

**City of Portland
Ionia County, Michigan**

FINANCIAL STATEMENTS

June 30, 2010

City of Portland
Ionia County, Michigan

June 30, 2010

CITY COUNCIL AND ADMINISTRATION

James Barnes	Mayor
Julie Clement	Mayor Pro-Tem
Joel VanSlambrouck	Council member
Steve Calley	Council member
Steve Fabiano	Council member
Thomas Dempsey	City Manager
Nikki 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Michigan (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Michigan, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, 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 1, 2010, 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 1, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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, 2010. 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 \$30,327,642 (excluding component units).
- Governmental activities net assets were \$14,715,271.
- Business-type activity net assets were \$15,612,371.
- Component Unit net assets were \$1,180,679.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,355,921 with \$1,303,325 being reserved, designated, or otherwise earmarked for specific purposes (cemetery perpetual care and capital projects).
- The General Fund realized \$13,534 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$696,856 less than appropriated.
- Overall, the General Fund balance decreased by \$846,134 to \$69,822.

Capital and Long-term Debt Activities:

- The total additions to the capital asset schedule for the primary government were \$1,425,144. Significant capital purchases during the year included the Grape Street, Detroit Street, and Divine Highway reconstruction costs incurred before June 30, 2010; Trail Connector Loop planning and design costs incurred before June 30, 2010, the costs for the utility extension and stormwater improvements to support development along East Grand River Avenue.
- The total long-term debt for the primary government was \$4,691,602, an increase of \$278,878 from the prior year. This increase was largely due to the long-term debt addition of \$1,800,000 in capital improvement bonds, paying off the 2007 Installment Purchase Agreement (\$1,100,000), the 1995 Revenue Bonds (\$140,000), the 1994 Revenue Bonds (\$100,000), 1994 Special Assessment Bonds (\$45,000), and paying down other debt in accordance with established debt amortization schedules.
- 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 \$102,983,300.

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, 2010

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 2009/2010. 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, 2010

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

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

- **Governmental Funds** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted, e.g. income tax, major street, local street, ambulance and recreation funds), *Capital Projects Funds* (used to report major capital acquisitions and construction, e.g. the Capital Improvement Fund - Street Projects), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest, e.g. the special assessments fund).
- **Proprietary Funds** - Services for which the City charges customers (whether outside the City structure or a City department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer Disposal System Fund. *Internal Service funds* report activities that provide supplies or service to the City's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- **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, 2010

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 \$30,327,642 at the end of this fiscal year's operations. The net assets of the governmental activities were \$14,715,271; the business type activities were \$15,612,371.

Net Assets as of June 30, 2009 and 2010

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Current and Other Assets	\$ 1,913,881	\$ 2,810,012	\$ 4,344,022	\$ 4,345,740	\$ 6,257,903	\$ 7,155,752
Capital Assets	<u>15,041,457</u>	<u>14,868,606</u>	<u>14,483,366</u>	<u>14,783,561</u>	<u>29,524,823</u>	<u>29,652,167</u>
Total Assets	<u>\$ 16,955,338</u>	<u>\$ 17,678,618</u>	<u>\$ 18,827,388</u>	<u>\$ 19,129,301</u>	<u>\$ 35,782,726</u>	<u>\$ 36,807,919</u>
Current Liabilities	\$ 346,419	\$ 1,038,974	\$ 738,831	\$ 738,241	\$ 1,085,250	\$ 1,777,215
Noncurrent Liabilities	<u>1,319,954</u>	<u>1,924,373</u>	<u>3,013,159</u>	<u>2,778,689</u>	<u>4,333,113</u>	<u>4,703,062</u>
Total Liabilities	<u>\$ 1,666,373</u>	<u>\$ 2,963,347</u>	<u>\$ 3,751,990</u>	<u>\$ 3,516,930</u>	<u>\$ 5,418,363</u>	<u>\$ 6,480,277</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 13,761,902	\$ 12,954,291	\$ 11,473,494	\$ 12,118,689	\$ 25,235,396	\$ 25,072,980
Restricted	346,406	531,912	277,130	199,986	623,536	731,898
Unrestricted	<u>1,180,657</u>	<u>1,229,068</u>	<u>3,324,774</u>	<u>3,293,696</u>	<u>4,505,431</u>	<u>4,522,764</u>
Total Net Assets	<u>\$ 15,288,965</u>	<u>\$ 14,715,271</u>	<u>\$ 15,075,398</u>	<u>\$ 15,612,371</u>	<u>\$ 30,364,363</u>	<u>\$ 30,327,642</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, 2010

Changes in Net Assets for the Fiscal Year Ending June 30, 2009 and 2010

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Revenues						
Program Revenues						
Charges for						
Services	\$ 1,086,224	\$ 1,032,441	\$ 4,693,343	\$ 4,693,796	\$ 5,779,567	\$ 5,726,237
Gifts and						
Contributions	591,161	533,171	-	-	591,161	533,171
General Revenues						
Property Taxes	1,114,507	1,129,875	-	-	1,114,507	1,129,875
State Shared						
Revenue	440,181	372,663	-	-	440,181	372,663
City Income Taxes	729,786	679,815	-	-	729,786	679,815
Investment Earnings	60,702	23,668	38,870	12,919	99,572	36,587
Miscellaneous	14,976	77,367	311,087	52,356	326,063	129,723
Transfers	(26,223)	(259,734)	26,223	259,734	-0-	-0-
Special items	-	235,788	-	-	-0-	235,788
Total Revenues	4,011,314	3,825,054	5,069,523	5,018,805	9,080,837	8,843,859
Expenses						
General Government	1,155,006	1,303,861	-	-	1,155,006	1,303,861
Public Safety	970,696	1,128,678	-	-	970,696	1,128,678
Public Works	851,291	934,957	-	-	851,291	934,957
Health and Welfare	479,243	562,853	-	-	479,243	562,853
Community and						
Economic Develop.	60,152	23,824	-	-	60,152	23,824
Recreation and						
Cultural	317,943	368,806	-	-	317,943	368,806
Other	3,685	75,769	4,613,624	4,481,832	4,617,309	4,557,601
Total Expenses	3,838,016	4,398,748	4,613,624	4,481,832	8,451,640	8,880,580
Increase (decrease) in Net Assets	173,298	(573,694)	455,899	536,973	629,197	(36,721)
Restated Net Assets -						
Beginning	15,115,667	15,288,965	14,619,499	15,075,398	29,735,166	30,364,363
Net Assets - Ending	\$ 15,288,965	\$ 14,715,271	\$ 15,075,398	\$ 15,612,371	\$ 30,364,363	\$ 30,327,642

Governmental Activities:

The result of 2009/2010 governmental activity was a decrease of \$573,694 in net assets to \$14,715,271. Of the total governmental activities' net assets, \$12,954,291 is invested in capital assets less related debt, \$531,912 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 \$1,229,068 is listed as unrestricted, having no legal commitment.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

Revenues:

The three largest revenue categories were property taxes at 29.5%, charges for services at 27.0%, and city income taxes at 17.8%. The City levied a property tax millage for the year ended June 30, 2010, 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 29.6% 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 25.7% of the governmental activities total on law enforcement, fire protection and code enforcement. Public Works is the third largest governmental activity, expended 21.3% of the governmental activities total.

Business-type Activities:

Net assets in business-type activities were increased by \$536,973 during fiscal year 2009/2010. Of the business-type activities' net assets, \$12,118,689 is invested in capital assets net of related debt, \$199,986 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 \$3,293,696 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2009/2010, its governmental funds reported *combined* fund balances of \$2,355,921. This is a net increase of \$905,744. The net changes are summarized in the following chart:

	General Fund	City Income Tax	Major Street	Capital Improvement Fund - Street Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 06/30/09	\$ 915,956	\$ 99,886	\$ 13,222	\$ -	\$ 421,113	\$ 1,450,177
Fund Balance 06/30/10	\$ 69,822	\$ 557,079	\$ 167,914	\$ 1,153,358	\$ 407,748	\$ 2,355,921
Net Change	\$ (846,134)	\$ 457,193	\$ 154,692	\$ 1,153,358	\$ (13,365)	\$ 905,744

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, 2010, the General Fund reported a fund balance of \$69,822. This amount is a net decrease of \$846,134 from the fund balance of \$915,956 reported as of June 30, 2009. The 2009/2010 original budget had called for a \$679,993 use of fund balance.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

The General Fund 2009/2010 expenditures exceeded 2009/2010 revenues by \$846,134 largely due to paying off \$1,176,209 in debt service and taking in \$300,000 in proceeds from the sale of land. It should be noted that the General Fund transferred \$46,277 to the Special Assessment Fund to prepay bond debt to save interest costs and \$15,000 to the Recreation Fund to support the operations.

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 \$2,422,468, \$777,132 below the final amended budget.

The \$777,132 deficit in budgeted General Fund revenue and other financing sources was due to slightly higher revenues (\$13,534), the transfer of cash and receivables from the special assessment fund due to prepayment by the General Fund (\$9,334) and the reclassification of an \$800,000 transfer from the water fund that was reclassified as an advance.

The City's original General Fund expenditures and other financing uses budget was increased by \$1,144,105 during 2009/2010. The increase can be attributed to prepaying of the Installment Purchase Agreement and Special Assessment Debt so the City could save interest payments.

Actual City expenditures and other financing uses for 2009/2010 were \$701,857 below the amended budget. The additions to the original budget were offset by reduced spending because of financial uncertainty associated with State cuts to revenue sharing and the deferral of the river trail connector loop project due to delays in getting permits from FHWA and MDOT.

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

- \$467,937 less than planned expenditures in the Parks and Recreation Department.
- \$45,694 less than planned expenditures in the Police Department.
- \$45,219 less than planned expenditures for General Administration.
- \$26,320 less than planned expenditures for Community Promotions.
- \$26,018 less than planned expenditures in the Fire Department.
- \$24,581 less than planned expenditures for Cemetery Operations.
- \$19,393 less than planned expenditures for City Hall Building and Grounds.
- \$13,205 less than planned expenditures for Assessing Department.
- \$7,986 less than planned for Economic Development.
- \$6,286 less than planned expenditures in the Code Enforcement Department.
- \$5,608 less than planned expenditures for Council, Boards, and Commissions.
- \$4,072 less than planned for Street Lighting.
- \$3,046 less than planned expenditures for the City Manager Department.
- \$1,491 less than planned expenditures for Elections.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

City Income Tax Fund

As of June 30, 2010, the City Income Tax Fund reported a fund balance of \$557,079, an increase of \$457,193 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. To address these capital needs, accelerate projects, and reduce inconvenience to residents the City issued \$1,800,000 in Capital Improvements Bonds in 2010 and intends to use Income Tax Fund to service the debt.

Major Street Fund

As of June 30, 2010, the Major Street Fund reported a fund balance of \$167,914, which is an increase of \$154,692 from the prior year. The entire balance of \$167,914 is undesignated/unreserved.

Enterprise Funds

As the City completed 2009/2010, its enterprise funds reported *combined* net assets of \$15,612,371. This is a net increase of \$536,973 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 06/30/10	\$ 8,881,009	\$ 2,406,560	\$ 4,318,755	\$ 6,047	\$ 15,612,371
Net Change	\$ 280,391	\$ 86,189	\$ 168,838	\$ 1,555	\$ 536,973

Electric Light and Power System Fund:

As of June 30, 2010, the Electric Light and Power System Fund reported net assets of \$8,881,009, an increase of \$280,391 from the prior year. Of the entire net assets, \$6,571,606 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, \$74,986 is restricted for debt service, and \$2,109,417 is unrestricted.

Sewage Disposal System Fund:

As of June 30, 2010, the Sewer Fund reported net assets of \$2,406,560, a decrease of \$86,189 from the prior year. Of the entire net assets, \$2,383,727 is invested in capital assets, net of related debt and \$22,833 is unrestricted.

Water System Fund:

As of June 30, 2010, the Water System Fund reported net assets of \$4,318,755, a net increase of \$168,838 from the prior year. Of the entire net assets, \$3,163,356 is invested in capital assets, net of related debt and \$1,155,399 is unrestricted.

City of Portland

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2009/2010, the City had invested \$29,652,167, and \$2,246,922 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 H of the Financial Statements. Net Book value of capital assets at June 30, 2010, was as follows:

	Governmental Activities	Business-type Activities	Component Unit DDA	Total
Land	\$ 2,231,039	\$ -	\$ -	\$ 2,231,039
Construction in progress	262,371	-	-	262,371
Land improvements, net	77,660	-	-	77,660
Buildings, net	262,140	-	1,690,650	1,952,790
Equipment and furniture, net	567,352	-	-	567,352
Electric system, net	-	8,171,606	-	8,171,606
Sewer system, net	-	2,383,727	-	2,383,727
Water system, net	-	4,228,228	-	4,228,228
Infrastructure Streets & Bridges, net	11,468,044	-	556,272	12,024,316
Capital assets, net	\$ 14,868,606	\$ 14,783,561	\$ 2,246,922	\$ 31,899,089

Long-term Debt - As of June 30, 2010, the City had \$4,691,457 in long-term debt outstanding for the primary government. This level of net obligation is \$278,733 more than the obligation recorded as of June 30, 2009.

Outstanding Debt as of June 30, 2010:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
Primary Government				
Governmental Activities				
Special Assessment Bonds	\$ 45,000	\$ -	\$ 45,000	\$ -0-
Installment Purchase Agreement	1,100,000	-	1,100,000	-0-
Equipment Lease Purchase	134,555	-	20,240	114,315
Capital Improvement Bonds	-	1,800,000	-	1,800,000
Compensated Absences	81,951	51,205	64,601	68,555
Business-type Activities				
Electric Revenue Bonds	100,000	-	100,000	-0-
Capital Improvement Bonds	1,645,000	-	45,000	1,600,000
Sewer Revenue Bonds	140,000	-	140,000	-0-
Water System Bonds	1,124,872	-	60,000	1,064,872
Compensated absences	41,346	49,066	46,697	43,715
Total Primary Government	4,412,724	1,900,271	1,621,538	4,691,457
Component Unit				
General Obligation Bonds	1,395,000	-	145,000	1,250,000
Compensated absences	-	145	-	145
Total Component Unit	1,395,000	145	145,000	1,250,145
Total Reporting Entity	\$ 5,807,724	\$ 1,900,416	\$ 1,767,538	\$ 5,941,602

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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

CITY OF PORTLAND GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing is expected to decrease for fiscal year 2010-2011 due to State budget problems.
- While health and dental insurance premiums continue to rise much faster than the rate of inflation, the City has decreased its premiums 11.12% to 19.1% by increasing deductibles and co-pays.
- The City has increased health and dental premium sharing with employees (from 4.6% to 10%).
- 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 20.5% for the non-union division, 19.7% for the POLC division and 22.8 % for the AFSCME division.
- Investment earnings are expected to decrease as market interest rates are lower. Average interest earned last year was 0.4% as compared to 1.39% for the previous year and 3.81% two years ago.
- The City's Workers Compensation premiums have decreased 1.49% (\$40,746 to \$40,138) and the City's dividend credit increased 255.5% (\$4,935 to \$12,607) so the overall actual out-of-pocket cost decreased 23.12% (\$35,811 to \$27,531).
- Property and Liability Insurance was bid out in 2010 reducing costs decreased by 14.5% (\$105,538 to \$90,293).

Michigan's economic woes have had an impact on the local economy. The City's income tax revenues decreased from \$756,546 in 2008 to \$729,786 in 2009 (a decrease of 3.5%) and from \$729,786 in 2009 to \$679,815 in 2010 (a decrease off 6.84%). The City's SEV has decreased from \$113,660,965 in 2008-2009 to \$110,689,000 in 2009-2010 (a decrease of 2.61%) and from \$110,689,000 in 2009-2010 to \$102,983,300 in 2010-2011 (a decrease of 6.96%). Revenues from property tax levies have decreased \$19,486 (1.73%). Despite these declines, there are reasons to believe that the local economy is already recovering based upon recent commercial (Family Farm & Home and Tom's Fuel Center) and industrial (Portland Products Expansion) development activity that are not reflected in this years financial statement.

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

CONTACTING THE CITY

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

BASIC FINANCIAL STATEMENTS

City of Portland

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,412,703	\$ 2,191,199	\$ 5,603,902	\$ 65,358
Cash and cash equivalents - restricted	-	299,665	299,665	134,672
Receivables	154,185	652,629	806,814	-
Due from other governmental units	43,124	-	43,124	-
Inventories	-	402,247	402,247	-
Total current assets	3,610,012	3,545,740	7,155,752	200,030
Noncurrent assets				
Internal balances	(800,000)	800,000	-0-	-
Capital assets not being depreciated	2,493,410	584,152	3,077,562	-
Capital assets being depreciated, net	12,375,196	14,199,409	26,574,605	2,246,922
Total noncurrent assets	14,068,606	15,583,561	29,652,167	2,246,922
TOTAL ASSETS	17,678,618	19,129,301	36,807,919	2,446,952
LIABILITIES				
Current liabilities				
Accounts payable	343,118	572,717	915,835	-
Accrued liabilities	59,831	14,237	74,068	1,165
Accrued interest payable	5,763	22,478	28,241	14,963
Current portion of compensated absences	19,194	23,809	43,003	145
Current portion of long-term debt	611,068	105,000	716,068	150,000
Total current liabilities	1,038,974	738,241	1,777,215	166,273
Noncurrent liabilities				
Customer deposits payable from restricted assets	-	198,911	198,911	-
Noncurrent portion of compensated absences	49,506	19,906	69,412	-
Noncurrent portion of long-term debt	1,303,247	2,559,872	3,863,119	1,100,000
Net other post-employment benefits obligation	571,620	-	571,620	-
Total noncurrent liabilities	1,924,373	2,778,689	4,703,062	1,100,000
TOTAL LIABILITIES	2,963,347	3,516,930	6,480,277	1,266,273
NET ASSETS				
Invested in capital assets, net of related debt	12,954,291	12,118,689	25,072,980	996,922
Restricted for:				
Utilities	-	125,000	125,000	-
Debt service	-	74,986	74,986	119,709
Other purposes	531,912	-	531,912	-
Unrestricted	1,229,068	3,293,696	4,522,764	64,048
TOTAL NET ASSETS	\$ 14,715,271	\$ 15,612,371	\$ 30,327,642	\$ 1,180,679

See accompanying notes to financial statements.

City of Portland

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

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	\$ 1,303,861	\$ 430,716	\$ 1,025	\$ -	\$ (872,120)	\$ -	\$ (872,120)	\$ -
Public safety	1,128,678	142,569	2,216	-	(983,893)	-	(983,893)	-
Public works	934,957	1,476	297,286	231,204	(404,991)	-	(404,991)	-
Health and welfare	562,853	378,481	-	-	(184,372)	-	(184,372)	-
Community and economic development	23,824	-	-	-	(23,824)	-	(23,824)	-
Recreation and cultural	368,806	79,199	1,440	-	(288,167)	-	(288,167)	-
Interest on long-term debt	75,769	-	-	-	(75,769)	-	(75,769)	-
Total governmental activities	4,398,748	1,032,441	301,967	231,204	(2,833,136)	-0-	(2,833,136)	-0-
Business-type activities								
Electric Light and Power System	3,233,337	3,508,452	-	-	-	275,115	275,115	-
Sewage Disposal System	576,873	530,180	-	-	-	(46,693)	(46,693)	-
Water System	584,394	567,313	-	-	-	(17,081)	(17,081)	-
Refuse	87,228	87,851	-	-	-	623	623	-
Total business-type activities	4,481,832	4,693,796	-0-	-0-	-0-	211,964	211,964	-0-
Total primary government	\$ 8,880,580	\$ 5,726,237	\$ 301,967	\$ 231,204	(2,833,136)	211,964	(2,621,172)	-0-
Component unit								
Downtown Development Authority	\$ 315,907	\$ -	\$ -	\$ -	-0-	-0-	-0-	(315,907)
General revenues								
Property taxes					1,129,875	-	1,129,875	309,235
State shared revenue					372,663	-	372,663	-
City income taxes					679,815	-	679,815	-
Investment earnings					23,668	12,919	36,587	413
Miscellaneous					77,367	52,356	129,723	16,666
Transfers					(259,734)	259,734	-0-	-
Total general revenues and transfers					2,023,654	325,009	2,348,663	326,314
Special item - gain on sale of land					235,788	-	235,788	-
Total general revenues and transfers and special item					2,259,442	325,009	2,584,451	326,314
Change in net assets					(573,694)	536,973	(36,721)	10,407
Net assets, beginning of the year					15,288,965	15,075,398	30,364,363	1,170,272
Net assets, end of the year					\$ 14,715,271	\$ 15,612,371	\$ 30,327,642	\$ 1,180,679

See accompanying notes to financial statements.

City of Portland
 Governmental Funds
 BALANCE SHEET

June 30, 2010

	General	City Income Tax	Major Street
ASSETS			
Cash and cash equivalents	\$ 976,516	\$ 455,270	\$ 160,646
Receivables			
Taxes	1,133	112,982	-
Accounts	1,968	2	-
Special assessments	6,669	2,981	-
Due from other governmental units	-	-	32,214
Due from other funds	11,366	-	-
	<u>\$ 997,652</u>	<u>\$ 571,235</u>	<u>\$ 192,860</u>
TOTAL ASSETS	<u>\$ 997,652</u>	<u>\$ 571,235</u>	<u>\$ 192,860</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 78,642	\$ 864	\$ 20,573
Accrued liabilities	42,519	998	2,320
Due to other funds	-	9,313	2,053
Advance from other funds	800,000	-	-
Deferred revenue	6,669	2,981	-
	<u>927,830</u>	<u>14,156</u>	<u>24,946</u>
TOTAL LIABILITIES	927,830	14,156	24,946
FUND BALANCES			
Reserved for:			
Perpetual care	-	-	-
Unreserved			
Designated for capital projects	-	-	-
Undesignated, reported in:			
General Fund	69,822	-	-
Special Revenue Funds	-	557,079	167,914
	<u>69,822</u>	<u>557,079</u>	<u>167,914</u>
TOTAL FUND BALANCES	<u>69,822</u>	<u>557,079</u>	<u>167,914</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 997,652</u>	<u>\$ 571,235</u>	<u>\$ 192,860</u>

Capital Improvement Fund - Street Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,165,758	\$ 601,700	\$ 3,359,890
-	-	114,115
-	28,412	30,382
-	-	9,650
-	10,910	43,124
-	-	11,366
<u>\$ 1,165,758</u>	<u>\$ 641,022</u>	<u>\$ 3,568,527</u>
\$ 12,400	\$ 220,739	\$ 333,218
-	12,535	58,372
-	-	11,366
-	-	800,000
-	-	9,650
<u>12,400</u>	<u>233,274</u>	<u>1,212,606</u>
-	149,967	149,967
1,153,358	-	1,153,358
-	-	69,822
-	257,781	982,774
<u>1,153,358</u>	<u>407,748</u>	<u>2,355,921</u>
<u>\$ 1,165,758</u>	<u>\$ 641,022</u>	<u>\$ 3,568,527</u>

City of Portland

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

June 30, 2010

Total fund balances - governmental funds \$ 2,355,921

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	\$ 20,624,895	
Accumulated depreciation is	<u>(6,107,692)</u>	
Capital assets, net		14,517,203

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.	271,833
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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	9,650
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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	1,800,000	
Net other post-employment benefits obligation	571,620	
Accrued interest payable	5,763	
Compensated absences	<u>61,953</u>	
		<u>(2,439,336)</u>

Net assets of governmental activities \$ 14,715,271

City of Portland

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2010

	General	City Income Tax	Major Street
REVENUES			
Taxes	\$ 1,100,908	\$ 679,815	\$ -
Licenses and permits	21,802	-	-
Intergovernmental	377,066	-	444,652
Charges for services	444,139	-	-
Fines and forfeits	24,823	22,529	-
Interest and rents	21,785	1,494	-
Other	23,521	6,479	1,488
TOTAL REVENUES	2,014,044	710,317	446,140
EXPENDITURES			
Current			
General government	761,162	171,868	-
Public safety	969,168	-	-
Public works	48,328	-	302,395
Health and welfare	49,257	-	-
Community and economic development	20,514	-	-
Recreation and cultural	182,687	-	-
Debt service	1,176,209	-	-
TOTAL EXPENDITURES	3,207,325	171,868	302,395
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,193,281)	538,449	143,745
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Transfers in	108,424	10,873	10,947
Transfers out	(61,277)	(92,129)	-
SPECIAL ITEM			
Proceeds from sale of land	300,000	-	-
TOTAL OTHER FINANCING SOURCES (USES) AND SPECIAL ITEM	347,147	(81,256)	10,947
NET CHANGE IN FUND BALANCES	(846,134)	457,193	154,692
Fund balances, beginning of year	915,956	99,886	13,222
Fund balances, end of year	<u>\$ 69,822</u>	<u>\$ 557,079</u>	<u>\$ 167,914</u>

See accompanying notes to financial statements.

Capital Improvement Fund - Street Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 82,554	\$ 1,863,277
-	-	21,802
-	74,950	896,668
-	461,405	905,544
-	-	47,352
-	1,085	24,364
-	58,505	89,993
-0-	678,499	3,849,000
-	-	933,030
-	-	969,168
-	473,883	824,606
-	432,280	481,537
-	-	20,514
-	131,064	313,751
16,640	48,067	1,240,916
16,640	1,085,294	4,783,522
(16,640)	(406,795)	(934,522)
1,800,000	-	1,800,000
-	413,637	543,881
(630,002)	(20,207)	(803,615)
-	-	300,000
1,169,998	393,430	1,840,266
1,153,358	(13,365)	905,744
-	421,113	1,450,177
<u>\$ 1,153,358</u>	<u>\$ 407,748</u>	<u>\$ 2,355,921</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, 2010

Net change in fund balances - total governmental funds \$ 905,744

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	\$ 429,191	
Depreciation expense and net effect of asset disposal	<u>(629,071)</u>	
Excess of depreciation expense over capital outlay		(199,880)

Proceeds from asset sales are reported as revenue in governmental funds. However, in the statement of activities, the asset's net book value minus the proceeds received from the sale are used to determine a gain or loss. In the current period, these amounts are:

Proceeds received from asset sale	(300,000)	
Expenses related to asset sale	16,499	
Net gain on asset sale	<u>235,788</u>	(47,713)

Internal service funds are used by management to charge the costs of certain activities to individual funds. (30,451)

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		(8,887)
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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 proceeds	(1,800,000)	
Bond principal retirements	<u>1,145,000</u>	
Excess of bond proceeds over bond principal retirements		(655,000)

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 net other post-employment benefits obligation	(571,620)	
Decrease in accrued interest payable	20,147	
Decrease in accrued compensated absences	<u>13,966</u>	(537,507)

Change in net assets of governmental activities \$ (573,694)

See accompanying notes to financial statements.

City of Portland

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2010

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,639,021	\$ 85,557	\$ 457,950
Cash and cash equivalents - restricted	249,272	22,967	27,426
Accounts receivable	500,040	76,312	71,312
Inventories	385,086	-	17,161
Total current assets	2,773,419	184,836	573,849
Noncurrent assets			
Advance to other funds	-	-	800,000
Capital assets not being depreciated	264,954	102,518	216,680
Capital assets being depreciated, net	7,906,652	2,281,209	4,011,548
Total noncurrent assets	8,171,606	2,383,727	5,028,228
TOTAL ASSETS	10,945,025	2,568,563	5,602,077
LIABILITIES			
Current liabilities			
Accounts payable	267,840	125,299	171,989
Accrued liabilities	6,146	4,840	3,251
Accrued interest payable	15,823	-	6,655
Current portion of compensated absences	6,321	8,439	9,049
Current portion of long-term debt	45,000	-	60,000
Total current liabilities	341,130	138,578	250,944
Noncurrent liabilities			
Customer deposits payable from restricted assets	148,263	23,142	27,506
Noncurrent portion of compensated absences	19,623	283	-
Noncurrent portion of long-term debt	1,555,000	-	1,004,872
Total noncurrent liabilities	1,722,886	23,425	1,032,378
TOTAL LIABILITIES	2,064,016	162,003	1,283,322
NET ASSETS			
Invested in capital assets, net of related debt	6,571,606	2,383,727	3,163,356
Restricted for utilities	125,000	-	-
Restricted for debt service	74,986	-	-
Unrestricted	2,109,417	22,833	1,155,399
TOTAL NET ASSETS	\$ 8,881,009	\$ 2,406,560	\$ 4,318,755

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
\$ 8,671	\$ 2,191,199	\$ 52,813
-	299,665	-
4,965	652,629	38
-	402,247	-
<u>13,636</u>	<u>3,545,740</u>	<u>52,851</u>
-	800,000	-
-	584,152	-
-	14,199,409	351,403
<u>-0-</u>	<u>15,583,561</u>	<u>351,403</u>
13,636	19,129,301	404,254
7,589	572,717	9,900
-	14,237	1,459
-	22,478	-
-	23,809	1,770
-	105,000	21,068
<u>7,589</u>	<u>738,241</u>	<u>34,197</u>
-	198,911	-
-	19,906	4,977
-	2,559,872	93,247
<u>-0-</u>	<u>2,778,689</u>	<u>98,224</u>
<u>7,589</u>	<u>3,516,930</u>	<u>132,421</u>
-	12,118,689	237,088
-	125,000	-
-	74,986	-
6,047	3,293,696	34,745
<u>\$ 6,047</u>	<u>\$ 15,612,371</u>	<u>\$ 271,833</u>

City of Portland

Proprietary Funds

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

Year Ended June 30, 2010

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
OPERATING REVENUES			
Charges for services			
User charges	\$ 3,508,452	\$ 518,030	\$ 562,363
Tap fees	-	12,150	4,950
Other	40,287	202	10,935
TOTAL OPERATING REVENUES	3,548,739	530,382	578,248
OPERATING EXPENSES			
Salaries and wages	416,213	184,400	133,359
Fringe benefits	185,666	93,746	74,983
Contractual services	4,974	22,642	19,600
Supplies	158,930	21,819	63,185
Heat, light, and power	1,904,726	44,463	25,409
Communications	5,301	4,829	7,190
Insurance and bonds	16,069	2,701	2,834
Repairs and maintenance	89,905	10,903	17,767
Administrative services	63,969	50,034	52,221
Building and equipment rental	16,467	15,300	31,008
Other	20,656	2,421	3,174
Depreciation	285,150	119,139	131,354
TOTAL OPERATING EXPENSES	3,168,026	572,397	562,084
OPERATING INCOME (LOSS)	380,713	(42,015)	16,164
NONOPERATING REVENUES (EXPENSES)			
Interest earned	7,293	239	5,387
Interest expense and fees	(65,311)	(4,476)	(22,310)
TOTAL NONOPERATING REVENUES (EXPENSES)	(58,018)	(4,237)	(16,923)
INCOME (LOSS) BEFORE TRANSFERS	322,695	(46,252)	(759)
TRANSFERS			
Transfers in	-	160,834	197,990
Transfers out	(42,304)	(28,393)	(28,393)
TOTAL TRANSFERS	(42,304)	132,441	169,597
CHANGE IN NET ASSETS	280,391	86,189	168,838
Net assets, beginning of year	8,600,618	2,320,371	4,149,917
Net assets, end of year	<u>\$ 8,881,009</u>	<u>\$ 2,406,560</u>	<u>\$ 4,318,755</u>

See accompanying notes to financial statements.

<u>Activities</u> Nonmajor Enterprise Fund (Refuse)	<u>Total</u>	<u>Governmental Activities</u> Internal Service Fund
\$ 87,851	\$ 4,676,696	\$ 326,184
-	17,100	-
932	52,356	824
<u>88,783</u>	<u>4,746,152</u>	<u>327,008</u>
-	733,972	62,723
-	354,395	37,501
87,228	134,444	1,330
-	243,934	56,026
-	1,974,598	8,781
-	17,320	1,699
-	21,604	27,343
-	118,575	45,003
-	166,224	32,169
-	62,775	-
-	26,251	44
-	535,643	85,373
<u>87,228</u>	<u>4,389,735</u>	<u>357,992</u>
1,555	356,417	(30,984)
-	12,919	533
-	(92,097)	-
<u>-0-</u>	<u>(79,178)</u>	<u>533</u>
1,555	277,239	(30,451)
-	358,824	-
-	(99,090)	-
<u>-0-</u>	<u>259,734</u>	<u>-0-</u>
1,555	536,973	(30,451)
4,492	15,075,398	302,284
<u>\$ 6,047</u>	<u>\$ 15,612,371</u>	<u>\$ 271,833</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 3,482,074	\$ 523,836	\$ 590,373
Cash paid to suppliers	(2,457,734)	(74,266)	(38,558)
Cash paid for employee benefits	(604,253)	(274,049)	(207,059)
NET CASH PROVIDED BY OPERATING ACTIVITIES	420,087	175,521	344,756
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Advance to other funds	-	-	(800,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in	-	160,834	197,990
Transfers out	(42,304)	(28,393)	(28,393)
Payments of borrowing	(145,000)	(140,000)	(60,000)
Interest expense and fees	(68,565)	(5,207)	(27,372)
Purchase of capital assets	(283,010)	(207,242)	(345,586)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(538,879)	(220,008)	(263,361)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	7,293	239	5,387
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(111,499)	(44,248)	(713,218)
Cash and cash equivalents, beginning of year	1,999,792	152,772	1,198,594
Cash and cash equivalents, end of year	<u>\$ 1,888,293</u>	<u>\$ 108,524</u>	<u>\$ 485,376</u>

<u>Activities</u> Nonmajor Enterprise Fund (Refuse)	<u>Total</u>	<u>Governmental Activities</u> Internal Service Fund
\$ 89,356 (86,657) -	\$ 4,685,639 (2,657,215) (1,085,361)	\$ 327,050 (169,728) (98,988)
2,699	943,063	58,334
-	(800,000)	-
-	358,824	-
-	(99,090)	-
-	(345,000)	(20,240)
-	(101,144)	-
-	(835,838)	(160,115)
-0-	(1,022,248)	(180,355)
-	12,919	533
2,699	(866,266)	(121,488)
5,972	3,357,130	174,301
<u>\$ 8,671</u>	<u>\$ 2,490,864</u>	<u>\$ 52,813</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2010

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 380,713	\$ (42,015)	\$ 16,164
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	285,150	119,139	131,354
(Increase) decrease in accounts receivable	(71,145)	(7,706)	11,225
(Increase) decrease in inventories	(38,190)	-	37,259
Increase (decrease) in accounts payable	(138,547)	100,846	146,571
Increase (decrease) in accrued liabilities	(2,374)	4,097	1,283
Increase in customer deposits	4,480	1,160	900
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 420,087</u>	<u>\$ 175,521</u>	<u>\$ 344,756</u>

<u>Activities</u> Nonmajor Enterprise Fund (Refuse)	<u>Total</u>	<u>Governmental Activities</u> Internal Service Fund
\$ 1,555	\$ 356,417	\$ (30,984)
-	535,643	85,373
573	(67,053)	42
-	(931)	-
571	109,441	2,667
-	3,006	1,236
-	6,540	-
<u>\$ 2,699</u>	<u>\$ 943,063</u>	<u>\$ 58,334</u>

City of Portland

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2010

	<u>Current Tax Collection</u>
ASSETS	
Cash and cash equivalents	<u>\$ 2,528</u>
LIABILITIES	
Due to other governmental units	\$ 1,184
Undistributed property taxes	<u>1,344</u>
TOTAL LIABILITIES	<u>\$ 2,528</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2009, are available at PAMA's administrative offices. As of December 31, 2009, PAMA had a fund balance of \$1,390.

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, 2010

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

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, 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 City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

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

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

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

Agency Funds are, by nature, custodial; therefore, operational results are not measured. The City's agency fund is the Current Tax Collections Fund.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

6. Basis of Accounting - continued

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

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

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

8. Cash and Cash Equivalents

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

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

10. Receivables

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

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 16, 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 2 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, 2010, 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 2009 levy for property within the City was \$97,570,499.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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.

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

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

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

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, 2010

NOTE B: CASH AND CASH EQUIVALENTS

The City deposits consist of a common checking, various savings, money market accounts, and certificates of deposit 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.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured up to \$250,000 for interest-bearing savings deposits in an insured bank and up to \$250,000 for interest-bearing demand deposits at participating FDIC-insured institutions. FDIC insurance coverage through its Transaction Account Guarantee (TAG) Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent through June 30, 2010 and 0.25 percent after July 1, 2010) NOW accounts. This program is scheduled to end December 31, 2010, unless extended by the FDIC. Furthermore, if specific deposits are regulated by statute or bond indenture, these deposits are to be separately insured up to \$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. Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will have unlimited coverage at all FDIC-insured institutions.

Deposits

As of June 30, 2010, 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	\$ 4,007,674	\$ 4,156,614
Certificates of deposit	<u>1,895,000</u>	<u>1,896,067</u>
Total Primary Government	5,902,674	6,052,681

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Deposits - continued

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
FIDUCIARY FUND		
Checking	\$ 2,528	\$ 2,542
COMPONENT UNIT		
Checking	<u>200,030</u>	<u>203,571</u>
TOTAL REPORTING ENTITY	<u>\$ 6,105,232</u>	<u>\$ 6,258,794</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, 2010, the City accounts were insured by the FDIC for \$5,110,875 and the amount of \$1,147,919 was uninsured and uncollateralized.

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, 2010, the City did not have any investments that would be subject to rating.

Interest rate risk

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

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

Concentration of credit risk

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

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

Custodial credit risk

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

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

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, 2010:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,603,902	\$ 65,358	\$ 2,528	\$ 5,671,788
Cash and cash equivalents - restricted	<u>299,665</u>	<u>134,672</u>	<u>-</u>	<u>434,337</u>
	<u>\$ 5,903,567</u>	<u>\$ 200,030</u>	<u>\$ 2,528</u>	<u>\$ 6,106,125</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, 2010:

	<u>Customer Deposits</u>	<u>Debt Retirement</u>	<u>Other</u>	<u>Total</u>
Enterprise Funds	\$ 198,856	\$ 90,809	\$ 10,000	\$ 299,665
Component Unit Fund	<u>-</u>	<u>134,672</u>	<u>-</u>	<u>134,672</u>
	<u>\$ 198,856</u>	<u>\$ 225,481</u>	<u>\$ 10,000</u>	<u>\$ 434,337</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, 2010, 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	<u>\$ (6,192)</u>	<u>\$ -0-</u>	<u>\$ (6,192)</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2010, are as follows:

Due to General Fund from:	
City Income Tax Fund	\$ 9,313
Major Street Fund	<u>2,053</u>
	<u>\$ 11,366</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: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable related to the primary government at June 30, 2010:

Advance to General Fund from:	
Water System Fund	<u>\$ 800,000</u>

The advance to the General Fund was to allow the General Fund to repay an installment purchase agreement ahead of schedule. The General Fund will repay the Water System Fund in annual installments of \$100,000 plus semi-annual interest payments at 0.5% through December 1, 2017.

NOTE G: 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.

Transfers to General Fund from:	
Electric Light and Power System Fund	\$ 42,304
Sewage Disposal System Fund	28,393
Water System Fund	28,393
Nonmajor governmental funds	<u>9,334</u>
	<u>\$ 108,424</u>
Transfers to Major Street Fund from:	
City Income Tax Fund	<u>\$ 10,947</u>
Transfers to City Income Tax Fund from:	
Nonmajor governmental funds	<u>\$ 10,873</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 61,277
Capital Improvement Fund - Street Projects	<u>352,360</u>
	<u>\$ 413,637</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE G: INTERFUND TRANSFERS - CONTINUED

Transfers to Sewage Disposal System Fund from:	
City Income Tax Fund	\$ 81,182
Capital Improvement Fund - Street Projects	<u>79,652</u>
	<u>\$ 160,834</u>
Transfers to Water System Fund from:	
Capital Improvement Fund - Street Projects	<u>\$ 197,990</u>

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 H: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,278,752	\$ -	\$(47,713)	\$ 2,231,039
Construction in progress	<u>2,846,756</u>	<u>363,685</u>	<u>(2,948,070)</u>	<u>262,371</u>
Subtotal	5,125,508	363,685	(2,995,783)	2,439,410
Capital assets being depreciated				
Land improvements	75,203	9,025	-	84,228
Buildings and additions	399,721	-	-	399,721
Equipment and furniture	1,877,176	181,951	(17,800)	2,041,327
Infrastructure - streets and bridges	<u>14,075,140</u>	<u>2,982,715</u>	<u>-</u>	<u>17,057,855</u>
Subtotal	16,427,240	3,173,691	(17,800)	19,583,131
Less accumulated depreciation for:				
Land improvements	(3,760)	(2,808)	-	(6,568)
Buildings and additions	(124,434)	(13,147)	-	(137,581)
Equipment and furniture	(1,353,911)	(129,112)	9,048	(1,473,975)
Infrastructure - streets and bridges	<u>(5,029,186)</u>	<u>(560,625)</u>	<u>-</u>	<u>(5,589,811)</u>
Subtotal	<u>(6,511,291)</u>	<u>(705,692)</u>	<u>9,048</u>	<u>(7,207,935)</u>
Net capital assets being depreciated	<u>9,915,949</u>	<u>2,467,999</u>	<u>(8,752)</u>	<u>12,375,196</u>
Capital assets, net	<u>\$ 15,041,457</u>	<u>\$ 2,831,684</u>	<u>\$(3,004,535)</u>	<u>\$ 14,868,606</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE H: CAPITAL ASSETS - CONTINUED

Primary Government - continued

Depreciation expense was charged to the following governmental activities:

General government	\$ 42,542
Public safety	35,558
Public works	602,340
Health and welfare	29,575
Recreation and cultural	<u>4,429</u>
Total depreciation expense	<u>\$ 714,444</u>

The current year depreciation expense for governmental activities of \$705,692 has been adjusted by \$8,752 for the disposal of capital assets during the year, in accordance with the GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2010</u>
Business-type activities (Electric Light and Power System)				
Capital assets not being depreciated				
Land	\$ 222,191	\$ 42,763	\$ -	\$ 264,954
Construction in progress	<u>2,289,861</u>	<u>-</u>	<u>(2,289,861)</u>	<u>-0-</u>
Subtotal	2,512,052	42,763	(2,289,861)	264,954
Capital assets being depreciated				
Buildings	2,481,861	2,411,362	-	4,893,223
Transmission and disbursement	5,447,484	118,746	-	5,566,230
Equipment	<u>427,441</u>	<u>-</u>	<u>-</u>	<u>427,441</u>
Subtotal	8,356,786	2,530,108	-0-	10,886,894
Less accumulated depreciation for:				
Buildings	(664,921)	(85,023)	-	(749,944)
Transmission and disbursement	(1,924,403)	(163,609)	-	(2,088,012)
Equipment	<u>(105,768)</u>	<u>(36,518)</u>	<u>-</u>	<u>(142,286)</u>
Subtotal	<u>(2,695,092)</u>	<u>(285,150)</u>	<u>-0-</u>	<u>(2,980,242)</u>
Net capital assets being depreciated	<u>5,661,694</u>	<u>2,244,958</u>	<u>-0-</u>	<u>7,906,652</u>
Capital assets, net	<u>\$ 8,173,746</u>	<u>\$ 2,287,721</u>	<u>\$(2,289,861)</u>	<u>\$ 8,171,606</u>
Business-type activities (Sewage Disposal System)				
Capital assets not being depreciated				
Land	\$ 11,003	\$ -	\$ -	\$ 11,003
Construction in progress	<u>315,487</u>	<u>91,515</u>	<u>(315,487)</u>	<u>91,515</u>
Subtotal	326,490	91,515	(315,487)	102,518

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE H: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2009	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2010
Business-type activities				
(Sewage Disposal System) - continued				
Capital assets being depreciated				
Buildings	\$ 605,399	\$ -	\$ -	\$ 605,399
Sewage Disposal System	2,537,170	431,214	-	2,968,384
Equipment	<u>57,209</u>	<u>-</u>	<u>-</u>	<u>57,209</u>
Subtotal	3,199,778	431,214	-0-	3,630,992
Less accumulated depreciation for:				
Buildings	(542,352)	(15,810)	-	(558,162)
Sewage Disposal System	(672,435)	(101,129)	-	(773,564)
Equipment	<u>(15,857)</u>	<u>(2,200)</u>	<u>-</u>	<u>(18,057)</u>
Subtotal	<u>(1,230,644)</u>	<u>(119,139)</u>	<u>-0-</u>	<u>(1,349,783)</u>
Net capital assets being depreciated	<u>1,969,134</u>	<u>312,075</u>	<u>-0-</u>	<u>2,281,209</u>
Capital assets, net	<u>\$ 2,295,624</u>	<u>\$ 403,590</u>	<u>\$(315,487)</u>	<u>\$ 2,383,727</u>
Business-type activities				
(Water System)				
Capital assets not being depreciated				
Land	\$ 3,500	\$ -	\$ -	\$ 3,500
Construction in progress	<u>457,104</u>	<u>213,180</u>	<u>(457,104)</u>	<u>213,180</u>
Subtotal	460,604	213,180	(457,104)	216,680
Capital assets being depreciated				
Water System	4,840,665	533,310	-	5,373,975
Equipment	<u>46,272</u>	<u>56,200</u>	<u>-</u>	<u>102,472</u>
Subtotal	4,886,937	589,510	-0-	5,476,447
Less accumulated depreciation for:				
Water System	(1,307,374)	(126,518)	-	(1,433,892)
Equipment	<u>(26,171)</u>	<u>(4,836)</u>	<u>-</u>	<u>(31,007)</u>
Subtotal	<u>(1,333,545)</u>	<u>(131,354)</u>	<u>-0-</u>	<u>(1,464,899)</u>
Net capital assets being depreciated	<u>3,553,392</u>	<u>458,156</u>	<u>-0-</u>	<u>4,011,548</u>
Capital assets, net	<u>\$ 4,013,996</u>	<u>\$ 671,336</u>	<u>\$(457,104)</u>	<u>\$ 4,228,228</u>
Component Unit (DDA)				
Capital assets being depreciated				
Downtown improvements	\$ 703,381	\$ -	\$ -	\$ 703,381
City Hall building	<u>2,601,000</u>	<u>-</u>	<u>-</u>	<u>2,601,000</u>
Subtotal	3,304,381	-0-	-0-	3,304,381

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE H: CAPITAL ASSETS - CONTINUED

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>
Component Unit (DDA) - continued				
Less accumulated depreciation for:				
Downtown improvements	\$(115,817)	\$(31,292)	\$ -	\$(147,109)
City Hall building	(780,300)	(130,050)	-	(910,350)
Subtotal	(896,117)	(161,342)	-0-	(1,057,459)
Net capital assets being depreciated	<u>2,408,264</u>	<u>(161,342)</u>	<u>-0-</u>	<u>2,246,922</u>
Capital assets, net	<u>\$ 2,408,264</u>	<u>\$(161,342)</u>	<u>\$ -0-</u>	<u>\$ 2,246,922</u>

NOTE I: 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, 2010.

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>	Amounts Due Within <u>One Year</u>
Primary Government					
Governmental activities					
Special Assessment Limited					
Tax Bonds Payable	\$ 45,000	\$ -	\$ 45,000	\$ -0-	\$ -
2007 Installment Purchase Agreement	1,100,000	-	1,100,000	-0-	-
2009 Equipment Lease Purchase	134,555	-	20,240	114,315	21,068
2010 Capital Improvement Bonds	-	1,800,000	-	1,800,000	590,000
Compensated Absences	<u>81,951</u>	<u>51,350</u>	<u>64,601</u>	<u>68,700</u>	<u>19,194</u>
	1,361,506	1,851,350	1,229,841	1,983,015	630,262
Business-type activities					
1994 Revenue Bonds	100,000	-	100,000	-0-	-
2008 Capital Improvement Bonds	1,645,000	-	45,000	1,600,000	45,000
1995 Revenue Bonds	140,000	-	140,000	-0-	-
2004 Water System Bonds	1,124,872	-	60,000	1,064,872	60,000
Compensated absences	<u>41,346</u>	<u>49,066</u>	<u>46,697</u>	<u>43,715</u>	<u>4,292</u>
	<u>3,051,218</u>	<u>49,066</u>	<u>391,697</u>	<u>2,708,587</u>	<u>109,292</u>
Total Primary Government	4,412,724	1,900,416	1,621,538	4,691,602	739,554
Component Unit					
Downtown Development Authority					
General Obligation Bonds	1,395,000	-	145,000	1,250,000	150,000
Compensated absences	<u>-</u>	<u>145</u>	<u>-</u>	<u>145</u>	<u>145</u>
	<u>1,395,000</u>	<u>145</u>	<u>145,000</u>	<u>1,250,145</u>	<u>150,145</u>
	<u>\$ 5,807,724</u>	<u>\$ 1,900,561</u>	<u>\$ 1,766,538</u>	<u>\$ 5,941,747</u>	<u>\$ 889,699</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE I: LONG-TERM DEBT - CONTINUED

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

Primary Government

Equipment Purchase Agreement

\$154,000 Equipment Purchase Agreement dated May 15, 2008, due in annual installments ranging from \$20,240 to \$24,732 through May 15, 2015, with interest at 4.09 percent, payable annually. \$ 114,315

2010 Capital Improvement Bonds

\$1,800,000 Capital Improvement Bonds dated May 18, 2010, due in annual installments ranging from \$590,000 to \$610,000 through April 1, 2013, with interest ranging from 2.00 to 2.50 percent, payable semi-annually. \$ 1,800,000

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. \$ 1,064,872

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. \$ 1,600,000

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 4.50 to 5.00 percent, payable semi-annually. \$ 650,000

\$1,005,000 Limited Tax General Obligation Downtown Development Bonds dated August 22, 2001, due in annual installments ranging from \$75,000 to \$100,000 through October 1, 2016, with interest of 4.75 percent, payable semi-annually. 600,000

\$ 1,250,000

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE I: LONG-TERM DEBT - CONTINUED

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amounts of these vested rights including related payroll taxes, which have been accrued on the government-wide financial statements. The total liability amounted to approximately \$112,415 at June 30, 2010. Of this amount, \$68,700 and \$43,715 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

<u>Year Ending June 30,</u>	<u>Equipment Purchase Agreement</u>		<u>Capital Improvement Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 21,068	\$ 4,676	\$ 635,000	\$ 99,850
2012	21,929	3,814	650,000	92,190
2013	22,826	2,917	660,000	75,565
2014	23,760	1,983	50,000	58,628
2015	24,732	1,012	50,000	56,827
2016-2020	-	-	290,000	254,558
2021-2025	-	-	345,000	193,937
2026-2030	-	-	420,000	117,620
2031-2033	-	-	300,000	25,925
	<u>\$ 114,315</u>	<u>\$ 14,402</u>	<u>\$ 3,400,000</u>	<u>\$ 975,100</u>

<u>Year Ending June 30,</u>	<u>Water System Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 60,000	\$ 25,872
2012	60,000	24,372
2013	60,000	22,872
2014	65,000	21,309
2015	65,000	19,684
2016-2020	360,000	72,234
2021-2025	<u>394,872</u>	<u>24,798</u>
	<u>\$ 1,064,872</u>	<u>\$ 211,141</u>

Component Unit

<u>Year Ending June 30,</u>	<u>General Obligation Downtown Development Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 150,000	\$ 56,382
2012	150,000	49,407
2013	155,000	42,239
2014	160,000	34,757
2015	190,000	26,350
2016-2017	<u>445,000</u>	<u>21,881</u>
	<u>\$ 1,250,000</u>	<u>\$ 231,015</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE J: 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, 2010, the City's annual pension cost of \$341,151 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, 2007, 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>2007</u>	<u>2008</u>	<u>2009</u>
Actuarial value of assets	\$ 6,955,639	\$ 6,990,454	\$ 6,971,120
Actuarial accrued liability (AAL) (entry age)	9,758,390	10,315,815	10,514,951
Unfunded AAL	2,802,751	3,325,361	3,543,831
Funded ratio	71 %	68 %	66 %
Covered payroll	1,802,933	1,702,414	1,936,761
UAAL as a percentage of covered payroll	155 %	195 %	183 %

	Year Ended June 30,		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension cost	\$ 294,383	\$ 293,704	\$ 341,151
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE K: 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 L: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

During the year ended June 30, 2010, four (4) retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, expenditures of \$44,542 were recognized for post-employment benefits.

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

Funding Policy

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

Funding Progress

For the year ended June 30, 2010, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of June 30, 2009. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

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

Annual required contribution (ARC)	\$ 616,162
Amounts contributed:	
Payments of current requirements	<u>(44,542)</u>
Net OPEB obligation	571,620
OPEB obligation - Beginning of year	_____
OPEB obligation - End of year	<u>\$ 571,620</u>

Because this is the first year of the calculation, the above OPEB cost has no interest on the OPEB obligation or adjustment to the ARC within the calculation.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE L: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

The ARC, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010, was as follows:

ARC	\$	616,162
Percentage contributed		7.2 %
Net OPEB obligation	\$	571,620

The current funding progress of the plan as of June 30, 2009, the most recent valuation date, is as follows:

Actuarial value of assets	\$	-
Actuarial accrued liability (AAL)		6,934,258
Unfunded AAL (UAAL)		6,934,258
Funded ratio		0.0 %
Annual covered payroll	\$	1,936,761
Ratio of UAAL to covered payroll		358 %

The valuation for the year ended June 30, 2009, was the first year that an actuarial valuation was done, so no information is available for fiscal years prior to 2009.

Methods and Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in estimated accrued liabilities and the estimated value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009, valuation, the entry age normal cost method was used. The assumptions include a 3.0 percent per year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets. A discount rate of 3.0 percent was also used. There was also an inflationary rate assumption factored into the calculation.

NOTE M: RISK MANAGEMENT

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

The City also participates in a State pool, the Michigan Municipal League, 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, 2010

NOTE N: 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, 2010:

REVENUES	
Licenses and permits	
Permits	\$ 1,936
EXPENDITURES	
Salaries and wages	65,855
Fringe benefits	16,323
Contractual services	10,925
Supplies	822
Vehicle rental	252
Other	<u>3,213</u>
TOTAL EXPENDITURES	<u>97,390</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u><u>\$ (95,454)</u></u>

NOTE O: 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, 2010:

Primary Government	
Nonmajor governmental funds	
Reserved for perpetual care	<u>\$ 149,967</u>
Component Unit Fund	
Downtown Development Authority	
Reserved for debt service	<u>\$ 134,672</u>

The amount of \$134,672 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, 2010:

Primary Government	
Capital Improvement Fund - Street Projects	
Designated for capital projects	<u>\$ 1,153,358</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE P: 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, 2010:

PRIMARY GOVERNMENT	
Governmental Activities	
Other Purposes	
Major Street	\$ 167,914
Local Street	214,031
Cemetery Perpetual Care, nonexpendable	<u>149,967</u>
	<u>\$ 531,912</u>
Business-type Activities	
Restricted for utilities	
Electric Light and Power	<u>\$ 125,000</u>
Restricted for Debt Service	
Electric Light and Power	<u>\$ 74,986</u>

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

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

COMPONENT UNIT	
Downtown Development Authority	
Restricted for debt service	<u>\$ 119,709</u>

NOTE Q: 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE R: GASB PRONOUNCEMENTS

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

NOTE S: SPECIAL ITEM

During the year ended June 30, 2010, the City sold a parcel of land for \$300,000. The City has additional land adjacent to the parcel it sold. Plans for the additional land are uncertain at this time.

REQUIRED SUPPLEMENTARY INFORMATION

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 1,043,490	\$ 1,043,490	\$ 1,047,321	\$ 3,831
Penalties and interest	9,000	9,000	11,354	2,354
Tax collection	43,571	43,571	42,233	(1,338)
Total taxes	1,096,061	1,096,061	1,100,908	4,847
Licenses and permits				
Cable television license	16,000	16,000	17,331	1,331
City licenses and permits	3,800	3,800	4,471	671
Total licenses and permits	19,800	19,800	21,802	2,002
Intergovernmental				
State				
Sales tax	409,991	363,230	372,663	9,433
Act 302 training funds	1,200	1,200	1,319	119
State liquor license	3,000	3,000	3,084	84
Total intergovernmental	414,191	367,430	377,066	9,636
Charges for services				
Fire protection - townships	127,000	127,000	120,772	(6,228)
Cemetery fees and lot sales	19,000	19,000	18,208	(792)
Administrative charges	295,319	295,319	295,320	1
Other fees	11,600	11,600	9,839	(1,761)
Total charges for services	452,919	452,919	444,139	(8,780)
Fines and forfeits				
Parking	2,000	2,000	2,835	835
District court	18,000	18,000	14,046	(3,954)
Other	3,000	3,000	7,942	4,942
Total fines and forfeits	23,000	23,000	24,823	1,823
Interest and rents	26,500	26,500	21,785	(4,715)
Other				
Donations	13,000	13,000	2,465	(10,535)
Reimbursements	1,800	1,800	21,056	19,256
Total other	14,800	14,800	23,521	8,721
TOTAL REVENUES	2,047,271	2,000,510	2,014,044	13,534

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2010

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
Council, boards, and commissions	\$ 10,600	\$ 10,600	\$ 4,992	\$ 5,608
Community promotions	80,424	80,424	54,104	26,320
City manager	147,044	146,766	143,720	3,046
Assessing services	54,530	53,230	40,025	13,205
Elections	5,760	5,760	4,269	1,491
City hall and grounds	72,513	71,963	52,570	19,393
General administrative	406,976	378,276	333,057	45,219
Cemetery operations	154,656	153,006	128,425	24,581
Total general government	932,503	900,025	761,162	138,863
Public safety				
Police department	726,015	722,510	676,816	45,694
Fire department	220,981	220,981	194,963	26,018
Code enforcement	107,425	103,675	97,389	6,286
Total public safety	1,054,421	1,047,166	969,168	77,998
Public works				
Street lighting	52,400	52,400	48,328	4,072
Health and welfare				
Ambulance service	49,257	49,257	49,257	-0-
Community and economic development				
Economic development	10,500	28,500	20,514	7,986
Recreation and cultural				
Parks department	652,624	650,624	182,687	467,937
Debt service				
Principal	-	1,100,000	1,100,000	-0-
Interest	54,649	76,209	76,209	-0-
Total debt service	54,649	1,176,209	1,176,209	-0-
TOTAL EXPENDITURES	2,806,354	3,904,181	3,207,325	696,856
EXCESS OF REVENUES (UNDER) EXPENDITURES	(759,083)	(1,903,671)	(1,193,281)	710,390

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2010

	<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	\$ 42,304	\$ 42,304	\$ 42,304	-0-
Sewage Disposal System Fund	28,393	28,393	28,393	-0-
Special Assessment Fund	-	-	9,334	9,334
Water System Fund	28,393	828,393	28,393	(800,000)
Transfers out				
Special Assessment Fund	-	(46,278)	(46,277)	1
Recreation Fund	(20,000)	(20,000)	(15,000)	5,000
SPECIAL ITEM				
Proceeds from sale of land	-	300,000	300,000	-0-
TOTAL OTHER FINANCING SOURCES (USES) AND SPECIAL ITEM	<u>79,090</u>	<u>1,132,812</u>	<u>347,147</u>	<u>(785,665)</u>
NET CHANGE IN FUND BALANCE	<u>(679,993)</u>	<u>(770,859)</u>	<u>(846,134)</u>	<u>(75,275)</u>
Fund balance, beginning of year	<u>915,956</u>	<u>915,956</u>	<u>915,956</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 235,963</u>	<u>\$ 145,097</u>	<u>\$ 69,822</u>	<u>\$ (75,275)</u>

City of Portland

City Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 672,000	\$ 672,000	\$ 679,815	\$ 7,815
Fines and forfeits	8,000	8,000	22,529	14,529
Interest	5,000	5,000	1,494	(3,506)
Other				
Special assessments	5,263	5,263	6,443	1,180
Other	-	-	36	36
TOTAL REVENUES	690,263	690,263	710,317	20,054
EXPENDITURES				
Current				
General government	173,350	184,794	171,868	12,926
EXCESS OF REVENUES OVER EXPENDITURES	516,913	505,469	538,449	32,980
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	10,873	10,873
Transfers out	(159,582)	(229,582)	(92,129)	137,453
TOTAL OTHER FINANCING SOURCES (USES)	(159,582)	(229,582)	(81,256)	148,326
NET CHANGE IN FUND BALANCE	357,331	275,887	457,193	181,306
Fund balance, beginning of year	99,886	99,886	99,886	-0-
Fund balance, end of year	\$ 457,217	\$ 375,773	\$ 557,079	\$ 181,306

City of Portland

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 196,200	\$ 418,516	\$ 444,652	\$ 26,136
Interest	2,000	2,000	-	(2,000)
Other	-	-	1,488	1,488
TOTAL REVENUES	198,200	420,516	446,140	25,624
EXPENDITURES				
Current				
Public works	250,908	326,661	302,395	24,266
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(52,708)	93,855	143,745	49,890
OTHER FINANCING SOURCES				
Transfers in	-	70,000	10,947	(59,053)
NET CHANGE IN FUND BALANCE	(52,708)	163,855	154,692	(9,163)
Fund balance, beginning of year	168,047	13,222	13,222	-0-
Fund balance, end of year	\$ 115,339	\$ 177,077	\$ 167,914	\$ (9,163)

OTHER SUPPLEMENTARY INFORMATION

City of Portland
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2010

	Special Revenue Fund			
	Local Street	Recreation	Portland Area Ambulance	Downtown Rehabilitation
ASSETS				
Cash and cash equivalents	\$ 410,954	\$ 47,421	\$ (6,192)	\$ -
Accounts receivable	573	-	27,389	-
Due from other governmental units	10,910	-	-	-
TOTAL ASSETS	<u>\$ 422,437</u>	<u>\$ 47,421</u>	<u>\$ 21,197</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 205,500	\$ 1,889	\$ 13,350	\$ -
Accrued liabilities	2,906	3,135	6,494	-
TOTAL LIABILITIES	208,406	5,024	19,844	-0-
FUND BALANCES				
Reserved for:				
Perpetual care	-	-	-	-
Unreserved				
Undesignated, reported in:				
Special Revenue Funds	214,031	42,397	1,353	-
TOTAL FUND BALANCES	<u>214,031</u>	<u>42,397</u>	<u>1,353</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 422,437</u>	<u>\$ 47,421</u>	<u>\$ 21,197</u>	<u>\$ -0-</u>

Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds
Special Assessments	Cemetery Perpetual Care	
\$ -	\$ 149,517	\$ 601,700
-	450	28,412
-	-	10,910
<u>\$ -0-</u>	<u>\$ 149,967</u>	<u>\$ 641,022</u>
\$ -	\$ -	\$ 220,739
-	-	12,535
-0-	-0-	233,274
-	149,967	149,967
-	-	257,781
<u>-0-</u>	<u>149,967</u>	<u>407,748</u>
<u>\$ -0-</u>	<u>\$ 149,967</u>	<u>\$ 641,022</u>

City of Portland

Nonmajor Governmental Funds

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

Year Ended June 30, 2010

	Special Revenue Funds			
	Local Street	Recreation	Portland Area Ambulance	Downtown Rehabilitation
REVENUES				
Taxes	\$ 82,554	\$ -	\$ -	\$ -
Intergovernmental	74,950	-	-	-
Charges for services	-	79,199	378,481	-
Interest and rents	384	1	-	-
Other	1,596	52,108	1,577	-
TOTAL REVENUES	159,484	131,308	380,058	-0-
EXPENDITURES				
Current				
Public works	473,882	-	-	1
Health and welfare	-	-	432,280	-
Recreation and cultural	-	131,064	-	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	473,882	131,064	432,280	1
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(314,398)	244	(52,222)	(1)
OTHER FINANCING SOURCES (USES)				
Transfers in	352,360	15,000	-	-
Transfers out	(10,873)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	341,487	15,000	-0-	-0-
NET CHANGE IN FUND BALANCES	27,089	15,244	(52,222)	(1)
Fund balances, beginning of year	186,942	27,153	53,575	1
Fund balances, end of year	\$ 214,031	\$ 42,397	\$ 1,353	\$ -0-

<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Special Assessments	Cemetery Perpetual Care	
\$ -	\$ -	\$ 82,554
-	-	74,950
-	3,725	461,405
700	-	1,085
3,224	-	58,505
<u>3,924</u>	<u>3,725</u>	<u>678,499</u>
-	-	473,883
-	-	432,280
-	-	131,064
48,067	-	48,067
<u>48,067</u>	<u>-0-</u>	<u>1,085,294</u>
(44,143)	3,725	(406,795)
46,277	-	413,637
(9,334)	-	(20,207)
<u>36,943</u>	<u>-0-</u>	<u>393,430</u>
(7,200)	3,725	(13,365)
7,200	146,242	421,113
<u>\$ -0-</u>	<u>\$ 149,967</u>	<u>\$ 407,748</u>

City of Portland

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2010

ASSETS	
Cash	\$ 65,358
Cash - restricted	<u>134,672</u>
TOTAL ASSETS	<u>\$ 200,030</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accrued liabilities	\$ 1,165
FUND BALANCE	
Reserved for debt service	134,672
Unreserved - undesignated	<u>64,193</u>
TOTAL FUND BALANCE	<u>198,865</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 200,030</u>

City of Portland

Component Unit Fund

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

June 30, 2010

Total fund balance - governmental fund \$ 198,865

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>(1,057,459)</u>	
Capital assets, net		2,246,922

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:

General obligation bonds	1,250,000	
Compensated absences	145	
Accrued interest payable	<u>14,963</u>	
		<u>(1,265,108)</u>

Net assets of governmental activities \$ 1,180,679

City of Portland

Component Unit Fund

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

Year Ended June 30, 2010

REVENUES	
Taxes	\$ 309,235
Interest	413
Other	<u>16,666</u>
TOTAL REVENUES	326,314
EXPENDITURES	
Current	
Community and economic development	80,163
Capital outlay	
Contracted services	7,475
Decorations and banners	5,000
Debt service	
Principal	145,000
Interest and fiscal charges	<u>63,438</u>
TOTAL EXPENDITURES	<u>301,076</u>
NET CHANGE IN FUND BALANCE	25,238
Fund balance, beginning of year	<u>173,627</u>
Fund balance, end of year	<u><u>\$ 198,865</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, 2010

Net change in fund balance - governmental fund \$ 25,238

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

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

Depreciation expense	(161,342)
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Repayment of long-term debt is reported as expenditures in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirements	145,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

(Increase) in compensated absences	(145)	
Decrease in accrued interest payable	1,656	
	1,511	1,511

Change in net assets of governmental activities	\$ 10,407
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City of Portland

Miscellaneous Statistical Data (Unaudited)

Year Ended June 30, 2010

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

	Taxable Value	State Equalized Value	Tax Rates (Mills)
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
2011	96,063,381	102,983,300	13.6574

Taxable Value by Class and Use

	2007	2008	2009	2010	2011
<u>By Class</u>					
Real Property	\$ 83,481,176	\$ 87,853,780	\$ 90,322,840	\$ 92,195,299	\$ 90,631,181
Personal Property	4,980,529	4,992,191	5,537,706	5,504,900	5,432,200
	<u>\$ 88,461,705</u>	<u>\$ 92,845,971</u>	<u>\$ 95,860,546</u>	<u>\$ 97,700,199</u>	<u>\$ 96,063,381</u>
<u>By Use</u>					
Residential	\$ 62,399,227	\$ 66,047,861	\$ 67,707,450	\$ 68,996,751	\$ 67,275,963
Commercial	21,922,624	22,520,337	23,727,050	24,625,458	24,577,302
Industrial	2,954,618	3,172,582	3,411,548	3,350,890	3,482,116
Utility	744,593	722,301	711,214	727,100	728,000
Development	368,643	382,890	303,284	-	-
	<u>\$ 88,389,705</u>	<u>\$ 92,845,971</u>	<u>\$ 95,860,546</u>	<u>\$ 97,700,199</u>	<u>\$ 96,063,381</u>

State Equalized Valuation by Class and Use

	2007	2008	2009	2010	2011
<u>By Class</u>					
Real Property	\$103,192,359	\$108,229,596	\$108,123,259	\$105,184,100	\$ 97,551,100
Personal Property	5,197,656	5,310,189	5,537,706	5,504,900	5,432,200
	<u>\$108,390,015</u>	<u>\$113,539,785</u>	<u>\$113,660,965</u>	<u>\$110,689,000</u>	<u>\$102,983,300</u>
<u>By Use</u>					
Residential	\$ 77,927,853	\$ 82,119,946	\$ 80,731,118	\$ 77,853,200	\$ 71,319,600
Commercial	25,805,861	26,485,521	28,184,770	28,755,800	27,445,600
Industrial	3,299,264	3,551,315	3,412,759	3,352,900	3,490,100
Utility	744,593	722,301	711,214	727,100	728,000
Development	612,444	660,702	621,104	-	-
	<u>\$108,390,015</u>	<u>\$113,539,785</u>	<u>\$113,660,965</u>	<u>\$110,689,000</u>	<u>\$102,983,300</u>

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2010

Homestead Property Tax Rates by Governmental Unit

	2007	2008	2009	2010	2011
City of Portland	13.7164	13.6574	13.6574	13.6574	13.6574
County of Ionia	4.6434	4.6434	4.6434	4.6434	4.6434
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Portland Public Schools	7.3500	7.3500	7.3500	7.3500	7.3500
Intermediate School District	4.4728	4.4728	4.4728	4.4728	4.4728
Intermediate School District - Tech Ed	-	-	-	-	1.0000
Library	1.7039	1.6339	1.6939	1.7639	1.7639
Seniors	0.3750	0.3750	0.3750	0.3750	0.3750
	<u>38.2615</u>	<u>38.1325</u>	<u>38.1925</u>	<u>38.2625</u>	<u>39.2625</u>

Non-homestead Property Tax Rates by Governmental Unit

	2007	2008	2009	2010	2011
City of Portland	13.7164	13.6574	13.6574	13.6574	13.6574
County of Ionia	4.6434	4.6434	4.6434	4.6434	4.6434
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Portland Public Schools	25.3500	25.3500	25.3500	25.3500	25.3500
Intermediate School District	4.4728	4.4728	4.4728	4.4728	4.4728
Intermediate School District - Tech Ed	-	-	-	-	1.0000
Library	1.7039	1.6339	1.6939	1.7639	1.7639
Seniors	0.3750	0.3750	0.3750	0.3750	0.3750
	<u>56.2615</u>	<u>56.1325</u>	<u>56.1925</u>	<u>56.2625</u>	<u>57.2625</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
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	1,056,750	93.91%
2011	1,105,781	In Process	In Process

Income Tax Collections

	Gross Tax Collections	Net Income Tax Collections	(Decrease) over Prior Year
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%
2011	710,317	538,447	-10.48%

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2010

Major Taxpayers

The top ten taxpayers in the City and their 2011 taxable value are as follows:

<u>Taxpayer</u>	<u>Product/Service</u>	<u>Taxable Value</u>	<u>Percentage of Total</u>
Portland Partners	Apartments	\$ 2,438,742	2.54%
Ellen's Properties	Grocery, Hardware, Video	2,080,348	2.17%
TRW Automotive	Tie Rods, Steering Linkages	1,262,200	1.20%
LAWCO	Apartments	1,079,587	1.12%
ADM Alliance Nutrition	Feed Production	847,882	0.88%
Consumers Energy	Utility	713,800	0.74%
American Heritage	Hotel	634,685	0.66%
Rite-Aid	Pharmacy/Retail	577,761	0.60%
Vollman Ford	Auto Dealership	571,882	0.60%
Speedway Superamerica LLC	Fuel, Convenience Store	537,579	0.56%
		10,744,466	11.07%
	Other Taxpayers	85,318,915	88.93%
		<u>\$ 96,063,381</u>	<u>100.00%</u>

Revenues from the State of Michigan

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Estimated 2011</u>
State Revenue Sharing	\$ 446,198	\$ 430,751	\$ 440,181	\$ 372,663	\$ 334,788
Other	4,264	4,314	4,287	4,403	4,200
Total	<u>\$ 450,462</u>	<u>\$ 435,065</u>	<u>\$ 444,468</u>	<u>\$ 377,066</u>	<u>\$ 338,988</u>

Debt Ratios at June 30, 2010

	<u>Direct Debt</u>	<u>Overlapping Debt</u>	<u>Direct and Overlapping Debt</u>
Per Capita (3,789)	\$ 1,794	\$ 9,794	\$ 11,585
Ratio to 2010 Taxable Valuation	7.09%	38.71%	45.79%
Ratio to 2010 State Equalized Valuation	5.98%	32.65%	38.62%
Ratio to 2010 True Cash Value	2.92%	15.92%	18.83%

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2010

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

- (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	\$ 1,083,216
	DDA Bonds	1,250,000
	Water and Wastewater Bonds	1,064,872
	Capital Improvement Bonds	<u>3,400,000</u>
		<u>6,798,088</u>
Legal debt margin remaining		<u>\$ 4,270,812</u>

Computation of Direct and Overlapping Debt at June 30, 2010

<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	\$ 2,546,340	6.21%	\$ 158,128
Ionia County Intermediate School District	990,000	5.49%	54,351
Portland District Library	2,305,000	33.50%	772,175
Portland Public Schools	<u>31,266,475</u>	27.09%	<u>8,470,088</u>
Total Overlapping Debt	37,107,815		9,454,742
City Direct Debt	<u>6,789,088</u>	100.00%	<u>6,789,088</u>
Total City Direct and Overlapping Debt	<u>\$ 43,896,903</u>		<u>\$ 16,243,830</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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Michigan, as of and for the year ended June 30, 2010 and have issued our report thereon dated November 1, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 1, 2010