

**City of Portland
Ionia County, Michigan**

FINANCIAL STATEMENTS

June 30, 2011

City of Portland
Ionia County, Michigan
June 30, 2011

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

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, 2011, 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, 2011, 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 November 1, 2011, 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.

As discussed in Note P, during the year the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result of this implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the new classifications under GASB Statement No. 54.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 1, 2011

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. 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 \$30,399,979 (excluding component units).
- Governmental activities net assets were \$14,264,591.
- Business-type activity net assets were \$16,135,388.
- Component Unit net assets were \$1,208,853.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,420,410 with \$1,327,529 being nonspendable, restricted, committed or assigned for specific purposes (cemetery perpetual care and capital projects).
- The General Fund realized \$257,728 less in revenues than anticipated for the fiscal year. The General Fund operations also expended \$678,278 less than appropriated.
- Overall, the General Fund balance increased by \$23,059 to \$92,881.

Capital and Long-term Debt Activities:

- The total additions to the capital asset schedule for the primary government were \$2,214,162. Significant capital purchases during the year included the Grape Street, Detroit Street, and Divine Highway reconstruction costs incurred after, June 30, 2011; Trail Connector Loop engineering and construction costs incurred after June 30, 2011, Wastewater Treatment Plant improvements constructed prior to July 1, 2011.
- The total long-term debt for the primary government was \$4,747,193, an increase of \$55,591 from the prior year. This increase was largely due to the long-term debt addition of \$742,393 in capital improvement bonds for the wastewater improvement project, paying off the 2010 Capital Improvement Bonds (\$590,000), the 2004 Water System Bonds (\$60,000), the 2008 Capital Improvement 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 \$10,007,060.

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.

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2011

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 2010/2011. 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.

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2011

- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

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

The fund financial statements, which begin on page 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 Local Street Fund, the Portland Area Ambulance Fund, the Electric Light and Power System Fund, the Sewage Disposal System Fund and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type.

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

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2011

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 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 \$30,399,979 at the end of this fiscal year's operations. The net assets of the governmental activities were \$14,264,591; the business-type activities were \$16,135,388.

Net Assets as of June 30, 2010 and 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Current and Other Assets	\$ 2,810,012	\$ 1,629,645	\$ 4,345,740	\$ 5,167,264	\$ 7,155,752	\$ 6,796,909
Capital Assets	14,868,606	15,140,618	14,783,561	15,362,968	29,652,167	30,503,586
Total Assets	\$ 17,678,618	\$ 16,770,263	\$ 19,129,301	\$ 20,530,232	\$ 36,807,919	\$ 37,300,495
Current Liabilities	\$ 1,038,974	\$ 817,468	\$ 738,241	\$ 1,078,614	\$ 1,777,215	\$ 1,896,082
Noncurrent Liabilities	1,924,373	1,688,204	2,778,689	3,316,230	4,703,062	5,004,434
Total Liabilities	\$ 2,963,347	\$ 2,505,672	\$ 3,516,930	\$ 4,394,844	\$ 6,480,277	\$ 6,900,516
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 12,954,291	\$ 13,837,370	\$ 12,118,689	\$ 12,060,703	\$ 25,072,980	\$ 25,898,073
Restricted	531,912	671,681	199,986	274,734	731,898	946,415
Unrestricted	1,229,068	(244,460)	3,293,696	3,799,951	4,522,764	3,555,491
Total Net Assets	\$ 14,715,271	\$ 14,264,591	\$ 15,612,371	\$ 16,135,388	\$ 30,327,642	\$ 30,399,979

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

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2011

Changes in Net Assets for the Fiscal Year Ending June 30, 2010 and 2011

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Revenues						
Program Revenues						
Charges for Services	\$ 1,032,441	\$ 1,053,612	\$ 4,693,796	\$ 5,226,491	\$ 5,726,237	\$ 6,280,103
Grants and Contributions	533,171	477,080	-	-	533,171	477,080
General Revenues						
Property Taxes	1,129,875	1,090,168	-	-	1,129,875	1,090,168
State Shared Revenue	372,663	381,894	-	-	372,663	381,894
City Income Taxes	679,815	717,380	-	-	679,815	717,380
Investment Earnings	23,668	10,952	12,919	7,386	36,587	18,338
Miscellaneous	77,367	44,561	52,356	70,416	129,723	114,977
Transfers	(259,734)	(134,631)	259,734	134,631	-0-	-0-
Special Items	235,788	-	-	-	235,788	-0-
Total Revenues	3,825,054	3,641,016	5,018,805	5,438,924	8,843,859	9,079,940
Expenses						
General Government	1,303,861	1,136,098	-	-	1,303,861	1,136,098
Public Safety	1,128,678	1,059,031	-	-	1,128,678	1,059,031
Public Works	934,957	865,287	-	-	934,957	865,287
Health and Welfare	562,853	538,113	-	-	562,853	538,113
Community and Economic Develop.	23,824	5,897	-	-	23,824	5,897
Recreation and Culture	368,806	557,989	-	-	368,806	557,989
Other	75,769	38,465	4,481,832	4,915,907	4,557,601	4,954,372
Total Expenses	4,398,748	4,200,880	4,481,832	4,915,907	8,880,580	9,116,787
Increase (decrease) in Net Assets	(573,694)	(559,864)	536,973	523,017	(36,721)	(36,847)
Restating Net Assets - Beginning	15,288,965	14,824,455	15,075,398	15,612,371	30,364,363	\$ 30,436,826
Net Assets - Ending	\$ 14,715,271	\$ 14,264,591	\$ 15,612,371	\$ 16,135,388	\$ 30,327,642	\$ 30,399,979

Governmental Activities:

The results of 2010/2011 governmental activity was a decrease of \$559,864 in net assets to \$14,264,591. Of the total governmental activities' net assets, \$13,837,370 is invested in capital assets less related debt, \$671,681 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 \$(244,460) is listed as unrestricted, having no legal commitment.

City of Portland

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2011

Revenues:

The three largest revenue categories were property taxes at 29.9%, charges for services at 28.9%, and city income taxes at 19.7%. The City levied a property tax millage for the year ended June 30, 2011, 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 27.0% 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 25.2% of the governmental activities total on law enforcement, fire protection and code enforcement. Public Works is the third largest governmental activity, expended 20.6% of the governmental activities total.

Business-type Activities:

Net assets in business-type activities were increased by \$523,017 during fiscal year 2010/2011. Of the business-type activities' net assets, \$12,060,703 is invested in capital assets net of related debt, \$274,734 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 \$3,799,951 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2010/2011, its governmental funds reported *combined* fund balances of \$1,420,410. This is a net decrease of \$1,044,695. The net changes are summarized in the following chart:

	General Fund	City Income Tax	Local Street	Portland Area Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 6/30/2010	\$ 69,822	\$ 557,079	\$ 214,031	\$ 110,537	\$ 1,513,636	\$ 2,465,105
Fund Balance 6/30/2011	\$ 92,881	\$ 482,124	\$ 35,850	\$ 143,556	\$ 665,999	\$ 1,420,410
Net Change	\$ 23,059	\$ (74,955)	\$ (178,181)	\$ 33,019	\$ (847,637)	\$ (1,044,695)

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, 2011, the General Fund reported a fund balance of \$92,881. This amount is a net increase of \$23,059 from the fund balance of \$69,822 reported as of June 30, 2010. The 2010/2011 original budget had called for a \$401,192 use of fund balance.

City of Portland

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2011

The General Fund 2010/2011 revenues exceeded 2010/2011 expenditures by \$23,059 largely due to reduced spending and the river trail connector loop project coming in well below its estimated cost.

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 \$2,232,994, \$257,727 below the final amended budget.

The City's original General Fund expenditures and other financing uses budget was decreased by \$4,300 during 2010/2011. The decrease can be attributed to a decrease in the amount transferred to the Recreation Fund.

Actual City expenditures and other financing uses for 2010/2011 were \$678,278 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 river trail connector loop project finishing well below its original estimated/budgeted cost.

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

- \$351,499 less than planned expenditures in the Parks and Recreation Department.
- \$75,673 less than planned expenditures in the Police Department.
- \$11,862 less than planned expenditures for General Administration.
- \$20,743 less than planned expenditures for Community Promotions.
- \$19,081 less than planned expenditures in the Fire Department.
- \$19,861 less than planned expenditures for Cemetery Operations.
- \$18,138 less than planned expenditures for City Hall Building and Grounds.
- \$9,351 less than planned expenditures for Assessing Department.
- \$5,643 less than planned for Economic Development.
- \$20,196 less than planned expenditures in the Code Enforcement Department.
- \$4,155 less than planned expenditures for Council, Boards, and Commissions.
- \$12,330 less than planned for Street Lighting.
- \$4,918 less than planned expenditures for the City Manager Department.
- \$1,032 less than planned expenditures for Elections.

City Income Tax Fund

As of June 30, 2011, the City Income Tax Fund reported a fund balance of \$482,124, a decrease of \$74,955 from the prior year. The total fund balance is committed for street improvements. The City has used the income tax funds exclusively for the improvement of streets, sidewalks, curb, gutter, street lighting, parking areas, associated utilities and their appurtenances. 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.

City of Portland

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2011

Local Street Fund

As of June 30, 2011, the Local Street Fund reported a fund balance of \$35,850, which is a decrease of \$178,181 from the prior year. The entire balance of \$35,850 is restricted.

Portland Area Ambulance Fund

As of June 30, 2011, the Local Street Fund reported a fund balance of \$143,556, which is an increase of \$1,353 from the prior year. The entire balance of \$143,556 is assigned for health and welfare.

Enterprise Funds

As the City completed 2010/2011, its enterprise funds reported *combined* net assets of \$16,135,388. This is a net increase of \$523,017 resulting from current year operations. The net changes are summarized in the following chart.

	Electric Light and Power System Fund	Sewage Disposal System Fund	Water System Fund	Nonmajor Enterprise Fund	Totals
Net Assets 6/30/2010	\$ 8,881,009	\$ 2,406,560	\$ 4,318,755	\$ 6,047	\$ 15,612,371
Net Assets 6/30/2011	\$ 9,019,979	\$ 2,616,882	\$ 4,490,331	\$ 8,196	\$ 16,135,388
Net Change	\$ 138,970	\$ 210,322	\$ 171,576	\$ 2,149	\$ 523,017

Electric Light and Power System Fund:

As of June 30, 2011, the Electric Light and Power System Fund reported net assets of \$9,019,979, an increase of \$138,970 from the prior year. Of the entire net assets amount, \$6,457,716 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, \$149,734 is restricted for debt service, and \$2,287,529 is unrestricted.

Sewage Disposal System Fund:

As of June 30, 2011, the Sewer Fund reported net assets of \$2,616,882 an increase of \$210,322 from the prior year. Of the entire net assets, \$2,409,089 is invested in capital assets, net of related debt and \$207,793 is unrestricted.

Water System Fund:

As of June 30, 2011, the Water System Fund reported net assets of \$4,490,331, a net increase of \$171,576 from the prior year. Of the entire net assets, \$3,193,898 is invested in capital assets, net of related debt and \$1,296,433 is unrestricted.

City of Portland

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2010/2011, the City had invested \$30,503,586, and \$2,085,580 for the component units, net of accumulated depreciation, in a broad range of capital assets (see table below). Additional information related to capital assets is detailed in Note G of the Financial Statements. Net Book value of capital assets at June 30, 2011, was as follows:

	Governmental Activities	Business - type Activities	Component Unit DDA	Totals
Land	\$ 2,231,039	\$ -	\$ -	\$ 2,231,039
Construction in Progress	875,179	-	-	875,179
Land Improvements, net	74,530	-	-	74,530
Buildings, net	248,994	-	1,560,600	1,809,594
Equipment and Furniture, net	427,596	-	-	427,596
Electric System, net	-	8,012,716	-	8,012,716
Sewer System, net	-	3,151,482	-	3,151,482
Water System, net	-	4,198,770	-	4,198,770
Infrastructure				-
Streets and Bridges, net	11,283,280	-	524,980	11,808,260
Capital Assets, net	<u>\$ 15,140,618</u>	<u>\$ 15,362,968</u>	<u>\$ 2,085,580</u>	<u>\$ 32,589,166</u>

Long-term Debt - As of June 30, 2011, the City had \$4,747,193 in long-term debt outstanding for the primary government. This level of net obligation is \$55,591 more than the obligation recorded as of June 30, 2010.

Outstanding Debt as of June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Primary Government				
Governmental activities				
2009 Equipment Lease-Purchase Agreement (\$154,000)	\$ 114,315	\$ -	\$ 21,067	\$ 93,248
2010 Capital Improvement Bonds (\$1,800,000)	1,800,000	-	590,000	1,210,000
Accumulated compensated absences	68,700	97,930	72,322	94,308
Business-type activities				
2008 Capital Improvement Bonds (\$1,690,000)	1,600,000	-	45,000	1,555,000
2004 Water System Bonds (\$1,344,872)	1,064,872	-	60,000	1,004,872
2011 Sanitary Sewer System (\$840,000)	-	47,000	-	47,000
2010 Sanitary Sewer System (\$2,900,000) (Build America Bonds)	-	186,000	-	186,000
2010 Sanitary Sewer System (\$2,900,000)	-	509,393	-	509,393
Accumulated compensated absences	43,715	49,066	45,409	47,372
Total Primary Government	4,691,602	889,389	833,798	4,747,193

City of Portland

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2011

Outstanding Debt as of June 30, 2011 - continued:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Component Unit				
General obligation bonds	\$ 1,250,000	\$ -	\$ 150,000	\$ 1,100,000
Accumulated compensated absences	145	-	145	-0-
Total Component Unit	1,250,145	-	150,145	1,100,000
Total Reporting Entity	\$ 5,941,747	\$ 889,389	\$ 983,943	\$ 5,847,193

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

CITY OF PORTLAND GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing is expected to decrease for fiscal year 2011-2012 due to State budget problems. The State is eliminating Statutory Revenue Sharing in favor of Economic Vitality Incentive Program (EVIP) payments that equal 67.837363% of the FY 2010 statutory payment. The City can receive 1/3 of the maximum EVIP amount by fulfilling the specific requirements in three categories - Accountability and Transparency, Consolidation of Services, and Employee Compensation. The City intends to qualify for the maximum EVIP payments.
- While health and dental insurance premiums continue to rise much faster than the rate of inflation, the City has decreased its premiums almost \$98,000 and eliminated its exposure for reimbursing high deductibles and office co-pays in favor of a Health Saving Account with a known cost of approximately \$78,000 dollars.
- 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 15.1% for the non-union division, 11.7% for the POLC division and 16.0% for the AFSCME division.
- Investment earnings are expected to decrease as market interest rates are lower.
- The City's income tax revenues decreased from \$729,786 in 2009 to \$679,815 in 2010 (a decrease of 6.84%) and increased from \$679,815 in 2010 to \$695,574 in 2011 (an increase of 2%).
- The City's SEV has decreased from \$113,660,965 in 2009 to \$110,689,000 in 2010 (a decrease of 2.61%) and from \$110,689,000 in 2010 to \$102,983,300 in 2011 (a decrease of 6.96%). For 2012 the City's SEV dipped another 2.83% falling from \$102,983,300 in 2011 to \$100,070.00. A similar decrease is expected for 2013.
- Revenues from property tax levies have decreased \$39,881 (3.55 %). Despite these declines, there are reasons to believe that the local economy is already recovering based upon increases in income tax revenue and commercial (Family Farm & Home and Tom's Fuel Center) and industrial (Portland Products Expansion) developments activity that are reflected in this year's 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, 2011

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,034,434	\$ 2,477,917	\$ 4,512,351	\$ 98,222
Cash and cash equivalents - restricted	-	415,600	415,600	140,350
Receivables	234,539	701,187	935,726	-
Due from other governmental units	60,672	509,393	570,065	-
Inventories	-	363,167	363,167	-
Total current assets	2,329,645	4,467,264	6,796,909	238,572
Noncurrent assets				
Internal balances	(700,000)	700,000	-0-	-
Capital assets not being depreciated	3,106,218	1,633,648	4,739,866	-
Capital assets being depreciated, net	12,034,400	13,729,320	25,763,720	2,085,580
Total noncurrent assets	14,440,618	16,062,968	30,503,586	2,085,580
TOTAL ASSETS	16,770,263	20,530,232	37,300,495	2,324,152
LIABILITIES				
Current liabilities				
Accounts payable	57,456	822,146	879,602	-
Accrued liabilities	64,767	21,879	86,646	2,070
Accrued interest payable	5,518	22,349	27,867	13,229
Current portion of compensated absences	67,798	42,240	110,038	-
Current portion of long-term debt	621,929	170,000	791,929	150,000
Total current liabilities	817,468	1,078,614	1,896,082	165,299
Noncurrent liabilities				
Customer deposits payable from restricted assets	-	178,833	178,833	-
Noncurrent portion of compensated absences	26,510	5,132	31,642	-
Noncurrent portion of long-term debt	681,319	3,132,265	3,813,584	950,000
Net other post-employment benefits obligation	980,375	-	980,375	-
Total noncurrent liabilities	1,688,204	3,316,230	5,004,434	950,000
TOTAL LIABILITIES	2,505,672	4,394,844	6,900,516	1,115,299
NET ASSETS				
Invested in capital assets, net of related debt	13,837,370	12,060,703	25,898,073	985,580
Restricted for:				
Utilities	-	125,000	125,000	-
Debt service	-	149,734	149,734	127,121
Other purposes	671,681	-	671,681	-
Unrestricted	(244,460)	3,799,951	3,555,491	96,152
TOTAL NET ASSETS	\$ 14,264,591	\$ 16,135,388	\$ 30,399,979	\$ 1,208,853

See accompanying notes to financial statements.

City of Portland
STATEMENT OF ACTIVITIES
Year ended June 30, 2011

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	\$ 1,136,098	\$ 419,416	\$ 155,499	\$ -	\$ (561,183)	\$ -	\$ (561,183)	\$ -
Public safety	1,059,031	121,975	1,795	-	(935,261)	-	(935,261)	-
Public works	865,287	404	299,496	2,788	(562,599)	-	(562,599)	-
Health and welfare	538,113	435,763	-	-	(102,350)	-	(102,350)	-
Community and economic development	5,897	-	-	-	(5,897)	-	(5,897)	26,595
Recreation and culture	557,989	76,054	17,502	-	(464,433)	-	(464,433)	-
Interest on long-term debt	38,465	-	-	-	(38,465)	-	(38,465)	-
Total governmental activities	4,200,880	1,053,612	474,292	2,788	(2,670,188)	-0-	(2,670,188)	26,595
Business-type activities								
Electric Light and Power System	3,661,987	3,790,731	-	-	-	128,744	128,744	-
Sewage Disposal System	591,728	730,138	-	-	-	138,410	138,410	-
Water System	574,299	616,991	-	-	-	42,692	42,692	-
Refuse	87,893	88,631	-	-	-	738	738	-
Total business-type activities	4,915,907	5,226,491	-0-	-0-	-0-	310,584	310,584	-0-
Total primary government	\$ 9,116,787	\$ 6,280,103	\$ 474,292	\$ 2,788	(2,670,188)	310,584	(2,359,604)	26,595
Component unit								
Downtown Development Authority	\$ 323,457	\$ -	\$ -	\$ -	-0-	-0-	-0-	(323,457)
General revenues								
Property taxes					1,090,168	-	1,090,168	301,607
State shared revenue					381,894	-	381,894	-
City income taxes					717,380	-	717,380	-
Investment earnings					10,952	7,386	18,338	172
Miscellaneous					44,561	70,416	114,977	23,257
Transfers					(134,631)	134,631	-0-	-
Total general revenues and transfers					2,110,324	212,433	2,322,757	325,036
Change in net assets					(559,864)	523,017	(36,847)	28,174
Restated net assets, beginning of the year					14,824,455	15,612,371	30,436,826	1,180,679
Net assets, end of the year					\$ 14,264,591	\$ 16,135,388	\$ 30,399,979	\$ 1,208,853

See accompanying notes to financial statements.

City of Portland
Governmental Funds
BALANCE SHEET
June 30, 2011

	<u>General</u>	<u>City Income Tax</u>	<u>Local Street</u>
ASSETS			
Cash and cash equivalents	\$ 825,442	\$ 370,936	\$ 27,810
Receivables			
Taxes	1,227	122,556	-
Accounts	4,350	20	11,542
Special assessments	-	1,194	-
Due from other governmental units	28,480	-	-
Due from other funds	9,313	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 868,812</u>	<u>\$ 494,706</u>	<u>\$ 39,352</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 24,694	\$ 751	\$ 733
Accrued liabilities	45,569	1,324	2,769
Due to other funds	-	9,313	-
Advance from other funds	700,000	-	-
Deferred revenue	5,668	1,194	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	775,931	12,582	3,502
FUND BALANCES			
Nonspendable			
Perpetual care	-	-	-
Restricted for:			
Streets	-	-	35,850
Committed for:			
Street improvements	-	482,124	-
Assigned for:			
Ambulance	-	-	-
Recreation	-	-	-
Unassigned	92,881	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>92,881</u>	<u>482,124</u>	<u>35,850</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 868,812</u>	<u>\$ 494,706</u>	<u>\$ 39,352</u>

See accompanying notes to financial statements.

Portland Area Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
\$ 58,741	\$ 662,749	\$ 1,945,678
-	-	123,783
93,306	175	109,393
-	-	1,194
-	32,192	60,672
-	-	9,313
<u>\$ 152,047</u>	<u>\$ 695,116</u>	<u>\$ 2,250,033</u>
\$ 753	\$ 23,276	\$ 50,207
7,738	5,841	63,241
-	-	9,313
-	-	700,000
-	-	6,862
<u>8,491</u>	<u>29,117</u>	<u>829,623</u>
-	151,617	151,617
-	484,214	520,064
-	-	482,124
143,556	-	143,556
-	30,168	30,168
-	-	92,881
<u>143,556</u>	<u>665,999</u>	<u>1,420,410</u>
<u>\$ 152,047</u>	<u>\$ 695,116</u>	<u>\$ 2,250,033</u>

City of Portland

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

June 30, 2011

Total fund balances - governmental funds \$ 1,420,410

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	\$ 21,616,466	
Accumulated depreciation is	<u>(6,753,076)</u>	
Capital assets, net		14,863,390

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.	257,001
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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	6,862
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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	1,210,000	
Net other post-employment benefits obligation	980,375	
Accrued interest payable	5,518	
Compensated absences	<u>87,179</u>	
		<u>(2,283,072)</u>

Net assets of governmental activities \$ 14,264,591

City of Portland

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2011

	General	City Income Tax	Local Street
REVENUES			
Taxes	\$ 1,061,304	\$ 695,574	\$ 79,484
Licenses and permits	16,553	-	-
Intergovernmental	541,225	-	75,275
Charges for services	441,242	-	-
Fines and forfeits	21,500	22,010	-
Interest and rents	17,516	1,175	75
Other	34,564	1,796	156
TOTAL REVENUES	2,133,904	720,555	154,990
EXPENDITURES			
Current			
General government	774,928	168,800	-
Public safety	929,485	-	-
Public works	50,170	-	774,450
Health and welfare	50,204	-	-
Community and economic development	5,357	-	-
Recreation and culture	387,791	-	-
Debt service	2,000	626,710	-
TOTAL EXPENDITURES	2,199,935	795,510	774,450
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(66,031)	(74,955)	(619,460)
OTHER FINANCING SOURCES (USES)			
Transfers in	99,090	-	441,279
Transfers out	(10,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	89,090	-0-	441,279
NET CHANGE IN FUND BALANCES	23,059	(74,955)	(178,181)
Fund balances, beginning of year	69,822	557,079	214,031
Prior period adjustment	-	-	-
Fund balances, end of year	<u>\$ 92,881</u>	<u>\$ 482,124</u>	<u>\$ 35,850</u>

See accompanying notes to financial statements.

Portland Area Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,836,362
-	-	16,553
-	234,221	850,721
435,763	77,677	954,682
-	-	43,510
-	2	18,768
9,043	9,492	55,051
<u>444,806</u>	<u>321,392</u>	<u>3,775,647</u>
-	-	943,728
-	-	929,485
-	389,221	1,213,841
411,787	-	461,991
-	-	5,357
-	114,808	502,599
-	-	628,710
<u>411,787</u>	<u>504,029</u>	<u>4,685,711</u>
33,019	(182,637)	(910,064)
-	177,794	718,163
-	(842,794)	(852,794)
<u>-0-</u>	<u>(665,000)</u>	<u>(134,631)</u>
33,019	(847,637)	(1,044,695)
1,353	1,513,636	2,355,921
109,184	-	109,184
<u>\$ 143,556</u>	<u>\$ 665,999</u>	<u>\$ 1,420,410</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, 2011

Net change in fund balances - total governmental funds \$ (1,044,695)

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

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

Capital outlay	\$ 1,041,930
Depreciation expense and net effect of asset disposal	<u>(695,743)</u>

Excess of capital outlay over depreciation expense	346,187
--	---------

Internal service funds are used by management to charge the costs of certain activities to individual funds.	(14,832)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(Decrease) in deferred revenue	(2,788)
--------------------------------	---------

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

Bond principal retirements	590,000
----------------------------	---------

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	(408,755)
Decrease in accrued interest payable	245
(Increase) in accrued compensated absences	<u>(25,226)</u>

(433,736)

Change in net assets of governmental activities \$ (559,864)

City of Portland

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2011

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,836,773	\$ 102,077	\$ 529,446
Cash and cash equivalents - restricted	326,854	61,180	27,566
Accounts receivable	505,587	104,811	84,601
Due from other governmental units	-	509,393	-
Inventories	348,541	-	14,626
Total current assets	3,017,755	777,461	656,239
Noncurrent assets			
Advance to other funds	-	-	700,000
Capital assets not being depreciated	314,954	998,938	319,756
Capital assets being depreciated, net	7,697,762	2,152,544	3,879,014
Total noncurrent assets	8,012,716	3,151,482	4,898,770
TOTAL ASSETS	11,030,471	3,928,943	5,555,009
LIABILITIES			
Current liabilities			
Accounts payable	249,020	552,168	13,345
Accrued liabilities	11,948	5,887	4,044
Accrued interest payable	15,485	583	6,281
Current portion of compensated absences	22,294	11,030	8,916
Current portion of long-term debt	50,000	60,000	60,000
Total current liabilities	348,747	629,668	92,586
Noncurrent liabilities			
Customer deposits payable from restricted assets	151,613	-	27,220
Noncurrent portion of compensated absences	5,132	-	-
Noncurrent portion of long-term debt	1,505,000	682,393	944,872
Total noncurrent liabilities	1,661,745	682,393	972,092
TOTAL LIABILITIES	2,010,492	1,312,061	1,064,678
NET ASSETS			
Invested in capital assets, net of related debt	6,457,716	2,409,089	3,193,898
Restricted for utilities	125,000	-	-
Restricted for debt service	149,734	-	-
Unrestricted	2,287,529	207,793	1,296,433
TOTAL NET ASSETS	\$ 9,019,979	\$ 2,616,882	\$ 4,490,331

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
\$ 9,621	\$ 2,477,917	\$ 88,756
-	415,600	-
6,188	701,187	169
-	509,393	-
-	363,167	-
15,809	4,467,264	88,925
-	700,000	-
-	1,633,648	-
-	13,729,320	277,228
-0-	16,062,968	277,228
15,809	20,530,232	366,153
7,613	822,146	7,249
-	21,879	1,526
-	22,349	-
-	42,240	5,489
-	170,000	21,929
7,613	1,078,614	36,193
-	178,833	-
-	5,132	1,640
-	3,132,265	71,319
-0-	3,316,230	72,959
7,613	4,394,844	109,152
-	12,060,703	183,980
-	125,000	-
-	149,734	-
8,196	3,799,951	73,021
<u>\$ 8,196</u>	<u>\$ 16,135,388</u>	<u>\$ 257,001</u>

City of Portland

Proprietary Funds

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

Year Ended June 30, 2011

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
OPERATING REVENUES			
Charges for services			
User charges	\$ 3,790,731	\$ 688,396	\$ 616,991
Tap fees	-	41,742	-
Other	47,831	1,306	19,868
TOTAL OPERATING REVENUES	3,838,562	731,444	636,859
OPERATING EXPENSES			
Salaries and wages	425,531	198,444	140,282
Fringe benefits	177,229	90,805	70,960
Contractual services	93,784	15,895	15,140
Supplies	243,338	19,363	15,316
Heat, light, and power	2,084,666	51,104	29,373
Communications	3,625	5,391	4,353
Insurance and bonds	16,091	2,709	2,807
Repairs and maintenance	69,266	12,433	40,980
Administrative services	65,063	50,040	52,224
Building and equipment rental	41,135	15,300	31,008
Other	60,449	1,579	1,624
Depreciation	318,858	128,665	144,459
TOTAL OPERATING EXPENSES	3,599,035	591,728	548,526
OPERATING INCOME (LOSS)	239,527	139,716	88,333
NONOPERATING REVENUES (EXPENSES)			
Interest earned	4,699	96	2,591
Interest expense and fees	(62,952)	-	(25,498)
Loss on disposal of capital assets	-	-	(275)
TOTAL NONOPERATING REVENUES (EXPENSES)	(58,253)	96	(23,182)
INCOME (LOSS) BEFORE TRANSFERS	181,274	139,812	65,151
TRANSFERS			
Transfers in	-	98,903	134,818
Transfers out	(42,304)	(28,393)	(28,393)
TOTAL TRANSFERS	(42,304)	70,510	106,425
CHANGE IN NET ASSETS	138,970	210,322	171,576
Net assets, beginning of year	8,881,009	2,406,560	4,318,755
Net assets, end of year	\$ 9,019,979	\$ 2,616,882	\$ 4,490,331

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
\$ 88,631	\$ 5,184,749	\$ 326,292
-	41,742	-
1,411	70,416	5,707
90,042	5,296,907	331,999
-	764,257	61,039
-	338,994	35,391
87,893	212,712	1,490
-	278,017	61,315
-	2,165,143	8,722
-	13,369	1,729
-	21,607	22,059
-	122,679	43,500
-	167,327	32,192
-	87,443	-
-	63,652	4,820
-	591,982	74,743
87,893	4,827,182	347,000
2,149	469,725	(15,001)
-	7,386	169
-	(88,450)	-
-	(275)	-
-0-	(81,339)	169
2,149	388,386	(14,832)
-	233,721	-
-	(99,090)	-
-0-	134,631	-0-
2,149	523,017	(14,832)
6,047	15,612,371	271,833
\$ 8,196	\$ 16,135,388	\$ 257,001

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 3,836,365	\$ 597,279	\$ 623,284
Cash paid to suppliers	(2,659,692)	(173,814)	(348,934)
Cash paid for employee benefits	(595,476)	(285,894)	(210,582)
NET CASH PROVIDED BY OPERATING ACTIVITIES	581,197	137,571	63,768
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Payment of advance to other funds	-	-	100,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in	-	98,903	134,818
Transfers out	(42,304)	(28,393)	(28,393)
Debt issuance	-	742,393	-
Payments of borrowing	(45,000)	-	(60,000)
Interest expense and fees	(63,290)	583	(25,872)
Purchase of capital assets	(159,968)	(896,420)	(115,276)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(310,562)	(82,934)	(94,723)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	4,699	96	2,591
NET INCREASE IN CASH AND CASH EQUIVALENTS	275,334	54,733	71,636
Cash and cash equivalents, beginning of year	1,888,293	108,524	485,376
Cash and cash equivalents, end of year	<u>\$ 2,163,627</u>	<u>\$ 163,257</u>	<u>\$ 557,012</u>

See accompanying notes to financial statements.

<u>Activities</u> Nonmajor Enterprise Fund (Refuse)	<u>Total</u>	<u>Governmental</u> <u>Activities</u> Internal Service Fund
\$ 88,819 (87,869) -	\$ 5,145,747 (3,270,309) (1,091,952)	\$ 331,868 (178,478) (95,981)
950	783,486	57,409
-	100,000	-
-	233,721	-
-	(99,090)	-
-	742,393	-
-	(105,000)	(21,067)
-	(88,579)	-
-	(1,171,664)	(568)
-0-	(488,219)	(21,635)
-	7,386	169
950	402,653	35,943
8,671	2,490,864	52,813
<u>\$ 9,621</u>	<u>\$ 2,893,517</u>	<u>\$ 88,756</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2011

	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)	\$ 239,527	\$ 139,716	\$ 88,333
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	318,858	128,665	144,459
Change in			
Accounts receivable	(5,547)	(28,499)	(13,289)
Due from other governmental units	-	(509,393)	-
Inventories	36,545	-	2,535
Accounts payable	(18,820)	426,869	(158,644)
Accrued liabilities	7,284	3,355	660
Customer deposits	3,350	(23,142)	(286)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 581,197</u>	 <u>\$ 137,571</u>	 <u>\$ 63,768</u>

See accompanying notes to financial statements.

<u>Activities</u> Nonmajor Enterprise Fund (Refuse)	<u>Total</u>	<u>Governmental</u> <u>Activities</u> Internal Service Fund
\$ 2,149	\$ 469,725	\$ (15,001)
-	591,982	74,743
(1,223)	(48,558)	(131)
-	(509,393)	-
-	39,080	-
24	249,429	(2,651)
-	11,299	449
-	(20,078)	-
<u>\$ 950</u>	<u>\$ 783,486</u>	<u>\$ 57,409</u>

City of Portland

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2011

	<u>Current Tax Collection</u>
ASSETS	
Cash and cash equivalents	<u>\$ 257</u>
LIABILITIES	
Undistributed property taxes	<u>\$ 257</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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. 4*, 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, 2010, are available at PAMA's administrative offices. As of December 31, 2010, PAMA had a fund balance of \$1,336.

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, 2011

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

The City reports the following major enterprise funds:

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011

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, 2011

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 14, respectively. The July 1 levy is composed of the City's millage, the County's millage assessments, and school taxes. The December 1 levy is composed of school taxes. All real property taxes not paid to the City by March 1 are turned over to the Ionia County Treasurer for collection. The Ionia County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2011, 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 2010 levy for property within the City was \$95,910,416.

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, 2011

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

20. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The City has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

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.

Deposits

As of June 30, 2011, 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	\$ 4,927,058	\$ 5,097,299
FIDUCIARY FUND		
Checking	257	638
COMPONENT UNIT		
Checking	<u>238,572</u>	<u>242,435</u>
TOTAL REPORTING ENTITY	<u>\$ 5,165,887</u>	<u>\$ 5,340,372</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

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, 2011, the City accounts were insured by the FDIC for \$1,057,404 and the amount of \$4,282,968 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, 2011, 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.

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, 2011:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and Cash Equivalents	\$ 4,512,351	\$ 98,222	\$ 257	\$ 4,610,830
Cash and Cash Equivalents - Restricted	415,600	140,350	-	555,950
	<u>\$ 4,927,951</u>	<u>\$ 238,572</u>	<u>\$ 257</u>	<u>\$ 5,166,780</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.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of June 30, 2011:

	<u>Customer Deposits</u>	<u>Debt Retirement</u>	<u>Other</u>	<u>Total</u>
Enterprise Funds	\$ 205,457	\$ 200,143	\$ 10,000	\$ 415,600
Component Unit Fund	-	140,350	-	140,350
	<u>\$ 205,457</u>	<u>\$ 340,493</u>	<u>\$ 10,000</u>	<u>\$ 555,950</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2011, are as follows:

Due to General Fund from:	
City Income Tax Fund	<u>\$ 9,313</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 E: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable related to the primary government at June 30, 2011:

Advance to General Fund from	
Water Fund	<u>\$ 700,000</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 F: INTERFUND TRANSFERS

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

Transfer to General Fund from:	
Electric Light and Power System Fund	\$ 42,304
Sewage Disposal System Fund	28,393
Water System Fund	<u>28,393</u>
	<u>\$ 99,090</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F: INTERFUND TRANSFERS - CONTINUED

Transfer to Local Street Fund from:	
Nonmajor governmental funds	<u>\$ 441,279</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 10,000
Nonmajor governmental funds	<u>167,794</u>
	<u>\$ 177,794</u>
Transfer to Sewage Disposal System Fund from:	
Nonmajor governmental funds	<u>\$ 98,903</u>
Transfers to Water System Fund from:	
Nonmajor governmental funds	<u>\$ 134,818</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 Capital Improvement Fund - Street Projects to the nonmajor governmental funds were to fund current year operations. The transfers from Capital Improvement Fund - Street Projects to Local Street Fund were for the purpose of street repairs. The transfer to the Sewage Disposal System Fund and Capital Improvement Fund - Street Project was to fund current year projects and repairs due to cash flow needs.

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,231,039	\$ -	\$ -	\$ 2,231,039
Construction in progress	<u>262,371</u>	<u>612,808</u>	<u>-</u>	<u>875,179</u>
Subtotal	2,493,410	612,808	-0-	3,106,218
Capital assets, being depreciated				
Land improvements	84,228	-	-	84,228
Buildings and additions	399,721	-	-	399,721
Equipment and furniture	2,041,327	6,865	(50,359)	1,997,833
Infrastructure - streets and bridges	<u>17,057,855</u>	<u>422,825</u>	<u>-</u>	<u>17,480,680</u>
Subtotal	19,583,131	429,690	(50,359)	19,962,462

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Less accumulated depreciation for:				
Land improvements	\$ (6,568)	\$ (3,130)	\$ -	\$ (9,698)
Buildings and additions	(137,581)	(13,146)	-	(150,727)
Equipment and furniture	(1,473,975)	(110,607)	14,345	(1,570,237)
Infrastructure - streets and bridges	(5,589,811)	(607,589)	-	(6,197,400)
Subtotal	(7,207,935)	(734,472)	14,345	(7,928,062)
Net capital assets being depreciated	12,375,196	(304,782)	(36,014)	12,034,400
Capital assets, net	\$ 14,868,606	\$ 308,026	\$ (36,014)	\$ 15,140,618

Depreciation expense was charged to the following governmental activities:

General government	\$ 69,272
Public safety	35,898
Public works	630,989
Health and welfare	29,575
Recreation and cultural	4,752
Total depreciation expense	\$ 770,486

The current year depreciation expense for governmental activities of \$734,472 has been adjusted by \$36,014 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.

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Business-type activities (Electric Light and Power System)				
Capital assets not being depreciated				
Land	\$ 264,954	\$ -	\$ -	\$ 264,954
Construction in progress	-	50,000	-	50,000
Subtotal	264,954	50,000	-0-	314,954
Capital assets being depreciated				
Buildings	4,893,223	-	-	4,893,223
Transmission and disbursement	5,566,230	109,968	-	5,676,198
Equipment	427,441	-	(5,500)	421,941
Subtotal	10,886,894	109,968	(5,500)	10,991,362

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Business-type activities (Electric Light and Power System) - continued				
Less accumulated depreciation for:				
Buildings	\$ (749,944)	\$ (115,166)	\$ -	\$ (865,110)
Transmissions and disbursement	(2,088,012)	(167,174)	-	(2,255,186)
Equipment	(142,286)	(36,518)	5,500	(173,304)
Subtotal	<u>(2,980,242)</u>	<u>(318,858)</u>	<u>5,500</u>	<u>(3,293,600)</u>
Net capital assets being depreciated	<u>7,906,652</u>	<u>(208,890)</u>	<u>-0-</u>	<u>7,697,762</u>
Capital assets, net	<u>\$ 8,171,606</u>	<u>\$ (158,890)</u>	<u>\$ -0-</u>	<u>\$ 8,012,716</u>
Business-type activities (Sewage Disposal System)				
Capital assets not being depreciated				
Land	\$ 11,003	\$ -	\$ -	\$ 11,003
Construction in progress	91,515	896,420	-	987,935
Subtotal	102,518	896,420	-0-	998,938
Capital assets being depreciated				
Buildings	605,399	-	-	605,399
Sewage Disposal System	2,968,384	-	-	2,968,384
Equipment	57,209	-	(5,500)	51,709
Subtotal	3,630,992	-0-	(5,500)	3,625,492
Less accumulated depreciation for:				
Building	(558,162)	(14,460)	-	(572,622)
Sewage Disposal System	(773,564)	(112,005)	-	(885,569)
Equipment	(18,057)	(2,200)	5,500	(14,757)
Subtotal	<u>(1,349,783)</u>	<u>(128,665)</u>	<u>5,500</u>	<u>(1,472,948)</u>
Net capital assets being depreciated	<u>2,281,209</u>	<u>(128,665)</u>	<u>-0-</u>	<u>2,152,544</u>
Capital assets, net	<u>\$ 2,383,727</u>	<u>\$ 767,755</u>	<u>\$ -0-</u>	<u>\$ 3,151,482</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Business-type activities				
(Water System)				
Capital assets not being depreciated				
Land	\$ 3,500	\$ -	\$ -	\$ 3,500
Construction in progress	213,180	103,076	-	316,256
Subtotal	216,680	103,076	-0-	319,756
Capital assets being depreciated				
Water System	5,373,975	-	-	5,373,975
Equipment	102,472	12,200	(5,500)	109,172
Subtotal	5,476,447	12,200	(5,500)	5,483,147
Less accumulated depreciation for:				
Water System	(1,433,892)	(137,855)	-	(1,571,747)
Equipment	(31,007)	(6,604)	5,225	(32,386)
Subtotal	(1,464,899)	(144,459)	5,225	(1,604,133)
Net capital assets being depreciated	4,011,548	(132,259)	(275)	3,879,014
Capital assets, net	<u>\$ 4,228,228</u>	<u>\$ (29,183)</u>	<u>\$ (275)</u>	<u>\$ 4,198,770</u>
Component Unit (DDA)				
Capital assets being depreciated				
Downtown improvements	\$ 703,381	\$ -	\$ -	\$ 703,381
City Hall building	2,601,000	-	-	2,601,000
Subtotal	3,304,381	-0-	-0-	3,304,381
Less accumulated depreciation				
Downtown improvements	(147,109)	(31,292)	-	(178,401)
City Hall building	(910,350)	(130,050)	-	(1,040,400)
Subtotal	(1,057,459)	(161,342)	-0-	(1,218,801)
Net capital assets being depreciated	2,246,922	(161,342)	-0-	2,085,580
Capital assets, net	<u>\$ 2,246,922</u>	<u>\$ (161,342)</u>	<u>\$ -0-</u>	<u>\$ 2,085,580</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2011.

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Primary Government					
Governmental Activities					
2009 Equipment Lease Purchase	\$ 114,315	\$ -	\$ (21,067)	\$ 93,248	\$ 21,929
2010 Capital Improvement Bonds	1,800,000	-	(590,000)	1,210,000	600,000
Compensated absences	68,700	97,930	(72,322)	94,308	67,798
	<u>1,983,015</u>	<u>97,930</u>	<u>(683,389)</u>	<u>1,397,556</u>	<u>689,727</u>
Business-type activities					
2008 Capital Improvement Bonds	1,600,000	-	(45,000)	1,555,000	50,000
2004 Water System Bonds	1,064,872	-	(60,000)	1,004,872	60,000
2010A Sanitary Sewer System	-	509,393	-	509,393	45,000
2010B Sanitary Sewer System	-	186,000	-	186,000	3,000
2011 Sanitary Sewer System	-	47,000	-	47,000	12,000
Compensated absences	43,715	49,066	(45,409)	47,372	42,240
	<u>2,708,587</u>	<u>791,459</u>	<u>(150,409)</u>	<u>3,349,637</u>	<u>212,240</u>
Total Primary Government	4,691,602	889,389	(833,798)	4,747,193	901,967
Component Unit					
General Obligation Bonds	1,250,000	-	(150,000)	1,100,000	150,000
Compensated absences	145	-	(145)	-0-	-
	<u>1,250,145</u>	<u>-0-</u>	<u>(150,145)</u>	<u>1,100,000</u>	<u>150,000</u>
	<u>\$ 5,941,747</u>	<u>\$ 889,389</u>	<u>\$ (983,943)</u>	<u>\$ 5,847,193</u>	<u>\$ 1,051,967</u>

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 \$21,068 to \$24,732 through May 15, 2015, with interest at 4.09 percent, payable annually.

\$ 93,248

2010 Capital Improvement Bonds

\$1,800,000 Capital Improvement Bonds dated May 18, 2010, due in annual installments ranging from \$600,000 to \$610,000 through April 1, 2013, with interest ranging from 2.00 to 2.50 percent, payable semi-annually.

\$ 1,210,000

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE H: LONG-TERM DEBT - CONTINUED

Primary Government - continued

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. \$ 1,004,872

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 \$50,000 to \$105,000 through June 30, 2033, with interest ranging from 3.00 to 4.25 percent, payable semi-annually. \$ 1,555,000

2010A Sewer System Revenue Bonds

\$509,393 Sewer System Revenue Bonds dated December 29, 2010. The official maturities of these bonds are not yet known due to it still being drawn upon. The City draws on the bonds as project expenditures are submitted. At project completion a maturity schedule will officially be set. Due to no formal maturity schedule in place at year-end, it is not possible to anticipate the amount of principal and interest that will be due each year. \$ 509,393

2010B Sewer System Revenue Bonds

\$186,000 Sewer System Revenue Bonds dated December 29, 2010, due in annual installments ranging from \$3,000 to \$7,000 through December 1, 2050, with interest of 3.00 percent, payable semi-annually. \$ 186,000

2011 Sewer System Revenue Bonds

\$47,000 Sewer System Revenue Bonds dated March 9, 2011. The official maturities of these bonds are not yet known due to it still being drawn upon. The City draws on the bonds as project expenditures are submitted. At project completion a maturity schedule will officially be set. Due to no formal maturity schedule in place at year-end, it is not possible to anticipate the amount of principal and interest that will be due each year. \$ 47,000

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.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE H: LONG-TERM DEBT - CONTINUED

Component Unit - Discretely Presented - continued

General Obligation Bonds - continued

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.	\$ 575,000
\$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.	<u>525,000</u>
	<u>\$ 1,100,000</u>

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amounts of these vested rights including related payroll taxes, which have been accrued on the government-wide financial statements. The total liability amounted to approximately \$141,680 at June 30, 2011. Of this amount, \$94,308 and \$47,372 are shown as accrued liabilities in the governmental and business-type activities financial statements, respectively, in accordance with criteria disclosed in Note A.

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

Primary Government

Year Ending June 30,	<u>Equipment Purchase Agreement</u>		<u>Capital Improvement Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	24,733	1,012	50,000	56,827
2016	-	-	55,000	55,028
2017-2021	-	-	300,000	243,638
2022-2026	-	-	360,000	180,063
2027-2031	-	-	435,000	100,138
2032-2033	-	-	205,000	13,175
	<u>\$ 93,248</u>	<u>\$ 9,726</u>	<u>\$ 2,765,000</u>	<u>\$ 875,252</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE H: LONG-TERM DEBT - CONTINUED

Primary Government - continued

Year Ending June 30,	Water System Bonds		Sewer System Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 60,000	\$ 24,372	\$ 3,000	\$ 5,535
2013	60,000	22,872	3,000	5,445
2014	65,000	21,309	3,000	5,355
2015	65,000	19,684	3,000	5,265
2016	70,000	17,997	3,000	5,175
2017-2021	365,000	63,172	18,000	24,390
2022-2026	319,872	15,864	20,000	21,450
2027-2031	-	-	21,000	18,435
2032-2036	-	-	25,000	14,925
2037-2041	-	-	26,000	11,160
2042-2046	-	-	30,000	6,900
2047-2051	-	-	31,000	2,385
	<u>\$ 1,004,872</u>	<u>\$ 185,270</u>	<u>\$ 186,000</u>	<u>\$ 126,420</u>

Component Unit

Year Ending June 30	General Obligation Downtown Development Bonds	
	Principal	Interest
2012	\$ 150,000	\$ 49,407
2013	155,000	42,239
2014	160,000	34,757
2015	190,000	26,350
2016	220,000	15,568
2017	225,000	6,313
	<u>\$ 1,100,000</u>	<u>\$ 174,634</u>

Due to the fact that there is no set principal repayment schedules in place for the \$509,393 Sewer System Revenue Bonds or the \$47,000 Sewer System Revenue Bonds, these outstanding balances at June 30, 2011 of are not included in the above schedule. The maturity schedules are unknown.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE I: RETIREMENT PLAN

Plan Description

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

Funding Policy

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

Annual Pension Cost

For year ended June 30, 2011, the City's annual pension cost of \$400,240 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, 2008, 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>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial value of assets	\$ 6,990,454	\$ 6,971,120	\$ 7,119,568
Actuarial accrued liability (AAL) (entry age)	10,315,815	10,514,951	10,892,645
Unfunded AAL	3,325,361	3,543,831	3,773,077
Funded ratio	68 %	66 %	65 %
Covered payroll	1,702,414	1,936,761	1,935,712
UAAL as a percentage of covered payroll	195 %	183 %	195 %
	Year ended June 30,		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual pension cost	\$ 293,704	\$ 341,151	\$ 400,240
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, 2011

NOTE J: DEFERRED COMPENSATION PLAN

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

NOTE K: 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, 2011, four (4) retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, expenditures of \$34,183 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, 2011, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of June 30, 2010. 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)	\$ 442,938
Amounts contributed	
Payments of current requirements	<u>(34,183)</u>
Change in net OPEB obligation	408,755
OPEB obligation - Beginning of year	<u>571,620</u>
OPEB obligation - End of year	<u><u>\$ 980,375</u></u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE K: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Progress - continued

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last two (2) years, are as follows:

	Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	2011	\$ 442,938	7.7%	\$ 980,375
	2010	616,162	7.2%	571,620

The current funding progress of the plan for the last two (2) valuation dates, are as follows:

Actuarial Valuation Date	Value of Assets (a)	Liability (AAL) Entry Age (b)	AAL Underfunded (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
6/30/2010	\$ -	\$ 4,922,955	\$ 4,922,955	0.0%	\$1,935,712	254%
6/30/2009	-	6,934,258	6,934,258	0.0%	1,936,761	358%

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, 2010, 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 L: RISK MANAGEMENT

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

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE L: RISK MANAGEMENT - CONTINUED

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.

NOTE M: 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, 2011:

Revenues		
Licenses and Permits		
Permits	\$	175
Expenditures		
Salaries and Wages		66,577
Fringe benefits		17,120
Contractual services		1,015
Supplies		7,073
Vehicle rental		252
Other		1,504
		<u>93,541</u>
TOTAL EXPENDITURES		<u>93,541</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	\$	<u>(93,366)</u>

NOTE N: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2011:

PRIMARY GOVERNMENT		
Governmental Activities		
Other Purposes		
Streets	\$	520,064
Cemetery Perpetual Care, nonexpendable		151,617
		<u>671,681</u>
	\$	<u>671,681</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE N: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Business-type Activities	
Restricted for utilities	
Electric Light and Power	<u>\$ 125,000</u>
Restricted for debt service	
Electric Light and Power	<u>\$ 149,734</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>\$ 127,121</u>

NOTE O: 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.

NOTE P: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In February 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 have been replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE P: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONTINUED

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

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

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

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

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

Fund Balance Classification Policies and Procedures

For committed fund balance, the City of Portland's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment has not been determined by the City of Portland.

For assigned fund balance, the City of Portland has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the City Council.

For the classification of fund balances, the City of Portland considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City of Portland considers committed amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE Q: CONTRACTUAL COMMITMENT

The City is obligated for construction contracts relating to a construction project in the amount of \$2,703,268 as of June 30, 2011. This commitment is not susceptible to accrual. Accordingly, no liability has been recorded in the basic financial statements. The City will use bond proceeds to pay for the project upon completion.

NOTE R: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET ASSETS

Beginning net assets of the governmental activities and beginning fund balance in the Portland Area Ambulance Fund were restated by \$109,184 as a result of understated accounts receivable in the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 1,026,986	\$ 1,026,986	\$ 1,010,684	\$ (16,302)
Penalties and interest	9,200	9,200	7,859	(1,341)
Tax collection	41,497	41,497	42,761	1,264
Total taxes	1,077,683	1,077,683	1,061,304	(16,379)
Licenses and permits				
Cable television license	16,500	16,500	16,453	(47)
City licenses and permits	4,200	4,200	100	(4,100)
Total licenses and permits	20,700	20,700	16,553	(4,147)
Intergovernmental				
State				
Grants	457,338	457,338	154,499	(302,839)
Sales tax	334,788	334,788	381,894	47,106
Act 302 training funds	1,200	1,200	1,795	595
State liquor license	3,000	3,000	3,037	37
Total intergovernmental	796,326	796,326	541,225	(255,101)
Charges for services				
Fire protection - townships	121,000	121,000	115,907	(5,093)
Cemetery fees and lot sales	20,000	20,000	19,300	(700)
Administrative charges	295,319	295,319	295,320	1
Other fees	8,700	8,700	10,715	2,015
Total charges for services	445,019	445,019	441,242	(3,777)
Fines and forfeits				
Parking	2,500	2,500	1,804	(696)
District court	12,500	12,500	15,535	3,035
Other	3,250	3,250	4,161	911
Total fines and forfeits	18,250	18,250	21,500	3,250
Interest and rents	18,900	18,900	17,516	(1,384)
Other				
Donations	13,000	13,000	7,050	(5,950)
Reimbursements	-	-	27,514	27,514
Total other	13,000	13,000	34,564	21,564
TOTAL REVENUES	2,389,878	2,389,878	2,133,904	(255,974)

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2011

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
Council, boards, and commissions	\$ 9,835	\$ 9,835	\$ 5,680	\$ 4,155
Community promotions	68,055	68,055	47,312	20,743
City manager	147,457	147,457	142,539	4,918
Assessing services	53,628	53,628	44,277	9,351
Elections	5,410	7,210	6,178	1,032
City hall and grounds	72,490	72,490	54,352	18,138
General administrative	356,813	356,813	344,951	11,862
Cemetery operations	147,000	149,500	129,639	19,861
Total general government	860,688	864,988	774,928	90,060
Public safety				
Police department	708,021	708,021	632,348	75,673
Fire department	222,676	222,676	203,595	19,081
Code enforcement	113,738	113,738	93,542	20,196
Total public safety	1,044,435	1,044,435	929,485	114,950
Public works				
Street lighting	62,500	62,500	50,170	12,330
Health and welfare				
Ambulance service	50,250	50,250	50,204	46
Community and economic development				
Economic development	11,000	11,000	5,357	5,643
Recreation and culture				
Parks department	739,290	739,290	387,791	351,499
Debt service				
Principal	100,000	100,000	-	100,000
Interest	3,750	3,750	2,000	1,750
Total debt service	103,750	103,750	2,000	101,750
TOTAL EXPENDITURES	2,871,913	2,876,213	2,199,935	676,278
EXCESS OF REVENUES (UNDER) EXPENDITURES	(482,035)	(486,335)	(66,031)	420,304

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2011

	<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	1,753	1,753	-	(1,753)
Water System Fund	28,393	28,393	28,393	-0-
Transfers out				
Recreation Fund	<u>(20,000)</u>	<u>(12,000)</u>	<u>(10,000)</u>	<u>2,000</u>
 TOTAL OTHER FINANCING SOURCES (USES)	<u>80,843</u>	<u>88,843</u>	<u>89,090</u>	<u>247</u>
 NET CHANGE IN FUND BALANCE	(401,192)	(397,492)	23,059	420,551
 Fund balance, beginning of year	<u>773,217</u>	<u>773,217</u>	<u>69,822</u>	<u>(703,395)</u>
 Fund balance, end of year	<u>\$ 372,025</u>	<u>\$ 375,725</u>	<u>\$ 92,881</u>	<u>\$ (282,844)</u>

City of Portland

City Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 634,000	\$ 634,000	\$ 695,574	\$ 61,574
Fines and forfeits	8,285	8,285	22,010	13,725
Interest	-	-	1,175	1,175
Other				
Special assessments	2,970	2,970	1,788	(1,182)
Other	-	-	8	8
TOTAL REVENUES	645,255	645,255	720,555	75,300
EXPENDITURES				
Current				
General government	200,529	200,529	168,800	31,729
Debt Service	635,750	635,750	626,710	9,040
TOTAL EXPENDITURES	836,279	836,279	795,510	40,769
NET CHANGE IN FUND BALANCE	(191,024)	(191,024)	(74,955)	116,069
Fund balance, beginning of year	557,079	557,079	557,079	-0-
Fund balance, end of year	<u>\$ 366,055</u>	<u>\$ 366,055</u>	<u>\$ 482,124</u>	<u>\$ 116,069</u>

City of Portland

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Taxes	\$ 81,110	\$ 81,110	\$ 79,484	\$ (1,626)
Intergovernmental	69,000	79,000	75,275	(3,725)
Interest	250	250	75	(175)
Other	-	-	156	156
TOTAL REVENUES	150,360	160,360	154,990	(5,370)
EXPENDITURES				
Current				
Public works	639,423	817,983	774,450	43,533
EXCESS OF REVENUES (UNDER) EXPENDITURES	(489,063)	(657,623)	(619,460)	38,163
OTHER FINANCING SOURCES				
Transfers in	441,279	446,579	441,279	(5,300)
NET CHANGE IN FUND BALANCE	(47,784)	(211,044)	(178,181)	32,863
Fund balance, beginning of year	214,031	214,031	214,031	-0-
Fund balance, end of year	\$ 166,247	\$ 2,987	\$ 35,850	\$ 32,863

City of Portland
Portland Area Ambulance Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for service	\$ 440,357	\$ 440,357	\$ 435,763	(4,594)
Interest	50	50	-	(50)
Other	-	-	9,043	9,043
	<u>440,407</u>	<u>440,407</u>	<u>444,806</u>	<u>4,399</u>
TOTAL REVENUES	440,407	440,407	444,806	4,399
EXPENDITURES				
Current				
Health and welfare	<u>441,715</u>	<u>441,715</u>	<u>411,787</u>	<u>29,928</u>
NET CHANGE IN FUND BALANCE	(1,308)	(1,308)	33,019	34,327
Fund balance, beginning of year	1,353	1,353	1,353	-0-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>109,184</u>	<u>109,184</u>
Fund balance, end of year	<u>\$ 45</u>	<u>\$ 45</u>	<u>\$ 143,556</u>	<u>\$ 143,511</u>

OTHER SUPPLEMENTARY INFORMATION

City of Portland
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2011

	Special Revenue		Capital Projects	Permanent Fund
	Major Street	Recreation	Capital Improvement Fund - Street Projects	Cemetery Perpetual Care
ASSETS				
Cash and cash equivalents	\$ 165,013	\$ 35,730	\$ 310,564	\$ 151,442
Accounts receivable	-	-	-	175
Due from other governmental units	32,192	-	-	-
TOTAL ASSETS	\$ 197,205	\$ 35,730	\$ 310,564	\$ 151,617
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 20,196	\$ 3,080	\$ -	\$ -
Accrued liabilities	3,359	2,482	-	-
TOTAL LIABILITIES	23,555	5,562	-0-	-0-
FUND BALANCES				
Nonspendable				
Perpetual care	-	-	-	151,617
Restricted for:				
Streets	173,650	-	310,564	-
Assigned for:				
Recreation	-	30,168	-	-
TOTAL FUND BALANCES	173,650	30,168	310,564	151,617
TOTAL LIABILITIES AND FUND BALANCES	\$ 197,205	\$ 35,730	\$ 310,564	\$ 151,617

Total
Nonmajor
Governmental
Funds

\$ 662,749
175
32,192

\$ 695,116

\$ 23,276
5,841

29,117

151,617

484,214

30,168

665,999

\$ 695,116

City of Portland

Nonmajor Governmental Funds

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

Year Ended June 30, 2011

	Special Revenue		Capital Projects	Permanent Fund
	Major Street	Recreation	Capital Improvement Fund - Street Projects	Cemetery Perpetual Care
REVENUES				
Intergovernmental	\$ 224,221	\$ 10,000	\$ -	\$ -
Charges for services	-	76,027	-	1,650
Interest and rents	-	2	-	-
Other	2,942	6,550	-	-
TOTAL REVENUES	227,163	92,579	-0-	1,650
EXPENDITURES				
Current				
Public works	389,221	-	-	-
Recreation and culture	-	114,808	-	-
TOTAL EXPENDITURES	389,221	114,808	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(162,058)	(22,229)	-0-	1,650
OTHER FINANCING SOURCES (USES)				
Transfers in	167,794	10,000	-	-
Transfers out	-	-	(842,794)	-
TOTAL OTHER FINANCING SOURCES (USES)	167,794	10,000	(842,794)	-0-
NET CHANGE IN FUND BALANCES	5,736	(12,229)	(842,794)	1,650
Fund balances, beginning of year	167,914	42,397	1,153,358	149,967
Fund balances, end of year	<u>\$ 173,650</u>	<u>\$ 30,168</u>	<u>\$ 310,564</u>	<u>\$ 151,617</u>

Total
Nonmajor
Governmental
Funds

\$ 234,221
77,677
2
9,492

321,392

389,221
114,808

504,029

(182,637)

177,794
(842,794)

(665,000)

(847,637)

1,513,636

\$ 665,999

City of Portland

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2011

ASSETS	
Cash	\$ 98,222
Cash - restricted	<u>140,350</u>
TOTAL ASSETS	<u>\$ 238,572</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accrued liabilities	\$ 2,070
FUND BALANCE	
Restricted for:	
Debt service	140,350
Unassigned	<u>96,152</u>
TOTAL FUND BALANCE	<u>236,502</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 238,572</u>

City of Portland

Component Unit Fund

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

June 30, 2011

Total fund balance - governmental fund \$ 236,502

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>(1,218,801)</u>	
Capital assets, net		2,085,580

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	1,100,000	
Accrued interest payable	<u>13,229</u>	
		<u>(1,113,229)</u>

Net assets of governmental activities \$ 1,208,853

City of Portland

Component Unit Fund

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

Year Ended June 30, 2011

REVENUES	
Taxes	\$ 301,607
Intergovernmental - state	26,595
Interest	172
Other	<u>23,257</u>
TOTAL REVENUES	351,631
EXPENDITURES	
Current	
Community and economic development	90,309
Capital outlay	
Contracted services	10,885
Decorations and banners	6,144
Debt service	
Principal	150,000
Interest and fiscal charges	<u>56,656</u>
TOTAL EXPENDITURES	<u>313,994</u>
NET CHANGE IN FUND BALANCE	37,637
Fund balance, beginning of year	<u>198,865</u>
Fund balance, end of year	<u>\$ 236,502</u>

City of Portland

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

Year Ended June 30, 2011

Net change in fund balance - governmental fund \$ 37,637

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	150,000
----------------------------	---------

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

Decrease in compensated absences	145	
Decrease in accrued interest payable	1,734	

1,879

Change in net assets of governmental activities	\$ <u>28,174</u>
--	-------------------------

City of Portland

Miscellaneous Statistical Data (Unaudited)

Year Ended June 30, 2011

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

	Taxable Value	State Equalized Value	Tax Rates (Mills)
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
2012	95,685,693	100,070,600	13.6574

Taxable Value by Class and Use

	2008	2009	2010	2011	2012
By Class					
Real Property	\$ 87,853,780	\$ 90,322,840	\$ 92,195,299	\$ 90,631,181	\$ 89,520,093
Personal Property	4,992,191	5,537,706	5,504,900	5,432,200	6,165,600
	<u>\$ 92,845,971</u>	<u>\$ 95,860,546</u>	<u>\$ 97,700,199</u>	<u>\$ 96,063,381</u>	<u>\$ 95,685,693</u>
By Use					
Residential	\$ 66,047,861	\$ 67,707,450	\$ 68,996,751	\$ 67,275,963	\$ 66,076,513
Commercial	22,520,337	23,727,050	24,625,458	24,577,302	24,357,028
Industrial	3,172,582	3,411,548	3,350,890	3,482,116	4,491,452
Utility	722,301	711,214	727,100	728,000	760,700
Development	382,890	303,284	-	-	-
	<u>\$ 92,845,971</u>	<u>\$ 95,860,546</u>	<u>\$ 97,700,199</u>	<u>\$ 96,063,381</u>	<u>\$ 95,685,693</u>

State Equalized Valuation by Class and Use

	2008	2009	2010	2011	2012
By Class					
Real Property	\$ 108,229,596	\$ 108,123,259	\$ 105,184,100	\$ 97,551,100	\$ 93,905,000
Personal Property	5,310,189	5,537,706	5,504,900	5,432,200	6,165,600
	<u>\$ 113,539,785</u>	<u>\$ 113,660,965</u>	<u>\$ 110,689,000</u>	<u>\$ 102,983,300</u>	<u>\$ 100,070,600</u>
By Use					
Residential	\$ 82,119,946	\$ 80,731,118	\$ 77,853,200	\$ 71,319,600	\$ 68,927,300
Commercial	26,485,521	28,184,770	28,755,800	27,445,600	25,888,700
Industrial	3,551,315	3,412,759	3,352,900	3,490,100	4,493,900
Utility	722,301	711,214	727,100	728,000	760,700
Development	660,702	621,104	-	-	-
	<u>\$ 113,539,785</u>	<u>\$ 113,660,965</u>	<u>\$ 110,689,000</u>	<u>\$ 102,983,300</u>	<u>\$ 100,070,600</u>

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2011

Homestead Property Tax Rates by Governmental Unit

	2008	2009	2010	2011	2012
City of Portland	13.6574	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	1.0000
Library	1.6339	1.6939	1.7639	1.7639	1.8239
Seniors	0.3750	0.3750	0.3750	0.3750	0.3750
	<u>38.1325</u>	<u>38.1925</u>	<u>38.2625</u>	<u>39.2625</u>	<u>39.3225</u>

Non-homestead Property Tax Rates by Governmental Unit

	2008	2009	2010	2011	2012
City of Portland	13.6574	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	1.0000
Library	1.6339	1.6939	1.7639	1.7639	1.8239
Seniors	0.3750	0.3750	0.3750	0.3750	0.3750
	<u>56.1325</u>	<u>56.1925</u>	<u>56.2625</u>	<u>57.2625</u>	<u>57.3225</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
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	1,056,627	95.55%
2012	1,094,558	In Process	In Process

Income Tax Collections

	Gross Tax Collections	Net Income Tax Collections	(Decrease) over Prior Year
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%
2012	720,555	515,045	-4.35%

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2011

Major Taxpayers

The top ten taxpayers in the City and their 2012 taxable value are as follows:

<u>Taxpayer</u>	<u>Product/Service</u>	<u>Taxable Value</u>	<u>Percentage of Total</u>
Ellen's Properties	Grocery, Hardware, Video	\$ 3,399,500	3.55%
Portland Partners	Apartments	2,163,700	2.26%
Portland Products	Automotive manufacturer	1,891,000	1.98%
TRW Automotive	Tie Rods, Steering Linkages	1,659,800	1.73%
LAWCO	Apartments	1,097,900	1.15%
ADM Alliance Nutrition	Feed Production	863,979	0.90%
Consumers Energy	Utility	746,100	0.78%
HEB Development LLC	Farm supplies, retail sales	653,800	0.68%
Vollman Ford	Auto Dealership	608,300	0.64%
Grand River/Bridge Association	Pharmacy, convenience store	573,300	0.60%
		<u>13,657,379</u>	<u>14.27%</u>
	Other Taxpayers	<u>82,028,314</u>	<u>85.73%</u>
		<u>\$ 95,685,693</u>	<u>100.00%</u>

Revenues from the State of Michigan

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Estimated 2012</u>
State Revenue Sharing	\$ 430,751	\$ 440,181	\$ 372,663	\$ 381,894	\$ 351,260
Other	4,314	4,287	4,403	159,332	4,200
Total	<u>\$ 435,065</u>	<u>\$ 444,468</u>	<u>\$ 377,066</u>	<u>\$ 541,226</u>	<u>\$ 355,460</u>

Debt Ratios at June 30, 2011

	<u>Direct Debt</u>	<u>Overlapping Debt</u>	<u>Direct and Overlapping Debt</u>
Per Capita (3,883)	\$ 1,688	\$ 3,275	\$ 4,963
Ratio to 2011 Taxable Valuation	6.82%	13.24%	20.06%
Ratio to 2011 State Equalized Valuation	6.36%	12.35%	18.71%
Ratio to 2011 True Cash Value	3.41%	6.62%	10.03%

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2011

Legal Debt Margin

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

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

2011 State Equalized Valuation:		<u>\$ 100,070,600</u>
Debt Limit - 10% of State Equalized Valuation		\$ 10,007,060
Amount of Direct Debt Outstanding		
Less:		
	Multi-Authority Issued Bonds	\$ 942,083
	DDA Bonds	1,100,000
	Water and Wastewater Bonds	1,747,265
	Capital Improvement Bonds	2,765,000
	Less Exempt Debt	<u>(1,747,265)</u>
		<u>4,807,083</u>
Legal debt margin remaining		<u>\$ 5,199,977</u>

Computation of Direct and Overlapping Debt at June 30, 2011

<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	\$ 219,727	6.40%	\$ 14,063
Ionia County Intermediate School District	880,000	5.64%	49,632
Portland District Library	2,170,000	33.62%	729,554
Portland Public Schools	<u>43,608,996</u>	27.34%	<u>11,922,700</u>
Total Overlapping Debt	46,878,723		12,715,949
City Direct Debt	<u>6,554,348</u>	100.00%	<u>6,554,348</u>
Total City Direct and Overlapping Debt	<u>\$ 53,433,071</u>		<u>\$ 19,270,297</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.

**City of Portland
Ionia County, Michigan**

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2011

City of Portland

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Portland, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to the major federal program for the year ended June 30, 2011. The City of Portland's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major federal program is the responsibility of the City of Portland's management. Our responsibility is to express an opinion on the City of Portland's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Portland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Portland's compliance with those requirements.

In our opinion, the City of Portland, Michigan complied, in all material respects, with the requirements referred to above that are applicable to the major federal program for the year ending June 30, 2011.

Internal Control Over Compliance

The management of the City of Portland is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Portland's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City of Portland's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Portland's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect, or correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Michigan as of and for the year ended June 30, 2011, and have issued our report thereon dated November 1, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Portland's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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.

This report is intended solely for the information and use of the Honorable Mayor and members of the City Council of the City of Portland, Michigan, others within the entity, federal awarding agencies, and pass-through entities 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, 2011

City of Portland

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Loan/Grant Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE Direct program: Water and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>\$ 593,491</u>

City of Portland

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2011

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Portland and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the June 30, 2011, basic financial statements to the expenditures of the City-administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State/Local Revenue</u>	<u>Adjustments</u>	<u>Federal Award Expenditures</u>
ENTERPRISE FUND			
Sewage Disposal System	\$ -	\$ 593,491 ⁽¹⁾	\$ 593,491

⁽¹⁾ Represents federal expenditures reported in the basic financial statements as long-term debt.

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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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Michigan as of and for the year ended June 30, 2011, and have issued our report thereon dated November 1, 2011. 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 City of Portland's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control 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 and correct 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 would not necessarily 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 weakness, 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 instance 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 the Honorable Mayor and members of the City Council of the City of Portland, Michigan, others within the entity, federal awarding agencies, and pass-through entities 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, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

City of Portland

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2011

Control Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Financial Statements

No prior audit findings.

Findings Related to compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133

No prior audit findings.