	-	-
2023	25,135	1,417	-	-
2024	25,834	718	-	-
	<u>\$ 250,809</u>	<u>\$ 17,186</u>	<u>\$ 975,000</u>	<u>\$ 26,517</u>
Business- Type Activities				
Year Ending June 30,	Other Long-term Obligations			
	Capital Improvement Bonds		Water System Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 60,000	\$ 46,508	\$ 75,000	\$ 10,809
2021	65,000	44,108	75,000	8,934
2022	65,000	41,508	80,000	6,997
2023	70,000	38,908	80,000	4,997
2024	70,000	36,108	85,000	2,934
2025-2029	405,000	134,355	74,872	936
2030-2033	390,000	42,501	-	-
	<u>\$ 1,125,000</u>	<u>\$ 383,996</u>	<u>\$ 469,872</u>	<u>\$ 35,607</u>
Business-Type Activities				
Year Ending June 30,	Other Long-term Obligations			
	Sanitary Sewer System Bonds			
	Principal	Interest		
2020	\$ 64,000	\$ 97,710		
2021	66,000	95,760		
2022	67,000	93,765		
2023	69,000	91,725		
2024	71,000	90,690		
2025-2029	386,000	414,480		
2030-2034	450,000	351,960		
2035-2039	518,000	279,420		
2040-2044	601,000	195,795		
2045-2049	691,000	98,865		
2050-2051	306,000	9,300		
	<u>\$ 3,289,000</u>	<u>\$ 1,819,470</u>		

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RETIREMENT PLANS

Defined Benefit 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-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 3%.

At the December 31, 2018, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	40
Inactive employees or beneficiaries entitled to but not yet receiving benefits	13
Active employees	<u>32</u>
	<u><u>85</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 5.04% to 6.84% based on annual payroll for open divisions.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RETIREMENT PLANS (continued)

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2018 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%	6.15%
Global Fixed Income	18.50%	1.26%
Real Assets	13.50%	7.22%
Diversifying Strategies	12.50%	5.00%

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RETIREMENT PLANS (continued)

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.

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 12/31/17	\$ 13,831,601	\$ 9,053,995	\$ 4,777,606
Service Cost	185,869	-	185,869
Interest on Total Pension Liability	1,079,521	-	1,079,521
Changes in benefits	(5,079)	-	(5,079)
Difference between expected and actual experience	1,314	-	1,314
Employer contributions	-	540,938	(540,938)
Employee contributions	-	34,684	(34,684)
Net investment income	-	(347,651)	347,651
Benefit payments, including employee refunds	(861,043)	(861,043)	-
Administrative expense	-	(17,388)	17,388
Other changes	1	1	-
Net changes	400,583	(650,459)	1,051,042
Balances as of 12/31/18	<u>\$ 14,232,184</u>	<u>\$ 8,403,536</u>	<u>\$ 5,828,648</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.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	<u>\$ 7,402,891</u>	<u>\$ 5,828,648</u>	<u>\$ 4,495,288</u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RETIREMENT PLANS (continued)

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

For the year ended June 30, 2019, the employer recognized pension expenses of \$740,886. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 986	\$ 173,006
Net difference between projected and actual earnings on pension plan investments	636,204	-
Contributions subsequent to the measurement date*	271,080	-
Total	\$ 908,270	\$ 173,006

* 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, 2020.

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

Year Ending June 30,	Pension Expense
2020	\$ 126,236
2021	434
2022	125,548
2023	211,966

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.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RETIREMENT PLANS (continued)

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

As established by the City Council, the City contributes 7% of the eligible employee wages. Of this 7%, 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% of their wages to the defined contribution portion of the plan.

For the year ended June 30, 2019, the City contributed \$47,222 for the defined benefit portion and \$11,904 for the defined contribution portion and the employees contributed \$25,476 to the defined contribution part of the plan.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS PLANS

Defined Benefits Plan

Plan Description

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

Benefits Provided

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

Summary of Plan Participants

At the June 30, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	4
Active employees	<u>15</u>
	<u><u>19</u></u>

Contributions

The City has no obligations to make contributions in advance of when the premiums are due for payments (i.e., may be financed on a "pay-as-you-go" basis). The City is currently only paying premiums of retirees from current, available financial resources. For the year ended June 30, 2019, the City's only contribution was its portion of premium payments.

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS PLANS (continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	3.36%
Healthcare Cost Trend Rates:	
Current Year Trend	8.50%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2035
Salary Increases	3.75%

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

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

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

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

Change in Total OPEB Liability

The change in the total OPEB liability for the year ended June 30, 2019 is as follows:

Calculating the Net OPEB Liability			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/18	\$ 1,100,904	\$ -	\$ 1,100,904
Service Cost	45,128	-	45,128
Interest on Total OPEB Liability	32,943	-	32,943
Difference between expected and actual experience	(180,034)	-	(180,034)
Changes in assumptions	(7,663)	-	(7,663)
Employer contributions	-	35,346	(35,346)
Benefit payments, including employee refunds	(35,346)	(35,346)	-
Net changes	(144,972)	-	(144,972)
Balances as of 6/30/19	\$ 955,932	\$ -	\$ 955,932

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS PLANS (continued)

Summary of Significant Accounting Policies

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported for the City. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if there were any, would be reported at fair value. At June 30, 2019, the City had no fiduciary plan assets so net position at June 30, 2019 was \$0.

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.36%) or 1-percentage-point higher (4.36%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 1,047,623	\$ 955,932	\$ 871,091

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

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

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 842,666	\$ 955,932	\$ 1,088,899

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$47,863. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 491,562
Changes in assumptions	122,109	7,073
Total	\$ 122,109	\$ 498,635

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS PLANS (continued)

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

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

<u>Year Ended June 30,</u>	<u>OPEB Expense</u>
2020	\$ (31,879)
2021	(31,879)
2022	(31,879)
2023	(31,879)
2024	(31,879)
Thereafter	(217,131)

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, 2019, the City contributed \$2,702. For all other employees, the City does not contribute. Participating employees contribute 3% of their wages to the plan. For the year ended June 30, 2019, the City contributed \$0 for the plan and employees contributed \$25,269.

In addition, police department employees hired prior to July 1, 2013 contribute 0.25% of wages to the HCSP. Employees in this group also are required to contribute up to 48 hours of wages per year if the individual employee's unused sick leave time exceeds the 320-hour maximum agreed upon.

NOTE 11 - DEFERRED COMPENSATION PLANS

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

NOTE 12 - 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.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - RISK MANAGEMENT (continued)

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.

NOTE 13 - 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, 2019:

Revenues		
Licenses and Permits		
Permits	\$	50,387
 Expenditures		
Salaries and wages		20,796
Fringe benefits		8,146
Contractual services		14,424
Supplies		544
Vehicle rental		300
Other		<u>2,707</u>
TOTAL EXPENDITURES		<u>46,917</u>
EXCESS OF REVENUES OVER EXPENDITURES		3,470
Code Enforcement (Deficit) at June 30, 2018		<u>(1,041,810)</u>
Code Enforcement (Deficit) at June 30, 2019	\$	<u><u>(1,038,340)</u></u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - 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, 2019:

PRIMARY GOVERNMENT	
Governmental Activities	
Other Purposes	
Streets	\$ 923,295
Leik Grove property - Public Works	10,000
Cemetery Perpetual Care, nonexpendable	<u>183,498</u>
	<u><u>\$ 1,116,793</u></u>
Business-type Activities	
Restricted for utilities	
Electric Light and Power	\$ 453,086
Sewage Disposal System	<u>124,372</u>
	<u><u>\$ 577,458</u></u>
Restricted for debt service	
Sewage Disposal System	\$ 137,700
Electric Light and Power	<u>137,419</u>
	<u><u>\$ 275,119</u></u>
Restricted for equipment replacement	
Sewage Disposal System	<u>\$ 66,936</u>

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

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

NOTE 15 - 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:

CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - DETAILS OF FUND BALANCE CLASSIFICATIONS (continued)

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.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PORTLAND
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 1,040,470	\$ 1,040,470	\$ 1,039,592	\$ (878)
Penalties and interest	4,000	4,000	4,119	119
Tax collection	40,000	45,000	45,411	411
Total taxes	1,084,470	1,089,470	1,089,122	(348)
Licenses and permits				
Cable television license	24,000	24,000	23,535	(465)
City licenses and permits	500	48,500	51,088	2,588
Total licenses and permits	24,500	72,500	74,623	2,123
Intergovernmental				
State				
Grants	-	82,500	82,500	-
Sales tax	434,300	434,300	442,936	8,636
Local community stabilization	70,000	5,916	5,916	-
Act 302 training funds	900	900	940	40
State liquor license	3,300	3,300	3,745	445
Total intergovernmental	508,500	526,916	536,037	9,121
Charges for services				
Cemetery fees and lot sales	9,000	9,000	19,890	10,890
Administrative charges	319,044	319,044	319,044	-
Other fees	5,000	3,000	2,809	(191)
Total charges for services	333,044	331,044	341,743	10,699
Fines and forfeits				
Parking	2,500	2,500	2,595	95
District court	10,000	10,000	12,359	2,359
Other	1,500	1,500	2,392	892
Total fines and forfeits	14,000	14,000	17,346	3,346
Interest and rents				
Rent	-	3,800	4,546	746
Other				
Donations	-	-	11,052	11,052
Reimbursements	35,000	59,019	71,001	11,982
Total other	35,000	59,019	82,053	23,034
TOTAL REVENUES	1,999,514	2,096,749	2,145,470	48,721

**CITY OF PORTLAND
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
Council, boards, and commissions	\$ 6,982	\$ 6,982	\$ 5,130	\$ 1,852
Community promotions	111,375	113,576	109,331	4,245
City manager	165,964	165,964	161,600	4,364
Assessing services	52,458	53,073	49,843	3,230
Elections	6,310	6,310	5,471	839
City hall and grounds	97,574	97,574	74,923	22,651
General administrative	334,347	385,486	389,789	(4,303)
Total general government	775,010	828,965	796,087	32,878
Public safety				
Police department	736,899	773,824	698,186	75,638
Fire authority	120,961	120,961	122,506	(1,545)
Code enforcement	46,384	49,430	46,917	2,513
Total public safety	904,244	944,215	867,609	76,606
Public works				
Street lighting	60,000	73,500	67,344	6,156
Cemetery operations	148,978	148,978	137,275	11,703
Total public works	208,978	222,478	204,619	17,859
Health and welfare				
Ambulance service	22,328	27,300	27,298	2
Community and economic development				
Economic development	26,460	28,860	97,450	(68,590)
Recreation and culture				
Parks department	190,754	296,120	261,408	34,712
Capital outlay	-	420,000	411,829	8,171
TOTAL EXPENDITURES	2,127,774	2,767,938	2,666,300	101,638
EXCESS OF REVENUES (UNDER) EXPENDITURES	(128,260)	(671,189)	(520,830)	150,359

**CITY OF PORTLAND
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of land	\$ -	\$ 363,531	\$ -	\$ (363,531)
Transfers in	113,810	113,810	113,810	-
Transfers out	<u>(157,000)</u>	<u>(621,741)</u>	<u>(448,741)</u>	<u>173,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(43,190)</u>	<u>(144,400)</u>	<u>(334,931)</u>	<u>(190,531)</u>
EXTRAORDINARY ITEM				
Flood related expenditures	<u>-</u>	<u>(4,040)</u>	<u>(4,324)</u>	<u>(284)</u>
NET CHANGE IN FUND BALANCE	(171,450)	(819,629)	(860,085)	(40,456)
Fund balance, beginning of year	<u>2,334,962</u>	<u>2,334,962</u>	<u>2,334,962</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2,163,512</u></u>	<u><u>\$ 1,515,333</u></u>	<u><u>\$ 1,474,877</u></u>	<u><u>\$ (40,456)</u></u>

**CITY OF PORTLAND
CITY INCOME TAX FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 687,400	\$ 687,000	\$ 858,331	\$ 171,331
Fines and forfeits	10,000	6,000	8,865	2,865
Interest	-	-	9,207	9,207
Other	-	-	434	434
TOTAL REVENUES	697,400	693,000	876,837	183,837
EXPENDITURES				
Current				
General government	216,011	216,351	185,507	30,844
Debt service	501,245	501,245	501,245	-
TOTAL EXPENDITURES	717,256	717,596	686,752	30,844
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(19,856)	(24,596)	190,085	214,681
OTHER FINANCING SOURCES (USES)				
Transfers in	-	363,531	363,531	-
Transfers out	-	(602,611)	(577,418)	25,193
TOTAL OTHER FINANCING SOURCES (USES)	-	(239,080)	(213,887)	25,193
NET CHANGE IN FUND BALANCE	(19,856)	(263,676)	(23,802)	239,874
Fund balance, beginning of year	1,018,872	1,018,872	1,018,872	-
Fund balance, end of year	<u>\$ 999,016</u>	<u>\$ 755,196</u>	<u>\$ 995,070</u>	<u>\$ 239,874</u>

**CITY OF PORTLAND
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 82,107	\$ 147,857	\$ 147,834	\$ (23)
Intergovernmental	112,456	168,196	178,105	9,909
Other	-	-	1,524	1,524
TOTAL REVENUES	194,563	316,053	327,463	11,410
EXPENDITURES				
Current				
Public works	378,029	834,129	652,779	181,350
EXCESS OF REVENUES (UNDER) EXPENDITURES	(183,466)	(518,076)	(325,316)	192,760
OTHER FINANCING SOURCES				
Transfers in	175,000	641,818	518,636	(123,182)
EXTRAORDINARY ITEM				
Flood related expenditures	-	-	(94)	(94)
NET CHANGE IN FUND BALANCE	(8,466)	123,742	193,226	69,484
Fund balance, beginning of year	13,825	13,825	13,825	-
Fund balance, end of year	<u>\$ 5,359</u>	<u>\$ 137,567</u>	<u>\$ 207,051</u>	<u>\$ 69,484</u>

**CITY OF PORTLAND
AMBULANCE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 587,182	\$ 590,282	\$ 513,368	\$ (76,914)
Other	-	-	998	998
TOTAL REVENUES	587,182	590,282	514,366	(75,916)
EXPENDITURES				
Current				
Health and welfare	606,995	627,830	591,748	36,082
EXCESS OF REVENUES (UNDER) EXPENDITURES	(19,813)	(37,548)	(77,382)	(39,834)
OTHER FINANCING (USES)				
Transfers out	-	(26,552)	(26,552)	-
NET CHANGE IN FUND BALANCE	(19,813)	(64,100)	(103,934)	(39,834)
Fund balance, beginning of year	167,005	167,005	167,005	-
Fund balance, end of year	<u>\$ 147,192</u>	<u>\$ 102,905</u>	<u>\$ 63,071</u>	<u>\$ (39,834)</u>

**CITY OF PORTLAND
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION LIABILITY AND RELATED RATIOS
LAST FIVE MEASUREMENT DATES
(ULTIMATELY TEN MEASUREMENT DATES WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 OF EACH FISCAL YEAR)**

	2014	2015	2016	2017	2018
Total Pension Liability					
Service cost	\$ 195,518	\$ 191,696	\$ 184,007	\$ 176,437	\$ 185,869
Interest	996,910	1,014,053	1,042,491	1,069,900	1,079,521
Changes of benefit terms	-	-	(5,276)	(6,729)	(5,079)
Difference between expected and actual experience	-	(412,990)	(107,437)	(292,292)	1,314
Changes of assumptions	-	650,689	-	-	-
Benefit payments including employee refunds	(668,323)	(667,741)	(732,278)	(802,498)	(861,043)
Administrative expense	(23,983)	(1)	-	-	-
Other changes	-	-	1	(2)	1
Net Change in Total Pension Liability	500,122	775,706	381,508	144,816	400,583
Total Pension Liability, beginning	12,029,449	12,529,571	13,305,277	13,686,785	13,831,601
Total Pension Liability, ending	<u>\$ 12,529,571</u>	<u>\$ 13,305,277</u>	<u>\$ 13,686,785</u>	<u>\$ 13,831,601</u>	<u>\$ 14,232,184</u>
Plan Fiduciary Net Position					
Contributions-employer	\$ 434,906	\$ 548,464	\$ 480,164	\$ 521,381	\$ 540,938
Contributions-employee	-	-	7,880	20,842	34,684
Net Investment income	481,656	(117,021)	861,635	1,082,559	(347,651)
Benefit payments including employee refunds	(668,323)	(667,741)	(732,278)	(802,498)	(861,043)
Administrative expense	(17,676)	(17,201)	(17,018)	(17,152)	(17,388)
Other changes	-	-	1	-	1
Net Change in Plan Fiduciary Net Position	230,563	(253,499)	600,384	805,132	(650,459)
Plan Fiduciary Net Position, beginning	7,671,415	7,901,978	7,648,479	8,248,863	9,053,995
Plan Fiduciary Net Position, ending	<u>\$ 7,901,978</u>	<u>\$ 7,648,479</u>	<u>\$ 8,248,863</u>	<u>\$ 9,053,995</u>	<u>\$ 8,403,536</u>
Employer Net Pension Liability	<u>\$ 4,627,593</u>	<u>\$ 5,656,798</u>	<u>\$ 5,437,922</u>	<u>\$ 4,777,606</u>	<u>\$ 5,828,648</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	63%	57%	60%	65%	59%
Covered Employee Payroll	\$ 2,011,873	\$ 2,002,154	\$ 1,964,499	\$ 1,968,154	\$ 2,119,458
Employer's Net Pension Liability as a percentage of covered employee payroll	230%	283%	277%	243%	275%

CITY OF PORTLAND
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
LAST FIVE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarial determined contributions	\$ 447,139	\$ 447,697	\$ 512,810	\$ 532,687	\$ 544,766
Contributions in relation to the actuarially determined contribution	<u>447,139</u>	<u>447,697</u>	<u>512,810</u>	<u>532,687</u>	<u>544,766</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 2,132,656	\$ 2,171,832	\$ 2,218,598	\$ 2,058,415	\$ 2,136,352
Contributions as a percentage of covered employee payroll	21%	21%	23%	26%	25%

CITY OF PORTLAND
RETIRED EMPLOYEES' HEALTH CARE BENEFITS
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
LAST TWO MEASUREMENT DATES (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 45,128	\$ 68,758
Interest	32,943	33,145
Difference between expected and actual experience	(180,034)	(381,164)
Changes in assumptions	(7,663)	143,037
Benefit payments including employee refunds	<u>(35,346)</u>	<u>(55,913)</u>
Net Change in Total OPEB Liability	(144,972)	(192,137)
Total OPEB Liability - beginning	<u>1,100,904</u>	<u>1,293,041</u>
Total OPEB Liability - ending	<u><u>\$ 955,932</u></u>	<u><u>\$ 1,100,904</u></u>
Plan Fiduciary Net Position		
Contributions-employer	\$ 35,346	\$ 55,913
Benefit payments including employee refunds	<u>(35,346)</u>	<u>(55,913)</u>
Net Change in Plan Fiduciary Net Position	-	-
Plan Fiduciary Net Position - beginning	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Employer Net OPEB Liability	<u><u>\$ 955,932</u></u>	<u><u>\$ 1,100,904</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%	0.00%
Covered Employee Payroll	\$ 916,624	\$ 1,120,572
Employer's Net OPEB Liability as a percentage of covered employee payroll	104.29%	98.24%

**CITY OF PORTLAND
 RETIRED EMPLOYEES' HEALTH CARE BENEFITS
 SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
 LAST TWO FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
 (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 27,955	\$ 119,762
Contributions in relation to the actuarially determined contribution	<u>61,748</u>	<u>55,913</u>
Contribution deficiency (excess)	<u>\$ (33,793)</u>	<u>\$ 63,849</u>
Covered Employee Payroll	\$ 916,624	\$ 1,120,572
Contributions as a percentage of covered employee payroll	6.7%	5.0%

**CITY OF PORTLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

NOTE 1 - 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, 2019, 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			
General administrative	\$ 385,486	\$ 389,789	\$ 4,303
Public Safety			
Fire Authority	120,961	122,506	1,545
Community and Economic Development			
Economic Development	28,860	97,450	68,590

NOTE 2 - EMPLOYEE RETIREMENT PLANS

Changes of benefits terms: There was a change in the participant contribution rate to 3% for certain employee groups during plan year 2018.

Changes in assumptions: There were no changes of assumptions during plan year 2018.

NOTE 3 - OTHER POST-EMPLOYMENT BENEFITS PLANS

Changes of benefits terms: There were no changes of benefit terms during plan year 2019.

Changes in assumptions: The discount rate was changed from 2.98% to 3.36% since the last actuarial valuation.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF PORTLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	<u>Special Revenue</u>		<u>Capital</u>
	<u>Major Street</u>	<u>Recreation</u>	<u>Capital Projects Fund</u>
ASSETS			
Cash and cash equivalents	\$ 252,124	\$ 16,288	\$ 3,362
Accounts receivable	125	9,554	-
Due from other governmental units	62,392	-	-
Due from other funds	40,010	-	-
Prepays	3,329	828	-
	<u>3,329</u>	<u>828</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 357,980</u>	<u>\$ 26,670</u>	<u>\$ 3,362</u>
LIABILITIES			
Accounts payable	\$ 33,148	\$ 3,099	\$ -
Accrued liabilities	10,041	4,185	-
Due to other funds	-	10,000	-
	<u>-</u>	<u>10,000</u>	<u>-</u>
TOTAL LIABILITIES	43,189	17,284	-
FUND BALANCES			
Nonspendable			
Prepays	3,329	828	-
Perpetual care	-	-	-
Restricted			
Streets	311,462	-	3,362
Assigned			
Recreation	-	8,558	-
	<u>-</u>	<u>8,558</u>	<u>-</u>
TOTAL FUND BALANCES	<u>314,791</u>	<u>9,386</u>	<u>3,362</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 357,980</u>	<u>\$ 26,670</u>	<u>\$ 3,362</u>

<u>Projects</u>		<u>Permanent Fund</u>	
<u>Street Projects</u>	<u>Wellhead Improvement</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
\$ 398,091	\$ -	\$ 183,498	\$ 853,363
-	-	-	9,679
-	-	-	62,392
-	-	-	40,010
-	-	-	4,157
<u>\$ 398,091</u>	<u>\$ -</u>	<u>\$ 183,498</u>	<u>\$ 969,601</u>
\$ -	\$ -	\$ -	\$ 36,247
-	-	-	14,226
-	-	-	10,000
-	-	-	60,473
-	-	-	4,157
-	-	183,498	183,498
398,091	-	-	712,915
-	-	-	8,558
<u>398,091</u>	<u>-</u>	<u>183,498</u>	<u>909,128</u>
<u>\$ 398,091</u>	<u>\$ -</u>	<u>\$ 183,498</u>	<u>\$ 969,601</u>

**CITY OF PORTLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

	<u>Special Revenue</u>		<u>Capital</u>
	<u>Major Street</u>	<u>Recreation</u>	<u>Capital Projects Fund</u>
REVENUES			
Intergovernmental	\$ 399,464	\$ 16,000	\$ -
Charges for services	-	95,057	-
Other	2,943	4,135	-
	<u>402,407</u>	<u>115,192</u>	<u>-</u>
TOTAL REVENUES	402,407	115,192	-
EXPENDITURES			
Current			
Public works	406,758	-	-
Recreation and culture	-	139,183	-
Capital outlay	-	-	-
	<u>406,758</u>	<u>139,183</u>	<u>-</u>
TOTAL EXPENDITURES	406,758	139,183	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,351)	(23,991)	-
OTHER FINANCING SOURCES (USES)			
Transfers in	65,471	32,000	-
Transfers out	-	-	-
	<u>65,471</u>	<u>32,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	65,471	32,000	-
EXTRAORDINARY ITEM			
Flooding related expenditures	(2,128)	-	-
NET CHANGE IN FUND BALANCES	58,992	8,009	-
Fund balances, beginning of year	<u>255,799</u>	<u>1,377</u>	<u>3,362</u>
Fund balances, end of year	<u>\$ 314,791</u>	<u>\$ 9,386</u>	<u>\$ 3,362</u>

Projects		Permanent Fund	
Street Projects	Wellhead Improvement	Cemetery Perpetual Care	Total
\$ -	\$ 461	\$ -	\$ 415,925
-	-	12,806	107,863
-	-	-	7,078
-	461	12,806	530,866
-	-	-	406,758
-	-	-	139,183
-	1,671	-	1,671
-	1,671	-	547,612
-	(1,210)	12,806	(16,746)
-	1,210	-	98,681
(146,771)	-	-	(146,771)
(146,771)	1,210	-	(48,090)
-	-	-	(2,128)
(146,771)	-	12,806	(66,964)
544,862	-	170,692	976,092
\$ 398,091	\$ -	\$ 183,498	\$ 909,128

**CITY OF PORTLAND
COMPONENT UNIT FUND
BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2019**

ASSETS	
Cash	\$ 356,627
Accounts receivable	<u>90</u>
TOTAL ASSETS	<u><u>\$ 356,717</u></u>
LIABILITIES	
Accounts payable	\$ 5,909
Accrued liabilities	<u>6,701</u>
TOTAL LIABILITIES	12,610
FUND BALANCE	
Unassigned	<u>344,107</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 356,717</u></u>

**CITY OF PORTLAND
 COMPONENT UNIT FUND
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
 STATEMENT OF NET POSITION - DOWNTOWN DEVELOPMENT AUTHORITY
 JUNE 30, 2019**

Total fund balance - governmental fund \$ 344,107

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>(2,509,541)</u>	

Capital assets, net		<u>794,840</u>
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Net position of governmental activities		<u><u>\$ 1,138,947</u></u>
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**CITY OF PORTLAND
 COMPONENT UNIT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED JUNE 30, 2019**

REVENUES	
Taxes	\$ 255,556
Intergovernmental	40,301
Interest	174
Other	<u>61,762</u>
TOTAL REVENUES	357,793
EXPENDITURES	
Current	
Community and economic development	<u>216,860</u>
NET CHANGE IN FUND BALANCE	140,933
Fund balance, beginning of year	<u>203,174</u>
Fund balance, end of year	<u><u>\$ 344,107</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, 2019

Net change in fund balance - governmental fund \$ 140,933

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	<u>(161,342)</u>
Change in net position of governmental activities	<u><u>\$ (20,409)</u></u>

**CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)
JUNE 30, 2019**

**Total Taxable Value
Fiscal Years Ended or Ending June 30, 2016 Through 2020**

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>City's Fiscal Year Ended or Ending June 30</u>	<u>Ad Valorem Taxable Value (2)</u>	<u>Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198(1)</u>	<u>Total Taxable Value</u>	<u>Percent Increase Over Prior Year</u>
2014	2015	2016	\$92,934,804	\$736,200	\$93,671,004	.676%
2015	2016	2017	91,476,376	699,944	92,176,320	(1.600)
2016	2017	2018	92,968,902	630,384	93,599,286	1.543
2017	2018	2019	94,601,116	616,272	95,217,388	1.729
2018	2019	2020	95,505,725	596,376	96,102,101	.929

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2020 (3)\$24,749.45

(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, 2016 Through 2020**

<u>Use</u>	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Residential	\$ 64,328,254	\$ 65,272,848	\$ 66,535,607	\$ 67,790,533	\$ 68,768,105
Commercial.....	22,911,358	22,670,188	23,127,074	23,765,400	23,827,614
Industrial.....	5,577,792	3,205,484	2,960,405	2,662,155	2,512,382
Utility.....	853,600	1,027,800	976,200	999,300	994,000
Development.....	-	-	-	-	-
	<u>\$ 93,671,004</u>	<u>\$ 92,176,320</u>	<u>\$ 93,599,286</u>	<u>\$ 95,217,388</u>	<u>\$ 96,102,101</u>
<u>Class</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Real Property.....	\$ 87,457,304	\$ 87,964,820	\$ 89,462,886	\$ 91,188,988	\$ 92,144,501
Personal Property.	<u>6,213,700</u>	<u>4,211,500</u>	<u>4,136,400</u>	<u>4,028,400</u>	<u>3,957,600</u>
	<u>\$ 93,671,004</u>	<u>\$ 92,176,320</u>	<u>\$ 93,599,286</u>	<u>\$ 95,217,388</u>	<u>\$ 96,102,101</u>

Source: City of Portland

**CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED) (continued)
JUNE 30, 2019**

**Total State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2016 Through 2020**

Assessed Value as of <u>December 31</u>	Year of State Equalization and Tax Levy	City's Fiscal Year Ended or Ending <u>June 30</u>	Ad Valorem SEV (2)	SEV of Property Granted Tax Abatement Under <u>Act 198 (1)</u>	Total SEV	Percent Increase Over <u>Prior Year</u>
2014	2015	2016	\$ 94,754,600	\$736,200	\$ 95,490,800	(.8031)%
2015	2016	2017	95,435,400	699,944	96,135,344	.6750
2016	2017	2018	97,200,956	630,384	97,831,340	1.7000
2017	2018	2019	100,439,300	616,272	101,055,572	3.2957
2018	2019	2020	104,583,600	596,376	105,179,976	4.100

Per Capita Total SEV for the Fiscal Year Ending June 30, 2020(3)\$27,087.30

- (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, 2016 Through 2020**

<u>Use</u>	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Residential.....	\$ 65,647,300	\$ 67,301,100	\$ 69,499,600	\$ 71,409,100	\$ 75,948,300
Commercial.....	23,412,100	24,585,900	24,395,135	25,979,900	25,724,400
Industrial.....	5,577,800	3,220,544	2,960,405	2,667,272	2,513,276
Utility.....	853,600	1,027,800	976,200	999,300	994,000
Development.....	-	-	-	-	-
	<u>\$ 95,490,800</u>	<u>\$ 96,135,344</u>	<u>\$ 97,831,340</u>	<u>\$ 101,055,572</u>	<u>\$ 105,179,976</u>

<u>Class</u>	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Real Property.....	\$ 89,277,100	\$ 91,923,844	\$ 93,694,940	\$ 97,027,172	\$ 101,222,376
Personal Property.....	<u>6,213,700</u>	<u>4,211,500</u>	<u>4,136,400</u>	<u>4,028,400</u>	<u>3,957,600</u>
	<u>\$ 95,490,800</u>	<u>\$ 96,135,344</u>	<u>\$ 97,831,340</u>	<u>\$ 101,055,572</u>	<u>\$ 105,179,976</u>

Source: City of Portland

CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED) (continued)
JUNE 30, 2019

Maximum Property Tax Rates
Fiscal Year Ending June 30, 2020

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

(1) Cumulative.

(2) Includes 1.00 mill for local streets.

Source: City of Portland

Property Tax Rates (1)
Fiscal Years Ended or Ending June 30, 2015 Through 2019

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Total Operating</u>
2015	2016	13.6574 (2)
2016	2017	13.6574 (2)
2017	2018	13.6574 (2)
2018	2019	13.6574 (2)
2019	2020	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, 2016 Through 2020

<u>Governmental Unit</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Portland.....	\$13.6574	\$13.6574	\$13.6574	\$13.6574	\$13.6574
County of Ionia.....	4.6434	4.6378	4.6326	4.6326	5.6252
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	4.4696	4.8736	4.8736	4.8690
Intermediate School Dist.-Tech Ed....	1.0000	.9996	.9987	.9987	.9981
Library.....	1.7139	1.6827	1.7116	1.9525	1.9108
Seniors.....	.5000	.4994	.4988	.4988	.4981
Total	<u>\$39.3375</u>	<u>\$39.2929</u>	<u>\$39.7227</u>	<u>\$39.9636</u>	<u>\$40.9086</u>

CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED) (continued)
JUNE 30, 2019

Non-Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended June 30, 2016 Through 2020

<u>Governmental Unit</u>	<u>Fiscal Year Ending June 30</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Portland.....	\$13.6574	\$13.6574	\$13.6574	\$13.6574	\$13.6574
County of Ionia.....	4.6434	4.6434	4.6434	4.6326	5.6252
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	4.4696	4.8736	4.8736	4.8690
Intermediate School Dist.-Tech. Ed..	1.0000	.9996	.9987	.9987	.9981
Library.....	1.7139	1.6827	1.7116	1.9525	1.9108
Seniors.....	<u>.5000</u>	<u>.4994</u>	<u>.4988</u>	<u>.4988</u>	<u>.4981</u>
Total.....	<u>\$57.3375</u>	<u>\$57.3021</u>	<u>\$57.7335</u>	<u>\$57.9636</u>	<u>\$58.9086</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, 2016 Through 2020

<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>
2015	2016	\$1,068,898	\$1,040,554	97.35%
2016	2017	1,081,601	1,049,933	97.07
2017	2018	1,097,399	1,069,006	97.41
2018	2019	1,114,891	1,086,654	97.47
2019	2020	1,134,579	(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, 2019**

**Ten Largest Taxpayers
Fiscal Year Ending June 30, 2019**

<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.....	\$2,990,359	3.109%
Parkers Landing (Portland Partners)	Apartments	2,195,984	2.283
Portland Apartments (LAWCO)	Apartments	983,963	1.023
Consumers Energy.....	Utility	979,900	1.019
THK.....	Tie Rods, Steering, Linkages	886,006	.921
Portland Products	Automotive Manufacturing	877,576	.912
Family Farm & Home (HEB, LLC)	Farm supplies, retail sales	647,100	.673
Rindlehaven Land Co. LLC.....	Land.....	612,100	.636
Speedway America LLC.....	Gas Station.....	610,700	.635
Keusch's (Dick's Uptown)	Mechanic shop	<u>600,229</u>	<u>.623</u>
		<u>\$11,383,917</u>	<u>11.834%</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 \$96,197,076, which is the City's Total Taxable Value for the fiscal year ending June 30, 2019. 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, 2015 Through 2019**

<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>
2015	\$785,813	\$723,488	1.3355%
2016	830,815	752,439	4.0016
2017	923,413	834,190	10.8648
2018	951,031	847,112	1.5490
2019	915,686	797,686	(5.835)

(1) Gross collections less refunds equal net tax.

Source: City of Portland

**CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED) (continued)
JUNE 30, 2019**

**Revenues from the State of Michigan
Fiscal Years Ended or Ending June 30, 2015 through 2019**

	Fiscal Years Ended or Ending June 30				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
State Revenue Sharing	\$ 402,593	\$ 399,390	\$ 416,319	\$ 427,283	\$ 442,936
Other	<u>4,353</u>	<u>4,505</u>	<u>4,312</u>	<u>4,529</u>	<u>4,685</u>
Total Revenues From the State of Michigan	<u>\$ 406,946</u>	<u>\$ 403,895</u>	<u>\$ 420,631</u>	<u>\$ 431,812</u>	<u>\$ 447,621</u>

Source: City of Portland

CITY DEBT

Statutory and Constitutional Debt Provisions

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

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

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

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

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

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

CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED) (continued)
JUNE 30, 2019

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, 2019:

Debt Limit (1)	\$ 10,517,998
Debt Outstanding	\$ 5,859,000
Less: Exempt Debt (2).....	<u>(3,759,000)</u> <u>2,100,000</u>
Legal Debt Margin.....	<u>\$ 8,417,998</u>

(1) 10% of \$105,179,976, which is the City’s Total SEV for the fiscal year ending June 30, 2020. 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, 2019, 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)	\$ 739,000	\$ 739,000	\$ -
Dated December 29, 2010 (6).....	2,550,000	2,550,000	-
Dated September 25, 2003 (5).....	<u>470,000</u>	<u>470,000</u>	-
Subtotal	<u>\$ 3,759,000</u>	<u>\$ 3,759,000</u>	<u>\$ -</u>
Capital Improvement Bonds:			
Dated May 2, 2017 (Limited Tax) (7)	\$ 975,000	\$ -	\$ 975,000
Dated April 17, 2008 (Limited Tax) (1).....	<u>1,125,000</u>	<u>1,125,000</u>	-
Subtotal	<u>\$ 2,100,000</u>	<u>\$ 1,125,000</u>	<u>\$ 975,000</u>
Total City Direct Debt:	<u>\$ 5,859,000</u>	<u>\$ 4,884,000</u>	<u>\$ 975,000</u>

Per Capita Net Direct Debt (3).....	\$251.09
Percent of Net Direct Debt to Total SEV (4)93 %

CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED) (continued)
JUNE 30, 2019

<u>Overlapping Debt (2)</u>	<u>Gross</u>	<u>City Share as a Percent of Gross</u>	<u>Net</u>
Ionia County	\$ 1,178,000	5.65%	\$ 66,557
Ionia County Intermediate School District.....	105,000	4.98	5,229
Portland District Library.....	825,000	29.98	247,335
Portland Public Schools.....	<u>28,198,438</u>	24.54	6,919,897
Total Overlapping Debt	<u>30,306,438</u>		<u>7,239,018</u>
Total City Direct and Overlapping Debt.....	<u>\$ 36,165,438</u>		<u>\$ 8,214,018</u>
Per Capita Net Overlapping Debt (3).....			\$1,864.28
Percent of Net Overlapping Debt to Total SEV (4)			6.88%
Per Capita Net Direct and Overlapping Debt (3).....			\$2,115.38
Percent of Net Direct and Overlapping Debt to Total SEV (4)			7.81%

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- (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 \$105,179,976, which is the City's Total SEV for the fiscal year ending June 30, 2020. Includes the SEV of property granted tax abatement under Act 198. See "CITY TAX AND LIMITATIONS - Property Valuations" and "CITY TAX AND LIMITATIONS - Tax Abatement" herein.
- (5) The Bonds described herein will be paid with water system revenues.
- (6) The Bonds described herein will be paid with wastewater system revenues.
- (7) The Bonds described herein will be paid with income tax revenues.
- Source: Municipal Advisory Council of Michigan and the City of Portland

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Michigan, as of and for the year ended June 30, 2019, 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 25, 2019.

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, described below as 2019-001, that is required to be reported under *Government Auditing Standards*.

2019-001 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 three activities 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. In addition, the combination of beginning fund balance plus current year budgeted revenues must equal or exceed current year budgeted expenditures. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The City adopted the budget for the General Fund at the activity 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 budget adjustments and monitor budgets prior to adoption to assure we are not budgeting for a deficit.

The City of Portland's Response to Finding

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

Purpose of this Report

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

Maney Costeiran PC

November 25, 2019