

**CITY OF PORTLAND
IONIA COUNTY, MICHIGAN**

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

YEAR ENDED JUNE 30, 2021

**CITY OF PORTLAND
IONIA COUNTY, MICHIGAN
JUNE 30, 2021**

CITY COUNCIL AND ADMINISTRATION

James E. Barnes	Mayor
Joel 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

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, 2021, 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, 2021, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 13 to the financial statements, the City implemented GASB Statement No. 84, *Fiduciary Activities*, during the year. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, 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.

Maney Costeiran PC

November 15, 2021

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, 2021.

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, 2021. 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 \$27,627,062 (excluding component units).
- Governmental activities net position was \$13,997,698.
- Business-type activity net position was \$13,629,364.
- Component Unit net position was \$1266,718.

Fund Level

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,623,699 with \$2,756,353 being nonspendable, restricted, committed or assigned for specific purposes and \$867,346 being unassigned.
- The General Fund realized \$53,945 more in revenues and other financing sources than anticipated for the fiscal year. The General Fund operations also expended \$267,835 less than appropriated when including other financing uses.
- Overall, the General Fund balance increased by \$201,446.

Capital and Long-term Debt Activities

- The total additions to the capital asset schedules for the primary government were \$1,272,831, excluding reclassifications. Significant capital purchases during the year included Grand River Small Urban Project, Grand River Bridge Project, Safe Routes to School, and several Mill & Fills.
- The total long-term debt for the primary government was \$5,022,527, a net decrease of \$474,912 from the prior year. This decrease was largely due to the natural reduction of debt and offset with the new leases payable for a street sweeper, heart monitors, and mailer.
- 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 2020/2021. 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 Local Street Fund, the Ambulance Fund, the Electric Light and Power System Fund, the Sewage Disposal System Fund and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type.

CITY OF PORTLAND MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- **Governmental Funds** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted, e.g., income tax, major street, local street, ambulance and recreation funds), *Capital Projects Funds* (used to report major capital acquisitions and construction, e.g., the Capital Improvement Fund - Street Projects), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest, e.g. the special assessments fund).

- **Proprietary Funds** - Services for which the City charges customers (whether outside the City structure or a City department) a fee is generally reported in proprietary funds. Proprietary funds use the same accrual basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer Disposal System Fund. *Internal Service funds* report activities that provide supplies or service to the City's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 26 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 \$27,627,062 at the end of this fiscal year's operations. The net position of the governmental activities was \$13,997,698; the business-type activities were \$13,629,364.

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, 2020 and 2021

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 4,252,837	\$ 3,866,534	\$ 5,657,711	\$ 5,076,094	\$ 9,910,548	\$ 8,942,628
Capital Assets	14,448,687	14,365,599	15,163,910	15,799,281	29,612,597	30,164,880
Total Assets	18,701,524	18,232,133	20,821,621	20,875,375	39,523,145	39,107,508
Deferred outflows of resources	809,757	537,705	528,303	284,934	1,338,060	822,639
Current Liabilities	638,462	818,810	625,849	612,588	1,264,311	1,431,398
Noncurrent Liabilities	4,381,768	4,403,862	6,827,366	7,252,653	11,209,134	11,656,515
Total Liabilities	5,020,230	5,222,672	7,453,215	7,865,241	12,473,445	13,087,913
Deferred inflows of resources	493,353	465,887	267,345	263,240	760,698	729,127
Net Investment in Capital Assets	14,032,589	13,695,910	10,660,038	11,074,409	24,692,627	24,770,319
Restricted	761,390	854,037	1,086,116	1,026,266	1,847,506	1,880,303
Unrestricted	(796,281)	(1,468,668)	1,883,210	931,153	1,086,929	(537,515)
Total Net Position	\$ 13,997,698	\$ 13,081,279	\$ 13,629,364	\$ 13,031,828	\$ 27,627,062	\$ 26,113,107

Changes in Net Position for the Fiscal Year Ending June 30, 2020 and 2021

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 2019/2020 and 2020/2021.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	\$ 1,271,359	\$ 1,074,876	\$ 6,307,291	\$ 5,745,396	\$ 7,578,650	\$ 6,820,272
Grants and Contributions	773,194	580,724	-	-	773,194	580,724
General Revenues						
Property Taxes	1,245,207	1,213,696	-	-	1,245,207	1,213,696
State Shared Revenue	451,292	455,931	-	-	451,292	455,931
City Income Taxes	987,360	914,955	-	-	987,360	914,955
Local Community Stabilization	3,082	1,932	-	-	3,082	1,932
Investment Earnings	2,314	13,518	5	25,089	2,319	38,607
Miscellaneous	50,991	75,684	195,410	680,145	246,401	755,829
Transfers	114,310	122,310	(114,310)	(122,310)	-	-
Total Revenues	4,899,109	4,453,626	6,388,396	6,328,320	11,287,505	10,781,946
Expenses						
General Government	998,671	1,100,057	-	-	998,671	1,100,057
Public Safety	738,765	904,423	-	-	738,765	904,423
Public Works	1,441,394	1,394,339	-	-	1,441,394	1,394,339
Health and Welfare	550,910	637,692	-	-	550,910	637,692
Community and Economic Develop.	14,825	22,078	-	-	14,825	22,078
Recreation and Culture	231,843	224,635	-	-	231,843	224,635
Other	6,282	1,307	5,790,860	6,239,326	5,797,142	6,240,633
Total Expenses	3,982,690	4,284,531	5,790,860	6,239,326	9,773,550	10,523,857
Increase in Net Position	916,419	169,095	597,536	88,994	1,513,955	258,089
Net Position - Beginning	13,081,279	12,912,184	13,031,828	12,942,834	26,113,107	25,855,018
Net Position - Ending	\$ 13,997,698	\$ 13,081,279	\$ 13,629,364	\$ 13,031,828	\$ 27,627,062	\$ 26,113,107

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

Governmental Activities

The result of 2020/2021 governmental activity was an increase of \$916,419 in net position to \$13,997,698. Of the total governmental activities' net position, \$14,032,589 is invested in capital assets less related debt, \$761,390 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 (\$1796,281) is listed as unrestricted, having no legal commitment.

Revenues

The three largest revenue categories were property taxes at 25.4%, charges for services at 26.0%, and city income taxes at 20.2%. Net revenues were approximately 10.0% more than the prior year mainly due to charges for services and grant revenues in the current year. The City levied a property tax millage for the year ended June 30, 2021, for general government operations at 12.5396 mills, with an additional 0.9907 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 36.2% of the governmental activities total. General government is the second largest area, expending approximately 25.1% of the governmental activities total and includes general government departments (e.g., council, community promotions, city manager, elections, general administration, assessor, and city hall maintenance). Public safety is the third largest governmental activity and expended 18.5% 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 \$597,536 during fiscal year 2020/2021. Of the business-type activities' net position, \$10,660,038 is invested in capital assets net of related debt, \$1,086,116 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 \$1,883,210 is listed as unrestricted, having no legal commitment.

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

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2020/2021, its governmental funds reported *combined* fund balances of \$3,349,366. The net changes are summarized in the following chart:

	General Fund	City Income Tax	Major Street Fund	Local Street Fund	Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 6/30/2020	\$ 1,710,451	\$ 1,036,319	\$ 378,286	\$ 267,070	\$ 6,476	\$ 217,834	\$ 3,616,436
Fund Balance 6/30/2021	\$ 1,911,897	\$ 738,914	\$ 376,989	\$ 188,431	\$ 177,549	\$ 229,919	\$ 3,623,699
Net Change	\$ 201,446	\$ (297,405)	\$ (1,297)	\$ (78,639)	\$ 171,073	\$ 12,085	\$ 7,263

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, 2021, the General Fund reported a fund balance of \$1,911,897. The 2020/2021 original budget did not call for a change in fund balance.

The General Fund 2020/2021 expenditures were more than 2020/2021 revenues by \$201,446 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 \$267,835. Actual revenues and other financing sources were more than of budgeted by approximately \$53,945. The final amended budget planned for a \$120,334 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 \$2,386,221; \$53,945 more than the final amended budget.

The City's original General Fund expenditures and other financing uses budget was increased by \$210,511 during 2020/2021. The increase can be partly attributed to the Capital Outlay functions as expenditures exceeded initial projections.

Actual City expenditures and other financing uses for 2020/2021 were \$267,835 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, 2021, the City Income Tax Fund reported a fund balance of \$738,914, a decrease of \$297,405 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.

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

Major Street Fund

As of June 30, 2021, the Major Street Fund reported a fund balance of \$376,989, which is a decrease of \$1,297 from the prior year. The decrease is due to more activity than budgeted for improvements to major streets during the year.

Local Street Fund

As of June 30, 2021, the Major Street Fund reported a fund balance of \$188,431, which is a decrease of \$78,639 from the prior year. The decrease is due to more activity than budgeted for improvements to major streets during the year.

Ambulance Fund

As of June 30, 2021, the Ambulance Fund reported a fund balance of \$177,549, which is an increase of \$171,073 from the prior year fund balance due to an increase in charges for services and the planning for a vehicle purchase.

Enterprise Funds

As the City completed 2020/2021, its enterprise funds reported *combined* net position of \$13,629,364. This is a net increase of \$597,536 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 6/30/2020	\$ 7,720,570	\$ 1,495,714	\$ 3,795,089	\$ 20,455	\$ 13,031,828
Net Position 6/30/2021	\$ 8,253,927	\$ 1,529,828	\$ 3,824,280	\$ 21,329	\$ 13,629,364
Net Change	\$ 533,357	\$ 34,114	\$ 29,191	\$ 874	\$ 597,536

Electric Light and Power System Fund

As of June 30, 2021, the Electric Light and Power System Fund reported a net position of \$8,253,927, an increase of \$533,357 from the prior year. Of the entire net position amount, \$5,540,090 is invested in capital assets, net of related debt, \$453,086 is restricted for utility reserve, \$137,424 is restricted for debt service, and \$2,123,327 is unrestricted.

Sewage Disposal System Fund

As of June 30, 2021, the Sewer Fund reported a net position of \$1,529,828 an increase of \$34,114 from the prior year. Of the entire net position, \$1,785,420 is invested in capital assets, net of related debt, \$495,606 is restricted, and (\$751,198) is unrestricted.

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

Water System Fund

As of June 30, 2021, the Water System Fund reported a net position of \$3,824,280, an increase of \$29,191 from the prior year. Of the entire net position, \$3,334,528 is invested in capital assets, net of related debt and \$489,752 is unrestricted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2020/2021 the City had invested \$29,612,597, and \$517,771 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.

Net Book value of capital assets at June 30, 2021, was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Land	\$ 1,199,132	\$ -	\$ 1,199,132
Construction in Progress	911,012	-	911,012
Land Improvements, net	122,093	-	122,093
Buildings, net	170,710	-	170,710
Equipment and Furniture, net	973,201	-	973,201
Electric System, net	-	6,565,090	6,565,090
Sewer System, net	-	4,944,420	4,944,420
Water System, net	-	3,654,400	3,654,400
Infrastructure:			
Streets and Bridges, net	<u>11,072,539</u>	<u>-</u>	<u>11,072,539</u>
Capital Assets, net	<u>\$ 14,448,687</u>	<u>\$ 15,163,910</u>	<u>\$ 29,612,597</u>

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

Outstanding Long-Term Obligations as of June 30, 2021:

Long-term Obligations - As of June 30, 2021, the City had \$5,022,527 in long-term obligations outstanding for the primary government. This level of net obligation is \$474,912 less than the obligation recorded 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.

	Balance June 30, 2020	Change	Balance June 30, 2021
Primary Government			
Governmental Activities			
2016 Ambulance Installment Purchase Agreement (\$166,806)	\$ 99,218	\$ (23,794)	\$ 75,424
2016 Snow Plow Installment Purchase Agreement (\$147,582)	61,384	(30,286)	31,098
2016 Heart Monitors/Defibrillators Purchase Agreement (\$92,254)	19,087	(19,087)	-
2020 Street Sweeper contract payable	-	193,881	193,881
2020 Heart Monitors contract payable	-	99,468	99,468
2021 Mailer contract payable	-	16,227	16,227
2017 G.O. Limited Tax Bonds	490,000	(490,000)	-
Accumulated compensated absences	59,399	1,965	61,364
Business-type Activities			
2020 Refunding Bonds (\$1,105,000)	1,105,000	(80,000)	1,025,000
2004 Water System Bonds (\$1,344,872)	394,872	(75,000)	319,872
2010 Sanitary Sewer System (\$2,900,000) (Build America Bonds)	725,000	(15,000)	710,000
2011 Sanitary Sewer System (\$840,000)	2,500,000	(51,000)	2,449,000
Accumulated compensated absences	43,479	(2,286)	41,193
Total Reporting Entity	\$ 5,497,439	\$ (474,912)	\$ 5,022,527

CITY OF PORTLAND GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing is expected to increase 2% for the City's fiscal year 2021-2022 based on State of Michigan revenue sharing estimates.
- The City has discontinued enrollment in its MERS B4 plan in an effort to contain future pension costs. All new hires will be enrolled in a MERS Hybrid pension plan in which the City's contribution is capped at 7% and employees must contribute 3%. Actual pension costs increased from \$526,780 to \$611,971 which reflects a 16% increase.
- The City is requiring all employees enrolled in the Defined Benefit plan to contribute to their own pension plan. All employees will contribute 3% for fiscal year 2021-2022.
- The City's income tax revenues in 2018 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). In 2021, revenues increased to \$990,076 (7% increase).
- The City's SEV increased from 2018 to 2019 the SEV to \$101,055,572 (an increase of 3.81%). From 2019 to 2020 the SEV increased to \$105,179,976 (increase of 4%). From 2020 to 2021 the SEV increased to 114,150,391 (increase of 7%). The outlook for the 2022 SEV is expected to increase around 6% 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.

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

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, 2021**

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,850,708	\$ 3,019,201	\$ 5,869,909	\$ 779,971
Cash and cash equivalents - restricted	-	1,358,908	1,358,908	-
Investments	1,028,016	-	1,028,016	-
Receivables	276,407	809,605	1,086,012	90
Due from other governmental units	89,699	-	89,699	-
Internal balances	(14,930)	14,930	-	-
Prepays	22,937	14,617	37,554	-
Inventories	-	440,450	440,450	-
Total current assets	<u>4,252,837</u>	<u>5,657,711</u>	<u>9,910,548</u>	<u>780,061</u>
Noncurrent assets				
Capital assets not being depreciated	2,110,144	320,963	2,431,107	44,912
Capital assets being depreciated, net	<u>12,338,543</u>	<u>14,842,947</u>	<u>27,181,490</u>	<u>472,859</u>
Total noncurrent assets	<u>14,448,687</u>	<u>15,163,910</u>	<u>29,612,597</u>	<u>517,771</u>
TOTAL ASSETS	<u>18,701,524</u>	<u>20,821,621</u>	<u>39,523,145</u>	<u>1,297,832</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	525,468	295,703	821,171	-
Deferred outflows related to OPEB	<u>284,289</u>	<u>232,600</u>	<u>516,889</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>809,757</u>	<u>528,303</u>	<u>1,338,060</u>	<u>-</u>
LIABILITIES				
Current liabilities				
Accounts payable	389,603	293,814	683,417	28,478
Accrued liabilities	71,604	31,949	103,553	2,636
Accrued interest payable	930	15,919	16,849	-
Unearned revenue	5,389	20,974	26,363	-
Current portion of compensated absences	61,364	41,193	102,557	-
Current portion of long-term debt	<u>109,572</u>	<u>222,000</u>	<u>331,572</u>	<u>-</u>
Total current liabilities	<u>638,462</u>	<u>625,849</u>	<u>1,264,311</u>	<u>31,114</u>
Noncurrent liabilities				
Customer deposits payable from restricted assets	-	272,792	272,792	-
Noncurrent portion of long-term debt	306,526	4,281,872	4,588,398	-
Net pension liability	3,458,150	1,875,799	5,333,949	-
Total OPEB Liability	<u>617,092</u>	<u>396,903</u>	<u>1,013,995</u>	<u>-</u>
Total noncurrent liabilities	<u>4,381,768</u>	<u>6,827,366</u>	<u>11,209,134</u>	<u>-</u>
TOTAL LIABILITIES	<u>5,020,230</u>	<u>7,453,215</u>	<u>12,473,445</u>	<u>31,114</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	405,318	195,315	600,633	-
Deferred inflows related to OPEB	<u>88,035</u>	<u>72,030</u>	<u>160,065</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>493,353</u>	<u>267,345</u>	<u>760,698</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	14,032,589	10,660,038	24,692,627	517,771
Restricted				
Utilities	-	595,354	595,354	-
Debt service	-	299,424	299,424	-
Equipment replacement	-	191,338	191,338	-
Other purposes	761,390	-	761,390	-
Unrestricted	<u>(796,281)</u>	<u>1,883,210</u>	<u>1,086,929</u>	<u>748,947</u>
TOTAL NET POSITION	<u>\$ 13,997,698</u>	<u>\$ 13,629,364</u>	<u>\$ 27,627,062</u>	<u>\$ 1,266,718</u>

See notes to financial statements.

**CITY OF PORTLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit (DDA)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 998,671	\$ 487,593	\$ 10,000	\$ -	\$ (501,078)	\$ -	\$ (501,078)	\$ -
Public safety	738,765	6,393	126,403	-	(605,969)	-	(605,969)	-
Public works	1,441,394	40,815	602,131	9,434	(789,014)	-	(789,014)	-
Health and welfare	550,910	711,868	20,143	-	181,101	-	181,101	-
Community and economic development	14,825	-	-	-	(14,825)	-	(14,825)	-
Recreation and culture	231,843	24,690	5,083	-	(202,070)	-	(202,070)	-
Interest on long-term debt	6,282	-	-	-	(6,282)	-	(6,282)	-
Total governmental activities	<u>3,982,690</u>	<u>1,271,359</u>	<u>763,760</u>	<u>9,434</u>	<u>(1,938,137)</u>	<u>-</u>	<u>(1,938,137)</u>	<u>-</u>
Business-type activities								
Electric Light and Power System	3,788,208	4,313,947	-	-	-	525,739	525,739	-
Sewage Disposal System	1,113,645	1,047,432	-	-	-	(66,213)	(66,213)	-
Water System	737,268	794,461	-	-	-	57,193	57,193	-
Refuse	151,739	151,451	-	-	-	(288)	(288)	-
Total business-type activities	<u>5,790,860</u>	<u>6,307,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>516,431</u>	<u>516,431</u>	<u>-</u>
Total primary government	<u>\$ 9,773,550</u>	<u>\$ 7,578,650</u>	<u>\$ 763,760</u>	<u>\$ 9,434</u>	<u>(1,938,137)</u>	<u>516,431</u>	<u>(1,421,706)</u>	<u>-</u>
Component unit								
Downtown Development Authority	<u>\$ 303,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(157,378)</u>
General revenues								
Property taxes					1,245,207	-	1,245,207	248,145
City income taxes					987,360	-	987,360	-
State shared revenue					451,292	-	451,292	-
Local community stabilization					3,082	-	3,082	46,793
Investment earnings					2,314	5	2,319	118
Miscellaneous					50,991	195,410	246,401	3,024
Transfers					114,310	(114,310)	-	-
Total general revenues and transfers					<u>2,854,556</u>	<u>81,105</u>	<u>2,935,661</u>	<u>298,080</u>
Change in net position					916,419	597,536	1,513,955	140,702
Net position, beginning of the year					<u>13,081,279</u>	<u>13,031,828</u>	<u>26,113,107</u>	<u>1,126,016</u>
Net position, end of the year					<u>\$ 13,997,698</u>	<u>\$ 13,629,364</u>	<u>\$ 27,627,062</u>	<u>\$ 1,266,718</u>

See notes to financial statements.

**CITY OF PORTLAND
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	<u>General</u>	<u>City Income Tax</u>	<u>Major Street</u>
ASSETS			
Cash and cash equivalents	\$ 915,896	\$ 763,659	\$ 389,141
Investments	1,028,016	-	-
Receivables			
Taxes	462	142,104	-
Accounts	439	-	226
Due from other governmental units	-	-	67,458
Due from other funds	87,070	-	52,209
Prepays	8,217	140	3,264
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,040,100</u>	<u>\$ 905,903</u>	<u>\$ 512,298</u>
LIABILITIES			
Accounts payable	\$ 82,274	\$ 29	\$ 132,376
Accrued liabilities	45,929	2,888	2,933
Due to other funds	-	164,072	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>128,203</u>	<u>166,989</u>	<u>135,309</u>
FUND BALANCES			
Nonspendable			
Prepays	8,217	140	3,264
Perpetual care	-	-	-
Land held for resale	1,028,016	-	-
Restricted			
Streets	-	-	373,725
Public works	8,318	-	-
Committed			
Street improvements	-	738,774	-
Ambulance	-	-	-
Assigned			
Recreation	-	-	-
Unassigned	867,346	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>1,911,897</u>	<u>738,914</u>	<u>376,989</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,040,100</u>	<u>\$ 905,903</u>	<u>\$ 512,298</u>

See notes to financial statements.

Local Street	Ambulance	Nonmajor Governmental Funds	Total
\$ 211,612	\$ 69,947	\$ 240,941	\$ 2,591,196
-	-	-	1,028,016
-	-	-	142,566
-	133,079	-	133,744
22,241	-	-	89,699
111,863	-	-	251,142
3,264	6,458	873	22,216
<u>\$ 348,980</u>	<u>\$ 209,484</u>	<u>\$ 241,814</u>	<u>\$ 4,258,579</u>
\$ 156,419	\$ 5,079	\$ 1,591	\$ 377,768
4,130	14,856	304	71,040
-	12,000	10,000	186,072
<u>160,549</u>	<u>31,935</u>	<u>11,895</u>	<u>634,880</u>
3,264	6,458	873	22,216
-	-	190,818	190,818
-	-	-	1,028,016
185,167	-	3,362	562,254
-	-	-	8,318
-	-	-	738,774
-	171,091	-	171,091
-	-	34,866	34,866
-	-	-	867,346
<u>188,431</u>	<u>177,549</u>	<u>229,919</u>	<u>3,623,699</u>
<u>\$ 348,980</u>	<u>\$ 209,484</u>	<u>\$ 241,814</u>	<u>\$ 4,258,579</u>

See notes to financial statements.

**CITY OF PORTLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total fund balances - governmental funds \$ 3,623,699

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	\$ 27,244,048	
Accumulated depreciation is	<u>(13,484,479)</u>	
Capital assets, net		13,759,569

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.

390,298

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	509,538	
Deferred outflows of resources related to OPEB	271,367	
Deferred inflows of resources related to pensions	(399,055)	
Deferred inflows of resources related to OPEB	<u>(84,033)</u>	
		297,817

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:

Compensated absences	(61,264)	
Direct obligations	(115,695)	
Net pension liability	(3,304,985)	
Total OPEB Liability	<u>(591,741)</u>	
		<u>(4,073,685)</u>

Net position of governmental activities \$ 13,997,698

**CITY OF PORTLAND
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	General	City Income Tax	Major Street
REVENUES			
Taxes	\$ 1,140,427	\$ 959,847	\$ -
Licenses and permits	87,259	-	-
Intergovernmental	584,499	-	455,858
Charges for services	367,301	-	-
Fines and forfeits	14,617	27,669	-
Interest and rents	8,017	2,126	-
Other	51,520	434	2,288
TOTAL REVENUES	2,253,640	990,076	458,146
EXPENDITURES			
Current			
General government	841,218	245,833	-
Public safety	789,968	-	-
Public works	206,035	-	813,366
Health and welfare	50,478	-	-
Community and economic development	14,825	-	-
Recreation and culture	194,925	-	-
Capital outlay	20,928	-	-
Debt service	-	498,869	-
TOTAL EXPENDITURES	2,118,377	744,702	813,366
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	135,263	245,374	(355,220)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	2,000	-	-
Lease proceeds	16,750	-	-
Transfers in	113,831	-	353,923
Transfers out	(66,398)	(542,779)	-
TOTAL OTHER FINANCING SOURCES (USES)	66,183	(542,779)	353,923
NET CHANGE IN FUND BALANCES	201,446	(297,405)	(1,297)
Fund balances, beginning of year	1,710,451	1,036,319	378,286
Fund balances, end of year	<u>\$ 1,911,897</u>	<u>\$ 738,914</u>	<u>\$ 376,989</u>

See notes to financial statements.

Local Street	Ambulance	Nonmajor Governmental Funds	Total
\$ 155,650	\$ -	\$ -	\$ 2,255,924
-	-	-	87,259
146,273	10,600	14,000	1,211,230
-	719,816	27,860	1,114,977
-	-	-	42,286
-	-	17	10,160
1,031	5,687	3	60,963
<u>302,954</u>	<u>736,103</u>	<u>41,880</u>	<u>4,782,799</u>
-	-	-	1,087,051
-	-	-	789,968
570,449	-	-	1,589,850
-	660,344	-	710,822
-	-	-	14,825
-	-	44,774	239,699
-	-	9,500	30,428
-	-	-	498,869
<u>570,449</u>	<u>660,344</u>	<u>54,274</u>	<u>4,961,512</u>
<u>(267,495)</u>	<u>75,759</u>	<u>(12,394)</u>	<u>(178,713)</u>
-	-	-	2,000
-	99,468	-	116,218
188,856	22,398	24,500	703,508
-	(26,552)	(21)	(635,750)
<u>188,856</u>	<u>95,314</u>	<u>24,479</u>	<u>185,976</u>
(78,639)	171,073	12,085	7,263
<u>267,070</u>	<u>6,476</u>	<u>217,834</u>	<u>3,616,436</u>
<u>\$ 188,431</u>	<u>\$ 177,549</u>	<u>\$ 229,919</u>	<u>\$ 3,623,699</u>

See notes to financial statements.

CITY OF PORTLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds \$ 7,263

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	\$ 805,472	
Depreciation expense	<u>(805,473)</u>	
Excess of depreciation expense over capital outlay		(1)

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		100,585
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Repayment of long-term debt and borrowings of long-term debt are reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Debt proceeds	(116,218)	
Long-term debt principal retirements	<u>509,610</u>	
		393,392

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:

Change in accrued interest payable	2,587	
Change in compensated absences	(11,659)	
Change in net pension liability	185,418	
Change in total OPEB liability	29,480	
Change in deferred outflows of resources related to pensions	(140,487)	
Change in deferred inflows of resources related to pensions	78,154	
Change in deferred outflows of resources related to OPEB	408,072	
Change in deferred inflows of resources related to OPEB	<u>(136,385)</u>	
		<u>415,180</u>

Change in net position of governmental activities \$ 916,419

**CITY OF PORTLAND
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Business-type Activities				Total	Governmental Activities
	Electric Light and Power System	Sewage Disposal System	Water System	Nonmajor Enterprise Fund (Refuse)		Internal Service Fund
ASSETS						
Current assets						
Cash and cash equivalents	\$ 2,378,282	\$ 57,573	\$ 570,736	\$ 12,610	\$ 3,019,201	\$ 259,512
Cash and cash equivalents - restricted	798,818	526,628	33,462	-	1,358,908	-
Accounts receivable	558,212	123,976	106,044	21,373	809,605	97
Due from other funds	150,000	-	80,000	-	230,000	-
Inventories	400,876	-	39,574	-	440,450	-
Prepays	11,586	1,842	1,189	-	14,617	721
Total current assets	4,297,774	710,019	831,005	33,983	5,872,781	260,330
Noncurrent assets						
Capital assets not being depreciated	275,807	30,803	14,353	-	320,963	-
Capital assets being depreciated, net	6,289,283	4,913,617	3,640,047	-	14,842,947	689,118
Total noncurrent assets	6,565,090	4,944,420	3,654,400	-	15,163,910	689,118
TOTAL ASSETS	10,862,864	5,654,439	4,485,405	33,983	21,036,691	949,448
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pension	181,068	61,998	52,637	-	295,703	15,930
Deferred outflows related to OPEB	139,250	53,136	40,214	-	232,600	12,922
TOTAL DEFERRED OUTFLOWS OF RESOURCES	320,318	115,134	92,851	-	528,303	28,852
LIABILITIES						
Current liabilities						
Accounts payable	217,174	46,126	17,860	12,654	293,814	11,835
Accrued liabilities	18,660	7,697	5,592	-	31,949	564
Accrued interest payable	6,022	7,898	1,999	-	15,919	930
Due to other funds	-	215,070	-	-	215,070	80,000
Unearned revenue	-	20,974	-	-	20,974	5,389
Current portion of compensated absences	21,602	11,626	7,965	-	41,193	100
Current portion of long-term debt	75,000	67,000	80,000	-	222,000	86,042
Total current liabilities	338,458	376,391	113,416	12,654	840,919	184,860
Noncurrent liabilities						
Customer deposits payable from restricted assets	208,308	31,022	33,462	-	272,792	-
Noncurrent portion of long-term debt	950,000	3,092,000	239,872	-	4,281,872	214,361
Net pension liability	1,043,150	595,266	237,383	-	1,875,799	153,165
Total OPEB Liability	213,777	104,237	78,889	-	396,903	25,351
Total noncurrent liabilities	2,415,235	3,822,525	589,606	-	6,827,366	392,877
TOTAL LIABILITIES	2,753,693	4,198,916	703,022	12,654	7,668,285	577,737
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pension	132,440	24,374	38,501	-	195,315	6,263
Deferred inflows related to OPEB	43,122	16,455	12,453	-	72,030	4,002
TOTAL DEFERRED INFLOWS OF RESOURCES	175,562	40,829	50,954	-	267,345	10,265
NET POSITION						
Net investment in capital assets	5,540,090	1,785,420	3,334,528	-	10,660,038	388,715
Restricted for utility reserve	453,086	142,268	-	-	595,354	-
Restricted for debt service	137,424	162,000	-	-	299,424	-
Restricted for equipment replacement	-	191,338	-	-	191,338	-
Unrestricted	2,123,327	(751,198)	489,752	21,329	1,883,210	1,583
TOTAL NET POSITION	\$ 8,253,927	\$ 1,529,828	\$ 3,824,280	\$ 21,329	\$ 13,629,364	\$ 390,298

See notes to financial statements.

**CITY OF PORTLAND
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021**

	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	\$ 4,313,947	\$ 1,025,232	\$ 794,461	\$ 151,451	\$ 6,285,091	\$ 294,092
Tap fees	-	22,200	-	-	22,200	-
Other	57,655	26,007	4,507	1,162	89,331	31,045
TOTAL OPERATING REVENUES	4,371,602	1,073,439	798,968	152,613	6,396,622	325,137
OPERATING EXPENSES						
Salaries and wages	516,168	187,006	163,353	-	866,527	18,541
Fringe benefits	37,494	51,263	10,130	-	98,887	(15,798)
Contractual services	139,200	294,087	32,125	151,731	617,143	869
Supplies	-	46,671	17,467	8	64,146	22,041
Heat, light, and power	2,125,888	60,032	37,614	-	2,223,534	5,757
Communications	3,718	1,408	1,639	-	6,765	1,501
Insurance and bonds	17,284	3,923	2,827	-	24,034	11,462
Repairs and maintenance	54,545	26,915	156,450	-	237,910	38,122
Administrative services	74,358	57,675	57,675	-	189,708	35,655
Building and equipment rental	83,174	38,540	40,803	-	162,517	-
Other	289,314	2,170	7,121	-	298,605	696
Depreciation	418,644	248,360	201,599	-	868,603	146,311
TOTAL OPERATING EXPENSES	3,759,787	1,018,050	728,803	151,739	5,658,379	265,157
OPERATING INCOME	611,815	55,389	70,165	874	738,243	59,980
NONOPERATING INCOME (EXPENSES)						
Interest earned	-	5	-	-	5	-
Intergovernmental grants	-	106,079	-	-	106,079	-
Loss on disposal of assets	(4,727)	-	-	-	(4,727)	-
Interest expense and fees	(23,694)	(95,595)	(8,465)	-	(127,754)	(5,947)
TOTAL NONOPERATING REVENUES (EXPENSES)	(28,421)	10,489	(8,465)	-	(26,397)	(5,947)
INCOME (LOSS) BEFORE TRANSFERS	583,394	65,878	61,700	874	711,846	54,033
TRANSFERS						
Transfers in	-	-	-	-	-	46,552
Transfers out	(50,037)	(31,764)	(32,509)	-	(114,310)	-
TOTAL TRANSFERS	(50,037)	(31,764)	(32,509)	-	(114,310)	46,552
CHANGE IN NET POSITION	533,357	34,114	29,191	874	597,536	100,585
Net position, beginning of year	7,720,570	1,495,714	3,795,089	20,455	13,031,828	289,713
Net position, end of year	<u>\$ 8,253,927</u>	<u>\$ 1,529,828</u>	<u>\$ 3,824,280</u>	<u>\$ 21,329</u>	<u>\$ 13,629,364</u>	<u>\$ 390,298</u>

See notes to financial statements.

**CITY OF PORTLAND
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

	Business-type Activities				Total	Governmental
	Electric Light and Power System	Sewage Disposal System	Water System	Nonmajor Enterprise Fund (Refuse)		Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts from customers	\$ 4,388,993	\$ 1,233,127	\$ 791,305	\$ 153,347	\$ 6,566,772	\$ 330,734
Cash paid to suppliers	(2,693,837)	(663,433)	(340,764)	(151,583)	(3,849,617)	(90,281)
Cash paid to employees	(789,475)	(312,304)	(229,887)	-	(1,331,666)	(61,472)
NET CASH PROVIDED BY OPERATING ACTIVITIES	905,681	257,390	220,654	1,764	1,385,489	178,981
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Proceeds from intergovernmental grants	-	106,079	-	-	106,079	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfers in	-	-	-	-	-	46,552
Transfers out	(50,037)	(31,764)	(32,509)	-	(114,310)	-
Debt proceeds	-	-	-	-	-	224,400
Payments of borrowing	(80,000)	(66,000)	(75,000)	-	(221,000)	(84,599)
Interest paid	(22,361)	(95,760)	(8,934)	-	(127,055)	(8,872)
Purchase of capital assets	(135,663)	(52,572)	(49,724)	-	(237,959)	(229,400)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(288,061)	(246,096)	(166,167)	-	(700,324)	(51,919)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	-	5	-	-	5	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	617,620	117,378	54,487	1,764	791,249	127,062
Cash and cash equivalents, beginning of year	2,559,480	466,823	549,711	10,846	3,586,860	132,450
Cash and cash equivalents, end of year	<u>\$ 3,177,100</u>	<u>\$ 584,201</u>	<u>\$ 604,198</u>	<u>\$ 12,610</u>	<u>\$ 4,378,109</u>	<u>\$ 259,512</u>
Reconciliation of operating income to net cash provided by operating activities						
Operating income	\$ 611,815	\$ 55,389	\$ 70,165	\$ 874	\$ 738,243	\$ 59,980
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation	418,644	248,360	201,599	-	868,603	146,311
(Increase) decrease in:						
Accounts receivable	(14,060)	(7,163)	(19,248)	734	(39,737)	208
Due from other governments	-	144,327	-	-	144,327	-
Due from other funds	25,000	-	10,000	-	35,000	-
Inventories	83,139	-	9,985	-	93,124	-
Prepays	785	866	267	-	1,918	26,992
Deferred outflows of resources	(173,691)	(23,490)	(46,188)	-	(243,369)	(4,467)
Increase (decrease) in:						
Accounts payable	9,720	(107,878)	2,705	156	(95,297)	8,830
Accrued liabilities	1,547	2,205	2,133	-	5,885	(16,297)
Due to other funds	-	(25,000)	-	-	(25,000)	(10,000)
Unearned revenue	-	20,974	-	-	20,974	5,389
Customer deposits	6,451	1,550	1,585	-	9,586	-
Net pension liability	(65,888)	(22,560)	(19,154)	-	(107,602)	(5,797)
Total OPEB liability	(15,128)	(5,774)	(4,369)	-	(25,271)	(1,403)
Deferred inflows of resources	17,347	(24,416)	11,174	-	4,105	(30,765)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 905,681	\$ 257,390	\$ 220,654	\$ 1,764	\$ 1,385,489	\$ 178,981

See notes to financial statements.

**CITY OF PORTLAND
 FIDUCIARY FUND
 STATEMENT OF FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2021**

	<u>Custodial Fund Tax Collection</u>
ASSETS	
Cash	\$ -
LIABILITIES	
Due to other governmental units	<u>-</u>
NET POSITION	<u><u>\$ -</u></u>

See notes to financial statements.

**CITY OF PORTLAND
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2021**

	<u>Custodial Fund Tax Collection</u>
ADDITIONS	
Property tax collections for other governmental units	\$ 3,207,629
DEDUCTIONS	
Property tax distributions for other governmental units	<u>3,207,629</u>
Net change in fiduciary net position	-
NET POSITION	
Beginning of year	<u>-</u>
End of year	<u><u>\$ -</u></u>

**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, 2020, are available at PAMA's administrative offices. As of December 31, 2020, PAMA had a net position of \$90,776.

**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, 2020, are available at PAFA's administrative offices. As of June 30, 2020, the most recent financial statements available, PAFA had a net position of \$1,185,538.

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 Local Street Fund is used to account for restricted financial resources that are used for repairs and maintenance of the City's local streets.
- e. The Ambulance Fund is used to account for committed funds received and expended for health and welfare.

The City reports the following major enterprise funds:

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

Additionally, the City reports the following fund types:

- a. Internal service funds account for the management of motor vehicle pool provided to various departments of the City on cost reimbursement basis.
- b. Custodial funds account for assets held by the City as a custodian for other governments, private organizations, or individuals. The City's custodial fund is the Tax Collection Fund.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

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

Measurement Focus

The government-wide, proprietary, and fiduciary 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.

The fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the City to disburse fiduciary resources.

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.
- g. 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.

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.

Receivables

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

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.

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.

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

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.

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.

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.

CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS

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

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.

The City reports deferred outflows of resources and deferred inflows of resources which correspond to the City's net pension liability and total 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.

Property Tax

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

Property taxes are levied by the City of Portland on July 1 and December 1 and are payable without penalty through September 30 and February 14, respectively. The July 1 levy is composed of the City's millage, the County's millage assessments, and school taxes. The December 1 levy is composed of school taxes. All real property taxes not paid to the City by March 1 are turned over to the Ionia County Treasurer for collection. The Ionia County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable is retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Tax Collections Custodial 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, 2021, the City levied 12.5396 mills per \$1,000 of taxable valuation for general governmental services, and 0.9907 mill for local streets. The total taxable value for the 2020 levy for property within the City was \$98,967,604.

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.

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.

Details of Fund Balance Classifications

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:

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.

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.

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.

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, 2021 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, 2021, \$5,824,782 of the City’s bank balance of \$7,056,744 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 \$6,845,838. The primary government cash and cash equivalents caption on the basic financial statements included \$893 of imprest cash and \$171,147 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.

Investment Type	Fair Value	Weighted Average Maturity (years)
U.S. Governmental Securities	\$ 990,910	3.46

One day maturity equals 0.0027, one year equals 1.00.

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.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.
- 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			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
PRIMARY GOVERNMENT				
U.S. Governmental Securities	\$ 990,910	\$ -	\$ -	\$ 990,910
Land held for resale	-	-	1,028,016	1,028,016
	\$ 990,910	\$ -	\$ 1,028,016	\$ 2,018,926

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.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The following summarizes the categorization of these amounts as of June 30, 2021:

	Primary Government	Component Unit	Fiduciary Fund	Reporting Entity
Cash and cash equivalents	\$ 5,869,909	\$ 779,971	\$ -	\$ 6,649,880
Cash and cash equivalents - restricted	1,358,908	-	-	1,358,908
Investments	1,028,016	-	-	1,028,016
	<u>\$ 8,256,833</u>	<u>\$ 779,971</u>	<u>\$ -</u>	<u>\$ 9,036,804</u>

NOTE 3 - CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of June 30, 2021:

	Customer Deposits	Debt Retirement	Repairs and Improvements	Restricted Utility Reserve	Total
Enterprise Funds	<u>\$ 272,792</u>	<u>\$ 299,424</u>	<u>\$ 191,338</u>	<u>\$ 595,354</u>	<u>\$ 1,358,908</u>

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2021, are as follows:

Due to General Fund from:	
Ambulance Fund	\$ 12,000
Nonmajor governmental funds	10,000
Sewage Disposal System Fund	<u>65,070</u>
	<u>\$ 87,070</u>
Due to Major Street Fund from:	
City Income Tax Fund	<u>\$ 52,209</u>
Due to Local Street Fund from:	
City Income Tax Fund	<u>\$ 111,863</u>
Due to Electric Light and Power System from:	
Sewage Disposal System Fund	<u>\$ 150,000</u>
Due to Water System Fund from:	
Internal Service Fund	<u>\$ 80,000</u>

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

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - INTERFUND TRANSFERS

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

Transfer to General Fund from:	
Electric Light and Power System Fund	\$ 50,037
Sewage Disposal System Fund	31,764
Water System Fund	32,009
Nonmajor governmental funds	<u>21</u>
	<u><u>\$ 113,831</u></u>
Transfer to Major Street Fund from:	
City Income Tax Fund	<u><u>\$ 353,923</u></u>
Transfer to Local Street Fund from:	
City Income Tax Fund	<u><u>\$ 188,856</u></u>
Transfer to Ambulance Fund from:	
General Fund	<u><u>\$ 22,398</u></u>
Transfer to Internal Service Fund from:	
General Fund	\$ 20,000
Ambulance Fund	<u>26,552</u>
	<u><u>\$ 46,552</u></u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 24,000
Water System Fund	<u>500</u>
	<u><u>\$ 24,500</u></u>

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

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

Primary Government

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,199,132	\$ -	\$ -	\$ 1,199,132
Construction in progress	354,232	556,780	-	911,012
Subtotal	<u>1,553,364</u>	<u>556,780</u>	<u>-</u>	<u>2,110,144</u>
Capital assets being depreciated				
Land improvements	128,162	52,945	-	181,107
Buildings and additions	400,769	7,712	-	408,481
Equipment and furniture	2,593,206	244,960	(92,254)	2,745,912
Infrastructure - streets and bridges	23,540,317	172,475	-	23,712,792
Subtotal	26,662,454	478,092	(92,254)	27,048,292
Less accumulated depreciation for:				
Land improvements	(50,686)	(8,328)	-	(59,014)
Buildings and additions	(226,337)	(11,434)	-	(237,771)
Equipment and furniture	(1,610,573)	(205,190)	43,052	(1,772,711)
Infrastructure - streets and bridges	(11,962,623)	(677,630)	-	(12,640,253)
Subtotal	<u>(13,850,219)</u>	<u>(902,582)</u>	<u>43,052</u>	<u>(14,709,749)</u>
Net capital assets being depreciated	<u>12,812,235</u>	<u>(424,490)</u>	<u>(49,202)</u>	<u>12,338,543</u>
Capital assets, net	<u>\$ 14,365,599</u>	<u>\$ 132,290</u>	<u>\$ (49,202)</u>	<u>\$ 14,448,687</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 209,227
Public safety	53,822
Public works	648,865
Health and welfare	27,909
Recreation and culture	11,961
Total depreciation expense	<u>\$ 951,784</u>

The current period depreciation expense of \$902,582 has been adjusted by \$49,202 for the loss on disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Business-type Activities (Electric Light and Power System)				
Capital assets not being depreciated				
Land	\$ 275,807	\$ -	\$ -	\$ 275,807
Capital assets being depreciated				
Buildings	4,926,244	24,999	-	4,951,243
Transmission and disbursement	6,905,139	36,010	-	6,941,149
Equipment	1,273,458	74,654	(6,100)	1,342,012
Subtotal	13,104,841	135,663	(6,100)	13,234,404
Less accumulated depreciation for:				
Buildings	(1,906,117)	(117,930)	-	(2,024,047)
Transmissions and disbursement	(3,925,756)	(189,182)	-	(4,114,938)
Equipment	(695,977)	(111,532)	1,373	(806,136)
Subtotal	(6,527,850)	(418,644)	1,373	(6,945,121)
Net capital assets being depreciated	6,576,991	(282,981)	(4,727)	6,289,283
Capital assets, net	<u>\$ 6,852,798</u>	<u>\$ (282,981)</u>	<u>\$ (4,727)</u>	<u>\$ 6,565,090</u>
Business-type Activities (Sewage Disposal System)				
Capital assets not being depreciated				
Land	\$ 11,003	\$ -	\$ -	\$ 11,003
Construction in progress	-	19,800	-	19,800
Subtotal	11,003	19,800	-	30,803
Capital assets being depreciated				
Buildings	4,455,040	-	-	4,455,040
Sewage Disposal System	3,920,478	-	-	3,920,478
Equipment	160,469	32,772	-	193,241
Subtotal	8,535,987	32,772	-	8,568,759
Less accumulated depreciation for:				
Building	(1,327,207)	(96,241)	-	(1,423,448)
Sewage Disposal System	(2,019,064)	(142,712)	-	(2,161,776)
Equipment	(60,511)	(9,407)	-	(69,918)
Subtotal	(3,406,782)	(248,360)	-	(3,655,142)
Net capital assets being depreciated	5,129,205	(215,588)	-	4,913,617
Capital assets, net	<u>\$ 5,140,208</u>	<u>\$ (195,788)</u>	<u>\$ -</u>	<u>\$ 4,944,420</u>

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - CAPITAL ASSETS (continued)

Primary Government (continued)

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Business-type Activities (Water System)				
Capital assets not being depreciated				
Land	\$ 14,353	\$ -	\$ -	\$ 14,353
Capital assets being depreciated				
Water System	6,718,463	40,274	-	6,758,737
Equipment	285,741	9,450	-	295,191
Subtotal	7,004,204	49,724	-	7,053,928
Less accumulated depreciation for:				
Water System	(3,075,744)	(187,356)	-	(3,263,100)
Equipment	(136,538)	(14,243)	-	(150,781)
Subtotal	(3,212,282)	(201,599)	-	(3,413,881)
Net capital assets being depreciated	3,791,922	(151,875)	-	3,640,047
Capital assets, net	<u>\$ 3,806,275</u>	<u>\$ (151,875)</u>	<u>\$ -</u>	<u>\$ 3,654,400</u>

Component Unit

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Component Unit (DDA)				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 44,912	\$ -	\$ 44,912
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	(459,921)	(30,701)	-	(490,622)
City Hall building	(2,210,850)	(130,050)	-	(2,340,900)
Subtotal	(2,670,771)	(160,751)	-	(2,831,522)
Net capital assets being depreciated	633,610	(160,751)	-	472,859
Capital assets, net	<u>\$ 633,610</u>	<u>\$ (115,839)</u>	<u>\$ -</u>	<u>\$ 517,771</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, 2021.

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Primary Government					
Governmental Activities					
Direct borrowings and direct placements					
2016 Ambulance contract payable	\$ 99,218	\$ -	\$ (23,794)	\$ 75,424	\$ 24,455
2016 Snow Plow contract payable	61,384	-	(30,286)	31,098	31,098
2016 Heart Monitors/Defibrillators contract payable	19,087	-	(19,087)	-	-
2020 Street Sweeper contract payable	-	224,400	(30,519)	193,881	30,489
2020 Heart Monitors contract payable	-	99,468	-	99,468	19,894
2021 Mailer contract payable	-	16,750	(523)	16,227	3,636
Other long-term obligations					
2017 G.O. Limited Tax Bonds	490,000	-	(490,000)	-	-
Compensated absences	59,399	101,278	(99,313)	61,364	61,364
Total governmental activities	729,088	441,896	(693,522)	477,462	170,936
Business-type Activities					
Other long-term obligations					
2020 Refunding Bonds - Electric	1,105,000	-	(80,000)	1,025,000	75,000
2004 Water System Bonds	394,872	-	(75,000)	319,872	80,000
2011 Sanitary Sewer System Bonds	725,000	-	(15,000)	710,000	15,000
2010 Sanitary Sewer System Bonds	2,500,000	-	(51,000)	2,449,000	52,000
Compensated absences	43,479	57,075	(59,361)	41,193	41,193
Total business-type activities	4,768,351	57,075	(280,361)	4,545,065	263,193
Total Long-term Obligations	\$ 5,497,439	\$ 498,971	\$ (973,883)	\$ 5,022,527	\$ 434,129

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 Installment 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. The purchase agreement is secured by the real property purchased.

\$ 75,424

\$147,582 Installment 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. The purchase agreement is secured by the real property purchased.

31,098

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

Primary Government - Other Long-term Obligations (continued)

Installment Purchase Agreements (continued)

\$224,400 Installment Purchase Agreement dated July 10, 2020, due in annual installments ranging from \$30,489 to \$34,194 through June 1, 2027, with interest at 2.32%, payable annually. The purchase agreement is secured by the real property purchased.	\$ 193,881
\$99,468 Installment Purchase Agreement dated August 6, 2020, due in annual installments of \$19,894 through October 9, 2025, with interest at 0.00%, payable annually. The purchase agreement is secured by the real property purchased.	99,468
\$16,750 Installment Purchase Agreement dated April 20, 2021, due in monthly installments of \$429 through April 30, 2025, with interest at 10.34%, payable monthly. The purchase agreement is secured by the real property purchased.	<u>16,227</u>
	<u>\$ 416,098</u>

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.	<u>\$ 1,025,000</u>
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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.	<u>\$ 319,872</u>
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2010 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.	<u>\$ 710,000</u>
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2011 Sanitary Sewer System Revenue Bonds

\$2,900,000 Sewer System Revenue Bonds dated December 29, 2010, due in annual installments ranging from \$52,000 to \$121,000 through December 1, 2050, with interest of 3.00%, payable semi-annually.	<u>\$ 2,449,000</u>
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**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

Advance Refunding - Prior

On May 4, 2020 the City defeased the 2008 Capital Improvement Bonds - Electric debt, which were due and payable April 1, 2021 through April 1, 2033. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued the 2020 Refunding Bonds in the amount of \$1,105,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2020, bonds due and payable April 1, 2022 through April 1, 2033, for the 2008 Capital Improvement Bonds - Electric debt in the amount of \$1,000,000 are considered defeased.

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 \$102,557 at June 30, 2021. Of this amount, \$61,364 and \$41,193 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		Business-type Activities	
	Direct Borrowings and Direct Placements		Other Long-term Obligations	
	Equipment Purchase Agreements		Water System Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 109,572	\$ 8,938	\$ 80,000	\$ 6,997
2023	80,257	6,323	80,000	4,997
2024	82,117	4,463	85,000	2,934
2025	56,647	2,522	74,872	936
2026	53,311	1,569	-	-
2027-2031	34,194	793	-	-
	<u>\$ 416,098</u>	<u>\$ 24,608</u>	<u>\$ 319,872</u>	<u>\$ 15,864</u>
Year Ending June 30,	Business-type Activities		Business-type Activities	
	Other Long-term Obligations		Other Long-term Obligations	
	2020 Refunding Bonds		Sanitary Sewer System Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 75,000	\$ 24,088	\$ 67,000	\$ 93,765
2023	80,000	22,325	69,000	91,725
2024	75,000	20,445	71,000	89,625
2025	80,000	18,683	73,000	87,465
2026	85,000	16,803	75,000	85,245
2027-2031	435,000	53,933	410,000	390,630
2032-2036	195,000	3,466	477,000	324,135
2037-2041	-	-	548,000	247,470
2042-2046	-	-	637,000	158,625
2047-2051	-	-	732,000	56,250
	<u>\$ 1,025,000</u>	<u>\$ 159,743</u>	<u>\$ 3,159,000</u>	<u>\$ 1,624,935</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, and unreduced early retirement is available at 50 with 25 years of service for applicable divisions.

Final average compensation is calculated based on three to five years. Member contributions are 3.00%.

At the December 31, 2020, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	41
Inactive employees or beneficiaries entitled to but not yet receiving benefits	16
Active employees	<u>27</u>
	<u><u>84</u></u>

Contributions

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

Employer contributions range from 4.62% to 4.77% 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, 2020, 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, 2020 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 plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

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 2014-2018 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.00%	5.25%	3.15%
Global fixed income	20.00%	1.25%	0.25%
Private investments	20.00%	7.25%	1.45%
	<u>100.00%</u>		
Inflation			<u>2.50%</u>
Assumed investment rate of return			7.35%
Administrative expense netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.60%</u></u>

**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 December 31, 2019	\$ 14,825,485	\$ 9,192,719	\$ 5,632,766
Changes for the year			
Service Cost	143,073	-	143,073
Interest on total pension liability	1,098,267	-	1,098,267
Changes in benefits	-	-	-
Difference between expected and actual experience	(216,932)	-	(216,932)
Changes in assumptions	422,387	-	422,387
Employer contributions	-	567,238	(567,238)
Employee contributions	-	36,451	(36,451)
Net investment income	-	1,160,296	(1,160,296)
Benefit payments, including employee refunds	(892,299)	(892,299)	-
Administrative expense	-	(18,373)	18,373
Other changes	-	-	-
Net changes	554,496	853,313	(298,817)
Balances at December 31, 2020	\$ 15,379,981	\$ 10,046,032	\$ 5,333,949

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	\$ 7,136,195	\$ 5,333,949	\$ 3,825,549

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT PLANS (continued)

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

For the year ended June 30, 2021, the employer recognized pension expenses of \$466,075. 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	\$ 327	\$ 277,796
Changes in assumptions	513,423	-
Net difference between projected and actual earnings on pension plan investments	-	322,837
Contributions subsequent to the measurement date*	<u>307,421</u>	<u>-</u>
Total	<u>\$ 821,171</u>	<u>\$ 600,633</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, 2022.

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>
2022	\$ 54,907
2023	141,326
2024	(188,454)
2025	(94,662)

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 4.62%-4.77%% is allocated to the defined benefit portion and a range of 2.23%-2.38% 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, 2021, the City contributed \$47,131 for the defined benefit portion and \$23,001 for the defined contribution portion and the employees contributed \$30,173 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 and prescription drug 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, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	3
Active employees	<u>13</u>
	<u><u>16</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, 2021, 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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

**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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	2.18%
Healthcare Cost Trend Rates:	
Current Year Trend	7.50%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2034
Salary Increases	3.00%

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 2014-2018 Experience Study.

Change in Total OPEB Liability

The change in the total OPEB liability for the year ended June 30, 2021 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 June 30, 2020	\$ 1,070,149	\$ -	\$ 1,070,149
Changes for the year			
Service cost	47,183	-	47,183
Interest on total OPEB liability	28,836	-	28,836
Difference between expected and actual experience	(89,930)	-	(89,930)
Changes in assumptions	(22,870)	-	(22,870)
Employer contributions	-	19,373	(19,373)
Benefit payments, including employee refunds	(19,373)	(19,373)	-
Net changes	(56,154)	-	(56,154)
Balances at June 30, 2021	\$ 1,013,995	\$ -	\$ 1,013,995

**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, 2021, the City had no fiduciary plan assets so net position at June 30, 2021, 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 (1.18%) or 1-percentage-point higher (3.18%) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$ 1,108,427	\$ 1,013,995	\$ 927,069

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 (8.50% trending to 7.50%) than the current healthcare cost rates:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$ 905,939	\$ 1,013,995	\$ 1,139,579

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$40,093. At June 30, 2021, 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	\$ 490,125	\$ -
Changes in assumptions	26,764	160,065
Net difference between projected and actual earnings on pension plan investments	-	-
Total	\$ 516,889	\$ 160,065

**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
2022	\$ (35,926)
2023	(35,926)
2024	(35,926)
2025	(35,926)
2026	(35,926)
Thereafter	(177,194)

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, 2021, the City contributed \$2,609. 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, 2021, employees contributed \$33,256.

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, 2021:

Revenues		
Licenses and Permits		
Permits	\$	67,165
Expenditures		
Salaries and wages		6,519
Fringe benefits		6,612
Contractual services		11,211
Supplies		544
Vehicle rental		-
Other		228
TOTAL EXPENDITURES		25,114
EXCESS OF REVENUES OVER EXPENDITURES		42,051
Code Enforcement (Deficit) at June 30, 2020		(1,001,233)
Code Enforcement (Deficit) at June 30, 2021	\$	(959,182)

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 84, *Fiduciary Activities*, establishes specific criteria for identifying activities that should be reported as fiduciary activities. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The City has one fund that meet the criteria, tax collection fund.

**CITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of June 30, 2021:

PRIMARY GOVERNMENT	
Governmental Activities	
Other Purposes	
Streets	\$ 562,254
Leik Grove property - Public Works	8,318
Cemetery Perpetual Care, nonexpendable	<u>190,818</u>
	<u>\$ 761,390</u>
Business-type Activities	
Restricted for utilities	
Electric Light and Power	\$ 453,086
Sewage Disposal System	<u>142,268</u>
	<u>\$ 595,354</u>
Restricted for debt service	
Electric Light and Power	\$ 137,424
Sewage Disposal System	<u>162,000</u>
	<u>\$ 299,424</u>
Restricted for equipment replacement	
Sewage Disposal System	<u>\$ 191,338</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 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to increase 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 provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City is current evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The City is current evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 16 - SUBSEQUENT EVENTS

The American Rescue Plan (ARP) Act was signed into law on March 11, 2021, and it guaranteed financial relief to local municipalities. The City is scheduled to receive ARP funding as a nonentitlement unit. Funding will be released by the U.S. Department of Treasury, and subsequently by the Michigan Department of Treasury, in two tranches. Half of the funding the City may apply to receive became available after July 2021, and the second half of the funding will be released under the second tranche one year after the disbursement of the first tranche. The City will have until 2024 to obligate the federal funds received and until 2026 to spend the funds on allowable expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PORTLAND
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 1,082,567	\$ 1,082,567	\$ 1,089,557	\$ 6,990
Penalties and interest	3,500	3,500	5,355	1,855
Tax collection	45,000	45,000	45,515	515
Total taxes	1,131,067	1,131,067	1,140,427	9,360
Licenses and permits				
Cable television license	24,000	21,500	19,564	(1,936)
City licenses and permits	55,600	75,600	67,695	(7,905)
Total licenses and permits	79,600	97,100	87,259	(9,841)
Intergovernmental				
State				
Grants	-	125,734	125,734	-
Sales tax	469,596	428,439	451,292	22,853
Local community stabilization	2,000	3,000	3,082	82
Act 302 training funds	600	600	669	69
State liquor license	3,800	3,800	3,722	(78)
Total intergovernmental	475,996	561,573	584,499	22,926
Charges for services				
Cemetery fees and lot sales	29,860	35,600	37,628	2,028
Administrative charges	329,026	329,026	329,026	-
Other fees	2,800	2,800	647	(2,153)
Total charges for services	361,686	367,426	367,301	(125)
Fines and forfeits				
Parking	2,800	4,000	4,360	360
District court	9,500	8,500	8,871	371
Other	2,000	1,000	1,386	386
Total fines and forfeits	14,300	13,500	14,617	1,117
Interest and rents				
Rent	6,220	7,050	8,017	967
Other				
Donations	-	-	10,083	10,083
Reimbursements	59,000	40,700	41,437	737
Total other	59,000	40,700	51,520	10,820
TOTAL REVENUES	2,127,869	2,218,416	2,253,640	35,224

**CITY OF PORTLAND
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	<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	\$ 5,510	\$ 5,510	\$ 4,019	\$ 1,491
Community promotions	98,179	132,529	128,494	4,035
City manager	174,021	175,830	173,560	2,270
Assessing services	57,097	59,097	48,887	10,210
Elections	7,360	7,520	5,954	1,566
City hall and grounds	68,399	81,099	70,603	10,496
General administrative	401,658	432,079	409,701	22,378
Total general government	<u>812,224</u>	<u>893,664</u>	<u>841,218</u>	<u>52,446</u>
Public safety				
Police department	751,602	766,986	642,075	124,911
Fire authority	121,019	121,019	122,779	(1,760)
Code enforcement	47,337	47,337	25,114	22,223
Total public safety	<u>919,958</u>	<u>935,342</u>	<u>789,968</u>	<u>145,374</u>
Public works				
Street lighting	61,200	61,200	51,239	9,961
Cemetery operations	164,135	164,385	154,796	9,589
Total public works	<u>225,335</u>	<u>225,585</u>	<u>206,035</u>	<u>19,550</u>
Health and welfare				
Ambulance service	50,479	50,479	50,478	1
Community and economic development				
Economic development	30,000	31,500	14,825	16,675
Recreation and culture				
Parks department	154,103	211,642	194,925	16,717
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>20,928</u>	<u>9,072</u>
TOTAL EXPENDITURES	<u>2,222,099</u>	<u>2,378,212</u>	<u>2,118,377</u>	<u>259,835</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(94,230)	(159,796)	135,263	295,059

**CITY OF PORTLAND
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 2,000	\$ 2,000
Lease proceeds	-	-	16,750	16,750
Transfers in	114,230	113,860	113,831	(29)
Transfers out	(20,000)	(74,398)	(66,398)	8,000
TOTAL OTHER FINANCING SOURCES (USES)	94,230	39,462	66,183	26,721
NET CHANGE IN FUND BALANCE	-	(120,334)	201,446	321,780
Fund balance, beginning of year	1,710,451	1,710,451	1,710,451	-
Fund balance, end of year	\$ 1,710,451	\$ 1,590,117	\$ 1,911,897	\$ 321,780

**CITY OF PORTLAND
CITY INCOME TAX FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 707,600	\$ 740,300	\$ 959,847	\$ 219,547
Fines and forfeits	11,500	15,000	27,669	12,669
Interest	5,000	5,000	2,126	(2,874)
Other	-	-	434	434
	<u>724,100</u>	<u>760,300</u>	<u>990,076</u>	<u>229,776</u>
TOTAL REVENUES				
	<u>724,100</u>	<u>760,300</u>	<u>990,076</u>	<u>229,776</u>
EXPENDITURES				
Current				
General government	225,823	255,019	245,833	9,186
Debt service	498,869	498,869	498,869	-
	<u>724,692</u>	<u>753,888</u>	<u>744,702</u>	<u>9,186</u>
TOTAL EXPENDITURES				
	<u>724,692</u>	<u>753,888</u>	<u>744,702</u>	<u>9,186</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(592)	6,412	245,374	238,962
OTHER FINANCING (USES)				
Transfers out	(560,000)	(734,800)	(542,779)	192,021
	<u>(560,000)</u>	<u>(734,800)</u>	<u>(542,779)</u>	<u>192,021</u>
NET CHANGE IN FUND BALANCE	(560,592)	(728,388)	(297,405)	430,983
Fund balance, beginning of year	<u>1,036,319</u>	<u>1,036,319</u>	<u>1,036,319</u>	<u>-</u>
Fund balance, end of year	<u>\$ 475,727</u>	<u>\$ 307,931</u>	<u>\$ 738,914</u>	<u>\$ 430,983</u>

**CITY OF PORTLAND
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 421,323	\$ 421,323	\$ 455,858	\$ 34,535
Other	-	-	2,288	2,288
TOTAL REVENUES	<u>421,323</u>	<u>421,323</u>	<u>458,146</u>	<u>36,823</u>
EXPENDITURES				
Current				
Public works	<u>957,317</u>	<u>1,102,480</u>	<u>813,366</u>	<u>289,114</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(535,994)	(681,157)	(355,220)	325,937
OTHER FINANCING SOURCES				
Transfers in	<u>455,000</u>	<u>557,800</u>	<u>353,923</u>	<u>(203,877)</u>
NET CHANGE IN FUND BALANCE	(80,994)	(123,357)	(1,297)	122,060
Fund balance, beginning of year	<u>378,286</u>	<u>378,286</u>	<u>378,286</u>	<u>-</u>
Fund balance, end of year	<u>\$ 297,292</u>	<u>\$ 254,929</u>	<u>\$ 376,989</u>	<u>\$ 122,060</u>

**CITY OF PORTLAND
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 99,000	\$ 99,000	\$ 155,650	\$ 56,650
Intergovernmental	138,408	138,408	146,273	7,865
Other	-	-	1,031	1,031
TOTAL REVENUES	<u>237,408</u>	<u>237,408</u>	<u>302,954</u>	<u>65,546</u>
EXPENDITURES				
Current				
Public works	<u>459,871</u>	<u>619,715</u>	<u>570,449</u>	<u>49,266</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(222,463)	(382,307)	(267,495)	114,812
OTHER FINANCING SOURCES				
Transfers in	<u>155,000</u>	<u>227,000</u>	<u>188,856</u>	<u>(38,144)</u>
NET CHANGE IN FUND BALANCE	(67,463)	(155,307)	(78,639)	76,668
Fund balance, beginning of year	<u>267,070</u>	<u>267,070</u>	<u>267,070</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 199,607</u></u>	<u><u>\$ 111,763</u></u>	<u><u>\$ 188,431</u></u>	<u><u>\$ 76,668</u></u>

**CITY OF PORTLAND
AMBULANCE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ -	\$ 10,600	\$ 10,600	\$ -
Charges for services	626,866	626,866	719,816	92,950
Other	-	3,339	5,687	2,348
	<u>626,866</u>	<u>640,805</u>	<u>736,103</u>	<u>95,298</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Health and welfare	599,992	613,816	660,344	(46,528)
	<u>599,992</u>	<u>613,816</u>	<u>660,344</u>	<u>(46,528)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>26,874</u>	<u>26,989</u>	<u>75,759</u>	<u>48,770</u>
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	-	99,468	99,468
Transfers in	-	22,398	22,398	-
Transfers out	(26,552)	(26,552)	(26,552)	-
	<u>(26,552)</u>	<u>(4,154)</u>	<u>95,314</u>	<u>99,468</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCE	322	22,835	171,073	148,238
Fund balance, beginning of year	<u>6,476</u>	<u>6,476</u>	<u>6,476</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,798</u>	<u>\$ 29,311</u>	<u>\$ 177,549</u>	<u>\$ 148,238</u>

**CITY OF PORTLAND
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN 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	2020
Total Pension Liability							
Service cost	\$ 195,518	\$ 191,696	\$ 184,007	\$ 176,437	\$ 185,869	\$ 179,089	\$ 143,073
Interest	996,910	1,014,053	1,042,491	1,069,900	1,079,521	1,110,014	1,098,267
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)	(216,932)
Changes of assumptions	-	650,689	-	-	-	463,664	422,387
Benefit payments including employee refunds	(668,323)	(667,741)	(732,278)	(802,498)	(861,043)	(893,118)	(892,299)
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	554,496
Total Pension Liability, beginning	12,029,449	12,529,571	13,305,277	13,686,785	13,831,601	14,232,184	14,825,485
Total Pension Liability, ending	\$ 12,529,571	\$ 13,305,277	\$ 13,686,785	\$ 13,831,601	\$ 14,232,184	\$ 14,825,485	\$ 15,379,981
Plan Fiduciary Net Position							
Contributions-employer	\$ 434,906	\$ 548,464	\$ 480,164	\$ 521,381	\$ 540,938	\$ 535,426	\$ 567,238
Contributions-employee	-	-	7,880	20,842	34,684	38,610	36,451
Net Investment income	481,656	(117,021)	861,635	1,082,559	(347,651)	1,127,693	1,160,296
Benefit payments including employee refunds	(668,323)	(667,741)	(732,278)	(802,498)	(861,043)	(893,118)	(892,299)
Administrative expense	(17,676)	(17,201)	(17,018)	(17,152)	(17,388)	(19,429)	(18,373)
Other changes	-	-	1	-	1	1	-
Net Change in Plan Fiduciary Net Position	230,563	(253,499)	600,384	805,132	(650,459)	789,183	853,313
Plan Fiduciary Net Position, beginning	7,671,415	7,901,978	7,648,479	8,248,863	9,053,995	8,403,536	9,192,719
Plan Fiduciary Net Position, ending	\$ 7,901,978	\$ 7,648,479	\$ 8,248,863	\$ 9,053,995	\$ 8,403,536	\$ 9,192,719	\$ 10,046,032
Employer Net Pension Liability	\$ 4,627,593	\$ 5,656,798	\$ 5,437,922	\$ 4,777,606	\$ 5,828,648	\$ 5,632,766	\$ 5,333,949
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	63%	57%	60%	65%	59%	62%	65%
Covered Employee Payroll	\$ 2,011,873	\$ 2,002,154	\$ 1,964,499	\$ 1,968,154	\$ 2,119,458	\$ 2,090,582	\$ 1,799,468
Employer's Net Pension Liability as a percentage of covered employee payroll	230%	283%	277%	243%	275%	269%	296%

CITY OF PORTLAND
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
LAST SEVEN 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>	<u>2021</u>
Actuarial determined contributions	\$ 447,139	\$ 447,697	\$ 512,810	\$ 532,687	\$ 544,766	\$ 526,780	\$ 611,971
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>	<u>611,971</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	\$ 2,073,423
Contributions as a percentage of covered employee payroll	21%	21%	23%	26%	25%	22%	30%

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

	2018	2019	2020	2021
Total OPEB Liability				
Service cost	\$ 68,758	\$ 45,128	\$ 39,990	\$ 47,183
Interest	33,145	32,943	32,300	28,836
Difference between expected and actual experience	(381,164)	(180,034)	-	(89,930)
Changes in assumptions	143,037	(7,663)	70,510	(22,870)
Benefit payments including employee refunds	<u>(55,913)</u>	<u>(35,346)</u>	<u>(28,583)</u>	<u>(19,373)</u>
Net Change in Total OPEB Liability	(192,137)	(144,972)	114,217	(56,154)
Total OPEB Liability - beginning	<u>1,293,041</u>	<u>1,100,904</u>	<u>955,932</u>	<u>1,070,149</u>
Total OPEB Liability - ending	<u><u>\$ 1,100,904</u></u>	<u><u>\$ 955,932</u></u>	<u><u>\$ 1,070,149</u></u>	<u><u>\$ 1,013,995</u></u>
Plan Fiduciary Net Position				
Contributions-employer	\$ 55,913	\$ 35,346	\$ 28,583	\$ 19,373
Contributions-employee	-	-	6,258	-
Benefit payments including employee refunds	<u>(55,913)</u>	<u>(35,346)</u>	<u>(34,841)</u>	<u>(19,373)</u>
Net Change in Plan Fiduciary Net Position	-	-	-	-
Plan Fiduciary Net Position - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Employer Net OPEB Liability	<u><u>\$ 1,100,904</u></u>	<u><u>\$ 955,932</u></u>	<u><u>\$ 1,070,149</u></u>	<u><u>\$ 1,013,995</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0%	0%	0%	0%
Covered Employee Payroll	\$ 1,120,572	\$ 916,624	\$ 1,157,807	\$ 854,037
Employer's Net OPEB Liability as a percentage of covered employee payroll	98%	104%	92%	119%

**CITY OF PORTLAND
 RETIRED EMPLOYEES' HEALTH CARE BENEFITS
 SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
 LAST FOUR 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>	<u>2021</u>
Actuarially determined contributions	\$ 119,762	\$ 27,955	\$ 71,158	\$ 73,827
Contributions in relation to the actuarially determined contribution	<u>55,913</u>	<u>61,748</u>	<u>28,583</u>	<u>19,373</u>
Contribution deficiency (excess)	<u>\$ 63,849</u>	<u>\$ (33,793)</u>	<u>\$ 42,575</u>	<u>\$ 54,454</u>
Covered Employee Payroll	\$ 1,120,572	\$ 916,624	\$ 1,157,807	\$ 854,037
Contributions as a percentage of covered employee payroll	5%	7%	2%	2%

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, 2021

NOTE 1 - EMPLOYEE PENSION PLAN

Changes of Benefits Terms: There were no changes of benefit terms during plan year 2021.

Changes in Assumptions: A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. Changes to the demographic assumptions resulting from the experience study have been approved by the MERS Retirement Board and are effective beginning with the December 31, 2020 actuarial valuation, first impacting 2022 contributions. A complete description of the assumptions may be found in the Appendix to the valuation.

Reduction in discount rate from 8.00% to 7.60%.

Reduction in the investment rate of return assumption from 7.75% to 7.60%.

Reduction in the rate of wage inflation 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 2021.

Changes in Assumptions: The Municipal Bond Rate decreased from 2.66% to 2.18%.

The Minimum Rate in accordance with the Uniform Assumptions Memo decreased from 3.50% to 2.20%.

The Discount Rate decreased from 2.66% to 2.18% for GASB 75 purposes and from 3.50% to 2.20% for PA 202 of 2017 purposes.

The Annual Wage Increases, Withdrawal Rates, and Retirement Rates were updated to coincide with the MERS experience analysis using 2014 - 2018 Plan Year data.

Trend rates were updated in accordance with the Uniform Assumptions Memo.

Annual Per Capita Claims Costs were updated to reflect current premiums.

**CITY OF PORTLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local government unit not incur expenditures in excess of amounts appropriated.

During the year ended June 30, 2021, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public safety			
Fire authority	\$ 121,019	\$ 122,779	\$ 1,760
Ambulance Fund			
Health and welfare	613,816	660,344	46,528

OTHER SUPPLEMENTARY INFORMATION

**CITY OF PORTLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
YEAR ENDED JUNE 30, 2021**

	Special Revenue	Capital	Projects	Permanent	
	Recreation	Capital Projects	Wellhead Improvement	Cemetery Perpetual Care	Total
ASSETS					
Cash and cash equivalents	\$ 46,761	\$ 3,362	\$ -	\$ 190,818	\$ 240,941
Prepays	873	-	-	-	873
TOTAL ASSETS	\$ 47,634	\$ 3,362	\$ -	\$ 190,818	\$ 241,814
LIABILITIES					
Accounts payable	\$ 1,591	\$ -	\$ -	\$ -	\$ 1,591
Accrued liabilities	304	-	-	-	304
Due to other funds	10,000	-	-	-	10,000
TOTAL LIABILITIES	11,895	-	-	-	11,895
FUND BALANCES					
Nonspendable					
Prepays	873	-	-	-	873
Perpetual care	-	-	-	190,818	190,818
Restricted					
Streets	-	3,362	-	-	3,362
Assigned					
Recreation	34,866	-	-	-	34,866
TOTAL FUND BALANCES	35,739	3,362	-	190,818	229,919
TOTAL LIABILITIES AND FUND BALANCES	\$ 47,634	\$ 3,362	\$ -	\$ 190,818	\$ 241,814

**CITY OF PORTLAND
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	Special Revenue	Capital	Projects	Permanent	
	Recreation	Capital Projects	Wellhead Improvement	Cemetery Perpetual Care	Total
REVENUES					
Intergovernmental	\$ 5,000	\$ -	\$ 9,000	\$ -	\$ 14,000
Charges for services	24,690	-	-	3,170	27,860
Interest and rents	-	-	-	17	17
Other	3	-	-	-	3
TOTAL REVENUES	29,693	-	9,000	3,187	41,880
EXPENDITURES					
Current					
Recreation and culture	44,774	-	-	-	44,774
Capital outlay	-	-	9,500	-	9,500
TOTAL EXPENDITURES	44,774	-	9,500	-	54,274
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,081)	-	(500)	3,187	(12,394)
OTHER FINANCING SOURCES (USES)					
Transfers in	24,000	-	500	-	24,500
Transfers out	-	-	-	(21)	(21)
TOTAL OTHER FINANCING SOURCES (USES)	24,000	-	500	(21)	24,479
NET CHANGE IN FUND BALANCES	8,919	-	-	3,166	12,085
Fund balances, beginning of year	26,820	3,362	-	187,652	217,834
Fund balances, end of year	<u>\$ 35,739</u>	<u>\$ 3,362</u>	<u>\$ -</u>	<u>\$ 190,818</u>	<u>\$ 229,919</u>

**CITY OF PORTLAND
COMPONENT UNIT FUND
BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2021**

ASSETS	
Cash	\$ 779,971
Accounts receivable	<u>90</u>
TOTAL ASSETS	<u><u>\$ 780,061</u></u>
LIABILITIES	
Accounts payable	\$ 28,478
Accrued liabilities	<u>2,636</u>
TOTAL LIABILITIES	31,114
FUND BALANCE	
Unassigned	<u>748,947</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 780,061</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, 2021**

Total fund balance - governmental fund \$ 748,947

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	\$ 3,349,293	
Accumulated depreciation is	<u>(2,831,522)</u>	
Capital assets, net		<u>517,771</u>
Net position of governmental activities		<u><u>\$ 1,266,718</u></u>

**CITY OF PORTLAND
 COMPONENT UNIT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 DOWNTOWN DEVELOPMENT AUTHORITY
 YEAR ENDED JUNE 30, 2021**

REVENUES	
Taxes	\$ 248,145
Intergovernmental	46,793
Interest	118
Other	<u>149,138</u>
TOTAL REVENUES	<u>444,194</u>
EXPENDITURES	
Current	
Community and economic development	<u>187,653</u>
NET CHANGE IN FUND BALANCE	256,541
Fund balance, beginning of year	<u>492,406</u>
Fund balance, end of year	<u><u>\$ 748,947</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, 2021

Net change in fund balance - governmental fund \$ 256,541

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:

Capital outlay	\$ 44,912	
Depreciation expense	<u>(160,751)</u>	
Capital assets, net		<u>(115,839)</u>
Change in net position of governmental activities		<u><u>\$ 140,702</u></u>

**CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)
JUNE 30, 2021**

**Total Taxable Value
Fiscal Years Ended or Ending June 30, 2018 Through 2022**

Assessed Value as of <u>December 31</u>	Year of State Equalization and Tax <u>Levy</u>	City's Fiscal Year Ended or Ending <u>June 30</u>	Ad Valorem Taxable <u>Value (2)</u>	Equivalent Taxable Value of Property Granted Tax Abatement Under <u>Act 198(1)</u>	Total Taxable <u>Value</u>	Percent Increase Over Prior <u>Year</u>
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
2020	2021	2022	102,500,014	310,200	102,810,214	3.180

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2022 (3) \$26,477.00

- (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, 2018 Through 2022**

<u>Use</u>	Fiscal Year Ended or Ending June 30				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Residential.....	\$66,535,607	\$67,790,533	\$68,768,105	\$71,729,590	\$74,116,022
Commercial.....	23,127,074	23,765,400	23,827,614	24,496,262	25,716,291
Industrial.....	2,960,405	2,662,155	2,512,382	2,293,852	1,964,601
Utility.....	976,200	999,300	994,000	1,016,000	1,013,300
Development.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 93,599,286</u>	<u>\$ 95,217,388</u>	<u>\$96,102,101</u>	<u>\$ 99,535,704</u>	<u>\$102,810,214</u>
<u>Class</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Real Property.....	\$ 89,462,886	\$ 91,188,988	\$ 92,144,501	\$95,720,304	\$99,260,314
Personal Property...	<u>4,136,400</u>	<u>4,028,400</u>	<u>3,957,600</u>	<u>3,815,400</u>	<u>3,549,900</u>
	<u>\$ 93,599,286</u>	<u>\$ 95,217,388</u>	<u>\$ 96,102,101</u>	<u>\$ 99,535,704</u>	<u>\$102,810,214</u>

Source: City of Portland

**CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)
JUNE 30, 2021**

**Total State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2018 Through 2022**

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
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
2020	2021	2022	121,394,000	310,200	121,704,200	6.200

Per Capita Total SEV for the Fiscal Year Ending June 30, 2022 (3) \$31,342.82

- (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, 2018 Through 2022**

Use	Fiscal Year Ended or Ending June 30				
	2018	2019	2020	2021	2022
Residential.....	\$ 69,499,600	\$ 71,409,100	\$ 75,948,300	\$ 84,359,091	\$ 91,642,800
Commercial.....	24,395,135	25,979,900	25,724,400	26,481,100	27,024,100
Industrial.....	2,960,405	2,667,272	2,513,276	2,294,200	2,024,000
Utility.....	976,200	999,300	994,000	1,016,000	1,013,300
Development.....	0	0	0	0	0
	<u>\$ 97,831,340</u>	<u>\$ 101,055,572</u>	<u>\$ 105,179,976</u>	<u>\$ 114,150,391</u>	<u>\$ 121,704,200</u>

Class	Fiscal Year Ended or Ending June 30				
	2018	2019	2020	2021	2022
Real Property.....	\$ 93,694,940	\$ 97,027,172	\$ 101,222,376	\$110,334,991	\$118,154,300
Personal Property.....	<u>4,136,400</u>	<u>4,028,400</u>	<u>3,957,600</u>	<u>3,815,400</u>	<u>3,549,900</u>
	<u>\$ 97,831,340</u>	<u>\$ 101,055,572</u>	<u>\$ 105,179,976</u>	<u>\$114,150,391</u>	<u>\$ 121,704,200</u>

Source: City of Portland

**CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)
JUNE 30, 2021**

**Maximum Property Tax Rates
Fiscal Year Ending June 30, 2022**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Millage Reduction Fraction (1)</u>	<u>Maximum Allowable Millage</u>
Operating (2)	15.0000	1.3426	13.6574

- (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, 2018 Through 2022**

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Total Operating</u>
2017	2018	13.6574 (2)
2018	2019	13.6574 (2)
2019	2020	13.6574 (2)
2020	2021	13.5303 (3)
2021	2022	13.6574 (2)

- (1) See "CITY TAXATION AND LIMITATIONS – Property Taxes" and "CITY TAXATION AND LIMITATIONS – State Limitations on Property Taxes," herein.
(2) Includes 1.00 mill for local streets.
Source: City of Portland

**Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended June 30, 2018 Through 2022**

<u>Governmental Unit</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
City of Portland.....	13.6574	13.6574	13.6574	13.5303	13.6574
County of Ionia	4.6326	4.6326	4.6265	4.6265	4.59410
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	4.8736	4.8736	4.8690	4.8690	4.8527
Intermediate School District-Tech	.9987	.9987	.9981	.9981	.9921
Ed....	1.7116	1.9525	1.9108	1.2308	1.2308
Library.....	.4988	.4988	.4981	.4981	.4981
Seniors.....		<u>1.0000</u>	<u>.9987</u>	<u>.9987</u>	<u>.9987</u>
Roads.....	<u>39.7227</u>	<u>40.9636</u>	<u>40.9086</u>	<u>40.1015</u>	<u>40.1739</u>
Total.....					

**CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)
JUNE 30, 2021**

**Non-Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended June 30, 2018 Through 2022**

<u>Governmental Unit</u>	<u>Fiscal Year Ending June 30</u>				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
City of Portland.....	13.6574	13.6574	13.6574	13.5303	13.6574
County of Ionia	4.6434	4.6326	4.6252	4.6265	4.59410
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	4.8736	4.8736	4.8690	4.869	4.8527
Intermediate School District-Tech.	.9987	.9987	.9981	.9981	.9921
Ed...	1.7116	1.9525	1.9108	1.2308	1.2308
Library.....	.4988	.4988	.4981	.4981	.4981
Seniors.....	<u>0.0000</u>	<u>1.0000</u>	<u>.9987</u>	<u>.9987</u>	<u>.9987</u>
Roads.....	<u>57.7335</u>	<u>58.9636</u>	<u>58.9086</u>	<u>58.1015</u>	<u>58.1739</u>
Total.....					

(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, 2018 Through 2022**

<u>July 1 Levy</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>City Tax Levy(1)</u>	<u>Collections to March 1 Following Levy</u>	<u>Percent Collected</u>
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	1,142,825	97.30
2021	2022	1,234,752	(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)
JUNE 30, 2021**

**Ten Largest Taxpayers
Fiscal Year Ending June 30, 2021**

<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	\$2,757,100	2.68
Parkers Landing (Portland Partners)	Apartments	2,269,034	2.21
DFC of Portland (The Brook)	Senior Living	1,973,005	1.92
Portland Apartments (LAWCO)	Apartments	1,002,300	.97
Consumers Energy	Utility	997,000	.97
THK	Tie Rods, Steering,Linkages.....	749,241	.73
Rindlehaven Land Co. LLC.....	Land.....	616,800	.60
Keusch's (Dick's Uptown)	Mechanic shop.....	611,752	.59
Speedway America LLC.	Gas Station.....	578,700	.56
Portland Products	Automotive Manufacturing.....	<u>524,500</u>	.51
		<u>\$ 12,079,432</u>	<u>11.74%</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 \$102,500,014, which is the City's Total Taxable Value for the fiscal year ending June 30, 2021. 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, 2018 Through 2021**

<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>
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)
2021	1,051,441	934,645	16.70

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

Source: City of Portland

**CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)
JUNE 30, 2021**

**Revenues from the State of Michigan
Fiscal Years Ended or Ending June 30, 2017 through 2021**

	Fiscal Years Ended or Ending June 30				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
State Revenue Sharing.....	\$ 416,319	\$ 427,283	\$ 442,936	\$ 455,931	\$ 451,292
Other	<u>4,312</u>	<u>4,529</u>	<u>4,685</u>	<u>4,752</u>	<u>4,391</u>
Total Revenues from the State of Michigan.....	<u>\$ 420,631</u>	<u>\$ 431,812</u>	<u>\$ 447,621</u>	<u>\$ 460,683</u>	<u>\$ 455,683</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)
JUNE 30, 2021

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, 2021:

Debt Limit (1)		\$ 12,170,420
Debt Outstanding	\$ 4,503,872	
Less: Exempt Debt (2)	<u>(3,478,872)</u>	\$ 1,025,000
Legal Debt Margin		<u>\$11,145,420</u>

(1) 10% of \$121,704,200 which is the City’s Total SEV for the fiscal year ending June 30, 2022. 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, 2021, 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)	\$ 710,000	\$ 710,000	\$ -0-
Dated December 29, 2010 (6)	\$ 2,449,000	\$ 2,449,000	\$ -0-
Dated September 25, 2003 (5)	<u>\$ 319,872</u>	<u>\$ 319,872</u>	<u>\$ -0-</u>
Subtotal	<u>\$ 3,478,872</u>	<u>\$ 3,478,872</u>	<u>\$ -0-</u>
Capital Improvement Bonds:			
Dated May 2020 (Limited Tax) (1)	<u>\$ 1,025,000</u>	<u>\$ 1,025,000</u>	<u>\$ -0-</u>
Subtotal	<u>\$ 1,025,000</u>	<u>\$ 1,025,000</u>	<u>\$ -0-</u>
 Total City Direct Debt:	 <u>\$ 4,503,872</u>	 <u>4,503,872</u>	 <u>\$ -0-</u>

Per Capita Net Direct Debt (3)	\$0.00
Percent of Net Direct Debt to Total SEV (4)	0 %

**CITY OF PORTLAND
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)
JUNE 30, 2021**

<u>Overlapping Debt (2)</u>	<u>Gross</u>	<u>City Share as a Percent of Gross</u>	<u>Net</u>
Ionia County	\$ 697,000	5.59%	\$ 38,962
Ionia County Intermediate School District	1,770,000	4.94	87,438
Portland District Library	425,000	29.84	126,820
Portland Public Schools.....	<u>33,796,057</u>	24.47	8,269,895
Total Overlapping Debt	<u>36,688,057</u>		<u>8,523,115</u>
 Total City Direct and Overlapping Debt.....	 <u>\$ 41,191,929</u>		 <u>\$ 8,523,115</u>
 Per Capita Net Overlapping Debt (3)			 \$2,194.98
Percent of Net Overlapping Debt to Total SEV (4)			7.0%
 Per Capita Net Direct and Overlapping Debt (3)			 \$2,194.98
Percent of Net Direct and Overlapping Debt to Total SEV (4).....			7.00%

- (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 \$121,704,200, 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, 2021, and the related notes to the financial statements, which collectively comprise the City of Portland's basic financial statements, and have issued our report thereon dated November 15, 2021.

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.

Maney Costeiran PC

November 15, 2021