

**City of Portland
Ionia County, Michigan**

FINANCIAL STATEMENTS

June 30, 2012

City of Portland
Ionia County, Michigan
June 30, 2012

CITY COUNCIL AND ADMINISTRATION

James Barnes	Mayor
Joel VanSlambrouck	Council member
Stacy Krause	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, 2012, 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, 2012, 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 October 31, 2012, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portland's financial statements as a whole. The combining and individual nonmajor fund financial statements and miscellaneous statistical data are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The miscellaneous statistical data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 31, 2012

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2012

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, 2012. 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 \$30,393,377 (excluding component units).
- Governmental activities net assets were \$14,202,322.
- Business-type activity net assets were \$16,191,055.
- Component Unit net assets were \$1,178,259.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,480,775 with \$1,046,282 being nonspendable, restricted, committed or assigned for specific purposes (cemetery perpetual care and capital projects) and \$434,493 being unassigned.
- The General Fund realized \$27,004 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$172,998 less than appropriated.
- Overall, the General Fund balance increased by \$343,612 to \$434,493.

Capital and Long-term Debt Activities:

- The total additions to the capital asset schedule for the primary government were \$4,287,228. Significant capital purchases during the year included the Grape Street and Detroit Street reconstruction costs incurred after, June 30, 2011; Albro, Church, and Bridge Street Improvements incurred prior to July 1, 2012, Hydro Dam Improvements incurred prior to July 1, 2012; Purchase of a Digger Derrick Truck for the Electric Department; Installing Emission Controls on the Diesel Generators at the Electric Plant; Purchase of a new Police Car and a Used Vactor Truck; and Wastewater Treatment Plant improvements constructed prior to July 1, 2012.
- The total long-term debt for the primary government was \$7,014,133, an increase of \$2,266,940 from the prior year. This increase was largely due to the long-term debt addition of \$2,997,607 in the Sanitary Sewer System for the Wastewater Treatment Plant Improvement Project 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 \$9,489,960.

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, 2012

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 2011/2012. 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, 2012

- 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 15. 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, 2012

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 16 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 \$30,393,377 at the end of this fiscal year's operations. The net assets of the governmental activities were \$14,202,322; the business-type activities were \$16,191,055.

Net Assets as of June 30, 2011 and 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Current and Other Assets	\$ 1,629,645	\$ 1,728,794	\$ 5,167,264	\$ 4,650,499	\$ 6,796,909	\$ 6,379,293
Capital Assets	15,140,618	14,824,024	15,362,968	18,619,676	30,503,586	33,443,700
Total Assets	\$ 16,770,263	\$ 16,552,818	\$ 20,530,232	\$ 23,270,175	\$ 37,300,495	\$ 39,822,993
Current Liabilities	\$ 817,468	\$ 856,012	\$ 1,078,614	\$ 890,896	1,896,082	\$ 1,746,908
Noncurrent Liabilities	1,688,204	1,494,484	3,316,230	6,188,224	5,004,434	7,682,708
Total Liabilities	\$ 2,505,672	\$ 2,350,496	\$ 4,394,844	\$ 7,079,120	\$ 6,900,516	\$ 9,429,616
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 13,837,370	\$ 14,057,206	\$ 12,060,703	\$ 12,486,804	\$ 25,898,073	\$ 26,544,010
Restricted	671,681	435,534	274,734	340,500	946,415	776,034
Unrestricted	(244,460)	(290,418)	3,799,951	3,363,751	3,555,491	3,073,333
Total Net Assets	\$ 14,264,591	\$ 14,202,322	\$ 16,135,388	\$ 16,191,055	\$ 30,399,979	\$ 30,393,377

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, 2012

Changes in Net Assets for the Fiscal Year Ending June 30, 2011 and 2012

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Revenues						
Program Revenues						
Charges for Services	\$ 1,053,612	\$ 1,141,584	\$ 5,226,491	\$ 5,257,704	\$ 6,280,103	\$ 6,399,288
Grants and Contributions	477,080	447,702	-	-	477,080	447,702
General Revenues						
Property Taxes	1,090,168	1,076,311	-	-	1,090,168	1,076,311
State Shared Revenue	381,894	376,262	-	-	381,894	376,262
City Income Taxes	717,380	718,300	-	-	717,380	718,300
Investment Earnings	10,952	2,543	7,386	5,734	18,338	8,277
Miscellaneous	44,561	50,835	70,416	42,007	114,977	92,842
Transfers	(134,631)	113,320	134,631	(113,320)	-	-0-
Special Items	-	23,500	-	-	-	23,500
Total Revenues	3,641,016	3,950,357	5,438,924	5,192,125	9,079,940	9,142,482
Expenses						
General Government	1,136,098	1,065,331	-	-	1,136,098	1,065,331
Public Safety	1,059,031	945,205	-	-	1,059,031	945,205
Public Works	865,287	1,056,778	-	-	865,287	1,056,778
Health and Welfare	538,113	599,005	-	-	538,113	599,005
Community and Economic Develop.	5,897	11,494	-	-	5,897	11,494
Recreation and Culture	557,989	305,640	-	-	557,989	305,640
Other	38,465	29,173	4,915,907	5,136,458	4,954,372	5,165,631
Total Expenses	4,200,880	4,012,626	4,915,907	5,136,458	9,116,787	9,149,084
Increase (decrease) in Net Assets	(559,864)	(62,269)	523,017	55,667	(36,847)	(6,602)
Net Assets - Beginning	14,824,455	14,264,591	15,612,371	16,135,388	30,436,826	\$ 30,399,979
Net Assets - Ending	\$ 14,264,591	\$ 14,202,322	\$ 16,135,388	\$ 16,191,055	\$ 30,399,979	\$ 30,393,377

Governmental Activities:

The results of 2011/2012 governmental activity was a decrease of \$62,269 in net assets to \$14,202,322. Of the total governmental activities' net assets, \$14,057,206 is invested in capital assets less related debt, \$435,534 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 (\$290,418) is listed as unrestricted, having no legal commitment.

City of Portland

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2012

Revenues:

The three largest revenue categories were charges for services at 28.9%, property taxes at 27.2%, and city income taxes at 18.2%. The City levied a property tax millage for the year ended June 30, 2012, for general government operations at 13.6574 mills, which includes 0.600 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 26.9% 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 works is the second largest area, expending approximately 26.2% of the governmental activities total. Public safety is the third largest governmental activity, expended 23.5% of the governmental activities total on law enforcement, fire protection and code enforcement.

Business-type Activities:

Net assets in business-type activities were increased by \$79,504 during fiscal year 2011/2012. Of the business-type activities' net assets, \$12,486,804 is invested in capital assets net of related debt, \$340,500 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 \$3,387,588 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2011/2012, its governmental funds reported *combined* fund balances of \$1,480,775. This is a net increase of \$60,365. The net changes are summarized in the following chart:

	General Fund	City Income Tax	Portland Area Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 6/30/2011	\$ 92,881	\$ 482,124	\$ 143,556	\$ 701,849	\$ 1,420,410
Fund Balance 6/30/2012	\$ 434,493	\$ 403,911	\$ 191,319	\$ 451,052	\$ 1,480,775
Net Change	\$ 341,612	\$ (78,213)	\$ 47,763	\$ (250,797)	\$ 60,365

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, 2012, the General Fund reported a fund balance of \$434,493. This amount is a net increase of \$341,612 from the fund balance of \$92,881 reported as of June 30, 2011. The 2011/2012 original budget had called for a \$162 addition to fund balance.

The General Fund 2011/2012 revenues exceeded 2011/2012 expenditures by \$318,112 largely due to reduced spending.

City of Portland

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2012

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, other financing sources and special item totaled \$2,179,650, \$49,304 above the final amended budget.

The City's original General Fund expenditures and other financing uses budget was decreased by \$4,300 during 2011/2012. The decrease can be attributed to a decrease in the amount transferred to the Recreation Fund.

Actual City expenditures and other financing uses for 2011/2012 were \$177,998 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:

- \$12,753 less than planned expenditures in the Parks and Recreation Department.
- \$24,510 less than planned expenditures in the Police Department.
- \$41,071 less than planned expenditures for General Administration.
- \$19,170 less than planned expenditures for Community Promotions.
- \$4,058 less than planned expenditures in the Fire Department.
- \$14,954 less than planned expenditures for Cemetery Operations.
- \$15,688 less than planned expenditures for City Hall Building and Grounds.
- \$7,046 less than planned expenditures for Assessing Department.
- \$1,501 less than planned for Economic Development.
- \$10,044 less than planned expenditures in the Code Enforcement Department.
- \$2,011 less than planned expenditures for Council, Boards, and Commissions.
- \$12,441 less than planned for Street Lighting.
- \$5,273 less than planned expenditures for the City Manager Department.
- \$2,474 less than planned expenditures for Elections.

City Income Tax Fund

As of June 30, 2012, the City Income Tax Fund reported a fund balance of \$403,911, a decrease of \$78,213 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.

Portland Area Ambulance Fund

As of June 30, 2012, the Ambulance Fund reported a fund balance of \$191,319, which is an increase of \$47,763 from the prior year. The entire balance of \$191,319 is assigned for health and welfare.

City of Portland

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2012

Enterprise Funds

As the City completed 2011/2012, its enterprise funds reported *combined* net assets of \$16,214,892. This is a net increase of \$79,504 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 6/30/2011	\$ 9,019,979	\$ 2,616,882	\$ 4,490,331	\$ 8,196	\$ 16,135,388
Net Assets 6/30/2012	\$ 9,048,249	\$ 2,634,669	\$ 4,491,252	\$ 16,885	\$ 16,191,055
Net Change	\$ 28,270	\$ 17,787	\$ 921	\$ 8,689	\$ 55,667

Electric Light and Power System Fund:

As of June 30, 2012, the Electric Light and Power System Fund reported net assets of \$9,048,249, an increase of \$28,270 from the prior year. Of the entire net assets amount, \$6,802,911 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 \$1,970,604 is unrestricted.

Sewage Disposal System Fund:

As of June 30, 2012, the Sewer Fund reported net assets of \$2,634,669 an increase of \$17,787 from the prior year. Of the entire net assets, \$2,304,572 is invested in capital assets, net of related debt and \$330,097 is unrestricted.

Water System Fund:

As of June 30, 2012, the Water System Fund reported net assets of \$4,491,252, a net increase of \$921 from the prior year. Of the entire net assets, \$3,379,321 is invested in capital assets, net of related debt and \$1,111,931 is unrestricted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2011/2012, the City had invested \$33,443,700, and \$1,924,237 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.

City of Portland

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2012

Net Book value of capital assets at June 30, 2012, was as follows:

	Governmental Activities	Business- type Activities	Component Unit DDA	Totals
Land	\$ 2,231,039	\$ -	\$ -	\$ 2,231,039
Construction in Progress	2,788	-	-	2,788
Land Improvements, net	71,443	-	-	71,443
Buildings, net	235,847	-	1,430,550	1,666,397
Equipment and Furniture, net	488,466	-	-	488,466
Electric System, net	-	8,307,911	-	8,307,911
Sewer System, net	-	5,987,572	-	5,987,572
Water System, net	-	4,324,193	-	4,324,193
Infrastructure				
Streets and Bridges, net	11,794,441	-	703,381	12,497,822
Capital Assets, net	\$ 14,824,024	\$ 18,619,676	\$ 2,133,931	\$ 35,577,631

Long-term Debt - As of June 30, 2012, the City had \$7,014,133 in long-term debt outstanding for the primary government. This level of net obligation is \$2,266,940 more than the obligation recorded as of June 30, 2011.

Outstanding Debt as of June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Primary Government				
Governmental activities				
2009 Equipment Lease-Purchase Agreement (\$154,000)	\$ 93,248	\$ -	\$ 21,930	\$ 71,318
2012 Vactor Truck Lease-Purchase Agreement (\$85,500)	-	85,500	-	85,500
2010 Capital Improvement Bonds (\$1,800,000)	1,210,000	-	600,000	610,000
Accumulated compensated absences	94,308	71,065	93,817	71,556
Business-type activities				
2008 Capital Improvement Bonds (\$1,690,000)	1,555,000	-	50,000	1,505,000
2004 Water System Bonds (\$1,344,872)	1,004,872	-	60,000	944,872
2011 Sanitary Sewer System (\$840,000)	47,000	793,000	12,000	828,000
2010 Sanitary Sewer System (\$2,900,000) (Build America Bonds)	695,393	2,204,607	45,000	2,855,000
Accumulated compensated absences	47,372	56,273	60,758	42,887
Total Primary Government	4,747,193	3,210,445	943,505	7,014,133
Component Unit				
General obligation bonds	1,100,000	-	1,100,000	-
2012 Refunding Bonds	-	985,000	-	985,000
Accumulated compensated absences	-	1,980	-	1,980
Total Component Unit	1,100,000	986,980	1,100,000	986,980
Total Reporting Entity	\$ 5,847,193	\$ 4,197,425	\$ 2,043,505	\$ 8,001,113

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

MANAGEMENTS'S DISCUSSION AND ANALYSIS

June 30, 2012

CITY OF PORTLAND GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing is expected to decrease for fiscal year 2012-2013 due to State's budget problems. The State is proposing elimination of the Personal Property Tax with less than 100% replacement from other sources. This may have an impact on the City's ability to fund Parks and Recreation programming at traditional levels.
- While health and dental insurance premiums continue to rise much faster than the rate of inflation, the City has decreased its premium exposure by increasing the premium percentage paid by employees from 10% to 11% in FY 2012-13; from 11% to 14% in FY 2013-14; from 14% to 17% in FY 2014-15; and from 17% to 20% in FY 2015-16.
- Overall retirement costs have increased due to the City limiting its MERS B2 plan to current employees and placing all new hires in a MERS Hybrid pension plan. The increased longevity of retirees and poor stock market performance over the last several years have also contributed to the increase. Actual pension cost increased from \$30,164 to \$33,000 which reflects 28.81% increase for the non-union division, 6.18% for the AFSCME division, a 74.2% decrease in the POLC Division (no active retirees).
- Investment earnings are expected to remain flat as market interest rates are not expected to increase until the economy becomes more robust.
- 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%). In 2012 City income tax revenues increased 1.25% rising from \$695,574 in 2011 to \$704,016 in 2012.
- The City's SEV decreased from \$113,660,965 in 2009 to \$110,689,000 in 2010 (a decrease of 2.61%), then to \$102,983,300 in 2011 (a decrease of 6.96%), then to \$100,070,000 in 2012 (a decrease of 2.83%). From 2012 to 2013 the SEV dropped to \$94,892,800 (a decrease of 5.17%) after several significant MTT settlements. The outlook for 2014 however shows an expected increase in the SEV of between 1% and 1.5% due to improved market conditions and a resumption of new construction.

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 has also seen modest increases in property tax and income tax revenues. The City's ability to continue to provide a full range of high quality municipal services coupled with its location along I-96 between two larger metropolitan markets supports a 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, 2012

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,477,858	\$ 2,776,609	\$ 4,254,467	\$ 78,316
Cash and cash equivalents - restricted	-	551,985	551,985	170,210
Receivables	203,414	738,842	942,256	-
Due from other governmental units	47,522	185,000	232,522	-
Inventories	-	398,063	398,063	-
Total current assets	1,728,794	4,650,499	6,379,293	248,526
Noncurrent assets				
Capital assets not being depreciated	2,233,827	4,057,675	6,291,502	-
Capital assets being depreciated, net	12,590,197	14,562,001	27,152,198	1,924,237
Total noncurrent assets	14,824,024	18,619,676	33,443,700	1,924,237
TOTAL ASSETS	16,552,818	23,270,175	39,822,993	2,172,763
LIABILITIES				
Current liabilities				
Accounts payable	96,071	640,818	736,889	-
Accrued liabilities	54,344	25,721	80,065	1,429
Accrued interest payable	3,220	30,192	33,412	6,095
Current portion of compensated absences	53,667	32,165	85,832	1,485
Current portion of long-term debt	648,710	162,000	810,710	170,000
Total current liabilities	856,012	890,896	1,746,908	179,009
Noncurrent liabilities				
Customer deposits payable from restricted assets	-	206,630	206,630	-
Noncurrent portion of compensated absences	17,889	10,722	28,611	495
Noncurrent portion of long-term debt	118,108	5,970,872	6,088,980	815,000
Net other post-employment benefits obligation	1,358,487	-	1,358,487	-
Total noncurrent liabilities	1,494,484	6,188,224	7,682,708	815,495
TOTAL LIABILITIES	2,350,496	7,079,120	9,429,616	994,504
NET ASSETS				
Invested in capital assets, net of related debt	14,057,206	12,486,804	26,544,010	939,237
Restricted for:				
Utilities	-	125,000	125,000	-
Debt service	-	215,500	215,500	164,115
Other purposes	435,534	-	435,534	-
Unrestricted	(290,418)	3,363,751	3,073,333	74,907
TOTAL NET ASSETS	\$ 14,202,322	\$ 16,191,055	\$ 30,393,377	\$ 1,178,259

See accompanying notes to financial statements.

City of Portland
STATEMENT OF ACTIVITIES
Year ended June 30, 2012

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	\$ 1,065,331	\$ 450,916	\$ 3,000	\$ -	\$ (611,415)	\$ -	\$ (611,415)	\$ -
Public safety	945,205	119,889	1,041	-	(824,275)	-	(824,275)	-
Public works	1,056,778	1,444	403,914	1,758	(649,662)	-	(649,662)	-
Health and welfare	599,005	497,533	-	-	(101,472)	-	(101,472)	-
Community and economic development	11,494	-	-	-	(11,494)	-	(11,494)	-
Recreation and culture	305,640	71,802	37,989	-	(195,849)	-	(195,849)	-
Interest on long-term debt	29,173	-	-	-	(29,173)	-	(29,173)	-
Total governmental activities	4,012,626	1,141,584	445,944	1,758	(2,423,340)	-0-	(2,423,340)	-0-
Business-type activities								
Electric Light and Power System	3,730,950	3,775,955	-	-	-	45,005	45,005	-
Sewage Disposal System	732,711	780,312	-	-	-	47,601	47,601	-
Water System	583,758	611,284	-	-	-	27,526	27,526	-
Refuse	89,039	90,153	-	-	-	1,114	1,114	-
Total business-type activities	5,136,458	5,257,704	-0-	-0-	-0-	121,246	121,246	-0-
Total primary government	\$ 9,149,084	\$ 6,399,288	\$ 445,944	\$ 1,758	(2,423,340)	121,246	(2,302,094)	-0-
Component unit								
Downtown Development Authority	\$ 343,259	\$ -	\$ -	\$ -	-0-	-0-	-0-	(343,259)
General revenues								
Property taxes					1,076,311	-	1,076,311	283,270
State shared revenue					376,262	-	376,262	-
City income taxes					718,300	-	718,300	-
Investment earnings					2,543	5,734	8,277	86
Miscellaneous					50,835	42,007	92,842	29,309
Transfers					113,320	(113,320)	-0-	-
Special item - gain on sale of land					23,500	-	23,500	-
Total general revenues, transfers, and special item					2,361,071	(65,579)	2,295,492	312,665
Change in net assets					(62,269)	55,667	(6,602)	(30,594)
Net assets, beginning of the year					14,264,591	16,135,388	30,399,979	1,208,853
Net assets, end of the year					\$ 14,202,322	\$ 16,191,055	\$ 30,393,377	\$ 1,178,259

See accompanying notes to financial statements.

City of Portland
Governmental Funds
BALANCE SHEET
June 30, 2012

	General	City Income Tax	Portland Area Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 493,666	\$ 313,094	\$ 119,314	\$ 447,451	\$ 1,373,525
Receivables					
Taxes	1,133	102,698	-	-	103,831
Accounts	10,127	16	88,272	35	98,450
Special assessments	-	890	-	-	890
Due from other governmental units	-	-	-	47,522	47,522
Due from other funds	9,313	-	-	-	9,313
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 514,239</u>	<u>\$ 416,698</u>	<u>\$ 207,586</u>	<u>\$ 495,008</u>	<u>\$ 1,633,531</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 37,875	\$ 1,062	\$ 11,117	\$ 35,785	\$ 85,839
Accrued liabilities	37,203	1,522	5,150	8,171	52,046
Due to other funds	-	9,313	-	-	9,313
Deferred revenue	4,668	890	-	-	5,558
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	79,746	12,787	16,267	43,956	152,756
FUND BALANCES					
Nonspendable					
Perpetual care	-	-	-	154,217	154,217
Restricted for:					
Streets	-	-	-	281,317	281,317
Committed to:					
Street improvements	-	403,911	-	-	403,911
Ambulance	-	-	191,319	-	191,319
Assigned to:					
Recreation	-	-	-	15,518	15,518
Unassigned	434,493	-	-	-	434,493
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>434,493</u>	<u>403,911</u>	<u>191,319</u>	<u>451,052</u>	<u>1,480,775</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 514,239</u>	<u>\$ 416,698</u>	<u>\$ 207,586</u>	<u>\$ 495,008</u>	<u>\$ 1,633,531</u>

See accompanying notes to financial statements.

City of Portland

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

June 30, 2012

Total fund balances - governmental funds \$ 1,480,775

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	\$ 21,916,826	
Accumulated depreciation is	<u>(7,428,042)</u>	
Capital assets, net		14,488,784

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.	264,055
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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	5,558
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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	610,000	
Net other post-employment benefits obligation	1,358,487	
Accrued interest payable	2,541	
Compensated absences	<u>65,822</u>	
		<u>(2,036,850)</u>

Net assets of governmental activities \$ 14,202,322

City of Portland

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2012

	General	City Income Tax	Portland Area Ambulance	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,080,087	\$ 704,016	\$ -	\$ 46,376	\$ 1,830,479
Licenses and permits	5,273	-	-	-	5,273
Intergovernmental	380,294	-	-	413,914	794,208
Charges for services	480,290	-	497,533	74,387	1,052,210
Fines and forfeits	24,987	14,395	-	-	39,382
Interest and rents	10,034	997	-	2	11,033
Other	61,865	762	5,669	12,656	80,952
TOTAL REVENUES	2,042,830	720,170	503,202	547,335	3,813,537
EXPENDITURES					
Current					
General government	760,768	167,983	-	-	928,751
Public safety	819,967	-	-	-	819,967
Public works	51,059	-	-	693,108	744,167
Health and welfare	46,596	-	455,439	-	502,035
Community and economic development	10,299	-	-	-	10,299
Recreation and culture	132,599	-	-	120,024	252,623
Debt service	1,750	630,400	-	-	632,150
TOTAL EXPENDITURES	1,823,038	798,383	455,439	813,132	3,889,992
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	219,792	(78,213)	47,763	(265,797)	(76,455)
OTHER FINANCING SOURCES (USES)					
Transfers in	113,320	-	-	377,564	490,884
Transfers out	(15,000)	-	-	(362,564)	(377,564)
SPECIAL ITEM					
Proceeds from sale of land	23,500	-	-	-	23,500
TOTAL OTHER FINANCING SOURCES (USES) AND SPECIAL ITEM	121,820	-0-	-0-	15,000	136,820
NET CHANGE IN FUND BALANCES	341,612	(78,213)	47,763	(250,797)	60,365
Fund balances, beginning of year	92,881	482,124	143,556	701,849	1,420,410
Fund balances, end of year	<u>\$ 434,493</u>	<u>\$ 403,911</u>	<u>\$ 191,319</u>	<u>\$ 451,052</u>	<u>\$ 1,480,775</u>

See accompanying notes to financial statements.

City of Portland

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

Year Ended June 30, 2012

Net change in fund balances - total governmental funds **\$ 60,365**

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	\$ 300,360	
Depreciation expense	<u>(674,966)</u>	
Excess of capital outlay over depreciation expense		(374,606)

Internal service funds are used by management to charge the costs of certain activities to individual funds.	7,054
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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	(1,304)

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	600,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in net other post-employment benefits obligation	(378,112)	
Decrease in accrued interest payable	2,977	
Decrease in compensated absences	<u>21,357</u>	
		<u>(353,778)</u>

Change in net assets of governmental activities **\$ (62,269)**

City of Portland

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2012

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,552,197	\$ 167,686	\$ 1,037,288
Cash and cash equivalents - restricted	400,459	123,450	28,076
Accounts receivable	528,759	110,352	93,327
Due from other governmental units	-	185,000	-
Inventories	373,001	-	25,062
Total current assets	2,854,416	586,488	1,183,753
Noncurrent assets			
Capital assets not being depreciated	284,263	3,769,912	3,500
Capital assets being depreciated, net	8,023,648	2,217,660	4,320,693
Total noncurrent assets	8,307,911	5,987,572	4,324,193
TOTAL ASSETS	11,162,327	6,574,060	5,507,946
LIABILITIES			
Current liabilities			
Accounts payable	397,733	204,982	29,146
Accrued liabilities	13,994	6,896	4,831
Accrued interest payable	15,079	9,208	5,905
Current portion of compensated absences	20,238	8,601	3,326
Current portion of long-term debt	50,000	52,000	60,000
Total current liabilities	497,044	281,687	103,208
Noncurrent liabilities			
Customer deposits payable from restricted assets	155,288	23,837	27,505
Noncurrent portion of compensated absences	6,746	2,867	1,109
Noncurrent portion of long-term debt	1,455,000	3,631,000	884,872
Total noncurrent liabilities	1,617,034	3,657,704	913,486
TOTAL LIABILITIES	2,114,078	3,939,391	1,016,694
NET ASSETS			
Invested in capital assets, net of related debt	6,802,911	2,304,572	3,379,321
Restricted for utilities	125,000	-	-
Restricted for debt service	215,500	-	-
Unrestricted	1,904,838	330,097	1,111,931
TOTAL NET ASSETS	\$ 9,048,249	\$ 2,634,669	\$ 4,491,252

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
\$ 19,438	\$ 2,776,609	\$ 104,333
-	551,985	-
6,404	738,842	243
-	185,000	-
-	398,063	-
<u>25,842</u>	<u>4,650,499</u>	<u>104,576</u>
-	4,057,675	-
-	14,562,001	335,240
<u>-0-</u>	<u>18,619,676</u>	<u>335,240</u>
25,842	23,270,175	439,816
8,957	640,818	10,232
-	25,721	2,298
-	30,192	679
-	32,165	4,301
-	162,000	38,710
<u>8,957</u>	<u>890,896</u>	<u>56,220</u>
-	206,630	-
-	10,722	1,433
-	5,970,872	118,108
<u>-0-</u>	<u>6,188,224</u>	<u>119,541</u>
<u>8,957</u>	<u>7,079,120</u>	<u>175,761</u>
-	12,486,804	178,422
-	125,000	-
-	215,500	-
<u>16,885</u>	<u>3,363,751</u>	<u>85,633</u>
<u>\$ 16,885</u>	<u>\$ 16,191,055</u>	<u>\$ 264,055</u>

City of Portland

Proprietary Funds

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

Year Ended June 30, 2012

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
OPERATING REVENUES			
Charges for services			
User charges	\$ 3,775,955	\$ 775,812	\$ 611,284
Tap fees	-	4,500	-
Other	30,110	1,884	2,438
TOTAL OPERATING REVENUES	3,806,065	782,196	613,722
OPERATING EXPENSES			
Salaries and wages	432,855	236,320	140,540
Fringe benefits	197,045	102,592	59,562
Contractual services	182,772	28,837	17,053
Supplies	178,485	27,453	11,740
Heat, light, and power	2,167,510	48,733	25,051
Communications	2,339	7,632	3,988
Insurance and bonds	16,273	2,577	1,827
Repairs and maintenance	46,715	7,860	56,565
Administrative services	75,292	58,304	58,304
Building and equipment rental	17,611	15,300	31,000
Other	25,523	1,257	2,067
Depreciation	326,996	131,242	152,065
TOTAL OPERATING EXPENSES	3,669,416	668,107	559,762
OPERATING INCOME	136,649	114,089	53,960
NONOPERATING REVENUES (EXPENSES)			
Interest earned	2,947	66	2,721
Interest expense and fees	(61,534)	(64,604)	(23,996)
TOTAL NONOPERATING REVENUES (EXPENSES)	(58,587)	(64,538)	(21,275)
INCOME BEFORE TRANSFERS	78,062	49,551	32,685
TRANSFERS			
Transfers out	(49,792)	(31,764)	(31,764)
CHANGE IN NET ASSETS	28,270	17,787	921
Net assets, beginning of year	9,019,979	2,616,882	4,490,331
Net assets, end of year	<u>\$ 9,048,249</u>	<u>\$ 2,634,669</u>	<u>\$ 4,491,252</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
\$ 90,153	\$ 5,253,204	\$ 325,225
-	4,500	-
<u>7,575</u>	<u>42,007</u>	<u>24,766</u>
97,728	5,299,711	349,991
-	809,715	63,135
-	359,199	40,952
89,039	317,701	2,875
-	217,678	65,000
-	2,241,294	7,572
-	13,959	1,640
-	20,677	20,942
-	111,140	37,828
-	191,900	35,936
-	63,911	-
-	28,847	4,294
-	610,303	61,845
<u>89,039</u>	<u>4,986,324</u>	<u>342,019</u>
8,689	313,387	7,972
-	5,734	75
-	(150,134)	(993)
<u>-0-</u>	<u>(144,400)</u>	<u>(918)</u>
8,689	168,987	7,054
-	(113,320)	-
8,689	55,667	7,054
<u>8,196</u>	<u>16,135,388</u>	<u>257,001</u>
<u>\$ 16,885</u>	<u>\$ 16,191,055</u>	<u>\$ 264,055</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 3,786,568	\$ 777,699	\$ 605,281
Cash paid to suppliers	(2,588,267)	(197,953)	(202,230)
Cash paid to employees	(628,296)	(337,465)	(203,796)
NET CASH PROVIDED BY OPERATING ACTIVITIES	570,005	242,281	199,255
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payment of advance to other funds	-	-	700,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers out	(49,792)	(31,764)	(31,764)
Debt issuance	-	2,997,607	-
Payments of borrowing	(50,000)	(57,000)	(60,000)
Interest expense and fees	(61,940)	(55,979)	(24,372)
Purchase of capital assets	(622,191)	(2,967,332)	(277,488)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(783,923)	(114,468)	(393,624)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	2,947	66	2,721
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(210,971)	127,879	508,352
Cash and cash equivalents, beginning of year	2,163,627	163,257	557,012
Cash and cash equivalents, end of year	<u>\$ 1,952,656</u>	<u>\$ 291,136</u>	<u>\$ 1,065,364</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
\$ 97,512 (87,695) -	\$ 5,267,060 (3,076,145) (1,169,557)	\$ 349,917 (173,104) (104,710)
9,817	1,021,358	72,103
-	700,000	-
-	(113,320)	-
-	2,997,607	85,500
-	(167,000)	(21,930)
-	(142,291)	(314)
-	(3,867,011)	(119,857)
-0-	(1,292,015)	(56,601)
-	5,734	75
9,817	435,077	15,577
9,621	2,893,517	88,756
<u>\$ 19,438</u>	<u>\$ 3,328,594</u>	<u>\$ 104,333</u>

City of Portland

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2012

	Business-type		
	Electric Light and Power System	Sewage Disposal System	Water System
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 136,649	\$ 114,089	\$ 53,960
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	326,996	131,242	152,065
(Increase) decrease in:			
Accounts receivable	(23,172)	(5,541)	(8,726)
Due from other governmental units	-	324,393	-
Inventories	(24,460)	-	(10,436)
Increase (decrease) in:			
Accounts payable	148,713	(347,186)	15,801
Accrued liabilities	1,604	1,447	(3,694)
Customer deposits	3,675	23,837	285
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 570,005	\$ 242,281	\$ 199,255

See accompanying notes to financial statements.

<u>Activities</u> Nonmajor Enterprise Fund (Refuse)	<u>Total</u>	<u>Governmental</u> <u>Activities</u> Internal Service Fund
\$ 8,689	\$ 313,387	\$ 7,972
-	610,303	61,845
(216)	(37,655)	(74)
-	324,393	-
-	(34,896)	-
1,344	(181,328)	2,983
-	(643)	(623)
-	27,797	-
<u>\$ 9,817</u>	<u>\$ 1,021,358</u>	<u>\$ 72,103</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2011, are available at PAMA's administrative offices. As of December 31, 2011, PAMA had a fund balance of \$1,246.

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, 2012

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 and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The City Income Tax Fund is used to account for the revenue from income tax collection. The City income tax was approved by voters for the purpose of funding street improvements.
- c. The 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, 2012

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.

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.

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 funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

6. Basis of Accounting - continued

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

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

7. Budgets and Budgetary Accounting

The General and Special Revenue 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, 2012

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, 2012, the City levied 13.6574 mills per \$1,000 of taxable valuation for general governmental services, which includes 0.6000 mill for local streets. The total taxable value for the 2011 levy for property within the City was \$94,743,593.

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, 2012

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, 2012

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, 2012, 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	\$ 4,805,559	\$ 4,840,112
COMPONENT UNIT		
Checking	<u>248,526</u>	<u>253,386</u>
TOTAL REPORTING ENTITY	<u>\$ 5,054,085</u>	<u>\$ 5,093,498</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

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, 2012, the City accounts were insured by the FDIC for \$1,165,861 and the amount of \$3,927,607 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, 2012, 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 advisors with which the City will do business in accordance with Council approved policy.

The cash and cash equivalents 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, 2012:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and Cash Equivalents	\$ 4,254,467	\$ 78,316	\$ 4,332,783
Cash and Cash Equivalents - Restricted	551,985	170,210	722,195
	<u>\$ 4,806,452</u>	<u>\$ 248,526</u>	<u>\$ 5,054,978</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, 2012

NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of June 30, 2012:

	<u>Customer Deposits</u>	<u>Debt Retirement</u>	<u>Other</u>	<u>Total</u>
Enterprise Funds	\$ 212,268	\$ 329,717	\$ 10,000	\$ 551,985
Component Unit Fund	<u>-</u>	<u>170,210</u>	<u>-</u>	<u>170,210</u>
	<u>\$ 212,268</u>	<u>\$ 499,927</u>	<u>\$ 10,000</u>	<u>\$ 722,195</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2012, 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: 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	\$ 49,792
Sewage Disposal System Fund	31,764
Water System Fund	<u>31,764</u>
	<u>\$ 113,320</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 15,000
Nonmajor governmental funds	<u>362,564</u>
	<u>\$ 377,564</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E: INTERFUND TRANSFERS - CONTINUED

The transfers from the Electric Light and Power System Fund, Sewage Disposal Fund and Water System Fund to the General Fund and from the General Fund and Capital Improvement Fund - Street Projects to the nonmajor governmental funds were to fund current year operations. The transfers to the nonmajor governmental funds were to fund current year projects and to close the capital projects fund since the project is complete.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

Primary Government

	Balance July 1, 2011	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2012
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 2,231,039	\$ -	\$ -	\$ 2,231,039
Construction in progress	875,179	2,788	(875,179)	2,788
Subtotal	3,106,218	2,788	(875,179)	2,233,827
Capital assets being depreciated				
Land improvements	84,228	-	-	84,228
Buildings and additions	399,721	-	-	399,721
Equipment and furniture	1,997,833	156,779	(148,535)	2,006,077
Infrastructure - streets and bridges	17,480,680	1,135,829	-	18,616,509
Subtotal	19,962,462	1,292,608	(148,535)	21,106,535
Less accumulated depreciation for:				
Land improvements	(9,698)	(3,087)	-	(12,785)
Buildings and additions	(150,727)	(13,147)	-	(163,874)
Equipment and furniture	(1,570,237)	(95,909)	148,535	(1,517,611)
Infrastructure - streets and bridges	(6,197,400)	(624,668)	-	(6,822,068)
Subtotal	(7,928,062)	(736,811)	148,535	(8,516,338)
Net capital assets being depreciated	12,034,400	555,797	-0-	12,590,197
Capital assets, net	<u>\$ 15,140,618</u>	<u>\$ 558,585</u>	<u>\$ (875,179)</u>	<u>\$ 14,824,024</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 31,317
Public safety	30,071
Public works	632,422
Health and welfare	38,703
Recreation and culture	4,298
Total depreciation expense	<u>\$ 736,811</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2011	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2012
Business-type activities (Electric Light and Power System)				
Capital assets not being depreciated				
Land	\$ 264,954	\$ -	\$ -	\$ 264,954
Construction in progress	50,000	272,806	(303,497)	19,309
Subtotal	314,954	272,806	(303,497)	284,263
Capital assets being depreciated				
Buildings	4,893,223	-	-	4,893,223
Transmission and disbursement	5,676,198	396,594	-	6,072,792
Equipment	421,941	256,288	-	678,229
Subtotal	10,991,362	652,882	-0-	11,644,244
Less accumulated depreciation for:				
Buildings	(865,110)	(115,165)	-	(980,275)
Transmissions and disbursement	(2,255,186)	(176,062)	-	(2,431,248)
Equipment	(173,304)	(35,769)	-	(209,073)
Subtotal	(3,293,600)	(326,996)	-0-	(3,620,596)
Net capital assets being depreciated	7,697,762	325,886	-0-	8,023,648
Capital assets, net	<u>\$ 8,012,716</u>	<u>\$ 598,692</u>	<u>\$ (303,497)</u>	<u>\$ 8,307,911</u>
Business-type activities (Sewage Disposal System)				
Capital assets not being depreciated				
Land	\$ 11,003	\$ -	\$ -	\$ 11,003
Construction in progress	987,935	2,967,332	(196,358)	3,758,909
Subtotal	998,938	2,967,332	(196,358)	3,769,912
Capital assets being depreciated				
Buildings	605,399	-	-	605,399
Sewage Disposal System	2,968,384	196,358	-	3,164,742
Equipment	51,709	-	-	51,709
Subtotal	3,625,492	196,358	-0-	3,821,850
Less accumulated depreciation for:				
Building	(572,622)	(13,111)	-	(585,733)
Sewage Disposal System	(885,569)	(115,931)	-	(1,001,500)
Equipment	(14,757)	(2,200)	-	(16,957)
Subtotal	(1,472,948)	(131,242)	-0-	(1,604,190)
Net capital assets being depreciated	2,152,544	65,116	-0-	2,217,660
Capital assets, net	<u>\$ 3,151,482</u>	<u>\$ 3,032,448</u>	<u>\$ (196,358)</u>	<u>\$ 5,987,572</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2011	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2012
Business-type activities				
(Water System)				
Capital assets not being depreciated				
Land	\$ 3,500	\$ -	\$ -	\$ 3,500
Construction in progress	316,256	272,488	(588,744)	-0-
Subtotal	319,756	272,488	(588,744)	3,500
Capital assets being depreciated				
Water System	5,373,975	588,744	-	5,962,719
Equipment	109,172	5,000	-	114,172
Subtotal	5,483,147	593,744	-0-	6,076,891
Less accumulated depreciation for:				
Water System	(1,571,747)	(143,783)	-	(1,715,530)
Equipment	(32,386)	(8,282)	-	(40,668)
Subtotal	(1,604,133)	(152,065)	-0-	(1,756,198)
Net capital assets being depreciated	3,879,014	441,679	-0-	4,320,693
Capital assets, net	<u>\$ 4,198,770</u>	<u>\$ 714,167</u>	<u>\$ (588,744)</u>	<u>\$ 4,324,193</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	(178,401)	(31,293)	-	-
City Hall building	(1,040,400)	(130,050)	-	(1,170,450)
Subtotal	(1,218,801)	(161,343)	-0-	(1,380,144)
Net capital assets being depreciated	2,085,580	(161,343)	-0-	1,924,237
Capital assets, net	<u>\$ 2,085,580</u>	<u>\$ (161,343)</u>	<u>\$ -0-</u>	<u>\$ 1,924,237</u>

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE G: 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, 2012.

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Primary Government					
Governmental Activities					
2009 Equipment Lease Purchase Agreement	\$ 93,248	\$ -	\$ (21,930)	\$ 71,318	\$ 22,826
2012 Vactor Truck Lease Purchase Agreement	-	85,500	-	85,500	15,884
2010 Capital Improvement Bonds	1,210,000	-	(600,000)	610,000	610,000
Compensated absences	94,308	71,065	(93,817)	71,556	53,667
	<u>1,397,556</u>	<u>156,565</u>	<u>(715,747)</u>	<u>838,374</u>	<u>702,377</u>
Business-type activities					
2008 Capital Improvement Bonds	1,555,000	-	(50,000)	1,505,000	50,000
2004 Water System Bonds	1,004,872	-	(60,000)	944,872	60,000
2010 Sanitary Sewer System	695,393	2,204,607	(45,000)	2,855,000	40,000
2011 Sanitary Sewer System	47,000	793,000	(12,000)	828,000	12,000
Compensated absences	47,372	56,273	(60,758)	42,887	32,165
	<u>3,349,637</u>	<u>3,053,880</u>	<u>(227,758)</u>	<u>6,175,759</u>	<u>194,165</u>
Total Primary Government	4,747,193	3,210,445	(943,505)	7,014,133	896,542
Component Unit					
General Obligation Bonds	1,100,000	-	(1,100,000)	-0-	-
2012 Refunding Bonds	-	985,000	-	985,000	170,000
Compensated absences	-	1,980	-	1,980	1,485
	<u>1,100,000</u>	<u>986,980</u>	<u>(1,100,000)</u>	<u>986,980</u>	<u>171,485</u>
Total Component Unit	1,100,000	986,980	(1,100,000)	986,980	171,485
	<u><u>\$ 5,847,193</u></u>	<u><u>\$ 4,197,425</u></u>	<u><u>\$ (2,043,505)</u></u>	<u><u>\$ 8,001,113</u></u>	<u><u>\$ 1,068,027</u></u>

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

Primary Government

Equipment Purchase Agreements

\$154,000 Equipment Purchase Agreement dated May 15, 2008, due in annual installments ranging from \$22,826 to \$24,732 through May 15, 2015, with interest at 4.09 percent, payable annually. \$ 71,318

\$85,500 Equipment Purchase Agreement dated May 1, 2012, due in annual installments ranging from \$15,884 to \$18,361 through May 1, 2017, with interest at 3.69 percent, payable annually. 85,500

\$ 156,818

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE G: LONG-TERM DEBT - CONTINUED

Primary Government - continued

2010 Capital Improvement Bonds

\$1,800,000 Capital Improvement Bonds dated May 18, 2010, due in a final installment of \$610,000 on April 1, 2013, with interest of 2.50 percent, payable semi-annually. \$ 610,000

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 3.375 to 4.25 percent, payable semi-annually. \$ 1,505,000

Water System Bonds

\$1,344,872 Water System Bonds dated September 25, 2003, due in annual installments ranging from \$60,000 to \$85,000 through October 1, 2024, with interest of 2.50 percent, payable semi-annually. \$ 944,872

2010 Sanitary Sewer System Revenue Bonds

\$2,900,000 Sewer System Revenue Bonds dated December 29, 2010, due in annual installments ranging from \$40,000 to \$121,000 through December 1, 2050, with interest of 3.00 percent, payable semi-annually. \$ 2,855,000

2011 Sanitary Sewer System Revenue Bonds

\$840,000 Sewer System Revenue Bonds dated March 9, 2011, due in annual installments ranging from \$12,000 to \$36,000 through December 1, 2050, with interest of 3.00 percent, payable semi-annually. \$ 828,000

Component Unit - Discretely Presented

2012 Downtown Development Refunding Bonds

The following summarizes the significant details regarding the bond issue:

\$985,000 Downtown Development Refunding Bonds dated January 12, 2012, due in annual installments ranging from \$170,000 to \$220,000 through October 1, 2016, with interest of 1.72 percent, payable annually. \$ 985,000

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 \$130,657 at June 30, 2012. Of this amount, \$87,770 and \$42,887 are shown as accrued liabilities in the governmental and business-type activities financial statements, respectively, in accordance with criteria disclosed in Note A.

City of Portland

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE G: LONG-TERM DEBT - CONTINUED

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,	Equipment Purchase Agreements		Capital Improvement Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 38,710	\$ 6,072	\$ 660,000	\$ 75,565
2014	40,230	4,552	50,000	58,628
2015	41,809	2,973	50,000	56,828
2016	17,708	1,331	55,000	55,028
2017	18,361	677	55,000	53,048
2018-2022	-	-	310,000	232,097
2023-2027	-	-	375,000	165,507
2028-2032	-	-	455,000	81,897
2033	-	-	105,000	4,462
	<u>\$ 156,818</u>	<u>\$ 15,605</u>	<u>\$ 2,115,000</u>	<u>\$ 783,060</u>
Year Ending June 30,	Water System Bonds		Sanitary Sewer System Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 60,000	\$ 22,872	\$ 52,000	\$ 109,710
2014	65,000	21,309	53,000	108,135
2015	65,000	19,684	54,000	106,530
2016	70,000	17,997	56,000	104,880
2017	70,000	16,247	58,000	103,170
2018-2022	375,000	53,922	318,000	488,250
2023-2027	239,872	8,867	365,000	437,025
2028-2032	-	-	423,000	378,135
2033-2037	-	-	490,000	309,630
2038-2042	-	-	565,000	230,775
2043-2047	-	-	655,000	139,245
2048-2051	-	-	594,000	36,360
	<u>\$ 944,872</u>	<u>\$ 160,898</u>	<u>\$ 3,683,000</u>	<u>\$ 2,551,845</u>

Component Unit

Year Ending June 30	2012 Refunding Downtown Development Bonds	
	Principal	Interest
2013	\$ 170,000	\$ 19,198
2014	175,000	12,513
2015	200,000	9,288
2016	220,000	5,676
2017	220,000	1,892
	<u>\$ 985,000</u>	<u>\$ 48,567</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE H: 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, 2012, the City's annual pension cost of \$393,958 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, 2011, 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,		
	2009	2010	2011
	<u> </u>	<u> </u>	<u> </u>
Actuarial value of assets	\$ 6,971,120	\$ 7,119,568	\$ 7,301,876
Actuarial accrued liability (AAL) (entry age)	10,514,951	10,892,645	11,241,501
Unfunded AAL	3,543,831	3,773,077	3,939,625
Funded ratio	66 %	65 %	65 %
Covered payroll	1,936,761	1,935,712	1,909,950
UAAL as a percentage of covered payroll	183 %	195 %	206 %
	Year ended June 30,		
	2010	2011	2012
	<u> </u>	<u> </u>	<u> </u>
Annual pension cost	\$ 341,151	\$ 400,240	\$ 393,958
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, 2012

NOTE I: 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 J: 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, 2012, three (3) retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, expenditures of \$23,463 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, 2012, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of June 30, 2012. 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)	\$ 401,575
Amounts contributed	
Payments of current requirements	<u>(23,463)</u>
Change in net OPEB obligation	378,112
OPEB obligation - Beginning of year	<u>980,375</u>
OPEB obligation - End of year	<u><u>\$ 1,358,487</u></u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE J: 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 (3) years, are as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 401,575	5.8%	\$ 1,358,487
2011	442,938	7.7%	980,375
2010	616,162	7.2%	571,620

The current funding progress of the plan for the last three (3) valuation dates, are as follows:

<u>Actuarial Valuation Date</u>	<u>Value of Assets (a)</u>	<u>Liability (AAL) Entry Age (b)</u>	<u>AAL Underfunded (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Percentage of Covered Payroll [(b-a)/c]</u>
6/30/2012	\$ -	\$ 4,225,507	\$ 4,225,507	0.0%	\$ 1,909,950	221%
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, 2012, 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 K: 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, 2012

NOTE K: RISK MANAGEMENT - CONTINUED

The City also participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, 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 L: 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, 2012:

Revenues	
Licenses and Permits	
Permits	\$ 1,869
Expenditures	
Salaries and wages	39,758
Fringe benefits	8,191
Supplies	671
Vehicle rental	250
Other	<u>1,295</u>
TOTAL EXPENDITURES	<u>50,165</u>
EXCESS OF REVENUES	
(UNDER) EXPENDITURES	(48,296)
Code Enforcement (Deficit) at June 30, 2011	<u>(790,087)</u>
Code Enforcement (Deficit) at June 30, 2012	<u><u>\$ (838,383)</u></u>

NOTE M: 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, 2012:

PRIMARY GOVERNMENT	
Governmental Activities	
Other Purposes	
Streets	\$ 281,317
Cemetery Perpetual Care, nonexpendable	<u>154,217</u>
	<u><u>\$ 435,534</u></u>
Business-type Activities	
Restricted for utilities	
Electric Light and Power	<u>\$ 125,000</u>
Restricted for debt service	
Electric Light and Power	<u><u>\$ 215,500</u></u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE M: RESTRICTED NET ASSETS - CONTINUED

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

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

The following are the component unit net asset restrictions at June 30, 2012:

COMPONENT UNIT	
Downtown Development Authority	
Restricted for debt service	<u>\$ 164,115</u>

NOTE N: 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 O: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* 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. The following are the five classifications of fund balance under this standard:

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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 is through passage of a resolution.

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

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

NOTE P: CONTRACTUAL COMMITMENT

The City is obligated for construction contracts relating to a construction project in the amount of \$73,877 as of June 30, 2012. 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 Q: UPCOMING ACCOUNTING PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modified certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarified the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on their financial statements when adopted during the City's 2013 fiscal year.

In 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2013 fiscal year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2013 fiscal year. The statement incorporates deferred outflows of resources and the deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement will be effective for the City's 2015 fiscal year. The statement will require governments to report their net pension liability in their statement of financial position. The City is currently evaluating the impact that GASB Statement No. 68 will have on the City's financial statements.

NOTE R: SPECIAL ITEM

During the year ended June 30, 2012, the City sold two (2) parcels of land for \$23,500. The City has additional land. Plans for the additional land are uncertain at this time.

REQUIRED SUPPLEMENTARY INFORMATION

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 1,054,800	\$ 1,038,800	\$ 1,029,934	\$ (8,866)
Penalties and interest	7,200	7,200	6,578	(622)
Tax collection	43,300	43,300	43,575	275
Total taxes	1,105,300	1,089,300	1,080,087	(9,213)
Licenses and permits				
Cable television license	16,450	16,450	1,196	(15,254)
City licenses and permits	3,400	3,400	4,077	677
Total licenses and permits	19,850	19,850	5,273	(14,577)
Intergovernmental				
State				
Sales tax	351,260	351,260	376,262	25,002
Act 302 training funds	-	-	1,041	1,041
State liquor license	3,000	3,000	2,991	(9)
Total intergovernmental	354,260	354,260	380,294	26,034
Charges for services				
Fire protection - townships	58,000	116,000	112,545	(3,455)
Cemetery fees and lot sales	18,500	18,500	19,378	878
Administrative charges	301,284	336,033	336,033	-0-
Other fees	8,020	8,020	12,334	4,314
Total charges for services	385,804	478,553	480,290	1,737
Fines and forfeits				
Parking	1,500	1,500	3,682	2,182
District court	16,000	16,000	17,505	1,505
Other	4,200	4,200	3,800	(400)
Total fines and forfeits	21,700	21,700	24,987	3,287
Interest and rents	9,900	9,900	10,034	134
Other				
Donations	3,000	20,750	26,695	5,945
Reimbursements	18,000	22,713	35,170	12,457
Total other	21,000	43,463	61,865	18,402
TOTAL REVENUES	1,917,814	2,017,026	2,042,830	25,804

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2012

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
Council, boards, and commissions	\$ 8,110	\$ 6,910	\$ 4,899	\$ 2,011
Community promotions	135,565	107,385	88,215	19,170
City manager	150,324	149,974	144,701	5,273
Assessing services	48,880	48,880	41,834	7,046
Elections	5,835	8,295	5,821	2,474
City hall and grounds	71,620	63,385	47,697	15,688
General administrative	351,375	353,875	312,804	41,071
Cemetery operations	149,215	129,751	114,797	14,954
Total general government	920,924	868,455	760,768	107,687
Public safety				
Police department	664,729	633,356	608,846	24,510
Fire department	-	165,014	160,956	4,058
Code enforcement	69,514	60,209	50,165	10,044
Total public safety	734,243	858,579	819,967	38,612
Public works				
Street lighting	63,500	63,500	51,059	12,441
Health and welfare				
Ambulance service	46,600	46,600	46,596	4
Community and economic development				
Economic development	9,000	11,800	10,299	1,501
Recreation and culture				
Parks department	128,152	145,352	132,599	12,753
Debt service				
Principal	100,000	-	-	-0-
Interest	3,250	1,750	1,750	-0-
Total debt service	103,250	1,750	1,750	-0-
TOTAL EXPENDITURES	2,005,669	1,996,036	1,823,038	172,998
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(87,855)	20,990	219,792	198,802

City of Portland

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in				
Electric Light and Power System Fund	\$ 45,265	\$ 49,792	\$ 49,792	\$ -0-
Sewage Disposal System Fund	28,876	31,764	31,764	-0-
Water System Fund	28,876	31,764	31,764	-0-
Transfers out				
Recreation Fund	(15,000)	(15,000)	(15,000)	-0-
SPECIAL ITEM				
Proceeds from sale of land	-	-	23,500	23,500
TOTAL OTHER FINANCING SOURCES (USES) AND SPECIAL ITEM	<u>88,017</u>	<u>98,320</u>	<u>121,820</u>	<u>23,500</u>
NET CHANGE IN FUND BALANCE	162	119,310	341,612	222,302
Fund balance, beginning of year	<u>92,881</u>	<u>92,881</u>	<u>92,881</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 93,043</u>	<u>\$ 212,191</u>	<u>\$ 434,493</u>	<u>\$ 222,302</u>

City of Portland

City Income Tax Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 689,500	\$ 689,500	\$ 704,016	\$ 14,516
Fines and forfeits	24,097	24,097	14,395	(9,702)
Interest	300	300	997	697
Other				
Special assessments	578	578	513	(65)
Other	-	-	249	249
TOTAL REVENUES	714,475	714,475	720,170	5,695
EXPENDITURES				
Current				
General government	192,691	195,375	167,983	27,392
Debt Service	630,550	630,550	630,400	150
TOTAL EXPENDITURES	823,241	825,925	798,383	27,542
NET CHANGE IN FUND BALANCE	(108,766)	(111,450)	(78,213)	33,237
Fund balance, beginning of year	482,124	482,124	482,124	-0-
Fund balance, end of year	\$ 373,358	\$ 370,674	\$ 403,911	\$ 33,237

City of Portland
Portland Area Ambulance Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for service	\$ 462,091	\$ 555,091	\$ 497,533	\$ (57,558)
Other	-	-	5,669	5,669
TOTAL REVENUES	462,091	555,091	503,202	(51,889)
EXPENDITURES				
Current				
Health and welfare	462,084	471,792	455,439	16,353
NET CHANGE IN FUND BALANCE	7	83,299	47,763	(35,536)
Fund balance, beginning of year	143,556	143,556	143,556	-0-
Fund balance, end of year	<u>\$ 143,563</u>	<u>\$ 226,855</u>	<u>\$ 191,319</u>	<u>\$ (35,536)</u>

OTHER SUPPLEMENTARY INFORMATION

City of Portland
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2012

	Special Revenue		
	Local Street	Major Street	Recreation
ASSETS			
Cash and cash equivalents	\$ 20,741	\$ 251,657	\$ 20,871
Accounts receivable	-	-	-
Due from other governmental units	12,389	35,133	-
TOTAL ASSETS	\$ 33,130	\$ 286,790	\$ 20,871
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,420	\$ 30,789	\$ 3,576
Accrued liabilities	2,673	3,721	1,777
TOTAL LIABILITIES	4,093	34,510	5,353
FUND BALANCES			
Nonspendable			
Perpetual care	-	-	-
Restricted for:			
Streets	29,037	252,280	-
Assigned to:			
Recreation	-	-	15,518
TOTAL FUND BALANCES	29,037	252,280	15,518
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,130	\$ 286,790	\$ 20,871

Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
Capital Improvement Fund - Street Projects	Cemetery Perpetual Care	
\$ -	\$ 154,182	\$ 447,451
-	35	35
-	-	47,522
<u>\$ -0-</u>	<u>\$ 154,217</u>	<u>\$ 495,008</u>

\$ -	\$ -	\$ 35,785
-	-	8,171
-0-	-0-	43,956

-	154,217	154,217
-	-	281,317
-	-	15,518
<u>-0-</u>	<u>154,217</u>	<u>451,052</u>
<u>\$ -0-</u>	<u>\$ 154,217</u>	<u>\$ 495,008</u>

City of Portland

Nonmajor Governmental Funds

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

Year Ended June 30, 2012

	Special Revenue		
	Local Street	Major Street	Recreation
REVENUES			
Taxes	\$ 46,376	\$ -	\$ -
Intergovernmental	79,706	324,208	10,000
Charges for services	-	-	71,787
Interest and rents	-	-	2
Other	1,400	2,671	8,585
	<u>127,482</u>	<u>326,879</u>	<u>90,374</u>
TOTAL REVENUES	127,482	326,879	90,374
EXPENDITURES			
Current			
Public works	316,859	376,249	-
Recreation and culture	-	-	120,024
	<u>316,859</u>	<u>376,249</u>	<u>120,024</u>
TOTAL EXPENDITURES	316,859	376,249	120,024
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(189,377)	(49,370)	(29,650)
OTHER FINANCING SOURCES (USES)			
Transfers in	182,564	180,000	15,000
Transfers out	-	(52,000)	-
	<u>182,564</u>	<u>128,000</u>	<u>15,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	182,564	128,000	15,000
NET CHANGE IN FUND BALANCES	(6,813)	78,630	(14,650)
Fund balances, beginning of year	<u>35,850</u>	<u>173,650</u>	<u>30,168</u>
Fund balances, end of year	<u>\$ 29,037</u>	<u>\$ 252,280</u>	<u>\$ 15,518</u>

<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Capital Improvement Fund - Street Projects	Cemetery Perpetual Care	
\$ -	\$ -	\$ 46,376
-	-	413,914
-	2,600	74,387
-	-	2
-	-	12,656
<u>-0-</u>	<u>2,600</u>	<u>547,335</u>
-	-	693,108
-	-	120,024
<u>-0-</u>	<u>-0-</u>	<u>813,132</u>
-0-	2,600	(265,797)
-	-	377,564
<u>(310,564)</u>	<u>-</u>	<u>(362,564)</u>
<u>(310,564)</u>	<u>-0-</u>	<u>15,000</u>
(310,564)	2,600	(250,797)
<u>310,564</u>	<u>151,617</u>	<u>701,849</u>
<u>\$ -0-</u>	<u>\$ 154,217</u>	<u>\$ 451,052</u>

City of Portland

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2012

ASSETS	
Cash	\$ 78,316
Cash - restricted	<u>170,210</u>
TOTAL ASSETS	<u>\$ 248,526</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accrued liabilities	\$ 1,429
FUND BALANCE	
Restricted for:	
Debt service	170,210
Unassigned	<u>76,887</u>
TOTAL FUND BALANCE	<u>247,097</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 248,526</u>

City of Portland

Component Unit Fund

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

June 30, 2012

Total fund balance - governmental fund \$ 247,097

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>(1,380,144)</u>	
Capital assets, net		1,924,237

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:

Bonds payable	985,000	
Compensated absences	1,980	
Accrued interest payable	<u>6,095</u>	
		<u>(993,075)</u>

Net assets of governmental activities \$ 1,178,259

City of Portland

Component Unit Fund

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

Year Ended June 30, 2012

REVENUES	
Taxes	\$ 283,270
Interest	86
Other	<u>29,309</u>
TOTAL REVENUES	312,665
EXPENDITURES	
Current	
Community and economic development	105,571
Capital outlay	
Contracted services	9,137
Decorations and banners	5,030
Debt service	
Principal	1,100,000
Interest and fiscal charges	<u>67,332</u>
TOTAL EXPENDITURES	<u>1,287,070</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(974,405)
OTHER FINANCING SOURCES	
Bond proceeds	<u>985,000</u>
NET CHANGE IN FUND BALANCE	10,595
Fund balance, beginning of year	<u>236,502</u>
Fund balance, end of year	<u><u>\$ 247,097</u></u>

City of Portland

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

Year Ended June 30, 2012

Net change in fund balance - governmental fund \$ 10,595

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

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

Depreciation expense (161,343)

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

Bond principal retirements	\$ 1,100,000
Bond proceeds	<u>(985,000)</u>

Net effect of long-term debt activity 115,000

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:

(Increase) in compensated absences	(1,980)
Decrease in accrued interest payable	<u>7,134</u>

5,154

Change in net assets of governmental activities \$ (30,594)

City of Portland

Miscellaneous Statistical Data (Unaudited)

Year Ended June 30, 2012

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

	Taxable Value	State Equalized Value	Tax Rates (Mills)
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	95,192,117	100,070,600	13.6574
2013	91,933,624	94,899,600	13.6574

Taxable Value by Class and Use

	2009	2010	2011	2012	2013
<u>By Class</u>					
Real Property	\$ 90,322,840	\$ 92,195,299	\$ 90,631,181	\$ 89,520,093	\$ 85,616,724
Personal Property	5,537,706	5,504,900	5,432,200	5,672,024	6,316,900
	<u>\$ 95,860,546</u>	<u>\$ 97,700,199</u>	<u>\$ 96,063,381</u>	<u>\$ 95,192,117</u>	<u>\$ 91,933,624</u>
<u>By Use</u>					
Residential	\$ 67,707,450	\$ 68,996,751	\$ 67,275,963	\$ 66,075,613	\$ 62,926,125
Commercial	23,727,050	24,625,458	24,577,302	23,864,352	23,583,807
Industrial	3,411,548	3,350,890	3,482,116	4,491,452	4,667,392
Utility	711,214	727,100	728,000	760,700	756,300
Development	303,284	-	-	-	-
	<u>\$ 95,860,546</u>	<u>\$ 97,700,199</u>	<u>\$ 96,063,381</u>	<u>\$ 95,192,117</u>	<u>\$ 91,933,624</u>

State Equalized Valuation by Class and Use

	2009	2010	2011	2012	2013
<u>By Class</u>					
Real Property	\$ 108,123,259	\$ 105,184,100	\$ 97,551,100	\$ 93,905,000	\$ 88,582,700
Personal Property	5,537,706	5,504,900	5,432,200	6,165,600	6,316,900
	<u>\$ 113,660,965</u>	<u>\$ 110,689,000</u>	<u>\$ 102,983,300</u>	<u>\$ 100,070,600</u>	<u>\$ 94,899,600</u>
<u>By Use</u>					
Residential	\$ 80,731,118	\$ 77,853,200	\$ 71,319,600	\$ 68,927,300	\$ 65,892,101
Commercial	28,184,770	28,755,800	27,445,600	25,888,700	23,583,807
Industrial	3,412,759	3,352,900	3,490,100	4,493,900	4,667,392
Utility	711,214	727,100	728,000	760,700	756,300
Development	621,104	-	-	-	-
	<u>\$ 113,660,965</u>	<u>\$ 110,689,000</u>	<u>\$ 102,983,300</u>	<u>\$ 100,070,600</u>	<u>\$ 94,899,600</u>

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2012

Homestead Property Tax Rates by Governmental Unit

	2009	2010	2011	2012	2013
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	1.0000
Library	1.6939	1.7639	1.7639	1.8239	1.7839
Seniors	0.3750	0.3750	0.3750	0.3750	0.3750
	<u>38.1925</u>	<u>38.2625</u>	<u>39.2625</u>	<u>39.3225</u>	<u>39.2825</u>

Non-homestead Property Tax Rates by Governmental Unit

	2009	2010	2011	2012	2013
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	1.0000
Library	1.6939	1.7639	1.7639	1.8239	1.7839
Seniors	0.3750	0.3750	0.3750	0.3750	0.3750
	<u>56.1925</u>	<u>56.2625</u>	<u>57.2625</u>	<u>57.3225</u>	<u>57.2825</u>

Tax Levies and Collections

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

Property Tax Collections

	<u>Tax Levy</u>	<u>Collections to March 1, each year</u>	<u>Percent Collected</u>
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	1,093,318	1,047,607	95.82%
2013	1,051,641	In Process	In Process

Income Tax Collections

	<u>Gross Tax Collections</u>	<u>Net Income Tax Collections</u>	<u>(Decrease) over Prior Year</u>
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%
2013	720,169	521,788	1.31%

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2012

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	\$ 3,084,870	3.36%
Portland Products	Automotive manufacturer	2,086,308	2.27%
Portland Partners	Apartments	2,011,426	2.19%
TRW Automotive	Tie Rods, Steering Linkages	1,839,784	2.00%
LAWCO	Apartments	1,027,081	1.12%
Consumers Energy	Utility	749,000	0.81%
ADM Alliance Nutrition	Feed Production	741,309	0.81%
HEB Development LLC	Farm supplies, retail sales	653,800	0.71%
American Heritage Hospitality	Hotel	600,600	0.65%
Grand River/Bridge Association	Pharmacy, convenience store	573,300	0.62%
		13,367,478	14.54%
	Other Taxpayers	78,566,146	85.46%
		<u>\$ 91,933,624</u>	<u>100.00%</u>

Revenues from the State of Michigan

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Estimated 2013</u>
State Revenue Sharing	\$ 440,451	\$ 372,663	\$ 381,894	\$ 376,262	\$ 377,744
Other	4,288	4,403	159,332	3,560	4,200
Total	<u>\$ 444,739</u>	<u>\$ 377,066</u>	<u>\$ 541,226</u>	<u>\$ 379,822</u>	<u>\$ 381,944</u>

Debt Ratios at June 30, 2012

	<u>Direct Debt</u>	<u>Overlapping Debt</u>	<u>Direct and Overlapping Debt</u>
Per Capita (3,883)	\$ 2,233	\$ 2,245	\$ 4,478
Ratio to 2012 Taxable Valuation	6.82%	9.16%	15.98%
Ratio to 2012 State Equalized Valuation	8.66%	8.71%	17.37%
Ratio to 2012 True Cash Value	3.41%	4.58%	7.99%

City of Portland

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2012

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

2012 State Equalized Valuation:		<u>\$ 94,899,600</u>
Debt Limit - 10% of State Equalized Valuation		\$ 9,489,960
Amount of Direct Debt Outstanding		
Less:		
	Multi-Authority Issued Bonds	\$ 1,508,449
	DDA Bonds	985,000
	Water and Wastewater Bonds	4,627,872
	Capital Improvement Bonds	2,115,000
	Less Exempt Debt	<u>(4,627,872)</u>
		<u>4,608,449</u>
Legal debt margin remaining		<u>\$ 4,881,511</u>

Computation of Direct and Overlapping Debt at June 30, 2012

<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	\$ 141,624	6.40%	\$ 9,064
Ionia County Intermediate School District	770,000	5.64%	43,428
Portland District Library	2,030,000	33.62%	682,486
Portland Public Schools	<u>29,195,050</u>	27.34%	<u>7,981,927</u>
Total Overlapping Debt	32,136,674		8,716,905
City Direct Debt	<u>8,669,955</u>	100.00%	<u>6,554,348</u>
Total City Direct and Overlapping Debt	<u>\$ 40,806,629</u>		<u>\$ 15,271,253</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.