

**City of Portland
Ionia County, Michigan**

FINANCIAL STATEMENTS

June 30, 2009

City of Portland
Ionia County, Michigan

June 30, 2009

CITY COUNCIL AND ADMINISTRATION

James Barnes	Mayor
Patrick Duff	Council member
Joel Van Slambrouck	Council member
Julie Clement	Council member
Robert Baldyga	Council member
Thomas Dempsey	City Manager
Monique Miller	City Clerk
Brenda Schrauben	Finance Director/ Treasurer
Erik Litts	City Assessor
William Davis	City Attorney

City of Portland

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Portland, Michigan, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Portland, Michigan, as of June 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2009, on our consideration of the City of Portland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 6, 2009

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

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, 2009. This analysis should be read in conjunction with the *Independent Auditors Report* and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets were \$30,364,363 (excluding component units).
- Governmental activities net assets were \$15,288,965.
- Business-type activity net assets were \$15,075,398.
- Component Unit net assets were \$1,170,272.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,450,177 with \$153,442 being reserved, designated, or otherwise earmarked for specific purposes (cemetery perpetual care and debt service).
- The General Fund realized \$9,897 more in revenues and other financing sources than anticipated for the fiscal year. The General Fund operations also expended \$320,659 less than appropriated.
- Overall, the General Fund balance increased by \$156,309 to \$915,956.

Capital and Long-term Debt Activities:

- The total additions to the capital asset schedule for the primary government were \$5,674,421. Significant capital purchases during the year included the Grand River Avenue, Grant Street, and Maple Street reconstruction costs incurred before June 30, 2009; Maple Street Streetscape costs incurred before June 30, 2009, planning, design, and the construction costs for the Electric Department Office Addition and Warehouse Garage Facility; the costs for the joint trench project to for street lighting and to bury conduit for fiber optic network along Grand River Avenue. The City also purchased a new Ambulance and replaced a tractor.
- The total long-term debt for the primary government was \$4,412,724, a decrease of \$73,965 from the prior year. This decrease would have been larger but was reduced with new debt for the lease purchase of an ambulance and increased liability for compensated absences.
- The City remains well below its authorized legal debt limit. The City debt limit, as defined by statute, is ten percent (10%) of the state equalized property values, which currently equals \$11,068,900.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

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 Assets 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 Assets (page 1) presents all of the City's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City's net assets changed during 2008/2009. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee vacation leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments, public safety, public works, health and welfare (ambulance), economic development, city improvements, street improvements, recreation activities, and other City wide elected official operations are reported under these activities.
- **Business-type Activities** - These activities operate like private businesses. The City charges fees to recover the cost of the services provided. The Electric Light and Power System, the Sewage Disposal System and Water System Fund and are examples of these activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the City Council and Administration appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. One organization is included as a discretely presented component unit: the Downtown Development Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

- 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 3, provide information on the City's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of Portland include the General Fund, the City Income Tax Fund, the Major Street Fund, the Electric Light and Power System Fund, the Sewage Disposal System Fund and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type.

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

- **Governmental Funds** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted, e.g. income tax, major street, local street, ambulance and recreation funds), *Capital Projects Funds* (used to report major capital acquisitions and construction, e.g. the Boardwalk Project fund), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest, e.g. the special assessments fund).
- **Proprietary Funds** - Services for which the City charges customers (whether outside the City structure or a City department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer Disposal System Fund. *Internal Service funds* report activities that provide supplies or service to the City's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- **Fiduciary Funds** - The City may act as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The City's fiduciary activities are reported in the separate Statement of Assets and Liabilities on page 17. These funds, which include trust and agency funds, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City to fund its operations.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

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 18 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 basic financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously stated, City of Portland combined net assets were \$30,364,363 at the end of this fiscal year's operations. The net assets of the governmental activities were \$15,288,965; the business type activities were \$15,075,398.

Net Assets as of June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 1,913,881	\$ 3,723,457	\$ 4,344,022	\$ 6,429,693	\$ 6,257,903	\$10,153,150
Capital Assets	<u>15,041,457</u>	<u>12,953,888</u>	<u>14,483,366</u>	<u>12,071,310</u>	<u>29,524,823</u>	<u>25,025,198</u>
Total Assets	<u>\$16,955,338</u>	<u>\$16,677,345</u>	<u>\$18,827,388</u>	<u>\$18,501,003</u>	<u>\$35,782,726</u>	<u>\$35,178,348</u>
Current Liabilities	\$ 346,419	\$ 364,714	\$ 738,831	\$ 651,145	\$ 1,085,250	\$ 1,015,859
Noncurrent Liabilities	<u>1,319,954</u>	<u>1,196,964</u>	<u>3,013,159</u>	<u>3,230,359</u>	<u>4,333,113</u>	<u>4,427,323</u>
Total Liabilities	<u>\$ 1,666,373</u>	<u>\$ 1,561,678</u>	<u>\$ 3,751,990</u>	<u>\$ 3,881,504</u>	<u>\$ 5,418,363</u>	<u>\$ 5,443,182</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$13,761,902	\$11,803,888	\$11,473,494	\$ 8,841,438	\$25,235,396	\$20,645,326
Restricted	346,406	2,333,649	277,130	248,648	623,536	2,582,297
Unrestricted	<u>1,180,657</u>	<u>978,130</u>	<u>3,324,774</u>	<u>5,529,413</u>	<u>4,505,431</u>	<u>6,507,543</u>
Total Net Assets	<u>\$15,288,965</u>	<u>\$15,115,667</u>	<u>\$15,075,398</u>	<u>\$14,619,499</u>	<u>\$30,364,363</u>	<u>\$29,735,166</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's primary government net assets changed during the fiscal year:

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

Changes in Net Assets for the Fiscal Year Ending June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues						
Program Revenues						
Charges for						
Services	\$ 1,086,224	\$ 1,232,433	\$ 4,693,343	\$ 4,773,740	\$ 5,779,567	\$ 6,006,173
Grants and						
Contributions	591,161	1,628,085	-	-	591,161	1,628,085
General Revenues						
Property Taxes	1,114,507	1,097,557	-	-	1,114,507	1,097,557
State Shared						
Revenue	440,181	430,751	-	-	440,181	430,751
City Income Taxes	729,786	756,546	-	-	729,786	756,546
Investment Earnings	60,702	99,535	38,870	100,334	99,572	199,869
Miscellaneous	14,977	77,198	311,087	225,868	326,064	303,066
Transfers	(26,223)	109,149	26,223	(109,149)	-0-	-0-
Total Revenues	4,011,315	5,431,254	5,069,523	4,990,793	9,080,838	10,422,047
Expenses						
General Government	1,155,006	1,066,006	-	-	1,155,006	1,066,006
Public Safety	970,696	986,091	-	-	970,696	986,091
Public Works	851,291	1,109,487	-	-	851,291	1,109,487
Health and Welfare	479,243	419,815	-	-	479,243	419,815
Community and						
Economic Develop.	60,152	94,958	-	-	60,152	94,958
Recreation and						
Cultural	317,943	365,898	-	-	317,943	365,898
Other	3,685	3,686	4,613,624	4,577,762	4,617,309	4,581,448
Total Expenses	3,838,016	4,045,941	4,613,624	4,577,762	8,451,640	8,623,703
Increase in Net Assets	173,299	1,385,313	455,899	413,031	629,198	1,798,344
Restated Net Assets - Beginning	<u>15,115,667</u>	<u>13,730,354</u>	<u>14,619,499</u>	<u>14,206,468</u>	<u>29,735,166</u>	<u>27,936,822</u>
Net Assets - Ending	<u>\$15,288,966</u>	<u>\$15,115,667</u>	<u>\$15,075,398</u>	<u>\$14,619,499</u>	<u>\$30,364,364</u>	<u>\$29,735,166</u>

Governmental Activities:

The result of 2008/2009 governmental activity was an increase of \$173,299 in net assets to \$15,288,966. Of the total governmental activities' net assets, \$13,761,902 is invested in capital assets less related debt, \$346,406 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of \$1,180,657 is listed as unrestricted, having no legal commitment.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

Revenues:

The three largest revenue categories were property taxes at 27.8%, charges for services at 27.1%, and city income taxes at 18.2%. The City levied a property tax millage for the year ended June 30, 2009, for general government operations at 13.6574 mills, which includes 1.000 mills for local streets. Charges for services, which reimburse the City for specific activities, examples include items such as ambulance fees, township fire fees, recreation fees and contributions, administrative charges, permits and motor pool equipment rental. The City income tax is set at 1% for residents and ½ % for nonresidents that work in the City. It provided the third largest source of governmental activity revenue.

Expenses:

General government is the largest governmental activity, expending approximately 30% of the governmental activities total and includes general government departments (e.g. council, community promotions, city manager, elections, general administration, assessor, city hall maintenance, and cemetery operations). Public Safety is the second largest area, expending approximately 25% of the governmental activities total on law enforcement, fire protection and code enforcement. Public Works is the third largest governmental activity, expended 22% of the governmental activities total.

Business-type Activities:

Net assets in business-type activities were increased by \$455,899 during fiscal year 2008/2009. Of the business-type activities' net assets, \$11,473,494 is invested in capital assets net of related debt, \$277,130 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 \$3,324,774 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2008/2009, its governmental funds reported *combined* fund balances of \$1,450,177. This is a net decrease of \$1,768,547. The net changes are summarized in the following chart:

	General Fund	City Income Tax	Major Street	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 06/30/09	\$ 915,956	\$ 99,886	\$ 13,222	\$ 421,113	\$ 1,450,177
Fund Balance 06/30/08	\$ 759,647	\$ 821,808	\$ 1,174,157	\$ 463,112	\$ 3,218,724
Net Change	\$ 156,309	\$ (721,922)	\$ (1,160,935)	\$ (41,999)	\$ (1,768,547)

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, 2009, the General Fund reported a fund balance of \$915,956. This amount is a net increase of \$156,309 from the fund balance of \$759,647 reported as of June 30, 2008. The 2008/2009 original budget had called for a \$174,247 use of fund balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

The General Fund 2008/2009 revenues exceeded 2008/2009 expenditures by \$81,396 due to unexpended budget items (personnel related expenses in the general administration, police and parks departments, and deferred or unnecessary maintenance and capital improvements) and increased revenues (more revenue from property taxes, interest, licenses and permits, and charges for services). It should be noted that the General Fund also supports the operation of the Recreation Fund, which received \$20,000 in support from the General Fund.

General Fund Budgetary Highlights:

The City of Portland's budget is a dynamic document. Although adopted in May (prior to the start of the year), the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$2,240,032, \$9,897 above the final amended budget.

The \$9,897 excess in budgeted General Fund revenue and other financing sources was due to higher than anticipated property tax collections (up \$3,010); higher cable franchise fees and city licenses and permits (up \$2,802), increased revenue from State sales tax payments, Act 302 training funds and liquor license fees (up a combined \$8,781); and increased interest earning on deposits and rents (up \$8,257). These factors helped General Fund revenue exceed the budgeted amount despite lower charges for services (down \$7,707) and lower donations (down \$5,399).

The City's original General Fund expenditures and other financing uses budget was increased by \$12,972 during 2008/2009. The increase can be attributed to advancing the scheduled replacement of a tractor used in the Cemetery and Parks Departments from the 2009-2010 budget to the 2008-2009 budget so the City could avoid a price increase and obtain a season end discount on top of the government discount provided by John Deere.

Actual City expenditures and other financing uses for 2008/2009 were \$320,659 below the amended budget. The additions to the original budget were offset by reduced spending and deferral of some planned capital purchases because of financial uncertainty associated with State cuts to revenue sharing and the desire to increase fund balance for local match on future grant projects. The City also experienced some savings because certain expenses came in lower than anticipated and personnel levels were below the amounts budgets (e.g. police, park & rec) or volunteers were available to reduce so that less money was spent on seasonal part-timers.

Overall general fund expenditures were down due to reduced spending in the following areas:

- \$64,076 less than planned expenditures in the Police Department.
- \$54,310 less than planned expenditures for General Administration.
- \$41,901 less than planned expenditures in the Code Enforcement Department.
- \$30,291 less than planned expenditures for Community Promotions.
- \$29,651 less than planned expenditures in the Fire Department.
- \$19,704 less than planned expenditures for Assessing Department.
- \$17,265 less than planned expenditures in the Parks and Recreation Department.
- \$14,864 less than planned expenditures for Cemetery Operations.
- \$13,626 less than planned for Street Lighting.
- \$13,270 less than planned expenditures for City Hall Building and Grounds.
- \$10,661 less than planned expenditures for the City Manager Department.
- \$6,846 less than planned for Economic Development.
- \$2,502 less than planned expenditures for Elections.
- \$1,692 less than planned expenditures for Council, Boards, and Commissions.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

City Income Tax Fund

As of June 30, 2009, the City Income Tax Fund reported a fund balance of \$99,886, a decrease of \$721,922 from the prior year. The total fund balance is undesignated/unreserved. While the City finance statements show these funds as undesignated, the City has used the income tax funds exclusively for the improvement of streets, sidewalks, curb, gutter, street lighting, parking areas, associated utilities and their appurtenances.

Major Street Fund

As of June 30, 2009, the Major Street Fund reported a fund balance of \$13,222, which is a decrease of \$1,160,935 from the prior year. The entire balance of \$13,222 is undesignated/unreserved.

Enterprise Funds

As the City completed 2008/2009, its enterprise funds reported *combined* net assets of \$15,075,398. This is a net increase of \$455,899 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	Total
Net Assets 06/30/09	\$ 8,600,618	\$ 2,320,371	\$ 4,149,917	\$ 4,492	\$ 15,075,398
Net Assets 06/30/08	\$ 8,253,501	\$ 2,246,406	\$ 4,118,347	\$ 1,245	\$ 14,619,499
Net Change	\$ 347,117	\$ 73,965	\$ 31,570	\$ 3,247	\$ 455,899

Electric Light and Power System Fund:

As of June 30, 2009, the Electric Light and Power System Fund reported net assets of \$8,600,618, an increase of \$347,117 from the prior year. Of the entire net assets, \$6,428,746 is invested in capital assets, net of related debt, \$125,000 is reported as being reserved due to the requirements of Section 12.9 of the City Charter, \$105,270 is restricted for debt service, and \$1,941,602 is unrestricted.

Sewage Disposal System Fund:

As of June 30, 2009, the Sewer Fund reported net assets of \$2,320,371, a decrease of \$73,965 from the prior year. Of the entire net assets, \$2,155,624 is invested in capital assets, net of related debt, \$46,860 is restricted for debt service, and \$117,887 is unrestricted.

Water System Fund:

As of June 30, 2009, the Water System Fund reported net assets of \$4,149,917, a net increase of \$31,570 from the prior year. Of the entire net assets, \$2,889,124 is invested in capital assets, net of related debt and \$1,260,793 is unrestricted.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2008/2009, the City had invested \$29,524,823, and \$2,408,264 for the component units, net of accumulated depreciation, in a broad range of capital assets (see table below). Additional information related to capital assets is detailed in Note G of the Financial Statements. Net Book value of capital assets at June 30, 2009, was as follows:

	Governmental Activities	Business-type Activities	Component Unit DDA	Total
Land	\$ 2,278,752	\$ -	\$ -	\$ 2,278,752
Construction in progress	2,846,756	-	-	2,846,756
Land improvements	71,443	-	-	71,443
Buildings, net	275,287	-	1,820,700	2,095,987
Vehicles and equipment, net	523,265	-	-	523,265
Electric system, net	-	8,173,746	-	8,173,746
Sewer system, net	-	2,295,624	-	2,295,624
Water system, net	-	4,013,996	-	4,013,996
Infrastructure Streets & Bridges, net	9,045,954	-	587,564	9,633,518
Capital assets, net	\$ 15,041,457	\$14,483,366	\$ 2,408,264	\$ 31,933,087

Long-term Debt - As of June 30, 2009, the City had \$4,412,724 in long-term debt outstanding for the primary government. This level of net obligation is \$73,965 less than the obligation recorded as of June 30, 2008.

Outstanding Debt as of June 30, 2009:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>
Primary Government				
Governmental Activities				
Special Assessment Bonds	\$ 50,000	\$ -	\$ 5,000	\$ 45,000
Installment Purchase Agreement	1,100,000	-	-	1,100,000
Equipment Lease Purchase	-	154,000	19,445	134,555
Compensated Absences	64,956	71,484	54,489	81,951
Business-type Activities				
Elec. 1994 Rev. Bonds	200,000	-	100,000	100,000
2008 Capital Improvement Bonds	1,690,000	-	45,000	1,645,000
Sewer 1995 Rev. Bonds	160,000	-	20,000	140,000
Water 2004 DWRP Bonds	1,179,872	-	55,000	1,124,872
Compensated absences	41,861	45,575	46,090	41,346
Total Primary Government	4,486,689	271,059	345,024	4,412,724
Component Unit				
General Obligation Bonds	1,505,000	-	110,000	1,395,000
Total Reporting Entity	\$ 5,991,689	\$ 271,059	\$ 455,024	\$ 5,807,724

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

CITY OF PORTLAND GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing is expected to decrease for fiscal year 2009-2010 due to state budget problems.
- Health and dental insurance premiums continue to rise much faster than the rate of inflation (6.3%-7.3%)
- Retirement costs are increasing due to increased longevity of retirees, pension benefit adjustments for inflation and poor stock market performance over the last several years. Pension cost increased 5.75% for the non-union division, 28.11% for the POLC division (this is high because last year actually decreased 22%) and 11.56 % for the AFSCME division.
- Investment earnings are expected to decrease as market interest rates are lower. Average interest earned last year was 1.39% as compared to the previous year at 3.81%.
- The City's Workers Compensation costs have increased slightly (up 1.5%) and the City's experience modification factor increased because of a slip and fall last winter.
- Hazard/Liability Insurance costs have decreased by 2.75% this year.

While the State's economy continues to decline, the local economy remains much more stable. Using the City income tax as one economic indicator, revenues decreased from \$756,546 in 2008 to \$729,786 in 2009, a decrease of approximately 3.5%. While income tax revenue decreased, the number of foreclosures has slowed and appears to be less than the previous year. City property values are beginning to normalize and did not experience the same decreases in value as others in the County.

The City's governmental and business type activity resulted in an increase of \$629,198 in net assets, an increase of 2.1%. The City's sound financial condition and ability to provide a full range of high quality municipal services coupled with its location along I-96 between two larger metropolitan markets supports a guardedly optimistic outlook for continued stability.

CONTACTING THE CITY

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

BASIC FINANCIAL STATEMENTS

City of Portland

STATEMENT OF NET ASSETS

June 30, 2009

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,639,352	\$ 2,815,594	\$ 4,454,946	\$ 44,426
Cash and cash equivalents - restricted	-	541,536	541,536	130,639
Receivables	147,188	585,576	732,764	-
Due from other governmental units	127,341	-	127,341	-
Inventories	-	401,316	401,316	-
Total current assets	1,913,881	4,344,022	6,257,903	175,065
Noncurrent assets				
Capital assets not being depreciated	5,125,508	3,299,146	8,424,654	-
Capital assets being depreciated, net	9,915,949	11,184,220	21,100,169	2,408,264
Total noncurrent assets	15,041,457	14,483,366	29,524,823	2,408,264
TOTAL ASSETS	16,955,338	18,827,388	35,782,726	2,583,329
LIABILITIES				
Current liabilities				
Accounts payable	229,339	463,276	692,615	-
Accrued liabilities	49,618	13,600	63,218	1,438
Accrued interest payable	25,910	31,525	57,435	16,619
Current portion of compensated absences	16,312	5,430	21,742	-
Current portion of long-term debt	25,240	225,000	250,240	145,000
Total current liabilities	346,419	738,831	1,085,250	163,057
Noncurrent liabilities				
Customer deposits payable from restricted assets	-	192,371	192,371	-
Noncurrent portion of compensated absences	65,639	35,916	101,555	-
Noncurrent portion of long-term debt	1,254,315	2,784,872	4,039,187	1,250,000
Total noncurrent liabilities	1,319,954	3,013,159	4,333,113	1,250,000
TOTAL LIABILITIES	1,666,373	3,751,990	5,418,363	1,413,057
NET ASSETS				
Invested in capital assets, net of related debt	13,761,902	11,473,494	25,235,396	1,013,264
Restricted for:				
Utilities	-	125,000	125,000	-
Debt service	-	152,130	152,130	130,639
Other purposes	346,406	-	346,406	-
Unrestricted	1,180,657	3,324,774	4,505,431	26,369
TOTAL NET ASSETS	\$ 15,288,965	\$ 15,075,398	\$ 30,364,363	\$ 1,170,272

See accompanying notes to financial statements.

City of Portland

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			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	\$ 1,155,006	\$ 464,236	\$ 236	\$ -	\$ (690,534)	\$ -	\$ (690,534)	\$ -
Public safety	970,696	151,678	1,969	-	(817,049)	-	(817,049)	-
Public works	851,291	2,127	302,430	247,616	(299,118)	-	(299,118)	-
Health and welfare	479,243	388,181	-	-	(91,062)	-	(91,062)	-
Community and economic development	60,152	-	-	18,500	(41,652)	-	(41,652)	-
Recreation and cultural	317,943	80,002	20,410	-	(217,531)	-	(217,531)	-
Interest on long-term debt	3,685	-	-	-	(3,685)	-	(3,685)	-
Total governmental activities	3,838,016	1,086,224	325,045	266,116	(2,160,631)	-0-	(2,160,631)	-0-
Business-type activities								
Electric, Light, and Power System	3,358,319	3,527,764	-	-	-	169,445	169,445	-
Sewage Disposal System	615,463	502,501	-	-	-	(112,962)	(112,962)	-
Water System	553,839	574,715	-	-	-	20,876	20,876	-
Refuse	86,003	88,363	-	-	-	2,360	2,360	-
Total business-type activities	4,613,624	4,693,343	-0-	-0-	-0-	79,719	79,719	-0-
Total primary government	<u>\$ 8,451,640</u>	<u>\$ 5,779,567</u>	<u>\$ 325,045</u>	<u>\$ 266,116</u>	(2,160,631)	79,719	(2,080,912)	-0-
Component unit								
Downtown Development Authority	<u>\$ 333,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-0-	-0-	-0-	(333,333)
General revenues								
Property taxes					1,114,507	-	1,114,507	299,478
State shared revenue					440,181	-	440,181	-
City income taxes					729,786	-	729,786	-
Investment earnings					60,702	38,870	99,572	988
Miscellaneous					14,976	311,087	326,063	11,870
Transfers					(26,223)	26,223	-0-	-
Total general revenues and transfers					<u>2,333,929</u>	<u>376,180</u>	<u>2,710,109</u>	<u>312,336</u>
Change in net assets					173,298	455,899	629,197	(20,997)
Net assets, beginning of the year					<u>15,115,667</u>	<u>14,619,499</u>	<u>29,735,166</u>	<u>1,191,269</u>
Net assets, end of the year					<u>\$ 15,288,965</u>	<u>\$ 15,075,398</u>	<u>\$ 30,364,363</u>	<u>\$ 1,170,272</u>

See accompanying notes to financial statements.

City of Portland
 GOVERNMENTAL FUNDS BALANCE SHEET
 June 30, 2009

	General	City Income Tax	Major Street
ASSETS			
Cash and cash equivalents	\$ 1,034,790	\$ 152,718	\$ 22,819
Receivables			
Taxes	1,133	120,166	-
Accounts	924	228	-
Special assessments	-	8,644	-
Due from other governmental units	-	-	32,334
Due from other funds	17,206	-	59,053
	\$ 1,054,053	\$ 281,756	\$ 114,206
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 103,159	\$ 1,391	\$ 97,894
Accrued liabilities	34,938	818	3,090
Due to other funds	-	171,017	-
Deferred revenue	-	8,644	-
	138,097	181,870	100,984
FUND BALANCES			
Reserved for:			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Designated for capital projects	577,500	-	-
Undesignated, reported in:			
General Fund	338,456	-	-
Special Revenue Funds	-	99,886	13,222
	915,956	99,886	13,222
TOTAL FUND BALANCES	915,956	99,886	13,222
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,054,053	\$ 281,756	\$ 114,206

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 254,724	\$ 1,465,051
-	121,299
6,120	7,272
9,893	18,537
95,007	127,341
112,710	188,969
<u>\$ 478,454</u>	<u>\$ 1,928,469</u>

\$ 19,662	\$ 222,106
9,834	48,680
17,952	188,969
9,893	18,537

57,341	478,292
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146,242	146,242
7,200	7,200
-	577,500
-	338,456
267,671	380,779
<u>421,113</u>	<u>1,450,177</u>
<u>\$ 478,454</u>	<u>\$ 1,928,469</u>

City of Portland

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

June 30, 2009

Total fund balances - governmental funds \$ 1,450,177

Amounts reported for the governmental activities in the statement of net assets 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	\$ 20,261,217	
Accumulated depreciation is	<u>(5,496,421)</u>	
Capital assets, net		14,764,796

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 Assets.	302,284
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Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. These consist of:

Deferred revenue	18,537
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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:

Direct obligations	1,145,000	
Accrued interest payable	25,910	
Compensated absences	<u>75,919</u>	
		<u>(1,246,829)</u>

Net assets of governmental activities	<u>\$ 15,288,965</u>
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See accompanying notes to financial statements.

City of Portland

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2009

	General	City Income Tax	Major Street
REVENUES			
Taxes	\$ 1,084,400	\$ 729,786	\$ -
Licenses and permits	18,802	-	-
Intergovernmental	462,968	-	464,152
Charges for services	447,000	-	-
Fines and forfeits	25,666	20,273	-
Interest and rents	52,257	3,705	3,700
Other	54,026	8,742	1,427
TOTAL REVENUES	2,145,119	762,506	469,279
EXPENDITURES			
Current			
General government	800,973	160,974	-
Public safety	929,640	-	-
Public works	42,374	-	2,742,668
Health and welfare	47,363	-	-
Community and economic development	60,152	-	-
Recreation and cultural	183,221	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	2,063,723	160,974	2,742,668
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	81,396	601,532	(2,273,389)
OTHER FINANCING SOURCES (USES)			
Transfers in	94,913	211,000	1,112,454
Transfers out	(20,000)	(1,534,454)	-
TOTAL OTHER FINANCING SOURCES (USES)	74,913	(1,323,454)	1,112,454
NET CHANGE IN FUND BALANCES	156,309	(721,922)	(1,160,935)
Fund balances, beginning of year	759,647	821,808	1,174,157
Fund balances, end of year	<u>\$ 915,956</u>	<u>\$ 99,886</u>	<u>\$ 13,222</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 81,548	\$ 1,895,734
-	18,802
94,578	1,021,698
470,883	917,883
-	45,939
2,206	61,868
11,418	75,613
<u>660,633</u>	<u>4,037,537</u>
-	961,947
-	929,640
256,487	3,041,529
417,688	465,051
-	60,152
130,161	313,382
8,160	8,160
<u>812,496</u>	<u>5,779,861</u>
(151,863)	(1,742,324)
120,000	1,538,367
<u>(10,136)</u>	<u>(1,564,590)</u>
<u>109,864</u>	<u>(26,223)</u>
(41,999)	(1,768,547)
<u>463,112</u>	<u>3,218,724</u>
<u>\$ 421,113</u>	<u>\$ 1,450,177</u>

City of Portland

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

Year Ended June 30, 2009

Net change in fund balances - total governmental funds **\$ (1,768,547)**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 2,624,430	
Depreciation expense	<u>(592,787)</u>	
Excess of capital outlay over depreciation expense		2,031,643

Internal service funds are used by management to charge the costs of certain activities to individual funds. (68,603)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(Decrease) in deferred revenue (9,844)

Repayment of long-term debt and borrowing of long-term debt is 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 assets. In the current year, these amounts consist of:

Bond principal retirements 5,000

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(525)	
(Increase) in accrued compensated absences	<u>(15,826)</u>	
		<u>(16,351)</u>

Change in net assets of governmental activities **\$ 173,298**

See accompanying notes to financial statements.

City of Portland

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2009

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,654,149	\$ (16,515)	\$ 1,171,988
Cash and cash equivalents - restricted	345,643	169,287	26,606
Accounts receivable	428,895	68,606	82,537
Inventories	346,896	-	54,420
Total current assets	2,775,583	221,378	1,335,551
Noncurrent assets			
Capital assets not being depreciated	2,512,052	326,490	460,604
Capital assets being depreciated, net	5,661,694	1,969,134	3,553,392
Total noncurrent assets	8,173,746	2,295,624	4,013,996
TOTAL ASSETS	10,949,329	2,517,002	5,349,547
LIABILITIES			
Current liabilities			
Accounts payable	406,387	24,453	25,418
Accrued liabilities	7,832	3,039	2,729
Accrued interest payable	19,077	731	11,717
Current portion of compensated absences	3,930	466	1,034
Current portion of long-term debt	145,000	20,000	60,000
Total current liabilities	582,226	48,689	100,898
Noncurrent liabilities			
Customer deposits payable from restricted assets	143,783	21,982	26,606
Noncurrent portion of compensated absences	22,702	5,960	7,254
Noncurrent portion of long-term debt	1,600,000	120,000	1,064,872
Total noncurrent liabilities	1,766,485	147,942	1,098,732
TOTAL LIABILITIES	2,348,711	196,631	1,199,630
NET ASSETS			
Invested in capital assets, net of related debt	6,428,746	2,155,624	2,889,124
Restricted for utilities	125,000	-	-
Restricted for debt service	105,270	46,860	-
Unrestricted	1,941,602	117,887	1,260,793
TOTAL NET ASSETS	\$ 8,600,618	\$ 2,320,371	\$ 4,149,917

See accompanying notes to financial statements.

<u>Activities</u> Nonmajor Enterprise Fund (Refuse)	<u>Total</u>	<u>Governmental</u> <u>Activities</u> Internal Service Fund
\$ 5,972	\$ 2,815,594	\$ 174,301
-	541,536	-
5,538	585,576	80
-	401,316	-
11,510	4,344,022	174,381
-	3,299,146	-
-	11,184,220	276,661
-0-	14,483,366	276,661
11,510	18,827,388	451,042
7,018	463,276	7,233
-	13,600	938
-	31,525	-
-	5,430	1,502
-	225,000	20,240
7,018	738,831	29,913
-	192,371	-
-	35,916	4,530
-	2,784,872	114,315
-0-	3,013,159	118,845
7,018	3,751,990	148,758
-	11,473,494	142,106
-	125,000	-
-	152,130	-
4,492	3,324,774	160,178
<u>\$ 4,492</u>	<u>\$ 15,075,398</u>	<u>\$ 302,284</u>

City of Portland

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2009

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
OPERATING REVENUES			
Charges for services			
User charges	\$ 3,527,764	\$ 501,001	\$ 573,915
Tap fees	-	1,500	800
Other	297,589	713	11,898
TOTAL OPERATING REVENUES	3,825,353	503,214	586,613
OPERATING EXPENSES			
Salaries and wages	409,797	132,098	143,297
Fringe benefits	169,451	78,090	72,862
Contractual services	131,923	196,535	17,488
Supplies	116,538	11,370	32,376
Heat, light, and power	1,934,610	-	28,080
Communications	4,857	4,349	6,352
Insurance and bonds	14,647	3,145	1,935
Repairs and maintenance	145,333	3,685	21,076
Administrative services	63,972	48,576	50,700
Building and equipment rental	12,351	14,400	30,504
Other	29,976	922	2,866
Depreciation	253,103	112,765	118,067
TOTAL OPERATING EXPENSES	3,286,558	605,935	525,603
OPERATING INCOME (LOSS)	538,795	(102,721)	61,010
NONOPERATING REVENUES (EXPENSES)			
Interest earned	20,604	2,410	15,856
Interest expense and fees	(71,761)	(9,528)	(28,236)
TOTAL NONOPERATING REVENUES (EXPENSES)	(51,157)	(7,118)	(12,380)
INCOME (LOSS) BEFORE TRANSFERS	487,638	(109,839)	48,630
TRANSFERS			
Transfers in	-	211,000	221,136
Transfers out	(140,521)	(27,196)	(238,196)
TOTAL OTHER FINANCING SOURCES (USES)	(140,521)	183,804	(17,060)
CHANGE IN NET ASSETS	347,117	73,965	31,570
Net assets, beginning of year	8,253,501	2,246,406	4,118,347
Net assets, end of year	\$ 8,600,618	\$ 2,320,371	\$ 4,149,917
See accompanying notes to financial statements.			

Activities Nonmajor Enterprise Fund (Refuse)	Total	Governmental Activities Internal Service Fund
\$ 88,363	\$ 4,691,043	\$ 319,464
-	2,300	-
887	311,087	330
89,250	5,004,430	319,794
-	685,192	62,626
-	320,403	33,836
86,003	431,949	1,790
-	160,284	61,287
-	1,962,690	9,047
-	15,558	1,567
-	19,727	28,170
-	170,094	61,078
-	163,248	31,236
-	57,255	-
-	33,764	1,125
-	483,935	98,074
86,003	4,504,099	389,836
3,247	500,331	(70,042)
-	38,870	1,439
-	(109,525)	-
-0-	(70,655)	1,439
3,247	429,676	(68,603)
-	432,136	-
-	(405,913)	-
-0-	26,223	-0-
3,247	455,899	(68,603)
1,245	14,619,499	370,887
\$ 4,492	\$ 15,075,398	\$ 302,284

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 3,847,359	\$ 511,943	\$ 597,112
Cash paid to suppliers	(2,287,435)	(315,442)	(235,881)
Cash paid for employee benefits	(585,834)	(213,598)	(215,936)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	974,090	(17,097)	145,295
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in	-	211,000	221,136
Transfers out	(140,521)	(27,196)	(238,196)
Payments of borrowing	(145,000)	(20,000)	(55,000)
Proceeds from borrowing	-	-	-
Interest expense and fees	(73,507)	(9,628)	(28,809)
Purchase of capital assets	(2,177,249)	(292,182)	(426,560)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,536,277)	(138,006)	(527,429)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	20,604	2,410	15,856
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,541,583)	(152,693)	(366,278)
Cash and cash equivalents, beginning of year	3,541,375	305,465	1,564,872
Cash and cash equivalents, end of year	\$ 1,999,792	\$ 152,772	\$ 1,198,594

<u>Activities</u> Nonmajor Enterprise Fund (Refuse)	<u>Total</u>	<u>Governmental</u> <u>Activities</u> Internal Service Fund
\$ 88,023 (85,979) -	\$ 5,044,437 (2,924,737) (1,015,368)	\$ 320,579 (197,195) (95,589)
2,044	1,104,332	27,795
-	432,136	-
-	(405,913)	-
-	(220,000)	(19,445)
-	-0-	154,000
-	(111,944)	-
-	(2,895,991)	(154,000)
-0-	(3,201,712)	(19,445)
-	38,870	1,439
2,044	(2,058,510)	9,789
3,928	5,415,640	164,512
<u>\$ 5,972</u>	<u>\$ 3,357,130</u>	<u>\$ 174,301</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2009

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 538,795	\$ (102,721)	\$ 61,010
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	253,103	112,765	118,067
(Increase) decrease in accounts receivable	17,659	8,584	9,618
(Increase) in inventories	(5,277)	-	(2,196)
Increase (decrease) in accounts payable	172,049	(32,460)	(42,308)
Increase (decrease) in accrued liabilities	(6,586)	(3,410)	223
Increase in customer deposits	4,347	145	881
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 974,090</u>	 <u>\$ (17,097)</u>	 <u>\$ 145,295</u>

See accompanying notes to financial statements.

<u>Activities</u> Nonmajor Enterprise Fund (Refuse)	<u>Total</u>	<u>Governmental</u> <u>Activities</u> Internal Service Fund
\$ 3,247	\$ 500,331	\$ (70,042)
-	483,935	98,074
(1,227)	34,634	785
-	(7,473)	-
24	97,305	(1,895)
-	(9,773)	873
-	5,373	-
<u>\$ 2,044</u>	<u>\$ 1,104,332</u>	<u>\$ 27,795</u>

City of Portland

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2009

	<u>Current Tax Collection</u>
ASSETS	
Cash and cash equivalents	<u>\$ 807</u>
LIABILITIES	
Due to other governmental units	\$ 683
Undistributed property taxes	<u> 124</u>
TOTAL LIABILITIES	<u>\$ 807</u>

See accompanying notes to financial statements.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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

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

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Portland (primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

2. Joint Venture

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

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

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

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

The financial activities of PAMA are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended December 31, 2008, are available at PAMA's administrative offices. As of December 31, 2008, PAMA had a fund balance of \$1,935.

3. Discretely Presented Component Unit

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

3. Discretely Presented Component Unit - continued

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

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide 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 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 of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the City are:

- 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 financial resources that are used for repairs and maintenance of the City's streets.
- d. 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.
- e. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- f. The Water System Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Additionally, the City reports an internal service fund to account for the management of motor vehicles pool services provided to other departments on a cost reimbursement basis.

The City also reports an agency fund to account for assets held by the City as the trustee or as the agent for others.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide 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 and current liabilities 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 net current assets.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

6. Basis of Accounting

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

6. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

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

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

8. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, money market, certificates of deposit with a maturity from date of purchase of 90 days or less, and pooled investment fund accounts.

9. 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.

10. Receivables

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

11. Property Tax

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

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

The City is permitted by charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2009, the City levied 13.6574 mills per \$1,000 of taxable valuation for general governmental services, which includes 1.000 mill for local streets. The total taxable value for the 2008 levy for property within the City was \$95,884,908.

12. 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.

13. 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.

14. Compensated Absences

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

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

15. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

15. Interfund Transactions - continued

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.

16. Capital Assets

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

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

Buildings and additions	30 - 40 years
Electric, Water and Sewer systems	25 - 50 years
Machinery and equipment	5 - 40 years
Infrastructure - streets and bridges	30 years
Land improvements	20 years
Downtown improvements	20 years

17. Deferred Revenue

Deferred revenue consists of amounts related to special assessments receivable in future periods. None of these amounts are deferred in the government-wide financial statements.

18. 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.

19. 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.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE B: CASH AND CASH EQUIVALENTS

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

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

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

The United States Congress has temporarily increased Federal Deposit Insurance Corporation (FDIC) deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for deposits in an insured bank for interest-bearing savings deposits and \$250,000 for interest-bearing demand deposits. FDIC insurance coverage through its Transaction Account Insurance Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent) NOW accounts, this program is scheduled to end December 31, 2009. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.

Deposits

As of June 30, 2009, the carrying amounts and bank balances for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 2,232,998	\$ 2,071,871
Certificates of deposit	<u>2,715,000</u>	<u>2,717,787</u>
Total Primary Government	4,947,998	4,789,658

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Deposits - continued

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
FIDUCIARY FUND		
Checking	\$ 807	\$ 807
COMPONENT UNIT		
Checking	<u>175,065</u>	<u>177,927</u>
TOTAL REPORTING ENTITY	<u>\$ 5,123,870</u>	<u>\$ 4,968,392</u>

The primary government cash and cash equivalents caption on the basic financial statements included \$893 of imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2009, the City accounts were insured by the FDIC for \$2,949,985 and the amount of \$2,018,407 was uninsured and uncollateralized.

Investments

As of June 30, 2009, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT			
Uncategorized Pooled Investment			
Government Op MM Fund	<u>\$ 47,591</u>	<u>\$ 47,591</u>	N/A

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2009, the City's investment in the uncategorized pooled investment was rated Aaa by Moody's.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

Concentration of credit risk

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

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

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Custodial credit risk

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

The cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents captions on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2009:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 4,454,946	\$ 44,426	\$ 807	\$ 4,500,179
Cash and cash equivalents - restricted	<u>541,536</u>	<u>130,639</u>	<u>-</u>	<u>672,175</u>
	<u>\$ 4,996,482</u>	<u>\$ 175,065</u>	<u>\$ 807</u>	<u>\$ 5,172,354</u>

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of June 30, 2009:

	<u>Customer Deposits</u>	<u>Debt Retirement</u>	<u>Other</u>	<u>Total</u>
Enterprise Funds	\$ 192,371	\$ 171,938	\$ 177,227	\$ 541,536
Component Unit Fund	<u>-</u>	<u>130,639</u>	<u>-</u>	<u>130,639</u>
	<u>\$ 192,371</u>	<u>\$ 302,577</u>	<u>\$ 177,227</u>	<u>\$ 672,175</u>

NOTE D: POOLING OF CASH AND CASH EQUIVALENTS

The City's balance sheet reflects cash and cash equivalents with negative balances. These amounts do not represent actual bank overdrafts; rather, they merely reflect that specific funds have disbursed amounts from the City's common checking account in excess of the amount recorded as an asset. In total, the bank account has a positive balance.

Cash disbursed in excess of amounts recorded as assets as of June 30, 2009, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
Portland Area Ambulance Fund	\$(15,289)	\$ -	\$(15,289)
Special Assessments Fund	(2,329)	216	(2,113)
Sewage Disposal System Fund	<u>(16,365)</u>	<u>-</u>	<u>(16,365)</u>
	<u>\$(33,983)</u>	<u>\$ 216</u>	<u>\$(33,767)</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2009, are as follows:

Due to General Fund from:	
City Income Tax Fund	\$ 13,378
Nonmajor governmental funds	<u>3,828</u>
	<u>\$ 17,206</u>
Due to Major Street Fund from:	
City Income Tax Fund	<u>\$ 59,053</u>
Due to nonmajor governmental funds from:	
City Income Tax Fund	\$ 98,586
Nonmajor governmental funds	<u>14,124</u>
	<u>\$ 112,710</u>

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

NOTE F: 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	\$ 40,521
Sewage Disposal System Fund	27,196
Water System Fund	<u>27,196</u>
	<u>\$ 94,913</u>
Transfer to City Income Tax Fund from:	
Water System Fund	<u>\$ 211,000</u>
Transfer to Major Street Fund from:	
City Income Tax Fund	<u>\$ 1,112,454</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 20,000
Electric Light and Power System Fund	<u>100,000</u>
	<u>\$ 120,000</u>
Transfer to Water System Fund from:	
City Income Tax Fund	\$ 211,000
Nonmajor governmental funds	<u>10,136</u>
	<u>\$ 221,136</u>
Transfer to Sewage Disposal System Fund from:	
City Income Tax Fund	<u>\$ 211,000</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE F: INTERFUND TRANSFERS - CONTINUED

The transfers from the Electric Light and Power System Fund, Sewage Disposal Fund and Water System Fund to the General Fund and from the General Fund and Electric Light and Power System Fund to the nonmajor governmental funds were to fund current year operations. The transfers from the City Income Tax Fund to the Major Street Fund were for the purpose of street repairs. The transfers to the Sewage Disposal System Fund and the Water System Fund from the City Income Tax Fund and to the City Income Tax Fund from the Water System Fund were to fund current year projects and repairs due to cash flow needs.

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,278,752	\$ -	\$ -	\$ 2,278,752
Construction in progress	<u>255,097</u>	<u>2,591,659</u>	<u>-</u>	<u>2,846,756</u>
Subtotal	2,533,849	2,591,659	-0-	5,125,508
Capital assets being depreciated				
Land improvements	75,203	-	-	75,203
Buildings and additions	399,721	-	-	399,721
Equipment and furniture	1,704,261	172,915	-	1,877,176
Infrastructure - streets and bridges	<u>14,061,284</u>	<u>13,856</u>	<u>-</u>	<u>14,075,140</u>
Subtotal	16,240,469	186,771	-0-	16,427,240
Less accumulated depreciation for:				
Land improvements	(1,253)	(2,507)	-	(3,760)
Buildings and additions	(111,288)	(13,146)	-	(124,434)
Equipment and furniture	(1,208,827)	(145,084)	-	(1,353,911)
Infrastructure - streets and bridges	<u>(4,499,062)</u>	<u>(530,124)</u>	<u>-</u>	<u>(5,029,186)</u>
Subtotal	<u>(5,820,430)</u>	<u>(690,861)</u>	<u>-0-</u>	<u>(6,511,291)</u>
Net capital assets being depreciated	<u>10,420,039</u>	<u>(504,090)</u>	<u>-0-</u>	<u>9,915,949</u>
Capital assets, net	<u>\$ 12,953,888</u>	<u>\$ 2,087,569</u>	<u>\$ -0-</u>	<u>\$ 15,041,457</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 42,860
Public safety	41,056
Public works	588,192
Health and welfare	14,192
Recreation and cultural	<u>4,561</u>
Total depreciation expense	<u>\$ 690,861</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2009</u>
Business-type activities (Electric Light and Power System)				
Capital assets, not being depreciated				
Land	\$ 222,191	\$ -	\$ -	\$ 222,191
Construction in progress	<u>167,733</u>	<u>2,122,128</u>	<u>-</u>	<u>2,289,861</u>
Subtotal	389,924	2,122,128	-0-	2,512,052
Capital assets, being depreciated				
Buildings	2,481,861	-	-	2,481,861
Transmission and disbursement	5,392,363	55,121	-	5,447,484
Equipment	<u>427,441</u>	<u>-</u>	<u>-</u>	<u>427,441</u>
Subtotal	8,301,665	55,121	-0-	8,356,786
Less accumulated depreciation for				
Buildings	(610,043)	(54,878)	-	(664,921)
Transmission and disbursement	(1,762,703)	(161,700)	-	(1,924,403)
Equipment	<u>(69,243)</u>	<u>(36,525)</u>	<u>-</u>	<u>(105,768)</u>
Subtotal	<u>(2,441,989)</u>	<u>(253,103)</u>	<u>-0-</u>	<u>(2,695,092)</u>
Net capital assets, being depreciated	<u>5,859,676</u>	<u>(197,982)</u>	<u>-0-</u>	<u>5,661,694</u>
Capital assets, net	<u>\$ 6,249,600</u>	<u>\$ 1,924,146</u>	<u>\$ -0-</u>	<u>\$ 8,173,746</u>
Business-type activities (Sewage Disposal System)				
Capital assets, not being depreciated				
Land	\$ 11,003	\$ -	\$ -	\$ 11,003
Construction in progress	<u>23,305</u>	<u>292,182</u>	<u>-</u>	<u>315,487</u>
Subtotal	34,308	292,182	-0-	326,490
Capital assets, being depreciated				
Buildings	605,399	-	-	605,399
Sewage Disposal System	2,537,170	-	-	2,537,170
Equipment	<u>57,209</u>	<u>-</u>	<u>-</u>	<u>57,209</u>
Subtotal	3,199,778	-0-	-0-	3,199,778
Less accumulated depreciation for				
Buildings	(526,542)	(15,810)	-	(542,352)
Sewage Disposal System	(577,680)	(94,755)	-	(672,435)
Equipment	<u>(13,657)</u>	<u>(2,200)</u>	<u>-</u>	<u>(15,857)</u>
Subtotal	<u>(1,117,879)</u>	<u>(112,765)</u>	<u>-0-</u>	<u>(1,230,644)</u>
Net capital assets, being depreciated	<u>2,081,899</u>	<u>(112,765)</u>	<u>-0-</u>	<u>1,969,134</u>
Capital assets, net	<u>\$ 2,116,207</u>	<u>\$ 179,417</u>	<u>\$ -0-</u>	<u>\$ 2,295,624</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2009</u>
Business-type activities				
(Water System)				
Capital assets, not being depreciated				
Land	\$ 3,500	\$ -	\$ -	\$ 3,500
Construction in progress	<u>58,764</u>	<u>398,340</u>	<u>-</u>	<u>457,104</u>
Subtotal	62,264	398,340	-0-	460,604
Capital assets, being depreciated				
Water System	4,817,445	23,220	-	4,840,665
Equipment	<u>41,272</u>	<u>5,000</u>	<u>-</u>	<u>46,272</u>
Subtotal	4,858,717	28,220	-0-	4,886,937
Less accumulated depreciation for				
Water System	(1,191,008)	(116,366)	-	(1,307,374)
Equipment	<u>(24,470)</u>	<u>(1,701)</u>	<u>-</u>	<u>(26,171)</u>
Subtotal	<u>(1,215,478)</u>	<u>(118,067)</u>	<u>-0-</u>	<u>(1,333,545)</u>
Net capital assets, being depreciated	<u>3,643,239</u>	<u>(89,847)</u>	<u>-0-</u>	<u>3,553,392</u>
Capital assets, net	<u>\$ 3,705,503</u>	<u>\$ 308,493</u>	<u>\$ -0-</u>	<u>\$ 4,013,996</u>
Component Unit (DDA)				
Capital assets, not being depreciated				
Construction in progress	\$ 232,593	\$ -	\$(232,593)	\$ -0-
Capital assets, being depreciated				
Downtown improvements	470,788	232,593	-	703,381
City Hall building	<u>2,601,000</u>	<u>-</u>	<u>-</u>	<u>2,601,000</u>
Subtotal	3,071,788	232,593	-0-	3,304,381
Less accumulated depreciation for				
Downtown improvements	(84,524)	(31,293)	-	(115,817)
City Hall building	<u>(650,250)</u>	<u>(130,050)</u>	<u>-</u>	<u>(780,300)</u>
Subtotal	<u>(734,774)</u>	<u>(161,343)</u>	<u>-0-</u>	<u>(896,117)</u>
Net capital assets being depreciated	<u>2,337,014</u>	<u>71,250</u>	<u>-0-</u>	<u>2,408,264</u>
Capital assets, net	<u>\$ 2,569,607</u>	<u>\$ 71,250</u>	<u>\$(232,593)</u>	<u>\$ 2,408,264</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2009.

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
Special Assessment Limited					
Tax Bonds Payable	\$ 50,000	\$ -	\$ 5,000	\$ 45,000	\$ 5,000
2007 Installment Purchase Agreement	1,100,000	-	-	1,100,000	-
2009 Equipment Lease Purchase	-	154,000	19,445	134,555	20,240
Compensated Absences	64,956	71,484	54,489	81,951	16,312
	1,214,956	225,484	78,934	1,361,506	41,552
Business-type activities					
Electric Light and Power System					
1994 Revenue Bonds	200,000	-	100,000	100,000	100,000
2008 Capital Improvement Bonds	1,690,000	-	45,000	1,645,000	45,000
Sewage Disposal System					
1995 Revenue Bonds	160,000	-	20,000	140,000	20,000
Water System					
2004 Water System Bonds	1,179,872	-	55,000	1,124,872	60,000
Compensated absences	41,861	45,575	46,090	41,346	5,430
	3,271,733	45,575	266,090	3,051,218	230,430
TOTAL PRIMARY GOVERNMENT	4,486,689	271,059	345,024	4,412,724	271,982
COMPONENT UNIT					
Downtown Development Authority					
General Obligation Bonds	1,505,000	-	110,000	1,395,000	145,000
	<u>\$ 5,991,689</u>	<u>\$ 271,059</u>	<u>\$ 455,024</u>	<u>\$ 5,807,724</u>	<u>\$ 416,982</u>

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

PRIMARY GOVERNMENT

Special Assessment Limited Tax Bonds Payable (payable from Debt Service Fund)

The City issued Special Assessment Limited Tax Bonds for purposes of defraying the cost of installing portions of the sanitary sewer system in the Market and Canal Street area. The principal and interest requirements on these bonds are to be paid out of special assessments to be made against the benefited properties. These bonds are also backed by the full faith and credit of the City of Portland.

The following summarizes the significant details regarding this bond issue:

\$120,000 Special Assessment Limited Tax Bonds Series 1995 dated May 1, 1995, due in annual installments ranging from \$5,000 to \$15,000 through December 1, 2014, with interest ranging from 5.90 to 6.25 percent, payable semi-annually.

\$ 45,000

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Installment Purchase Agreement

\$1,100,000 Installment Purchase Agreement dated January 15, 2007, due in semi-annual installments ranging from \$0 to \$324,870 through January 15, 2017, with interest of 4.9 percent, payable semi-annually.

\$ 1,100,000

Lease Purchase Agreement

\$154,000 Lease Purchase Agreement dated May 15, 2008, due in annual installments ranging from \$19,445 to \$24,732 through May 15, 2015, with interest at 4.09 percent, payable annually.

\$ 134,555

Electric Light and Power System Revenue Bonds

The City issued Electric Revenue Bonds for purposes of financing improvements and acquisition and installation of equipment related to the Electric Light and Power System. The principal and interest requirements on the bonds are to be paid solely from the net revenues of the utility system.

The following summarizes the significant details regarding this bond issue:

\$600,000 Electric Revenue Bonds Series 1994 dated December 1, 1994, due in annual installments of \$100,000 through August 1, 2009, with interest of 7.00 percent, payable semi-annually.

\$ 100,000

Sewage Disposal System Revenue Bonds

The City issued Wastewater Revenue Bonds for purposes of installing portions of the sanitary sewer system in the Market and Canal Street area. The principal and interest requirements on the bonds are to be paid solely from the net revenues of the sewage disposal system.

The following summarizes the significant details regarding this bond issue:

\$300,000 Wastewater Revenue Bonds Series 1995 dated May 1, 1995, due in annual installments ranging from \$20,000 to \$30,000 through December 1, 2014, with interest ranging from 6.10 to 6.35 percent, payable semi-annually.

\$ 140,000

Water System Bonds

\$1,344,872 Water System Bonds dated September 25, 2003, due in annual installments ranging from \$60,000 to \$85,000 through October 1, 2024, with interest of 2.50 percent, payable semi-annually.

\$ 1,124,872

2008 Electric Light and Power System Capital Improvement Bonds

\$1,690,000 Capital Improvement Bonds dated April 17, 2008, due in annual installments ranging from \$45,000 to \$105,000 through June 30, 2033, with interest ranging from 3.00 to 4.25 percent, payable semi-annually.

\$ 1,645,000

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DISCRETELY PRESENTED

General Obligation Bonds

The City of Portland Downtown Development Authority (a component unit) issued Limited Tax General Obligation Downtown Development Bonds for purposes of financing construction and improvements outlined in the Downtown Development and Financing Plan along with the construction of a new City Hall. The principal and interest requirements on these bonds are to be paid from the portion of property tax levies related to the Downtown Development Authority districts. These bonds are also backed by the full faith and credit of the City of Portland.

The following summarizes the significant details regarding these bond issues:

\$995,000 Limited Tax General Obligation Downtown Development Bond dated June 1, 2001, due in annual installments ranging from \$75,000 to \$125,000 through October 1, 2016, with interest ranging from 4.40 to 5.00 percent, payable semi-annually.	\$ 725,000
\$1,005,000 Limited Tax General Obligation Downtown Development Bonds dated August 22, 2001, due in annual installments ranging from \$70,000 to \$100,000 through October 1, 2016, with interest of 4.75 percent, payable semi-annually.	<u>670,000</u>
	<u>\$ 1,395,000</u>

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 \$123,297 at June 30, 2009. Of this amount, \$81,951 and \$41,346 are shown as accrued liabilities in the governmental and business-type activities financial statements, respectively, in accordance with criteria disclosed in Note A.

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

Primary Government

Year Ending June 30,	<u>Revenue Bonds</u>		<u>Water System Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 120,000	\$ 11,668	\$ 60,000	\$ 27,372
2011	20,000	6,938	60,000	25,872
2012	20,000	5,693	60,000	24,372
2013	25,000	4,280	60,000	22,872
2014	25,000	2,688	65,000	21,309
2015-2019	30,000	953	350,000	94,922
2020-2024	-	-	395,000	34,672
2025	-	-	<u>74,872</u>	<u>936</u>
	<u>\$ 240,000</u>	<u>\$ 32,220</u>	<u>\$ 1,124,872</u>	<u>\$ 252,327</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE H: LONG-TERM DEBT - CONTINUED

Primary Government - continued

Year Ending June 30,	Installment Purchase Agreement		Special Assessment Limited Tax Bonds	
	Principal	Interest	Principal	Interest
2010	\$ -	\$ 54,649	\$ 5,000	\$ 2,618
2011	103,783	53,360	5,000	2,320
2012	109,003	48,139	5,000	2,018
2013	114,362	42,781	5,000	1,711
2014	120,238	36,905	10,000	1,248
2015-2017	<u>652,614</u>	<u>73,251</u>	<u>15,000</u>	<u>469</u>
	<u>\$ 1,100,000</u>	<u>\$ 309,085</u>	<u>\$ 45,000</u>	<u>\$ 10,384</u>

Year Ending June 30,	Lease Purchase Agreement		Capital Improvement Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 20,240	\$ 5,503	\$ 45,000	\$ 64,640
2011	21,068	4,676	45,000	63,290
2012	21,929	3,814	50,000	61,940
2013	22,826	2,917	50,000	60,315
2014	23,760	1,983	50,000	58,628
2015-2019	24,732	1,012	280,000	264,877
2020-2024	-	-	330,000	207,138
2025-2029	-	-	405,000	134,352
2030-2033	-	-	390,000	42,500
	<u>\$ 134,555</u>	<u>\$ 19,905</u>	<u>\$ 1,645,000</u>	<u>\$ 957,680</u>

Component Unit

Year Ending June 30,	General Obligation Downtown Development Bonds	
	Principal	Interest
2010	\$ 145,000	\$ 63,163
2011	150,000	56,382
2012	150,000	49,407
2013	155,000	42,239
2014	160,000	34,757
2015-2017	<u>635,000</u>	<u>48,231</u>
	<u>\$ 1,395,000</u>	<u>\$ 294,179</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE I: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Council and by negotiation with the City's collective bargaining units. The plan requires no contribution from the employees.

Annual Pension Cost

For year ended June 30, 2009, the City's annual pension cost of \$293,704 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement.

The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Actuarial value of assets	\$ 6,642,678	\$ 6,955,639	\$ 6,990,454
Actuarial accrued liability (AAL) (entry age)	8,919,615	9,758,390	10,315,815
Unfunded AAL	2,276,937	2,802,751	3,325,361
Funded ratio	74 %	71 %	68 %
Covered payroll	1,704,351	1,802,933	1,702,414
UAAL as a percentage of covered payroll	134 %	155 %	195 %

	Year Ended June 30,		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Annual pension cost	\$ 271,691	\$ 294,383	\$ 293,704
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE J: DEFERRED COMPENSATION PLAN

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

NOTE K: 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, 2009:

REVENUES	
Licenses and permits	
Permits	\$ 1,126
EXPENDITURES	
Salaries and wages	63,022
Fringe benefits	15,023
Contractual services	1,355
Supplies	3,866
Vehicle rental	1,915
Other	<u>252</u>
TOTAL EXPENDITURES	<u>85,433</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$(84,307)</u>

NOTE L: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE M: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the City has set aside for specific purposes.

The following are the various fund balance reserves as of June 30, 2009:

Primary Government	
Nonmajor governmental funds	
Reserved for debt service	\$ 7,200
Reserved for perpetual care	<u>146,242</u>
Total primary government	<u>\$ 153,442</u>
Component Unit Fund	
Downtown Development Authority	
Reserved for debt service	<u>\$ 130,639</u>

The amount of \$130,639 represents the reserved amount of fund balance that the Authority has set aside for debt service in accordance with the requirements of bond resolutions.

The following is a fund balance designation as of June 30, 2009:

Primary Government	
General Fund	
Designated for capital projects	<u>\$ 577,500</u>

NOTE N: RESTRICTED NET ASSETS

Restrictions of net assets 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 asset restrictions as of June 30, 2009:

PRIMARY GOVERNMENT	
Governmental Activities	
Other Purposes	
Major Street	\$ 13,222
Local Street	186,942
Cemetery Perpetual Care	<u>146,242</u>
	<u>\$ 346,406</u>
Business-type Activities	
Restricted for utilities	
Electric Light and Power	<u>\$ 125,000</u>
Restricted for Debt Service	
Electric Light and Power	\$ 105,270
Sewage Disposal System	<u>46,860</u>
	<u>\$ 152,130</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE N: RESTRICTED NET ASSETS - CONTINUED

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

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

COMPONENT UNIT

Downtown Development Authority
Restricted for debt service

\$ 130,639

NOTE O: POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides certain health care benefits for retired employees. Substantially all of the City's employees may become eligible for these benefits if they reach the normal retirement age of 55 with at least 25 years of credited service while working for the City. These benefits are provided until age 65, at which time the individuals are eligible for Medicare coverage.

The cost of retiree health care benefits is recognized as an expenditure as insurance premiums are paid. For the year ended June 30, 2009, those costs totaled \$39,364.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (other than pensions). The rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The pronouncement is effective for the year ending June 30, 2010.

NOTE P: RELIANCE ON FUNDING SOURCES

Downtown Development Authority (Component Unit)

As a result of constitutional and statutory amendments related to school financing, the City of Portland Downtown Development Authority (Component Unit) is not able to capture as much tax increment revenue related to school property taxes as in the past. Also, the amount of school property taxes available to be captured has dramatically decreased.

The amount that can now be captured depends on whether the Authority has met certain criteria. The City of Portland Downtown Development Authority appears to have met the required criteria which will allow the Authority to capture school property taxes in an amount up to either the annual debt service requirements for both DDA general obligation debt issues or the non-school property taxes captured, whichever is less.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE Q: CONTRACTUAL COMMITMENTS

The City has entered into various contracts relating to road improvements and building construction that were not completed at June 30, 2009. The contractual commitments outstanding at June 30, 2009, total \$50,815. The City plans to cover these commitments with existing fund equity from the Sewage Disposal System Fund.

NOTE R: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

In the budgetary comparison schedules, the City's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2009, the City incurred expenditures in the Income Tax Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Income Tax Fund	\$ 1,448,095	\$ 1,695,428	\$ 247,333

REQUIRED SUPPLEMENTARY INFORMATION

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 1,029,990	\$ 1,029,990	\$ 1,032,958	\$ 2,968
Penalties and interest	8,900	8,900	8,742	(158)
Tax collection	42,500	42,500	42,700	200
Total taxes	1,081,390	1,081,390	1,084,400	3,010
Licenses and permits				
Cable television license	16,000	16,000	16,964	964
City licenses and permits	-	-	1,838	1,838
Total licenses and permits	16,000	16,000	18,802	2,802
Intergovernmental				
State				
Sales tax	431,400	431,400	440,181	8,781
Act 302 training funds	1,200	1,200	1,272	72
State liquor license	2,900	2,900	3,015	115
Local	18,500	18,500	18,500	-0-
Total intergovernmental	454,000	454,000	462,968	8,968
Charges for services				
Fire protection - townships	128,000	128,000	126,323	(1,677)
Cemetery fees and lot sales	24,300	24,300	24,188	(112)
Administrative charges	287,457	287,457	287,448	(9)
Other fees	14,950	14,950	9,041	(5,909)
Total charges for services	454,707	454,707	447,000	(7,707)
Fines and forfeits				
Parking	1,700	1,700	3,648	1,948
District court	19,000	19,000	17,923	(1,077)
Other	5,000	5,000	4,095	(905)
Total fines and forfeits	25,700	25,700	25,666	(34)
Interest and rents	44,000	44,000	52,257	8,257
Other				
Donations	13,000	13,000	1,946	(11,054)
Reimbursements	46,425	46,425	52,080	5,655
Total other	59,425	59,425	54,026	(5,399)
TOTAL REVENUES	2,135,222	2,135,222	2,145,119	9,897

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2009

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
Council, boards, and commissions	\$ 9,960	\$ 9,960	\$ 8,268	\$ 1,692
Community promotions	128,400	128,400	98,109	30,291
City manager	149,654	149,654	138,993	10,661
Assessing services	60,171	60,171	40,467	19,704
Elections	9,210	9,210	6,708	2,502
City hall and grounds	73,065	73,065	59,795	13,270
General administrative	370,804	370,804	316,494	54,310
Cemetery operations	140,517	147,003	132,139	14,864
Total general government	941,781	948,267	800,973	147,294
Public safety				
Police department	712,223	712,223	648,147	64,076
Fire department	225,711	225,711	196,060	29,651
Code enforcement	127,334	127,334	85,433	41,901
Total public safety	1,065,268	1,065,268	929,640	135,628
Public works				
Street lighting	56,000	56,000	42,374	13,626
Health and welfare				
Ambulance service	47,363	47,363	47,363	-0-
Community and economic development				
Economic development	66,998	66,998	60,152	6,846
Recreation and cultural				
Parks department	194,000	200,486	183,221	17,265
TOTAL EXPENDITURES	2,371,410	2,384,382	2,063,723	320,659
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(236,188)	(249,160)	81,396	330,556

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers in				
Electric Light and Power System Fund	\$ 40,521	\$ 40,521	\$ 40,521	\$ -0-
Sewage Disposal System Fund	27,196	27,196	27,196	-0-
Water System Fund	27,196	27,196	27,196	-0-
Transfers out				
Recreation Fund	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>74,913</u>	<u>74,913</u>	<u>74,913</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(161,275)	(174,247)	156,309	330,556
Fund balance, beginning of year	<u>759,647</u>	<u>759,647</u>	<u>759,647</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 598,372</u>	<u>\$ 585,400</u>	<u>\$ 915,956</u>	<u>\$ 330,556</u>

City of Portland

City Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 712,500	\$ 712,500	\$ 729,786	\$ 17,286
Fines and forfeits	10,000	10,000	20,273	10,273
Interest	-	-	3,705	3,705
Other				
Special assessments	7,218	7,218	8,626	1,408
Other	-	-	116	116
TOTAL REVENUES	729,718	729,718	762,506	32,788
EXPENDITURES				
Current				
General government	180,095	180,095	160,974	19,121
EXCESS OF REVENUES OVER EXPENDITURES	549,623	549,623	601,532	51,909
OTHER FINANCING SOURCES (USES)				
Transfers in	211,000	392,000	211,000	(181,000)
Transfers out	(1,268,000)	(1,268,000)	(1,534,454)	(266,454)
TOTAL OTHER FINANCING SOURCES (USES)	(1,057,000)	(876,000)	(1,323,454)	(447,454)
NET CHANGE IN FUND BALANCE	(507,377)	(326,377)	(721,922)	(395,545)
Fund balance, beginning of year	821,808	821,808	821,808	-0-
Fund balance, end of year	\$ 314,431	\$ 495,431	\$ 99,886	\$ (395,545)

City of Portland

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - State	\$ 903,790	\$ 903,790	\$ 464,152	\$ (439,638)
Interest	15,000	15,000	3,700	(11,300)
Other	-	-	1,427	1,427
TOTAL REVENUES	918,790	918,790	469,279	(449,511)
EXPENDITURES				
Current				
Public works				
Administrative	42,525	42,525	21,615	20,910
Construction	3,000,000	3,000,000	2,529,719	470,281
Maintenance	245,631	245,631	191,334	54,297
TOTAL EXPENDITURES	3,288,156	3,288,156	2,742,668	545,488
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,369,366)	(2,369,366)	(2,273,389)	95,977
OTHER FINANCING SOURCES				
Transfers in	1,057,000	1,057,000	1,112,454	55,454
NET CHANGE IN FUND BALANCE	(1,312,366)	(1,312,366)	(1,160,935)	151,431
Fund balance, beginning of year	1,174,157	1,174,157	1,174,157	-0-
Fund balance, end of year	\$ (138,209)	\$ (138,209)	\$ 13,222	\$ 151,431

OTHER SUPPLEMENTARY INFORMATION

City of Portland
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2009

	Special Revenue		
	Local Street	Recreation	Portland Area Ambulance
ASSETS			
Cash and cash equivalents	\$ 93,094	\$ 32,789	\$ (15,289)
Accounts receivable	748	-	5,372
Special assessments receivable	-	-	-
Due from other governmental units	10,949	-	84,058
Due from other funds	89,273	-	-
	\$ 194,064	\$ 32,789	\$ 74,141
TOTAL ASSETS			
	\$ 194,064	\$ 32,789	\$ 74,141
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,100	\$ 4,372	\$ 14,190
Accrued liabilities	2,194	1,264	6,376
Due to other funds	3,828	-	-
Deferred revenue	-	-	-
	7,122	5,636	20,566
TOTAL LIABILITIES			
FUND BALANCES			
Reserved for:			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
Special Revenue Funds	186,942	27,153	53,575
	186,942	27,153	53,575
TOTAL FUND BALANCES			
	186,942	27,153	53,575
TOTAL LIABILITIES AND FUND BALANCES			
	\$ 194,064	\$ 32,789	\$ 74,141

<u>Funds</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Downtown Rehabilitation</u>	<u>Special Assessments</u>	<u>MDEQ Wellhead Protection Grant</u>	<u>Cemetery Perpetual Care</u>	
\$ 1	\$ (2,113)	\$ -	\$ 146,242	\$ 254,724
-	-	-	-	6,120
-	9,893	-	-	9,893
-	-	-	-	95,007
-	23,437	-	-	112,710
<u>\$ 1</u>	<u>\$ 31,217</u>	<u>\$ -0-</u>	<u>\$ 146,242</u>	<u>\$ 478,454</u>
\$ -	\$ -	\$ -	\$ -	\$ 19,662
-	-	-	-	9,834
-	14,124	-	-	17,952
-	9,893	-	-	9,893
-0-	24,017	-0-	-0-	57,341
-	-	-	146,242	146,242
-	7,200	-	-	7,200
<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,671</u>
<u>1</u>	<u>7,200</u>	<u>-0-</u>	<u>146,242</u>	<u>421,113</u>
<u>\$ 1</u>	<u>\$ 31,217</u>	<u>\$ -0-</u>	<u>\$ 146,242</u>	<u>\$ 478,454</u>

City of Portland

Nonmajor Governmental Funds

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

Year Ended June 30, 2009

	Special Revenue		
	Local Street	Recreation	Portland Area Ambulance
REVENUES			
Taxes	\$ 81,548	\$ -	\$ -
Intergovernmental	75,878	18,700	-
Charges for services	-	80,002	388,181
Interest and rents	1,055	7	-
Other	942	7,052	1,073
TOTAL REVENUES	159,423	105,761	389,254
EXPENDITURES			
Current			
Public works	256,487	-	-
Health and welfare	-	-	417,688
Recreation and cultural	-	130,161	-
Debt service	-	-	-
TOTAL EXPENDITURES	256,487	130,161	417,688
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(97,064)	(24,400)	(28,434)
OTHER FINANCING SOURCES (USES)			
Transfers in	100,000	20,000	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	100,000	20,000	-0-
NET CHANGE IN FUND BALANCES	2,936	(4,400)	(28,434)
Fund balances, beginning of year	184,006	31,553	82,009
Fund balances, end of year	<u>\$ 186,942</u>	<u>\$ 27,153</u>	<u>\$ 53,575</u>

<u>Funds</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Downtown Rehabilitation</u>	<u>Special Assessments</u>	<u>MDEQ Wellhead Protection Grant</u>	<u>Cemetery Perpetual Care</u>	
\$ -	\$ -	\$ -	\$ -	\$ 81,548
-	-	-	-	94,578
-	-	-	2,700	470,883
-	1,144	-	-	2,206
-	2,351	-	-	11,418
<u>-0-</u>	<u>3,495</u>	<u>-0-</u>	<u>2,700</u>	<u>660,633</u>
-	-	-	-	256,487
-	-	-	-	417,688
-	-	-	-	130,161
-	8,160	-	-	8,160
<u>-0-</u>	<u>8,160</u>	<u>-0-</u>	<u>-0-</u>	<u>812,496</u>
-0-	(4,665)	-0-	2,700	(151,863)
-	-	-	-	120,000
-	-	(10,136)	-	(10,136)
<u>-0-</u>	<u>-0-</u>	<u>(10,136)</u>	<u>-0-</u>	<u>109,864</u>
-0-	(4,665)	(10,136)	2,700	(41,999)
<u>1</u>	<u>11,865</u>	<u>10,136</u>	<u>143,542</u>	<u>463,112</u>
<u>\$ 1</u>	<u>\$ 7,200</u>	<u>\$ -0-</u>	<u>\$ 146,242</u>	<u>\$ 421,113</u>

City of Portland

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2009

ASSETS	
Cash	\$ 44,426
Cash - restricted	<u>130,639</u>
TOTAL ASSETS	<u>\$ 175,065</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accrued liabilities	\$ 1,438
FUND BALANCE	
Reserved for debt service	130,639
Unreserved - undesignated	<u>42,988</u>
TOTAL FUND BALANCE	<u>173,627</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 175,065</u>

City of Portland

Component Unit Fund

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2009

Total fund balance - governmental fund **\$ 173,627**

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

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

The cost of capital assets is	\$ 3,304,381	
Accumulated depreciation is	<u>(896,117)</u>	
Capital assets, net		2,408,264

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Accrued interest payable	16,619	
General obligation bonds	<u>1,395,000</u>	
		<u>(1,411,619)</u>

Net assets of governmental activities **\$ 1,170,272**

City of Portland

Component Unit Fund

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

Year Ended June 30, 2009

REVENUES	
Taxes	\$ 299,478
Interest	988
Other	<u>11,870</u>
TOTAL REVENUES	312,336
EXPENDITURES	
Current	
Community and economic development	36,886
Capital outlay	
Contracted services	62,204
Decorations and banners	4,675
Debt service	
Principal	110,000
Interest and fiscal charges	<u>69,475</u>
TOTAL EXPENDITURES	<u>283,240</u>
NET CHANGE IN FUND BALANCE	29,096
Fund balance, beginning of year	<u>144,531</u>
Fund balance, end of year	<u><u>\$ 173,627</u></u>

City of Portland

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2009

Net change in fund balance - governmental fund \$ 29,096

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

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (161,343)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in the governmental fund, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirements 110,000

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 the governmental fund. These activities consist of:

Decrease in accrued interest payable 1,250

Change in net assets of governmental activities \$ (20,997)

City of Portland

Miscellaneous Statistical Data (Unaudited)

Year Ended June 30, 2009

Taxable Valuation, State Equalized Valuation, and Tax Rates (last five years)

	Taxable Value	State Equalized Value	Tax Rates (Mills)
2006	\$ 83,580,558	\$ 102,551,112	13.7522
2007	88,389,705	108,390,015	13.7164
2008	92,845,971	113,539,785	13.6574
2009	95,860,546	113,660,965	13.6574
2010	97,700,199	110,689,000	13.6574

Taxable Value by Class and Use

	2006	2007	2008	2009	2010
<u>By Class</u>					
Real Property	\$ 78,753,652	\$ 83,481,176	\$ 87,853,780	\$ 90,322,840	\$ 92,195,299
Personal Property	4,826,906	4,980,529	4,992,191	5,537,706	5,504,900
	<u>\$ 83,580,558</u>	<u>\$ 88,461,705</u>	<u>\$ 92,845,971</u>	<u>\$ 95,860,546</u>	<u>\$ 97,700,199</u>
<u>By Use</u>					
Residential	\$ 58,710,247	\$ 62,399,227	\$ 66,047,861	\$ 67,707,450	\$ 68,996,751
Commercial	21,022,288	21,922,624	22,520,337	23,727,050	24,625,458
Industrial	2,773,605	2,954,618	3,172,582	3,411,548	3,350,890
Utility	712,643	744,593	722,301	711,214	727,100
Development	361,775	368,643	382,890	303,284	-
	<u>\$ 83,580,558</u>	<u>\$ 88,389,705</u>	<u>\$ 92,845,971</u>	<u>\$ 95,860,546</u>	<u>\$ 97,700,199</u>

State Equalized Valuation by Class and Use

	2006	2007	2008	2009	2010
<u>By Class</u>					
Real Property	\$ 97,407,834	\$ 103,192,359	\$ 108,229,596	\$ 108,123,259	\$ 105,184,100
Personal Property	5,143,278	5,197,656	5,310,189	5,537,706	5,504,900
	<u>\$ 102,551,112</u>	<u>\$ 108,390,015</u>	<u>\$ 113,539,785</u>	<u>\$ 113,660,965</u>	<u>\$ 110,689,000</u>
<u>By Use</u>					
Residential	\$ 72,525,056	\$ 77,927,853	\$ 82,119,946	\$ 80,731,118	\$ 77,853,200
Commercial	25,592,106	25,805,861	26,485,521	28,184,770	28,755,800
Industrial	3,139,508	3,299,264	3,551,315	3,412,759	3,352,900
Utility	712,643	744,593	722,301	711,214	727,100
Development	581,799	612,444	660,702	621,104	-
	<u>\$ 102,551,112</u>	<u>\$ 108,390,015</u>	<u>\$ 113,539,785</u>	<u>\$ 113,660,965</u>	<u>\$ 110,689,000</u>

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2009

Homestead Property Tax Rates by Governmental Unit

	2006	2007	2008	2009	2010
City of Portland	13.7522	13.7164	13.6574	13.6574	13.6574
County of Ionia	4.6640	4.6434	4.6434	4.6434	4.6434
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	4.4963	4.4728	4.4728	4.4728	4.4728
Library	1.7681	1.7039	1.6339	1.6939	1.7639
Seniors	0.3672	0.3750	0.3750	0.3750	0.3750
	<u>38.3978</u>	<u>38.2615</u>	<u>38.1325</u>	<u>38.1925</u>	<u>38.2625</u>

Non-homestead Property Tax Rates by Governmental Unit

	2006	2007	2008	2009	2010
City of Portland	13.7522	13.7164	13.6574	13.6574	13.6574
County of Ionia	4.6640	4.6434	4.6434	4.6434	4.6434
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Portland Public Schools	25.3500	25.3500	25.3500	25.3500	25.3500
Intermediate School District	4.4963	4.4728	4.4728	4.4728	4.4728
Library	1.7681	1.7039	1.6339	1.6939	1.7639
Seniors	0.3672	0.3750	0.3750	0.3750	0.3750
	<u>56.3978</u>	<u>56.2615</u>	<u>56.1325</u>	<u>56.1925</u>	<u>56.2625</u>

Tax Levies and Collections

A history of tax levies and collections for the City is as follows:

Property Tax Collections

	Tax Levy	Collections to March 1, each year	Percent Collected
2006	\$ 991,361	\$ 932,281	94.04%
2007	1,044,015	991,994	95.02%
2008	1,086,610	1,024,103	94.25%
2009	1,110,646	1,047,075	94.28%
2010	1,125,267	In Process	In Process

Income Tax Collections

	Gross Tax Collections	Net Income Tax Collections	(Decrease) over Prior Year
2006	\$ 745,394	\$ 598,745	10.36%
2007	729,510	591,099	-1.27%
2008	757,237	620,251	4.93%
2009	792,585	641,580	3.44%
2010	762,505	601,534	-6.24%

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2009

Major Taxpayers

The top ten taxpayers in the City and their 2010 taxable value are as follows:

<u>Taxpayer</u>	<u>Product/Service</u>	<u>Taxable Value</u>	<u>Percentage of Total</u>
Portland Partners	Apartments	\$ 2,446,081	2.50%
Ellen's Properties	Grocery, Hardware, Video	2,086,608	2.14%
TRW Automotive	Tie Rods, Steering Linkages	1,189,800	1.20%
LAWCO	Apartments	1,082,836	1.11%
ADM Alliance Nutrition	Feed Production	803,330	0.82%
Consumers Energy	Utility	713,600	0.73%
American Heritage	Hotel	633,115	0.65%
Portland Products	Stamping Plant	595,872	0.61%
Rite-Aid	Pharmacy/Retail	579,500	0.59%
Vollman Ford	Auto Dealership	573,603	0.59%
		10,704,345	10.94%
	Other Taxpayers	86,995,854	89.06%
		<u>\$ 97,700,199</u>	<u>100.00%</u>

Revenues from the State of Michigan

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Estimated 2010</u>
State Revenue Sharing	\$ 450,576	\$ 446,198	\$ 430,751	\$ 440,181	\$ 409,991
Other	4,209	4,264	4,314	4,287	4,200
Total	<u>\$ 454,785</u>	<u>\$ 450,462</u>	<u>\$ 435,065</u>	<u>\$ 444,468</u>	<u>\$ 414,191</u>

Debt Ratios at June 30, 2009

	<u>Direct Debt</u>	<u>Overlapping Debt</u>	<u>Direct and Overlapping Debt</u>
Per Capita (3,789)	\$ 1,927	\$ 9,623	\$ 11,550
Ratio to 2009 Taxable Valuation	7.62%	38.04%	45.65%
Ratio to 2009 State Equalized Valuation	6.42%	32.08%	38.50%
Ratio to 2009 True Cash Value	3.13%	15.64%	18.78%

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2009

Legal Debt Margin

Act 279, Public acts of Michigan, 1909, as amended, provide that the net indebtedness of the City shall not be in excess of 10% of the state equalized valuation of all real and personal property. According to Act 279, bonds not included for purposes of calculating the legal debt margin are:

- (1) Special Assessment Bonds
- (2) Transportation Fund Bonds
- (3) Revenue Bonds
- (4) Pollution Abatement Bonds for public health purposes
- (5) Water Resources Commission or court ordered bonds

2010 State Equalized Valuation:	<u>\$ 110,689,000</u>
Debt Limit - 10% of State Equalized Valuation	\$ 11,068,900
Amount of Direct Debt Outstanding	
Less:	
Multi-Authority Issued Bonds	\$ 1,217,512
DDA Bonds	1,395,000
Electric Revenue Bonds	100,000
Water and Wastewater Bonds	1,800,000
Special Assesment Bonds	45,000
Capital Improvement Bonds	1,645,000
Installment Purchase Obligations	<u>1,100,000</u>
	<u>7,302,512</u>
Legal debt margin remaining	<u>\$ 3,766,388</u>

Computation of Direct and Overlapping Debt at June 30, 2009

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Portland</u>	<u>Amount Applicable to City of Portland</u>
Ionia County	\$ 367,863	6.23%	\$ 22,918
Ionia County Intermediate School District	1,085,000	5.51%	59,784
Portland District Library	2,435,000	33.61%	818,404
Portland Public Schools	<u>32,573,709</u>	27.15%	<u>8,843,762</u>
Total Overlapping Debt	36,461,572		9,744,868
City Direct Debt	<u>7,302,512</u>		<u>1,100,000</u>
Total City Direct and Overlapping Debt	<u>\$ 43,764,084</u>		<u>\$ 10,844,868</u>

Note:

The obligations represent bonded debt where an unlimited tax full faith and credit pledge of the government unit is made as security for payment of the associated principal and interest on the bonds.

Principals

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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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Portland, Michigan, as of and for the year ended June 30, 2009, which collectively comprise the City of Portland's basic financial statements, and have issued our report thereon dated November 6, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Portland's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Portland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

2009-1 BUDGETS

Condition: As noted in the required supplementary information to the financial statements, the Income Tax (Special Revenue) Fund in total exceeded the amounts appropriated. It was also noted that the City budgeted for a deficit fund balance in the Major Streets (Special Revenue) Fund.

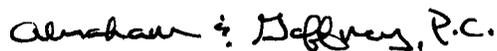
Criteria: Michigan Public Act 621 of 1978, as amended, provides that the City adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures and prohibits budgeting for a deficit fund balance.

Effect: The City had instances of budgetary noncompliance relative to State law in the areas where the overages occurred.

Recommendation: We recommend the City continue to monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: The City will monitor outstanding contract amounts and retainage payables more closely at year-end in the future so that budget amendments can be made in advance.

This report is intended solely for the information and use of management and the City Council of the City of Portland, others within the City, applicable departments of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 6, 2009