

# Comprehensive Annual Financial Report

for fiscal year ended June 30, 2013



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**City of Portage, Michigan**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended**  
**June 30, 2013**

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Prepared by:

Finance Department

**CITY OF PORTAGE, MICHIGAN**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2013**  
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December 17, 2013

To the Honorable Mayor, members of the City Council, and the Citizens of the City of Portage:

The comprehensive annual financial report of the City of Portage, Michigan for the fiscal year ended June 30, 2013 has been completed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the city's management. To the best of our knowledge and belief the enclosed data are accurate in all material respects and are reported in a manner designed to fairly present the financial position and results of operations of the various funds and component units of the city. All disclosures necessary to enable the reader to gain an understanding of the financial activities of the city have been included.

### **LOCATION AND LAND USE**

The City of Portage, which is situated in the southwest part of the State of Michigan and located halfway between Chicago and Detroit, covers an area of 35.2 square miles. Approximately 73 percent of the land is zoned for residential use, 19 percent for industrial and 8 percent zoned for commercial uses. A mix of land uses and convenient access to two major highways creates a stable local economy.

### **RECOVERING ECONOMY WITH LINGERING ECONOMIC CHALLENGES**

After two years of declining property tax revenue the city realized a 3.2 percent increase in General Fund property tax revenue in fiscal year 2012-13. However, the majority of the increase in revenue was attributable to an increase in personal property tax receipts. The revenue increase is in contrast to the 4.4 decrease in property tax revenue experienced in fiscal year 2010-11 and the additional property tax revenue decrease of 2.6 percent in fiscal year 2011-12. State shared revenue for the City of Portage was also impacted by the loss of statutory revenue sharing in 2011, although the magnitude of this loss was reduced by the city qualifying for Economic Vitality Incentive Program revenue.

Interest/investment income to the city continues to be substantially reduced as the city has shifted assets to very secure (but low interest bearing) investments and health insurance related expenditures continue to increase.

The lingering recessionary conditions continue to impact upon city resources, further challenging the ability of the city to address service needs. Of necessity, expenditures were aggressively managed in 2012-2013 to ensure the most appropriate application of resources. Of particular note:

- Total full time staffing was reduced to 179 positions from 184 positions in fiscal year 2011-2012 (and from 215 positions in fiscal year 2005-2006).
- Transfers from the General Fund to the Major and Local Street Funds in the amount of \$570,000 were accomplished.
- A General Fund transfer of \$130,000 to the Capital Improvement Program occurred.

## ***ECONOMIC CONDITION AND OUTLOOK***

The City of Portage is the unit of government in Kalamazoo County with the largest Assessed Value (regular tax roll). The state equalized value of real and personal property including tax abatements has increased from \$348,055,600 in 1980, to \$799,757,900 in 1990, to \$2,082,829,500 for the fiscal year beginning July 1, 2012. The taxable value for the year beginning July 1, 2011 increased approximately 1.95 percent compared to the prior year. The City of Portage unemployment rate for August 2013 was 5.5 percent.

Portage has a well-balanced and diversified economy. Residential uses account for 55 percent of the property value, industrial 22 percent and commercial 23 percent. Based on information from the 2007-2011 American Community Survey 5-Year Estimates, employment also remains well-balanced. The number of employed Portage residents was 22,535 and is characterized by a high degree of employment in education/health care (23.6 percent); manufacturing/warehousing (22.4 percent); wholesale and retail trade (14.6 percent); professional, scientific and management (10 percent); finance, insurance and real estate (8.7 percent); and arts, entertainment and food service (8.6 percent). The remaining 12.1 percent of employment includes agricultural, construction, public employment and other services. The estimated number of jobs that exist within Portage is approximately 35,000, making Portage a net importer of jobs for residents from Kalamazoo County and beyond. By the year 2030, the number of jobs offered in the City of Portage is expected to increase to 42,020 (2008 Portage Comprehensive Plan).

The continued expansion of the Pfizer, Inc. and Stryker Corporation facilities within the Sprinkle Road Industrial Corridor has been significant. In 2006, the Stryker Corporation completed construction of a new 433,000 square foot medical equipment manufacturing facility on approximately 80 acres of land at 3800 East Centre Avenue. The Stryker Corporation also renovated the component product research and development facilities plus construction of a new 200,000 square foot facility that manufactures and assembles medical instruments at the 4100 East Milham Avenue location. Both projects were completed in 2008. In 2011, Pfizer Corporation invested approximately \$8.4 million in their manufacturing operations and Stryker Corporation invested approximately \$8.2 million to expand administrative operations into a vacant 400,000 square foot office building located on Romence Road Parkway. At this time, Stryker Corporation is occupying approximately 100,000 square feet of the building. In 2012, Stryker Corporation invested an additional \$5.6 million in their medical instruments facility located 4100 East Milham and Pfizer invested an additional \$1.2 million in their Portage Road manufacturing facility. In total, these facility improvements represent over \$85 million of investment.

In addition to Stryker and Pfizer, other industries located within the Sprinkle Road Industrial Corridor also made significant investments in 2012. Mann+Hummel, 6400 Sprinkle Road, invested \$16 million in new equipment at their North American headquarters facility; Summit Polymers, 6715 Sprinkle Road, invested \$3 million in a new 38,000 square foot building addition and equipment; and Bower Manufacturing, 6565 Sprinkle Road, invested \$2.8 million in a new 38,000 square foot building addition and equipment. These investment projects will result in the creation of 110 new jobs and the retention of over 800 existing jobs.

Also within the Sprinkle Road Industrial Corridor, a life science cluster consisting of smaller-scale companies continues a strong presence. These businesses include Eurofins/Lancaster Laboratories, Thermo Fisher Scientific, PharmOptima LLC, S & J Laboratories, Quality Air Service and Hospital Network. PharmOptima LLC and Hospital Network completed expansion projects in 2012. The continued investment in new manufacturing and life science facilities and

reinvestment in existing industries further exemplifies a healthy and growing industrial and life science sectors of the economy.

Other industries that have completed or are underway with expansion projects in 2012-2013 include Summit Polymers (second Portage location), FEMA Corporation and the Pfizer animal health business spin-off as Zoetis. These investment projects have also resulted in significant job retention and creation.

The continued diversification and growth of the local economy and tax base is viewed as essential to the community. In an effort to ensure a healthy economy, over the past several years the City of Portage implemented four major initiatives. These four initiatives are listed below:

1. ***Industrial Development Initiative:*** an investment of nearly \$2 million in public infrastructure improvements to open up more than 100 acres of land for full-service industrial sites within industrial park settings. Several industrial facilities including Federal Express, Summit Polymers, Business Cards Plus, Eurofins/Avtech, PharmOptima, Kalamazoo Machine Tool, and Quality Air Service, among others have constructed new facilities as a direct result of this city initiative. Private investment totals about \$47 million to date.
2. ***Community Investment Initiative:*** the combined investment of almost \$7 million from local, state and federal sources in important infrastructure projects within the first city Downtown Development Authority (DDA) district, development of the 50 acre Milham Business/Technology Park and the reconstruction of Shaver Road as a boulevard. Businesses including two, multi-story Class A office buildings totaling 195,000 square feet, Gander Mountain, Meijer, Inc., Chicago Pizza, bd's Mongolian Barbecue and Ihop restaurants and Lowe's Home Improvement Center have also constructed new facilities as a result of the Community Investment Initiative. Businesses have invested approximately \$102 million to date.
3. ***Commerce Square Enhancement Initiative:*** focused on enhancements to the South Westnedge Avenue commercial corridor including roadway improvements to South Westnedge Avenue, Mall Drive and Romence Road/Romence Road Parkway. These major roadway improvement projects assist with ensuring the continued success of the central business area by facilitating safe and convenient access for patrons and employees. The Commerce Square Enhancement Initiative stimulated redevelopment of the northwest corner of South Westnedge Avenue and West Milham Avenue. Several aging and vacant buildings previously occupied this area, which is one of the busiest intersections in Kalamazoo County. These aging and vacant buildings have been razed and replaced with new facilities for Bed Bath and Beyond, Panera Bread, Babies'R'Us, and All State Insurance. The Commerce Square Enhancement Initiative also included a major project to improve water quality associated with local wetlands and Consolidated Drain No. 1 and, at the same time, reclaim land for development previously used for storm water retention. The total level of public investment amounted to more than \$9 million. The Shoppes at Romence Village is a 150,000 square foot retail center anchored by D&W Food Center and Stein Mart, with additional businesses such as Great Clips, Kellogg Community Credit Union, Mirage Tanning Salon, AAA Insurance Service Center and Michigan Secretary of State completed in subsequent phases of this development project. To date, approximately \$77.5 million in private investment has occurred.
4. ***South Westnedge Avenue Enhancement Project:*** a major corridor improvement program from Milham Avenue to Kilgore Road. The project was initiated in 2004/2005 to coordinate

with and facilitate the improvement of the South Westnedge Avenue/I-94 interchange and associated widening of South Westnedge Avenue from Dawnlee Avenue to Trade Center Way by the Michigan Department of Transportation. The project includes street widening, new street construction and property acquisition.

South Westnedge Avenue is a most important north-south major street in Kalamazoo County and provides access to the major shopping areas in the city. Considerable new development and redevelopment is occurring within the South Westnedge Avenue corridor, especially between Kilgore Road and Milham Avenue in the City of Portage. The MDOT improvement to the I-94/South Westnedge Avenue interchange and related freeway improvements necessitated associated widening from Kilgore Road to Milham Avenue.

The financial and employment-related success of these economic development initiatives is significant. One hundred one businesses and industries have either expanded existing facilities in Portage, have been retained within Portage or have established new facilities within the community that can be associated with these initiatives. In total to date, the level of investment is approximately \$226 million in market value, with an estimated 3,458 added jobs. Although the City of Portage allocated significant local resources to ensure the success of these important economic development initiatives, the return on investment is significant. The initial economic impacts associated with the private sector projects are very good news for the community in terms of diversifying the tax base and adding job opportunities for area residents. It is also important to underscore that these initiatives were accomplished without a tax increase and with a combination of local tax resources, private sector participation as well as state and federal funds.

Portage is also a major retail center for Southwest Michigan. The Crossroads Mall, a regional shopping center of more than 800,000 square feet, has approximately 100 tenants including Macy's, J.C. Penney & Company, Burlington Coat Factory and Sears Roebuck & Company. Southland Mall is another major retail mall in the city. The nearly 300,000 square foot retail center includes Old Navy Apparel, Kohl's Department Store, Barnes & Noble Book Store and T.J. Maxx, among other stores. Several additional major retailers are located within Portage including: Meijer, Inc., Home Depot, Lowe's, Wal-Mart, Sam's Club, Target, Best Buy, and Menards Home Improvement Center. Two other retail shopping centers, the Portage Crossings and the Carillon Center, have a combined building area of 308,000 square feet.

Although recessionary conditions continue to linger, an increase in economic development activity is evident. In FY2009/2010, only \$18.2 million in new construction value occurred in the city. During the past year, the amount of new construction value has increased: In FY 2012-2013 a total of \$68.4 million in new construction value occurred. Several new projects are underway or have just been completed along the South Westnedge Avenue commercial corridor. South Westnedge Avenue is the primary commercial corridor in southwest Michigan and contains approximately 4.2 million square feet of retail building space with a 96.2 percent occupancy rate as of December 2012. The former 84,000 square foot K-Mart Shopping Plaza, which had been vacant for several years, was recently redeveloped and is now occupied by Dick's Sporting Goods and Hobby Lobby. Aldi's Grocery is in the planning stages to also locate a store in the former K-Mart Shopping Plaza. Other construction projects within the South Westnedge Avenue commercial corridor include a new Marriott Courtyard Hotel, Rivera Maya restaurant, Xtreme Carwash, Grand Traverse Pie Company, Osborne-Klein Financial, Dunham Sports, Sears Outlet, and Dunkin Donuts/Jimmy Johns.

After several years of minimal activity, single-family residential development is increasing. Plans have been approved for two new single-family residential development projects, Harbors

West and The Preserve II, for a combined total of 214 lots. The Homestead residential development has just completed construction of Phase III (23 lots) and Oakland Farms North (19 lots) is in the engineering design phase. With regard to multi-family development projects, several projects designed to meet the needs of an aging/empty nest population have been completed or are under construction including Centre Meadows Apartments (122 units), Sterling Oaks West Phase II (20 units) and Oakland Hills Phase IV (30 units).

Other projects which have had a positive impact on the local economy include the extension of the Romence Parkway to Portage Road in 2000, the creation of a Brownfield Redevelopment Authority in 2001 and several quality of life enhancements. The extension of Romence Parkway to Portage Road had a major impact on traffic flow in the community by providing an essential east-west link in the major thoroughfare system with improved access to the commercial corridor and to industrial centers in the community. Milham Avenue from South 12<sup>th</sup> Street to Lovers Lane, and East Centre Avenue from Portage Road to Sprinkle Road have been widened. These improvements afford numerous economic development benefits, and provide improved roadway access and city utilities to the expanding Sprinkle Road industrial corridor.

The creation of a Brownfield Redevelopment Authority provided an important economic incentive for the environmental clean-up and redevelopment of several previously contaminated sites including the former Portage Steel site located on West Centre Avenue. This site sat abandoned for several years until redeveloped with an approximate \$10 million retail and office complex. This redevelopment project provides an expanded tax base to the city and to the other taxing jurisdictions, in addition to providing job opportunities for area residents.

There are several area and regional commercial bank branches and thrift institutions within the city, which serve the banking needs of the community and its residents including Chemical Bank, Comerica, J. P. Morgan Chase Bank, PNC Bank, and Fifth Third Bank, among others. Several area credit unions are also available to serve the financial needs of area residents including Kellogg Community Credit Union, Education Community Credit Union, Kalsee Credit Union, Lake Michigan Credit Union, and Consumers Credit Union, among others.

Transportation needs are served by American Eagle and Delta airlines through the Kalamazoo-Battle Creek International Airport; several bus services; and railroads. Two major highways, Interstate 94 and U.S. 131 intersect within the City of Portage, providing a major "crossroads" which promote growth and development. The City of Portage is 152 miles from Detroit on I-94, 148 miles from Chicago on I-94, and 245 miles from Indianapolis via I-94 and I-69, resulting in access to 65 percent of the market population of the U.S. within 500 miles.

## ***FINANCIAL INFORMATION***

The city administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the city are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, though not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls. The city maintains budgetary controls through its financial management information system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the governing body of

the city. Activities of the General Fund, Special Revenue Funds, and Debt Service Funds are included in the annually appropriated budget. Project-length financial plans are adopted for the Capital Improvement Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by activity or project within the individual funds. The city also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

As demonstrated by the statements and schedules included in the financial section of this report, the city continues to meet its responsibility for sound financial management. In addition, the General Fund has an allocation system in place that constrains spending to 25 percent of the annual budget for the first 3 months; 50 percent for the first 6 months; and 75 percent for the first 9 months, so that funding is available in the fourth quarter of the year.

Please see the section titled "Management's Discussion and Analysis" which follows the auditor's opinion for additional information relating to fiscal year 2012/2013.

Tax collections were 97.9 percent of the tax levy. The County of Kalamazoo has established a Delinquent Tax Revolving Fund and pays the city for all real property taxes returned as delinquent to the County Treasurer as of March 1 each year.

General Fund Balance. In 1985 City Council established that the fund balance of the General Fund be at least 13 percent of General Fund expenditures including transfers. The total "unassigned" fund balance of the General Fund at June 30, 2013 was 38 percent of actual 2012/2013 expenditures including transfers. In addition to this amount, non-spendable funds exist for other uses such as prepaid expenses and inventories, yielding a total fund balance of approximately 39 percent of expenditures including transfers. (This change in terminology is the result of the adoption of Governmental Accounting Standards Board Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" for the definition and presentation of fund balance.) The budget approved by City Council for 2012-2013 requires a fund balance of 25% in the General Fund.

The city's general obligation bonding is rated at AA by Standard & Poor's. This solid rating has the effect of reducing borrowing costs and is another indicator of the financial viability of the city and community.

Enterprise Operations. The city enterprise operations are comprised of the Sewer and Water Funds. At June 30, 2013, the Sewer and Water Funds had ending net position balances of \$46,489,459 and \$24,442,827 respectively. Annual rate reviews and adjustments ensure continued financial soundness of the utility system.

## **OTHER INFORMATION**

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was selected by the city. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Portage for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the twenty-sixth consecutive year that the city has achieved this prestigious award. In

order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The city administration believes that the city current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and will be submitting the report to the GFOA to determine its eligibility for another certificate.

In addition, the city also received the GFOA Award for Distinguished Budget Presentation for the annual budget for fiscal year 2012/2013. In order to qualify for the Distinguished Budget Presentation Award, the city budget document was judged to be proficient as a policy document, a financial plan, an operations guide and a communication device. This was the twenty-sixth consecutive year the City of Portage received this award.

Acknowledgments. This comprehensive annual financial report indicates the sound financial condition of the City of Portage at June 30, 2013. The preparation of this report could not have been accomplished without the dedicated services of the Finance Department staff. Credit also goes to the Portage City Council for interest and support in planning and conducting the operations of the government in a responsible and progressive manner.

Sincerely,



Maurice S. Evans  
City Manager



Robert C. Luders  
Director of Finance & Purchasing

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Portage for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. This was the twenty sixth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Portage  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

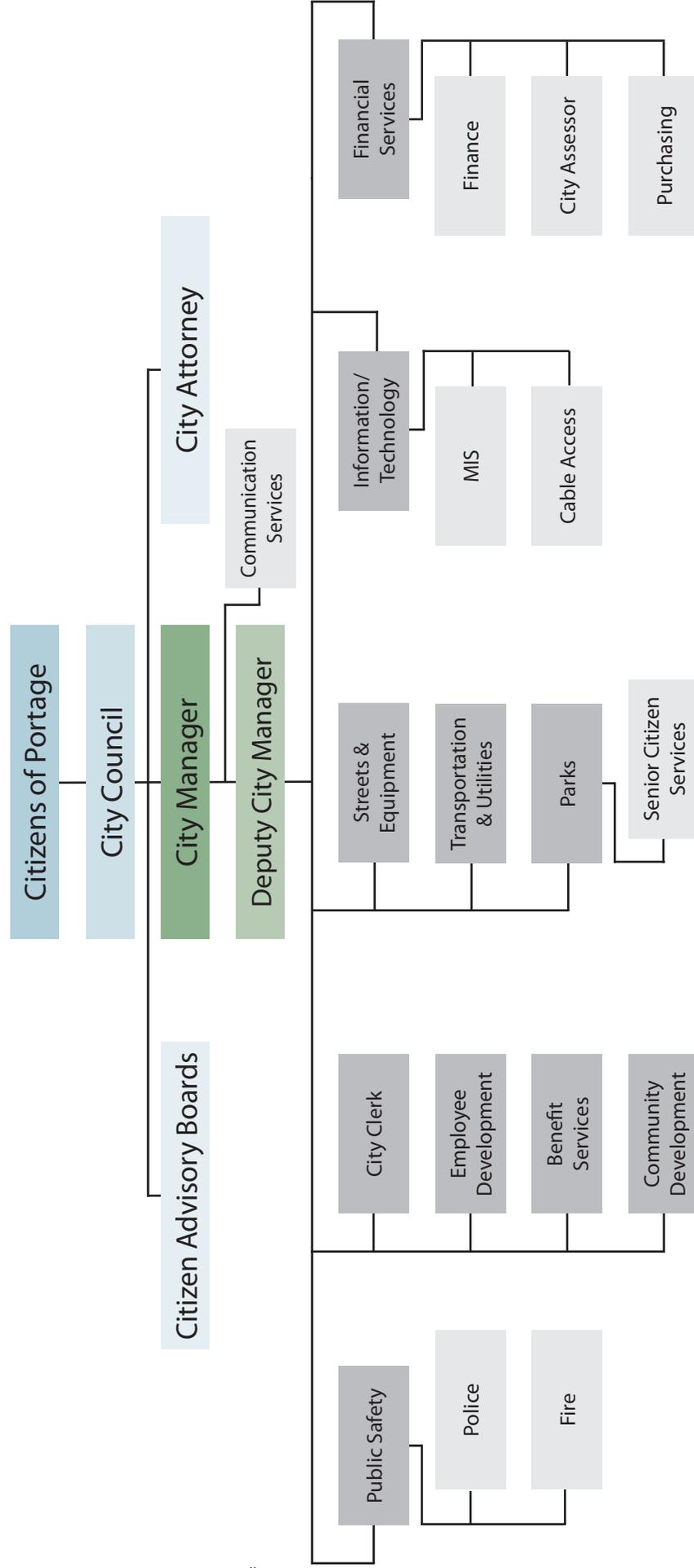
**June 30, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## Organizational Chart



**CITY OF PORTAGE, MICHIGAN**  
**List of Elected and Appointed Officials**  
**June 30, 2013**

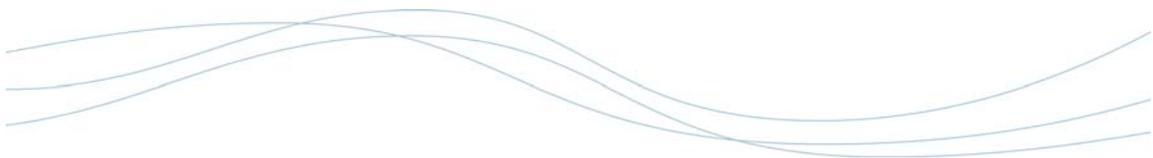
Elected Officials

Mayor	Peter J. Strazdas
Mayor Pro Tempore	Claudette Reid
Council Member	Elizabeth Campbell
Council Member	James Pearson
Council Member	Patricia M. Randall
Council Member	Ed Sackley
Council Member	Terry R. Urban

Appointed Officials

City Manager	Maurice S. Evans
Deputy City Manager	Brian J. Bowling
Director of Technology Services and Community Marketing	Devin C. Mackinder
City Attorney	Randall Brown
City Clerk	James R. Hudson
Assessor	James C. Bush
Director of Benefit Services and Strategic Initiatives	Patricia Thompson
Community Development Director	Vicki Georgeau
Employee Development Director	John R. Boulis
Finance Director	Daniel S. Foecking
Financial Services & Purchasing Director	Robert C. Luders
Director of Parks, Recreation and Public Services	William M. Deming
Public Safety Director - Police / Fire Chief	Richard J. White
Transportation and Utilities Director	W. Christopher Barnes

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## INDEPENDENT AUDITORS' REPORT

December 17, 2013

The Honorable Mayor and  
Members of the City Council  
City of Portage, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Portage, Michigan* (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Independent Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portage, Michigan, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Funding Progress and Employer Contributions for the pension and other postemployment benefit plan as listed 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

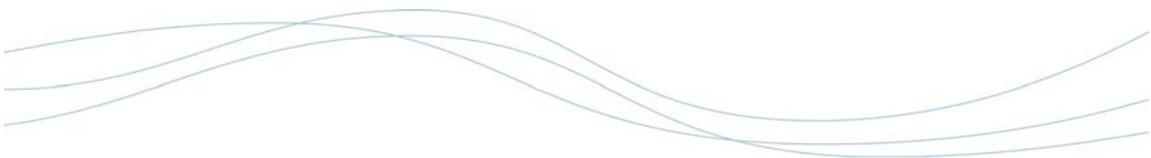
The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Require by *Government Auditing Standards***

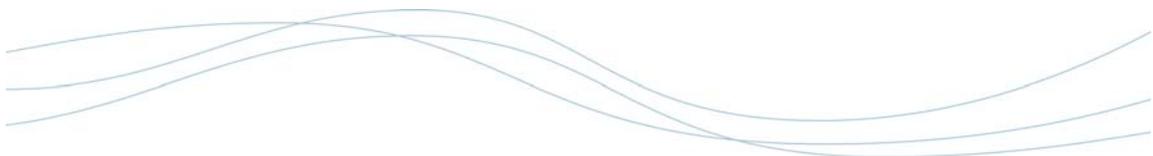
In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2013 on our consideration of the City of Portage, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 in considering the City's internal control over financial reporting and compliance.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS



This section of the Comprehensive Annual Financial Report for the City of Portage (the City) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information furnished in the letter of transmittal and financial statements that follow this section.

### **Financial Highlights**

The assets of the City exceeded its liabilities at the close of the fiscal year by \$101.75 million (net position). Of this amount, \$16.77 million (unrestricted) is available to meet ongoing obligations. In addition, the unassigned fund balance for the general fund was \$8.71 million or 38.42% of total general fund expenditures plus transfers out of \$2,358,220. The total fund balance was 38.70% of total expenditures and transfers out.

The City achieved a 5.58% reduction of long-term debt in governmental activities and a 3.38% reduction of long-term debt in the business-type activities. This was accomplished through a combination of strategies to reduce the amount of debt, restraint in borrowing, and calling older debt issues. A strong program of financial planning utilizing forecasting coupled with an aggressive emphasis on cost control has enabled the City to move forward without significant reductions in core services.

With double digit declines in tax base values the norm across the state and the country, the City saw a decrease in tax base value of approximately 1.5%, less than the decrease realized in the prior year. After two years of declining property tax revenue the City realized an increase in General Fund property tax revenue, attributable to an increase in personal property tax receipts. The increase is temporary, due to pending changes in the personal property tax. Continuing decline in tax base and the directly related losses in tax revenue cannot be sustained and absorbed indefinitely without changing the face of the City and the quality of life for its residents.

### **Overview of the Financial Statements**

The City's basic financial statements consist of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

### **Government-Wide Statements**

The government-wide financial statements are designed to provide readers with a broad overview of City finances in a manner comparable to a private-sector business. The two government-wide financial statements are, as follows:

- The **statement of net position** presents information on assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these items reported as net position.
- The **statement of activities** presents information showing the change in net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to future general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Included in governmental activities are general

government, public safety, streets and highways, and parks and facility management. The business-type activities include the water and sewer utilities.

### **Fund Financial Statements**

The fund financial statements group related accounts that are used to maintain control over resources segregated for specific activities or objectives. As with other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds can be divided into the following three categories: governmental, proprietary and fiduciary. Within the governmental and proprietary categories, the emphasis is on the major funds.

**Governmental funds.** Governmental funds account for the same functions as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental fund financial statements, which focus on the near-term inflows and outflows of spendable resources, and on the balance of spendable resources available at the end of the fiscal year. This information may be useful in determining what financial resources are available in the near future to finance City programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide statements. In addition to the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile the government-wide and fund level statements.

The City maintains 21 individual governmental funds. The general fund is considered a major fund and information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balance. In addition to the other major governmental funds (special assessment debt fund and capital projects fund) the City maintains several individual governmental funds that are organized according to their type: special revenue funds, debt service funds, and permanent funds. Data from these governmental funds are combined into a single column labeled nonmajor governmental funds. Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

**Proprietary funds.** Proprietary funds account for the services for which user fees are paid by customers -- either outside customers or internal units or departments of the City. Proprietary fund statements provide the same type of information as shown in the government-wide financial statements in more detail. The City maintains the following two types of proprietary funds:

- Enterprise funds report the same functions that are presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the water and sewer utilities, each of which are major funds.
- Internal service funds report activities that provide services to other City programs and activities. The City uses internal service funds to account for equipment and certain insurances and liabilities. Because these services benefit governmental operations more than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

**Fiduciary funds.** Fiduciary funds account for resources held for the benefit of parties outside the City. Since the resources of fiduciary funds are not available to support City programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Comparison of Government-wide and Fund Financial Components.** The following chart compares how funds are included in the government-wide and fund financial statements:

<b>Fund Types</b>	<b>Government-wide</b>	<b>Fund Financials</b>
General fund	Governmental	Governmental
Capital improvement funds	Governmental	Governmental
Special assessment debt service fund	Governmental	Governmental
Special revenue funds	Governmental	Governmental – nonmajor
All other debt service funds	Governmental	Governmental – nonmajor
Permanent funds	Governmental	Governmental – nonmajor
Internal service funds	Governmental	Proprietary
Assets previously reported with General capital assets	Governmental	Excluded
Infrastructure assets	Governmental	Excluded
Liabilities previously reported with general long-term debt	Governmental	Excluded
Water fund	Business-type	Proprietary
Sewer fund	Business-type	Proprietary
Fiduciary funds	Excluded	Fiduciary

**Basis of reporting.** The government-wide statements and fund-level proprietary statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Financial Analysis of the Government-wide Statements**

**Net Position**

Net position serves over time as a useful indicator of a government's financial position. In the case of the City of Portage, assets exceeded liabilities by \$101.75 million at the close of the fiscal year, an increase of 4.03% over the previous year. By refunding outstanding debt issues for more favorable interest terms, the City has reduced long-term debt by 4.84%.

The largest portion of net position (73.99%) is invested in capital assets (e.g. land, buildings, and equipment), a number that is net of accumulated depreciation and less any related outstanding debt used to acquire those assets. Capital assets are used to provide services to citizens, and consequently they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated to pay liabilities. Long term debt balances of the government activities are decreasing as the result of efforts to reduce indebtedness. The slower rate of decline in debt in the enterprise funds is the result of the completion several years ago of a federally mandated arsenic removal facility that was a significant investment by the water fund. All possible bonds have been refinanced for savings in the enterprise funds.

The combined net position of the City of Portage was as follows:

	<b>Net Position</b>					
	<b>(in thousands)</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Assets</b>						
Current and other assets	\$ 27,077	\$ 23,630	\$ 8,351	\$ 6,688	\$ 35,428	\$ 30,318
Capital assets	67,265	73,296	93,568	94,436	160,832	167,732
Total assets	94,342	96,926	101,919	101,124	196,260	198,050
<b>Liabilities</b>						
Long-term debt outstanding	57,889	61,308	29,668	30,706	87,556	92,014
Other liabilities	5,633	4,856	1,319	3,369	6,952	8,225
Total liabilities	63,522	66,164	30,987	34,075	94,508	100,239
<b>Net position</b>						
Invested in capital assets, Net of related debt	11,263	13,826	64,019	63,846	75,282	77,672
Restricted	9,699	7,251	-	200	9,699	7,451
Unrestricted	9,858	9,685	6,913	3,003	16,771	12,688
Total net position	<u>\$30,820</u>	<u>\$30,762</u>	<u>\$70,932</u>	<u>\$67,049</u>	<u>\$101,752</u>	<u>\$97,811</u>

As noted earlier, net position may serve as a useful indicator of a government's financial position, while bearing in mind that capital assets and infrastructure are by far the largest category of governmental assets. Depreciation charges, while significant enough to cause a decrease in net assets, are a non-cash charge, and merely indicate the relative age and resulting adjusted book value of the assets. It is not a direct reflection of the quality or usefulness of those assets when they are well maintained. Over time, the level of depreciation of certain asset groups may indicate the need for a substantive level of capital investment. (Please refer to the information contained in Note 6 to the financial statements, Capital Assets and Infrastructure, as well as the Other Information section of this discussion for further information.) In summary, decreases in net assets driven by depreciation charges are troubling only when maintenance and conservation are neglected, and capital investment is not continuing. That is not the case in the City of Portage.

An additional portion of net position, \$9.70 million (9.53%), represents resources subject to external restrictions on how they may be used. The remaining balance of \$16.77 million (15.48%) may be used to meet the government's ongoing obligations to citizens and creditors.

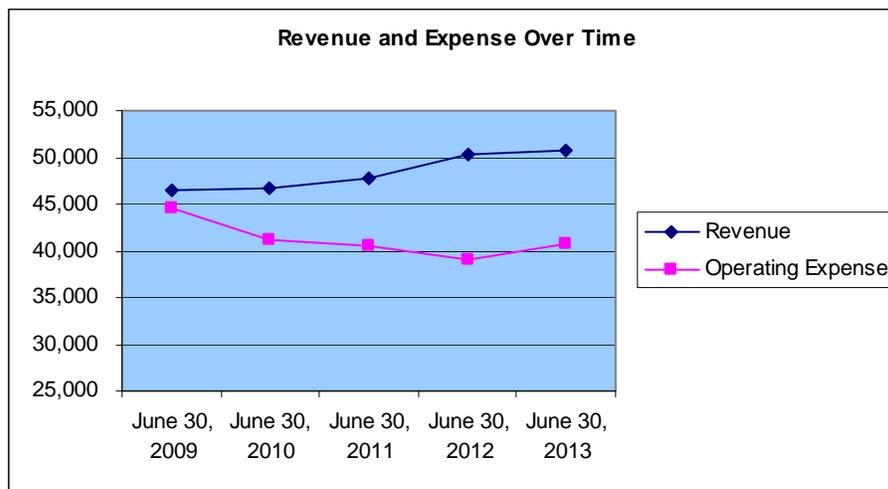
The Government Finance Officers Association recommends that, at a minimum, a government, regardless of size, maintain an unassigned fund balance no less than 5 to 15 percent of regular general fund operating revenue, or no less than one to two months of regular general fund expenditures. The one month's average operating expenditure for the general fund is \$1.69 million, for the City as a whole is \$2.91 million. The unassigned fund balance in the General Fund of \$8.71 million represents 5 months of operation at June 30, 2013 levels. An adequate amount of unassigned fund balance is necessary to mitigate current and future risks and to ensure stable tax rates and service levels for citizens. The Portage City Council has indicated that it wishes to see a 25% general fund balance maintained as a guideline based on expenditures. From year to year, the City may report a fund balance in excess of 25% as the result of planned savings for expenditures to be made in the near future.

**Changes in Net Position**

The chart below illustrates actual City-wide revenue and expenses over the past five fiscal years. Changes in net position take into account the impact of debt repayment and non-cash depreciation expense. The Changes in Net Position table following this chart shows that net position is decreasing. This chart shows that the revenue versus core operating costs gap has widened from 2009 to 2012, as expenses dropped as a result of no wage increases for non-union staff, some success in cost control in collective bargaining, and aggressive cost controls everywhere possible. Taken together, investment in capital plays the primary role in driving changes in net position but generally says very little about operations.

After fiscal 2007, the State of Michigan began to aggressively cut revenue sharing payments statutorily and constitutionally promised to local governments with predictable results on revenue and ultimately on fund balance. Revenue sharing payments support public safety which consumes an average of 60% of the entire general fund expenditure budget. During the same time period, Michigan Public Act 51 funding that supports major and local street construction and maintenance began a sharp decline due to the upward volatility of gas prices. (PA 51 funding is a tax assessed on a per gallon basis, not a price basis – so a decline in usage generates a direct decrease in revenue to localities.) To continue a number of road projects, shortfalls in Act 51 funding have been supplied by the general fund that was simultaneously being shorted on revenue sharing payments and a sharp drop in interest income, \$570,000 in the prior year and over \$1 million in 2013.

These and other factors illustrate the trend of general fund revenue having to increasingly support diverse areas of the City previously supported by independent revenue sources. Local governments are generally barred from raising revenue unilaterally by the Headlee Amendment; the largest portion of governmental operating expense is bound up in contractual wage and benefit costs, so bringing costs back down under revenue takes time and requires the use of fund balance to continue operations. After 2008/2009, the City began to see a significant decrease in expenses. Once again, a significant threat to revenue is on the horizon as the state legislature seeks to eliminate the business personal property tax that would reduce City tax revenues by 18%. The possibility of even a partial replacement of some revenue is uncertain at this time, but the phased elimination of the business personal property tax revenue source is fairly certain as soon as 2014. Using a combination of department reorganization, position elimination through attrition, and operational improvements, the City continues to deliver undiminished core service while looking toward a downsized future.



The total net position of the City increased by \$3.94 million in the current year. Long term debt decreased by 4.84%, primarily a result of refinancing and through the paying down of older debt. Capital assets decreased 4.11% as construction projects were completed and depreciation outpaced asset additions. The overall increase in net position of 4.03% was the result of a small increase in governmental (up \$57 thousand) and solid increase in business-type activities (up \$3.88 million). The \$5.73 million decrease in liabilities was largely due to the long-term debt reduction. That decrease was on par with the increase in total net position of \$3.94 million. Governmental net position was essentially unchanged, due largely to an increase in the net OPEB asset (\$1.42 million) offset by a decline in capital asset value (\$6.03 million) and a decline in long term debt (\$3.42 million). The net position of business-type activities increased by \$3.88 million, as revenues exceeded expenses by that amount. The largest enterprise projects completed were storm drainage improvements and water mains installed at the same time as road upgrades.

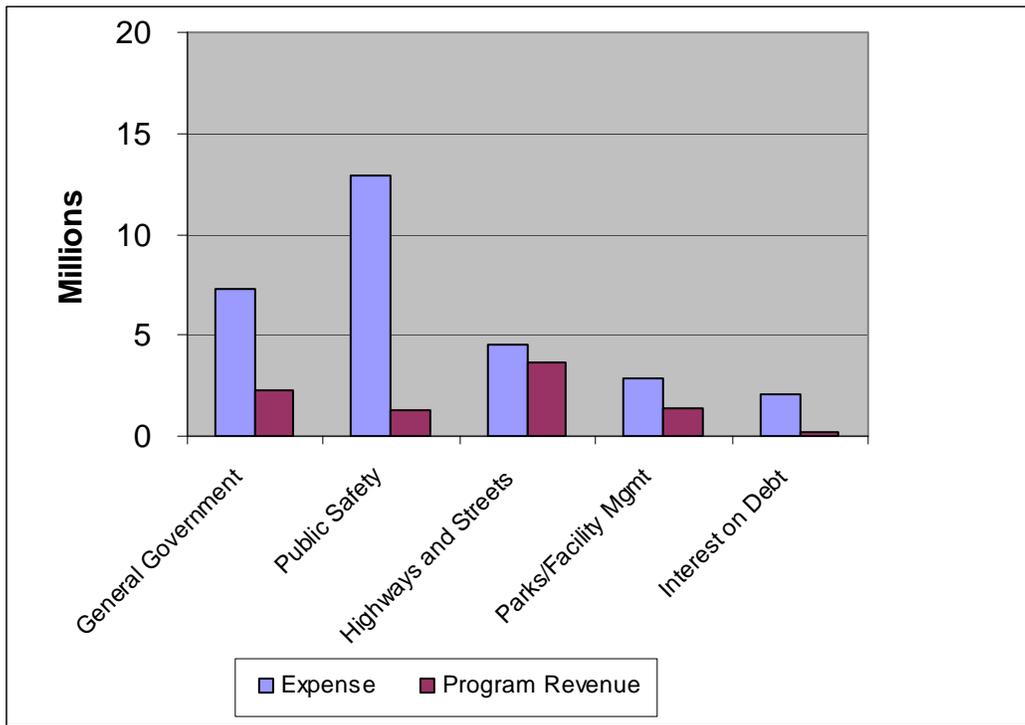
**Changes in Net Position  
(in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,570	\$ 2,295	\$ 14,992	\$ 14,240	\$ 17,562	\$ 16,535
Capital grants	1,782	2,908	-	-	1,782	2,908
Operating grants	4,384	4,339	63	18	4,447	4,357
General revenues:						
Property taxes	21,590	21,266	-	-	21,590	21,266
Interest revenue	85	47	-	-	85	47
Decrease in fair market value of investments	(244)	-	(68)	-	(312)	-
Gain/(loss)	399	115	-	-	399	115
Other general revenues	5,036	5,014	-	-	5,036	5,014
<b>Total revenues</b>	<b>35,602</b>	<b>35,984</b>	<b>14,987</b>	<b>14,258</b>	<b>50,589</b>	<b>50,242</b>
<b>Program expenses</b>						
Legislative	64	61	-	-	64	61
Judicial	51	47	-	-	51	47
General government	4,640	4,795	-	-	4,640	4,795
Public safety	12,940	13,194	-	-	12,940	13,194
Public works	920	560	-	-	920	560
Health and welfare	1,626	1,735	-	-	1,626	1,735
Recreation and cultural	2,836	2,929	-	-	2,836	2,929
Highways and streets	4,492	2,659	-	-	4,492	2,659
Unallocated depreciation	5,956	6,227	-	-	5,956	6,227
Interest on long-term debt	2,032	2,181	-	-	2,032	2,181
Sewer	-	-	6,981	7,018	6,981	7,018
Water	-	-	4,111	3,777	4,111	3,777
<b>Total expenses</b>	<b>35,557</b>	<b>34,388</b>	<b>11,092</b>	<b>10,795</b>	<b>46,649</b>	<b>45,183</b>
Excess (Deficiency)						
Before transfers	45	1,596	3,895	3,463	3,940	5,059
Transfers	12	159	(12)	(159)	-	-
<b>Change in net position</b>	<b>57</b>	<b>1,755</b>	<b>3,883</b>	<b>3,304</b>	<b>3,940</b>	<b>5,059</b>
<b>Net position – beginning</b>	<b>30,763</b>	<b>29,008</b>	<b>67,049</b>	<b>63,745</b>	<b>97,812</b>	<b>92,753</b>
<b>Net position – end of year</b>	<b>\$ 30,820</b>	<b>\$ 30,763</b>	<b>\$ 70,932</b>	<b>\$ 67,049</b>	<b>\$ 101,752</b>	<b>\$ 97,812</b>

**Program Revenues and Expenses - Governmental Activities**

The chart below illustrates the City's governmental expense and activity revenues by function and illustrates the degree to which the primary activities of the City are funded through fees, charges, restricted revenue sharing programs, restricted grant funding, and other revenue initiatives. It is clear that very few City services would be possible without tax revenue. Increases in highway and street services required general fund support to fill the nearly \$1 million gap between State of Michigan Act 51 funding and City spending on street maintenance. The continuing volatility of oil prices in the world market make the stability of state gas tax funding for City road maintenance uncertain and may demand continue to resources from the general fund to sustain a quality maintenance program. The State has floated Act 51 funding alternatives that seem to benefit only the State, and may foreshadow the loss of yet another revenue source in the near future.

**Government-wide Program Operating Expenses and Revenues - Governmental Activities**



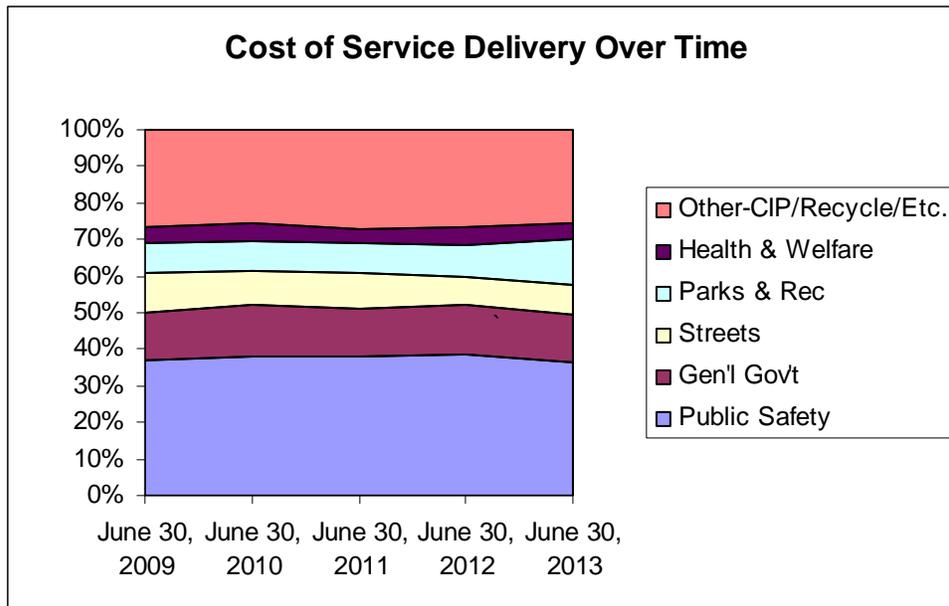
(In dollars)

General revenues such as property taxes and unrestricted grants and contributions are not shown by program, but are used to support program activities City-wide. For governmental activities, without regard to program, property taxes are the largest source of revenue, followed by unrestricted grant and contribution revenue.

**Governmental Activities  
(in thousands)**

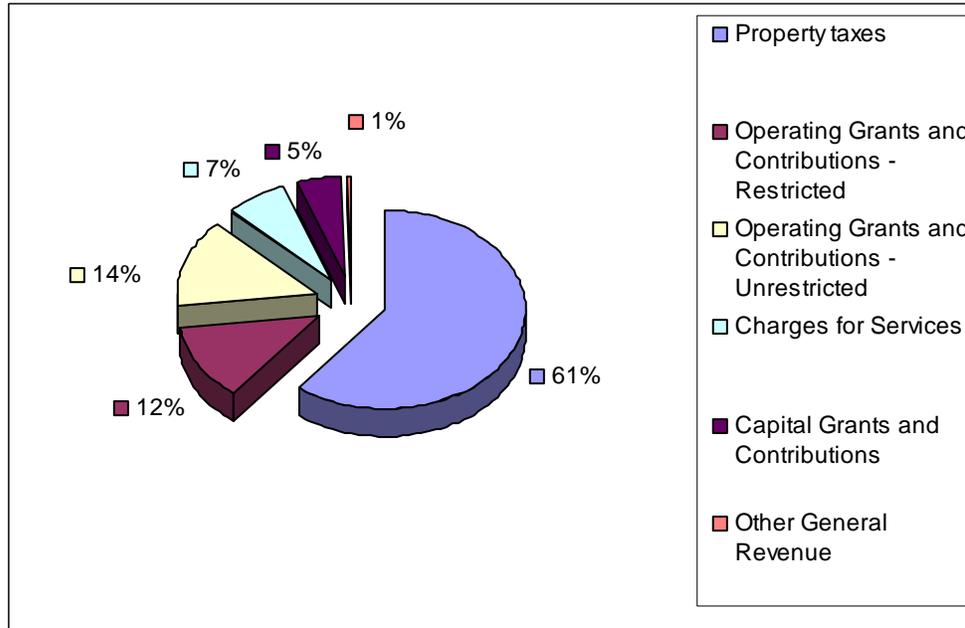
	Total Cost Of Services		Net Cost of Services	
	2013	2012	2013	2012
Public safety	\$12,940	\$13,194	\$11,683	\$12,185
General government	4,640	4,795	4,465	4,707
Recreation and cultural	2,836	2,929	1,485	1,613
Highways and streets	4,492	2,659	832	(1,062)
Health and welfare	1,625	1,735	(78)	(18)
All others	9,024	9,076	8,434	7,421
<b>Total expenses</b>	<b>\$35,557</b>	<b>\$34,388</b>	<b>\$26,821</b>	<b>\$24,846</b>

The governmental activities table above compares cost and net cost from 2011/2012 to 2012/2013. The trend of service delivery costs is shown below:



This graph shows how a fixed dollar is being divided up over time proportionate to the relative cost of services. The cost of general government services has been declining over the 5 year period shown, as had streets services until the current year, while the costs of most other services have remained relatively constant. That is shown as a band of relatively constant width over the time period.

**Government-wide Total Revenues by Source - Governmental Activities**

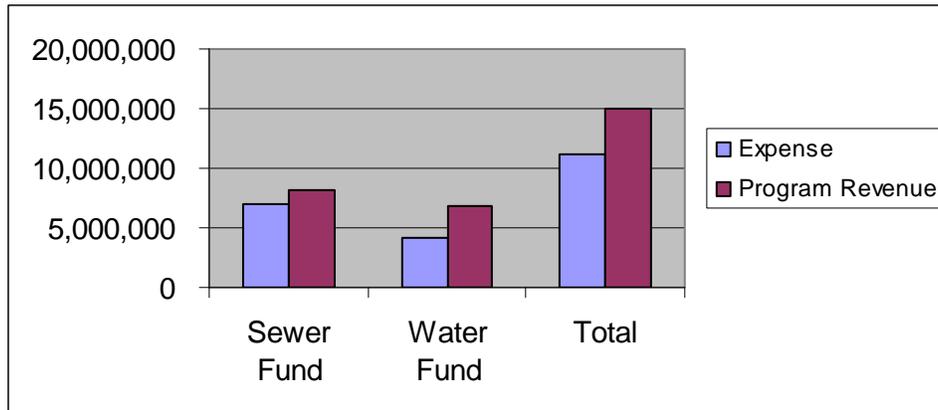


The chart above shows that each City revenue dollar in 2012/2013 consisted of 60.64% property tax, 12.31% restricted purpose/use grant funding, 14.15% unrestricted purpose/use grant funding, 7.22% revenue from charges for services, 5.01% capital grants and contributions, and less than 1.00% other revenue sources. As economic conditions have deteriorated, the City has become increasingly dependent on tax assessments and charges for services as other revenue sources have all but vanished.

**Program Revenues and Expenses -- Business-type Activities**

Combined operating revenues for the enterprise funds exceeded combined operating expenses. Revenues exceeded expenses in the Sewer Operating fund due to improved consumption rates. Revenue exceeded expense in the water utility due to an increase in water consumption, which also drove sewer increases. A utility rate study is prepared annually for review, and moderate rate increases, in line with neighboring communities, have been adopted by City Council to support increasing operating costs and the arsenic removal facility that was mandated by federal regulation. To cover the continuing cost increases that the utilities have had to absorb over the past few years rather than impose annual rate increases, the City Administration has made use of fund balance to continue operations, maintenance and improvement of the city utility systems. The lack of growth in the system due to economic conditions along with aggressive fee increases from the regional wastewater utility, and water conservation efforts by consumers have necessitated the utility raising rates on an incremental basis annually. The hotter and dryer than average summer of 2012 supported increased water usage by customers, more than offsetting a usage reduction due to the wet spring of 2013, and led to a good fiscal year for the utilities.

**Government-wide Operating Expenses and Program Revenues - Business-type Activities**  
 (In dollars)



For business-type activities, charges for services provide the largest percentage of revenues (nearly 100%). Capacity charge revenue, \$86,732, was formerly treated as contributed capital for financial reporting purposes. Placed in service in 2012, the arsenic removal facility brought the water utility into compliance with federally mandated water quality standards, also removing iron and manganese from the City water supply. The new facility provides the capacity to meet increased demand for water and fire flow needs far into the future.

**Financial Analysis of the Government's Fund Level Statements**

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**

The focus of the City's governmental funds is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The City reports the following types of governmental fund types: the general fund, special revenue, debt service, capital projects, and permanent funds.

**General Fund.** The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$8.71 million, while total fund balance was \$8.78 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 38.42% of total general fund expenditures plus transfers out, and total fund balance represents 38.70% of expenditures. The fund balance in the general fund increased by \$114,969 during the fiscal year.

Conservative action has continued to control operating costs in light of the continuing reductions in revenue from the State of Michigan and other intergovernmental sources. Commercial development is recovering from recent uncertainty and unwilling credit markets, but construction recently began on new retail and financial locations in the City. Capital investment and expansion are slowly reigniting here. Interest is no longer a realistic element of revenues with rates determined in basis points projected to go well into the future. The yearly decline in revenue from taxes and special assessments reversed from a decline of \$489,566 in 2011/2012 to a similar increase of \$450,243 in 2012/2013, a sign the value of the tax base may have turned the corner to growth.

Still, the biggest threat on the horizon for the City is the loss of personal property tax revenue which the State may attempt to formalize as soon as the end of December, 2012. The loss could be felt as soon as 2014. 18% of the City's tax revenue is derived from personal property tax. Proposals current in Lansing may restore a limited portion of the lost revenue to qualifying local governments, at least for as long as there is the political will to do so by elected officials in the Capital, and require the local governments to raise the rest through local taxation. Another risk on the horizon is that to local road maintenance funding that is currently provided out of fuel taxes. This is a priority target for revision by the Governor after January 1, 2013, and all indications are that local governments will no longer see the existing level of funding. As a result of the uncertainty regarding these future revenues, City Council endorsed maintaining a level of at least 25% fund balance in the General Fund while adopting the 2012/2013 budget. A concerted effort has been made by City Administration to build fund balance toward smoothing the repercussions of unpredictable legislation due to impact the City in 2014 and after.

**Capital Improvement Fund.** The capital improvement fund balance increased by \$1,459,310 as the pace of construction spending slowed temporarily. The majority of capital spending was on major and local street reconstruction projects, with vehicle purchases and numerous other projects also included. The fund balance increase is a combination of revenues outpacing expenditures as multi-year projects are begun, although transfers out exceeded transfers in and debt proceeds.

**Special Assessment Debt Fund.** The refunding of \$1.39 million of outstanding bonds was done to realize debt service savings of \$163,698.

#### **Proprietary funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Overall, billed revenue was up over the prior year.

- Sewer fund net position increased by \$1,169,536. Revenue levels indicate production was up for the year while expenses were down slightly. Wastewater treatment costs charged by the Kalamazoo Department of Public Utilities escalate continually. Contractual costs continue to drive this budget.
- Water fund net position increased by \$2,713,366 as revenue from increased production outpaced expenses as it did in the prior year. Overall, contractual and debt service costs drive this budget.

Sewer and Water fund user fees are controlled by a five year plan that is reviewed annually to provide fair and stable fees to users and to provide an adequate level of fund balance, debt coverage, and capital investment.

#### **Fiduciary funds**

The City is the trustee, or *fiduciary*, for various employee pension plans. It is also responsible for other assets that - because of trust arrangements - can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position in the Supplemental Information section. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are only used for their intended purposes.

**Other Information**

**General fund budgetary highlights**

The final amended expenditure budget for the general fund was \$1.02 million greater than the original budget. This increase was largely the result of encumbrances carried forward from previous budget year appropriations. The amended budget reflects the reallocation of resources within the fund during the year for cost controls initiated by the City Manager.

The amended revenue budget for the general fund was \$116,535 higher than the original budget reflecting grants awarded, contributions, recreation fees, and building permits. The general fund exceeded its revenue budget by \$337,516 for the year, a variance of 1.51%.

Due to continuing efforts to reduce spending, from personnel costs to energy and operations, general fund expenditures were \$2.79 million under amended budget. Wages remain frozen for some employee groups, overtime is closely monitored for all groups, and increases in health insurance costs have been successfully slowed. The result is similar to the prior year when expenditures were under amended budget by \$4.24 million. Amended budget also includes some funds held for needed software upgrades and replacements expected soon but not yet expended.

**Capital assets**

The City's capital assets for governmental and business-type activities as of June 30, 2013, amount to \$160.83 million (net of accumulated depreciation). Capital assets include land, buildings and improvements, equipment, vehicles, and infrastructure. The net change in the City's capital assets for the current fiscal year showed a decrease of \$6.90 million primarily due to depreciation expenses exceeding capital asset additions by a 5 to 1 margin. This reflects both a decrease in expansion of infrastructure due to the overall economy and the conscious choice to pay down debt instead of incurring more debt to fund construction.

Capital asset balances are as follows:

**Capital Assets at Year-end  
(net of depreciation, in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 9,586	\$ 9,586	\$ 334	\$ 334	\$ 9,920	\$ 9,920
Land improvements	2,149	2,360	3	4	2,152	2,364
Buildings	7,036	7,325	241	266	7,277	7,591
Machinery and equipment	331	399	15	29	346	428
Vehicles	1,240	849	-	-	1,240	849
Water / sewer system	-	-	92,975	93,804	92,975	93,804
Infrastructure	46,923	52,777	-	-	46,923	52,777
<b>Totals</b>	<b>\$ 67,265</b>	<b>\$ 73,296</b>	<b>\$ 93,568</b>	<b>\$ 94,437</b>	<b>\$160,833</b>	<b>\$167,733</b>

Major capital asset events during the current fiscal year included the following:

- Governmental capital assets being depreciated decreased by \$6.04 million, mostly due to depreciation on street infrastructure assets in excess of additions.
- Business-type activities completed construction of depreciable capital assets of \$671,006, consisting primarily of storm drainage improvements. That increase was offset by almost \$1.54 million in depreciation charges.

More detailed information regarding capital assets can be found in Note 6 to the financial statements.

**Debt Administration**

At the end of the current fiscal year, the City reported \$85.55 million in outstanding bonded debt. All is general obligation debt backed by the full faith and credit of the City. In addition, the City reported other long-term obligations of \$2.00 million. Additional information regarding debt can be found in Note 8 to the financial statements.

**Outstanding Obligations at Year-end  
(in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General Obligation Bonds (backed by the City)	\$ 56,002	\$ 59,470	\$ 29,548	\$ 30,540	\$ 85,550	\$ 90,010
Revenue Bonds (backed by specific revenues)	-	-	-	50	-	50
Totals	<u>\$ 56,002</u>	<u>\$ 59,470</u>	<u>\$ 29,548</u>	<u>\$ 30,590</u>	<u>\$ 85,550</u>	<u>\$ 90,060</u>

During fiscal year 2013, the City's total long-term obligations decreased by \$4.46 million, (payments net of additions). The City issued some new debt, refunded some debt, and called outstanding debt, as follows:

- Capital Improvement Bond issue of \$2.14 million used to fund 4 street and bridge projects, 2 building projects, 5 water and sewer related projects, 6 park and bikeway projects, and 6 other projects to purchase equipment and vehicles.
- Capital Improvement Refunding Bond issue of \$1.39 million to refund Special Assessment Bond issues 2001 through 2005 totaling \$1.40 million.
- Capital Improvement Refunding Bond issue of \$4.39 million to refund a 2005 Capital Improvement Bond series of higher rate and similar amount.

More detailed information regarding capital assets can be found in Note 8 to the financial statements.

The City continues to maintain excellent credit ratings on debt issues. The City has maintained an AA rating from Standard and Poor's since November 2003, at which time it was upgraded from AA-.

**Economic Factors and Next Year's Budget and Rates**

The City Manager and the City's elected officials considered many factors when establishing the fiscal year 2013/2014 budget. Budgeting for a middle course with fallback positions has become a matter of necessity in financial planning. In late 2002, the City began a plan to weather the expected future economic uncertainties. The cost containment measures continue and the savings that have been put away have been smoothing the City's transition through the challenges presented. City management has continued to reduce costs through implementation of process improvements for greater efficiencies, and staff reduction through reorganization when attrition provides opportunities.

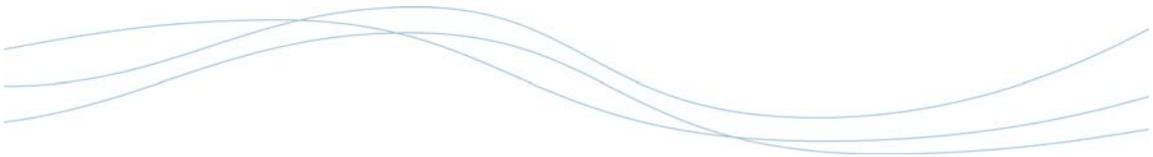
The newest challenge is the all but certain loss of business property tax orchestrated by the State that provides a significant portion of tax revenue as the result of having several manufacturing facilities within the City. Add to that the potential loss of Act 51 funding to support street maintenance, and the all but certain loss of the remaining revenue sharing funds. The state government continuing to make local government operations even more of a challenge than necessary is unprecedented. If the changes are all phased in, it would allow time to plan and adapt and that seems the most likely road ahead. However, an approximate 2 percent reduction in property tax revenue, combined with an approximate 4 percent increase in state revenue sharing, equalizes property tax and state shared revenue between fiscal 12/13 and 13/14.

As of the date of this audit report, things have stabilized to a great extent. The 2010 Census showed a population increase over the 2000 census. That is an indicator of strength in our local economy. New commercial construction has begun to spring up around the City, a sign of optimism and financing availability. Overheated prices in the property market stemming from the irrational exuberance of the 1980's and 1990's have almost worked their way out of the property system. A full recovery may lag several years behind the bottoming out of declines in tax base, but it seems we are closer to nearing the bottom. The end of the economic challenge has not been reached, but by facing the situations ahead with flexibility and citizen priorities foremost, the City of Portage will come through as a natural place to move for businesses and families alike.

**Requests for information**

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 you have questions about this report or need additional financial information, contact the finance department of the City of Portage, 7900 South Westnedge Avenue, Portage, Michigan 49002, or 269-329-4451, or on the web at <http://www.portagemi.gov>.

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BASIC FINANCIAL STATEMENTS  
GOVERNMENT-WIDE FINANCIAL STATEMENTS



**CITY OF PORTAGE, MICHIGAN**  
**Statement of Net Position**  
**June 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
<b>Assets</b>				
Cash and investments	\$ 21,031,714	\$ 3,879,023	\$ 24,910,737	\$ 20,972
Receivables, net	4,180,754	4,053,221	8,233,975	-
Prepaid items and other assets	204,581	418,954	623,535	-
Net OPEB asset	1,659,678	-	1,659,678	-
Land and rights of way	14,082,648	334,490	14,417,138	-
Capital assets, net of depreciation	53,182,191	93,233,094	146,415,285	-
Total assets	94,341,566	101,918,782	196,260,348	20,972
<b>Liabilities</b>				
Accounts payable and accrued expenses	4,600,398	1,130,191	5,730,589	-
Checks issued on future deposits	61,748	-	61,748	-
Unearned revenue	970,756	188,805	1,159,561	-
Long-term liabilities:				
Due within one year	5,792,004	1,826,309	7,618,313	-
Due in more than one year	52,096,726	27,841,191	79,937,917	-
Total liabilities	63,521,632	30,986,496	94,508,128	-
<b>Net Position</b>				
Net investment in capital assets	11,262,850	64,019,573	75,282,423	-
Restricted for:				
Expendable, restricted for:				
Capital projects	3,623,380	-	3,623,380	-
Major and local streets	1,803,269	-	1,803,269	-
Debt service	3,251,618	-	3,251,618	-
Health and welfare	6,085	-	6,085	-
Permanent fund				
Nonexpendable	1,014,762	-	1,014,762	-
Unrestricted	9,857,970	6,912,713	16,770,683	20,972
Total net position	\$ 30,819,934	\$ 70,932,286	\$ 101,752,220	\$ 20,972

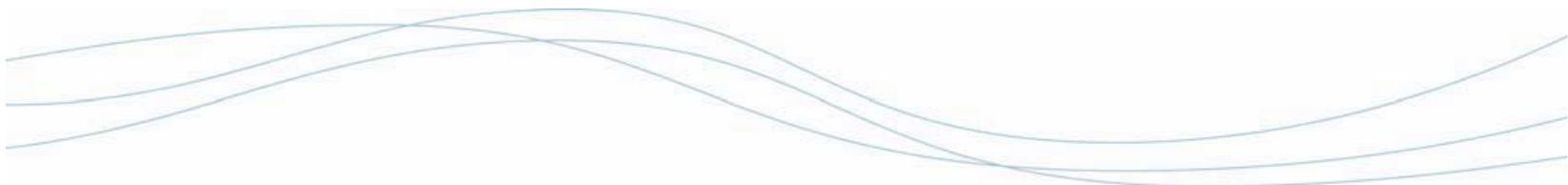
The notes to the financial statements are an integral part of this statement.

**CITY OF PORTAGE, MICHIGAN**  
**Statement of Activities**  
**Fiscal Year Ended June 30, 2013**

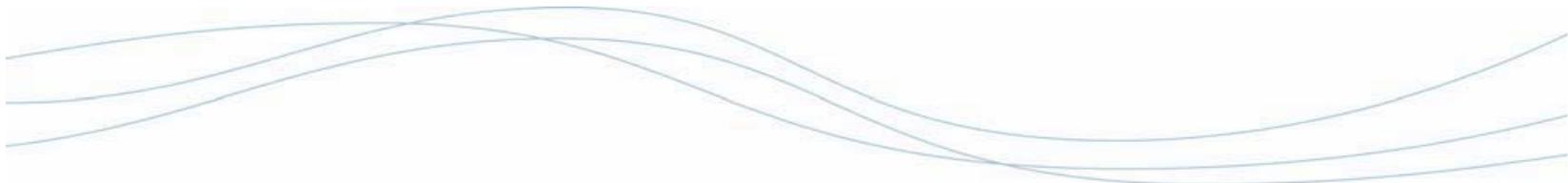
Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Economic Dev. Corp.
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary government</b>								
Governmental activities:								
Legislative	\$ 63,828	\$ -	\$ -	\$ -	\$ (63,828)	\$ -	\$ (63,828)	\$ -
Judicial	51,475	50,758	-	-	(717)	-	(717)	-
General government	4,639,841	125,817	48,690	-	(4,465,334)	-	(4,465,334)	-
Public safety	12,940,490	1,015,516	242,111	-	(11,682,863)	-	(11,682,863)	-
Public works	919,937	-	5,675	314,417	(599,845)	-	(599,845)	-
Health and welfare	1,626,327	23,420	223,978	1,456,531	77,602	-	77,602	-
Economic development	-	-	7,588	-	7,588	-	7,588	-
Recreation and cultural	2,835,613	1,145,400	194,166	11,125	(1,484,922)	-	(1,484,922)	-
Highways and streets	4,492,307	-	3,660,059	-	(832,248)	-	(832,248)	-
Unallocated depreciation expense	5,955,633	-	-	-	(5,955,633)	-	(5,955,633)	-
Interest on long-term debt	2,031,548	208,628	2,114	-	(1,820,806)	-	(1,820,806)	-
Total governmental activities	35,556,999	2,569,539	4,384,381	1,782,073	(26,821,006)	-	(26,821,006)	-
Business-type activities:								
Sewer	6,981,003	8,183,828	41,463	-	-	1,244,288	1,244,288	-
Water	4,111,029	6,807,662	21,582	-	-	2,718,215	2,718,215	-
Total business-type activities	11,092,032	14,991,490	63,045	-	-	3,962,503	3,962,503	-
Total primary government	46,649,031	17,561,029	4,447,426	1,782,073	(26,821,006)	3,962,503	(22,858,503)	-
<b>Component unit</b>								
Economic Development Corporation								
Total component units	\$ -	\$ -	\$ 32	\$ -	-	-	-	32
General revenues:								
Property taxes					21,589,783	-	21,589,783	-
Grants and contributions not restricted to specific programs					5,036,528	-	5,036,528	-
Unrestricted investment earnings					85,474	-	85,474	-
Net decrease in fair value of investments					(243,936)	(67,754)	(311,690)	-
Gain on sale of capital assets					398,637	-	398,637	-
Transfers					11,847	(11,847)	-	-
Total general revenues and transfers					26,878,333	(79,601)	26,798,732	-
Change in net position					57,327	3,882,902	3,940,229	32
Net position - beginning of year					30,762,607	67,049,384	97,811,991	20,940
Net position - end of year					\$ 30,819,934	\$ 70,932,286	\$ 101,752,220	\$ 20,972

The notes to the financial statements are an integral part of this statement.

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# FUND FINANCIAL STATEMENTS



## CITY OF PORTAGE, MICHIGAN

### Balance Sheet Governmental Funds June 30, 2013

	General Fund	Special Assessment Debt Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and investments	\$ 9,182,513	\$ 604,024	\$ 4,170,249	\$ 6,062,205	\$ 20,018,991
Accounts receivable	269,689	-	-	1,192,552	1,462,241
Special assessments receivable	-	2,089,401	-	-	2,089,401
Due from other governments	-	-	-	629,112	629,112
Inventory	3,362	-	-	-	3,362
Other prepaid costs	59,402	-	-	14,675	74,077
Total assets	\$ 9,514,966	\$ 2,693,425	\$ 4,170,249	\$ 7,898,544	\$ 24,277,184
<b>LIABILITIES</b>					
Accounts payable	\$ 363,928	\$ -	\$ 544,369	\$ 580,720	\$ 1,489,017
Retainages payable	-	-	2,500	-	2,500
Checks issued against future deposits	-	-	-	61,748	61,748
Accrued compensation	231,985	-	-	18,005	249,990
Unearned revenue	-	-	-	970,756	970,756
Deferred revenue	-	2,089,401	-	19,950	2,109,351
Deposits payable	143,105	-	-	25,000	168,105
Total liabilities	739,018	2,089,401	546,869	1,676,179	5,051,467
<b>FUND BALANCE</b>					
Nonspendable	62,764	-	-	1,029,437	1,092,201
Restricted	-	604,024	3,623,380	5,192,928	9,420,332
Unassigned	8,713,184	-	-	-	8,713,184
Total fund balance	8,775,948	604,024	3,623,380	6,222,365	19,225,717
Total liabilities and fund balances	\$ 9,514,966	\$ 2,693,425	\$ 4,170,249	\$ 7,898,544	\$ 24,277,184

The notes to the financial statements are an integral part of this statement.

**CITY OF PORTAGE, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Position**  
**of Governmental Activities on the Statement of Net Position**  
**June 30, 2013**

Fund balances - total governmental funds	\$ 19,225,717
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.	
Add: capital assets	237,360,151
Subtract: accumulated depreciation	(171,739,787)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.	
Add: deferred special assessments	2,109,351
Internal service funds are used by management to charge the costs of insurance and equipment to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	
Add: net position of governmental activities accounted for in internal service funds	1,071,312
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Subtract: bonds payable, net of internal service fund debt	(55,113,339)
Subtract: compensated absences and other long-term liabilities, net of internal service fund compensated absences	(1,861,912)
Subtract: accrued interest on long-term liabilities	(1,891,237)
Add: Net OPEB obligation (asset)	1,659,678
Net position of governmental activities	\$ 30,819,934

The accompanying notes are an integral part of these financial statements.

**CITY OF PORTAGE, MICHIGAN**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds**

**Fiscal Year Ended June 30, 2013**

	General Fund	Special Assessment Debt Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes and special assessments	\$ 15,809,073	\$ 314,417	\$ 3,964,491	\$ 3,283,875	\$ 23,371,856
Licenses and permits	620,955	-	-	784,466	1,405,421
Federal grants	79,094	-	-	196,257	275,351
State grants	3,679,744	-	-	3,679,535	7,359,279
Other grants	14,200	-	-	-	14,200
Charges for services	2,062,219	-	-	104,982	2,167,201
Interest	60,153	5,675	16,996	231,279	314,103
Net decrease in fair value of investments	(110,948)	(16,721)	(49,232)	(58,966)	(235,867)
Rental revenue	201,127	-	-	-	201,127
Property sales	14,377	-	331,010	-	345,387
Other	240,270	-	16,168	127,727	384,165
Total revenues	<u>22,670,264</u>	<u>303,371</u>	<u>4,279,433</u>	<u>8,349,155</u>	<u>35,602,223</u>
EXPENDITURES:					
Current:					
Legislative	63,828	-	-	-	63,828
Judicial	51,475	-	-	-	51,475
General government	4,457,189	-	-	25,605	4,482,794
Public safety	13,177,523	-	-	48,857	13,226,380
Public works	487,287	-	-	-	487,287
Health and welfare	117,563	-	-	1,528,962	1,646,525
Recreation and cultural	1,965,934	-	-	760,741	2,726,675
Highways and streets	-	-	-	3,280,034	3,280,034
Capital outlay	-	-	2,417,343	-	2,417,343
Debt service:					
Principal	-	415,000	-	4,029,649	4,444,649
Interest and fiscal charges	-	143,144	-	1,942,918	2,086,062
Total expenditures	<u>20,320,799</u>	<u>558,144</u>	<u>2,417,343</u>	<u>11,616,766</u>	<u>34,913,052</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,349,465</u>	<u>(254,773)</u>	<u>1,862,090</u>	<u>(3,267,611)</u>	<u>689,171</u>
OTHER FINANCING SOURCES (USES):					
Issuance of debt	-	-	1,093,000	-	1,093,000
Premium on debt issuance	-	5,000	-	-	5,000
Discount on debt issuance	-	-	-	(25,355)	(25,355)
Issuance of refunding bonds	-	1,390,000	-	3,301,905	4,691,905
Payment to refunded bond escrow agent	-	(1,395,000)	-	(3,276,550)	(4,671,550)
Transfers in	123,724	-	3,394,987	6,051,345	9,570,056
Transfers out	(2,358,220)	-	(4,890,767)	(2,309,222)	(9,558,209)
Net other financing sources (uses)	<u>(2,234,496)</u>	<u>-</u>	<u>(402,780)</u>	<u>3,742,123</u>	<u>1,104,847</u>
Net change in fund balances	114,969	(254,773)	1,459,310	474,512	1,794,018
Fund balances - beginning	<u>8,660,979</u>	<u>858,797</u>	<u>2,164,070</u>	<u>5,747,853</u>	<u>17,431,699</u>
Fund balances - ending	<u>\$ 8,775,948</u>	<u>\$ 604,024</u>	<u>\$ 3,623,380</u>	<u>\$ 6,222,365</u>	<u>\$ 19,225,717</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PORTAGE, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds to**  
**the Change in Net Position of Governmental Activities**  
**Fiscal Year Ended June 30, 2013**

Net change in fund balances - total governmental funds \$ 1,794,018

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	452,913
Subtract: retired/sold assets	(129,832)
Subtract: depreciation expense	(6,824,802)
Add: accumulated depreciation on retired/sold assets	113,699

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add: principal payments on long-term liabilities	9,116,218
Subtract: change in Special Assessments deferred revenue	(394,138)
Subtract: issuance of debt	(5,876,905)
Add: debt issuance by internal service fund	92,000

Some expenses 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.

Add: prior year accrued interest on bonds	1,997,811
Subtract: current year accrued interest on bonds	(1,891,237)
Subtract: increase in the accrual of compensated absences	(58,870)
Add: decrease in net OPEB obligation	1,422,602

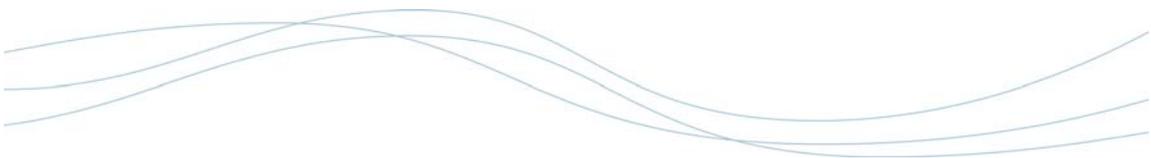
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Add: interest revenue from governmental internal service funds	3,325
Subtract: net decrease in fair value of investments	(8,069)
Subtract: interest expense from governmental internal service funds	(26,708)
Add: net operating income from governmental activities accounted for in internal service funds	275,302
Add: internal activities (transfers) accounted for in internal service funds	

Change in net position of governmental activities \$ 57,327

The accompanying notes are an integral part of these financial statements.

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## CITY OF PORTAGE, MICHIGAN

### General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Fiscal Year Ended June 30, 2013

REVENUES:	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
Taxes:				
Property tax collections	\$ 14,785,400	\$ 14,785,400	\$ 14,851,947	\$ 66,547
Penalty and interest	75,000	75,000	82,966	7,966
Administration fees	913,500	913,500	874,160	(39,340)
Licenses and permits:				
Building fees and permits	318,500	330,077	586,209	256,132
Liquor licenses	28,000	28,000	34,746	6,746
Federal grants	31,809	107,591	79,094	(28,497)
State Grants:				
Revenue sharing	3,611,184	3,611,184	3,655,738	44,554
Criminal justice grants	9,500	9,500	24,006	14,506
Parks grants	2,500	2,500	-	(2,500)
Contribution from local units	20,100	20,800	14,200	(6,600)
Charges for services:				
Recreation fees	227,360	233,360	234,023	663
Police service fees	210,000	218,392	315,873	97,481
Planning, zoning, and site fees	29,900	29,900	50,069	20,169
Accounting and management	1,366,940	1,366,940	1,366,940	-
Cemetery	54,000	54,000	44,556	(9,444)
Court Cost Reimbursement	40,500	40,500	50,758	10,258
Interest and rents:				
Interest on investments	68,800	68,800	60,153	(8,647)
Net decrease in fair value of investments	-	-	(110,948)	(110,948)
Rental income	196,200	198,200	201,127	2,927
Other:				
Reimbursements:				
Senior Center	137,900	137,900	132,332	(5,568)
Other reimbursements	600	600	25,968	25,368
Property sales	30,000	30,000	14,377	(15,623)
Donations	42,500	43,249	10,749	(32,500)
Miscellaneous	16,020	27,355	71,221	43,866
<b>Total revenues</b>	<b>22,216,213</b>	<b>22,332,748</b>	<b>22,670,264</b>	<b>337,516</b>

*continued...*

## CITY OF PORTAGE, MICHIGAN

### General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (continued) Fiscal Year Ended June 30, 2013

EXPENDITURES:	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
Judicial:				
District Court	\$ 56,855	\$ 60,855	\$ 51,475	\$ 9,380
Legislative:				
City Council	166,500	166,500	63,828	102,672
General Government:				
City Manager	581,112	590,043	510,946	79,097
Finance:				
Accounting	294,913	301,701	261,084	40,617
Financial management	335,058	335,688	282,022	53,666
Treasury	178,110	179,059	168,541	10,518
City assessor:				
Assessor	563,795	548,516	447,576	100,940
Board of review	37,713	62,713	42,164	20,549
City attorney	201,728	201,728	201,041	687
City clerk:				
Elections	193,276	195,776	196,111	(335)
City clerk	141,282	138,931	122,922	16,009
Records management	67,099	69,482	61,150	8,332
Human resources:				
Employee development	433,525	435,547	404,045	31,502
Benefit services	442,958	443,133	347,360	95,773
Information services:				
Management information services	829,070	837,254	661,404	175,850
Communication services	6,574	6,574	2,872	3,702
Purchasing:				
Purchasing	98,977	99,560	85,190	14,370
Risk management	48,608	48,608	42,676	5,932
Buildings	596,325	1,177,611	547,669	629,942
Cemeteries	77,308	77,308	72,416	4,892
Public safety:				
Police:				
Administration	782,458	826,800	725,474	101,326
Youth services	467,280	468,829	416,271	52,558
Investigation	612,582	612,402	574,978	37,424
Patrol	5,094,165	5,268,200	4,793,635	474,565
Training	117,980	121,611	108,107	13,504
Central communications	771,519	852,028	844,899	7,129
911 Call Center	184,333	184,333	173,983	10,350
Records	482,735	486,132	441,965	44,167
Drug law enforcement	103,619	103,669	63,473	40,196
Fire:				
Administration	678,192	679,392	575,255	104,137
Operations	3,583,914	3,612,954	3,407,074	205,880
On-call	153,758	153,758	101,966	51,792
Emergency operations	688	688	550	138
Fire marshal	114,543	114,543	106,627	7,916
Training	74,358	74,587	71,996	2,591

*continued...*

## CITY OF PORTAGE, MICHIGAN

### General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (continued) Fiscal Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
EXPENDITURES (continued):				
Community development:				
Building services	\$ 358,858	\$ 362,753	\$ 338,198	\$ 24,555
Planning/community development	278,869	285,621	262,775	22,846
Neighborhood services	184,310	188,613	170,297	18,316
Public works:				
Street lighting	565,000	561,603	487,287	74,316
Health and welfare:				
Human services	117,563	117,563	117,563	-
Recreation and cultural:				
Senior citizen center	284,427	286,146	258,993	27,153
Recreation	304,257	308,961	281,675	27,286
Parks	1,422,634	1,465,196	1,425,266	39,930
Total expenditures	22,088,828	23,112,969	20,320,799	2,792,170
Excess (deficiency) of revenues over expenditures	127,385	(780,221)	2,349,465	3,129,686
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Cable TV Fund	120,000	120,000	120,000	-
Cemetery Permanent Fund	4,000	4,000	3,724	(276)
Brownfield Redevelopment Authority				-
Transfers out:				
Major Street Fund	(510,000)	(497,767)	(497,767)	-
Local Street Fund	(60,000)	(565,000)	(565,000)	-
Water Fund	-	(142,233)	(142,233)	-
Capital Improvement Fund	(130,000)	(1,153,220)	(1,153,220)	-
Total other financing sources (uses)	(576,000)	(2,234,220)	(2,234,496)	(276)
Net change in fund balance	(448,615)	(3,014,441)	114,969	3,129,410
Fund balance - beginning	8,660,979	8,660,979	8,660,979	-
Fund balance - ending	\$ 8,212,364	\$ 5,646,538	\$ 8,775,948	\$ 3,129,410

The accompanying notes are an integral part of these financial statements.

# CITY OF PORTAGE, MICHIGAN

## Statement of Net Position Proprietary Funds

June 30, 2013

	Business-type Activities			Governmental
	Sewer Fund	Water Fund	Total	Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 3,380,742	\$ 498,281	\$ 3,879,023	\$ 1,012,723
Accounts receivable	2,166,902	1,697,514	3,864,416	-
Inventory	-	-	-	106,277
Prepaid costs	99,929	319,025	418,954	20,865
Current portion of hookup charges receivable	20,037	8,264	28,301	-
Total current assets	<u>5,667,610</u>	<u>2,523,084</u>	<u>8,190,694</u>	<u>1,139,865</u>
Noncurrent assets:				
Hook-up charges receivable (net of current portion)	105,195	55,309	160,504	-
Total other assets	<u>105,195</u>	<u>55,309</u>	<u>160,504</u>	<u>-</u>
Capital assets:				
Land	51,495	282,995	334,490	22,489
Land improvements	-	12,872	12,872	121,937
Buildings	665,154	367,473	1,032,627	1,677,278
Utility system	69,184,256	59,043,692	128,227,948	-
Machinery and equipment	679,581	414,865	1,094,446	818,593
Vehicles	-	-	-	3,899,194
Less accumulated depreciation	<u>(23,262,500)</u>	<u>(13,872,299)</u>	<u>(37,134,799)</u>	<u>(4,895,016)</u>
Total capital assets (net of accumulated depreciation)	<u>47,317,986</u>	<u>46,249,598</u>	<u>93,567,584</u>	<u>1,644,475</u>
Total noncurrent assets	<u>47,423,181</u>	<u>46,304,907</u>	<u>93,728,088</u>	<u>1,644,475</u>
Total assets	<u>\$ 53,090,791</u>	<u>\$ 48,827,991</u>	<u>\$ 101,918,782</u>	<u>\$ 2,784,340</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PORTAGE, MICHIGAN**

**Statement of Net Position  
Proprietary Funds  
(continued)  
June 30, 2013**

	Business-type Activities			Governmental
	Sewer Fund	Water Fund	Total	Internal Service Funds
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable	\$ 531,402	\$ 351,333	\$ 882,735	\$ 203,122
Accrued compensation	6,669	3,565	10,234	300,623
Workers' compensation	-	-	-	286,532
Accrued interest payable	52,193	185,029	237,222	9,272
Unearned revenue	125,232	63,573	188,805	-
Current portion of vacation and sick pay	27,879	13,291	41,170	-
Current portion of long term debt	410,004	1,375,135	1,785,139	307,055
Total current liabilities	<u>1,153,379</u>	<u>1,991,926</u>	<u>3,145,305</u>	<u>1,106,604</u>
Long term debt (net of current portion):				
Capital Improvement bonds	4,762,036	21,841,038	26,603,074	-
Limited tax general obligation bonds	646,910	512,888	1,159,798	581,595
Accrued vacation and sick pay	39,007	39,312	78,319	24,829
Total long term debt	<u>5,447,953</u>	<u>22,393,238</u>	<u>27,841,191</u>	<u>606,424</u>
Total liabilities	<u>6,601,332</u>	<u>24,385,164</u>	<u>30,986,496</u>	<u>1,713,028</u>
<b><u>NET POSITION</u></b>				
Invested in capital assets, net of related debt	41,499,036	22,520,537	64,019,573	755,825
Unrestricted	4,990,423	1,922,290	6,912,713	315,487
Total net position	<u>\$ 46,489,459</u>	<u>\$ 24,442,827</u>	<u>\$ 70,932,286</u>	<u>\$ 1,071,312</u>

# CITY OF PORTAGE, MICHIGAN

## Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds

Fiscal Year Ended June 30, 2013

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Operating revenues:				
Charges for services:				
User charges	\$ 8,097,096	\$ 6,807,662	\$ 14,904,758	\$ 1,845,497
Capacity charge	86,732	-	86,732	-
Other	-	-	-	6,208
Total operating revenues	<u>8,183,828</u>	<u>6,807,662</u>	<u>14,991,490</u>	<u>1,851,705</u>
Operating expenses:				
Operations and maintenance	4,819,282	1,150,072	5,969,354	1,428,289
General and administrative	1,207,583	1,140,048	2,347,631	-
Depreciation	728,110	811,627	1,539,737	148,114
Total operating expenses	<u>6,754,975</u>	<u>3,101,747</u>	<u>9,856,722</u>	<u>1,576,403</u>
Operating income	<u>1,428,853</u>	<u>3,705,915</u>	<u>5,134,768</u>	<u>275,302</u>
Nonoperating revenues (expenses):				
Interest on investments	41,463	21,582	63,045	3,325
Net decrease in fair value of investments	(39,752)	(28,002)	(67,754)	(8,069)
Interest and fiscal charges	(217,563)	(979,891)	(1,197,454)	(26,708)
Amortization of bond issue costs	(8,465)	(29,391)	(37,856)	-
Total nonoperating expenses	<u>(224,317)</u>	<u>(1,015,702)</u>	<u>(1,240,019)</u>	<u>(31,452)</u>
Income before contributions and transfers	1,204,536	2,690,213	3,894,749	243,850
Transfers in	45,000	197,233	242,233	-
Transfers out	(80,000)	(174,080)	(254,080)	-
Change in net position	<u>1,169,536</u>	<u>2,713,366</u>	<u>3,882,902</u>	<u>243,850</u>
Net position - beginning	<u>45,319,923</u>	<u>21,729,461</u>	<u>67,049,384</u>	<u>827,462</u>
Net position - ending	<u>\$ 46,489,459</u>	<u>\$ 24,442,827</u>	<u>\$ 70,932,286</u>	<u>\$ 1,071,312</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF PORTAGE, MICHIGAN

## Statement of Cash Flows Proprietary Funds

Fiscal Year Ended June 30, 2013

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
<b>OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 8,135,462	\$ 7,280,890	\$ 15,416,352	\$ 1,562,577
Cash payments to suppliers	(5,552,482)	(4,135,476)	(9,687,958)	(468,299)
Cash payments to employees for services	(440,747)	(223,506)	(664,253)	(282,464)
Cash provided by operating activities	2,142,233	2,921,908	5,064,141	811,814
<b>NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfer from other funds	45,000	197,233	242,233	-
Transfer to other funds	(80,000)	(174,080)	(254,080)	-
Cash provided (used) by capital and related financing activities	(35,000)	23,153	(11,847)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Issuance of debt	732,725	1,300,370	2,033,095	92,000
Acquisition and construction of capital assets	(51,011)	(619,995)	(671,006)	(504,534)
Principal paid on bonds and notes	(834,102)	(2,240,844)	(3,074,946)	(228,836)
Interest and fiscal charges paid on bonds	(217,563)	(979,891)	(1,197,454)	(28,997)
Cash used in capital and related financing activities	(369,951)	(2,540,360)	(2,910,311)	(670,367)
<b>INVESTING ACTIVITIES</b>				
Interest on investments	41,463	21,582	63,045	3,325
Net decrease in fair value of investments	(39,752)	(28,002)	(67,754)	(8,069)
Cash provided by investing activities	1,711	(6,420)	(4,709)	(4,744)
Net increase in cash and investments	1,738,993	398,281	2,137,274	136,703
Cash and investments - beginning of year	1,641,749	100,000	1,741,749	876,020
Cash and investments - end of year	\$ 3,380,742	\$ 498,281	\$ 3,879,023	\$ 1,012,723
<b>Reconciliation of operating income to cash provided by operating activities:</b>				
Operating income	\$ 1,428,853	\$ 3,705,915	\$ 5,134,768	\$ 275,302
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	728,110	811,627	1,539,737	148,114
Changes in assets and liabilities				
Accounts receivable	(29,647)	488,494	458,847	-
Inventory	-	-	-	(19,080)
Prepaid costs	(3,375)	(19,399)	(22,774)	18,990
Accounts payable	32,466	240,918	273,384	185,711
Checks issued against future deposits	-	(2,290,182)	(2,290,182)	-
Unearned revenue	(18,719)	(15,266)	(33,985)	-
Accrued compensation	4,545	(199)	4,346	202,777
Cash provided by operating activities	\$ 2,142,233	\$ 2,921,908	\$ 5,064,141	\$ 811,814

The notes to the financial statements are an integral part of this statement.

**CITY OF PORTAGE, MICHIGAN**

**Statement of Fiduciary Net Position  
Fiduciary Funds**

**June 30, 2013**

<u>ASSETS</u>	Pension and Employee Benefit Trust Funds	Agency Funds
Cash and investments	\$ 7,519	\$ 641,676
Cash and investments - non-pooled:		
Mutual fund investments <sup>(1)</sup>	5,702,645	-
Investments in fixed income securities	3,045,591	-
Accounts receivable	-	216,928
Accrued interest receivable	-	31,316
Total assets	<u>8,755,755</u>	<u>889,920</u>
 <u>LIABILITIES</u>		
Accounts payable	-	15,475
Checks issued against future deposits	-	183,526
Accrued interest payable	-	31,316
Due to other governments	-	175,050
Deposits	-	484,553
Total liabilities	<u>-</u>	<u>\$ 889,920</u>
 <u>NET POSITION</u>		
Assets held in trust for pension benefits	3,045,591	
Assets held in trust for retiree benefits	5,710,164	
Total net position	<u>\$ 8,755,755</u>	

<sup>(1)</sup> Pension trusts are invested in mutual fund investment accounts organized to meet the rules of Michigan Public Act 55 of the Public Acts of 1982, as amended, and Public Act 252 of 1988 that are appropriate for investments by municipal governments.

The notes to the financial statements are an integral part of this statement.

# CITY OF PORTAGE, MICHIGAN

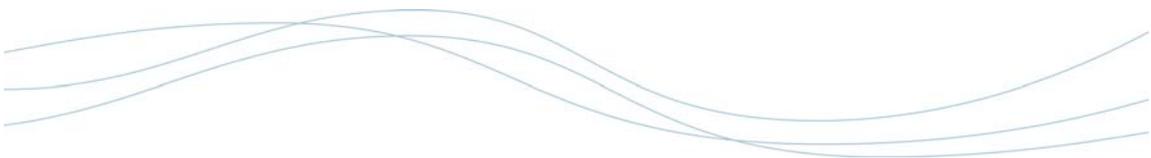
## Statement of Changes in Fiduciary Net Position Pension Trust Funds

Fiscal Year Ended June 30, 2013

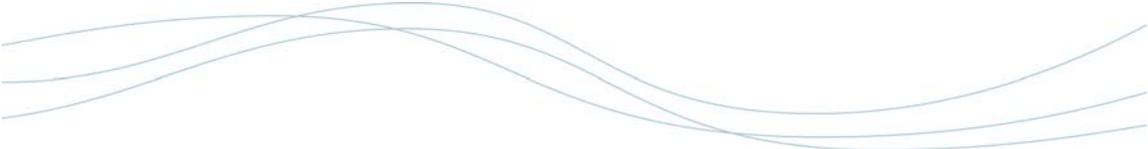
	<u>Pension and Employee Benefit Trust Funds</u>
ADDITIONS	
Employer contributions	<u>\$ 102,238</u>
Investment income	
Net decrease in the fair value of investments	(1,627)
Interest income	<u>738,325</u>
Net investment income	<u>736,698</u>
Total additions	<u>838,936</u>
DEDUCTIONS	
Benefits to plan members	(264,239)
Administrative expenses	<u>(13,228)</u>
Total deductions	<u>(277,467)</u>
Change in net position	561,469
Net position - beginning	<u>8,194,286</u>
Net position - ending	<u><u>\$ 8,755,755</u></u>

The notes to the financial statements are an integral part of this statement.

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# NOTES TO FINANCIAL STATEMENTS



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Portage was incorporated December 31, 1963, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government, and provides services as authorized by its Charter. The City Council is composed of a Mayor and six Councilmembers. The Mayor is elected for a two-year term, and the Councilmembers are elected at large for four-year staggered terms without term limits.

The City engages in a comprehensive range of municipal services including public safety, streets and highways, parks and facility management, and general administrative services. In addition, the City owns and contracts the operation of certain major enterprise activities including water and wastewater utilities. These activities are included in the accompanying financial statements.

The Charter of the City of Portage requires an annual audit by an independent certified public accountant. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

As a local government, the City is exempt from federal income taxes under Internal Revenue Code Sections 115 and 501(a), and from state sales tax in most circumstances.

### A. Reporting Entity

The component units discussed below are included in the City's financial reporting entity because of the significance of their operational or financial relationships with the City. In accordance with generally accepted accounting principals and the Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," (as amended by GASB Statement No. 39), these financial statements present the City (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included.

### Blended Component Units:

**Building Authority** - The Building Authority was established by the City on May 2, 1969 under the authority contained in Act 31, Michigan Public Acts of 1948, as amended in 1969 and 1984. The Act authorized the City to incorporate an authority for the purpose or purposes as follows: to build, acquire, furnish, equip, own, improve, enlarge, lease, operate, and maintain a building or buildings, automobile parking lots or structures, recreational facilities, stadiums and the necessary site or sites therefore, together with appurtenant land or properties for the effective use thereof, or for use for any legitimate public purpose of the City of Portage. The governing body of the Authority is known as the "Commission" and consists of the City Manager, City Director of Finance and Purchasing and the Chairperson of the Board of the Local Development Finance Authority for the City of Portage. The Building Authority is a blended component unit because, although the governing bodies of the City and the Authority are not similar, the services and benefits provided to entities other than the City are insignificant, mandating treatment as a blended component unit under generally accepted accounting principles.

**Downtown Development Authority** - The Downtown Development Authority was established by the City on April 21, 1998 under the authority contained in Act No. 197 of the Public Acts of Michigan of 1975 as amended. The Act authorizes the City to provide for the creation of the authority; to define the boundaries of the downtown development district; to correct and prevent deterioration in the central business district; and to authorize the issuance of bonds and other evidences of indebtedness.

**Note 1 Summary of Significant Accounting Policies, continued**

The Downtown Development Authority Board is comprised of the City Manager and eight citizen members appointed by the City Manager, subject to approval by the City Council. The Downtown Development Authority is a blended component unit because, although the governing bodies of the City and the Authority are not similar, the services and benefits provided to entities other than the City are insignificant, mandating treatment as a blended component unit under generally accepted accounting principles.

**Local Development Finance Authority** - The Local Development Finance Authority was established by the City on March 20, 1990, under the authority contained in Act 281 of Michigan Public Acts of 1986. The Act authorized the City to designate a specific district within its corporate limits as a Local Development Finance District. The purpose is to promote the growth of specific, legally defined districts and take all steps necessary to create jobs and economic growth. The City Manager appoints seven members of the Authority Board of Directors. The other four members of the board of directors are appointed by Kalamazoo County (1), Kalamazoo Valley Community College (1), and Portage Public Schools (2). The Local Development Finance Authority is a blended component unit because, although the governing bodies of the City and the Authority are not similar, the City Manager appoints the voting majority of the governing body and may therefore impose the City's will on the organization. Further, because the City is financially responsible for the Authority, and because the Authority acts only to further the development aims of the consolidated plan of the City, the services and benefits provided to entities other than the City are insignificant, mandating treatment as a blended component unit under generally accepted accounting principles.

**Discretely Presented Component Units:**

Complete financial statements for the discretely presented component units can be obtained from the Department of Community Development, City of Portage, 7900 South Westnedge Avenue, Portage, Michigan 49002.

**Economic Development Corporation** - The Economic Development Corporation was established by the City on November 21, 1978, under the authority contained in Act 338, Michigan Public Acts of 1974. The purpose of the Corporation is to promote the economic development of the community. To achieve this purpose, the Corporation issues bonds to private business and industry to finance projects that reduce unemployment and otherwise strengthen and revitalize the local economy. The City Council of the City of Portage appoints the Economic Development Corporation Board of Directors. Because the City appoints the voting majority of the governing body and may therefore impose its will on the organization, it has been presented as a component unit. It is not a blended component unit under GAAP because the component unit's governing body is not substantially the same as the primary government, and the benefits provided to entities other than the City are significant.

**Tax Increment Finance Authority** - The Tax Increment Finance Authority was established by the City on September 3, 1985, under the authority of Act 450, Michigan Public Acts of 1981. The Act authorized the City to designate a specific district within its corporate limits. The purpose is to preside over this specific district, and it is authorized to formulate plans and secure financing for public improvements, economic development, neighborhood revitalization and historic preservation. The goals and objectives set forth in a tax increment financing plan must be approved by the governing body of the City. The City Council also appoints the Tax Increment Finance Authority Board of Directors. Because the City appoints the voting majority of the governing body and may therefore impose its will on the organization, and because the City is financially responsible for the Tax Increment Financing Authority, it is presented as a component unit. It is not a blended component unit under GAAP because the component unit's governing body is not substantially the same as the primary government, and the benefits provided to entities other than the City are significant. However, since the Authority had no activity during the fiscal year, no data has been presented.

**B. Basis of presentation – Government-wide Financial Statements**

**Government-wide and Fund Financial Statements** - The basic financial statements include both government-wide and fund financial statements. The focus is on the City as a whole and on major individual funds.

**Note 1 Summary of Significant Accounting Policies, continued**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Internal service fund asset and liability balances that are not eliminated in the statement of net position are reported in the governmental activities column on the government-wide 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 demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

The fund level statements focus on the governmental, proprietary and fiduciary funds. The accounts of the City are organized on the basis of funds. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Major individual governmental funds and major individual enterprise funds are supported as separate columns in the fund financial statements.

The City's fiduciary funds are presented in the fund financial statements by type (pension and agency). By definition, these assets are held for the benefit of a third party and cannot be used to address activities or obligations of the government, and are therefore not included in the government-wide statements. The activities of these funds include administration of the defined benefit pension trust and retiree health care funding trust. Because the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the flow of economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available. Revenues, other than grants, are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period (defined by the City as collected within 60 days of year-end). Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed and when all eligibility requirements of the provider have been met and are considered to be available if expected to be collected within one year. Expenditures generally are recorded when a liability is incurred. However, expenditures related to compensated absences or arbitrage are recorded when the liability is matured. Debt service expenditures are recognized when payment is matured. The reported fund balance of governmental funds is considered a measure of available expendable resources.

Property taxes, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**Note 1 Summary of Significant Accounting Policies, continued**

The City reports the following major governmental funds:

General Fund: The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It includes the following activities: public safety, streets and highways, parks and facility management, and general government.

Special Assessment Debt Fund: Although no longer required as an individual governmental fund-type after GASB Statement No. 6, *Accounting and Reporting for Special Assessments*, the City has utilized special assessments under its Charter to balance the cost of certain public improvements between private benefit and public burden, and chooses to emphasize the difference between special assessment debt and other debt issues by continuing to maintain this fund type. The public improvements subject to special assessment primarily benefit a particular property owner or group of property owners, ultimately increasing the fair market value of their property. The property owners pay the assessment over a 10-year term for street improvements, and over a 20-year term for water and sewer improvements. The activities performed by the City with regard to Special Assessments include organizing special assessment districts, overseeing the performance of the project itself, and accounting for and collecting the assessments to pay any debt incurred to finance the project. On November 7, 2006, voters approved an amendment to the City Charter restricting the right of the City to levy special assessments for the construction or reconstruction of streets, and amended the City Charter to permanently levy up to one mill (one tenth of one percent of the assessed value of all real and personal property in the City) dedicated to the construction or reconstruction of streets under the City's jurisdiction. As a result, only the construction or reconstruction of streets petitioned for by citizens and approved by Council will result in special assessments in the future. The ability of the City to levy special assessments for water and sewer public improvements is unchanged. One new special assessment district was established for street construction during the fiscal year ended June 30, 2012. The City anticipates that special assessments will decline over time to a level where they will cease to be a major fund and no longer merit distinction from other debt issues.

Capital Projects (CIP) Fund: The City assesses a dedicated tax millage to support a balanced capital investment program. The program constructs, improves and maintains the highest level of public infrastructure and community resources. The fund accounts for the collection of dedicated tax revenues, and for financing the construction of all City capital projects in excess of \$10,000. These projects include creation of or improvements to streets, parks, City buildings, and other City facilities not owned or used by the Water and Sewer utility enterprises.

Proprietary and fiduciary fund financial statements are accounted for on the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing water and wastewater services. Other revenues or expenses are nonoperating items.

The City reports the following major enterprise funds, which are also considered proprietary funds:

Sewer Fund - Accounts for the activities of the City-owned wastewater utility.

Water Fund - Accounts for the activities of the City-owned water utility.

In addition, the City reports the following nonmajor governmental funds:

Special revenue funds account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects, and include grant funds. These include the Major, Local, and Municipal Streets, Cultural Activities, Cable Television, Community Development Block Grant (CDBG), Michigan State Housing Development Authority (MiSHDA) grant, American Recovery and Reinvestment Act (ARRA) grant, Brownfield Redevelopment Authority, West Lake Management, Curbside Recycling, and the Leaf Pickup / Spring Clean-up funds.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

**Note 1 Summary of Significant Accounting Policies, continued**

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs. Permanent funds account for Cemetery Perpetual Care and CDBG Program Income related activities.

The City reports the following proprietary and fiduciary funds:

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges. The Sewer and Water Funds are the City's only enterprise funds. The City reports no nonmajor enterprise funds.

Internal service funds account for the financing of goods or services provided by one City department or agency to other City departments or agencies or to other governmental units on a cost-reimbursement basis. These activities include, but are not limited to, fleet and insurance services. As a general rule, the effect of interfund activity has been eliminated for government-wide reporting purposes. These funds are presented on a combined basis in the Statement of Net position – Proprietary Funds in the Internal Service Funds column and in detail in the Combining Statements of Net position – Internal Service Funds. These funds include the equipment and insurance funds.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments. Fiduciary funds are not included in the government-wide financial statements. The fiduciary funds of the City include the pension trust fund and retiree health care trust fund.

Agency funds are another type of fiduciary funds and account for net assets held on behalf of others, are purely custodial (assets equal liabilities) and do not involve the measurement of results of operations. The agency funds of the City include the following: Current Year Tax Collection Fund, accounting for tax funds collected and distributed; the Investment Interest Allocation Fund, collecting the accrued and liquid interest earnings on the pooled investments of the City for allocation among the contributing funds; the Payroll Fund, collecting and allocating insurance and other payroll-related costs; a general Trust and Agency Fund, holding various deposits for bid, bail, and construction bonds; and the Historic Book Fund, collecting and forwarding sales funds on behalf of the author of a book about Portage's past.

**D. Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) Prior to April 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The proposed operating budget includes proposed expenditures and the means of financing them, and is adopted at the "activity" level with the exception of the capital improvement fund, which is adopted at the "project" level.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) The budget is legally enacted through passage of an ordinance no later than the second Monday in June.

Annual budgets are legally adopted for the General Fund and special revenue funds. Annual budgets are adopted for the enterprise funds, internal service funds, debt service funds, Cemetery Perpetual Fund, and CDBG Program Income Fund, although they are not legally required. Multi-year budgets are adopted for capital projects and grant funds, where appropriations remain authorized for the life of the project, irrespective of fiscal year.

Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment.

Formal budgetary control is employed during the year at the fund and department level as a management control device for annually budgeted funds.

**Note 1 Summary of Significant Accounting Policies, continued**

Budgets are modified throughout the year. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund to another, or in situations where the transfer would cause a change in fund balance.

The original and final budgets for the General Fund are reported in the Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual. Unencumbered appropriations for annual budgets lapse at fiscal year-end.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. As a budgetary tool, encumbrances outstanding at year-end are not separately reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation, with the approval of City Council, to continue their purpose as a budgetary tool of continuity.

**E. Financial Statement Elements**

**Pooled Investments and Cash Deposit Balances** - Cash balances of all City funds (except for certain funds having non-pooled investments) are pooled and invested. Investments purchased with pooled cash, consisting primarily of high-grade commercial paper and U.S. agency obligations, are stated at fair value. Interest earned on investments purchased with pooled cash is allocated monthly to each participating fund based upon the fund's average daily balance. Funds that incur a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

**Investments** - Certain investments are required to be reported at fair value, based upon quoted market prices. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments at fair value as of June 30, 2013.

**Accounts Receivable** - Balances of accounts receivable, reported on the government-wide statement of net position, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of June 30, 2013:

	<b>Charges for Services</b>	<b>Special Assessments</b>	<b>Other Governments</b>	<b>Total</b>
<b>Governmental Activities</b>				
Major funds	\$ 269,689	\$ 2,089,401	\$ -	\$ 2,359,090
Nonmajor funds	<u>1,192,552</u>	<u>-</u>	<u>629,112</u>	<u>1,821,664</u>
Total	<u>\$ 1,462,241</u>	<u>\$ 2,089,401</u>	<u>\$ 629,112</u>	<u>\$ 4,180,754</u>

There is no provision for an allowance for doubtful accounts because Kalamazoo County guarantees payment of real property taxes, and the Ordinances of the City provide for the creation of durable tax liens for all taxes, assessments and charges putting the City in the position of eventual 100% collection. Business-type activity receivables are primarily for charges for services.

**Elimination of Internal Activities** - The elimination of internal service fund activity is needed in order to eliminate duplicate activity in making the transition from fund level financial statements to the government-wide financial statements. In addition, the elimination of internal service fund activity requires the City to "look back" and adjust the internal service funds' internal charges. A positive change in net position derived from internal service fund activity results in a pro rata reduction in the charges made to the participatory funds. A deficit change in net position of internal service funds requires a pro rata increase in the amounts charged to the participatory funds.

**Note 1 Summary of Significant Accounting Policies, continued**

**Internal Balances** - In the government-wide statement of net position, internal balances are the receivables and payables between the governmental and business-type activities. There were no internal balances as of June 30, 2013.

**Interfund Activities** - In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the charge back of services, such as utilities or vehicle maintenance, and charges for central administrative costs. Elimination of these charges would distort the direct costs and program revenues of the various functions reported. The City recovers indirect costs that are incurred through a plan of allocation utilizing actual costs. These amounts are eliminated in the government-wide statement of activities.

**Interfund Receivables/Payables** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivable and payable balances are classified as "due from other funds" or "due to other funds" on the fund-level statements when they are expected to be liquidated within one year. If receivable or payable balances are expected to be liquidated after one year, they are classified as "advances to other funds" or "advances from other funds." No interfund receivables existed as of June 30, 2013.

**Inventories** - Inventories are valued at the lower of cost (average weighted cost) or market. Inventories for all funds use the consumption method and expenditures are recorded when issued. The Equipment Fund holds the bulk of the inventory maintained by the City in the form of fuel and maintenance supplies. The balance on the City's postage machine is held by the General Fund.

**Prepaid expenses and other assets** - The governmental activities statement of net position includes prepaid expenses and other assets. A portion of net position is classified as nonspendable for prepaid expenditures.

**Restricted assets** - Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Capital assets** - Capital assets, which include land, facilities and improvements, machinery and equipment and infrastructure assets, are reported in the applicable governmental or business-type activity columns of the government-wide statement of net position, and related depreciation is allocated to programs in the statement of activities. Capital assets are defined as assets with an initial individual cost of \$5,000 or more and an estimated useful life of greater than one year. Assets purchased or constructed are capitalized at historical cost. Contributed capital assets are recorded at estimated fair market value at the time of receipt or at historical cost if historical cost is available. Maintenance and repairs are charged to operations as incurred, and improvements and betterments that extend the useful lives of capital assets are capitalized.

The City has adopted and implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. No material impairments requiring disclosure or restatement of previously issued financial statements existed at the adoption date. No material impairments existed as of the statement date.

The City obtains public domain capital assets (infrastructure) through capital improvement project (CIP) construction, or through annexation or developer contribution. Infrastructure consists of certain improvements other than buildings, including streets and roads, bridges, pedestrian facilities, drainage systems, and traffic signal systems.

**Note 1 Summary of Significant Accounting Policies, continued**

Interest is not capitalized on governmental capital assets. For enterprise funds, interest paid on long-term debt in the enterprise funds is capitalized when it can be attributed to a specific project and when it materially exceeds the interest revenue generated by bond proceeds issued to fund the project.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

Assets	Governmental Activities <sup>(1)</sup>	Business-Type Activities	
		Sewer	Water
Buildings & building improvements	5 - 40	5 - 40	5 - 40
Equipment	5 - 10	5 - 10	5 - 10
Vehicles	5 - 10	5 - 10	5 - 10
Improvements to grounds	10 - 20	10 - 20	10 - 20
Water and wastewater systems*	-	50 - 100	50 - 100
Infrastructure			
Streets and roads	20	-	-
Retaining walls	30	-	-
Bridges	50	-	-
Drainage systems	50	-	-
Pedestrian facilities	20	-	-
Traffic signals	20	-	-

<sup>(1)</sup> Includes internal service funds

\*Water and wastewater systems constructed prior to 2007 depreciated on 100 year basis; beginning in fiscal year 2007 a 50 year life is used.

Depreciation of assets is classified by functional components. Land is considered to be inexhaustible, and therefore these assets are reported as non-depreciable. Unallocated depreciation reported in the government-wide statement of activities of \$5.97 million consists of depreciation on infrastructure assets of \$6.26 million net of adjustment to eliminate the internal service fund.

In the government-wide and proprietary fund statements, the City recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

**Deferred outflows of resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City has no items that qualify as deferred outflows of resources.

**Long-term Debt** - The City issues long-term debt to finance various capital projects. All long-term debt proceeds are spent for capital purposes. Debt service for general obligation bonds and other general obligation debt, including loans, issued to fund general government capital projects is paid from tax revenues, interfund transfers and intergovernmental revenues. Such general obligation debt is reported in the government-wide statements under governmental activities.

The debt service for general obligation bonds and other general obligation debt issued to fund proprietary fund capital projects is normally paid from the net revenues of the applicable proprietary fund, although such debt will be repaid from tax revenues if necessary. Such general obligation debt is shown as a specific liability of the applicable proprietary fund, which is appropriate under generally accepted accounting principals and in view of the expectation that the proprietary fund will provide resources to service the debt.

Revenue bonds issued to finance capital projects of certain enterprise funds are repaid from net revenues of these funds. The only series of utility revenue bonds was retired during the fiscal year; no revenue bonds were outstanding at the end of the fiscal year.

**Note 1 Summary of Significant Accounting Policies, continued**

**Deferred inflows of resources** – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has no items that qualify as deferred inflows of resources.

**Operating Revenues** - Revenues are recorded net of allowances in the government-wide and proprietary fund-level statements. No allowances were necessary for the year ended June 30, 2013

**Interfund Revenues, Expenses and Transfers** - Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved, such as billing for utility services. Transactions between funds that constitute reimbursements for expenditures or expenses are recorded as expenditures or expenses in the fund that is reimbursed. Transfers between funds are reported in the operations of governmental and proprietary funds.

**Intergovernmental Revenue, Receivables and Liabilities** - Intergovernmental revenues and related receivables arise primarily through funding received from federal grants and state grants. These revenues and receivables are earned through expenditure of money for grant purposes, or through consolidating settlements while acting as tax collection agency for other local government units. Intergovernmental liabilities arise primarily from funds held in an agency capacity for other local government units.

**Federal and State Grants, Entitlements and Shared Revenues** - Grants, entitlements, and shared revenues may be accounted for within any City fund. The purpose and requirements of each grant, entitlement, or shared revenue are analyzed to determine the appropriate fund statement and revenue category in which to report the related transactions. Grants, entitlements and shared revenues received for activities normally recorded in a particular fund may be accounted for in that fund, provided that applicable legal restrictions can be satisfied.

Revenues received for activities normally recorded in other governmental funds are accounted for within the nonmajor governmental fund groupings: federal grant funds, state grant funds, and other special revenue funds. Capital grants restricted for capital acquisition or construction, other than those associated with proprietary type funds, are accounted for in the capital projects fund. Revenues received for operating activities of proprietary funds or revenues that may be used for either operations or capital expenditures at the discretion of the City are recognized in the applicable proprietary fund.

**Fund equity** – Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Unassigned fund balance is the residual classification for the General Fund. When the City incurs an expenditure for purposes for which fund balance classifications can be used, it is the City's policy to use restricted fund balance first, and then unassigned as needed.

**Cash and Investments** - For purposes of the statement of cash flows, the City considers cash and investments to consist of currency on hand, cash held by trustee, demand deposits with banks, invested funds, and all amounts included in pooled investments and cash accounts.

**Pension Costs** - It is the policy of the City to fund pension costs annually. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service cost (see defined benefit pension plan information in Note 11, and defined contribution pension plan information in Note 12).

**Note 1 Summary of Significant Accounting Policies, continued**

**Risk Management** - The City is exposed to employee-related risks for workers' compensation, as well as to various risks of loss related to torts, including medical malpractice, theft of, damage to, or destruction of assets, errors and omissions, and natural disasters. The City continues to be self-insured for liabilities for workers' compensation claims with stop-loss provisions in place (Note 10.B.).

The City participates in a risk pool administered by the Michigan Municipal Risk Management Association for coverage to insure against property loss or damage, commercial crime, and fidelity bonds. The City complies with GASB Statement No. 10, *Accounting and reporting for Risk Financing and Related Insurance Issues* (See Note 10.B.).

**F. Use of Estimates**

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**G. Compensated Absences**

City employees are granted compensated absences for vacation and sick leave in varying amounts based on length of service. It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. The estimated long-term liability for vacation and sick pay which will be paid with future Governmental-type operating resources is recorded as general long term debt. Compensated absences are reported in governmental funds only if they have matured and can be classified as unused reimbursable leave time outstanding at employee termination. The total estimated long-term cost of employees' accumulated vacation, sick, and other types of leave was \$1.89 million at June 30, 2013.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Schedules that show the adjustments required to take the figures in the government-wide statements to those in the governmental fund statement presentation immediately follow those statements.

**3. POOLED INVESTMENTS AND CASH**

The following summarizes the amounts of the pooled investments and cash by fund at June 30, 2013:

	<b><u>Pooled Investments and Cash</u></b>		
	<b><u>Unrestricted, invested</u></b>	<b><u>Other cash</u></b>	<b><u>Total</u></b>
General Fund	\$ 9,102,632	\$ 79,881	\$ 9,182,513
Special Assessment Debt Fund	604,024	-	604,024
Capital Improvement Program	4,170,249	-	4,170,249
Nonmajor governmental funds	5,956,875	43,582	6,000,457
Agency and trust funds	465,669	-	465,669
Internal service funds	980,581	32,142	1,012,723
Sewer Fund	3,366,931	13,811	3,380,742
Water Fund	492,006	6,275	498,281
Totals	<u>\$ 25,138,967</u>	<u>\$ 175,691</u>	<u>\$ 25,314,658</u>

A reconciliation of this balance is as follows:

Investments	\$18,838,942
Deposits	6,300,025
Other cash	<u>175,691</u>
Total	<u>\$25,314,658</u>

Other cash includes construction retainage and other deposits in escrow, petty cash, and insurance pool deposits. The Pension and Employee Benefit Trust Funds' investment in fixed income securities of \$3.05 million and the Retiree Health Care Fund's investment of \$5.70 million with the Municipal Employee's Retirement System of Michigan are excluded from the above as those funds are not pooled investments and cash. Component unit cash as of June 30, 2013, totaled \$20,972, and is not pooled cash.

#### 4. DEPOSITS AND INVESTMENTS

The City maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average monthly balances. A "zero balance account" mechanism provides for overnight sweeps of deposits made to the City depository account, and the outstanding balance in the accounts payable checking account, resulting in an instantaneous transfer to the investment account. Thus, the majority of funds in the City's operating accounts are invested in a Public Act 367, Section 1, money market fund (that is, a registered investment not subject to the \$250,000 FDIC limit) at all times. The City has never invested in derivatives or similar types of investments.

##### A. Investments

The City's deposits and investments are invested pursuant to the City of Portage investment policy. The objective of the policy is, in order of priority, preservation of capital, liquidity and yield. The policy addresses the soundness of financial institutions in which the City will deposit funds, diversification of the portfolio composition, and the permitted types of investment instruments. The terms of policy are informed by the provisions of Chapter 129, Public Funds, of the Michigan Compiled Laws and permit investment in:

1. Certificates of deposit issued by banks located in Michigan;
2. U.S. Treasury and agency obligations;
3. Commercial paper at the two highest rating levels;
4. Domestic bankers acceptances;
5. U.S. Treasury or agency backed repurchase agreements; and
6. PA 20 qualified local government investment trusts and mutual funds.

Further, the City assumes that its callable investments will not be called, and that all investments will be held to maturity.

The City participates in a local government investment trust, CLASS, managed by Cutwater Investors Service Corporation. Overnight operating account balances were invested in the JP Morgan Chase Michigan Governmental Operating fund. The City owns 1:1 dollar interests in each fund. Both pools are composed of investment vehicles that are permissible under Michigan law for municipal government, and would qualify for direct investment by the City. The fair value of the City's position in these funds is equivalent to the carrying value, and, as such, is included in the cash and pooled funds category.

During the 2006/2007 fiscal year, the City bid out its banking services and the successful bidder was JP Morgan Chase Bank. The overnight investments held in Chase accounts are invested in Chase's Michigan Governmental Operating fund that meets the criteria of Michigan law for investment by municipal governments.

Pension trust fund investments, a fiduciary fund not included in the government-wide statements, must conform to the limits and standards set forth in Michigan Public Act 55 of the Public Acts of 1982, as amended, and Public Act 252 of 1988. The corpus is held by, and the assets are managed by Principal Financial Group, Inc.

Retiree health care fund investments, a fiduciary fund not included in the government-wide statements, must also conform to the limits and standards set forth in Michigan Public Act 55 of the Public Acts of 1982, as amended, and Public Act 252 of 1988. The vehicle and terms of investment meet the criteria of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for a qualifying Trust. The corpus is held by and the assets are managed by the Municipal Employees' Retirement System of Michigan (MERS).

The component unit's funds are not included in the City's pooled cash funds.

**Note 4 Deposits and Investments, continued**

As of June 30, 2013, the City had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Effective Duration</b>
U.S. Government Agencies – Coupon	\$ 8,942,821	1.249
Municipal bonds	1,966,180	3.560
Commercial paper	1,999,940	0.010
Investment Pools	<u>5,930,001</u>	0.000
Total Fair Value	<u>\$ 18,838,942</u>	

**Interest Rate Risk.** In accordance with its investment policy, the City minimizes investment rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The investment portfolio is structured so that securities mature to meet known cash requirements for ongoing operations, and the maturity of investments is limited to less than six years.

**Credit Risk.** The investment policy limits investments in commercial paper to those rated in the two highest classifications by nationally recognized statistical ratings organizations. As of June 30, 2013, there was one investment in commercial paper, a \$2 million UBS Finance note rated P-1 by Moody's. The investments in the Cutwater CLASS, and the JP Morgan Chase Michigan Governmental Operating Fund investment pools were not rated. The Fannie Mae and State of Michigan municipal bonds were rated Aaa by Moody's, the commercial paper was rated P-1 by Moody's. The Federal Home Loan Bank (GSE) and Federal Farm Credit Bank notes were not rated.

As of June 30, 2013, the City held 39% of its portfolio in Federal National Mortgage Association ("Fannie Mae") bonds, government sponsored enterprises (GSE's) that, on September 7, 2008, were placed under conservatorship by the Federal Housing Finance Agency, a move that served to give the formerly implicit government backing of these securities a more explicit guarantee. The remaining investments included State of Michigan taxable municipal bonds 15%, Federal Farm Credit Bank 4%, Federal Home Loan Bank 27% and commercial paper 15%.

**Concentration of Credit Risk.** The City minimizes the concentration of credit risk, which is the risk of loss attributed to the magnitude of investment in a single issuer. The investment policy requires diversification of the portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The investment policy criteria relating to the various forms of credit risk are as follows:

<b>Investment type</b>	<b>Type, % of Portfolio Limit</b>	<b>Issuer/Broker, % of Portfolio Limit</b>
Certificate of Deposit	may not exceed 60%	may not exceed 40%
U.S. Treasury, Agency & GSE	no limit	may not exceed 40% with one broker
Commercial Paper	may not exceed 50%	may not exceed 15%
Bankers Acceptances	no limit	may not exceed 40% with one bank
Repurchase Agreements	may not exceed 10%	may not exceed 40% with one bank
Mutual Fund/Local Govt Investment Pools	may not exceed 25%	may not exceed 40%

**Custodial Credit Risk - Investments.** For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the policy of the City to minimize custodial credit risk for both investments and cash deposits. The City has a limited custodial credit risk exposure as of June 30, 2013, because all securities are registered in the name of the City, and are held by brokerage firms that are also the counterparty for these investments.

**Foreign Currency Risk.** The City is not authorized to participate in investments that have this type of risk.

**Note 4 Deposits and Investments, continued**

**B. Deposits**

**Primary Government**

At year end, the carrying amount and book value of the City cash deposits was \$6,300,025 and the bank balance was \$6,382,800, of which \$6,132,800 is over the \$250,000 coverage limit for FDIC insurance. The risk inherent in exceeding the FDIC limit otherwise is considered remote, and the compensating balance is instrumental in limiting the expense of bank service charges. The historic low interest rates made it necessary to increase the compensating balance amount in order to offset bank fees. The residual overnight sweep is invested in a governmental cash investment fund that meets the criteria for local government investment pools outlined in Public Act 367. Funds deposited in accordance with the requirements of Public Act 367 of 1982 are considered fully secured. No collateralization is required of the banking institution.

Other cash of \$175,691 consisted of \$144,591 in cash reserves held by the City's insurer in a qualified governmental investment pool account, \$25,000 in escrow deposit held in the Cable Television Fund and invested in a money market fund, and \$6,100 in petty cash and cash used by law enforcement. The cash in this category is not subject to FDIC insurance.

**Component Units**

The carrying value of deposits for the Economic Development Corporation was \$20,972, carried at a federal depository bank covered by FDIC insurance. The Tax Increment Financing Authority is presently inactive, and has a zero deposit balance.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of June 30, 2013, \$6,382,800 of the City's deposits were exposed to custodial credit risk because the level of compensating balances exceeds the amount covered by FDIC insurance.

**5. PROPERTY TAXES**

Each August 1<sup>st</sup> the City property tax is levied and becomes a lien on the related property, the value of which is equalized by the State of Michigan and limited by Act 415 of 1994. Property taxes are due on September 14<sup>th</sup> and any delinquent real property taxes are turned over to Kalamazoo County for collection. Kalamazoo County pays the City for any delinquent tax amounts.

The City bills and collects its own property taxes and also collects taxes for the state education fund, district library, Kalamazoo County, community college, regional programs, and the school districts contained within the City corporate limits. Collection and remittance of the state education fund, district library, Kalamazoo County, community college, regional programs, and the school districts taxes are accounted for in the current year tax collection and in the trust and agency funds. City property tax revenues are recognized when levied to the extent that they result in current receivables.

**6. CAPITAL ASSETS AND INFRASTRUCTURE**

Capital assets activity for the year ended June 30, 2013 was as follows:

<b>Primary Government</b>	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 9,586,468	\$ -	\$ -	\$ 9,586,468
Rights-of-way	4,484,140	12,040	-	4,496,180
Total capital assets, not being depreciated	14,070,608	12,040	-	14,082,648
Capital assets, being depreciated				
Land improvements	7,000,716	59,041	-	7,059,757
Buildings	13,570,629	57,747	-	13,628,376
Machinery and equipment	5,711,761	121,097	(106,785)	5,726,073
Vehicles	7,418,653	617,335	(23,047)	8,012,941
Infrastructure	195,299,660	90,187	-	195,389,847
Total capital assets, being depreciated	229,001,419	945,407	(129,832)	229,816,994
Less accumulated depreciation for:				
Land Improvements	(4,640,423)	(270,883)	-	(4,911,306)
Buildings	(6,245,422)	(347,199)	-	(6,592,621)
Machinery and equipment	(5,312,773)	(188,811)	106,785	(5,394,799)
Vehicles	(6,569,984)	(210,390)	6,914	(6,773,460)
Infrastructure	(147,006,984)	(5,955,633)	-	(152,962,617)
Total accumulated depreciation	(169,775,586)	(6,972,916)	113,699	(176,634,803)
Total capital assets, being depreciated, net	59,225,833	(6,027,509)	(16,133)	53,182,191
Governmental activities capital assets, net	<u>\$ 73,296,441</u>	<u>\$ (6,015,469)</u>	<u>\$ (16,133)</u>	<u>\$ 67,264,839</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 334,490	\$ -	\$ -	\$ 334,490
Total capital assets, not being depreciated	334,490	-	-	334,490
Capital assets, being depreciated				
Land Improvements	12,872	-	-	12,872
Buildings	1,032,627	-	-	1,032,627
Machinery and equipment	1,094,446	-	-	1,094,446
Water and sewer system	127,559,942	671,006	-	128,227,948
Total capital assets, being depreciated	129,696,887	671,006	-	130,367,893
Less accumulated depreciation for:				
Land improvements	(9,286)	(377)	-	(9,663)
Buildings	(766,833)	(25,154)	-	(791,987)
Machinery and equipment	(1,065,506)	(13,672)	-	(1,079,178)
Water and sewer system	(33,753,438)	(1,500,533)	-	(35,253,971)
Total accumulated depreciation	(35,595,063)	(1,539,736)	-	(37,134,799)
Total capital assets, being depreciated, net	94,101,824	(868,730)	-	93,233,094
Business-type activities capital assets, net	<u>\$ 94,436,314</u>	<u>\$ (868,730)</u>	<u>\$ -</u>	<u>\$ 93,567,584</u>

**Note 6 Capital Assets and Infrastructure, continued**

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:	
General government	\$ 245,315
Public safety	375,490
Streets and highways	45,060
Health and welfare	14,345
Parks and facility management.	337,073
Unallocated depreciation	5,955,633
Total depreciation expense – governmental activities	<u>\$ 6,972,916</u>

Business-type activities:	
Sewer	\$ 728,110
Water	811,626
Total depreciation expense – business-type activities	<u>\$ 1,539,736</u>

The component unit has no capital assets.

**7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivables and payables at June 30, 2013 totaled \$0.

Transfers between funds for the year ended June 30, 2013, were as follows:

<b>Governmental Activities</b>	General Fund	Capital Improve.	Nonmajor Governmental	Sewer Operating	Water Operating	Transfers In:
General Fund	\$ -	\$ -	\$ 123,724	\$ -	\$ -	\$ 123,724
Capital Improvement	1,153,220	-	2,111,767	80,000	50,000	3,394,987
Nonmajor Governmental	1,062,767	4,890,767	28,731	-	69,080	6,051,345
<b>Business-type Activities</b>						
Water Operating	142,233	-	-	-	55,000	197,233
Sewer Operating	-	-	45,000	-	-	45,000
Transfers Out:	<u>\$ 2,358,220</u>	<u>\$ 4,890,767</u>	<u>\$ 2,309,222</u>	<u>\$ 80,000</u>	<u>\$ 174,080</u>	<u>\$ 9,812,289</u>

Interfund transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted General Fund revenues to finance various programs that the government must account for in other funds, 3) transfer bond proceeds from the issuing fund to internal service funds to fund asset purchases, 4) provide remuneration to funds providing common services.

**8. DEBT AND NON-DEBT LIABILITIES**

**Debt Issues:** One series of Capital Improvement Bonds was issued during the fiscal year in the amount of \$2,135,000 (series 2012, issued August 1, 2012). One series of Capital Improvement Refunding Bonds was issued in the amount of \$1,390,000 (series 2013A, issued May 1, 2013). One series of Capital Improvement Refunding Bonds was issued in the amount of \$4,385,000 (series 2013B, issued June 12, 2013).

The \$2,135,000 Capital Improvement Bonds were issued to fund construction or purchase of various assets including roads and sidewalks, parks, facilities, equipment, vehicles, and water and sewer systems.

The \$1,390,000 Capital Improvement Refunding Bonds were issued to refund \$1,395,000 in Special Assessment Bond series from 2001 to 2005 with higher interest rates.

The \$4,385,000 Capital Improvement Refunding Bonds were issued to refund outstanding bonds of Capital Improvement Bonds Series 2005A with higher interest rates.

**Note 8 Debt and Non-Debt Liabilities, continued**

The \$1,390,000 Capital Improvement Refunding Bonds refunded the \$1,395,000 outstanding balances of five Special Assessment Bond series; series 2001 with \$180,000 outstanding (original face value \$520,000), series 2002 with \$735,000 outstanding (original face value \$2,635,000), series 2004 with \$180,000 outstanding (original face value \$875,000), series 2005 with \$170,000 outstanding (original face value \$650,000), and series 2005A with \$130,000 outstanding (original face value \$280,000). The refunding was done to realize a net savings of \$163,698 (present value savings \$153,602).

The \$4,385,000 Capital Improvement bonds refunded the outstanding balance of Capital Improvement Bond series 2005A with an outstanding balance of \$4,325,000 (original face value \$7,300,000). The refunding was done to realize a net savings of \$761,567 (present value savings \$693,075).

**General Obligation bonds**

Purpose	Interest rates	Amount
Governmental activities	2.00%-5.50%	\$ 823,636
Business-type activities	2.00%-5.50%	1,321,364
		<u>\$ 2,145,000</u>

Annual debt service requirements to maturity for general obligation bonds:

Year ending <u>June 30,</u>	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$123,434	\$ 22,586	\$161,565	\$ 36,989
2015	105,660	19,734	179,340	32,543
2016	109,306	17,341	185,694	28,454
2017	83,782	14,969	141,218	24,418
2018	87,428	12,502	147,572	20,228
2019-2023	306,346	26,854	503,655	41,115
2024-2028	7,680	167	2,320	50
Totals	<u>\$ 823,636</u>	<u>\$ 114,153</u>	<u>\$ 1,321,364</u>	<u>\$ 183,797</u>

**Capital Improvement Project bonds**

Purpose	Interest rates	Amount
Governmental activities	2.50%-5.00%	\$ 29,973,353
Business-type activities	2.50%-5.00%	28,226,647
		<u>\$ 58,200,000</u>

Annual debt service requirements to maturity for Capital Improvement Project bonds:

Year ending <u>June 30,</u>	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 2,366,427	\$ 955,548	\$1,623,573	\$1,106,601
2015	2,420,791	840,004	1,744,209	1,031,209
2016	2,330,942	779,903	1,839,058	967,513
2017	2,270,424	716,511	1,824,576	900,592
2018	2,289,713	651,203	2,550,287	818,556
2019-2023	9,832,728	2,317,235	11,347,272	2,672,411
2024-2028	6,848,596	882,933	6,391,404	672,405
2029-2033	1,574,879	109,789	875,121	51,929
2034-2038	38,853	656	31,147	526
Totals	<u>\$29,973,353</u>	<u>\$ 7,253,782</u>	<u>\$28,226,647</u>	<u>\$ 8,221,742</u>

**Note 8 Debt and Non-Debt Liabilities, continued**

**Building Authority bonds**

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	2.25%-5.60%	\$ 5,815,000

Annual debt service requirements to maturity for Building Authority bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	Principal	Interest
2014	\$555,000	\$178,020
2015	430,000	153,316
2016	490,000	130,124
2017	725,000	108,280
2018	680,000	91,228
2019-2023	2,935,000	210,035
Totals	<u>\$5,815,000</u>	<u>\$ 871,003</u>

**Downtown Development Authority bonds**

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	0.50%-5.25%	\$ 4,825,000

Annual debt service requirements to maturity for Downtown Development Authority bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	Principal	Interest
2014	\$ 260,000	\$ 163,138
2015	155,000	158,875
2016	175,000	154,325
2017	205,000	148,775
2018	225,000	142,037
2019-2023	2,115,000	540,713
2024-2028	1,690,000	165,778
Totals	<u>\$4,825,000</u>	<u>\$1,473,641</u>

**Local Development Finance Authority bonds**

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	4.25%-6.35%	\$ 5,345,000

Annual debt service requirements to maturity for Local Development Finance Authority bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	Principal	Interest
2014	\$ 225,000	\$ 289,750
2015	225,000	279,263
2016	250,000	268,775
2017	250,000	255,375
2018	250,000	241,975
2019-2023	1,900,000	954,162
2024-2028	1,845,000	422,100
2029-2033	400,000	38,100
Totals	<u>\$5,345,000</u>	<u>\$2,749,500</u>

**Note 8 Debt and Non-Debt Liabilities, continued**

**Motor Vehicle Highway bonds**

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	2.00%-5.125%	\$ 7,505,000

Annual debt service requirements to maturity for Motor Vehicle Highway bonds:

<u>Year ending</u>	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 995,000	\$ 223,669
2015	1,135,000	196,006
2016	1,195,000	165,150
2017	865,000	134,788
2018	940,000	104,794
2019-2023	2,375,000	143,406
Totals	<u>\$ 7,505,000</u>	<u>\$ 967,813</u>

**Special Assessment debt with government commitment**

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Water main, sewer main, road improvements	2.50%-5.25%	\$ 1,715,000

Annual debt service requirements to maturity for special assessment bonds:

<u>Year ending</u>	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 40,000	\$ 77,283
2015	40,000	75,583
2016	70,000	73,507
2017	80,000	70,878
2018	70,000	68,142
2019-2023	420,000	292,611
2024-2028	450,000	191,751
2029-2033	365,000	96,181
2034-2038	180,000	9,450
Totals	<u>\$1,715,000</u>	<u>\$ 955,386</u>

**Note 8 Debt and Non-Debt Liabilities, continued**

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable:					
General obligation bonds	\$ 990,825	\$ -	\$ (167,189)	\$ 823,636	\$ 123,434
Special Assessment debt with government commitment	3,525,000	-	(1,810,000)	1,715,000	40,000
Building Authority bonds	6,355,000	-	(540,000)	5,815,000	555,000
Motor Vehicle Highway bonds	8,205,000	-	(700,000)	7,505,000	995,000
Downtown Development Authority bonds	5,060,000	-	(235,000)	4,825,000	260,000
Local Development Finance Authority bonds	5,570,000	-	(225,000)	5,345,000	225,000
CIP Bonds	18,709,435	1,185,000	(5,357,875)	14,536,560	2,306,427
CIP Refunding Bonds (escrow)	11,054,878	4,691,905	(309,990)	15,436,793	60,000
Total bonds payable	59,470,138	5,876,905	(9,345,054)	56,001,989	4,564,861
Compensated absences	1,837,582	1,276,302	(1,227,143)	1,886,741	1,227,143
Governmental activity Long-term liabilities	<u>\$ 61,307,720</u>	<u>\$ 7,153,207</u>	<u>\$(10,572,197)</u>	<u>\$ 57,888,730</u>	<u>\$ 5,792,004</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Business-type activities</b>					
Bonds payable:					
General obligation bonds	\$ 269,366	\$ -	\$ (63,083)	\$ 206,283	\$ 63,083
General obligation refunding bonds	1,289,809	-	(174,728)	1,115,081	98,483
CIP Utility bonds	17,603,912	950,000	(1,920,295)	16,633,617	873,573
CIP Refunding bonds (escrow)	11,376,775	1,083,095	(866,840)	11,593,030	750,000
Utility revenue bonds	50,000	-	(50,000)	-	-
Total bonds payable	30,589,862	2,033,095	(3,074,946)	29,548,011	1,785,139
Compensated absences	116,280	44,379	(41,170)	119,489	41,170
Business-type activity Long term liabilities	<u>\$ 30,706,142</u>	<u>\$ 2,077,474</u>	<u>\$(3,116,116)</u>	<u>\$ 29,667,500</u>	<u>\$ 1,826,309</u>

The liabilities for compensated absences and contributions to union held and union administered OPEB plans have been paid out of current operations as claims arose, the cost of which is allocated among the different funds based on direct payroll allocation. The General Fund carries the largest payroll burden and therefore it satisfies the majority of the liability liquidation cost.

**9. LITIGATION**

In the normal course of its activities, the City may become a party in various legal actions involving general liability. The City is involved in a number of legal proceedings; while any litigation or investigation has an element of uncertainty, the City believes the uninsured portion of any lawsuit, or claim which is pending or threatened, or all of them combined, will not have a materially adverse effect on its financial condition or operations.

On May 6, 1998, the City reached a settlement agreement with the City of Kalamazoo for litigation begun in 1995. The litigation alleged overcharging by the City of Kalamazoo for wastewater rates over an extended period of time. The settlement agreement called for a credit of \$1,000,000 to the City of Portage that will be recognized over a 20-year period. The City of Portage has recorded the credit as a reduction of expenses in the Sewer Fund for the appropriate amount annually over the life of the settlement period. The settlement agreement was adopted by the appropriate judicial agencies.

**10. COMMITMENTS AND CONTINGENCIES**

**A. Capital Improvement Plan**

The City has a ten year *Capital Improvement Program* (CIP capital budget) that is an anticipated spending plan for the projects in the upcoming and future years. The City's 2012/2013 Capital Budget included new appropriations of \$9,963,000, including \$1,005,000 for the City's enterprise funds and \$10,968,000 for general government projects. The City has substantial contractual commitments relating to its capital improvement program, as follows:

<u>CIP project:</u>	<u>Spent to date</u>	<u>Remaining commitment</u>
Water system expansion (enterprise fund)	\$ 99,420	\$ 2,547,537
Sewer main additions (enterprise fund)	14,052	687,683
Street additions and improvements	1,677,198	4,871,941
Sidewalk and bikeway improvements	34,532	223,677
Technology improvements	66,190	1,481,709
Public safety improvements – Police	261,952	257,394
Public safety improvements – Fire	104,302	222,698
Parks improvements	183,216	290,626
Public facility improvements	89,954	10,046
<b>TOTALS</b>	<b><u>\$ 2,530,816</u></b>	<b><u>\$10,593,311</u></b>

**B. Risk-Related Contingencies**

The City uses internal service funds to account for risks related to health benefits, third-party liability, and workers' compensation. The funds are as follows:

<u>Fund Name</u>	<u>Description</u>
Liability Reserve	This reserve is held by Michigan Municipal Risk Management Association (MMRMA) under the terms of their coverage for losses and claims related to liability for bodily injury, property damage, professional liability and certain employment liability. Excludes losses and claims related to health benefits or workers' compensation. After deductibles, experience rates dictate the reserve funding balance.
Workers' Compensation	Self-Insured. Costs are charged to other City funds each year based on historical cost. Stop-loss protection for individual incident claims paid in excess of \$400,000 is provided by Employers Reinsurance Corporation.

The City purchases coverage for loss or damage to real property, theft and other criminal acts, and third-party liability associated with utility operations through participation in a municipal risk pool, MMRMA. The MMRMA stop loss program consists of an annually established dollar level of reserve out of which claims are paid. When payments exceed the reserve, MMRMA satisfies the claims. The level of cash reserve held by MMRMA as of June 30, 2013 was \$144,591. The amount of insurance settlement has not exceeded insurance coverage in this fiscal year, nor in the preceding three fiscal years.

Contingency liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The change in the workers' compensation internal service fund liability amount for the years ended June 30 is as follows:

	2013	2012
Claims liability at beginning of fiscal year	\$370,212	\$709,592
Claims and changes in estimates	114,128	(204,746)
Claims payments	<u>(197,808)</u>	<u>(134,634)</u>
Claims liability at June 30	<u>\$286,532</u>	<u>\$370,212</u>

11. PENSION PLANS

The City continues to fund annuity contracts under a defined benefit pension plan to cover certain full-time employees who were first hired prior to the years 1985 through 1989 (depending on their various employee groups), and who individually elected to remain participants in the defined benefit plan upon the City's adoption of defined contribution plans. (See Note 12.) The plan is active only with regard to the one active participant, participants who are no longer employed but who have not yet achieved the right to receive benefits under the plan, and the retirees currently receiving benefits under the plan. The annuity contracts are administered by the Principal Financial Group and are held and invested separately from all other City funds. The plan is a single-employer plan.

**Plan Description.** The plan is a single-employer public employee defined benefit pension plan established and administered by the City of Portage. The plan covers certain department heads and non-union employees who opted not to join a defined contribution plan, plus police radio operators. Participants include several terminated vested persons from other employee groups. The Plan provides retirement and death benefits to plan members and beneficiaries. The authority to establish and amend the benefit provisions rests with the City Council, under City Charter Section 6.17. The plan is considered part of the City of Portage's financial reporting entity, and is disclosed as a pension trust fiduciary fund in the City's financial reports. A financial statement may be obtained by writing to City of Portage, Finance Department, 7900 South Westnedge Avenue, Portage, Michigan 49002 or by calling (269) 329 - 4451.

**Funding Policy.** There are no required contributions by plan members. The contribution requirements of plan members and the employer were established by City Council and may be amended by City Council. Recommended contributions are actuarially determined. Administrative costs are funded through investment earnings. Please refer to the schedule of funding progress in the required supplemental section of this document.

**Annual Pension Cost and Net Pension Obligation.**

	June 30, 2013
Annual recommended contribution	\$ -0-
Interest on net pension obligation	-0-
Annual pension cost	<u>-0-</u>
Contribution made	<u>-0-</u>
Increase (decrease) in net pension obligation	-0-
Net pension obligation, beginning of year	<u>-0-</u>
Net pension obligation, end of year	<u><u>\$ -0-</u></u>

The annual required contribution was determined as part of the July 1, 2013 actuarial valuation using the entry age normal cost method. The actuarial assumptions include (a) a 7% investment rate of return, and (b) projected salary increases of 3% per year, compounded annually, attributable to inflation. The entry age normal cost method is used. This method does not identify or separately amortize unfunded actuarial liabilities (or funding excess). The effect of this actuarial technique is to smooth the effects of short-term volatility in the market value over a four-year period. The plan has not required contributions to be made for several years due to an overfunded condition in the trust. The schedule of funding progress for the pension defined benefit plan immediately follows the notes to the financial statements. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial liability for benefits over time.

**Summary of Significant Accounting Policies:**

**Basis of Accounting.** The defined benefit plan is maintained as a pension trust fiduciary fund and is included as part of the City's reporting entity. The financial statements of the fund are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Recommended contribution amounts to satisfy unfunded accrued pension liability are based on a 30-year amortization period. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**Note 11 Pension Plans, continued**

**Method Used to Value Investments.** Plan investments are reported at fair value. Investment value is determined according to the contract lump sum transfer provision ignoring any contract restrictions on such transfer. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national, or international, exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest, and are discounted at the prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

**Trend Information**

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
06/30/11	\$ 0	100%	\$ 0
06/30/12	\$ 0	100%	\$ 0
06/30/13	\$ 0	100%	\$ 0

**Funded Status and Funding Progress.** As of July 1, 2013, the most recent actuarial valuation date, the plan was 128.56% funded. The actuarial accrued liability for benefits was \$2,369,046, and the actuarial value of assets was \$3,045,591, resulting in an overfunded actuarial accrued liability (UAAL) of (\$676,545). The covered payroll (annual payroll of active employees covered by the plan) was \$41,130, and the ratio of the assets in excess of the pension benefit obligation to the covered payroll was 1644.89%. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**12. DEFINED CONTRIBUTION PLANS**

The City has established a number of defined contribution plans that supersede the defined benefit plan. Employees at the time had the choice of transferring to the defined contribution plans. Each employee group has its own separate plan. The non-union and department head plans are administered by the City through trust agreements with the International City/County Management Association Retirement Corporation (ICMARC). The union plans are administered by the respective unions through trust agreements with PPS&V Asset Management Consultants, Inc. Selected employees in the Police Command unit are allowed to self-direct their investments. However, this does not change the responsibilities of the plan administrator. Financial statements for each plan can be obtained from the Director of Finance and Purchasing, City of Portage, 7900 South Westnedge Avenue, Portage, Michigan 49002.

**Plan Description.** The plans cover all full-time employees, except the one still enrolled in the defined benefit plan. Plan members are not required to contribute. Plan provision and contribution requirements are established and may be amended by the City Council, under City Charter Section 6.17. The City is required to contribute either specific dollar amounts or specific percentages of full-time salary costs, depending on the employee group. During the fiscal year ended June 30, 2013, the City contributed \$1,658,386 to the various plans, representing an aggregate of approximately 16.17% of covered payroll. No contributions were made to the plans by their participants.

**13. OTHER POSTEMPLOYMENT BENEFITS**

The City uses the provision of Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City provides post employment health insurance benefits according to the requirements and terms of various employment contracts, personnel policies and/or collective bargaining agreements entered into over the years. The City maintains trusts for post retirement health funding for the following groups: Portage Police Command Officers Pre-Age 65 Coverage, Non-union Employees, and Department Heads. Based on the terms of collective bargaining agreements, contributions are being made by the City directly to the union-held and -managed OPEB funds of the Portage Police Officers Association (PPOA), the Portage Police Command Officers Association (PPCOA) Post-Age 65 Coverage, and for the Portage membership of the International Association of Firefighters (IAFF). The

administration and operation of the PPOA, PPCOA Post-Age 65 Coverage and IAFF OPEB retiree health benefit programs are completely independent of, and separate from, the City of Portage.

**Plan Description.** The Portage-held retiree health benefit plans are a single-employer plan administered by the City. The authority to establish and amend the benefit provisions rest with the City Council under City Charter Section 6.17. The plan is considered a part of the City of Portage's financial reporting entity, and is disclosed as a fiduciary trust fund in the City's financial reports. Separate financial statements are not issued for these trusts. The trust assets are invested in a mutual fund vehicle qualified for the purpose and managed by the Municipal Employees Retirement System of Michigan (MERS).

**Funding Policy.** There are no required contributions by plan participants. The Portage-held plan has 20 retiree participants who meet the eligibility requirements. Recommended contributions are actuarially determined. The amounts of the contributions made annually to the union-held and -managed OPEB plans for the PPOA, PPCOA and IAFF groups are based on collective bargaining agreements. The Portage-held plan is 100% funded on an actuarial basis, and more than fully funded on a net present value basis. Please refer to the schedule of funding progress in the Required Supplemental Information section of this document immediately following.

**Annual OPEB Cost and Net Obligation.**

	June 30, 2013
Annual required contribution	\$ 102,238
Interest on net OPEB obligation	(5,369)
Adjustment to annual required contribution	<u>(1,417,233)</u>
Annual OPEB cost	(1,320,364)
Contribution made	<u>102,238</u>
Decrease in net OPEB obligation	(1,422,602)
Net OPEB asset, beginning of year	<u>(237,076)</u>
Net OPEB asset, end of year	<u><u>(\$ 1,659,678)</u></u>

**Summary of Significant Accounting Policies**

**Basis of Accounting.** The Retiree Health Benefit Fund is maintained as a fiduciary trust fund using the accrual basis of accounting. Employer contributions are recognized in the period when the contribution is due, and the City has made a formal commitment to provide the contributions.

The City purchases commercial health insurance to provide the benefit that is provided for the retiree. The policy provides coverage of medical expenses and costs according to the specific agreements applicable to the employee group. Dependent coverage, if requested, is paid by the retiree. During fiscal 2012/2013 the City paid \$136,740 for a total of 22 participants in retiree health insurance premiums or benefit waivers.

**Methods Used to Value Investments.** Investments are reported at fair value. The schedule of funding progress for the other postemployment employee benefit plan immediately follows the notes to the financial statements. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial liability for benefits over time.

**Actuarial Assumptions.** Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of expected future events, and amounts derived are subject to constant revision as ongoing comparisons are made between past expectations and actual results to make new estimates about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of valuation and on the pattern of sharing of costs between plan members and employer to the point of valuation. Actuarial calculations of other post employment benefit plans reflect a long-term perspective.

The Annual Required Contribution (ARC) was determined as part of the June 30, 2013 actuarial valuation. A discount rate of 7% was used along with an assumption of a 7% rate of return on plan assets and an inflation rate of 0%. Pre- and post-retirement mortality assumptions are based on the 1983 Group Annuity Mortality Table (unisex). Net medical trend rates are assumed to be 7% grading uniformly over 15 years to a 4% ultimate rate. Withdrawal is 10% at age 20 graded down to zero at age 55. No disability is assumed. Assumed retirement ages are 60 for non-union and department heads with 15 years of service, and 55 for PPCOA with 20

years of service. The amortization period in all cases is an open 30 years, and the amortization method is level dollar. The plan uses the projected unit credit funding method. Under this method, benefits paid are based on past and anticipated future employment.

**Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2011	\$288,861	173%	\$(425,937)
06/30/2012	288,861	35%	(237,076)
06/30/2013	(1,320,364)	-%	(1,659,678)

**Funded Status and Funding Progress.** As of July 1, 2013, the most recent actuarial valuation date, the actuarial value of the assets was \$5,432,512, the actuarially accrued liability for benefits was \$4,001,800, the total funding excess of actuarial liability was \$1,430,712, the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 135.75%, the annual covered payroll was \$4,733,219 which resulted in a covered ratio of 30.23%. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**PLAN FINANCIAL REPORTS**

Stand alone financial reports have not been issued for the plans. GASB Statements 25 and 45 required supplementary information is presented after the footnotes section. Financial Statements for the individual plans are as follows:

**Statement of Plan Net Assets – June 30, 2013**

	Pension Trust Fund	Retiree Health Care Fund	Total
<b>Assets</b>			
Cash and investments	\$ -	\$ 7,519	\$ 7,519
Investments in fixed income securities	3,045,591	-	3,045,591
Investments, at fair value			
Mutual fund investments <sup>(1)</sup>	-	5,702,645	5,702,645
<b>Total assets</b>	<b>\$ 3,045,591</b>	<b>\$ 5,710,164</b>	<b>\$ 8,755,755</b>
<b>Liabilities</b>	-	-	-
<b>Net assets held in trust for pension and other employee benefits</b>	<b>\$ 3,045,591</b>	<b>\$ 5,710,164</b>	<b>\$ 8,755,755</b>

<sup>(1)</sup> Pension trusts are invested in mutual fund investment accounts organized to meet the rules of Michigan Public Act 55 of the Public Acts of 1982, as amended, and Public Act 252 of 1988 that are appropriate for investments by municipal governments.

**Statement of Changes in Plan Net Assets – Year Ended June 30, 2013**

	Pension Trust Fund	Retiree Health Care Fund	Total
<b>Additions</b>			
Employer contributions	\$ -	\$ 102,238	\$ 102,238
<b>Investment income</b>			
Net appreciation in fair value of investments	133,284	603,414	736,698
<b>Total additions</b>	<u>133,284</u>	<u>705,652</u>	<u>838,936</u>
<b>Deductions</b>			
Benefits to plan members	(264,239)	-	(264,239)
Administrative expenses	(13,228)	-	(13,228)
<b>Total deductions</b>	<u>(277,467)</u>	<u>-</u>	<u>(277,467)</u>
<b>Change in net assets</b>	<u>(144,183)</u>	<u>705,652</u>	<u>561,469</u>
<b>Net assets held in trust for pension and other employee benefits</b>			
Beginning of year	<u>3,189,774</u>	<u>5,004,512</u>	<u>8,194,286</u>
End of Year	<u><u>\$3,045,591</u></u>	<u><u>\$5,710,164</u></u>	<u><u>\$8,755,755</u></u>

**14. DEFERRED COMPENSATION PLAN**

The City provides an approved deferred compensation plan under Section 457 of the Internal Revenue Code that is administered by the ICMA Retirement Corporation. All City employees are eligible to participate. The Internal Revenue Code requires that the plan assets and income attributed to those assets be held in trust for the exclusive benefit of the participants and/or beneficiaries. All amounts of employees' compensation deferred under the plan are deposited with the plan trustee, ICMA Retirement Corporation, for management and investment. The plan trustee holds all assets of the plan, maintains accounting of each plan participant's accumulated assets and makes distributions to participants in accordance with the plan document.

**15. EXPENDITURES IN EXCESS OF APPROPRIATIONS**

There was no spending in excess of appropriations in any fund for the year ended June 30, 2013.

**16. FUND BALANCES**

The City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. GASB 54 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 resources reported in governmental funds. While the classifications of fund balance in the City's various funds were revised, the implementation of this standard had no effect on total fund balance. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Special Assessment Debt	Capital Improvement	Nonmajor governmental	Total
<b>Nonspendable:</b>					
Inventory	\$ 3,362	\$ -	\$ -	\$ -	\$ 3,362
Prepaid items	59,402	-	-	14,675	74,077
Permanent fund	-	-	-	1,014,762	1,014,762
Total nonspendable	<u>62,764</u>	<u>-</u>	<u>-</u>	<u>1,029,437</u>	<u>1,092,201</u>
<b>Restricted:</b>					
Streets	-	-	-	1,950,502	1,950,502
Capital improvements	-	-	3,623,380	-	3,623,380
Debt service	-	604,024	-	2,647,594	3,251,618
Block grant	-	-	-	6,085	6,085
Cultural activities	-	-	-	67,939	67,939
Cable television	-	-	-	279,658	279,658
ARRA grant	-	-	-	1,870	1,870
West Lake Management	-	-	-	34,913	34,913
Curbside recycling	-	-	-	90,480	90,480
Leaf pickup Spring clean	-	-	-	113,887	113,887
Total restricted	<u>-</u>	<u>604,024</u>	<u>3,623,380</u>	<u>5,192,928</u>	<u>9,420,332</u>
Unassigned	<u>8,713,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,713,184</u>
Total fund balances – governmental funds	<u>\$8,775,948</u>	<u>\$ 604,024</u>	<u>\$3,623,380</u>	<u>\$6,222,365</u>	<u>\$19,225,717</u>

**17. SUBSEQUENT EVENTS**

On August 1, 2013, the City issued Capital Improvement Bonds in the amount of \$3,130,000. The series included \$2,215,000 in serial bonds maturing each October 1 from 2015 to 2024 with interest rates from 2.00% to 3.00%, and \$915,000 in term bonds due October 1 of 2026, 2028, and 2034 with interest rates from 3.75% to 4.50%. The bond proceeds will be used to purchase equipment and vehicles, and to fund street, sewer, park and building improvements.

**18. INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT**

Net Investment in Capital Assets

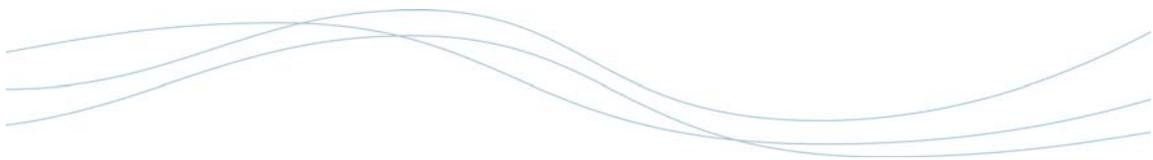
	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 14,082,648	\$ 334,490
Capital assets being depreciated, net	<u>53,182,191</u>	<u>93,233,094</u>
	<u>67,264,839</u>	<u>93,567,584</u>
Related debt:		
Total bonds payable	<u>56,001,989</u>	<u>29,548,011</u>
Net investment in capital assets	<u>\$ 11,262,850</u>	<u>\$ 64,019,573</u>

The component unit has no capital assets.

**19. NET POSITION / FUND BALANCE DEFICIT**

No position statements nor funds had a deficit net position or fund balance at June 30, 2013.

## REQUIRED SUPPLEMENTARY INFORMATION



## Defined Benefit Retirement Plan

### Schedule of Funding Progress

The amount shown below as actuarial accrued liability is computed using the Projected Unit Credit method of funding under the entry age normal cost method. The six most recent years of funding progress are as follows:

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a) / (b)	Excess of Assets Over AAL (d) (a) – (b)	Annual Covered Payroll (e)	Excess as a Percentage of Covered Payroll (d) / (e)
2008	\$3,344,865	\$2,650,018	126.22%	\$694,847	\$144,747	480.04%
2009	3,037,408	2,611,912	116.29%	425,496	92,659	459.21%
2010	3,347,059	2,555,419	130.98%	791,640	39,234	2017.74%
2011	3,262,548	2,512,906	129.83%	749,642	38,793	1932.42%
2012	3,189,774	2,485,102	128.36%	704,672	38,805	1815.93%
2013	3,045,591	2,369,046	128.56%	676,545	41,130	1644.89%

Analysis of dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of a plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due.

### Schedule of Employer Contributions

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2008	\$0	100%
2009	0	100%
2010	0	100%
2011	0	100%
2012	0	100%
2013	0	100%

**Postemployment Benefits Other Than Pensions:  
City of Portage Retiree Healthcare Funding Plan**

**Schedule of Funding Progress**

The amount shown below as actuarial accrued liability is computed using the Projected Unit Credit method of funding under the entry age normal cost method. The year ended June 30, 2008, is the year of implementation for the Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* under which a history of the proceeding three years of funding will be disclosed on an annual basis. The status of funding is shown as follows:

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a) / (b)	Excess of Assets Over AAL (d) (a) – (b)	Annual Covered Payroll (e)	Excess as a Percentage of Covered Payroll (d) / (e)
2009	\$2,780,444	\$4,184,689	66.44%	(\$1,404,245)	\$5,394,241	-26.03%
2011	\$4,439,887	\$4,138,629	107.28%	\$301,258	\$5,082,790	5.93%
2013	\$5,432,512	\$4,001,800	135.75%	\$1,430,712	\$4,733,219	30.23%

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, only requires an actuarial valuation to be performed every other year. As a result, the actuarial valuation of assets and AAL data is not available for fiscal years ended June 30, 2008, June 30, 2010, and June 30, 2012.

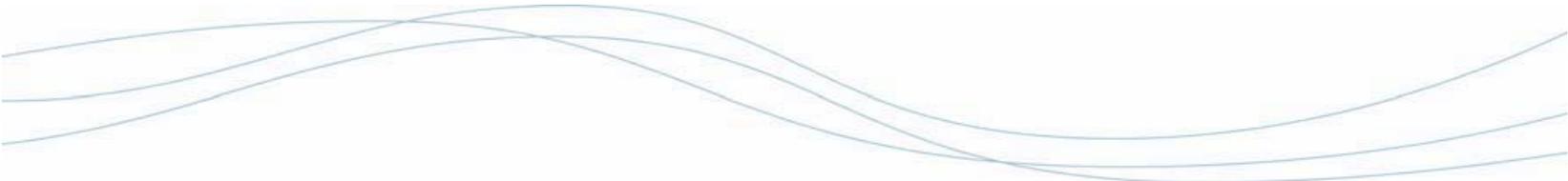
Analysis of dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of a plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. A conservative estimate of annual covered payroll was used for this presentation.

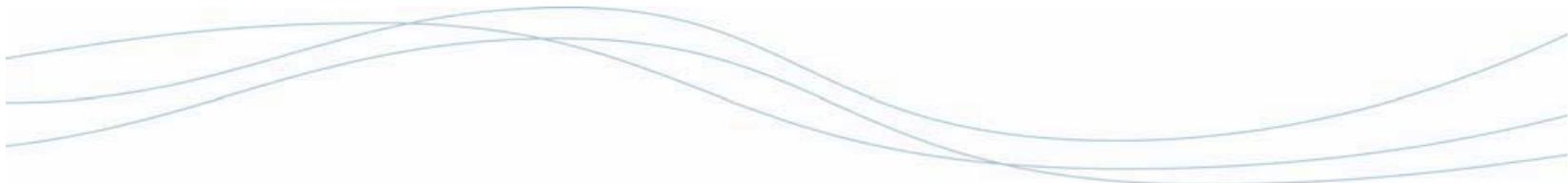
**Schedule of Employer Contributions**

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$285,202	100%
2011	288,861	173%
2012	63,898	156%
2013	102,239	100%

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## NONMAJOR GOVERNMENTAL FUNDS



**CITY OF PORTAGE, MICHIGAN**

**Combining Balance Sheet  
Nonmajor Governmental Funds**

**June 30, 2013**

	Special Revenue Funds	Debt Service Funds	Permanent Funds		Total
			Cemetery Perpetual Care	C.D.B.G. Program Income Fund	
<b>ASSETS</b>					
Cash and investments	\$ 2,393,546	\$ 2,647,782	\$ 1,014,762	\$ 6,115	\$ 6,062,205
Accounts receivable	221,796	-	-	970,756	1,192,552
Due from other governments	629,112	-	-	-	629,112
Prepaid costs	14,675	-	-	-	14,675
Total assets	<u>3,259,129</u>	<u>2,647,782</u>	<u>1,014,762</u>	<u>976,871</u>	<u>7,898,544</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 580,502	\$ 188	\$ -	\$ 30	\$ 580,720
Checks issued against future deposits	61,748	-	-	-	61,748
Accrued compensation	18,005	-	-	-	18,005
Unearned revenue	-	-	-	970,756	970,756
Deferred revenue	19,950	-	-	-	19,950
Deposits payable	25,000	-	-	-	25,000
Total liabilities	<u>705,205</u>	<u>188</u>	<u>-</u>	<u>970,786</u>	<u>1,676,179</u>
<b>FUND BALANCES</b>					
Nonspendable	14,675	-	1,014,762	-	1,029,437
Restricted	2,539,249	2,647,594	-	6,085	5,192,928
Total fund balances	<u>2,553,924</u>	<u>2,647,594</u>	<u>1,014,762</u>	<u>6,085</u>	<u>6,222,365</u>
Total liabilities and fund balances	<u>\$ 3,259,129</u>	<u>\$ 2,647,782</u>	<u>\$ 1,014,762</u>	<u>\$ 976,871</u>	<u>\$ 7,898,544</u>

**CITY OF PORTAGE, MICHIGAN**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds**

**Fiscal Year Ended June 30, 2013**

	Special Revenue Funds	Debt Service Funds	Permanent Funds		Total
			Cemetery Perpetual Care	C.D.B.G. Program Income Fund	
<b>REVENUES</b>					
Taxes and special assessments	\$ 2,544,091	\$ 739,784	\$ -	\$ -	\$ 3,283,875
Licenses and permits	784,466	-	-	-	784,466
Federal grants	196,257	-	-	-	196,257
State grants	3,679,535	-	-	-	3,679,535
Charges for services	46,554	-	35,715	22,713	104,982
Interest and rents	9,225	218,330	3,724	-	231,279
Net decrease in fair value of investments	(27,705)	(31,261)	-	-	(58,966)
Other	73,770	53,250	-	707	127,727
Total revenues	<u>7,306,193</u>	<u>980,103</u>	<u>39,439</u>	<u>23,420</u>	<u>8,349,155</u>
<b>EXPENDITURES</b>					
Current:					
General government	25,605	-	-	-	25,605
Public safety	48,857	-	-	-	48,857
Health and welfare	1,496,673	-	-	32,289	1,528,962
Recreation and cultural	760,741	-	-	-	760,741
Highways and streets	3,280,034	-	-	-	3,280,034
Debt service:					
Principal	-	4,029,649	-	-	4,029,649
Interest and fiscal charges	-	1,942,918	-	-	1,942,918
Total expenditures	<u>5,611,910</u>	<u>5,972,567</u>	<u>-</u>	<u>32,289</u>	<u>11,616,766</u>
Excess (deficiency) of revenues over expenditures	<u>1,694,283</u>	<u>(4,992,464)</u>	<u>39,439</u>	<u>(8,869)</u>	<u>(3,267,611)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of refunding bonds	-	3,301,905	-	-	3,301,905
Payment to refunded bond escrow agent	-	(3,276,550)	-	-	(3,276,550)
Discount on debt issuance	-	(25,355)	-	-	(25,355)
Transfers in	1,062,767	4,979,709	-	8,869	6,051,345
Transfers out	(2,305,498)	-	(3,724)	-	(2,309,222)
Total other financing sources (uses)	<u>(1,242,731)</u>	<u>4,979,709</u>	<u>(3,724)</u>	<u>8,869</u>	<u>3,742,123</u>
Net change in fund balances	451,552	(12,755)	35,715	-	474,512
Fund balances - beginning	<u>2,102,372</u>	<u>2,660,349</u>	<u>979,047</u>	<u>6,085</u>	<u>5,747,853</u>
Fund balances - ending	<u>\$ 2,553,924</u>	<u>\$ 2,647,594</u>	<u>\$ 1,014,762</u>	<u>\$ 6,085</u>	<u>\$ 6,222,365</u>

**CITY OF PORTAGE, MICHIGAN**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds**

**June 30, 2013**

	Major Streets Fund	Local Streets Fund	Municipal Streets Fund	Cultural Activities Fund	Cable Television Fund	Community Development Block Grant Fund	MiSHDA Grant Fund	ARRA Grant Fund	West Lake Management Program	Curbside Recycling Fund	Leaf Pickup Spring Clean Fund	Total
<b>ASSETS</b>												
Cash and investments	\$ 986,736	\$ 566,767	\$ 158,232	\$ 80,262	\$ 289,812	\$ -	\$ -	\$ 3,215	\$ 46,713	\$ 136,012	\$ 125,797	\$ 2,393,546
Accounts receivable	1,000	-	-	-	200,846	-	-	-	19,950	-	-	221,796
Due from other governments	434,359	133,005	-	-	-	29,645	32,103	-	-	-	-	629,112
Prepaid costs	6,303	4,696	-	3,188	-	-	-	-	-	244	244	14,675
Total assets	<u>1,428,398</u>	<u>704,468</u>	<u>158,232</u>	<u>83,450</u>	<u>490,658</u>	<u>29,645</u>	<u>32,103</u>	<u>3,215</u>	<u>66,663</u>	<u>136,256</u>	<u>126,041</u>	<u>3,259,129</u>
<b>LIABILITIES</b>												
Accounts payable	\$ 137,114	\$ 178,362	\$ -	\$ 11,178	\$ 184,556	\$ -	\$ -	\$ 1,345	\$ 11,800	\$ 44,967	\$ 11,180	\$ 580,502
Checks issued against future deposits	-	-	-	-	-	29,645	32,103	-	-	-	-	61,748
Accrued compensation	7,481	6,640	-	1,145	1,444	-	-	-	-	565	730	18,005
Deferred revenue	-	-	-	-	-	-	-	-	19,950	-	-	19,950
Deposits payable	-	-	-	-	25,000	-	-	-	-	-	-	25,000
Total liabilities	<u>144,595</u>	<u>185,002</u>	<u>-</u>	<u>12,323</u>	<u>211,000</u>	<u>29,645</u>	<u>32,103</u>	<u>1,345</u>	<u>31,750</u>	<u>45,532</u>	<u>11,910</u>	<u>705,205</u>
<b>FUND BALANCES</b>												
Nonspendable	6,303	4,696	-	3,188	-	-	-	-	-	244	244	14,675
Restricted	1,277,500	514,770	158,232	67,939	279,658	-	-	1,870	34,913	90,480	113,887	2,539,249
Total fund balances	<u>1,283,803</u>	<u>519,466</u>	<u>158,232</u>	<u>71,127</u>	<u>279,658</u>	<u>-</u>	<u>-</u>	<u>1,870</u>	<u>34,913</u>	<u>90,724</u>	<u>114,131</u>	<u>2,553,924</u>
Total liabilities and fund balances	<u>\$ 1,428,398</u>	<u>\$ 704,468</u>	<u>\$ 158,232</u>	<u>\$ 83,450</u>	<u>\$ 490,658</u>	<u>\$ 29,645</u>	<u>\$ 32,103</u>	<u>\$ 3,215</u>	<u>\$ 66,663</u>	<u>\$ 136,256</u>	<u>\$ 126,041</u>	<u>\$ 3,259,129</u>

**CITY OF PORTAGE, MICHIGAN**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Fiscal Year Ended June 30, 2013**

	Major Streets Fund	Local Streets Fund	Municipal Streets Fund	Cultural Activities Fund	Cable Television Fund	Community Development Block Grant Fund	MiSHDA Grant Fund	ARRA Grant Fund	West Lake Management Fund	Curbside Recycling Fund	Leaf Pickup Spring Clean Fund	Total
<b>REVENUES:</b>												
Taxes and special assessments	\$ -	\$ -	\$ 1,076,435	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,125	\$ 663,794	\$ 792,737	\$ 2,544,091
Licenses and permits	-	-	-	-	784,466	-	-	-	-	-	-	784,466
Federal grants	-	-	-	-	-	196,257	-	-	-	-	-	196,257
State grants	2,789,864	864,894	-	-	-	-	24,777	-	-	-	-	3,679,535
Charges for services	-	-	-	46,554	-	-	-	-	-	-	-	46,554
Interest on investments	2,565	814	1,812	201	701	-	-	188	1,358	1,586	-	9,225
Net decrease in fair value of inves	(11,535)	(6,606)	(1,868)	(937)	(3,126)	-	-	-	(551)	(1,601)	(1,481)	(27,705)
Other	-	110	-	73,660	-	-	-	-	-	-	-	73,770
Total revenues	<u>2,780,894</u>	<u>859,212</u>	<u>1,076,379</u>	<u>119,478</u>	<u>782,041</u>	<u>196,257</u>	<u>24,777</u>	<u>-</u>	<u>10,762</u>	<u>663,551</u>	<u>792,842</u>	<u>7,306,193</u>
<b>EXPENDITURES:</b>												
General government	-	-	-	-	-	19,146	-	6,459	-	-	-	25,605
Public safety	-	-	-	-	-	48,857	-	-	-	-	-	48,857
Health and welfare	-	-	-	-	-	119,385	24,777	-	-	635,671	716,840	1,496,673
Recreation and cultural	-	-	-	110,732	628,839	-	-	-	21,170	-	-	760,741
Highways and streets	1,829,449	1,379,185	71,400	-	-	-	-	-	-	-	-	3,280,034
Total expenditures	<u>1,829,449</u>	<u>1,379,185</u>	<u>71,400</u>	<u>110,732</u>	<u>628,839</u>	<u>187,388</u>	<u>24,777</u>	<u>6,459</u>	<u>21,170</u>	<u>635,671</u>	<u>716,840</u>	<u>5,611,910</u>
Excess (deficiency) of revenues over (under) expenditures	<u>951,445</u>	<u>(519,973)</u>	<u>1,004,979</u>	<u>8,746</u>	<u>153,202</u>	<u>8,869</u>	<u>-</u>	<u>(6,459)</u>	<u>(10,408)</u>	<u>27,880</u>	<u>76,002</u>	<u>1,694,283</u>
<b>OTHER FINANCING SOURCES (USES):</b>												
Transfers in	497,767	565,000	-	-	-	-	-	-	-	-	-	1,062,767
Transfers out	(1,132,267)	(22,500)	(972,000)	-	(150,000)	(8,869)	-	-	-	-	(19,862)	(2,305,498)
Total other financing sources and (uses)	<u>(634,500)</u>	<u>542,500</u>	<u>(972,000)</u>	<u>-</u>	<u>(150,000)</u>	<u>(8,869)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,862)</u>	<u>(1,242,731)</u>
Net change in fund balances	316,945	22,527	32,979	8,746	3,202	-	-	(6,459)	(10,408)	27,880	56,140	451,552
Fund balances - beginning	966,858	496,939	125,253	62,381	276,456	-	-	8,329	45,321	62,844	57,991	2,102,372
Fund balances - ending	<u>\$ 1,283,803</u>	<u>\$ 519,466</u>	<u>\$ 158,232</u>	<u>\$ 71,127</u>	<u>\$ 279,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,870</u>	<u>\$ 34,913</u>	<u>\$ 90,724</u>	<u>\$ 114,131</u>	<u>\$ 2,553,924</u>

# CITY OF PORTAGE, MICHIGAN

## Major Streets Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012**

	Amended Budget	Actual	Variance with Amended Budget + / (-)	2012 Actual
<b>REVENUES</b>				
Intergovernmental-				
State grants	\$ 2,569,000	\$ 2,789,864	\$ 220,864	\$ 2,746,859
Interest on investments	2,500	2,565	65	1,332
Net decrease in fair value of investments	-	(11,535)	(11,535)	-
Total revenues	<u>2,571,500</u>	<u>2,780,894</u>	<u>209,394</u>	<u>2,748,191</u>
<b>EXPENDITURES</b>				
Highways and streets:				
Routine maintenance	977,182	710,563	266,619	647,704
Traffic services	667,975	584,406	83,569	473,139
Winter maintenance	405,749	386,893	18,856	450,980
Administration	164,590	147,587	17,003	134,792
Total expenditures	<u>2,215,496</u>	<u>1,829,449</u>	<u>386,047</u>	<u>1,706,615</u>
Excess of revenues over expenditures	<u>356,004</u>	<u>951,445</u>	<u>595,441</u>	<u>1,041,576</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General Fund	497,767	497,767	-	330,000
Transfers out:				
Sewer Fund	(22,500)	(22,500)	-	(22,000)
Capital Improvement Funds	(1,109,767)	(1,109,767)	-	(1,200,000)
Net other financing uses	<u>(634,500)</u>	<u>(634,500)</u>	<u>-</u>	<u>(892,000)</u>
Net change in fund balance	(278,496)	316,945	595,441	149,576
Fund balance - beginning	966,858	966,858	-	817,282
Fund balance - ending	<u>\$ 688,362</u>	<u>\$ 1,283,803</u>	<u>\$ 595,441</u>	<u>\$ 966,858</u>

# CITY OF PORTAGE, MICHIGAN

## Local Streets Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012**

	Amended Budget	Actual	Variance with Amended Budget + / (-)	2012 Actual
<b>REVENUES</b>				
Intergovernmental-				
State grants	\$ 739,775	\$ 864,894	\$ 125,119	\$ 790,461
Interest on investments	2,000	814	(1,186)	966
Net decrease in fair value of investments	-	(6,606)	(6,606)	-
Other revenue	-	110	110	140
Total revenues	741,775	859,212	117,437	791,567
<b>EXPENDITURES</b>				
Highways and streets:				
Routine maintenance	944,511	809,185	135,326	374,924
Traffic services	53,360	52,679	681	35,120
Winter maintenance	403,961	385,568	18,393	450,090
Administration	150,873	131,753	19,120	102,309
Total expenditures	1,552,705	1,379,185	173,520	962,443
Deficiency of revenues over expenditures	(810,930)	(519,973)	290,957	(170,876)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Fund	565,000	565,000	-	240,000
Transfers out:				
Sewer Operating Fund	(22,500)	(22,500)	-	(22,000)
Net other financing sources	542,500	542,500	-	218,000
Net change in fund balance	(268,430)	22,527	290,957	47,124
Fund balance - beginning	496,939	496,939	-	449,815
Fund balance - ending	\$ 228,509	\$ 519,466	\$ 290,957	\$ 496,939

# CITY OF PORTAGE, MICHIGAN

## Municipal Streets Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012

	2013		Variance with Amended Budget + / (-)	2012 Actual
	Amended Budget	Actual		
<b>REVENUES:</b>				
Taxes and special assessments	\$ 1,070,100	\$ 1,076,435	\$ 6,335	\$ 1,215,423
Interest on investments	2,500	1,812	(688)	1,230
Net decrease in fair value of investments	-	(1,868)	(1,868)	-
Total revenues	1,072,600	1,076,379	3,779	1,216,653
<b>EXPENDITURES:</b>				
Highways and Streets				
Operations	71,400	71,400	-	71,400
Total expenditures	71,400	71,400	-	71,400
Excess of revenues over expenditures	1,001,200	1,004,979	3,779	1,145,253
<b>OTHER FINANCING USE:</b>				
Transfer out:				
Capital Improvement Fund	(972,000)	(972,000)	-	(1,020,000)
Total other financing uses	(972,000)	(972,000)	-	(1,020,000)
Net change in fund balance	29,200	32,979	3,779	125,253
Fund balance - beginning	125,253	125,253	-	-
Fund balance - ending	\$ 154,453	\$ 158,232	\$ 3,779	\$ 125,253

# CITY OF PORTAGE, MICHIGAN

## Cultural Activities Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012

	2013			2012 Actual
	Amended Budget	Actual	Variance with Amended Budget + / (-)	
REVENUES:				
Charges for services	\$ 36,700	\$ 46,554	\$ 9,854	\$ 40,468
Interest on investments	100	201	101	143
Net decrease in fair value of investments	-	(937)	(937)	-
Other	64,000	73,660	9,660	58,950
Total revenues	100,800	119,478	18,678	99,561
EXPENDITURES:				
Cultural Activities	123,337	110,732	12,605	96,721
Total expenditures	123,337	110,732	12,605	96,721
Excess (deficiency) of revenues over (under) expenditures	(22,537)	8,746	31,283	2,840
Net change in fund balance	(22,537)	8,746	31,283	2,840
Fund balance - beginning	62,381	62,381	-	59,541
Fund balance - ending	\$ 39,844	\$ 71,127	\$ 31,283	\$ 62,381

# CITY OF PORTAGE, MICHIGAN

## Cable Television Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012**

	2013		Variance with Amended Budget + / (-)	2012 Actual
	Amended Budget	Actual		
<b>REVENUES:</b>				
Licenses and permits				
Annual fees	\$ 755,000	\$ 784,466	\$ 29,466	\$ 747,074
Interest on investments	900	701	(199)	539
Net decrease in fair value of investments	-	(3,126)	(3,126)	-
Other revenue	-	-	-	18,875
Total revenues	<u>755,900</u>	<u>782,041</u>	<u>26,141</u>	<u>766,488</u>
<b>EXPENDITURES:</b>				
Recreation and cultural:				
Operations	761,715	628,839	132,876	568,822
Total expenditures	<u>761,715</u>	<u>628,839</u>	<u>132,876</u>	<u>568,822</u>
Excess of revenues over expenditures	(5,815)	153,202	159,017	197,666
<b>OTHER FINANCING USES:</b>				
Transfers out:				
General Fund	(120,000)	(120,000)	-	(160,000)
Capital Improvement	(30,000)	(30,000)	-	(40,000)
Total other financing uses	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>	<u>(200,000)</u>
Net change in fund balance	(155,815)	3,202	159,017	(2,334)
Fund balance - beginning	<u>276,456</u>	<u>276,456</u>	<u>-</u>	<u>278,790</u>
Fund balance - ending	<u>\$ 120,641</u>	<u>\$ 279,658</u>	<u>\$ 159,017</u>	<u>\$ 276,456</u>

**CITY OF PORTAGE, MICHIGAN**

**Community Development Block Grant Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual**

**Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012**

	2013		Variance with Amended Budget + / (-)	2012 Actual
	Amended Budget	Actual		
<b>REVENUES:</b>				
Intergovernmental				
Federal grants	\$ 325,353	\$ 196,257	\$ (129,096)	\$ 219,783
Total revenues	<u>325,353</u>	<u>196,257</u>	<u>(129,096)</u>	<u>219,783</u>
<b>EXPENDITURES:</b>				
General government				
Administration	21,346	19,146	2,200	35,340
Public safety				
Code enforcement	52,993	48,857	4,136	59,065
Health and welfare				
Housing rehabilitation	175,014	83,385	91,629	100,145
Portage Community Outreach Center	36,000	36,000	-	-
Total expenditures	<u>285,353</u>	<u>187,388</u>	<u>97,965</u>	<u>194,550</u>
Excess (deficiency) of revenues over expenditures	<u>40,000</u>	<u>8,869</u>	<u>31,131</u>	<u>25,233</u>
<b>OTHER FINANCING SOURCE:</b>				
Transfers out:				
CDBG Program Income Fund	(40,000)	(8,869)	(31,131)	(25,233)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF PORTAGE, MICHIGAN**

**Michigan State Housing Development Authority Grant Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual**

**Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012**

	2013		Variance with Amended Budget + / (-)	2012 Actual
	Amended Budget	Actual		
<b>REVENUES:</b>				
Intergovernmental				
State grants	\$ 63,467	\$ 24,777	\$ (38,690)	\$ 20,651
Total revenues	<u>63,467</u>	<u>24,777</u>	<u>(38,690)</u>	<u>20,651</u>
<b>EXPENDITURES:</b>				
Health and welfare				
Housing rehabilitation	63,467	24,777	38,690	20,651
Total expenditures	<u>63,467</u>	<u>24,777</u>	<u>38,690</u>	<u>20,651</u>
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF PORTAGE, MICHIGAN**

**American Relief and Recovery Act Grant Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual**

**Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012**

	2013		Variance with Amended Budget + / (-)	2012 Actual
	Amended Budget	Actual		
REVENUES:				
Intergovernmental				
Federal grant	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
General government				
Buildings	22,257	6,459	15,798	12,385
Total expenditures	<u>22,257</u>	<u>6,459</u>	<u>15,798</u>	<u>12,385</u>
Deficiency of revenues over expenditures	<u>(22,257)</u>	<u>(6,459)</u>	<u>15,798</u>	<u>(12,385)</u>
Net change in fund balance	(22,257)	(6,459)	15,798	(12,385)
Fund balance - beginning	<u>8,329</u>	<u>8,329</u>	<u>-</u>	<u>20,714</u>
Fund balance (deficit) - ending	<u><u>\$ (13,928)</u></u>	<u><u>\$ 1,870</u></u>	<u><u>\$ 15,798</u></u>	<u><u>\$ 8,329</u></u>

**CITY OF PORTAGE, MICHIGAN**

**West Lake Management Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual**

**Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012**

	2013		Variance with Amended Budget + / (-)	2012 Actual
	Amended Budget	Actual		
<b>REVENUES:</b>				
Taxes and special assessments	\$ 11,800	\$ 11,125	\$ (675)	\$ 13,417
Interest on investments	-	188	188	178
Net decrease in fair value of investments	-	(551)	(551)	-
Total revenues	<u>11,800</u>	<u>10,762</u>	<u>(1,038)</u>	<u>13,595</u>
<b>EXPENDITURES:</b>				
Recreation and Cultural				
Weed control	43,550	21,170	22,380	28,450
Total expenditures	<u>43,550</u>	<u>21,170</u>	<u>22,380</u>	<u>28,450</u>
Deficiency of revenues over expenditures	<u>(31,750)</u>	<u>(10,408)</u>	<u>21,342</u>	<u>(14,855)</u>
Net change in fund balance	(31,750)	(10,408)	21,342	(14,855)
Fund balance - beginning	<u>45,321</u>	<u>45,321</u>	-	<u>60,176</u>
Fund balance - ending	<u>\$ 13,571</u>	<u>\$ 34,913</u>	<u>\$ 21,342</u>	<u>\$ 45,321</u>

# CITY OF PORTAGE, MICHIGAN

## Curbside Recycling Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012**

	2013		Variance with Amended Budget + / (-)	2012 Actual
	Amended Budget	Actual		
<b>REVENUES:</b>				
Taxes and special assessments	\$ 660,200	\$ 663,794	\$ 3,594	\$ 694,541
Interest on investments	1,400	1,358	(42)	775
Net decrease in fair value of investments	-	(1,601)	(1,601)	-
Total revenues	<u>661,600</u>	<u>663,551</u>	<u>1,951</u>	<u>695,316</u>
<b>EXPENDITURES:</b>				
Health and welfare				
Operations	660,861	635,671	25,190	659,989
Total expenditures	<u>660,861</u>	<u>635,671</u>	<u>25,190</u>	<u>659,989</u>
Excess (deficiency) of revenues over expenditures	<u>739</u>	<u>27,880</u>	<u>27,141</u>	<u>35,327</u>
Net change in fund balance	739	27,880	27,141	35,327
Fund balance - beginning	<u>62,844</u>	<u>62,844</u>	-	<u>27,517</u>
Fund balance - ending	<u><u>\$ 63,583</u></u>	<u><u>\$ 90,724</u></u>	<u><u>\$ 27,141</u></u>	<u><u>\$ 62,844</u></u>

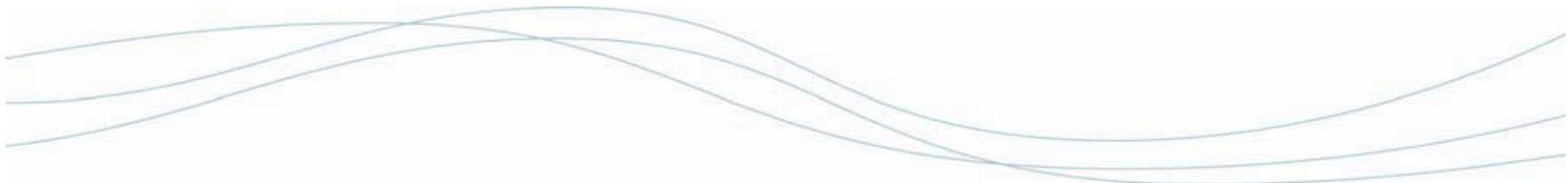
## CITY OF PORTAGE, MICHIGAN

### Leaf Pickup / Spring Cleanup Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012

	2013		Variance with Amended Budget + / (-)	2012 Actual
	Amended Budget	Actual		
<b>REVENUES:</b>				
Taxes and special assessments	\$ 788,500	\$ 792,737	\$ 4,237	\$ 771,128
Interest on investments	2,000	1,586	(414)	832
Net decrease in fair value of investments	-	(1,481)	(1,481)	-
Other revenue	-	-	-	255
Total revenues	<u>790,500</u>	<u>792,842</u>	<u>2,342</u>	<u>772,215</u>
<b>EXPENDITURES:</b>				
Health and welfare				
Operations	<u>782,067</u>	<u>716,840</u>	<u>65,227</u>	<u>808,229</u>
Total expenditures	<u>782,067</u>	<u>716,840</u>	<u>65,227</u>	<u>808,229</u>
Deficiency of revenues over expenditures	<u>8,433</u>	<u>76,002</u>	<u>67,569</u>	<u>(36,014)</u>
<b>OTHER FINANCING USE:</b>				
Transfer out:				
Debt Service Fund	<u>(19,862)</u>	<u>(19,862)</u>	<u>-</u>	<u>(20,356)</u>
Total other financing uses	<u>(19,862)</u>	<u>(19,862)</u>	<u>-</u>	<u>(20,356)</u>
Net change in fund balance	(11,429)	56,140	67,569	(56,370)
Fund balance - beginning	<u>57,991</u>	<u>57,991</u>	<u>-</u>	<u>114,361</u>
Fund balance - ending	<u>\$ 46,562</u>	<u>\$ 114,131</u>	<u>\$ 67,569</u>	<u>\$ 57,991</u>

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**CITY OF PORTAGE, MICHIGAN**

**Combining Balance Sheet  
Nonmajor Debt Service Funds**

**June 30, 2013**

	General Obligation Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund	Building Authority Debt Service Fund	Local Development Finance Authority Debt Service Fund	Total
<b>ASSETS</b>						
Cash and investments	\$ 144,297	\$ 117	\$ 243,886	\$ 309,827	\$ 1,949,655	\$ 2,647,782
Total assets	<u>144,297</u>	<u>117</u>	<u>243,886</u>	<u>309,827</u>	<u>1,949,655</u>	<u>2,647,782</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 188	\$ -	\$ -	\$ -	\$ -	\$ 188
Checks issued against						
Total liabilities	<u>188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188</u>
<b>FUND BALANCES</b>						
Restricted for debt service	144,109	117	243,886	309,827	1,949,655	2,647,594
Total fund balances	<u>144,109</u>	<u>117</u>	<u>243,886</u>	<u>309,827</u>	<u>1,949,655</u>	<u>2,647,594</u>
Total liabilities and fund balances	<u>\$ 144,297</u>	<u>\$ 117</u>	<u>\$ 243,886</u>	<u>\$ 309,827</u>	<u>\$ 1,949,655</u>	<u>\$ 2,647,782</u>

## CITY OF PORTAGE, MICHIGAN

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds

Fiscal Year Ended June 30, 2013

	General Obligation Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund	Building Authority Debt Service Fund	Local Development Finance Authority Debt Service Fund	Total
<b>REVENUES:</b>						
Taxes and special assessments	\$ -	\$ -	\$ 259,973	\$ -	\$ 479,811	\$ 739,784
Interest on investments	598	66	1,094	356	7,588	9,702
Net decrease in fair value of investments	(1,704)	(9)	(2,878)	(3,658)	(23,012)	(31,261)
Rental revenue	-	-	-	208,628	-	208,628
Other revenue	-	-	53,250	-	-	53,250
Total revenues	<u>(1,106)</u>	<u>57</u>	<u>311,439</u>	<u>205,326</u>	<u>464,387</u>	<u>980,103</u>
<b>EXPENDITURES:</b>						
Debt Service:						
Principal retirement	2,417,594	700,000	235,000	452,055	225,000	4,029,649
Interest and fiscal charges	1,031,915	247,081	169,750	193,710	300,462	1,942,918
Total expenditures	<u>3,449,509</u>	<u>947,081</u>	<u>404,750</u>	<u>645,765</u>	<u>525,462</u>	<u>5,972,567</u>
Excess (deficiency) of revenues over expenditures	<u>(3,450,615)</u>	<u>(947,024)</u>	<u>(93,311)</u>	<u>(440,439)</u>	<u>(61,075)</u>	<u>(4,992,464)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt obligations	-	-	-	-	-	-
Issuance of refunding bonds	3,301,905	-	-	-	-	3,301,905
Payment to refunded bond escrow agent	(3,276,550)	-	-	-	-	(3,276,550)
Discount on debt issuance	(25,355)	-	-	-	-	(25,355)
Transfers in:						
Capital Improvement Fund	3,504,767	947,000	-	439,000	-	4,890,767
Leaf Pickup / Spring Cleanup Fund	19,862	-	-	-	-	19,862
Water Fund	69,080	-	-	-	-	69,080
Total other financing sources	<u>3,593,709</u>	<u>947,000</u>	<u>-</u>	<u>439,000</u>	<u>-</u>	<u>4,979,709</u>
Net change in fund balance	143,094	(24)	(93,311)	(1,439)	(61,075)	(12,755)
Fund balances - beginning	1,015	141	337,197	311,266	2,010,730	2,660,349
Fund balances - ending	<u>\$ 144,109</u>	<u>\$ 117</u>	<u>\$ 243,886</u>	<u>\$ 309,827</u>	<u>\$ 1,949,655</u>	<u>\$ 2,647,594</u>

**CITY OF PORTAGE, MICHIGAN**

**Cemetery Permanent Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual**

**Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012**

	2013		Variance with Amended Budget + / (-)	2012 Actual
	Amended Budget	Actual		
REVENUES:				
Charges for services	\$ 40,000	\$ 35,715	\$ (4,285)	\$ 36,050
Interest on investments	4,000	3,724	(276)	2,808
Total revenues	<u>44,000</u>	<u>39,439</u>	<u>(4,561)</u>	<u>38,858</u>
OTHER FINANCING USE:				
Transfers out:				
General Fund	(4,000)	(3,724)	(276)	(2,808)
Total other financing uses	<u>(4,000)</u>	<u>(3,724)</u>	<u>(276)</u>	<u>(2,808)</u>
Net change in fund balance	40,000	35,715	(4,285)	36,050
Fund balance - beginning	<u>979,047</u>	<u>979,047</u>	-	<u>942,997</u>
Fund balance - ending	<u>\$ 1,019,047</u>	<u>\$ 1,014,762</u>	<u>\$ (4,285)</u>	<u>\$ 979,047</u>

## CITY OF PORTAGE, MICHIGAN

### Community Development Block Grant Program Income Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

**Fiscal Year Ended June 30, 2013  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2012**

	2013		Variance with Amended Budget + / (-)	2012 Actual
	Amended Budget	Actual		
REVENUES:				
Loan principal	\$ 30,000	\$ 22,713	\$ (7,287)	\$ 27,968
Loan interest	-	707	707	1,224
Total revenues	30,000	23,420	(6,580)	29,192
EXPENDITURES:				
Housing rehabilitation loans	110,000	32,289	77,711	56,041
Total expenditures	110,000	32,289	77,711	56,041
Excess (deficiency) of revenues over expenditures	(80,000)	(8,869)	71,131	(26,849)
OTHER FINANCING USE:				
Transfers in:				
CDBG Fund	40,000	8,869	(31,131)	25,233
Net other financing uses	40,000	8,869	(31,131)	25,233
Net change in fund balance	(40,000)	-	40,000	(1,616)
Fund balance - beginning	6,085	6,085	-	7,701
Fund balance (deficit) - ending	\$ (33,915)	\$ 6,085	\$ 40,000	\$ 6,085

**CITY OF PORTAGE, MICHIGAN**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2013**

	Equipment Fund	Insurance Fund	Accrued Leave Liability Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 330,620	\$ 385,298	\$ 296,805	\$ 1,012,723
Inventory	106,277	-	-	106,277
Prepaid costs	20,865	-	-	20,865
Total current assets	<u>457,762</u>	<u>385,298</u>	<u>296,805</u>	<u>1,139,865</u>
Capital assets:				
Land	22,489	-	-	22,489
Land improvements	121,937	-	-	121,937
Buildings	1,677,278	-	-	1,677,278
Machinery and equipment	818,593	-	-	818,593
Vehicles	3,899,194	-	-	3,899,194
Less accumulated depreciation	(4,895,016)	-	-	(4,895,016)
Total capital assets (net of accumulated depreciation)	<u>1,644,475</u>	<u>-</u>	<u>-</u>	<u>1,644,475</u>
Total assets	<u>\$ 2,102,237</u>	<u>\$ 385,298</u>	<u>\$ 296,805</u>	<u>\$ 2,784,340</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 203,122	\$ -	\$ -	\$ 203,122
Accrued compensation	3,818	-	296,805	300,623
Workers' compensation	-	286,532	-	286,532
Accrued interest payable	9,272	-	-	9,272
Current portion of long-term debt	307,055	-	-	307,055
Total current liabilities	<u>523,267</u>	<u>286,532</u>	<u>296,805</u>	<u>1,106,604</u>
Long term liabilities:				
Bonds payable (net of current portion)	581,595	-	-	581,595
Accrued vacation and sick pay	24,829	-	-	24,829
Total long term debt	<u>606,424</u>	<u>-</u>	<u>-</u>	<u>606,424</u>
Total liabilities	<u>1,129,691</u>	<u>286,532</u>	<u>296,805</u>	<u>1,713,028</u>
<b>NET POSITION</b>				
Invested in capital assets (net of related debt)	755,825	-	-	755,825
Unrestricted	216,721	98,766	-	315,487
Total net position	<u>\$ 972,546</u>	<u>\$ 98,766</u>	<u>\$ -</u>	<u>\$ 1,071,312</u>

**CITY OF PORTAGE, MICHIGAN**

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
Internal Service Funds**

**Fiscal Year Ended June 30, 2013**

	<u>Equipment Fund</u>	<u>Insurance Fund</u>	<u>Accrued Leave Liability Fund</u>	<u>Total</u>
Operating revenues				
Charges for services:				
User charges	\$ 1,556,369	\$ 114,128	\$ 175,000	\$ 1,845,497
Other	6,208	-	-	6,208
Total operating revenue	<u>1,562,577</u>	<u>114,128</u>	<u>175,000</u>	<u>1,851,705</u>
Operating expenses				
Operations and maintenance:				
Equipment	1,139,161	-	175,000	1,314,161
Workers' compensation	-	114,128	-	114,128
Depreciation	148,114	-	-	148,114
Total operating expenses	<u>1,287,275</u>	<u>114,128</u>	<u>175,000</u>	<u>1,576,403</u>
Operating income	<u>275,302</u>	<u>-</u>	<u>-</u>	<u>275,302</u>
Nonoperating revenues (expenses):				
Interest on investments	1,822	1,503	-	3,325
Net decrease in fair value of investments	(3,522)	(4,547)	-	(8,069)
Interest and fiscal charges	(26,708)	-	-	(26,708)
Total nonoperating revenues (expenses)	<u>(28,408)</u>	<u>(3,044)</u>	<u>-</u>	<u>(31,452)</u>
Change in net position	246,894	(3,044)	-	243,850
Total net position - beginning	<u>725,652</u>	<u>101,810</u>	<u>-</u>	<u>827,462</u>
Total net position - ending	<u>\$ 972,546</u>	<u>\$ 98,766</u>	<u>\$ -</u>	<u>\$ 1,071,312</u>

**CITY OF PORTAGE, MICHIGAN**

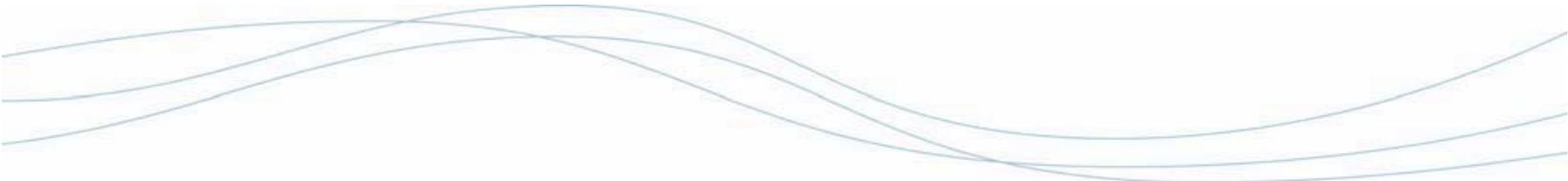
**Combining Statement of Cash Flows**

**Internal Service Funds**

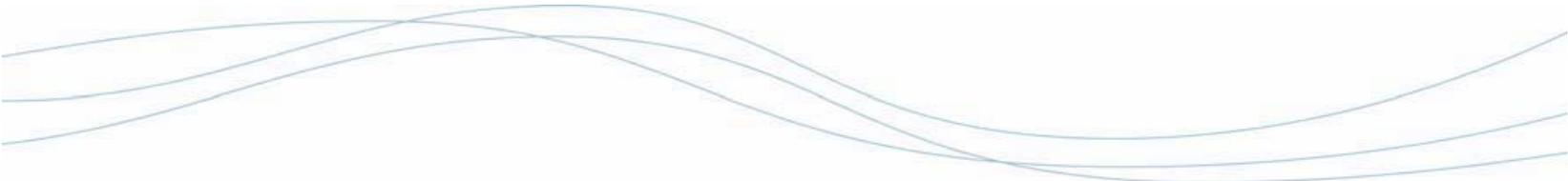
**Fiscal Year Ended June 30, 2013**

	Equipment Fund	Insurance Fund	Accrued Leave Liability Fund	Total
<b>OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 1,562,577	\$ -	\$ -	\$ 1,562,577
Cash payments to suppliers for goods and services	(681,424)	(83,680)	296,805	(468,299)
Cash payments to employees for services	(282,464)	-	-	(282,464)
Cash provided by (used in) operating activities	<u>598,689</u>	<u>(83,680)</u>	<u>296,805</u>	<u>811,814</u>
<b>NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfer from (to) other funds	-	-	-	-
Cash provided by (used in) noncapital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from capital borrowings	92,000	-	-	92,000
Acquisition and construction of capital assets	(504,534)	-	-	(504,534)
Principal paid on capital lease	(228,836)	-	-	(228,836)
Interest and fiscal charges paid on capital lease and notes	(28,997)	-	-	(28,997)
Cash used in capital and related financing activities	<u>(670,367)</u>	<u>-</u>	<u>-</u>	<u>(670,367)</u>
<b>INVESTING ACTIVITIES:</b>				
Interest on investments	1,822	1,503	-	3,325
Net decrease in fair value of investments	(3,522)	(4,547)	-	(8,069)
Cash provided by investing activities	<u>(1,700)</u>	<u>(3,044)</u>	<u>-</u>	<u>(4,744)</u>
Net increase (decrease) in cash and investments	(73,378)	(86,724)	296,805	136,703
Cash and investments - beginning of year	403,998	472,022	-	876,020
Cash and investments - end of year	<u>\$ 330,620</u>	<u>\$ 385,298</u>	<u>\$ 296,805</u>	<u>\$ 1,012,723</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>				
Operating income	\$ 275,302	\$ -	\$ -	\$ 275,302
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	148,114	-	-	148,114
Changes in assets and liabilities				
Inventory	(19,080)	-	-	(19,080)
Prepaid costs	18,990	-	-	18,990
Accounts payable	185,711	-	-	185,711
Accrued compensation	(10,348)	(83,680)	296,805	202,777
Net cash provided by (used by) operating activities	<u>\$ 598,689</u>	<u>\$ (83,680)</u>	<u>\$ 296,805</u>	<u>\$ 811,814</u>

**OTHER SUPPLEMENTARY INFORMATION**



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# CITY OF PORTAGE, MICHIGAN

## Combining Statement of Fiduciary Net Assets Pension Trust Funds

June 30, 2013

	Pension Trust Fund	Retiree Health Care Fund	Total Pension and Employee Benefit Trust Funds
<b><u>ASSETS</u></b>			
Cash and investments	\$ -	\$ 7,519	\$ 7,519
Cash and investments - non-pooled:			
Mutual fund investments <sup>(1)</sup>	-	5,702,645	5,702,645
Investments in fixed income securities	3,045,591	-	3,045,591
Total assets	<u>\$ 3,045,591</u>	<u>\$ 5,710,164</u>	<u>\$ 8,755,755</u>
 <b><u>NET ASSETS</u></b>			
Restricted for pension benefits	\$ 3,045,591	\$ -	\$ 3,045,591
Restricted for retiree benefits	-	5,710,164	5,710,164
Total net assets	<u>\$ 3,045,591</u>	<u>\$ 5,710,164</u>	<u>\$ 8,755,755</u>

<sup>(1)</sup> Pension trusts are invested in mutual fund investment accounts organized to meet the rules of Michigan Public Act 55 of the Public Acts of 1982, as amended, and Public Act 252 of 1988 that are appropriate for investments by municipal governments.

**CITY OF PORTAGE, MICHIGAN**

**Combining Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds**

**Fiscal Year Ended June 30, 2013**

	Pension Trust Fund	Retiree Health Care Fund	Total Pension and Employee Benefit Trust Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ADDITIONS</b>			
Employer contributions	\$ -	\$ 102,238	\$ 102,238
Investment income			
Net decrease in the fair value of investments	(1,538)	(89)	(1,627)
Interest income	134,822	603,503	738,325
Net investment earnings	<u>133,284</u>	<u>603,414</u>	<u>736,698</u>
Total additions	<u>133,284</u>	<u>705,652</u>	<u>838,936</u>
<b>DEDUCTIONS</b>			
Benefits to plan members	(264,239)	-	(264,239)
Administrative expenses	<u>(13,228)</u>	<u>-</u>	<u>(13,228)</u>
Total deductions	<u>(277,467)</u>	<u>-</u>	<u>(277,467)</u>
Change in net assets	(144,183)	705,652	561,469
Net assets - beginning	<u>3,189,774</u>	<u>5,004,512</u>	<u>8,194,286</u>
Net assets - ending	<u>\$ 3,045,591</u>	<u>\$ 5,710,164</u>	<u>\$ 8,755,755</u>

# CITY OF PORTAGE, MICHIGAN

## Combining Statement of Assets and Liabilities Agency Funds

June 30, 2013

	Current Year Tax Collection	Investment Interest Allocation	Payroll Fund	Trust and Agency	Historic Book	Insurer Blight Escrow	Total Agency Funds
<b>ASSETS</b>							
Cash and investments	\$ 162,410	\$ -	\$ -	\$ 471,062	\$ 75	\$ 8,129	\$ 641,676
Accounts receivable	12,640	-	204,288	-	-	-	216,928
Accrued interest receivable	-	31,316	-	-	-	-	31,316
Total assets	<u>\$ 175,050</u>	<u>\$ 31,316</u>	<u>\$ 204,288</u>	<u>\$ 471,062</u>	<u>\$ 75</u>	<u>\$ 8,129</u>	<u>\$ 889,920</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ 13,936	\$ 1,539	\$ -	\$ -	\$ 15,475
Checks issued against future deposits	-	-	183,526	-	-	-	183,526
Accrued interest payable	-	31,316	-	-	-	-	31,316
Due to other governments	175,050	-	-	-	-	-	175,050
Deposits	-	-	6,826	469,523	75	8,129	484,553
Total liabilities	<u>\$ 175,050</u>	<u>\$ 31,316</u>	<u>\$ 204,288</u>	<u>\$ 471,062</u>	<u>\$ 75</u>	<u>\$ 8,129</u>	<u>\$ 889,920</u>

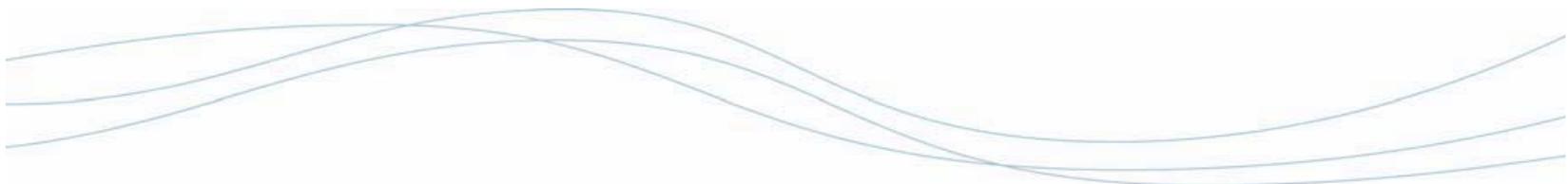
**CITY OF PORTAGE, MICHIGAN**  
**Statement of Changes in Agency Fund Assets and Liabilities**  
**Fiduciary Funds**  
**Fiscal Year Ended June 30, 2013**

<b>Current year Tax Collection Fund</b>	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<b>ASSETS</b>				
Cash and investments	\$ 176,887	\$ 88,644,357	\$ 88,658,834	\$ 162,410
Accounts receivable	-	301,348	288,708	12,640
Due from other governments	41,962	-	41,962	-
<b>TOTAL ASSETS</b>	<b>\$ 218,849</b>	<b>\$ 88,945,705</b>	<b>\$ 88,989,504</b>	<b>\$ 175,050</b>
<b>LIABILITIES</b>				
Due to other governments	\$ 218,849	\$ 178,072,234	\$ 178,116,033	\$ 175,050
<b>TOTAL LIABILITIES</b>	<b>\$ 218,849</b>	<b>\$ 178,072,234</b>	<b>\$ 178,116,033</b>	<b>\$ 175,050</b>
<b>Investment Interest Allocation Fund</b>				
<b>ASSETS</b>				
Accrued interest receivable	\$ 12,174	\$ 146,469	\$ 127,327	\$ 31,316
<b>TOTAL ASSETS</b>	<b>\$ 12,174</b>	<b>\$ 146,469</b>	<b>\$ 127,327</b>	<b>\$ 31,316</b>
<b>LIABILITIES</b>				
Accrued interest payable	\$ 12,174	\$ 146,469	\$ 127,327	\$ 31,316
<b>TOTAL LIABILITIES</b>	<b>\$ 12,174</b>	<b>\$ 146,469</b>	<b>\$ 127,327</b>	<b>\$ 31,316</b>
<b>Payroll Fund</b>				
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 16,888,048	\$ 16,888,048	\$ -
Accounts receivable	202,286	446,954	444,952	204,288
<b>TOTAL ASSETS</b>	<b>\$ 202,286</b>	<b>\$ 17,335,002</b>	<b>\$ 17,333,000</b>	<b>\$ 204,288</b>
<b>LIABILITIES</b>				
Checks issued against future deposits	\$ 30,930	\$ 17,040,644	\$ 16,888,048	\$ 183,526
Accounts payable	507	\$ 11,225,115	\$ 11,211,686	\$ 13,936
Allowance for termination costs	164,739	-	164,739	-
Due to other governments	1	3,612,794	3,612,795	-
Deposits	6,109	1,059,469	1,058,752	6,826
<b>TOTAL LIABILITIES</b>	<b>\$ 202,286</b>	<b>\$ 32,938,022</b>	<b>\$ 32,936,020</b>	<b>\$ 204,288</b>
<b>Insurer Blight Escrow Fund</b>				
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 8,129	\$ -	\$ 8,129
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 8,129</b>	<b>\$ -</b>	<b>\$ 8,129</b>
<b>LIABILITIES</b>				
Deposits	\$ -	\$ 8,129	\$ -	\$ 8,129
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 8,129</b>	<b>\$ -</b>	<b>\$ 8,129</b>

**CITY OF PORTAGE, MICHIGAN**  
**Statement of Changes in Agency Fund Assets and Liabilities**  
**Fiduciary Funds**  
**Fiscal Year Ended June 30, 2013**  
**(concluded)**

<b>Trust and Agency Fund</b>	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
<b>ASSETS</b>				
Cash and investments	\$ 186,946	\$ 475,901	\$ 191,785	\$ 471,062
Accounts receivable	-	1	1	-
<b>TOTAL ASSETS</b>	<u>\$ 186,946</u>	<u>\$ 475,902</u>	<u>\$ 191,786</u>	<u>\$ 471,062</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 39,444	\$ 37,905	\$ 1,539
Deposits	186,946	475,902	193,325	469,523
<b>TOTAL LIABILITIES</b>	<u>\$ 186,946</u>	<u>\$ 515,346</u>	<u>\$ 231,230</u>	<u>\$ 471,062</u>
 <b>Historic Book Fund</b>	 <u>Balance June 30, 2012</u>	 <u>Additions</u>	 <u>Deductions</u>	 <u>Balance June 30, 2013</u>
<b>ASSETS</b>				
Cash and investments	\$ 120	\$ 30	\$ 75	\$ 75
<b>TOTAL ASSETS</b>	<u>\$ 120</u>	<u>\$ 30</u>	<u>\$ 75</u>	<u>\$ 75</u>
<b>LIABILITIES</b>				
Deposits	\$ 120	\$ 30	\$ 75	\$ 75
<b>TOTAL LIABILITIES</b>	<u>\$ 120</u>	<u>\$ 30</u>	<u>\$ 75</u>	<u>\$ 75</u>
 <b>Combined Fiduciary Funds</b>	 <u>Balance June 30, 2012</u>	 <u>Additions</u>	 <u>Deductions</u>	 <u>Balance June 30, 2013</u>
<b>ASSETS</b>				
Cash and investments	\$ 363,953	\$ 106,016,465	\$ 105,738,742	\$ 641,676
Accounts receivable	202,286	748,302	733,660	216,928
Due from other governments	41,962	-	41,962	-
Accrued interest receivable	12,174	146,469	127,327	31,316
<b>TOTAL ASSETS</b>	<u>\$ 620,375</u>	<u>\$ 106,911,236</u>	<u>\$ 106,641,691</u>	<u>\$ 889,920</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 507	\$ 11,264,559	\$ 11,249,591	\$ 15,475
Checks issued against future deposits	30,930	17,040,644	16,888,048	183,526
Allowance for termination costs	164,739	-	164,739	-
Accrued interest payable	12,174	146,469	127,327	31,316
Due to other governments	218,850	181,685,028	181,728,828	175,050
Deposits	193,175	1,543,530	1,252,152	484,553
<b>TOTAL LIABILITIES</b>	<u>\$ 620,375</u>	<u>\$ 211,680,230</u>	<u>\$ 211,410,685</u>	<u>\$ 889,920</u>

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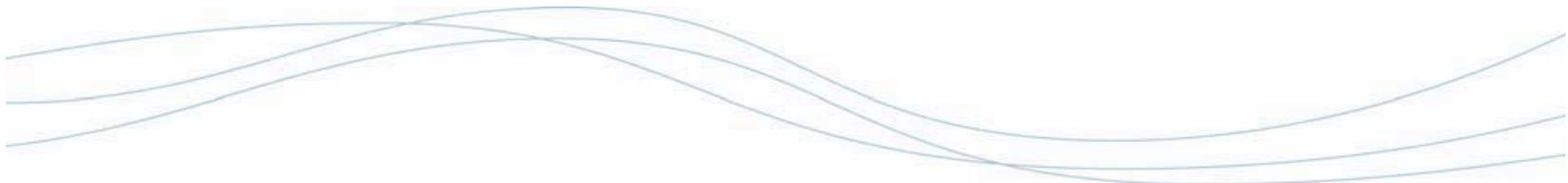
# STATISTICAL SECTION

This part of the City of Portage's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	107
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	112
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	116
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	121
<b>Operating Information</b> <i>These schedules contain information about the City's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.</i>	123

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

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**CITY OF PORTAGE, MICHIGAN**

(unaudited)

**Net Position by Component**

**Last Ten Fiscal Years**

**(accrual basis of accounting)**

**(expressed in thousands)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 30,168	\$ 24,041	\$ 15,355	\$ 30,047	\$ 23,625	\$ 20,417	\$ 18,165	\$ 15,119	\$ 13,826	\$ 11,263
Restricted	9,243	7,839	8,249	6,375	5,909	5,641	6,029	8,165	7,251	9,699
Unrestricted	19,806	17,952	20,132	2,193	5,030	5,296	6,379	5,724	9,685	9,858
Total governmental activities net position	<u>\$ 59,217</u>	<u>\$ 49,832</u>	<u>\$ 43,736</u>	<u>\$ 38,615</u>	<u>\$ 34,564</u>	<u>\$ 31,354</u>	<u>\$ 30,573</u>	<u>\$ 29,008</u>	<u>\$ 30,762</u>	<u>\$ 30,820</u>
Business-type activities										
Net investment in capital assets	\$ 66,191	\$ 63,612	\$ 62,917	\$ 65,553	\$ 58,047	\$ 59,984	\$ 63,221	\$ 62,821	\$ 63,846	\$ 64,019
Restricted	700	200	200	200	200	200	200	200	200	-
Unrestricted	1,400	2,208	1,134	(1,507)	4,994	2,080	(1,378)	724	3,003	6,913
Total business-type activities net position	<u>\$ 68,291</u>	<u>\$ 66,020</u>	<u>\$ 64,251</u>	<u>\$ 64,246</u>	<u>\$ 63,241</u>	<u>\$ 62,264</u>	<u>\$ 62,043</u>	<u>\$ 63,745</u>	<u>\$ 67,049</u>	<u>\$ 70,932</u>
Primary Government										
Net investment in capital assets	\$ 96,359	\$ 87,653	\$ 78,271	\$ 95,600	\$ 81,672	\$ 80,401	\$ 81,386	\$ 77,940	\$ 77,673	\$ 75,282
Restricted	9,943	8,039	8,449	6,575	6,109	5,841	6,229	8,365	7,451	9,699
Unrestricted	21,206	20,160	21,266	686	10,024	7,376	5,001	6,448	12,688	16,771
Total primary governmental net position	<u>\$ 127,508</u>	<u>\$ 115,852</u>	<u>\$ 107,986</u>	<u>\$ 102,861</u>	<u>\$ 97,805</u>	<u>\$ 93,618</u>	<u>\$ 92,616</u>	<u>\$ 92,753</u>	<u>\$ 97,812</u>	<u>\$ 101,752</u>

**CITY OF PORTAGE, MICHIGAN**

(unaudited)

**Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(expressed in thousands)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
Governmental activities:										
Legislative	\$ 45	\$ 48	\$ 54	\$ 49	\$ 61	\$ 61	\$ 61	\$ 59	\$ 61	\$ 64
Judicial	7	12	17	25	49	47	50	48	47	51
General government	5,873	6,014	5,515	5,581	5,455	5,641	5,000	5,091	4,795	4,640
Public safety	13,968	14,352	14,383	14,967	15,078	15,210	13,870	14,364	13,194	12,940
Public works	363	357	420	440	432	477	445	604	560	920
Health and welfare	1,469	1,714	1,560	1,535	1,534	1,751	1,683	1,567	1,735	1,626
Economic development	-	2,535	1,952	-	-	13	-	-	-	-
Recreation and cultural	3,159	3,125	3,240	3,339	3,365	3,378	2,999	3,097	2,929	2,836
Public transportation	112	118	151	58	-	-	-	-	-	-
Highways and streets	5,747	5,483	2,327	3,945	4,026	3,734	2,966	3,592	2,659	4,492
Unallocated depreciation expense	7,007	7,023	7,107	7,103	6,874	6,094	6,708	6,513	6,227	5,956
Interest on long-term debt	3,016	2,739	3,251	2,946	2,756	2,974	2,553	3,050	2,181	2,032
Total governmental activities expenses	<u>40,766</u>	<u>43,520</u>	<u>39,977</u>	<u>39,988</u>	<u>39,630</u>	<u>39,380</u>	<u>36,335</u>	<u>37,985</u>	<u>34,388</u>	<u>35,557</u>
Business-type activities:										
Sewer	5,143	5,472	5,723	5,351	6,105	6,883	6,895	7,072	7,018	6,981
Water	6,742	4,969	4,931	4,004	4,509	4,473	4,545	3,872	3,777	4,111
Total business-type activities expenses	<u>11,885</u>	<u>10,441</u>	<u>10,654</u>	<u>9,355</u>	<u>10,614</u>	<u>11,356</u>	<u>11,440</u>	<u>10,944</u>	<u>10,795</u>	<u>11,092</u>
Total primary government expenses	<u>\$ 52,651</u>	<u>\$ 53,961</u>	<u>\$ 50,631</u>	<u>\$ 49,343</u>	<u>\$ 50,244</u>	<u>\$ 50,736</u>	<u>\$ 47,775</u>	<u>\$ 48,929</u>	<u>\$ 45,183</u>	<u>\$ 46,649</u>
<b>Program revenues</b>										
Governmental activities:										
Charges for services										
Recreation and cultural	\$ 782	\$ 806	\$ 862	\$ 898	\$ 923	\$ 997	\$ 1,069	\$ 1,085	\$ 1,109	\$ 1,145
Public safety	988	1,068	978	966	747	753	657	921	861	1,016
Other activities	544	601	600	495	482	486	467	374	325	409
Operating grants and contributions										
Highways & streets	3,706	3,623	3,578	3,474	3,504	3,360	3,305	3,367	3,721	3,660
Other activities	944	1,369	1,248	896	1,028	860	982	832	618	724
Capital grants and contributions										
Public works	1,138	978	1,053	285	197	157	125	100	1,429	314
Health & welfare	1,282	1,182	1,242	1,239	1,286	1,337	1,173	1,127	1,466	1,457
Other activities	48	150	61	5	11	5	6	15	13	11
Total governmental activities program revenues	<u>\$ 9,432</u>	<u>\$ 9,777</u>	<u>\$ 9,622</u>	<u>\$ 8,258</u>	<u>\$ 8,178</u>	<u>\$ 7,955</u>	<u>\$ 7,784</u>	<u>\$ 7,821</u>	<u>\$ 9,542</u>	<u>\$ 8,736</u>

continued

**CITY OF PORTAGE, MICHIGAN**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Business-type activities:</b>										
Charges for services										
Sewer	\$ 4,148	\$ 4,432	\$ 4,879	\$ 4,739	\$ 5,356	\$ 5,822	\$ 6,088	\$ 7,020	\$ 7,604	\$ 8,184
Water	3,302	3,540	3,869	3,813	4,076	4,547	5,129	5,694	6,636	6,808
Operating grants and contributions	78	98	97	70	64	98	25	17	18	63
Capital grants and contributions	-	-	2	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>7,528</u>	<u>8,070</u>	<u>8,847</u>	<u>8,622</u>	<u>9,496</u>	<u>10,467</u>	<u>11,242</u>	<u>12,731</u>	<u>14,258</u>	<u>15,055</u>
Total primary government program revenues	<u>\$ 16,960</u>	<u>\$ 17,847</u>	<u>\$ 18,469</u>	<u>\$ 16,880</u>	<u>\$ 17,674</u>	<u>\$ 18,422</u>	<u>\$ 19,026</u>	<u>\$ 20,552</u>	<u>\$ 23,800</u>	<u>\$ 23,791</u>
Net (expense)/revenue										
Governmental activities	\$ (31,334)	\$ (33,743)	\$ (30,355)	\$ (31,730)	\$ (31,452)	\$ (31,425)	\$ (28,551)	\$ (30,164)	\$ (24,846)	\$ (26,821)
Business-type activities	(4,357)	(2,371)	(1,807)	(733)	(1,118)	(889)	(198)	1,787	3,463	3,963
Total primary government net expense	<u>\$ (35,691)</u>	<u>\$ (36,114)</u>	<u>\$ (32,162)</u>	<u>\$ (32,463)</u>	<u>\$ (32,570)</u>	<u>\$ (32,314)</u>	<u>\$ (28,749)</u>	<u>\$ (28,377)</u>	<u>\$ (21,383)</u>	<u>\$ (22,858)</u>
<b>General Revenues &amp; Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 16,584	\$ 17,928	\$ 17,936	\$ 20,042	\$ 21,649	\$ 22,626	\$ 22,770	\$ 21,993	\$ 21,266	\$ 21,590
Unrestricted grants & contributions	6,242	6,207	5,758	5,443	5,334	5,130	4,804	5,064	5,014	5,036
Unrestricted investment earnings	161	296	593	388	482	342	137	86	47	85
Net decrease in fair value of investments	-	-	-	-	-	-	-	-	-	(244)
Gain on sale of capital assets	2	26	9	1,347	50	27	37	93	115	399
Transfers	(442)	(100)	(37)	(611)	(114)	88	22	86	159	12
Total governmental activities	<u>22,547</u>	<u>24,357</u>	<u>24,259</u>	<u>26,609</u>	<u>27,401</u>	<u>28,213</u>	<u>27,770</u>	<u>27,322</u>	<u>26,601</u>	<u>26,878</u>
Business-type activities:										
Unrestricted grants & contributions	-	-	-	117	-	-	-	-	-	-
Net decrease in fair value of investments	-	-	-	-	-	-	-	-	-	(68)
Transfers	442	100	37	611	114	(88)	(22)	(86)	(159)	(12)
Total business-type activities	<u>442</u>	<u>100</u>	<u>37</u>	<u>728</u>	<u>114</u>	<u>(88)</u>	<u>(22)</u>	<u>(86)</u>	<u>(159)</u>	<u>(80)</u>
Total primary government	<u>\$ 22,989</u>	<u>\$ 24,457</u>	<u>\$ 24,296</u>	<u>\$ 27,337</u>	<u>\$ 27,515</u>	<u>\$ 28,125</u>	<u>\$ 27,748</u>	<u>\$ 27,236</u>	<u>\$ 26,442</u>	<u>\$ 26,798</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (8,787)	\$ (9,386)	\$ (6,096)	\$ (5,121)	\$ (4,051)	\$ (3,212)	\$ (781)	\$ (2,842)	\$ 1,755	\$ 57
Business-type activities	(3,915)	(2,271)	(1,770)	(5)	(1,004)	(977)	(220)	1,701	3,304	3,883
Total primary government	<u>\$ (12,702)</u>	<u>\$ (11,657)</u>	<u>\$ (7,866)</u>	<u>\$ (5,126)</u>	<u>\$ (5,055)</u>	<u>\$ (4,189)</u>	<u>\$ (1,001)</u>	<u>\$ (1,141)</u>	<u>\$ 5,059</u>	<u>\$ 3,940</u>

**CITY OF PORTAGE, MICHIGAN**  
(unaudited)  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(expressed in thousands)**

	2004	2005	2006	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	2013 <sup>(1)</sup>
General fund										
Nonspendable								\$ 476	\$ 339	\$ 63
Unassigned								6,857	8,322	8,713
Reserved	\$ 1,324	\$ 1,109	\$ 1,077	\$ 1,513	\$ 1,784	\$ 1,829	\$ 2,053	-	-	-
Unreserved	2,405	2,967	3,337	2,782	3,054	3,613	4,087	-	-	-
Total general fund	<u>\$ 3,729</u>	<u>\$ 4,076</u>	<u>\$ 4,414</u>	<u>\$ 4,295</u>	<u>\$ 4,838</u>	<u>\$ 5,442</u>	<u>\$ 6,140</u>	<u>\$ 7,333</u>	<u>\$ 8,661</u>	<u>\$ 8,776</u>
All other governmental funds										
Nonspendable								\$ 954	\$ 1,002	\$ 1,030
Restricted								7,788	7,769	9,420
Unassigned								-	-	-
Reserved	\$ 4,313	\$ 2,818	\$ 5,142	\$ 3,489	\$ 3,646	\$ 3,850	\$ 6,189	-	-	-
Unreserved, reported in:										
Special revenue funds	939	1,081	940	1,199	1,120	1,316	1,966	-	-	-
Debt service funds	6,288	2,801	4,440	3,989	3,623	3,201	105	-	-	-
Capital Improvement fund	-	-	-	(2,237)	168	549	1,374	-	-	-
Total all other governmental funds	<u>\$ 11,540</u>	<u>\$ 6,700</u>	<u>\$ 10,522</u>	<u>\$ 6,440</u>	<u>\$ 8,557</u>	<u>\$ 8,916</u>	<u>\$ 9,634</u>	<u>\$ 8,742</u>	<u>\$ 8,771</u>	<u>\$ 10,450</u>

<sup>(1)</sup> The City implemented GASB 54 for the fiscal year ended June 30, 2011. Prior years were not restated retroactively.

**CITY OF PORTAGE, MICHIGAN**

(unaudited)

**Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(expressed in thousands)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes and special assessments	\$ 18,152	\$ 19,737	\$ 21,612	\$ 21,846	\$ 23,529	\$ 24,426	\$ 24,376	\$ 23,477	\$ 23,136	\$ 23,372
Licenses and permits	1,185	1,271	1,189	1,170	965	1,017	941	1,196	1,229	1,405
Intergovernmental	8,393	8,274	8,296	7,772	7,722	7,489	7,198	7,040	7,424	7,649
Charges for services	2,872	2,854	2,492	2,226	2,277	2,157	2,338	2,168	2,131	2,167
Fines and forfeits	-	4	-	-	-	-	-	-	-	-
Interest and rents	879	955	1,522	1,158	1,274	1,063	797	506	340	78
Other	315	998	458	1,683	493	397	398	1,061	506	931
Total revenues	<u>31,796</u>	<u>34,093</u>	<u>35,569</u>	<u>35,855</u>	<u>36,260</u>	<u>36,549</u>	<u>36,048</u>	<u>35,448</u>	<u>34,766</u>	<u>35,602</u>
<b>Expenditures</b>										
Legislative	45	48	54	49	61	61	61	59	61	64
Judicial	7	12	17	25	49	47	50	48	47	51
General government	5,047	5,264	5,220	5,097	5,026	4,897	4,604	4,657	4,521	4,483
Public safety	12,538	13,278	13,460	14,247	14,358	14,528	13,568	13,853	12,780	13,226
Public works	335	339	357	372	374	432	423	559	516	487
Health and welfare	1,437	1,694	1,545	1,551	1,584	1,754	1,923	1,685	1,766	1,647
Recreation and cultural	2,736	2,699	2,841	2,974	2,955	2,993	2,782	2,695	2,686	2,727
Public transportation	107	113	149	61	-	-	-	-	-	-
Highways and streets	3,310	3,755	3,021	3,301	3,428	2,742	2,814	2,679	2,740	3,280
Refund of tax revenues	-	-	10	-	-	-	-	-	-	-
Development	-	2,535	1,952	-	-	13	-	-	-	-
Capital outlay	8,460	10,488	5,511	5,605	5,681	3,835	2,574	2,304	4,054	2,417
Debt service:										
Principal	2,943	3,366	3,223	3,892	4,258	4,407	5,001	5,976	4,412	4,445
Interest and fiscal charges	2,224	2,591	2,803	3,040	2,900	2,847	2,744	3,236	2,365	2,086
Total expenditures	<u>39,189</u>	<u>46,182</u>	<u>40,163</u>	<u>40,214</u>	<u>40,674</u>	<u>38,556</u>	<u>36,544</u>	<u>37,751</u>	<u>35,948</u>	<u>34,913</u>
Excess of revenues over (under) expenditures	(7,393)	(12,089)	(4,594)	(4,359)	(4,414)	(2,007)	(496)	(2,303)	(1,182)	689
<b>Other financing sources (uses)</b>										
Issuance of debt	13,242	8,063	8,794	785	7,089	2,800	1,890	2,517	2,380	1,093
Transfers in	6,012	5,245	5,731	7,347	8,520	8,102	9,372	8,908	8,877	9,570
Transfers out	(6,753)	(5,712)	(5,768)	(7,958)	(8,635)	(8,014)	(9,350)	(8,822)	(8,719)	(9,558)
Total other financing sources (uses)	<u>12,501</u>	<u>7,596</u>	<u>8,757</u>	<u>174</u>	<u>6,974</u>	<u>2,888</u>	<u>1,912</u>	<u>2,603</u>	<u>2,538</u>	<u>1,105</u>
Net change in fund balances	<u>\$ 5,108</u>	<u>\$ (4,493)</u>	<u>\$ 4,163</u>	<u>\$ (4,185)</u>	<u>\$ 2,560</u>	<u>\$ 881</u>	<u>\$ 1,416</u>	<u>\$ 300</u>	<u>\$ 1,356</u>	<u>\$ 1,794</u>
Debt service as a percentage of noncapital expenditures	14.9%	15.3%	17.9%	19.5%	20.1%	20.8%	22.6%	24.4%	21.2%	18.7%

## CITY OF PORTAGE, MICHIGAN

(unaudited)

### Assessed Value and Estimated Market Value of Real and Personal Property Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year Ended June 30,	Real Property		Personal Property	Total Assessed Value	Total Direct Tax Rate	Estimated Market Value	Assessed Value as a Percentage of Market Value <sup>(2)</sup>	Tax Exempt Real Property	Exempt as % of Total Tax Base
	Residential	Industrial & Commercial							
2004	\$ 1,017,451	\$ 540,840	\$ 319,845	\$ 1,878,136	10.144	\$ 3,756,272	50.0%	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
2005	1,090,639	565,780	330,008	1,986,427	10.144	3,972,854	50.0%	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
2006	1,155,351	590,184	330,667	2,076,202	10.144	4,152,404	50.0%	61,804	2.98%
2007	1,218,346	620,179	346,668	2,185,193	10.144	4,370,386	50.0%	83,924	3.84%
2008	1,262,594	642,889	336,229	2,241,712	10.489	4,483,424	50.0%	95,111	4.24%
2009	1,258,938	655,587	380,325	2,294,850	10.660	4,589,700	50.0%	96,933	4.22%
2010	1,216,115	675,591	381,101	2,272,807	10.660	4,545,614	50.0%	93,998	4.14%
2011	1,168,608	621,820	355,764	2,146,192	10.731	4,292,384	50.0%	87,146	4.06%
2012	1,151,156	554,414	355,714	2,061,284	10.892	4,122,568	50.0%	184,261	8.94%
2013	1,160,186	534,507	388,136	2,082,829	10.778	4,165,658	50.0%	183,800	8.82%

(1) Tax exempt real property estimates were not made prior to 2006.

(2) According to state statute, all property is to be assessed at 50 percent of market value (State Equalized Value).

SOURCE: City Assessor's Office, L-4022 Report

**CITY OF PORTAGE, MICHIGAN**  
(unaudited)  
**Property Tax Rates**  
**Direct and Overlapping<sup>1</sup> Governments**  
**(Per \$1,000 of Taxable Value)**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	City of Portage						Total City Millage
	General Fund	Capital Improvements	Debt Service	Curbside Recycling	Fall Leaf/ Spring Clean <sup>(1)</sup>	Municipal Streets	
2004	7.3592	2.0000	-	0.3850	0.4000	-	10.1442
2005	7.4712	2.0000	-	0.3200	0.3530	-	10.1442
2006	7.4372	2.0000	-	0.3070	0.4000	-	10.1442
2007	7.5000	2.0000	-	0.2742	0.3700	-	10.1442
2008	7.5000	2.0000	-	0.2742	0.3700	0.3450	10.4892
2009	7.5000	2.0000	-	0.2922	0.3520	0.5156	10.6598
2010	7.5000	2.0000	-	0.2710	0.2950	0.5938	10.6598
2011	7.5000	2.0000	-	0.2710	0.2950	0.6652	10.7312
2012	7.5000	2.0000	-	0.3603	0.4000	0.6313	10.8916
2013	7.5000	2.0000	-	0.3349	0.4000	0.5429	10.7778

Fiscal Year Ended June 30,	Overlapping Rates						Total Direct & Overlapping Rates
	State Education Tax	Portage Public Schools <sup>(2)</sup>	Portage District Library	Kalamazoo County	Kalamazoo Regional Educational Service Agency	Kalamazoo Valley Community College	
2004	5.0000	3.7000	1.4900	6.1362	3.0416	2.8139	32.3259
2005	6.0000	3.7000	1.4900	6.1362	3.0416	2.8135	33.3255
2006	6.0000	2.7000	1.4900	6.1362	4.5416	2.8135	33.8255
2007	6.0000	2.7000	1.4900	6.5862	4.5416	2.8135	34.2755
2008	6.0000	2.7000	1.4900	6.7162	4.5416	2.8135	34.7505
2009	6.0000	5.0400	1.4900	6.3311	4.8316	2.8135	37.1660
2010	6.0000	5.0400	1.5000	6.7212	4.8316	2.8135	37.5661
2011	6.0000	5.0400	1.5000	6.7412	4.8566	2.8135	37.6825
2012	6.0000	5.0400	1.5000	6.7412	4.8616	2.8135	37.8479
2013	6.0000	5.8000	1.5000	6.3596	4.8666	2.8135	38.1175

Notes:

(1) Overlapping rates are those of local and county government that apply to property owners within the City of Portage. Not all overlapping rates apply to all City of Portage property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.)

(2) Non homestead properties add 18 mills

**CITY OF PORTAGE, MICHIGAN**  
(unaudited)  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**  
**June 30, 2013**

Name	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Pfizer , Inc. (fka Pharmacia & Upjohn, Inc)	\$ 296,670,344	1	17.70 %	\$ 322,874,537	1	18.50 %
Stryker Corporation	37,516,000	2	1.48	22,411,209	2	1.28
Crossroads Mall (Portfolio One, LLC)	24,478,607	3	1.19	19,457,285	3	1.12
Consumers Energy Co.	23,534,537	4	1.14	16,098,192	4	0.92
Zoetis	16,819,000	5	0.86			
Edward Rose Associates	10,543,500	6	0.52	11,644,794	5	0.67
Mann+Hummel	8,020,000	7	0.31	11,433,924	6	0.66
Stryker Medical	7,822,300	8	0.40			
Meijer, Inc.	7,774,064	9	0.29	8,561,291	7	0.49
Southland Mall Ltd	7,658,598	10	0.39			
Bowers Manufacturing				8,133,772	8	0.47
State Farm Mutual Auto Insurance				7,872,149	9	0.45
Summit Polymers				7,262,371	10	0.42
<b>Totals</b>	<b>\$ 440,836,950</b>		<b>24.28 %</b>	<b>\$ 435,749,524</b>		<b>24.98 %</b>

SOURCE: City Assessor's Office

**CITY OF PORTAGE, MICHIGAN**  
(unaudited)  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(expressed in thousands)**

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date	
		Collected by due date	Percentage of Levy	Collections in subsequent years	Amount	Percentage of Levy
2003	\$ 15,849	\$ 15,542	98.1%	\$ 249	\$ 15,791	99.6%
2004	16,661	16,372	98.3%	250	16,622	99.8%
2005	17,714	17,530	99.0%	158	17,688	99.9%
2006	18,589	18,334	98.6%	185	18,519	99.6%
2007	19,674	18,719	95.1%	868 *	19,587	99.6%
2008	21,090	20,258	96.1%	437	20,695	98.1%
2009	22,277	21,834	98.0%	57	21,891	98.3%
2010	22,269	21,727	97.6%	14	21,741	97.6%
2011	21,527	20,990	97.5%	19	21,009	97.6%
2012	21,345	20,902	97.9%	5	20,907	97.9%
2013	21,537	21,181	98.3%	5	21,186	98.4%

Notes:

The City holds only delinquent personal property taxes: any real estate taxes not collected by the date due are turned over to Kalamazoo County as of March 1st each year, and the City receives full settlement.

\* Includes a one-time settlement of \$355,000 from Pfizer Corp, the City's largest taxpayer.

SOURCE: Treasury Office

**CITY OF PORTAGE, MICHIGAN**  
(unaudited)  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(expressed in thousands, except per capita)**

June 30,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental Activities</b>										
General Obligation bonds	\$ 2,666	\$ 2,913	\$ 2,543	\$ 2,162	\$ 1,860	\$ 1,556	\$ 1,342	\$ 1,162	\$ 991	\$ 824
Special Assessment bonds	8,314	8,054	7,415	7,280	6,350	5,525	4,720	2,790	3,525	1,715
Motor Vehicle Highway bonds	14,230	13,530	12,780	11,925	11,090	10,285	9,630	8,950	8,205	7,505
Capital Improvement bonds	10,985	17,643	22,418	21,165	29,931	31,184	30,500	30,817	29,764	29,973
Redevelopment bonds	24,000	23,065	25,455	24,585	20,690	19,565	18,575	17,770	16,985	15,985
Other debt	-	-	-	-	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>60,195</b>	<b>65,205</b>	<b>70,611</b>	<b>67,117</b>	<b>69,921</b>	<b>68,115</b>	<b>64,767</b>	<b>61,489</b>	<b>59,470</b>	<b>56,002</b>
<b>Business-Type Activities</b>										
Utility Revenue bonds	19,525	16,155	15,600	14,970	1,105	860	620	335	50	-
Capital Improvement bonds	-	8,732	9,932	9,352	31,414	30,501	30,880	30,458	28,981	28,227
General Obligation bonds	5,299	4,202	3,742	3,221	2,815	2,389	2,093	1,818	1,559	1,321
<b>Total business-type activities</b>	<b>24,824</b>	<b>29,089</b>	<b>29,274</b>	<b>27,543</b>	<b>35,334</b>	<b>33,750</b>	<b>33,593</b>	<b>32,611</b>	<b>30,590</b>	<b>29,548</b>
<b>Total primary government</b>	<b>\$ 85,019</b>	<b>\$ 94,294</b>	<b>\$ 99,885</b>	<b>\$ 94,660</b>	<b>\$ 105,255</b>	<b>\$ 101,865</b>	<b>\$ 98,360</b>	<b>\$ 94,100</b>	<b>\$ 90,060</b>	<b>\$ 85,550</b>
Percentage of personal income <sup>(1)</sup>	0.295%	0.318%	0.328%	0.302%	0.327%	0.313%	0.339%	0.311%	0.268%	0.285%
Per capita	\$ 1,869	\$ 2,083	\$ 2,202	\$ 2,093	\$ 2,285	\$ 2,208	\$ 2,125	\$ 2,033	\$ 1,945	\$ 1,854

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>(1)</sup> See the Schedule of Demographic and Economic Statistics on a later page for personal income and population data.

SOURCE: City Annual Financial Statements

**CITY OF PORTAGE, MICHIGAN**  
(unaudited)  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(expressed in thousands, except per capita)**

Fiscal Year Ended June 30,	Governmental General Bonded Debt	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2004	\$ 51,881	\$ (6,469)	\$ 45,412	1.21%	999
2005	57,151	(3,737)	53,414	1.34%	1,180
2006	63,196	(6,435)	56,761	1.37%	1,252
2007	59,837	(6,170)	53,667	1.23%	1,186
2008	63,571	(5,934)	57,637	1.29%	1,251
2009	62,590	(5,727)	56,863	1.24%	1,233
2010	60,047	(5,018)	55,029	1.21%	1,189
2011	58,699	(3,371)	55,328	1.29%	1,195
2012	55,945	(3,519)	52,426	1.26%	1,133
2013	54,287	(2,648)	51,639	1.24%	1,116

SOURCE: City Annual Financial Statements

**CITY OF PORTAGE, MICHIGAN**  
(unaudited)  
**Computation of Direct and Overlapping Bonded Debt**  
**June 30, 2013**

Name of Governmental Unit	Bonds Outstanding	Percent Applicable to City	City's Share of Debt
City of Portage:			
General Obligation Bonds	\$ 823,636	100.00%	\$ 823,636
Building Authority Bonds	5,815,000	100.00%	5,815,000
Downtown Development Authority Bonds	4,825,000	100.00%	4,825,000
Local Development Finance Authority Bonds	5,345,000	100.00%	5,345,000
Special Assessment Bonds	1,715,000	100.00%	1,715,000
Motor Vehicle Highway Fund Bonds	7,505,000	100.00%	7,505,000
Capital Improvement Bonds	29,973,353	100.00%	29,973,353
Total	<u>\$ 56,001,989</u>		<u>\$ 56,001,989</u>
Portage Public Schools <sup>(1)</sup>	119,850,000	87.14%	104,437,290
Vicksburg Public Schools <sup>(1)</sup>	13,634,000	7.55%	1,029,367
Comstock Public Schools <sup>(1)</sup>	7,983,000	1.92%	153,274
Schoolcraft Public Schools <sup>(1)</sup>	12,899,623	2.10%	270,892
Kalamazoo Valley Intermediate School District <sup>(1)</sup>	19,725,000	27.64%	5,451,990
Kalamazoo County <sup>(1)</sup>	36,040,157	25.48%	9,183,032
Total			<u>\$ 120,525,845</u>
Total of City's share of debt			<u>\$ 176,527,834</u>

Note:

<sup>(1)</sup> Overlapping jurisdictions outstanding and overlapping debt as of June 12, 2013

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Portage. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

SOURCE: Municipal Financial Consultants Incorporated

**CITY OF PORTAGE, MICHIGAN**

(unaudited)

**Computation of Legal Debt Margin**

**Last Ten Fiscal Years**

**(expressed in thousands)**

**For Special Assessment Bonds**

State Equalized Assessed Value - June 30, 2013	<u>\$ 2,082,830</u>
Debt limit - twelve percent of Adjusted State Equalized Assessed Value	249,940
Amount of debt applicable to debt limit- Special Assessment Bonds	<u>1,715</u>
Legal debt margin	<u>\$ 248,225</u>

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$238,371	\$249,144	\$258,015	\$266,509	\$275,382	\$271,297	\$272,737	\$ 257,543	\$ 247,354	\$ 249,940
Debt applicable to limit	8,314	8,054	7,415	7,280	6,350	5,525	4,720	2,790	3,525	1,715
Legal debt margin	<u>\$230,057</u>	<u>\$241,090</u>	<u>\$250,600</u>	<u>\$259,229</u>	<u>\$269,032</u>	<u>\$265,772</u>	<u>\$268,017</u>	<u>\$ 254,753</u>	<u>\$ 243,829</u>	<u>\$ 248,225</u>

**Computation of Legal Debt Margin**

**For General Obligation Bonds**

State Equalized Assessed Value - June 30, 2013	<u>\$ 2,082,830</u>
Debt limit - ten percent of Adjusted State Equalized Assessed Value	208,283
Amount of debt applicable to debt limit- General Obligation Debt	<u>46,782</u>
Legal debt margin	<u>\$ 161,501</u>

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$198,643	\$207,620	\$215,012	\$222,091	\$229,485	\$226,081	\$227,281	\$ 214,619	\$ 206,128	\$ 208,283
Debt applicable to limit	37,984	53,365	62,415	67,765	93,060	90,720	88,110	52,539	51,265	46,782
Legal debt margin	<u>\$160,659</u>	<u>\$154,255</u>	<u>\$152,597</u>	<u>\$154,326</u>	<u>\$136,425</u>	<u>\$135,361</u>	<u>\$139,171</u>	<u>\$ 162,080</u>	<u>\$ 154,863</u>	<u>\$ 161,501</u>

SOURCE: Assessor (SEV), L-4022 report  
City Annual Financial Statements (debt balances)

Note: Under state finance law (Section 4a, Act 279 or 1909 and Act 202, P.A. 1943 as amended by Act 42 P.A. 1960), the City's outstanding general obligation debt should not exceed 10 percent of adjusted State Equalized Value.

**CITY OF PORTAGE, MICHIGAN**  
(unaudited)  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
**(expressed in thousands)**

Fiscal Year Ended June 30,	Utility Bonds						Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements			Special Assessment Collections	Debt Service Requirements		
				Principal	Interest	Coverage		Principal	Interest	Coverage
2004	\$ 7,450	\$ 7,637	\$ (187)	\$ 1,279	\$ 1,029	(0.08)	\$ 1,069	\$ 955	\$ 375	0.80
2005	7,972	7,158	814	1,365	1,143	0.32	941	910	354	0.74
2006	8,720	7,260	1,460	1,585	1,187	0.53	2,893	919	336	2.31
2007	8,618	7,250	1,368	1,731	1,172	0.47	773	920	304	0.63
2008	9,432	7,942	1,490	1,520	1,140	0.56	863	930	299	0.70
2009	10,369	8,380	1,989	1,535	1,469	0.66	669	825	265	0.61
2010	11,216	8,394	2,822	2,049	1,422	0.81	581	805	232	0.56
2011	12,715	7,787	4,928	2,117	1,342	1.42	455	1,930	201	0.21
2012	14,240	7,933	6,307	2,658	1,274	1.60	390	440	156	0.65
2013	14,991	8,204	6,788	3,075	1,197	1.59	314	415	143	0.56

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

**CITY OF PORTAGE, MICHIGAN**  
(unaudited)  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Population	Personal Income (thousands of dollars) <sup>(est)</sup>	Per Capita Personal Income <sup>(est)</sup>	Median Household Income <sup>(1)</sup>	Median Age <sup>(est)</sup>	Education Level in Years of Schooling <sup>(est)</sup>	School Enrollment <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
2004	45,478	\$ 1,309,013	\$ 28,783	\$ 51,332	36	14	8,838	4.4%
2005	45,277	1,341,433	29,627	51,631	36	14	8,962	3.9%
2006	45,354	1,381,973	30,471	51,900	36	14	8,816	3.9%
2007	45,236	1,416,559	31,315	51,600	36	14	8,800	4.0%
2008	46,066	1,481,422	32,159	51,350	36	14	8,776	4.8%
2009	46,133	1,503,040	32,581	51,142	36	14	8,692	7.7%
2010	46,292	1,343,903	29,031	53,538	36	14	8,692	7.9%
2011	46,292	1,402,601	30,299	57,246	37	14	8,647	6.4%
2012	46,292	1,552,819	33,544	61,624	36	14	8,548	5.4%
2013	46,135	1,412,413	29,971	56,330	37	14	8,641	5.4%

Notes:

<sup>(1)</sup> 2001 thru 2011 estimated using US Census Bureau, City-Data.com

<sup>(2)</sup> Portage Public Schools Community Relations

<sup>(3)</sup> Department of Community Development

Source: Finance Director

**CITY OF PORTAGE, MICHIGAN**

(unaudited)

**Principal Employers**

**Current Year and Nine Years Ago**

**June 30, 2013**

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Stryker Instruments	2,300	1	9.11 %	1,100	4	4.23 %
Pfizer , Inc. (fka Pharmacia & Upjohn, Inc)	2,100	2	8.32	4,000	1	15.38
Portage Public Schools	950	3	3.76	1,121	3	4.31
State Farm Mutual Auto Insurance Co.	950	4	3.76	600	5	2.31
Meijer, Inc.	600	5	2.38	1,361	2	5.23
Summit Polymers / Mueller Plastics	550	6	2.18	550	6	2.12
Wal-Mart	406	7	1.61			
Kal. Regional Educational Service Agency	350	8	1.39			
J C Penney Co., Inc	300	9	1.19	300	9	1.15
Bowers Manufacturing	295	10	1.17	290	10	1.12
Advantage Private Nursing				490	8	1.88
Target (Target, Marshall Field's, Mervins)				521	7	2.00
<b>Totals</b>	<b>8,801</b>		<b>34.85 %</b>	<b>10,333</b>		<b>39.74 %</b>
Total employees	25,254			26,000		

SOURCE: Municipal Financial Consultants Incorporated, Business Direct Weekly

# CITY OF PORTAGE, MICHIGAN

(unaudited)

## Full-time Equivalent City Government Employees by Function/Program Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Assessor	6	6	6	6	6	5	5	5	5	5
Clerk	3	3	3	3	3	3	3	3	3	3
City Administration	9	9	8	8	8	8	8	5	5	5
Finance	10	10	10	10	9	9	9	9	9	9
Human Resources	8	8	8	9	9	9	7	7	7	7
Purchasing	2	2	3	3	3	3	2	2	2	2
Police Protection										
Administrative	4	4	4	4	4	4	4	4	4	4
Operations	74	75	75	74	70	70	68	66	65	65
Fire Protection										
Administrative	4	4	4	4	4	4	4	4	4	2
Operations	31	31	31	31	32	31	31	30	29	28
Streets and Equipment	25	24	25	23	23	21	20	19	19	19
Community Development	18	18	18	18	17	16	15	14	13	12
Transportation and Utilities	9	9	9	9	9	7	7	6	5	5
Parks and recreation	15	17	17	17	14	14	12	12	12	12
Senior Center	4	5	6	6	6	6	5	2	2	1
<b>Total</b>	<b>222</b>	<b>225</b>	<b>227</b>	<b>225</b>	<b>217</b>	<b>210</b>	<b>200</b>	<b>188</b>	<b>184</b>	<b>179</b>

SOURCE: City Annual Budget

**CITY OF PORTAGE, MICHIGAN**  
(unaudited)  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Function</b>										
Police										
Arrests	2,754	4,010	4,695	4,700	3,850	4,455	3,672	2,970	2,653	2,335
Traffic citations	5,208	4,533	3,616	3,600	2,850	2,800	3,654	2,354	4,212	2,745
Calls for service (Police & Fire)	24,718	23,913	24,934	24,000	24,500	24,800	24,808	24,808	24,957	21,796
Fire										
Number of calls answered										
Fire	122	118	117	134	120	126	140	120	116	122
Emergency medical	1,836	2,019	1,620	1,761	1,750	1,962	2,100	1,778	1,822	2,125
Inspections	1,896	2,143	3,000	2,971	3,100	3,588	3,026	3,025	2,153	2,578
Parks and Recreation										
Acreage of intensive maintenance	200	203	207	207	207	208	209	209	209	209
Acreage of boulevard mowing	129	129	129	130	131	131	131	131	131	131
Highways and streets										
Miles of major streets plowed	71	71	71	71	72	72	72	72	72	72
Miles of streets resurfaced	1	2	33	3	1	2	4	2	4	4
Miles of right-of-way mowed	50	58	52	66	50	50	50	50	50	50
Miles of streets swept	4,688	4,800	4,500	5,000	5,000	5,000	4,985	4,615	4,395	4,395
Water utility										
Water pumped & treated (millions of gallons)	1,968	2,000	2,170	2,200	2,200	2,110	2,002	1,993	1,750	2,200
Water main breaks	28	21	24	24	19	19	24	29	27	25
Sewer utility										
Sewage transported (millions of gallons)	1,778	1,818	1,850	1,890	1,784	1,800	1,800	1,420	1,360	1,442
Miles of sewers cleaned	133	96	95	95	81	78	77	77	77	76
Lift station inspections	3,894	3,950	3,750	3,800	1,980	2,200	1,900	1,929	1,800	1,916

SOURCE: Department of Transportation & Utilities, Police Department, Fire Department, and Department of Parks & Recreation

**CITY OF PORTAGE, MICHIGAN**  
(unaudited)  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Function</b>										
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	30	32	32	35	35	32	32	32	36	36
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Vehicles	17	14	14	14	14	14	14	14	14	14
Health and welfare:										
Number of parks	14	15	15	15	16	16	16	16	16	16
Acres of parks	724	724	724	724	724	724	724	724	724	724
Senior citizen centers	1	1	1	1	1	1	1	1	1	1
Highways and streets:										
Miles of Streets	211	215	217	217	219	220	220	220	220	220
Water utility:										
Water mains (miles)	220	226	233	237	240	243	245	246	246	246
Number of fire hydrants	2,327	2,498	2,455	2,500	2,587	2,600	2,627	2,639	2,653	2,662
Number of customers	12,757	13,025	13,133	13,300	13,420	13,520	13,626	13,692	13,752	13,752
Sewer utility:										
Sewer lines (miles)	213	218	221	224	227	230	230	230	230	230
Lift stations	55	56	55	55	55	55	55	55	55	55
Number of customers	14,161	14,450	14,662	14,783	14,903	15,003	15,080	15,124	15,177	15,177

SOURCE: City Annual Budget

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

December 17, 2013

The Honorable Mayor and Members  
of the City Council  
City of Portage, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Portage, Michigan (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2013.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Loborn LLC". The signature is written in a cursive, flowing style.