

**CITY OF PORTLAND
IONIA COUNTY, MICHIGAN**

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

YEAR ENDED JUNE 30, 2020

**CITY OF PORTLAND
IONIA COUNTY, MICHIGAN
JUNE 30, 2020**

CITY COUNCIL AND ADMINISTRATION

James E. Barnes	Mayor
Joel T. VanSlambrouck	Mayor Pro-Tem
Erica Sheehan	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 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*

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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, 2020, 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, 2020, 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 October 30, 2020, 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

October 30, 2020

CITY OF PORTLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Portland (City), we offer readers of the City of Portland's financial statements this narrative overview and analysis of the financial activities of the City of Portland for the fiscal year ended June 30, 2020.

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, 2020. 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 \$26,113,107 (excluding component units).
- Governmental activities net position was \$13,081,279.
- Business-type activity net position was \$13,031,828.
- Component Unit net position was \$1,126,016.

Fund Level

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,616,436 with \$2,961,905 being nonspendable, restricted, committed or assigned for specific purposes and \$654,531 being unassigned.
- The General Fund realized \$116,235 more in revenues and other financing sources than anticipated for the fiscal year. The General Fund operations also expended \$241,811 less than appropriated.
- Overall, the General Fund balance increased by \$235,574.

Capital and Long-term Debt Activities

- The total additions to the capital asset schedules for the primary government were \$688,483, excluding reclassifications. Significant capital purchases during the year included Bridge Street Realignment, Chip Sealing Divine Hwy and Maynard Road, and purchase of a crack sealing machine.
- The total long-term debt for the primary government was \$5,497,439, a net decrease of \$690,311 from the prior year. This decrease was largely due to the natural reduction of debt and also a debt refunding of the 2008 Capital Improvement Bonds.
- 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 \$11,415,039.

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 2019/2020. 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 Major Street Fund, the Ambulance Fund, the Electric Light and Power System Fund, the Sewage Disposal System Fund and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type.

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 25 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 \$26,113,107 at the end of this fiscal year's operations. The net position of the governmental activities was \$13,081,279; the business-type activities were \$13,031,828.

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, 2019 and 2020

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2020	2019	2020	2019	2020
Current and Other Assets	\$ 4,052,708	\$ 3,866,534	\$ 4,167,186	\$ 5,076,094	\$ 8,219,894	\$ 8,942,628
Capital Assets	14,684,528	14,365,599	16,533,686	15,799,281	31,218,214	30,164,880
Total Assets	18,737,236	18,232,133	20,700,872	20,875,375	39,438,108	39,107,508
Deferred outflows of resources	673,567	537,705	356,812	284,934	1,030,379	822,639
Current Liabilities	997,248	818,810	547,658	612,588	1,544,906	1,431,398
Noncurrent Liabilities	5,074,065	4,403,862	7,322,857	7,252,653	12,396,922	11,656,515
Total Liabilities	6,071,313	5,222,672	7,870,515	7,865,241	13,941,828	13,087,913
Deferred inflows of resources	427,306	465,887	244,335	263,240	671,641	729,127
Net Investment in Capital Assets	13,458,719	13,695,910	11,649,814	11,074,409	25,108,533	24,770,319
Restricted	1,116,793	854,037	919,513	1,026,266	2,036,306	1,880,303
Unrestricted	(1,663,328)	(1,468,668)	373,507	931,153	(1,289,821)	(537,515)
Total Net Position	\$ 12,912,184	\$ 13,081,279	\$ 12,942,834	\$ 13,031,828	\$ 25,855,018	\$ 26,113,107

Changes in Net Position for the Fiscal Year Ending June 30, 2019 and 2020

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 2018/2019 and 2019/2020.

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revenues						
Program Revenues						
Charges for Services	\$ 1,100,400	\$ 1,074,876	\$ 5,633,980	\$ 5,745,396	\$ 6,734,380	\$ 6,820,272
Grants and Contributions	701,295	580,724	-	-	701,295	580,724
General Revenues						
Property Taxes	1,187,426	1,213,696	-	-	1,187,426	1,213,696
State Shared Revenue	442,936	455,931	-	-	442,936	455,931
City Income Taxes	866,988	914,955	-	-	866,988	914,955
Local Community Stabilization	5,916	1,932	-	-	5,916	1,932
Investment Earnings	9,416	13,518	11,905	25,089	21,321	38,607
Miscellaneous	78,391	75,684	118,837	680,145	197,228	755,829
Transfers	(26,272)	122,310	26,272	(122,310)	-	-
Total Revenues	4,366,496	4,453,626	5,790,994	6,328,320	10,157,490	10,781,946
Expenses						
General Government	1,058,257	1,100,057	-	-	1,058,257	1,100,057
Public Safety	877,810	904,423	-	-	877,810	904,423
Public Works	1,593,435	1,394,339	-	-	1,593,435	1,394,339
Health and Welfare	668,499	637,692	-	-	668,499	637,692
Community and Economic Develop.	97,450	22,078	-	-	97,450	22,078
Recreation and Culture	274,214	224,635	-	-	274,214	224,635
Other	5,869	1,307	5,396,761	6,239,326	5,402,630	6,240,633
Total Expenses	4,575,534	4,284,531	5,396,761	6,239,326	9,972,295	10,523,857
Change in net position before Special Item	(209,038)	169,095	394,233	88,994	185,195	258,089
Extraordinary Item	(6,546)	-	(97,632)	-	(104,178)	-
Increase (decrease) in Net Position	(215,584)	169,095	296,601	88,994	81,017	258,089
Net Position - Beginning	13,127,768	12,912,184	12,646,233	12,942,834	25,774,001	25,855,018
Net Position - Ending	\$ 12,912,184	\$ 13,081,279	\$ 12,942,834	\$ 13,031,828	\$ 25,855,018	\$ 26,113,107

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

Governmental Activities

The result of 2019/2020 governmental activity was an increase of \$169,095 in net position to \$13,081,279. Of the total governmental activities' net position, \$13,695,910 is invested in capital assets less related debt, \$846,370 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 (\$1,461,001) is listed as unrestricted, having no legal commitment.

Revenues

The three largest revenue categories were property taxes at 27.3%, charges for services at 24.1%, and city income taxes at 20.5%. Net revenues were approximately 2.0% more than the prior year mainly due to transfers in the current year. The City levied a property tax millage for the year ended June 30, 2020, 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 32.5% of the governmental activities total. General government is the second largest area, expending approximately 25.7% 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 21.1% 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 \$88,994 during fiscal year 2019/2020. Of the business-type activities' net position, \$11,074,409 is invested in capital assets net of related debt, \$1,026,266 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 \$931,153 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2019/2020, its governmental funds reported *combined* fund balances of \$3,616,436. The net changes are summarized in the following chart:

	General Fund	City Income Tax	Major Street Fund	Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 6/30/2019	\$ 1,474,877	\$ 995,070	\$ 314,791	\$ 63,071	\$ 801,388	\$ 3,649,197
Fund Balance 6/30/2020	\$ 1,710,451	\$ 1,036,319	\$ 378,286	\$ 6,476	\$ 484,904	\$ 3,616,436
Net Change	\$ 235,574	\$ 41,249	\$ 63,495	\$ (56,595)	\$ (316,484)	\$ (32,761)

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, 2020, the General Fund reported a fund balance of \$1,710,451. The 2019/2020 original budget had called for a fund balance decrease of \$53,790.

The General Fund 2019/2020 expenditures were less than 2019/2020 revenues by \$235,574 largely due to the reduced spending as compared to the final amended budget, so that expenditures and other financing uses were under budget by approximately \$241,811. Actual revenues and other financing sources were more than of budgeted by approximately \$43,515. The final amended budget planned for a \$122,472 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 \$2,309,224; \$43,515 more than the final amended budget.

The City's original General Fund expenditures and other financing uses budget was increased by \$110,169 during 2019/2020. The increase can be partly attributed to the Health & Welfare and Capital Outlay functions as expenditures exceeded initial projections.

Actual City expenditures and other financing uses for 2019/2020 were \$241,811 below the amended budget. The additions to the original budget were offset by reduced spending because of financial uncertainty associated with the national pandemic.

City Income Tax Fund

As of June 30, 2020, the City Income Tax Fund reported a fund balance of \$1,036,319, an increase of \$41,249 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.

Major Street Fund

As of June 30, 2020, the Major Street Fund reported a fund balance of \$378,286, which is an increase of \$63,495 from the prior year. The increase is due to less activity than budgeted for improvements to major streets during the year.

Ambulance Fund

As of June 30, 2020, the Ambulance Fund reported a fund balance of \$6,476, which is a decrease of \$56,595 from the prior year fund balance due to a reduction in charges for services and a vehicle purchase. A portion of fund balance, \$386, 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 2019/2020, its enterprise funds reported *combined* net position of \$13,031,828. This is a net increase of \$88,994 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 6/30/2019	\$ 7,439,280	\$ 1,617,653	\$ 3,866,280	\$ 19,621	\$ 12,942,834
Net Position 6/30/2020	\$ 7,720,570	\$ 1,495,714	\$ 3,795,089	\$ 20,455	\$ 13,031,828
Net Change	\$ 281,290	\$ (121,939)	\$ (71,191)	\$ 834	\$ 88,994

Electric Light and Power System Fund

As of June 30, 2020, the Electric Light and Power System Fund reported a net position of \$7,720,570, an increase of \$281,290 from the prior year. Of the entire net position amount, \$5,747,798 is invested in capital assets, net of related debt, \$453,086 is restricted for utility reserve, \$137,424 is restricted for debt service, and \$1,382,262 is unrestricted.

Sewage Disposal System Fund

As of June 30, 2020, the Sewer Fund reported a net position of \$1,495,714 a decrease of \$121,939 from the prior year. Of the entire net position, \$1,915,208 is invested in capital assets, net of related debt, \$435,756 is restricted, and (\$855,250) is unrestricted.

Water System Fund

As of June 30, 2020, the Water System Fund reported a net position of \$3,795,089, a net decrease of \$71,191 from the prior year. Of the entire net position, \$3,411,403 is invested in capital assets, net of related debt and \$383,686 is unrestricted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2019/2020 the City had invested \$30,164,880, and \$633,610 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 6 of the Financial Statements.

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

Net Book value of capital assets at June 30, 2020, was as follows:

	Governmental Activities	Business-type Activities	Totals
Land	\$ 1,199,132	\$ -	\$ 1,199,132
Construction in Progress	354,232	-	354,232
Land Improvements, net	77,476	-	77,476
Buildings, net	174,432	-	174,432
Equipment and Furniture, net	982,633	-	982,633
Electric System, net	-	6,852,798	6,852,798
Sewer System, net	-	5,140,208	5,140,208
Water System, net	-	3,806,275	3,806,275
Infrastructure:			
Streets and Bridges, net	11,577,694	-	11,577,694
Capital Assets, net	<u>\$ 14,365,599</u>	<u>\$ 15,799,281</u>	<u>\$ 30,164,880</u>

Long-term Obligations - As of June 30, 2020, the City had \$5,497,439 in long-term obligations outstanding for the primary government. This level of net obligation is \$690,311 less than the obligation recorded as of June 30, 2019.

Outstanding Long-Term Obligations as of June 30, 2020:

A more detailed discussion of the City's long-term obligations is presented in Note 7 to the financial statements.

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Primary Government				
Governmental Activities				
2016 Ambulance Installment Purchase Agreement (\$166,806)	\$ 122,368	\$ -	\$ 23,150	\$ 99,218
2016 Snow Plow Installment Purchase Agreement (\$147,582)	90,880	-	29,496	61,384
2016 Heart Monitors/Defibrillators Purchase Agreement (\$92,254)	37,561	-	18,474	19,087
2017 G.O. Limited Tax Bonds	975,000	-	485,000	490,000
Accumulated compensated absences	40,985	96,917	78,503	59,399
Business-type Activities				
2008 Capital Improvement Bonds (\$1,690,000)	1,125,000	-	1,125,000	-
2020 Refunding Bonds (\$1,105,000)	-	1,105,000	-	1,105,000
2004 Water System Bonds (\$1,344,872)	469,872	-	75,000	394,872
2010 Sanitary Sewer System (\$2,900,000) (Build America Bonds)	739,000	-	14,000	725,000
2011 Sanitary Sewer System (\$840,000)	2,550,000	-	50,000	2,500,000
Accumulated compensated absences	37,084	54,152	47,757	43,479
Total Reporting Entity	<u>\$ 6,187,750</u>	<u>\$ 1,256,069</u>	<u>\$ 1,946,380</u>	<u>\$ 5,497,439</u>

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

CITY OF PORTLAND GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing is expected to decrease 9.42% for the City's fiscal year 2020-2021 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 decreased from \$544,766 to \$526,780 which reflects a 3.3% decrease.
- 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 2020-2021.
- The City's 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 \$978,744 (an increase of 7%). In 2019, City income tax revenues decreased to \$876,837 (a decrease of 10%). In 2020, revenues increased to \$922,888 (5% increase).
- The City's SEV increased from 2017 to 2018 to \$97,200,956 (an increase of 1.85%). From 2018 to 2019 the SEV increased to \$101,055,572 (an increase of 3.81%). From 2019 to 2020 the SEV increased to \$105,179,976 (increase of 4%). The outlook for the 2021 SEV is expected to increase around 7% due to the market conditions.

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, 2020**

	Primary Government		Total	Component Unit (DDA)
	Governmental Activities	Business-type Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,459,635	\$ 2,664,336	\$ 5,123,971	\$ 502,077
Cash and cash equivalents - restricted	-	922,524	922,524	-
Investments	1,028,016	-	1,028,016	-
Receivables	281,273	769,868	1,051,141	90
Due from other governmental units	72,424	144,327	216,751	-
Internal balances	(24,930)	24,930	-	-
Prepays	50,116	16,535	66,651	-
Inventories	-	533,574	533,574	-
Total current assets	<u>3,866,534</u>	<u>5,076,094</u>	<u>8,942,628</u>	<u>502,167</u>
Noncurrent assets				
Capital assets not being depreciated	1,553,364	301,163	1,854,527	-
Capital assets being depreciated, net	12,812,235	15,498,118	28,310,353	633,610
Total noncurrent assets	<u>14,365,599</u>	<u>15,799,281</u>	<u>30,164,880</u>	<u>633,610</u>
TOTAL ASSETS	<u>18,232,133</u>	<u>20,875,375</u>	<u>39,107,508</u>	<u>1,135,777</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	425,897	220,400	646,297	-
Deferred outflows related to OPEB	111,808	64,534	176,342	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>537,705</u>	<u>284,934</u>	<u>822,639</u>	<u>-</u>
LIABILITIES				
Current liabilities				
Accounts payable	113,184	389,111	502,295	7,111
Accrued liabilities	76,618	23,778	100,396	2,650
Accrued interest payable	6,442	15,220	21,662	-
Current portion of compensated absences	59,399	43,479	102,878	-
Current portion of long-term debt	563,167	141,000	704,167	-
Total current liabilities	<u>818,810</u>	<u>612,588</u>	<u>1,431,398</u>	<u>9,761</u>
Noncurrent liabilities				
Customer deposits payable from restricted assets	-	263,206	263,206	-
Noncurrent portion of long-term debt	106,522	4,583,872	4,690,394	-
Net pension liability	3,649,365	1,983,401	5,632,766	-
Net OPEB Liability	647,975	422,174	1,070,149	-
Total noncurrent liabilities	<u>4,403,862</u>	<u>7,252,653</u>	<u>11,656,515</u>	<u>-</u>
TOTAL LIABILITIES	<u>5,222,672</u>	<u>7,865,241</u>	<u>13,087,913</u>	<u>9,761</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	167,113	105,722	272,835	-
Deferred inflows related to OPEB	298,774	157,518	456,292	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>465,887</u>	<u>263,240</u>	<u>729,127</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	13,695,910	11,074,409	24,770,319	633,610
Restricted				
Utilities	-	588,986	588,986	-
Debt service	-	291,324	291,324	-
Equipment replacement	-	145,956	145,956	-
Other purposes	854,037	-	854,037	-
Unrestricted	<u>(1,468,668)</u>	<u>931,153</u>	<u>(537,515)</u>	<u>492,406</u>
TOTAL NET POSITION	<u>\$ 13,081,279</u>	<u>\$ 13,031,828</u>	<u>\$ 26,113,107</u>	<u>\$ 1,126,016</u>

See notes to financial statements.

**CITY OF PORTLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

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	\$ 1,100,057	\$ 477,441	\$ 10,000	\$ (612,616)	\$ -	\$ (612,616)	\$ -
Public safety	904,423	7,230	968	(896,225)	-	(896,225)	-
Public works	1,394,339	32,961	549,105	(812,273)	-	(812,273)	-
Health and welfare	637,692	509,628	11,501	(116,563)	-	(116,563)	-
Community and economic development	22,078	-	-	(22,078)	-	(22,078)	-
Recreation and culture	224,635	47,616	9,150	(167,869)	-	(167,869)	-
Interest on long-term debt	1,307	-	-	(1,307)	-	(1,307)	-
Total governmental activities	4,284,531	1,074,876	580,724	(2,628,931)	-	(2,628,931)	-
Business-type activities							
Electric Light and Power System	3,677,943	3,945,267	-	-	267,324	267,324	-
Sewage Disposal System	1,707,196	985,450	-	-	(721,746)	(721,746)	-
Water System	704,632	665,525	-	-	(39,107)	(39,107)	-
Refuse	149,555	149,154	-	-	(401)	(401)	-
Total business-type activities	6,239,326	5,745,396	-	-	(493,930)	(493,930)	-
Total primary government	\$ 10,523,857	\$ 6,820,272	\$ 580,724	(2,628,931)	(493,930)	(3,122,861)	-
Component unit							
Downtown Development Authority	\$ 374,250	\$ -	\$ -	-	-	-	(374,250)
General revenues							
Property taxes				1,213,696	-	1,213,696	245,072
State shared revenue				455,931	-	455,931	-
City income taxes				914,955	-	914,955	-
Local community stabilization				1,932	-	1,932	45,981
Investment earnings				13,518	25,089	38,607	254
Miscellaneous				75,684	680,145	755,829	70,012
Transfers				122,310	(122,310)	-	-
Total general revenues and transfers				2,798,026	582,924	3,380,950	361,319
Change in net position				169,095	88,994	258,089	(12,931)
Net position, beginning of the year				12,912,184	12,942,834	25,855,018	1,138,947
Net position, end of the year				\$ 13,081,279	\$ 13,031,828	\$ 26,113,107	\$ 1,126,016

See notes to financial statements.

**CITY OF PORTLAND
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

	General	City Income Tax	Major Street	Ambulance	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 625,168	\$ 843,725	\$ 347,981	\$ 15,563	\$ 494,748	\$ 2,327,185
Investments	1,028,016	-	-	-	-	1,028,016
Receivables						
Taxes	462	206,186	-	-	-	206,648
Accounts	6,826	-	150	67,344	-	74,320
Due from other governmental units	2,924	-	52,267	-	17,233	72,424
Due from other funds	135,070	-	12,585	-	-	147,655
Prepays	10,237	646	2,458	6,090	2,972	22,403
TOTAL ASSETS	\$ 1,808,703	\$ 1,050,557	\$ 415,441	\$ 88,997	\$ 514,953	\$ 3,878,651
LIABILITIES						
Accounts payable	\$ 55,456	\$ 151	\$ 32,262	\$ 4,937	\$ 17,373	\$ 110,179
Accrued liabilities	42,796	1,502	4,893	17,584	2,676	69,451
Due to other funds	-	12,585	-	60,000	10,000	82,585
TOTAL LIABILITIES	98,252	14,238	37,155	82,521	30,049	262,215
FUND BALANCES						
Nonspendable						
Prepays	10,237	646	2,458	6,090	2,972	22,403
Perpetual care	-	-	-	-	187,652	187,652
Land held for resale	1,028,016	-	-	-	-	1,028,016
Restricted						
Streets	-	-	375,828	-	267,974	643,802
Public works	17,667	-	-	-	-	17,667
Committed						
Street improvements	-	1,035,673	-	-	-	1,035,673
Ambulance	-	-	-	386	-	386
Assigned						
Recreation	-	-	-	-	26,306	26,306
Unassigned	654,531	-	-	-	-	654,531
TOTAL FUND BALANCES	1,710,451	1,036,319	378,286	6,476	484,904	3,616,436
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,808,703	\$ 1,050,557	\$ 415,441	\$ 88,997	\$ 514,953	\$ 3,878,651

See notes to financial statements.

**CITY OF PORTLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total fund balances - governmental funds \$ 3,616,436

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	\$ 26,530,830	
Accumulated depreciation is	<u>(12,771,260)</u>	
Capital assets, net		13,759,570

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. 289,713

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	411,854	
Deferred outflows of resources related to OPEB	101,466	
Deferred inflows of resources related to pensions	(162,187)	
Deferred inflows of resources related to OPEB	<u>(262,670)</u>	
		88,463

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	2,587	
Compensated absences	49,605	
Direct obligations	509,087	
Net OPEB Liability	621,221	
Net pension liability	<u>3,490,403</u>	
		<u>(4,672,903)</u>

Net position of governmental activities \$ 13,081,279

**CITY OF PORTLAND
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	General	City Income Tax	Major Street	Ambulance	Nonmajor Governmental Funds	Total
REVENUES						
Taxes	\$ 1,110,683	\$ 894,459	\$ -	\$ -	\$ 150,278	\$ 2,155,420
Licenses and permits	96,549	-	-	-	-	96,549
Intergovernmental	462,615	-	414,985	-	141,686	1,019,286
Charges for services	351,254	-	-	511,333	51,766	914,353
Fines and forfeits	12,635	20,678	-	-	-	33,313
Interest and rents	7,381	7,317	371	43	714	15,826
Other	81,902	434	2,130	10,133	1,970	96,569
TOTAL REVENUES	2,123,019	922,888	417,486	521,509	346,414	4,331,316
EXPENDITURES						
Current						
General government	757,219	188,255	-	-	-	945,474
Public safety	827,300	-	-	-	-	827,300
Public works	212,166	-	648,593	-	382,259	1,243,018
Health and welfare	35,000	-	-	551,552	-	586,552
Community and economic development	22,078	-	-	-	-	22,078
Recreation and culture	137,887	-	-	-	71,357	209,244
Capital outlay	20,336	-	-	-	8,500	28,836
Debt service	-	502,667	-	-	-	502,667
TOTAL EXPENDITURES	2,011,986	690,922	648,593	551,552	462,116	4,365,169
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	111,033	231,966	(231,107)	(30,043)	(115,702)	(33,853)
OTHER FINANCING SOURCES (USES)						
Transfers in	186,205	-	294,602	-	197,634	678,441
Transfers out	(61,664)	(190,717)	-	(26,552)	(398,416)	(677,349)
TOTAL OTHER FINANCING SOURCES (USES)	124,541	(190,717)	294,602	(26,552)	(200,782)	1,092
NET CHANGE IN FUND BALANCES	235,574	41,249	63,495	(56,595)	(316,484)	(32,761)
Fund balances, beginning of year	1,474,877	995,070	314,791	63,071	801,388	3,649,197
Fund balances, end of year	\$ 1,710,451	\$ 1,036,319	\$ 378,286	\$ 6,476	\$ 484,904	\$ 3,616,436

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, 2020

Net change in fund balances - total governmental funds \$ (32,761)

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	\$ 496,669	
Depreciation expense	<u>(746,699)</u>	
Excess of depreciation expense over capital outlay		(250,030)

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		75,835
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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		503,474
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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	2,552	
(Increase) in compensated absences	(17,322)	
(Increase) in net OPEB liability	(65,252)	
Decrease in net pension liability	122,148	
Increase in deferred outflows of resources related to OPEB	31,483	
Decrease in deferred inflows of resources related to OPEB	24,580	
(Decrease) in deferred outflows of resources related to pensions	(160,020)	
(Increase) in deferred inflows of resources related to pensions	<u>(65,592)</u>	
		<u>(127,423)</u>

Change in net position of governmental activities **\$ 169,095**

**CITY OF PORTLAND
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Business-type Activities				Total	Governmental
	Electric Light and Power System	Sewage Disposal System	Water System	Nonmajor Enterprise Fund (Refuse)		Internal Service Fund
ASSETS						
Current assets						
Cash and cash equivalents	\$ 2,210,618	\$ 1,719	\$ 441,153	\$ 10,846	\$ 2,664,336	\$ 132,450
Cash and cash equivalents - restricted	348,862	465,104	108,558	-	922,524	-
Accounts receivable	544,152	116,813	86,796	22,107	769,868	305
Due from other governments	-	144,327	-	-	144,327	-
Due from other funds	175,000	-	90,000	-	265,000	-
Inventories	484,015	-	49,559	-	533,574	-
Prepays	12,371	2,708	1,456	-	16,535	27,713
Total current assets	3,775,018	730,671	777,522	32,953	5,316,164	160,468
Noncurrent assets						
Capital assets not being depreciated	275,807	11,003	14,353	-	301,163	-
Capital assets being depreciated, net	6,576,991	5,129,205	3,791,922	-	15,498,118	606,029
Total noncurrent assets	6,852,798	5,140,208	3,806,275	-	15,799,281	606,029
TOTAL ASSETS	10,627,816	5,870,879	4,583,797	32,953	21,115,445	766,497
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pension	107,685	76,557	36,158	-	220,400	14,043
Deferred outflows related to OPEB	38,942	15,087	10,505	-	64,534	10,342
TOTAL DEFERRED OUTFLOWS OF RESOURCES	146,627	91,644	46,663	-	284,934	24,385
LIABILITIES						
Current liabilities						
Accounts payable	207,454	154,004	15,155	12,498	389,111	3,005
Accrued liabilities	14,642	4,943	4,193	-	23,778	7,167
Accrued interest payable	4,689	8,063	2,468	-	15,220	3,855
Due to other funds	-	240,070	-	-	240,070	90,000
Current portion of compensated absences	24,073	12,175	7,231	-	43,479	9,794
Current portion of long-term debt	-	66,000	75,000	-	141,000	54,080
Total current liabilities	250,858	485,255	104,047	12,498	852,658	167,901
Noncurrent liabilities						
Customer deposits payable from restricted assets	201,857	29,472	31,877	-	263,206	-
Net pension liability	1,109,038	617,826	256,537	-	1,983,401	158,962
Net OPEB Liability	228,905	110,011	83,258	-	422,174	26,754
Noncurrent portion of long-term debt	1,105,000	3,159,000	319,872	-	4,583,872	106,522
Total noncurrent liabilities	2,644,800	3,916,309	691,544	-	7,252,653	292,238
TOTAL LIABILITIES	2,895,658	4,401,564	795,591	12,498	8,105,311	460,139
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pension	61,133	29,213	15,376	-	105,722	4,926
Deferred inflows related to OPEB	97,082	36,032	24,404	-	157,518	36,104
TOTAL DEFERRED INFLOWS OF RESOURCES	158,215	65,245	39,780	-	263,240	41,030
NET POSITION						
Net investment in capital assets	5,747,798	1,915,208	3,411,403	-	11,074,409	445,427
Restricted for utility reserve	453,086	135,900	-	-	588,986	-
Restricted for debt service	137,424	153,900	-	-	291,324	-
Restricted for equipment replacement	-	145,956	-	-	145,956	-
Unrestricted	1,382,262	(855,250)	383,686	20,455	931,153	(155,714)
TOTAL NET POSITION	\$ 7,720,570	\$ 1,495,714	\$ 3,795,089	\$ 20,455	\$ 13,031,828	\$ 289,713

See notes to financial statements.

**CITY OF PORTLAND
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020**

	Business-type Activities				Total	Governmental
	Electric Light and Power System	Sewage Disposal System	Water System	Nonmajor Enterprise Fund (Refuse)		Internal Service Fund
OPERATING REVENUES						
Charges for services						
User charges	\$ 3,945,267	\$ 945,550	\$ 665,525	\$ 149,154	\$ 5,705,496	\$ 249,413
Tap fees	-	39,900	-	-	39,900	-
Other	44,663	1,587	5,077	1,216	52,543	2,412
TOTAL OPERATING REVENUES	3,989,930	987,037	670,602	150,370	5,797,939	251,825
OPERATING EXPENSES						
Salaries and wages	506,268	183,188	156,131	-	845,587	58,587
Fringe benefits	296,618	126,631	93,700	-	516,949	(15,801)
Contractual services	53,860	824,121	20,556	149,555	1,048,092	1,188
Supplies	-	36,660	17,815	-	54,475	23,063
Heat, light, and power	2,030,664	52,449	32,680	-	2,115,793	6,065
Communications	4,024	992	2,250	-	7,266	2,357
Insurance and bonds	16,425	3,477	2,542	-	22,444	12,366
Repairs and maintenance	52,579	32,560	65,854	-	150,993	35,606
Administrative services	72,900	56,544	56,544	-	185,988	35,131
Building and equipment rental	19,029	43,934	43,782	-	106,745	-
Other	197,301	1,471	3,545	-	202,317	221
Depreciation	414,705	247,619	198,893	-	861,217	133,901
TOTAL OPERATING EXPENSES	3,664,373	1,609,646	694,292	149,555	6,117,866	292,684
OPERATING INCOME (LOSS)	325,557	(622,609)	(23,690)	815	(319,927)	(40,859)
NONOPERATING INCOME (EXPENSES)						
Interest earned	19,340	2,382	3,348	19	25,089	142
Intergovernmental grants	-	627,602	-	-	627,602	-
Gain on disposal of assets	26,000	-	-	-	26,000	-
Interest expense and fees	(39,570)	(97,550)	(10,340)	-	(147,460)	(4,666)
TOTAL NONOPERATING REVENUES (EXPENSES)	5,770	532,434	(6,992)	19	531,231	(4,524)
INCOME (LOSS) BEFORE TRANSFERS	331,327	(90,175)	(30,682)	834	211,304	(45,383)
TRANSFERS						
Transfers in	-	-	-	-	-	121,218
Transfers out	(50,037)	(31,764)	(40,509)	-	(122,310)	-
TOTAL TRANSFERS	(50,037)	(31,764)	(40,509)	-	(122,310)	121,218
CHANGE IN NET POSITION	281,290	(121,939)	(71,191)	834	88,994	75,835
Net position, beginning of year	7,439,280	1,617,653	3,866,280	19,621	12,942,834	213,878
Net position, end of year	<u>\$ 7,720,570</u>	<u>\$ 1,495,714</u>	<u>\$ 3,795,089</u>	<u>\$ 20,455</u>	<u>\$ 13,031,828</u>	<u>\$ 289,713</u>

See notes to financial statements.

**CITY OF PORTLAND
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	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	\$ 3,941,239	\$ 841,544	\$ 665,278	\$ 150,297	\$ 5,598,358	\$ 251,666
Cash paid to suppliers	(2,460,188)	(880,453)	(294,663)	(149,503)	(3,784,807)	(146,015)
Cash paid to employees	(754,361)	(283,792)	(227,739)	-	(1,265,892)	(83,280)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	726,690	(322,701)	142,876	794	547,659	22,371
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Proceeds from intergovernmental grants	-	627,602	-	-	627,602	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfers in	-	-	20,902	-	20,902	121,218
Transfers out	(95,037)	(31,764)	(40,509)	-	(167,310)	-
Payments of borrowing	(1,125,000)	(64,000)	(75,000)	-	(1,264,000)	(52,646)
Interest paid	(46,508)	(97,710)	(10,809)	-	(155,027)	(5,837)
Proceeds from debt issuance	1,105,000	-	-	-	1,105,000	-
Purchase of capital assets	(90,565)	(5,066)	(5,181)	-	(100,812)	(65,002)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(252,110)	(198,540)	(110,597)	-	(561,247)	(2,267)
CASH FLOWS FROM INVESTING ACTIVITIES						
Cost of investments purchased	-	-	-	-	-	-
Interest received	19,340	2,382	3,348	19	25,089	142
NET INCREASE IN CASH AND CASH EQUIVALENTS	493,920	108,743	35,627	813	639,103	20,246
Cash and cash equivalents, beginning of year	2,065,560	358,080	514,084	10,033	2,947,757	112,204
Cash and cash equivalents, end of year	<u>\$ 2,559,480</u>	<u>\$ 466,823</u>	<u>\$ 549,711</u>	<u>\$ 10,846</u>	<u>\$ 3,586,860</u>	<u>\$ 132,450</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 325,557	\$ (622,609)	\$ (23,690)	\$ 815	\$ (319,927)	\$ (40,859)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	414,705	247,619	198,893	-	861,217	133,901
(Increase) decrease in:						
Accounts receivable	(73,450)	(1,401)	(5,755)	(73)	(80,679)	(159)
Due from other governments	-	(144,327)	-	-	(144,327)	-
Inventories	(36,712)	-	(29,915)	-	(66,627)	-
Prepays	886	755	187	-	1,828	(26,611)
Deferred outflows of resources	44,433	14,504	12,941	-	71,878	7,325
Increase (decrease) in:						
Accounts payable	22,420	146,902	(19,367)	52	150,007	(3,407)
Accrued liabilities	(11,576)	(3,814)	(4,120)	-	(19,510)	4,752
Due to other funds	-	24,098	-	-	24,098	-
Net pension liability	(41,898)	(15,033)	(12,847)	-	(69,778)	(3,956)
Net OPEB liability	45,270	27,036	22,843	-	95,149	(46,184)
Customer deposits	4,759	235	431	-	5,425	-
Deferred inflows of resources	12,296	3,334	3,275	-	18,905	(2,431)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 726,690	\$ (322,701)	\$ 142,876	\$ 794	\$ 547,659	\$ 22,371

See notes to financial statements.

**CITY OF PORTLAND
FIDUCIARY FUND
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2020**

	<u>Current Tax Collection</u>
ASSETS	
Cash and cash equivalents	<u>\$ 6,744</u>
LIABILITIES	
Due to others	<u>\$ 6,744</u>

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, 2019, are available at PAMA's administrative offices. As of December 31, 2019, PAMA had a net position of \$52,431.

**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, 2019, are available at PAFA's administrative offices. As of June 30, 2019, the most recent financial statements available, PAFA had a net position of \$1,035,667.

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

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, and Investments

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

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.

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

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

Cash and Cash Equivalents and Investments (continued)

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

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

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.

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 Cities 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, 2020, 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 2019 levy for property within the City was \$95,505,725.

CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS

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

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.

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.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

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

Capital Assets (continued)

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

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose 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 pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, 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.

Other Postemployment Benefits

The City offers a retiree healthcare benefits to its employees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, 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.

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.

Details of Fund Balance Classifications

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

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

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

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

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

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

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

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

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.

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.

CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2020 the City had deposits and investments subject to the following risk:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2020, \$5,195,015 of the City's bank balance of \$6,427,634 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$6,384,049. The primary government cash and cash equivalents caption on the basic financial statements included \$893 of imprest cash and \$170,374 on deposit with the Michigan Public Power Agency.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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 allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.

Interest rate risk. In accordance with its investment policy, 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 in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

Concentration of credit risk. The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Foreign currency risk. The City is not authorized to invest in investments which have this type of risk.

Fair value measurement. The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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 prices for similar securities, interest rates, prepayment speeds, credit risk and others.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the City's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

	Fair Value Measurements					Weighted Average Maturity	S&P Rating
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total			
PRIMARY GOVERNMENT Land held for resale	\$ -	\$ -	\$ 1,028,016	\$ 1,028,016		N/A	N/A

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2020:

	Primary Government	Component Unit	Fiduciary Fund	Reporting Entity
Cash and cash equivalents	\$ 5,123,971	\$ 502,077	\$ 6,744	\$ 5,632,792
Cash and cash equivalents - restricted	922,524	-	-	922,524
Investments	1,028,016	-	-	1,028,016
	<u>\$ 7,074,511</u>	<u>\$ 502,077</u>	<u>\$ 6,744</u>	<u>\$ 7,583,332</u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of June 30, 2020:

	Customer Deposits	Debt Retirement	Repairs and Improvements	Restricted Utility Reserve	Total
Enterprise Funds	\$ 272,775	\$ 337,711	\$ 158,138	\$ 135,904	\$ 904,528

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2020, are as follows:

Due to General Fund from:	
Ambulance Fund	\$ 60,000
Nonmajor governmental funds	10,000
Sewage Disposal System Fund	65,070
	\$ 135,070
Due to Major Street Fund from:	
City Income Tax Fund	\$ 12,585
Due to Electric Light and Power System from:	
Sewage Disposal System Fund	\$ 175,000
Due to Water System Fund from:	
Internal Service Fund	\$ 90,000

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

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

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:	
City Income Tax Fund	\$ 72,070
Nonmajor governmental funds	325
Electric Light and Power System Fund	50,037
Sewage Disposal System Fund	31,764
Water System Fund	32,009
	<u>\$ 186,205</u>
Transfer to Major Street Fund from:	
City Income Tax Fund	\$ 12,585
Nonmajor governmental funds	282,017
	<u>\$ 294,602</u>
Transfer to Internal Service Fund from:	
General Fund	\$ 29,664
City Income Tax Fund	65,002
Ambulance Fund	26,552
	<u>\$ 121,218</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 32,000
Nonmajor governmental funds	116,074
Water System Fund	8,500
City Income Tax Fund	41,060
	<u>\$ 197,634</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 Major Street Fund, and the nonmajor governmental funds were to fund current year projects. The transfers to the Internal Service Fund was to fund capital outlay.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

Primary Government

	Balance July 1, 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,199,132	-	-	\$ 1,199,132
Construction in progress	88,102	349,932	(83,802)	354,232
Subtotal	1,287,234	349,932	(83,802)	1,553,364
Capital assets being depreciated				
Land improvements	128,162	-	-	128,162
Buildings and additions	371,721	29,048	-	400,769
Equipment and furniture	2,486,780	106,426	-	2,593,206
Infrastructure - streets and bridges	23,380,250	160,067	-	23,540,317
Subtotal	26,366,913	295,541	-	26,662,454
Less accumulated depreciation for:				
Land improvements	(43,432)	(7,254)	-	(50,686)
Buildings and additions	(216,907)	(9,430)	-	(226,337)
Equipment and furniture	(1,426,424)	(184,149)	-	(1,610,573)
Infrastructure - streets and bridges	(11,282,856)	(679,767)	-	(11,962,623)
Subtotal	(12,969,619)	(880,600)	-	(13,850,219)
Net capital assets being depreciated	13,397,294	(585,059)	-	12,812,235
Capital assets, net	\$ 14,684,528	\$ (235,127)	\$ (83,802)	\$ 14,365,599

Depreciation expense was charged to the following governmental activities:

General government	\$ 109,836
Public safety	45,537
Public works	687,370
Health and welfare	27,908
Recreation and culture	9,949
Total depreciation expense	<u>\$ 880,600</u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Business-type Activities (Electric Light and Power System)				
Capital assets not being depreciated				
Land	\$ 275,807	\$ -	\$ -	\$ 275,807
Capital assets being depreciated				
Buildings	4,914,244	12,000	-	4,926,244
Transmission and disbursement	6,853,877	51,262	-	6,905,139
Equipment	1,220,155	53,303	-	1,273,458
Subtotal	12,988,276	116,565	-	13,104,841
Less accumulated depreciation for:				
Buildings	(1,788,486)	(117,631)	-	(1,906,117)
Transmissions and disbursement	(3,735,263)	(190,493)	-	(3,925,756)
Equipment	(589,396)	(106,581)	-	(695,977)
Subtotal	(6,113,145)	(414,705)	-	(6,527,850)
Net capital assets being depreciated	6,875,131	(298,140)	-	6,576,991
Capital assets, net	<u>\$ 7,150,938</u>	<u>\$ (298,140)</u>	<u>\$ -</u>	<u>\$ 6,852,798</u>
	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Business-type Activities (Sewage Disposal System)				
Capital assets not being depreciated				
Land	\$ 11,003	\$ -	\$ -	\$ 11,003
Capital assets being depreciated				
Buildings	4,455,040	-	-	4,455,040
Sewage Disposal System	3,915,412	5,066	-	3,920,478
Equipment	160,469	-	-	160,469
Subtotal	8,530,921	5,066	-	8,535,987
Less accumulated depreciation for:				
Building	(1,230,966)	(96,241)	-	(1,327,207)
Sewage Disposal System	(1,875,962)	(143,102)	-	(2,019,064)
Equipment	(52,235)	(8,276)	-	(60,511)
Subtotal	(3,159,163)	(247,619)	-	(3,406,782)
Net capital assets being depreciated	5,371,758	(242,553)	-	5,129,205
Capital assets, net	<u>\$ 5,382,761</u>	<u>\$ (242,553)</u>	<u>\$ -</u>	<u>\$ 5,140,208</u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Business-type Activities (Water System)				
Capital assets not being depreciated				
Land	\$ 14,353	\$ -	\$ -	\$ 14,353
Capital assets being depreciated				
Water System	6,713,282	5,181	-	6,718,463
Equipment	285,741	-	-	285,741
Subtotal	6,999,023	5,181	-	7,004,204
Less accumulated depreciation for:				
Water System	(2,891,117)	(184,627)	-	(3,075,744)
Equipment	(122,272)	(14,266)	-	(136,538)
Subtotal	(3,013,389)	(198,893)	-	(3,212,282)
Net capital assets being depreciated	3,985,634	(193,712)	-	3,791,922
Capital assets, net	<u>\$ 3,999,987</u>	<u>\$ (193,712)</u>	<u>\$ -</u>	<u>\$ 3,806,275</u>

Component Unit

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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	(428,741)	(31,180)	-	(459,921)
City Hall building	(2,080,800)	(130,050)	-	(2,210,850)
Subtotal	(2,509,541)	(161,230)	-	(2,670,771)
Net capital assets being depreciated	794,840	(161,230)	-	633,610
Capital assets, net	<u>\$ 794,840</u>	<u>\$ (161,230)</u>	<u>\$ -</u>	<u>\$ 633,610</u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the City for the year ended June 30, 2020.

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Primary Government					
Governmental Activities					
Direct borrowings and direct placements					
2016 Ambulance contract payable	\$ 122,368	\$ -	\$ (23,150)	\$ 99,218	\$ 23,794
2016 Snow Plow contract payable	90,880	-	(29,496)	61,384	30,286
2016 Heart Monitors/Defibrillators contract payable	37,561	-	(18,474)	19,087	19,087
Other long-term obligations					
2017 G.O. Limited Tax Bonds	975,000	-	(485,000)	490,000	490,000
Compensated absences	40,985	96,917	(78,503)	59,399	59,399
	<u>1,266,794</u>	<u>96,917</u>	<u>(634,623)</u>	<u>729,088</u>	<u>622,566</u>
Business-type Activities					
Other long-term obligations					
2008 Capital Improvement Bonds - Electric	1,125,000	-	(1,125,000)	-	-
2020 Refunding Bonds - Electric	-	1,105,000	-	1,105,000	80,000
2004 Water System Bonds	469,872	-	(75,000)	394,872	75,000
2011 Sanitary Sewer System Bonds	739,000	-	(14,000)	725,000	15,000
2010 Sanitary Sewer System Bonds	2,550,000	-	(50,000)	2,500,000	51,000
Compensated absences	37,084	54,152	(47,757)	43,479	43,479
	<u>4,920,956</u>	<u>1,159,152</u>	<u>(1,311,757)</u>	<u>4,768,351</u>	<u>264,479</u>
Total Long-term Obligations	<u>\$ 6,187,750</u>	<u>\$ 1,256,069</u>	<u>\$ (1,946,380)</u>	<u>\$ 5,497,439</u>	<u>\$ 887,045</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 \$23,794 to \$25,834 through July 1, 2023, with interest at 2.78%, payable annually. \$ 99,218

\$147,582 Equipment Purchase Agreement dated November 7, 2016, due in annual installments ranging from \$30,286 to \$31,098 through November 7, 2021, with interest at 2.68%, payable annually. 61,384

\$92,254 Equipment Purchase Agreement dated October 25, 2016, due in annual installments of \$19,087 through November 25, 2020, with interest at 3.32%, payable annually. 19,087

\$ 179,689

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - 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 of \$490,000 through April 1, 2021, with interest at 1.81%, payable semi-annually.

\$ 490,000

2020 General Obligation Limited Tax Refunding Bonds

\$1,105,000 General Obligation Refunding Bonds dated May 4, 2020, due in annual installments ranging from \$75,000 to \$100,000 through April 1, 2033, with interest ranging of 2.35%, payable semi-annually.

\$ 1,105,000

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.

\$ 394,872

2010 Sanitary Sewer System Revenue Bonds

\$2,900,000 Sewer System Revenue Bonds dated December 29, 2010, due in annual installments ranging from \$51,000 to \$121,000 through December 1, 2050, with interest of 3.00%, payable semi-annually.

\$ 2,500,000

2011 Sanitary Sewer System Revenue Bonds

\$840,000 Sewer System Revenue Bonds dated March 9, 2011, due in annual installments ranging from \$15,000 to \$36,000 through December 1, 2050, with interest of 3.00%, payable semi-annually.

\$ 725,000

On May 4, 2020 the City issued \$1,105,000 2020 Refunding Bonds with interest of 2.35%. The City issued the bonds to refund \$1,065,000 of the City's 2008 Capital Improvement Bonds - Electric debt. The 2020 refunding bonds mature at various times through April 1, 2033. After paying issuance costs of \$30,076, the net proceeds were \$1,074,924. The net proceeds from the issuance of the refunding bonds were used to repay the outstanding Capital Improvement Bonds. As a result of the advance refunding, the City reduced its total debt service requirements by \$111,914, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$93,483.

The City defeased the 2008 Capital Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt services payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2020, \$1,065,000 of bonds outstanding are considered defeased.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amounts of these vested rights including related payroll taxes, which have been accrued on the government-wide financial statements. The total liability amounted to approximately \$102,878 at June 30, 2020. Of this amount, \$59,399 and \$43,479 are shown as compensated absences liabilities in the governmental and business-type activities financial statements, respectively, in accordance with criteria disclosed in Note 1.

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

Year Ending June 30,	Governmental Activities			
	Direct Borrowings and Direct Placements		Other Long-term Obligations	
	Equipment Purchase Agreements		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 73,167	\$ 5,037	\$ 490,000	\$ 8,869
2022	55,553	2,930	-	-
2023	25,135	1,417	-	-
2024	25,834	718	-	-
	<u>\$ 179,689</u>	<u>\$ 10,102</u>	<u>\$ 490,000</u>	<u>\$ 8,869</u>

Year Ending June 30,	Business-Type Activities			
	Other Long-term Obligations			
	2020 Refunding Bonds		Water System Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 80,000	\$ 22,361	\$ 75,000	\$ 8,934
2022	75,000	24,088	80,000	6,997
2023	80,000	22,325	80,000	4,997
2024	75,000	20,445	85,000	2,934
2025	80,000	18,683	74,872	936
2026-2030	430,000	64,038	-	-
2031-2033	285,000	13,630	-	-
	<u>\$ 1,105,000</u>	<u>\$ 185,570</u>	<u>\$ 394,872</u>	<u>\$ 24,798</u>

Year Ending June 30,	Business-Type Activities	
	Other Long-term Obligations	
	Sanitary Sewer System Bonds	
	Principal	Interest
2021	\$ 66,000	\$ 95,760
2022	67,000	93,765
2023	69,000	91,725
2024	71,000	89,625
2025	73,000	87,465
2026-2030	397,000	402,735
2031-2035	464,000	338,250
2036-2040	532,000	263,670
2041-2045	620,000	177,480
2046-2050	709,000	77,865
2051	157,000	2,355
	<u>\$ 3,225,000</u>	<u>\$ 1,720,695</u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - 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 three to five years. Member contributions are 3%.

At the December 31, 2019, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	38
Inactive employees or beneficiaries entitled to but not yet receiving benefits	16
Active employees	<u>30</u>
	<u>84</u>

Contributions

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

Employer contributions range from 4.78% to 6.27% based on annual payroll for open divisions.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLANS (continued)

Net Pension Liability

The employer’s net pension liability was measured as of December 31, 2019, 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, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.50%

Salary increases: 3.00% in the long-term.

Investment rate of return: 7.35%, net of investment expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% 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 8 - RETIREMENT PLANS (continued)

Discount Rate

The discount rate used to measure the total pension liability is 7.60%. 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 12/31/18	\$ 14,232,184	\$ 8,403,536	\$ 5,828,648
Service Cost	179,089	-	179,089
Interest on Total Pension Liability	1,110,014	-	1,110,014
Difference between expected and actual experience	(266,349)	-	(266,349)
Changes in assumptions	463,664	-	463,664
Employer contributions	-	535,426	(535,426)
Employee contributions	-	38,610	(38,610)
Net investment income	-	1,127,693	(1,127,693)
Benefit payments, including employee refunds	(893,118)	(893,118)	-
Administrative expense	-	(19,429)	19,429
Other changes	-	-	-
Net changes	593,300	789,182	(195,882)
Balances as of 12/31/19	\$ 14,825,484	\$ 9,192,718	\$ 5,632,766

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 7.60%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (6.60%) or 1% higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 7,320,883	\$ 5,632,766	\$ 4,208,252

**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, 2020, the employer recognized pension expenses of \$692,954. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 657	\$ 272,835
Changes in assumptions	347,748	-
Net difference between projected and actual earnings on pension plan investments	35,204	-
Contributions subsequent to the measurement date*	<u>262,688</u>	<u>-</u>
Total	<u>\$ 646,297</u>	<u>\$ 272,835</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2021.

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

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2021	\$ (44,027)
2022	81,087
2023	167,506
2024	(93,792)

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 8 - 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, 2020, the City contributed \$44,861 for the defined benefit portion and \$15,003 for the defined contribution portion and the employees contributed \$23,829 to the defined contribution part of the plan.

NOTE 9 - 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, 2020 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, 2020, 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, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS PLANS (continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	2.66%
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, 2020 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 6/30/19	\$ 955,932	\$ -	\$ 955,932
Service Cost	39,990	-	39,990
Interest on Total OPEB Liability	32,300	-	32,300
Changes in assumptions	70,510	-	70,510
Employer contributions	-	28,583	(28,583)
Employee contributions	-	6,258	(6,258)
Benefit payments, including employee refunds	(28,583)	(34,841)	6,258
Net changes	114,217	-	114,217
Balances as of 6/30/20	\$ 1,070,149	\$ -	\$ 1,070,149

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - 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, 2020, the City had no fiduciary plan assets so net position at June 30, 2020 was \$0.

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 1,167,927	\$ 1,070,149	\$ 978,804

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	\$ 936,061	\$ 1,070,149	\$ 1,228,044

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$46,224. At June 30, 2020, 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	\$ -	\$ 449,809
Changes in assumptions	176,342	6,483
Total	\$ 176,342	\$ 456,292

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - 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:

Year Ended June 30,	OPEB Expense
2020	\$ (26,066)
2021	(26,066)
2022	(26,066)
2023	(26,066)
2024	(26,066)
Thereafter	(149,620)

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, 2020, the City contributed \$2,314. 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, 2020, the City contributed \$0 for the plan and employees contributed \$25,873.

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 10 - 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 11 - 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 in any of the past three fiscal years.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - 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 in any of the past three fiscal years.

NOTE 12 - 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, 2020:

Revenues		
Licenses and Permits		
Permits	\$	<u>75,699</u>
Expenditures		
Salaries and wages		21,224
Fringe benefits		8,351
Contractual services		7,559
Supplies		612
Vehicle rental		300
Other		<u>546</u>
TOTAL EXPENDITURES		<u>38,592</u>
EXCESS OF REVENUES OVER EXPENDITURES		37,107
Code Enforcement (Deficit) at June 30, 2019		<u>(1,038,340)</u>
Code Enforcement (Deficit) at June 30, 2020	\$	<u><u>(1,001,233)</u></u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - 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, 2020:

PRIMARY GOVERNMENT	
Governmental Activities	
Other Purposes	
Streets	\$ 648,718
Leik Grove property - Public Works	17,667
Cemetery Perpetual Care, nonexpendable	<u>187,652</u>
	<u><u>\$ 854,037</u></u>
Business-type Activities	
Restricted for utilities	
Electric Light and Power	\$ 453,086
Sewage Disposal System	<u>135,900</u>
	<u><u>\$ 588,986</u></u>
Restricted for debt service	
Sewage Disposal System	\$ 153,900
Electric Light and Power	<u>137,424</u>
	<u><u>\$ 291,324</u></u>
Restricted for equipment replacement	
Sewage Disposal System	<u>\$ 145,956</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.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - 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 2020-2021 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 2021-2022 fiscal year.

NOTE 15 - SUBSEQUENT EVENTS

The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on services, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PORTLAND
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 1,065,204	\$ 1,068,934	\$ 1,063,418	\$ (5,516)
Penalties and interest	5,000	3,100	3,128	28
Tax collection	41,000	44,000	44,137	137
Total taxes	<u>1,111,204</u>	<u>1,116,034</u>	<u>1,110,683</u>	<u>(5,351)</u>
Licenses and permits				
Cable television license	24,000	20,200	20,199	(1)
City licenses and permits	36,450	72,450	76,350	3,900
Total licenses and permits	<u>60,450</u>	<u>92,650</u>	<u>96,549</u>	<u>3,899</u>
Intergovernmental				
State				
Sales tax	462,078	437,621	455,931	18,310
Local community stabilization	5,916	1,930	1,932	2
Act 302 training funds	500	500	968	468
State liquor license	3,500	3,500	3,784	284
Total intergovernmental	<u>471,994</u>	<u>443,551</u>	<u>462,615</u>	<u>19,064</u>
Charges for services				
Cemetery fees and lot sales	14,000	22,000	28,481	6,481
Administrative charges	319,044	319,044	319,044	-
Other fees	3,000	3,000	3,729	729
Total charges for services	<u>336,044</u>	<u>344,044</u>	<u>351,254</u>	<u>7,210</u>
Fines and forfeits				
Parking	2,500	2,500	2,630	130
District court	9,500	7,600	8,050	450
Other	2,000	2,000	1,955	(45)
Total fines and forfeits	<u>14,000</u>	<u>12,100</u>	<u>12,635</u>	<u>535</u>
Interest and rents				
Rent	1,500	1,500	7,381	5,881
Other				
Donations	2,500	-	10,000	10,000
Reimbursements	40,000	69,300	71,902	2,602
Total other	<u>42,500</u>	<u>69,300</u>	<u>81,902</u>	<u>12,602</u>
TOTAL REVENUES	<u>2,037,692</u>	<u>2,079,179</u>	<u>2,123,019</u>	<u>43,840</u>

**CITY OF PORTLAND
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
EXPENDITURES				
Current				
General government				
Council, boards, and commissions	\$ 6,555	\$ 6,690	\$ 4,063	\$ 2,627
Community promotions	97,679	112,719	97,585	15,134
City manager	170,530	170,776	166,634	4,142
Assessing services	53,485	53,485	49,309	4,176
Elections	5,050	6,150	5,255	895
City hall and grounds	57,463	63,183	59,171	4,012
General administrative	379,719	422,049	375,202	46,847
Total general government	<u>770,481</u>	<u>835,052</u>	<u>757,219</u>	<u>77,833</u>
Public safety				
Police department	756,629	788,706	668,868	119,838
Fire authority	119,840	119,840	119,840	-
Code enforcement	55,574	47,035	38,592	8,443
Total public safety	<u>932,043</u>	<u>955,581</u>	<u>827,300</u>	<u>128,281</u>
Public works				
Street lighting	62,500	73,265	67,036	6,229
Cemetery operations	155,663	154,563	145,130	9,433
Total public works	<u>218,163</u>	<u>227,828</u>	<u>212,166</u>	<u>15,662</u>
Health and welfare				
Ambulance service	22,327	22,327	35,000	(12,673)
Community and economic development				
Economic development	19,460	31,460	22,078	9,382
Recreation and culture				
Parks department	160,818	161,213	137,887	23,326
Capital outlay	-	20,336	20,336	-
TOTAL EXPENDITURES	<u>2,123,292</u>	<u>2,253,797</u>	<u>2,011,986</u>	<u>241,811</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(85,600)	(174,618)	111,033	285,651

**CITY OF PORTLAND
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 113,810	\$ 185,880	\$ 186,205	\$ 325
Transfers out	(82,000)	(61,664)	(61,664)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>31,810</u>	<u>124,216</u>	<u>124,541</u>	<u>325</u>
NET CHANGE IN FUND BALANCE	(53,790)	(50,402)	235,574	285,976
Fund balance, beginning of year	<u>1,474,877</u>	<u>1,474,877</u>	<u>1,474,877</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,421,087</u>	<u>\$ 1,424,475</u>	<u>\$ 1,710,451</u>	<u>\$ 285,976</u>

**CITY OF PORTLAND
CITY INCOME TAX FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 712,400	\$ 712,400	\$ 894,459	\$ 182,059
Fines and forfeits	10,000	10,000	20,678	10,678
Interest	2,000	2,000	7,317	5,317
Other	-	-	434	434
TOTAL REVENUES	724,400	724,400	922,888	198,488
EXPENDITURES				
Current				
General government	209,201	225,952	188,255	37,697
Debt service	492,648	502,668	502,667	1
TOTAL EXPENDITURES	701,849	728,620	690,922	37,698
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,551	(4,220)	231,966	236,186
OTHER FINANCING (USES)				
Transfers out	(397,000)	(251,133)	(190,717)	60,416
NET CHANGE IN FUND BALANCE	(374,449)	(255,353)	41,249	296,602
Fund balance, beginning of year	995,070	995,070	995,070	-
Fund balance, end of year	\$ 620,621	\$ 739,717	\$ 1,036,319	\$ 296,602

**CITY OF PORTLAND
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 375,262	\$ 375,262	\$ 414,985	\$ 39,723
Interest	-	-	371	371
Other	1,000	1,000	2,130	1,130
TOTAL REVENUES	<u>376,262</u>	<u>376,262</u>	<u>417,486</u>	<u>41,224</u>
EXPENDITURES				
Current				
Public works	<u>850,739</u>	<u>766,173</u>	<u>648,593</u>	<u>117,580</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(474,477)	(389,911)	(231,107)	158,804
OTHER FINANCING SOURCES				
Transfers in	<u>475,000</u>	<u>355,017</u>	<u>294,602</u>	<u>(60,415)</u>
NET CHANGE IN FUND BALANCE	523	(34,894)	63,495	98,389
Fund balance, beginning of year	<u>314,791</u>	<u>314,791</u>	<u>314,791</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 315,314</u></u>	<u><u>\$ 279,897</u></u>	<u><u>\$ 378,286</u></u>	<u><u>\$ 98,389</u></u>

**CITY OF PORTLAND
AMBULANCE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Charges for services	\$ 597,432	\$ 551,932	\$ 511,333	\$ (40,599)
Interest	-	-	43	43
Other	-	9,796	10,133	337
	<u>597,432</u>	<u>561,728</u>	<u>521,509</u>	<u>(40,219)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Health and welfare	620,419	591,129	551,552	39,577
	<u>620,419</u>	<u>591,129</u>	<u>551,552</u>	<u>39,577</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(22,987)	(29,401)	(30,043)	(642)
OTHER FINANCING (USES)				
Transfers out	(26,552)	(26,552)	(26,552)	-
	<u>(26,552)</u>	<u>(26,552)</u>	<u>(26,552)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(49,539)	(55,953)	(56,595)	(642)
Fund balance, beginning of year	63,071	63,071	63,071	-
	<u>63,071</u>	<u>63,071</u>	<u>63,071</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,532</u>	<u>\$ 7,118</u>	<u>\$ 6,476</u>	<u>\$ (642)</u>

**CITY OF PORTLAND
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION LIABILITY AND RELATED RATIOS
LAST SIX 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	2019
Total Pension Liability						
Service cost	\$ 195,518	\$ 191,696	\$ 184,007	\$ 176,437	\$ 185,869	\$ 179,089
Interest	996,910	1,014,053	1,042,491	1,069,900	1,079,521	1,110,014
Changes of benefit terms	-	-	(5,276)	(6,729)	(5,079)	-
Difference between expected and actual experience	-	(412,990)	(107,437)	(292,292)	1,314	(266,349)
Changes of assumptions	-	650,689	-	-	-	463,664
Benefit payments including employee refunds	(668,323)	(667,741)	(732,278)	(802,498)	(861,043)	(893,118)
Administrative expense	(23,983)	(1)	-	-	-	-
Other changes	-	-	1	(2)	1	1
Net Change in Total Pension Liability	500,122	775,706	381,508	144,816	400,583	593,301
Total Pension Liability, beginning	12,029,449	12,529,571	13,305,277	13,686,785	13,831,601	14,232,184
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>	<u>\$ 14,825,485</u>
Plan Fiduciary Net Position						
Contributions-employer	\$ 434,906	\$ 548,464	\$ 480,164	\$ 521,381	\$ 540,938	\$ 535,426
Contributions-employee	-	-	7,880	20,842	34,684	38,610
Net Investment income	481,656	(117,021)	861,635	1,082,559	(347,651)	1,127,693
Benefit payments including employee refunds	(668,323)	(667,741)	(732,278)	(802,498)	(861,043)	(893,118)
Administrative expense	(17,676)	(17,201)	(17,018)	(17,152)	(17,388)	(19,429)
Other changes	-	-	1	-	1	1
Net Change in Plan Fiduciary Net Position	230,563	(253,499)	600,384	805,132	(650,459)	789,183
Plan Fiduciary Net Position, beginning	7,671,415	7,901,978	7,648,479	8,248,863	9,053,995	8,403,536
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>	<u>\$ 9,192,719</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>	<u>\$ 5,632,766</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	63%	57%	60%	65%	59%	62%
Covered Employee Payroll	\$ 2,011,873	\$ 2,002,154	\$ 1,964,499	\$ 1,968,154	\$ 2,119,458	\$ 2,090,582
Employer's Net Pension Liability as a percentage of covered employee payroll	230%	283%	277%	243%	275%	269%

CITY OF PORTLAND
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
LAST SIX 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>	<u>2020</u>
Actuarial determined contributions	\$ 447,139	\$ 447,697	\$ 512,810	\$ 532,687	\$ 544,766	\$ 526,780
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>	<u>526,780</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered employee payroll	\$ 2,132,656	\$ 2,171,832	\$ 2,218,598	\$ 2,058,415	\$ 2,136,352	\$ 2,388,980
Contributions as a percentage of covered employee payroll	21%	21%	23%	26%	25%	22%

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

	2018	2019	2020
Total OPEB Liability			
Service Cost	\$ 68,758	\$ 45,128	\$ 39,990
Interest	33,145	32,943	32,300
Changes of Benefit Terms	-	-	-
Difference between expected and actual experience	(381,164)	(180,034)	-
Changes in assumptions	143,037	(7,663)	70,510
Benefit payments including employee refunds	(55,913)	(35,346)	(28,583)
Net Change in Total OPEB Liability	(192,137)	(144,972)	114,217
Total OPEB Liability - beginning	1,293,041	1,100,904	955,932
Total OPEB Liability - ending	<u>\$ 1,100,904</u>	<u>\$ 955,932</u>	<u>\$ 1,070,149</u>
Plan Fiduciary Net Position			
Contributions-employer	\$ 55,913	\$ 35,346	\$ 28,583
Contributions-employee	-	-	6,258
Benefit payments including employee refunds	(55,913)	(35,346)	(34,841)
Net Change in Plan Fiduciary Net Position	-	-	-
Plan Fiduciary Net Position - beginning	-	-	-
Plan Fiduciary Net Position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer Net OPEB Liability	<u>\$ 1,100,904</u>	<u>\$ 955,932</u>	<u>\$ 1,070,149</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 1,120,572	\$ 916,624	\$ 1,157,807
Employer's Net OPEB Liability as a percentage of covered employee payroll	98.24%	104.29%	92.43%

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contributions	\$ 119,762	\$ 27,955	\$ 71,158
Contributions in relation to the actuarially determined contribution	<u>55,913</u>	<u>61,748</u>	<u>28,583</u>
Contribution deficiency (excess)	<u>\$ 63,849</u>	<u>\$ (33,793)</u>	<u>\$ 42,575</u>
Covered Employee Payroll	\$ 1,120,572	\$ 916,624	\$ 1,157,807
Contributions as a percentage of covered employee payroll	5.0%	6.7%	2.5%

Beginning Fiscal Year Ending 2020, the ADC is calculated in accordance with the requirements of Public Act 202 of 2017, namely Numbered Letter 2018-3. For Fiscal Years Ended 2018 and 2019, the ADC is calculated in accordance with the Employer's funding policy, substantive or otherwise. Prior to Fiscal Year Ending 2018, the ADC is equal to the Annual Required Contribution (ARC) as calculated under GASB No. 45.

**CITY OF PORTLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

NOTE 1 - EMPLOYEE RETIREMENT PLANS

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

Changes in assumptions: The investment rate of return assumption was reduced from 7.75% to 7.35%. The assumed rate of wage inflation was reduced from 3.75% to 3.00%.

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS PLANS

Changes of benefits terms: There were no changes of benefit terms during plan year 2020.

Changes in assumptions: The discount rate was changed from 3.36% to 2.66% since the last actuarial valuation.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF PORTLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020**

	Special Revenue		Capital
	Local Street	Recreation	Capital Projects Fund
ASSETS			
Cash and cash equivalents	\$ 263,157	\$ 36,577	\$ 3,362
Due from other governmental units	17,233	-	-
Prepays	2,458	514	-
TOTAL ASSETS	\$ 282,848	\$ 37,091	\$ 3,362
LIABILITIES			
Accounts payable	\$ 13,298	\$ 75	\$ -
Accrued liabilities	2,480	196	-
Due to other funds	-	10,000	-
TOTAL LIABILITIES	15,778	10,271	-
FUND BALANCES			
Nonspendable			
Prepays	2,458	514	-
Perpetual care	-	-	-
Restricted			
Streets	264,612	-	3,362
Assigned			
Recreation	-	26,306	-
TOTAL FUND BALANCES	267,070	26,820	3,362
TOTAL LIABILITIES AND FUND BALANCES	\$ 282,848	\$ 37,091	\$ 3,362

Projects		Permanent Fund	
Street Projects	Wellhead Improvement	Cemetery Perpetual Care	Total
\$ -	\$ 4,000	\$ 187,652	\$ 494,748
-	-	-	17,233
-	-	-	2,972
<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 187,652</u>	<u>\$ 514,953</u>
\$ -	\$ 4,000	\$ -	\$ 17,373
-	-	-	2,676
-	-	-	10,000
<u>-</u>	<u>4,000</u>	<u>-</u>	<u>30,049</u>
-	-	-	2,972
-	-	187,652	187,652
-	-	-	267,974
<u>-</u>	<u>-</u>	<u>-</u>	<u>26,306</u>
<u>-</u>	<u>-</u>	<u>187,652</u>	<u>484,904</u>
<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 187,652</u>	<u>\$ 514,953</u>

**CITY OF PORTLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	Special Revenue		Capital
	Local Street	Recreation	Capital Projects Fund
REVENUES			
Taxes	\$ 150,278	\$ -	\$ -
Intergovernmental	133,686	8,000	-
Charges for services	-	47,616	-
Interest and rents	364	20	-
Other	815	1,155	-
	<u>285,143</u>	<u>56,791</u>	<u>-</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public works	382,258	-	-
Recreation and culture	-	71,357	-
Capital outlay	-	-	-
	<u>382,258</u>	<u>71,357</u>	<u>-</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(97,115)</u>	<u>(14,566)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	157,134	32,000	-
Transfers out	-	-	-
	<u>157,134</u>	<u>32,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	<u>60,019</u>	<u>17,434</u>	<u>-</u>
Fund balances, beginning of year	<u>207,051</u>	<u>9,386</u>	<u>3,362</u>
Fund balances, end of year	<u>\$ 267,070</u>	<u>\$ 26,820</u>	<u>\$ 3,362</u>

Projects		Permanent Fund	
Street Projects	Wellhead Improvement	Cemetery Perpetual Care	Total
\$ -	\$ -	\$ -	\$ 150,278
-	-	-	141,686
-	-	4,150	51,766
-	-	330	714
-	-	-	1,970
-	-	4,480	346,414
-	-	1	382,259
-	-	-	71,357
-	8,500	-	8,500
-	8,500	1	462,116
-	(8,500)	4,479	(115,702)
-	8,500	-	197,634
(398,091)	-	(325)	(398,416)
(398,091)	8,500	(325)	(200,782)
(398,091)	-	4,154	(316,484)
398,091	-	183,498	801,388
\$ -	\$ -	\$ 187,652	\$ 484,904

**CITY OF PORTLAND
COMPONENT UNIT FUND
BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2020**

ASSETS	
Cash	\$ 502,077
Accounts receivable	<u>90</u>
TOTAL ASSETS	<u><u>\$ 502,167</u></u>
LIABILITIES	
Accounts payable	\$ 7,111
Accrued liabilities	<u>2,650</u>
TOTAL LIABILITIES	9,761
FUND BALANCE	
Unassigned	<u>492,406</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 502,167</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, 2020**

Total fund balance - governmental fund \$ 492,406

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>(2,670,771)</u>

Capital assets, net	<u>633,610</u>
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Net position of governmental activities	<u><u>\$ 1,126,016</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, 2020**

REVENUES	
Taxes	\$ 245,072
Intergovernmental	45,981
Interest	254
Other	<u>70,012</u>
TOTAL REVENUES	361,319
EXPENDITURES	
Current	
Community and economic development	<u>213,020</u>
NET CHANGE IN FUND BALANCE	148,299
Fund balance, beginning of year	<u>344,107</u>
Fund balance, end of year	<u><u>\$ 492,406</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, 2020

Net change in fund balance - governmental fund	\$ 148,299
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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>(161,230)</u>
Change in net position of governmental activities	<u><u>\$ (12,931)</u></u>

**CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)
JUNE 30, 2020**

**Total Taxable Value
Fiscal Years Ended or Ending June 30, 2017 Through 2021**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended or Ending June 30	Ad Valorem Taxable Value (2)	Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198(1)	Total Taxable Value	Percent Increase Over Prior Year
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
2019	2020	2021	98,967,604	568,100	99,535,704	3.400

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2021 (3).....\$25,633.71

(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, 2017 Through 2021**

Use	Fiscal Year Ended or Ending June 30				
	2017	2018	2019	2020	2021
Residential	\$65,272,848	\$66,535,607	\$67,790,533	\$68,768,105	\$71,729,590
Commercial.....	22,670,188	23,127,074	23,765,400	23,827,614	24,496,262
Industrial	3,205,484	2,960,405	2,662,155	2,512,382	2,293,852
Utility.....	1,027,800	976,200	999,300	994,000	1,016,000
Development.....	0	0	0	0	0
	<u>\$ 92,176,320</u>	<u>\$ 93,599,286</u>	<u>\$ 95,217,388</u>	<u>\$96,102,101</u>	<u>\$ 99,535,704</u>

Class	Fiscal Year Ended or Ending June 30				
	2017	2018	2019	2020	2021
Real Property	\$ 87,964,820	\$ 89,462,886	\$ 91,188,988	\$ 92,144,501	\$95,720,304
Personal Property	4,211,500	4,136,400	4,028,400	3,957,600	3,815,400
	<u>\$ 92,176,320</u>	<u>\$ 93,599,286</u>	<u>\$ 95,217,388</u>	<u>\$ 96,102,101</u>	<u>\$ 99,535,704</u>

Source: City of Portland

**CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED) (continued)
JUNE 30, 2020**

**Total State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2017 Through 2021**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended or Ending June 30	Ad Valorem SEV (2)	SEV of Property Granted Tax Abatement Under Act 198 (1)	Total SEV	Percent Increase Over Prior Year
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
2019	2020	2021	113,582,291	568,100	114,150,391	7.800

Per Capita Total SEV for the Fiscal Year Ending June 30, 2021 (3).....\$29,397.47

- (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, 2017 Through 2021**

Use	Fiscal Year Ended or Ending June 30				
	2017	2018	2019	2020	2021
Residential	\$ 67,301,100	\$ 69,499,600	\$ 71,409,100	\$ 75,948,300	\$ 84,359,091
Commercial.....	24,585,900	24,395,135	25,979,900	25,724,400	26,481,100
Industrial.....	3,220,544	2,960,405	2,667,272	2,513,276	2,294,200
Utility.....	1,027,800	976,200	999,300	994,000	1,016,000
Development.....	0	0	0	0	0
	<u>\$ 96,135,344</u>	<u>\$ 97,831,340</u>	<u>\$ 101,055,572</u>	<u>\$ 105,179,976</u>	<u>\$ 114,150,391</u>

Class	Fiscal Year Ended or Ending June 30				
	2017	2018	2019	2020	2021
Real Property	\$ 91,923,844	\$ 93,694,940	\$ 97,027,172	\$ 101,222,376	\$110,334,991
Personal Property.....	4,211,500	4,136,400	4,028,400	3,957,600	3,815,400
	<u>\$ 96,135,344</u>	<u>\$ 97,831,340</u>	<u>\$ 101,055,572</u>	<u>\$ 105,179,976</u>	<u>\$114,150,391</u>

Source: City of Portland

CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED) (continued)
JUNE 30, 2020

Maximum Property Tax Rates
Fiscal Year Ending June 30, 2021

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Millage Reduction Fraction (1)</u>	<u>Maximum Allowable Millage</u>
Operating (2)	15.0000	1.4697	13.5303

- (1) Cumulative.
(2) Includes 1.00 mill for local streets.
(3) Includes .9907 mill for local streets.
Source: City of Portland

Property Tax Rates (1)
Fiscal Years Ended or Ending June 30, 2017 Through 2021

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Total Operating</u>
2016	2017	13.6574 (2)
2017	2018	13.6574 (2)
2018	2019	13.6574 (2)
2019	2020	13.6574 (2)
2020	2021	13.5303 (3)

- (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, 2017 Through 2021

<u>Governmental Unit</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City of Portland	\$13.6574	\$13.6574	\$13.6574	13.6574	13.5303
County of Ionia.....	4.6378	4.6326	4.6326	4.6265	4.6265
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.....	4.4696	4.8736	4.8736	4.8690	4.869
Intermediate School District-Tech Ed....	.9996	.9987	.9987	.9981	.9981
Library	1.6827	1.7116	1.9525	1.9108	1.2308
Seniors .....	.4994	.4988	.4988	.4981	.4981
Roads.....			<u>1.0000</u>	<u>.9987</u>	<u>.9987</u>
	<u>\$39.2929</u>	<u>\$39.7227</u>	<u>\$40.9636</u>	<u>\$40.9086</u>	<u>40.1015</u>
Total					

CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED) (continued)
JUNE 30, 2020

Non-Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended June 30, 2017 Through 2021

<u>Governmental Unit</u>	<u>Fiscal Year Ending June 30</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City of Portland	\$13.6574	\$13.6574	\$13.6574	13.6574	13.5303
County of Ionia.....	4.6434	4.6434	4.6326	4.6252	4.6265
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.....	4.4696	4.8736	4.8736	4.8690	4.869
Intermediate School District-Tech. Ed...	.9996	.9987	.9987	.9981	.9981
Library	1.6827	1.7116	1.9525	1.9108	1.2308
Seniors .....	.4994	.4988	.4988	.4981	.4981
Roads.....			<u>1.0000</u>	<u>.9987</u>	<u>.9987</u>
Total	<u>\$57.3021</u>	<u>\$57.7335</u>	<u>\$58.9636</u>	<u>\$58.9086</u>	<u>58.1015</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, 2017 Through 2021

<u>July 1</u>	<u>Fiscal Year</u>	<u>City</u>	<u>Collections</u>	<u>Percent</u>
<u>Levy</u>	<u>Ended or Ending</u>	<u>Tax Levy(1)</u>	<u>to March 1</u>	<u>Collected</u>
	<u>June 30</u>		<u>Following Levy</u>	
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	1,111,163	97.93
2020	2021	1,168,326	(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, 2020**

**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	\$2,911,733	2.590
Parkers Landing (Portland Partners)	Apartments	2,237,707	1.990
Portland Apartments (LAWCO).....	Apartments	1,002,658	.891
Consumers Energy.....	Utility	1,001,500	.890
THK.....	Tie Rods, Steering,Linkages.....	772,000	.686
Portland Products.....	Automotive Manufacturing	819,500	.729
Family Farm & Home (HEB, LLC)	Farm supplies, retail sales.....	659,394	.586
Rindlehaven Land Co. LLC.....	Land.....	621,117	.552
Speedway America LLC.	Gas Station	593,100	.527
Keusch's (Dick's Uptown)	Mechanic shop.....	622,450	.553
		<u>\$ 11,241,159</u>	<u>9.9940%</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 \$99,535,704, which is the City's Total Taxable Value for the fiscal year ending June 30, 2020. 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, 2016 Through 2020**

<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>
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)
2020	845,111	777,780	(2.49)

(1) Gross collections less tax refunds equals net tax.

Source: City of Portland

CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED) (continued)
JUNE 30, 2020

Revenues from the State of Michigan
Fiscal Years Ended or Ending June 30, 2016 through 2020

	Fiscal Years Ended or Ending June 30				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
State Revenue Sharing.....	\$ 399,390	\$ 416,319	\$ 427,283	\$ 442,936	\$ 455,931
Other.....	<u>4,505</u>	<u>4,312</u>	<u>4,529</u>	<u>4,685</u>	<u>4,752</u>
Total Revenues From the State of Michigan.....	<u>\$ 403,895</u>	<u>\$ 420,631</u>	<u>\$ 431,812</u>	<u>\$ 447,621</u>	<u>\$460,683</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, 2020

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).....		\$ 11,415,039
Debt Outstanding	\$ 5,215,000	
Less: Exempt Debt (2).....	<u>(3,620,000)</u>	<u>1,595,000</u>
Legal Debt Margin		<u>\$ 9,820,039</u>

(1) 10% of \$114,150,391, which is the City’s Total SEV for the fiscal year ending June 30, 2021. 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, 2020, 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).....	\$ 725,000	\$ 725,000	\$ -0-
Dated December 29, 2010 (6)	\$ 2,500,000	\$ 2,500,000	\$ -0-
Dated September 25, 2003 (5)	<u>\$ 395,000</u>	<u>\$ 395,000</u>	<u>\$ -0-</u>
Subtotal	<u>\$ 3,620,000</u>	<u>\$ 3,620,000</u>	<u>\$ -0-</u>
Capital Improvement Bonds:			
Dated May 2, 2017 (Limited Tax) (7).....	\$ 490,000	\$ -0-	\$ 490,000
Dated May 2020 (Limited Tax) (1).....	<u>\$ 1,105,000</u>	<u>\$ 1,105,000</u>	<u>\$ -0-</u>
Subtotal	<u>\$ 1,595,000</u>	<u>\$ 1,105,000</u>	<u>\$ 490,000</u>
 Total City Direct Debt:	 <u>\$ 5,215,000</u>	 <u>\$ 4,725,000</u>	 <u>\$ 490,000</u>

Per Capita Net Direct Debt (3)	\$126.19
Percent of Net Direct Debt to Total SEV (4) .....	.42 %

CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED) (continued)
JUNE 30, 2020

<u>Overlapping Debt (2)</u>	<u>Gross</u>	<u>City Share as a Percent of Gross</u>	<u>Net</u>
Ionia County.....	\$ 1,064,500	5.64%	\$ 60,144
Ionia County Intermediate School District.....	1,895,000	4.98	94,371
Portland District Library	630,000	29.98	188,874
Portland Public Schools	<u>35,601,021</u>	24.54	8,736,491
Total Overlapping Debt	<u>39,190,521</u>		<u>9,079,880</u>
Total City Direct and Overlapping Debt	<u>\$ 44,405,521</u>		<u>\$ 9,569,880</u>
Per Capita Net Overlapping Debt (3)			\$2,338.37
Percent of Net Overlapping Debt to Total SEV (4)			7.95%
Per Capita Net Direct and Overlapping Debt (3).....			\$2,464.56
Percent of Net Direct and Overlapping Debt to Total SEV (4).....			8.38%

- (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 \$114,150,391, which is the City's Total SEV for the fiscal year ending June 30, 2021. 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, 2020, and the related notes to the financial statements, which collectively comprise the City of Portland's basic financial statements, and have issued our report thereon dated October 30, 2020.

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 no instances of noncompliance.

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.

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October 30, 2020