



Comprehensive Annual Financial Report

for fiscal year ended June 30, 2015



Portage, Michigan

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CITY OF PORTAGE, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2015

Including
Single Audit Act Compliance

Prepared by:

Finance Department

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CITY OF PORTAGE, MICHIGAN

Table of Contents

	<u>Page</u>
Introductory Section	
Elected Officers	1
Letter of Transmittal	2
Table of Organization	7
GFOA Certificate of Achievement	8
Financial Section	
Independent Auditors' Report	12
Management's Discussion and Analysis	17
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	32
Statement of Activities	33
Fund Financial Statements:	
Balance Sheet - Governmental Funds	35
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	36
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	37
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	38
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	39
Statement of Net Position - Proprietary Funds	44
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	45
Statement of Cash Flows - Proprietary Funds	46
Statement of Net Position - Fiduciary Funds - Pension and Employee Benefits Trust Funds and Agency Funds	47
Statement of Changes in Net Position - Fiduciary Funds - Pension and Employee Benefits Trust Funds	48
Notes to Financial Statements	51

CITY OF PORTAGE, MICHIGAN

Table of Contents

	<u>Page</u>
Required Supplementary Information	
Employees' Retirement System:	
Schedule of Changes in City's Net Pension Liability and Related Ratios	87
Schedule of Pension Liability	88
Schedule of Contributions	89
Schedule of Investment Returns	90
Retiree Healthcare Funding Plan -	
Schedule of Funding Progress and Employer Contributions	91
Combining and Individual Fund Financial Statements	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	94
Combining Balance Sheet - Nonmajor Special Revenue Funds	95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	97
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Major Streets Fund	99
Local Streets Fund	100
Municipal Streets Fund	101
Cable Television Fund	102
Community Development Block Grant Fund	103
Community Development Block Grant Program Income Fund	104
American Relief and Recovery Act Grant Fund	105
West Lake Management Fund	106
Curbside Recycling Fund	107
Leaf Pickup/Spring Cleanup Fund	108
Combining Balance Sheet - Nonmajor Debt Service Funds	109
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Debt Service Funds	111
Combining Statement of Net Position - Internal Service Funds	113
Combining Statements of Revenue, Expenses and Changes in Fund Net Position - Internal Service Funds	114
Combining Statement of Cash Flows - Internal Service Funds	115
Combining Statement of Fiduciary Net Position - Pension and Retiree Healthcare	116
Combining Statement of Changes in Fiduciary Net Position - Pension and Retiree Healthcare	118
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	119
Combining Statement of Changes in Assets and Liabilities - Agency Funds	121

CITY OF PORTAGE, MICHIGAN

Table of Contents

	<u>Page</u>
Statistical Section (Unaudited)	
Financial Trends:	
Net Position by Component	127
Changes in Net Position	129
Fund Balances - Governmental Funds	133
Changes in Fund Balances - Governmental Funds	135
Revenue Capacity:	
Assessed and Estimated Actual Value of Taxable Property	137
Property Tax Rates (\$1 per \$1,000 of Taxable Value) - Direct and Overlapping Governments	140
Principal Property Taxpayers	141
Property Tax Levies and Collections	144
Debt Capacity:	
Ratios of Outstanding Debt by Type	145
Ratios of Net General Bonded Debt Outstanding	147
Computation of Net Direct and Overlapping Debt	148
Legal Debt Margin	150
Pledged Revenue Coverage	151
Demographic and Economic Information:	
Demographic and Economic Statistics	153
Principal Employers	155
Operating Information:	
Full-time Equivalent City Government Employees by Function/Program	157
Operating Indicators by Function/Program	159
Capital Asset Statistics by Function/Program	161
Single Audit Act Compliance	
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards as Required by OMB Circular A-133	164
Schedule of Expenditures of Federal Awards	166
Notes to Schedule of Expenditures of Federal Awards	167
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 <i>Government Auditing Standards</i>	168
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	170
Schedule of Findings and Questioned Costs	172
Summary Schedule of Prior Audit Findings	175



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INTRODUCTORY SECTION

CITY OF PORTAGE, MICHIGAN

ELECTED OFFICERS

For the Year Ended June 30, 2015

Elected Officials

Mayor	Peter J. Strazdas
Mayor Pro Tempore	James Pearson
Council Member	Nasim Ansari
Council Member	Claudette Reid
Council Member	Patricia M. Randall
Council Member	Richard Ford
Council Member	Terry R. Urban

Appointed Officials

City Manager	Laurence Shaffer
Deputy City Manager	John R. Boulis
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	William K. Furry
Director of Parks, Recreation and Senior Citizen Services	Kendall Klingelsmith
Public Safety Director - Police / Fire Chief	Richard J. White
Transportation and Utilities Director	W. Christopher Barnes
Director of Public Services	Rodney Russell



December 16, 2015

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 (the "City") for the fiscal year ended June 30, 2015 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 is situated in the southwest part of the State of Michigan and located halfway between Chicago and Detroit and 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.

STEADY ECONOMY WITH CONTINUED CHALLENGES

The City saw no significant change in General Fund property tax revenue in fiscal year 2014-2015, although total General Fund revenues increased by \$975,000 due primarily to an increase in building permit and other revenue. Continued efforts to control expenditures kept General Fund spending more than \$2 million below amended budget for the eighth consecutive year.

ECONOMIC CONDITION AND OUTLOOK

The City of Portage is the unit of government in Kalamazoo County with the largest assessed value (regular tax roll) and the largest per capita taxable value, approximately twice that of neighbor City of Kalamazoo. 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 \$2,151,703,700 in 2015. The taxable value for the year beginning July 1, 2014 increased approximately 0.6 percent compared to the prior year. The City of Portage unemployment rate as of April 2015 was 3.5 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 a recent American Community Survey 5-Year Estimates, employment has also been well-balanced. The number of employed Portage residents was over 22,500 and included a high degree of employment in education/health care, manufacturing/warehousing, wholesale and retail trade, professional, scientific and management.

7900 South Westnedge Avenue ♦ Portage, Michigan 49002
www.portagemi.gov

The continued expansion of the Pfizer, Inc. and Stryker Corporation facilities within the Sprinkle Road Industrial Corridor since 2006 has been significant. In the last four years, Pfizer and Stryker invested over \$36 million in manufacturing and administrative operations. In 2012, other manufacturers including Mann+Hummel, Summit Polymers, and Bowers Manufacturing invested over \$27 million total in facilities, creating over 130 new jobs and retaining over 1,000.

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 have constructed new facilities as a direct result of this initiative.
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 a 50 acre business and 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, three large retailers and several upscale restaurants have also constructed new facilities as a result of the Community Investment Initiative.
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 several retailers, popular eateries, and a credit union. 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.
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 included 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. Over one hundred 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. 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 economic impacts associated with the private sector projects have been very good news for the community in terms of diversifying the tax base and adding job opportunities for area residents. These initiatives were accomplished without a tax increase by using a combination of local tax resources, private sector participation, and state and federal funds.

LONG-TERM FINANCIAL PLANNING

The City continues to improve on its long-range financial planning process. City Council and City Administration are committed to strategies designed to ensure the long-term financial health of the City. A five-year financial model was developed years ago that continues to be a valuable tool in such areas as utility rate analysis, and budgeting is done annually for capital improvements spanning a ten year period, projecting the costs and funding for large, multi-year projects.

As part of the budgeting process, long-range forecasts of revenue and expenditures are updated to help clarify financial parameters and predict available resources and options. The financial trend monitoring system developed by the International City/County Management Association is an important part of the annual budget presentation.

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. Please see the section titled "Management's Discussion and Analysis" which follows the independent auditors' report for additional information relating to fiscal year 2014-2015.

Tax collections were 98.8 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 2014 City Council established that the fund balance of the General Fund be at least 24 percent of General Fund expenditures including transfers. The total “unassigned” fund balance of the General Fund at June 30, 2015 was 40.6 percent of actual fiscal year 2014-2015 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 41.7 percent of expenditures including transfers.

The City’s general obligation bonding is rated at AA, outlook stable, 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, 2015, the Sewer and Water Funds had ending net position balances of \$49,941,565 and \$29,503,001 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 independent 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, 2014. This was the twenty-eighth 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’s 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.

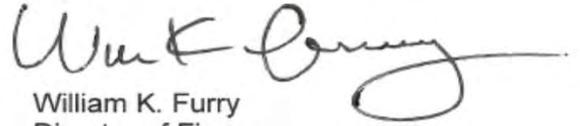
In addition, the City also received the GFOA Award for Distinguished Budget Presentation for the annual budget for fiscal year 2014-2015. In order to qualify for the Distinguished Budget Presentation Award, the City budget document was judged to be proficient as a policy document, a financial plan, an operations guide and a communication device. This was the twenty-eighth 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, 2015. 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,



Laurence Shaffer
City Manager



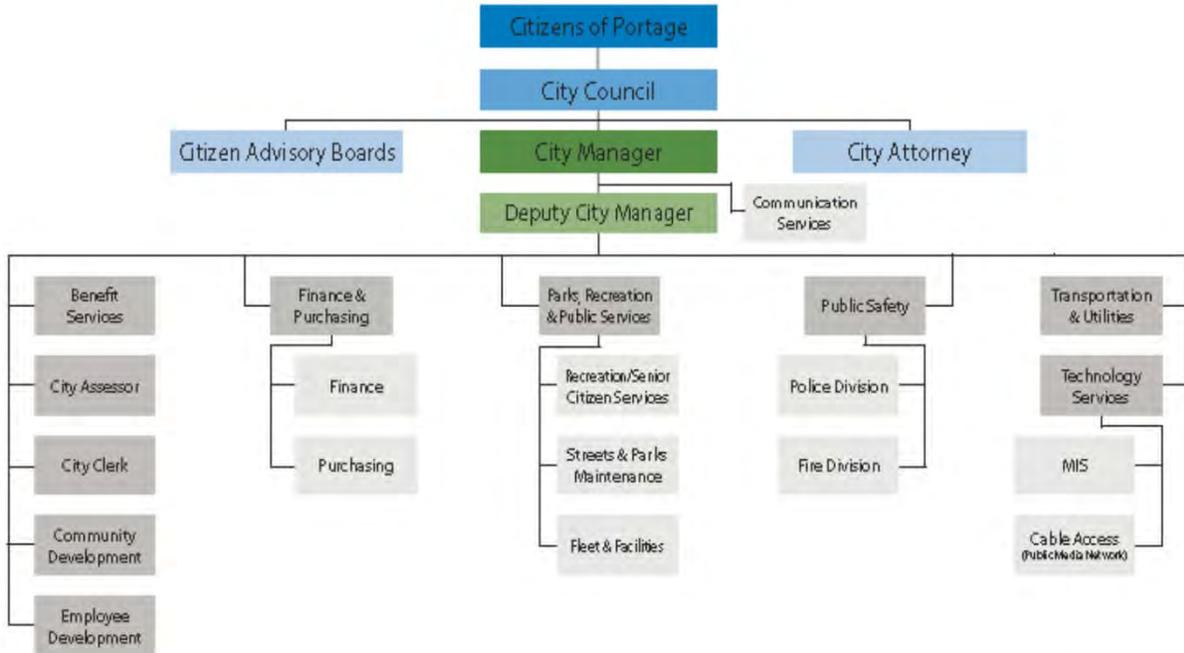
William K. Furry
Director of Finance

CITY OF PORTAGE, MICHIGAN

Table of Organization



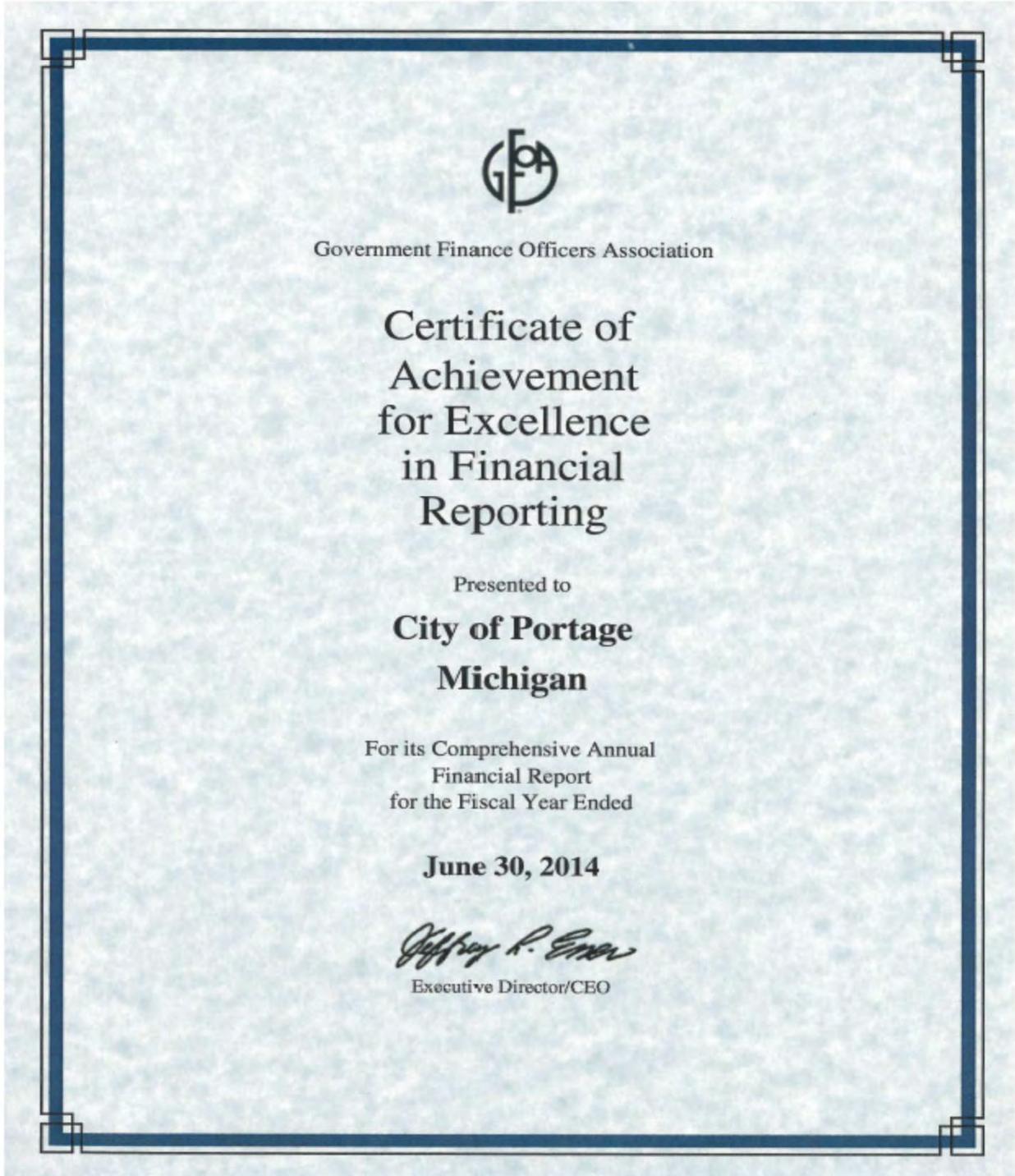
Organizational Chart



Revised: 09/20/2013

CITY OF PORTAGE, MICHIGAN

GFOA Certificate of Achievement



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

December 16, 2015

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, 2015, 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 from 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portage, Michigan, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Note 17, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. Accordingly, beginning net position of the governmental activities was restated. Our opinion is not modified with respect to this matter.

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 for the pension and other postemployment benefit plans 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 City's basic financial statements. The combining and individual nonmajor 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 nonmajor 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 nonmajor 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 Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, 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.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF PORTAGE, MICHIGAN

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, 2015. 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 net position of the City is the amount by which the City's assets and deferred outflows of resources exceeded its liabilities. At June 30, 2015, net position totaled \$113,848,504. Of this amount, \$26,823,133 (unrestricted) is available to meet ongoing obligations to citizens and creditors.
- The City's total net position increased by \$7,262,028, a combination of increases in governmental activities of \$2,813,695 and business-type activities of \$4,448,333.
- Total government-wide liabilities decreased by \$5,130,103, or 5.7%, from the prior year. Liabilities for governmental activities decreased by \$5,146,662 and for business-type activities increased by \$16,559, from the prior year. The City began a debt reduction strategy in 2007 that remains in effect, specifically restraint in new non-utility borrowing, calling older debt issues when resources are available, and refunding when possible.
- At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$18,578,562, a decrease of \$1,098,667 from the prior year. Approximately 39.4% of this total, or \$7,322,183 is unassigned fund balance, available for spending at the City's discretion.
- The City's total bonded debt decreased by \$4,800,000 during the fiscal year ended June 30, 2015. One series of Local Development Finance Authority (LDFA) Tax Increment Refunding Bonds was issued in the amount of \$2,150,000 to refund \$2,095,000 of LDFA bond series from 2016 to 2027 with higher interest rates. One series of Capital Improvement Bonds was issued during the fiscal year in the amount of \$1,600,000 to fund construction or purchase of various assets in the water system. One series of Capital Improvement Refunding Bonds was issued in the amount of \$6,040,000 to refund \$4,325,000 of Capital Improvement Bond series from 2016 to 2028 and \$1,735,000 of Capital Improvement Bond series from 2016 to 2028, both with higher interest rates. Payments reducing debt principal totaled \$14,590,000. Total outstanding debt principal at fiscal year end was \$77,530,001. A schedule of the City's long-term obligations can be found in Note 7 of the notes to financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial 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 *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 legislative, judicial, general government, public safety, public works, health and welfare, economic development, recreation and cultural, highways and streets, unallocated depreciation, and interest on long-term debt. The business-type activities include the water and sewer utilities.

CITY OF PORTAGE, MICHIGAN

Management's Discussion and Analysis

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 funds balance sheet and statement of revenues, expenditures, and changes in fund balances, separate statements are provided that reconcile the government-wide and fund level statements.

The City maintains eighteen individual governmental funds. The general fund is considered a major fund and information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances. In addition to the other major governmental funds (special assessment debt fund and capital improvements fund) the City maintains several individual governmental funds that are organized according to their type: special revenue funds, debt service funds, and a permanent fund. 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.

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 average operating expenditures for the general fund is approximately \$1,717,000, and approximately \$3,248,000 for the City governmental funds. The unassigned fund balance in the general fund of approximately \$9,106,000 represents approximately 5 months of operation at June 30, 2015 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. In May of 2014 the Portage City Council passed a resolution establishing a 24% general fund balance maintained as a guideline based on expenditures, with available fund balance in excess of the 24% target to be used to pay cash for future non-utility capital improvements.

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 the governmental activities in the government-wide financial statements.

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

CITY OF PORTAGE, MICHIGAN

Management's Discussion and Analysis

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.

Fund Types	Government-wide	Fund Financials
General fund	Governmental	Governmental
Capital improvements fund	Governmental	Governmental
Special revenue funds	Governmental	Governmental - nonmajor
Debt service funds	Governmental	Governmental - nonmajor
Permanent fund	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	Excluded

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

Government-wide Financial Analysis

Net position serves over time as a useful indicator of a government's financial position. In the case of the City of Portage, assets and deferred outflows of resources exceeded liabilities by \$113,848,504 at the close of the fiscal year, an increase of 6.8% over the previous year.

The largest portion of net position (68.9%) is invested in capital assets (e.g. land, right-of-way, land improvements, buildings, machinery and equipment, vehicles, and infrastructure), 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. The City achieved an 8.0% reduction of long-term debt in the governmental activities and a 1.0% reduction of long-term debt in the business-type activities. Long-term debt balances of the governmental activities are decreasing as the result of efforts to reduce indebtedness. The slower rate of enterprise fund debt reduction is the result of the completion of a federally mandated arsenic removal facility completed several years ago. At almost \$6 million, it was a significant investment by the water fund. All possible bonds have been refinanced for savings in the enterprise funds.

CITY OF PORTAGE, MICHIGAN

Management's Discussion and Analysis

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

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$25,943,189	\$28,160,801	\$16,496,539	\$12,214,492	\$ 42,439,728	\$ 40,375,293
Capital assets, net	63,069,380	63,026,513	93,008,568	92,825,723	156,077,948	155,852,236
Total assets	89,012,569	91,187,314	109,505,107	105,040,215	198,517,676	196,227,529
Deferred outflows of resources						
	23,286	-	-	-	23,286	-
Liabilities						
Long-term liabilities	50,502,069	54,827,917	29,039,326	29,337,633	79,541,395	84,165,550
Other liabilities	4,129,848	4,950,662	1,021,215	706,349	5,151,063	5,657,011
Total liabilities	54,631,917	59,778,579	30,060,541	30,043,982	84,692,458	89,822,561
Net position:						
Net investment in capital assets	14,372,847	9,934,383	64,076,919	63,587,852	78,449,766	73,522,235
Restricted	7,482,466	10,959,279	-	-	7,482,466	10,959,279
Unrestricted	12,548,625	10,515,073	15,367,647	11,408,381	27,916,272	21,923,454
Total net position	\$34,403,938	\$31,408,735	\$79,444,566	\$74,996,233	\$ 113,848,504	\$ 106,404,968

An additional portion of net position, \$8,575,605 (7.5%), represents resources subject to external restrictions on how they may be used. The remaining balance of \$26,823,134 (23.6%) may be used to meet the government's ongoing obligations to citizens and creditors.

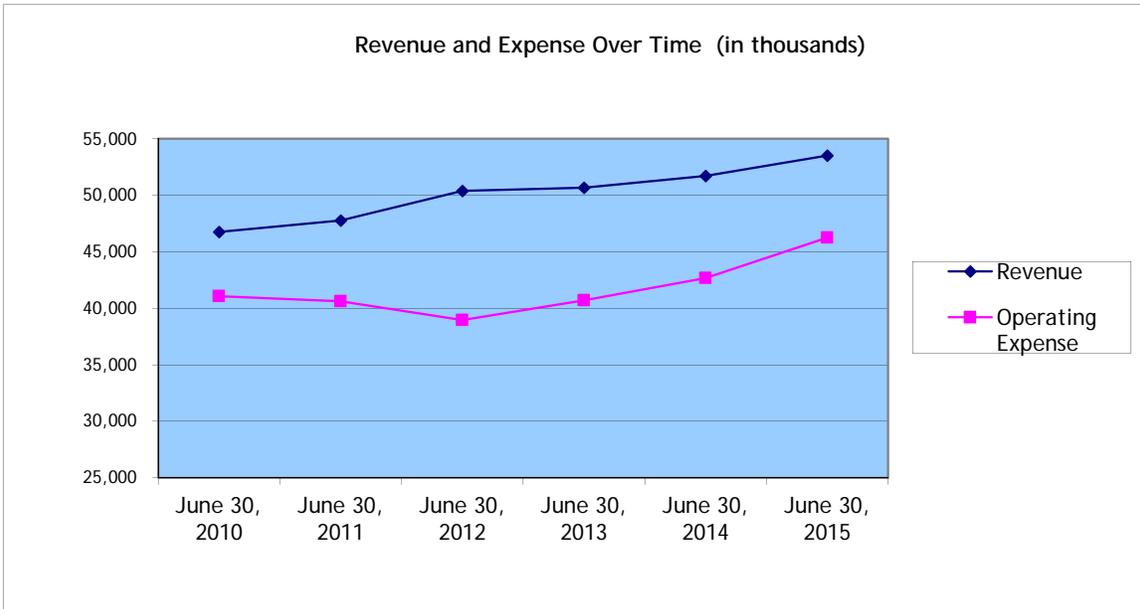
Changes in Net Position

The chart below illustrates actual City-wide revenue and expenses over the past six 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 increasing. This chart shows that since 2012, operating expenditures are rising along with revenues once again, due in part to increased spending on local road improvements in the prior year following a severe winter, coupled with the restoration of non-union wage increases which had been suspended since 2008. However, the City is still able to report positive balances in both governmental and business-type activities.

CITY OF PORTAGE, MICHIGAN

Management's Discussion and Analysis

After several years of cuts, State of Michigan revenue sharing payments statutorily and constitutionally promised to local governments have begun increasing again, up 2.6% in both 2014 and 2015. Revenue sharing payments support public safety which consumed 63% of the entire general fund expenditure budget. During that same period, Michigan Public Act 51 funding that supports major and local street construction and maintenance also began increasing following declines due to the upward volatility of gas prices, 7.0% from 2013 to 2014, slowing to 1.8% from 2014 to 2015. (PA 51 funding is 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 the number of road projects, shortfalls in Act 51 funding have been covered by transfers from the general fund totaling \$550,000 in fiscal 2015.



The total net position of the City increased by \$7,262,028 over the prior year. Long-term liabilities decreased by \$4,624,155, or 5.7%, the result of paying down current debt. Capital assets decreased 0.1% as depreciation on existing assets outpaced completed construction projects. The overall increase in net position of 7.0% was the result the increase in governmental activities of \$2,813,695 and solid increase in business-type activities of \$4,448,333. No new governmental debt was issued in 2015, and the resulting decrease in long-term liabilities from payments combined with the minimal change in capital assets to yield an increase of 45% in net investment in capital assets, the major factor in the increase in governmental net position. The net position of business-type activities increased by \$4,448,333, up 5.9% over the previous year, as charges for services (water and sewer flow) exceeded operating costs, contractual payments, and transfers out. The largest enterprise projects completed were water mains and storm drains, funded by \$1.6 million in new debt. The increase in net position for business-type activities was due to an increase in current assets (working capital).

CITY OF PORTAGE, MICHIGAN

Management's Discussion and Analysis

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 2,603,009	\$ 2,527,504	\$15,492,464	\$15,280,423	\$ 18,095,473	\$ 17,807,927
Operating grants	5,702,899	5,493,140	241,313	53,799	5,944,212	5,546,939
Capital grants	1,479,381	1,625,105	-	-	1,479,381	1,625,105
General revenues:						
Property taxes	21,867,889	21,413,202	-	-	21,867,889	21,413,202
Grants and contributions not restricted	6,002,569	5,100,328	-	-	6,002,569	5,100,328
Unrestricted investment earnings	82,611	169,641	40,697	36,015	123,308	205,656
Gain on sale of capital assets	6,909	-	-	-	6,909	-
Total revenues	37,745,267	36,328,920	15,774,474	15,370,237	53,519,741	51,699,157
Expenses:						
Legislative	57,294	89,318	-	-	57,294	89,318
Judicial	48,334	50,224	-	-	48,334	50,224
General government	5,400,040	5,326,077	-	-	5,400,040	5,326,077
Public safety	14,155,516	13,969,369	-	-	14,155,516	13,969,369
Public works	788,758	668,358	-	-	788,758	668,358
Health and welfare	1,485,660	1,617,764	-	-	1,485,660	1,617,764
Recreation and cultural	2,768,114	2,834,367	-	-	2,768,114	2,834,367
Highways and streets	3,131,886	5,072,382	-	-	3,131,886	5,072,382
Unallocated depreciation	5,301,353	5,505,280	-	-	5,301,353	5,505,280
Interest on long-term debt	1,803,617	757,765	-	-	1,803,617	757,765
Sewer	-	-	7,188,215	6,993,349	7,188,215	6,993,349
Water	-	-	4,128,926	4,162,156	4,128,926	4,162,156
Total expenses	34,940,572	35,890,904	11,317,141	11,155,505	46,257,713	47,046,409
Change in net position before transfers	2,804,695	438,016	4,457,333	4,214,732	7,262,028	4,652,748
Transfers	9,000	150,785	(9,000)	(150,785)	-	-
Change in net position	2,813,695	588,801	4,448,333	4,063,947	7,262,028	4,652,748
Net position:						
Beginning of year	31,408,735	30,819,934	74,996,233	70,932,286	106,404,968	101,752,220
Restatement for GASB 68	181,508	-	-	-	181,508	-
End of year	\$34,403,938	\$31,408,735	\$79,444,566	\$74,996,233	\$ 113,848,504	\$ 106,404,968

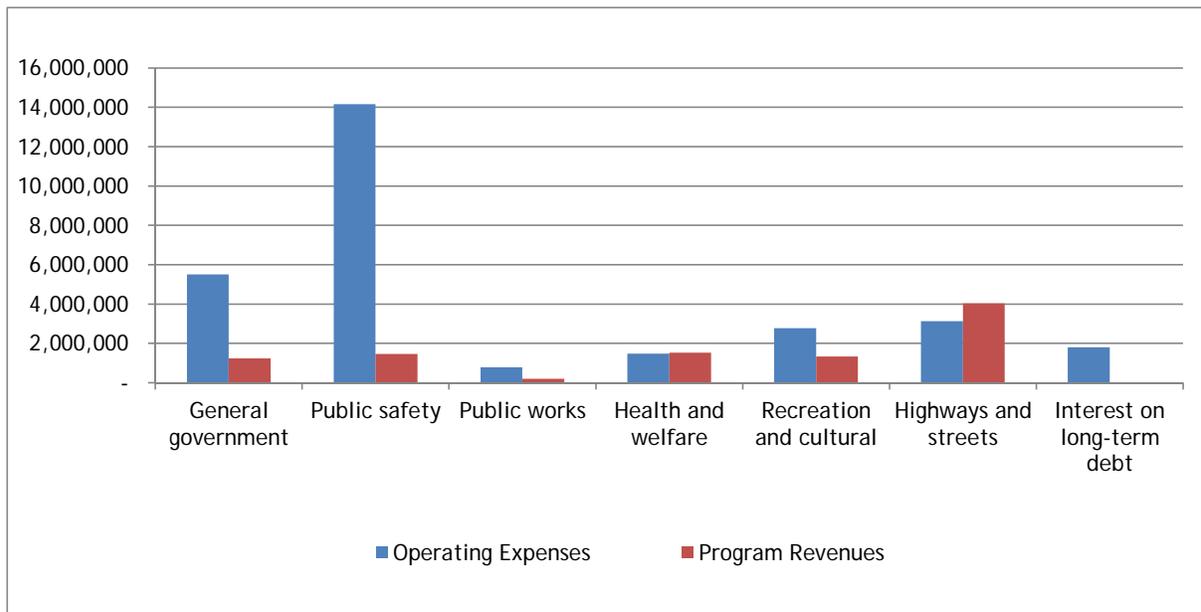
CITY OF PORTAGE, MICHIGAN

Management's Discussion and Analysis

Program Revenues and Operating 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. (Unallocated depreciation is not included in this chart.) It is clear that very few City services would be possible without tax revenue. While revenues for highway and street services exceeded operating expenditures, non-operating transfers out to fund capital improvement road projects increased almost \$600,000, leaving the streets funds with a combined deficit of \$166,986. And the annual increases in state Act 51 funding have begun to slow.

Program Revenues and Operating Expenses - Governmental Activities



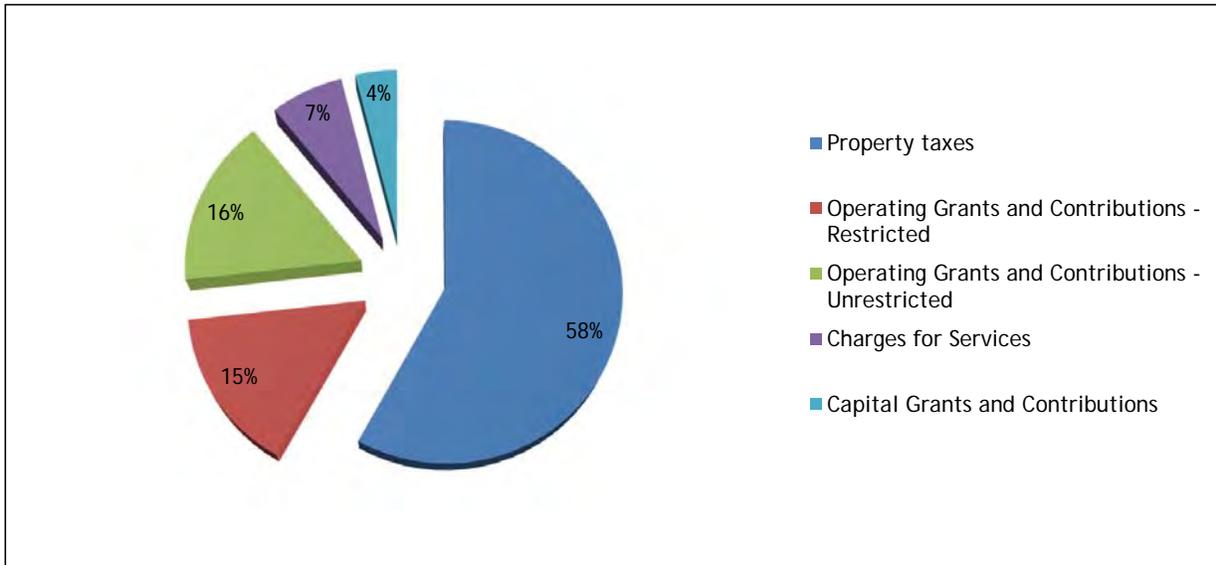
General revenues such as property taxes and unrestricted grants and contributions are not shown by program, but are used to support program activities City-wide. For governmental activities, without regard to program, property taxes are the largest source of revenue, followed by unrestricted grant and contribution revenue. For the purposes of this display, general government is combined with legislative and judicial.

CITY OF PORTAGE, MICHIGAN

Management's Discussion and Analysis

Government-wide Total Revenues by Source - Governmental Activities

The chart below shows that each City revenue dollar in 2014/2015 consisted of 58% property tax, 15% restricted purpose/use grant funding, 16% unrestricted purpose/use grant funding, 7% revenue from charges for services, 4% capital grants and contributions, and less than 1% other revenue sources. As economic conditions have deteriorated, the City has become increasingly dependent on tax assessments and charges for services.



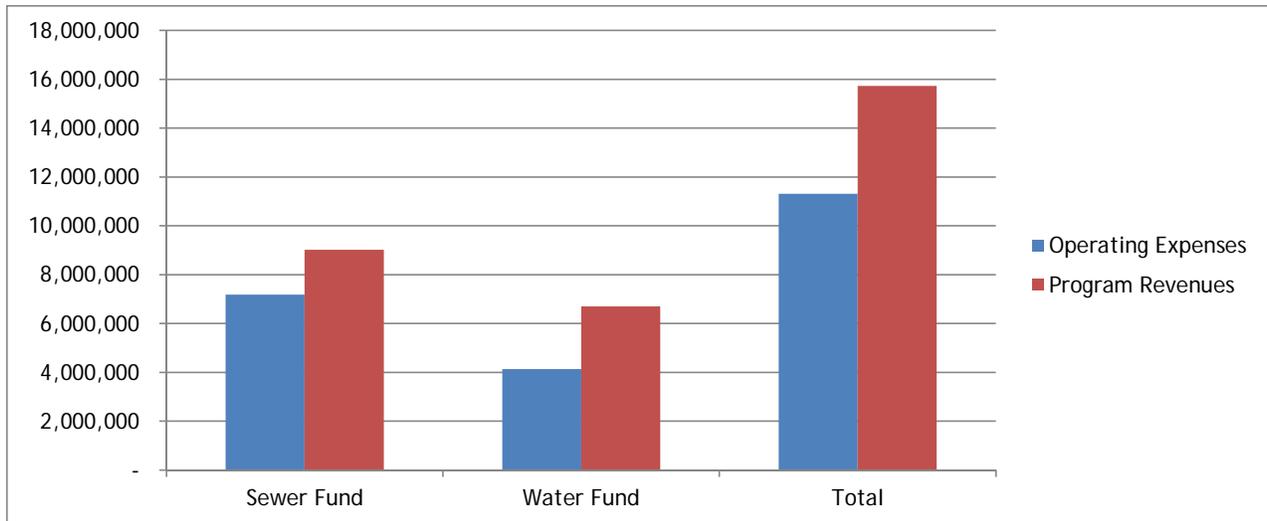
Program Revenues and Expenses - Business-type Activities

Operating revenues for each of the enterprise funds exceeded operating expenses. Quarterly base charges were increased for both sewer and water, leading to an increase in revenues in the sewer fund, but water revenues declined due to reduced consumption in a relatively wet and rainy year. A utility rate study is prepared annually, and the rate increase for the typical residential customer was much lower in 2014/2015 than in the prior year. Fee increases from the regional wastewater utility have been more moderate of late, but a risk remains that the government which owns and operates the wastewater facility may impose increases to cover unfunded legacy costs of the utility. Levels of working capital in the water fund continue to improve, but debt levels remain substantial and could increase with large projects in the next few years. The only new debt issued by the City in 2014/2015 was issued by the water fund.

CITY OF PORTAGE, MICHIGAN

Management's Discussion and Analysis

Program Revenues and Expenses - Business-type Activities



For business-type activities, charges for services provide the largest percentage of revenues (nearly 100%). A state of the art arsenic removal facility was placed in service in 2012, bringing the water utility into compliance with federally mandated water quality standards, also removing iron and manganese from the City water supply. The new facility, coupled with an expanded water storage capacity project expected to be completed in three to four years, will provide additional capacity to meet increasing demands for water and fire flow needs far into the future.

Financial Analysis of the Governmental Fund Statements

In comparison to the government-wide statements, the fund 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.

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 \$9,105,928, while total fund balance was \$9,349,878. 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 and transfers out. Unassigned fund balance represents 40.6% of total general fund expenditures and transfers out, and total fund balance represents 41.7% of expenditures and transfers out. The fund balance in the general fund increased by \$1,062,044 over the prior year.

The fund balance of the capital improvement fund decreased by \$2,311,911 due to increased spending on multi-year projects started in the prior year, and a decision to utilize available resources to fund many projects with cash instead of issuing more debt. No new debt was issued in support of non-utility projects in 2014/2015. Just over half of capital spending was on major and local street reconstruction projects, with the rest on vehicle purchases, software, land improvements and numerous other projects. Contributing to the fund balance decrease was transfers out exceeding transfers in and other financing sources.

CITY OF PORTAGE, MICHIGAN

Management's Discussion and Analysis

The nonmajor funds include special revenue, debt service, and permanent funds. In the special revenue fund group, the major streets fund saw a decrease in fund balance of \$246,577, while the local street's fund balance increased by \$79,591. The municipal street fund is a street repair millage fund, collecting a levy dedicated to supporting reconstruction and rebuilding city streets. Tax revenue exceeded transfers out for capital spending plus expenditures for the year by \$35,670 in the municipal street fund. The majority of other special revenue funds had moderate increases in fund balance, offsetting the decrease of the major street fund.

The debt service funds are of three types, one supported by tax increment funding, one supported by special assessments, and one by transfers from the capital improvement fund. Revenues and transfers in exceeded principal, interest charges and transfers out by \$17,330 in the Downtown Development Authority (DDA) fund, where lack of tax base growth within the DDA may require supplemental funding to ensure debt obligations are adequately addressed. The other fund supported by tax increment funding, the Local Development Financing Authority (LDFA), had an increase of \$10,828 to its fund balance. The fund balance of the special assessment debt service fund decreased \$67,697 as debt service costs exceeded collections of special assessments for the year. The remaining debt service funds receive transfers from the capital improvement fund sufficient to cover principal and interest payments.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities but in more detail.

- The sewer fund net position increased by \$1,901,088. 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.
- The water fund net position increased by \$2,547,245 with revenue outpacing expenses as it did in the prior year. Contractual, administrative, and debt service costs drive this budget.

The 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.

General Fund Budgetary Highlights

The amended expenditure budget for the general fund was \$488,604 greater than the original budget. This increase was primarily the result of encumbrances carried forward from previous budget year appropriations, but also reflects the reallocation of resources within the fund during the year for cost controls initiated by the City Manager.

Due to continuing efforts to reduce spending, from personnel costs to energy and operations, general fund expenditures were \$2,230,111 under amended budget. While non-union wages are no longer frozen, overtime is still closely monitored for all groups, and increases in health insurance costs were minimal. This was the 8th consecutive year with expenditures under amended budget by at least \$2.1 million. Amended budget also included funds held for major software upgrades and replacements put in place during the year.

The amended revenue budget for the general fund was \$34,794 higher than the original budget reflecting grants awarded, contributions, recreation fees, and building permits. Actual general fund revenues exceeded the amended revenue budget by \$1,049,297 for the year, a variance of 4.7%.

CITY OF PORTAGE, MICHIGAN

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets. Capital assets for governmental and business-type activities as of June 30, 2015, amount to \$156,077,948 (net of accumulated depreciation). Capital assets include land, right-of-way, land improvements, buildings, machinery and equipment, vehicles, infrastructure, and the water and sewer systems. The net change in the City's capital assets for the current fiscal year was a nominal increase of \$225,712, with asset additions exceeding depreciation and deletions. This is reflected in the Capital Improvements fund spending of almost \$7 million, 56% of which was infrastructure, plus over \$2 million in water main improvements and equipment purchases.

Capital asset balances are as follows:

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 9,931,556	\$ 9,748,069	\$ 334,490	\$ 334,490	\$ 10,266,046	\$ 10,082,559
Right-of-way	4,496,180	4,496,180	-	-	4,496,180	4,496,180
Land improvements	1,838,030	1,941,245	2,455	2,832	1,840,485	1,944,077
Buildings	6,478,813	6,725,120	190,332	215,486	6,669,145	6,940,606
Machinery and equipment	1,976,832	1,019,074	184,211	70,114	2,161,043	1,089,188
Vehicles	2,620,184	1,766,214	-	-	2,620,184	1,766,214
Infrastructure	35,727,785	37,330,611	-	-	35,727,785	37,330,611
Water/sewer system	-	-	92,297,080	92,202,801	92,297,080	92,202,801
Total capital assets, net	\$63,069,380	\$63,026,513	\$93,008,568	\$92,825,723	\$ 156,077,948	\$ 155,852,236

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

- Total governmental assets increased slightly from the prior year. Asset additions, consisting of 6,640,926, approximated the \$6.6 million in depreciation charges.
- Business-type activities completed construction of depreciable capital assets of \$1,662,823, consisting primarily of storm drainage improvements. That increase was offset by approximately \$1.5 million in depreciation charges.

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-term debt. At the end of the current fiscal year, the City reported \$77,530,000 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 \$2,011,394. Additional information regarding debt can be found in Note 7 to the financial statements.

	Bonded Debt					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Bonds	\$48,619,844	\$53,092,130	\$28,910,156	\$29,237,871	\$ 77,530,000	\$ 82,330,001

During fiscal year 2015, the City's total long-term obligations decreased by \$4,624,155.

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-.

CITY OF PORTAGE, MICHIGAN

Management's Discussion and Analysis

Economic Factors and Next Year's Budget and Rates

The City Manager, fiscal staff, and the City's elected officials considered many factors when establishing the fiscal year 2014/2015 budget, proposing a budget which continued cost containment measures designed to limit operating expense while guarding against substantive impact to core service delivery. Those measures have been successful, and the savings realized over the years have been smoothing the City's transition through the challenges presented. City management continued to reduce costs through implementation of process improvements for greater efficiencies, and staff reduction through reorganization when attrition provides opportunities. Plans to set aside stabilization funds, discussed during development of the 2014/2015 budget, got underway with adoption of a budget stabilization ordinance early in fiscal 2015/2016.

Conservative action has continued to control operating costs in light of the continuing reductions in tax and other revenues. Commercial development is recovering from recent uncertainty and unwilling credit markets, and new construction activity is picking up, with new residential, retail and financial locations planned or under construction. Capital investment and expansion continue to show promise, generating increases in planning and building permits in the short term and gains in tax base for the long term. Interest has not been a realistic element of revenues with rates still determined in basis points. The increase in revenue from taxes and special assessments of \$450,243 in 2012/2013 was reversed in 2013/2014 to a decline of \$412,337. Tax base estimates for the 2014/2015 year indicated an upturn, but an increase of only \$383,236 was realized in 2014/2015. For 2015/2016, tax base estimates are a mix of increases in new construction combined with reductions in personal property.

Challenges continue as changes in state funding become defined and municipalities face the loss of the business personal property tax and the introduction of replacement revenue under the auspices of the Michigan Local Community Stabilization Authority. Fortunately, the changes are being phased in, allowing time to plan and adapt. Early estimates indicate an increase of less than 1 percent in City taxable value for fiscal year 2016/2017, but the signs are hopeful that days of decline are past.

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 269-324-9267, or on the web at <http://www.portagemi.gov>.

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BASIC FINANCIAL STATEMENTS

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CITY OF PORTAGE, MICHIGAN

Statement of Net Position

June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Assets				
Cash and investments	\$ 18,113,572	\$ 11,502,127	\$ 29,615,699	\$ 20,984
Receivables, net	3,755,831	4,110,531	7,866,362	-
Prepaid items	2,536,915	883,881	3,420,796	-
Net other postemployment benefit asset	1,536,871	-	1,536,871	-
Capital assets not being depreciated	14,427,736	334,490	14,762,226	-
Capital assets being depreciated, net	48,641,644	92,674,078	141,315,722	-
Total assets	89,012,569	109,505,107	198,517,676	20,984
Deferred outflows of resources				
Deferred pension amounts	23,286	-	23,286	-
Liabilities				
Accounts payable and accrued expenses	3,018,051	1,021,215	4,039,266	-
Unearned revenue	1,012,670	-	1,012,670	-
Long-term liabilities:				
Due within one year	6,027,916	2,120,983	8,148,899	-
Due in more than one year	44,474,153	26,918,343	71,392,496	-
Other noncurrent liabilities - Net pension liability	99,127	-	99,127	-
Total liabilities	54,631,917	30,060,541	84,692,458	-
Net position				
Net investment in capital assets	14,372,847	64,076,919	78,449,766	-
Restricted for:				
Capital projects	2,380,677	-	2,380,677	-
Major and local streets	1,933,136	-	1,933,136	-
Debt service	3,156,247	-	3,156,247	-
Public services	1,892	-	1,892	-
Community development	8,932	-	8,932	-
Cemetery permanent fund:				
Expendable	1,582	-	1,582	-
Nonexpendable	1,093,139	-	1,093,139	-
Unrestricted	11,455,486	15,367,647	26,823,133	20,984
Total net position	\$ 34,403,938	\$ 79,444,566	\$ 113,848,504	\$ 20,984

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

CITY OF PORTAGE, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Judicial	\$ 48,334	\$ -	\$ 70,000	\$ -	21,666
Legislative	57,294	-	-	-	(57,294)
General government	5,400,040	93,401	1,070,748	-	(4,235,891)
Public safety	14,155,516	1,232,019	224,490	-	(12,699,007)
Public works	788,758	-	1,954	195,124	(591,680)
Health and welfare	1,485,660	91,622	157,981	1,273,578	37,521
Recreation and cultural	2,768,114	1,185,967	139,475	10,679	(1,431,993)
Highways and streets	3,131,886	-	4,038,251	-	906,365
Unallocated depreciation expense	5,301,353	-	-	-	(5,301,353)
Interest on long-term debt	1,803,617	-	-	-	(1,803,617)
Total governmental activities	34,940,572	2,603,009	5,702,899	1,479,381	(25,155,283)
Business-type activities:					
Sewer	7,188,215	8,879,344	147,886	-	1,839,015
Water	4,128,926	6,613,120	93,427	-	2,577,621
Total business-type activities	11,317,141	15,492,464	241,313	-	4,416,636
Total primary government	\$ 46,257,713	\$ 18,095,473	\$ 5,944,212	\$ 1,479,381	\$ (20,738,647)
Component unit					
Economic Development Corporation	\$ -	\$ -	\$ 12	\$ -	\$ 12

continued...

CITY OF PORTAGE, MICHIGAN

Statement of Activities (Continued)

For the Year Ended June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Net revenues (expenses)	\$ (25,155,283)	\$ 4,416,636	\$ (20,738,647)	\$ 12
General revenues and transfers				
Property taxes	21,867,889	-	21,867,889	-
Grants and contributions not restricted to specific programs	6,002,569	-	6,002,569	-
Unrestricted investment earnings	82,611	40,697	123,308	-
Gain on sale of capital assets	6,909	-	6,909	-
Transfers	9,000	(9,000)	-	-
Total general revenues and transfers	27,968,978	31,697	28,000,675	-
Change in net position	2,813,695	4,448,333	7,262,028	12
Net position, beginning of year, as restated	31,590,243	74,996,233	106,586,476	20,972
Net position, end of year	\$ 34,403,938	\$ 79,444,566	\$ 113,848,504	\$ 20,984

concluded.

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

CITY OF PORTAGE, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2015

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total
Assets				
Cash and investments	\$ 8,076,173	\$ 2,798,613	\$ 6,088,263	\$ 16,963,049
Accounts receivable	105,260	-	1,323,216	1,428,476
Special assessments receivable	-	-	1,609,269	1,609,269
Due from other governments	-	-	718,086	718,086
Interfund receivable	1,775,131	-	-	1,775,131
Inventory	3,842	-	-	3,842
Prepaid items	240,108	-	2,062,976	2,303,084
Total assets	\$ 10,200,514	\$ 2,798,613	\$ 11,801,810	\$ 24,800,937
Liabilities				
Accounts payable	\$ 337,981	\$ 413,885	\$ 407,723	\$ 1,159,589
Retainage payable	-	4,051	-	4,051
Interfund payable	-	-	1,775,131	1,775,131
Accrued compensation	325,927	-	28,299	354,226
Unearned revenue	20,289	-	992,381	1,012,670
Deposits payable	166,439	-	25,000	191,439
Total liabilities	850,636	417,936	3,228,534	4,497,106
Deferred inflows of resources				
Unavailable revenue - special assessments	-	-	1,725,269	1,725,269
Fund balance				
Nonspendable	243,950	-	3,156,115	3,400,065
Restricted	-	2,380,677	4,822,946	7,203,623
Committed	-	-	652,691	652,691
Unassigned (deficit)	9,105,928	-	(1,783,745)	7,322,183
Total fund balance	9,349,878	2,380,677	6,848,007	18,578,562
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,200,514	\$ 2,798,613	\$ 11,801,810	\$ 24,800,937

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

CITY OF PORTAGE, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2015

Fund balances - total governmental funds	\$ 18,578,562
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statements.	
Capital assets not being depreciated	14,405,247
Capital assets being depreciated, net	46,050,929
The net pension asset is not an available resource and, therefore, is not reported in the funds.	
Net other postemployment benefit asset	1,536,871
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 unavailable revenues in the governmental funds, and thus are not included in fund balance.	
Unavailable special assessments	1,725,269
Internal service funds are used by management to charge the costs of insurance and equipment to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Net position of governmental activities accounted for in internal service funds	2,111,982
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds payable	(47,536,538)
Accrued compensated absences	(1,784,645)
Accrued interest on long-term liabilities	(607,898)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(99,127)
Deferred outflows related to the net pension liability	23,286
Net position of governmental activities	<u>\$ 34,403,938</u>

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

For the Year Ended June 30, 2015

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total
Revenues				
Property taxes	\$ 15,633,320	\$ 3,916,120	\$ 2,318,449	\$ 21,867,889
Special assessments	-	-	1,474,866	1,474,866
Licenses and permits	858,671	-	866,992	1,725,663
Federal grants	6,801	814,857	156,607	978,265
State grants	3,877,694	44,365	3,981,924	7,903,983
Other grants	57,968	-	-	57,968
Charges for services	1,839,491	-	32,125	1,871,616
Loan principal	-	-	86,489	86,489
Interest and rents	256,147	9,686	293,331	559,164
Net increase in fair value of investments	18,349	5,481	12,960	36,790
Other	945,302	153,244	74,525	1,173,071
Total revenues	23,493,743	4,943,753	9,298,268	37,735,764
Expenditures				
Current:				
Judicial	48,334	-	-	48,334
Legislative	57,294	-	-	57,294
General government	4,511,853	-	118,852	4,630,705
Public safety	13,313,239	-	50,999	13,364,238
Public works	485,888	-	-	485,888
Health and welfare	123,090	-	1,395,922	1,519,012
Recreation and cultural	2,067,437	-	620,306	2,687,743
Highways and streets	-	-	3,062,590	3,062,590
Debt service:				
Principal	-	-	4,313,686	4,313,686
Interest and fiscal charges	-	-	1,906,984	1,906,984
Capital outlay	-	6,896,758	-	6,896,758
Total expenditures	20,607,135	6,896,758	11,469,339	38,973,232
Revenue over (under) expenditures	2,886,608	(1,953,005)	(2,171,071)	(1,237,468)
Other financing sources (uses)				
Issuance of long-term debt	-	-	6,932,403	6,932,403
Payment to refunding bond escrow agent	-	-	(6,893,239)	(6,893,239)
Premium on debt issuance	-	-	76,689	76,689
Proceeds from sale of capital assets	2,854	11,094	-	13,948
Transfers in	1,582	4,365,000	5,519,284	9,885,866
Transfers out	(1,829,000)	(4,735,000)	(3,312,866)	(9,876,866)
Total other financing sources (uses)	(1,824,564)	(358,906)	2,322,271	138,801
Net change in fund balances	1,062,044	(2,311,911)	151,200	(1,098,667)
Fund balances, beginning of year	8,287,834	4,692,588	6,696,807	19,677,229
Fund balances, end of year	\$ 9,349,878	\$ 2,380,677	\$ 6,848,007	\$ 18,578,562

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

CITY OF PORTAGE, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (1,098,667)

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.

Capital outlay	5,980,607
Depreciation expense	(6,326,666)
Loss on disposal of capital asset	(48)
Proceeds from sale of capital assets	(13,948)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Net change in unavailable revenue - special assessments	(277,840)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	4,313,686
Proceeds from issuance of long-term debt	(6,932,403)
Payment to refunding bond escrow agent	6,893,239
Premium on refunding debt	(76,689)

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.

Change in accrued interest payable on bonds	131,638
Change in the accrual for compensated absences	(74,114)
Change in net pension liability and related deferred amounts	(257,349)
Change in net other postemployment benefits asset	(143,171)

Internal service funds are used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Net operating income from governmental activities accounted for in internal service funds	714,139
Interest revenue from governmental internal service funds	2,594
Gain on sale of capital assets from governmental internal service funds	6,957
Interest expense from governmental internal service funds	(28,270)

Change in net position of governmental activities \$ 2,813,695

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

CITY OF PORTAGE, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property tax collections	\$ 14,762,100	\$ 14,762,100	\$ 14,638,919	\$ (123,181)
Penalty and interest	65,000	65,000	90,750	25,750
Administration fees	850,000	850,000	903,651	53,651
Total taxes	15,677,100	15,677,100	15,633,320	(43,780)
Licenses and permits:				
Building fees and permits	370,000	370,000	825,775	455,775
Other	-	-	1,000	1,000
Liquor licenses	34,000	34,000	31,896	(2,104)
Total licenses and permits	404,000	404,000	858,671	454,671
Federal grants	1,000	1,000	6,801	5,801
State grants:				
Revenue sharing	3,881,220	3,881,220	3,849,968	(31,252)
Criminal justice grants	23,000	23,000	27,726	4,726
Parks grants	2,000	2,000	-	(2,000)
Total state grants	3,906,220	3,906,220	3,877,694	(28,526)
Contribution from local units	11,000	24,884	57,968	33,084
Charges for services:				
Recreation fees	224,700	230,700	223,471	(7,229)
Police service fees	251,600	251,600	277,556	25,956
Planning, zoning, and site fees	27,500	27,500	51,884	24,384
Accounting and management	1,337,300	1,337,300	1,260,000	(77,300)
Cemetery	51,000	51,000	26,580	(24,420)
Total charges for services	1,892,100	1,898,100	1,839,491	(58,609)

continued...

CITY OF PORTAGE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues (concluded)				
Interest and rents:				
Interest on investments	\$ 66,100	\$ 66,100	\$ 30,430	\$ (35,670)
Net increase in fair value of investments	-	-	18,349	18,349
Rental income	206,000	206,000	225,717	19,717
Total interest and rents	272,100	272,100	274,496	2,396
Other:				
Reimbursements:				
Senior Center	126,500	32,500	115,981	83,481
Other reimbursements	49,450	49,450	46	(49,404)
Donations	53,050	53,050	35,000	(18,050)
Miscellaneous	86,720	126,042	794,275	668,233
Total other revenues	315,720	261,042	945,302	684,260
Total revenues	22,479,240	22,444,446	23,493,743	1,049,297
Expenditures				
Judicial -				
District Court	67,355	70,318	48,334	(21,984)
Legislative -				
City Council	67,100	140,658	57,294	(83,364)
General government:				
City Manager	593,154	594,866	480,637	(114,229)
Finance:				
Accounting	304,337	357,437	321,808	(35,629)
Financial management	231,901	202,274	175,106	(27,168)
Treasury	217,734	209,384	183,872	(25,512)
Total finance	753,972	769,095	680,786	(88,309)
City assessor:				
Assessor	537,130	559,754	473,117	(86,637)
Board of review	37,742	37,742	27,656	(10,086)
Total city assessor	574,872	597,496	500,773	(96,723)

continued...

CITY OF PORTAGE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
City attorney	\$ 226,728	\$ 226,728	\$ 226,239	\$ (489)
City Clerk:				
Elections	193,628	205,073	195,189	(9,884)
City Clerk	145,017	139,017	120,860	(18,157)
Records management	68,575	70,247	64,160	(6,087)
Total city clerk	407,220	414,337	380,209	(34,128)
Human resources:				
Employee development	450,334	455,566	357,071	(98,495)
Benefit services	498,021	498,021	392,103	(105,918)
Total human resources	948,355	953,587	749,174	(204,413)
Information services:				
Management information services	728,545	765,001	730,792	(34,209)
Communication services	54,670	54,670	49,257	(5,413)
Total information services	783,215	819,671	780,049	(39,622)
Purchasing:				
Purchasing	101,443	93,793	78,977	(14,816)
Risk management	49,942	42,742	28,571	(14,171)
Total purchasing	151,385	136,535	107,548	(28,987)
Buildings	616,926	641,754	538,980	(102,774)
Cemeteries	71,953	71,953	67,458	(4,495)
Total general government	5,262,235	5,436,998	4,511,853	(819,517)

continued...

CITY OF PORTAGE, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Public safety:				
Police:				
Administration	\$ 779,241	\$ 776,641	\$ 594,947	\$ (181,694)
Youth services	443,200	443,200	436,261	(6,939)
Investigation	613,637	614,637	610,847	(3,790)
Patrol	5,008,252	5,008,439	4,812,120	(196,319)
Training	117,015	121,020	120,043	(977)
Central communications	956,367	956,367	851,799	(104,568)
911 call center	195,521	195,521	182,416	(13,105)
Records	475,222	475,297	421,902	(53,395)
Drug law enforcement	91,050	91,050	84,838	(6,212)
Total police	8,679,505	8,682,172	8,115,173	(566,999)
Fire:				
Administration	757,504	807,352	705,827	(101,525)
Operations	3,624,640	3,666,001	3,421,371	(244,630)
On-call	157,649	163,454	97,768	(65,686)
Emergency operations	5,800	5,800	4,382	(1,418)
Fire marshal	120,643	121,161	104,102	(17,059)
Training	71,625	73,900	54,999	(18,901)
Total fire	4,737,861	4,837,668	4,388,449	(449,219)
Community development:				
Building services	364,334	364,334	350,403	(13,931)
Planning/community development	287,059	293,669	274,598	(19,071)
Neighborhood services	187,504	189,877	184,616	(5,261)
Total community development	838,897	847,880	809,617	(38,263)
Total public safety	14,256,263	14,367,720	13,313,239	(1,054,481)
Public works:				
Street lighting	565,000	565,000	473,025	(91,975)
Public facilities	-	24,549	12,863	(11,686)
Total public works	565,000	589,549	485,888	(103,661)
Health and welfare -				
Human services	123,090	123,090	123,090	-

continued...

CITY OF PORTAGE, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Recreation and cultural:				
Senior citizen center	\$ 297,930	\$ 346,424	\$ 299,189	\$ (47,235)
Recreation	337,064	330,383	281,024	(49,359)
Parks	1,478,233	1,537,734	1,487,224	(50,510)
	<u>2,113,227</u>	<u>2,214,541</u>	<u>2,067,437</u>	<u>(147,104)</u>
Total recreation and cultural				
	<u>2,113,227</u>	<u>2,214,541</u>	<u>2,067,437</u>	<u>(147,104)</u>
Total expenditures	<u>22,454,270</u>	<u>22,942,874</u>	<u>20,607,135</u>	<u>(2,230,111)</u>
Revenues over (under) expenditures	<u>24,970</u>	<u>(498,428)</u>	<u>2,886,608</u>	<u>3,385,036</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	15,000	15,000	2,854	(12,146)
Transfers in -				
Cemetery permanent fund	3,500	3,500	1,582	(1,918)
Transfers out:				
Major street fund	(250,000)	(250,000)	(250,000)	-
Local street fund	(300,000)	(300,000)	(300,000)	-
Downtown Development Authority	(100,000)	(100,000)	(100,000)	-
Capital improvement fund	(1,179,000)	(1,179,000)	(1,179,000)	-
	<u>(1,810,500)</u>	<u>(1,810,500)</u>	<u>(1,824,564)</u>	<u>(14,064)</u>
Total other financing sources (uses)				
	<u>(1,810,500)</u>	<u>(1,810,500)</u>	<u>(1,824,564)</u>	<u>(14,064)</u>
Net change in fund balance	<u>(1,785,530)</u>	<u>(2,308,928)</u>	<u>1,062,044</u>	<u>3,370,972</u>
Fund balance, beginning of year	<u>8,287,834</u>	<u>8,287,834</u>	<u>8,287,834</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,502,304</u>	<u>\$ 5,978,906</u>	<u>\$ 9,349,878</u>	<u>\$ 3,370,972</u>

concluded.

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

CITY OF PORTAGE, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2015

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ 7,247,367	\$ 4,254,760	\$ 11,502,127	\$ 1,150,523
Accounts receivable	2,064,536	1,682,259	3,746,795	-
Inventory	-	-	-	77,537
Prepaid items	223,500	660,381	883,881	152,452
Current portion of hook-up charges receivable	34,094	19,585	53,679	-
Total current assets	9,569,497	6,616,985	16,186,482	1,380,512
Noncurrent assets:				
Hook-up charges receivable (net of current portion)	178,991	131,066	310,057	-
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	69,497,136	60,984,617	130,481,753	-
Machinery and equipment	740,890	566,806	1,307,696	858,450
Vehicles	-	-	-	4,315,661
Less accumulated depreciation	(24,729,968)	(15,430,902)	(40,160,870)	(4,382,611)
Total capital assets	46,224,707	46,783,861	93,008,568	2,613,204
Total noncurrent assets	46,403,698	46,914,927	93,318,625	2,613,204
Total assets	55,973,195	53,531,912	109,505,107	3,993,716
Liabilities				
Current liabilities:				
Accounts payable	624,781	154,587	779,368	128,615
Accrued compensation	8,044	5,723	13,767	164,432
Retainage payable	-	33,474	33,474	-
Workers' compensation	-	-	-	398,867
Accrued interest payable	35,927	158,679	194,606	8,934
Current portion of compensated absences	24,643	14,512	39,155	5,223
Current portion of bonds payable	463,161	1,618,667	2,081,828	305,998
Total current liabilities	1,156,556	1,985,642	3,142,198	1,012,069
Noncurrent liabilities:				
Accrued compensated absences (net of current portion)	32,319	36,203	68,522	15,667
Bonds payable (net of current portion)	4,842,755	22,007,066	26,849,821	853,998
Total noncurrent liabilities	4,875,074	22,043,269	26,918,343	869,665
Total liabilities	6,031,630	24,028,911	30,060,541	1,881,734
Net position				
Net investment in capital assets	40,918,791	23,158,128	64,076,919	1,453,208
Unrestricted	9,022,774	6,344,873	15,367,647	658,774
Total net position	\$ 49,941,565	\$ 29,503,001	\$ 79,444,566	\$ 2,111,982

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

CITY OF PORTAGE, MICHIGAN

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2015

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service Funds
Operating revenues				
Charges for services:				
User charges	\$ 8,567,817	\$ 6,462,469	\$ 15,030,286	\$ 2,361,718
Capacity charge	98,442	-	98,442	-
Connection charge	213,085	150,651	363,736	-
Other	-	-	-	85,838
State grants	-	22,423	22,423	-
Other	127,128	-	127,128	-
Total operating revenues	9,006,472	6,635,543	15,642,015	2,447,556
Operating expenses				
General and administrative	764,570	951,947	1,716,517	-
Administrative personnel	393,002	266,526	659,528	-
Operations and maintenance	5,089,413	1,217,435	6,306,848	754,316
Personnel	-	-	-	378,947
Workers' compensation	-	-	-	342,757
Depreciation	738,289	741,689	1,479,978	257,397
Total operating expenses	6,985,274	3,177,597	10,162,871	1,733,417
Operating income	2,021,198	3,457,946	5,479,144	714,139
Nonoperating revenues (expenses)				
Interest on investments	27,888	78,108	105,996	972
Net increase in fair value of investments	13,943	12,520	26,463	1,622
Gain on asset disposal	-	-	-	6,957
Interest and fiscal charges	(202,941)	(951,329)	(1,154,270)	(28,270)
Total nonoperating revenues (expenses)	(161,110)	(860,701)	(1,021,811)	(18,719)
Income before transfers	1,860,088	2,597,245	4,457,333	695,420
Transfers in	951,000	-	951,000	-
Transfers out	(910,000)	(50,000)	(960,000)	-
Change in net position	1,901,088	2,547,245	4,448,333	695,420
Net position, beginning of year	48,040,477	26,955,756	74,996,233	1,416,562
Net position, end of year	\$ 49,941,565	\$ 29,503,001	\$ 79,444,566	\$ 2,111,982

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

CITY OF PORTAGE, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service Funds
Cash flows from operating activities				
Receipts from customers	\$ 8,958,861	\$ 6,632,476	\$ 15,591,337	\$ 2,087,044
Payments to suppliers	(4,679,721)	(1,567,515)	(6,247,236)	(797,700)
Payments to employees for services	(1,152,037)	(1,214,175)	(2,366,212)	(313,421)
Net cash provided by operating activities	3,127,103	3,850,786	6,977,889	975,923
Cash flows from noncapital financing activities				
Transfer from other funds	951,000	-	951,000	-
Transfer to other funds	(910,000)	(50,000)	(960,000)	-
Net cash provided by (used in) noncapital financing activities	41,000	(50,000)	(9,000)	-
Cash flows from capital and related financing activities				
Proceeds from issuance of debt	451,756	2,405,841	2,857,597	-
Proceeds from sale of capital assets	-	-	-	6,957
Acquisition and construction of capital assets	(81,693)	(1,581,130)	(1,662,823)	(660,319)
Principal paid on bonds and loans	(879,787)	(2,305,525)	(3,185,312)	(158,599)
Interest paid on long-term debt	(213,318)	(954,145)	(1,167,463)	(29,905)
Net cash used in capital and related financing activities	(723,042)	(2,434,959)	(3,158,001)	(841,866)
Cash flows from investing activities				
Interest on investments	27,888	78,108	105,996	972
Net increase in fair value of investments	13,943	12,520	26,463	1,622
Net cash provided by investing activities	41,831	90,628	132,459	2,594
Net change in cash and cash equivalents	2,486,892	1,456,455	3,943,347	136,651
Cash and cash equivalents, beginning of year	4,760,475	2,798,305	7,558,780	1,013,872
Cash and cash equivalents, end of year	\$ 7,247,367	\$ 4,254,760	\$ 11,502,127	\$ 1,150,523
Cash flows from operating activities				
Operating income	\$ 2,021,198	\$ 3,457,946	\$ 5,479,144	\$ 714,139
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	738,289	741,689	1,479,978	257,397
Change in:				
Accounts receivable	73,148	52,907	126,055	-
Inventory	-	-	-	48,995
Prepaid items	(123,453)	(341,302)	(464,755)	(131,312)
Accounts payable	535,645	(24,206)	511,439	38,933
Accrued compensation	5,535	4,298	9,833	(34,474)
Retainage payable	(2,500)	15,428	12,928	-
Workers' compensation	-	-	-	82,245
Unearned revenue	(120,759)	(55,974)	(176,733)	-
Net cash provided by operating activities	\$ 3,127,103	\$ 3,850,786	\$ 6,977,889	\$ 975,923

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

CITY OF PORTAGE, MICHIGAN

Statement of Net Position

Fiduciary Funds

June 30, 2015

	Pension and Retiree Healthcare Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 7,603	\$ 179,425
Mutual fund investments	6,852,212	-
Fixed income securities	2,661,823	-
Due from other governments	-	209,863
Accrued interest receivable	-	41,216
Total assets	9,521,638	\$ 430,504
Liabilities		
Checks issued against future deposits	-	\$ 194,074
Accrued interest payable	-	41,216
Due to other governments	-	134,869
Deposits	-	60,345
Total liabilities	-	\$ 430,504
Net position restricted for:		
Pension benefits	2,661,823	
Retiree healthcare benefits	6,859,815	
Total net position	\$ 9,521,638	

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

CITY OF PORTAGE, MICHIGAN

Statement of Changes in Net Position

Fiduciary Funds

For the Year Ended June 30, 2015

	Pension and Retiree Healthcare Trust Funds
Additions	
Employer contributions	\$ 12,379
Investment income:	
Net decrease in the fair value of investments	(5,851)
Interest income	299,913
Net investment income	294,062
Total additions	306,441
Deductions	
Benefits to plan members	259,136
Administrative expenses	13,146
Total deductions	272,282
Change in net position	34,159
Net position:	
Beginning of year	9,487,479
End of year	<u>\$ 9,521,638</u>

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Portage, Michigan 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 sewer 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.

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, these financial statements present the City (the primary government) and its component units. The criteria 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.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

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. 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

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.

CITY OF PORTAGE, MICHIGAN

Notes to 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.

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.

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.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

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.

The City reports the following major governmental funds:

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.

The *capital improvement fund* used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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 proprietary funds:

The *sewer fund* accounts for the activities of the City-owned wastewater utility.

The *water fund* accounts for the activities of the City-owned water utility.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Additionally, the City reports the following nonmajor governmental funds:

Special revenue funds are used to 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, cable television, community development block grant (CDBG), community development block grant program income, Michigan state housing development authority (MSHDA) grant, 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 on long-term general obligation debt of governmental funds.

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:

The *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.

The *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, insurance and accrued leave liability 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 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.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

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 are reported at fair value.

Accounts Receivable

Accounts receivable reported on the government-wide statement of net position are aggregations of different items such as charges for services, fines, and balances due from taxpayers or other governments.

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 accounts receivable.

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.

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."

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Inventory

Inventory is valued at the lower of cost (average weighted cost) or market. Inventory 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 Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items when purchased in both government-wide and fund financial statements using the consumption method.

Capital Assets

Capital assets, which include land, right-of-way, land improvements, buildings, machinery and equipment, vehicles, 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 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.

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

	Years
Land improvements	10-20
Buildings	5-40
Machinery and equipment	5-10
Vehicles	5-10
Infrastructure	
Streets and roads	20
Retaining walls	30
Bridges	50
Drainage systems	50
Pedestrian facilities	20
Traffic signals	20
Water and wastewater systems	50-100

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 \$5.3 million consists of the depreciation on infrastructure assets.

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.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

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 represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plans.

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.

Unearned Revenue

Unearned revenue consists of amounts received prior to the delivery of goods/service or expenditure on allowable costs.

Deferred Inflows of Resources

The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Interfund Revenues, Expenditures/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.

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.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

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. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. Assigned fund balance is reported in instances where the City Council has given authority for the making of such assignments to City management; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund. The City reports no assigned fund balances.

When the government incurs expenditures for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned and finally unassigned fund balance.

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.

Risk Management

The City is exposed to employee-related risks for workers' compensation, as well as to various risks of loss related to torts, 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.

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.

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.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 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.

2. BUDGETARY INFORMATION

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

1. 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. 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, 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.

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.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

3. CASH AND INVESTMENTS

The following summarizes the amounts of the cash and investments at June 30, 2015:

	Primary Government	Component Unit	Totals
Statement of net position			
Cash and investments	\$ 29,615,699	\$ 20,984	\$ 29,636,683
Statement of fiduciary net position			
Pension and other employee benefit trust funds:			
Cash and cash equivalents	7,603	-	7,603
Investments	9,514,035	-	9,514,035
Agency funds -			
Cash and cash equivalents	179,425	-	179,425
Total	\$ 39,316,762	\$ 20,984	\$ 39,337,746
Deposits and investments			
Bank deposits -			
Checking and savings accounts			\$ 7,931,637
Investments			20,879,024
Pension and other retiree healthcare trust funds investments			9,514,035
Cash on hand			6,400
Cash held by agent			1,006,650
Total			\$ 39,337,746

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. The pension and retiree healthcare fund's investment in fixed income securities of \$2.66 million and the retiree health care fund's investment of \$6.85 million with the Municipal Employee's Retirement System of Michigan are not included in pooled investments and cash. Cash on hand and cash held by agent are not included in pooled cash. Component unit cash as of June 30, 2015, totaled \$20,984, and is also not included in pooled cash.

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, 2015, \$8,116,608 of the City's deposits were exposed to custodial credit risk because the level of compensating balances exceeds the amount covered by FDIC insurance.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Primary Government

At year end, the carrying amount and book value of the City cash deposits was \$7,931,637 and the bank balance was \$8,366,608, of which \$8,116,608 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.

Cash held by agent of \$1,006,650 consisted of \$981,650 in cash reserves held by the City's insurer in a qualified governmental investment pool account and \$25,000 in escrow deposit held in the cable television fund and invested in a money market fund. Cash on hand of \$6,400 consisted of \$5,900 in petty cash and \$500 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 \$20,974, deposited at a federal depository bank covered by FDIC insurance.

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 pool, Cooperative Liquid Assets Securities System (CLASS), managed by Michigan CLASS. The City owns 1:1 dollar interests in the fund. The pool is composed of investment vehicles that are permissible under Michigan law for municipal government, and would qualify for direct investment by the City.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Pension trust fund investments, in 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, and the assets are managed, by Principal Financial Group, Inc. These funds are invested primarily in mutual funds. The ratings and maturities for these investments are not available.

Retiree health care fund investments, also in 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 for a qualifying trust. The corpus is held, and the assets are managed by the Municipal Employees' Retirement System of Michigan (MERS). The ratings and maturities for these investments are reported in the Comprehensive Annual Financial Report for MERS.

As of June 30, 2015, the City had the following investments:

Investment Type	Fair Value
U.S. government agencies	\$ 15,510,094
Commercial paper	998,580
Certificates of deposit	742,695
Investment pool	3,627,655
Total fair value	\$ 20,879,024

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.

As of June 30, 2015, maturities of the debt securities were as follows:

	Total Fair Value	Investment Maturities (fair value by years)		
		Due < 1 year	Due in 1-5 years	Due in 6 years
U.S. government agencies	\$ 15,510,094	\$ -	\$ 15,510,094	\$ -
Commercial paper	998,580	998,580	-	-
Certificates of deposit	742,695	-	742,695	-
Total	\$ 17,251,369	\$ 998,580	\$ 16,252,789	\$ -

Credit Risk

The U.S. government agencies notes were rated Aaa by Moody's. The commercial paper was rated P-1 by Moody's. The certificates of deposit were not rated.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Concentration of Credit Risk

The City closely monitors 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:

Investment Type	Type, % of Portfolio Limit	Issuer/Broker, % of Portfolio Limit
Certificate of deposit	may not exceed 60%	may not exceed 40%
U.S. Treasury, Agency & GSE	no limit	may not exceed 40% with 1
Commercial paper	may not exceed 70%	may not exceed 15%
Bankers acceptances	no limit	may not exceed 40% with 1 bank
Repurchase agreements	may not exceed 10%	may not exceed 40% with 1 bank
Mutual fund/local govt investment pools	may not exceed 25%	may not exceed 40%

As of June 30, 2015, the City held 20% 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 Federal Home Loan Mortgage Corporation (“Freddie Mac”) 27%, Federal Farm Credit Bank 5%, Federal Home Loan Bank 22%, commercial paper 5%, certificates of deposit 4%, and CLASS 17%.

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, 2015, 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.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts receivable	\$ 1,428,476	\$ 4,110,531
Special assessments receivable	1,609,269	-
Due from other governments	718,086	-
	<u>\$ 3,755,831</u>	<u>\$ 4,110,531</u>
Amount not expected to be collected within one year	<u>\$ 1,841,269</u>	<u>\$ 310,057</u>

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

Primary government

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 9,748,069	\$ 183,487	\$ -	\$ 9,931,556
Right-of-way	4,496,180	-	-	4,496,180
	<u>14,244,249</u>	<u>183,487</u>	<u>-</u>	<u>14,427,736</u>
Capital assets being depreciated:				
Land improvements	7,117,713	160,114	-	7,277,827
Buildings	13,660,312	99,781	-	13,760,093
Machinery and equipment	6,620,424	1,259,252	(1,360,511)	6,519,165
Vehicles	8,825,139	1,239,765	(1,293,779)	8,771,125
Infrastructure	195,798,508	3,698,527	-	199,497,035
	<u>232,022,096</u>	<u>6,457,439</u>	<u>(2,654,290)</u>	<u>235,825,245</u>
Less accumulated depreciation for:				
Land improvements	(5,176,468)	(263,329)	-	(5,439,797)
Buildings	(6,935,192)	(346,088)	-	(7,281,280)
Machinery and equipment	(5,601,350)	(301,494)	1,360,511	(4,542,333)
Vehicles	(7,058,925)	(371,799)	1,279,783	(6,150,941)
Infrastructure	(158,467,897)	(5,301,353)	-	(163,769,250)
	<u>(183,239,832)</u>	<u>(6,584,063)</u>	<u>2,640,294</u>	<u>(187,183,601)</u>
Total capital assets being depreciated, net	<u>48,782,264</u>	<u>(126,624)</u>	<u>(13,996)</u>	<u>48,641,644</u>
Governmental activities capital assets, net	<u>\$ 63,026,513</u>	<u>\$ 56,863</u>	<u>\$ (13,996)</u>	<u>\$ 63,069,380</u>

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities				
Capital assets not being depreciated -				
Land	\$ 334,490	\$ -	\$ -	\$ 334,490
Capital assets being depreciated:				
Land improvements	12,872	-	-	12,872
Buildings	1,032,627	-	-	1,032,627
Machinery and equipment	1,163,173	144,523	-	1,307,696
Water and sewer system	128,963,452	1,518,300	-	130,481,752
	<u>131,172,124</u>	<u>1,662,823</u>	<u>-</u>	<u>132,834,947</u>
Less accumulated depreciation for:				
Land improvements	(10,040)	(377)	-	(10,417)
Buildings	(817,141)	(25,154)	-	(842,295)
Machinery and equipment	(1,093,059)	(30,426)	-	(1,123,485)
Water and sewer system	(36,760,651)	(1,424,021)	-	(38,184,672)
	<u>(38,680,891)</u>	<u>(1,479,978)</u>	<u>-</u>	<u>(40,160,869)</u>
Total capital assets being depreciated, net	<u>92,491,233</u>	<u>182,845</u>	<u>-</u>	<u>92,674,078</u>
Business-type activities capital assets, net	<u>\$ 92,825,723</u>	<u>\$ 182,845</u>	<u>\$ -</u>	<u>\$ 93,008,568</u>

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

Governmental activities:

General government	\$ 373,569
Public safety	358,309
Public works	25,030
Health and welfare	11,466
Recreation and cultural	256,939
Unallocated depreciation	5,301,353
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>257,397</u>

Total depreciation expense - governmental activities \$ 6,584,063

Business-type activities:

Sewer	\$ 738,289
Water	<u>741,689</u>

Total depreciation expense - business-type activities \$ 1,479,978

The component unit has no capital assets.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

6. TRANSFERS

Transfers between funds for the year ended June 30, 2015, were as follows:

Transfers Out	Transfers in		
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds
General fund	\$ -	\$ 1,179,000	\$ 650,000
Capital improvements fund	-	-	4,735,000
Nonmajor governmental funds	1,582	3,056,000	134,284
Sewer fund	-	80,000	-
Water fund	-	50,000	-
	<u>\$ 1,582</u>	<u>\$ 4,365,000</u>	<u>\$ 5,519,284</u>

Transfers Out	Transfers In	
	Sewer Fund	Totals
General fund	\$ -	\$ 1,829,000
Capital improvements fund	-	4,735,000
Nonmajor governmental funds	121,000	3,312,866
Sewer fund	830,000	910,000
Water fund	-	50,000
	<u>\$ 951,000</u>	<u>\$ 10,836,866</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.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

7. LONG-TERM DEBT

Debt Issuance

One series of Local Development Finance Authority (LDFA) Tax Increment Refunding Bonds was issued in the amount of \$2,150,000 (series 2014, issued December 1, 2014). One series of Capital Improvement Bonds was in the amount of \$1,600,000 (series 2014, issued January 1, 2015). One series of Capital Improvement Refunding Bonds was issued in the amount of \$6,040,000 (series 2015A, issued May 1, 2015).

The \$2,150,000 LDFA Tax Increment Refunding Bonds were issued to refund \$2,095,000 of LDFA bond series from 2016 to 2027 with higher interest rates. The refunding resulted in a savings of \$264,725 over the 11 years and an economic gain of \$231,148.

The \$1,600,000 Capital Improvement Bonds were issued to fund construction or purchase of various assets in the water system.

The \$6,040,000 Capital Improvement Refunding Bonds were issued to refund \$4,325,000 of Capital Improvement Bond series from 2016 to 2028 and \$1,735,000 of Capital Improvement Bond series from 2016 to 2028, both with higher interest rates. The refunding resulted in a savings of \$690,666 over the next 12 years and an economic gain of \$591,487.

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 5 to 20 year serial bonds with varying amounts of principal maturing each year.

Purpose	Interest Rates	Amount
Governmental activities	2.00-5.50%	\$ 594,541
Business-type activities	2.00-5.50%	980,459
		<u>\$ 1,575,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 109,306	\$ 17,341	\$ 185,694	\$ 28,455
2017	83,782	14,969	141,218	24,418
2018	87,428	12,502	147,572	20,228
2019	81,959	9,876	138,041	15,769
2020	67,374	7,398	112,626	11,579
2021-2025	164,692	9,747	255,308	13,817
	<u>\$ 594,541</u>	<u>\$ 71,833</u>	<u>\$ 980,459</u>	<u>\$ 114,266</u>

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Capital Improvement Bonds

Capital improvement bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 5 to 20 year serial bonds with varying amounts of principal maturing each year. These bonds are issued to finance construction of capital projects managed by the City. Capital improvement bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	0.75%-4.50%	\$ 26,825,303
Business-type activities	0.75%-4.50%	27,929,697
		<u>\$ 54,755,000</u>

Annual debt service requirements to maturity for capital improvement project bonds are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 2,513,866	\$ 704,003	\$ 1,896,134	\$ 1,032,967
2017	2,490,350	681,689	1,974,650	975,419
2018	2,506,389	619,980	2,698,611	891,673
2019	2,298,554	557,654	2,476,446	793,090
2020	2,239,476	496,769	2,545,524	693,955
2021-2025	9,540,158	1,623,178	11,479,842	2,047,527
2026-2030	4,542,138	460,706	3,897,860	450,905
2031-2035	694,372	48,052	880,630	87,429
2036-2040	-	-	80,000	1,350
	<u>\$ 26,825,303</u>	<u>\$ 5,192,031</u>	<u>\$ 27,929,697</u>	<u>\$ 6,974,315</u>

Building Authority Bonds

Building authority bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 5 to 20 year serial bonds with varying amounts of principal maturing each year. Building authority bonds are issued to provide financing for the construction of buildings, parking lots, and recreational facilities. Building authority bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	2.25%-5.30%	<u>\$ 4,830,000</u>

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Annual debt service requirements to maturity for Building Authority bonds are as follows:

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 490,000	\$ 130,124
2017	725,000	108,280
2018	680,000	91,228
2019	685,000	75,443
2020	565,000	59,681
2021-2025	1,685,000	74,911
	<u>\$ 4,830,000</u>	<u>\$ 539,667</u>

Downtown Development Authority Bonds

Downtown development authority bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 5 to 20 year serial bonds with varying amounts of principal maturing each year. These bonds are issued to promote economic development by financing the acquisition, construction, renovation, expansion and improvement of properties within the City. Downtown development authority bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	2.00%-5.25%	<u>\$ 4,410,000</u>

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 175,000	\$ 154,325
2017	205,000	148,775
2018	225,000	142,037
2019	245,000	133,888
2020	470,000	123,388
2021-2025	2,215,000	398,741
2026-2030	875,000	550,475
	<u>\$ 4,410,000</u>	<u>\$ 1,651,629</u>

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Local Development Finance Authority Bonds

Local development finance authority bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 5 to 20 year serial bonds with varying amounts of principal maturing each year. These bonds are issued to promote economic growth and job creation for projects that are public facilities within the local finance authority district. Local development finance authority bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	4.25%-6.35%	<u>\$ 4,950,000</u>

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 265,000	\$ 224,823
2017	265,000	211,208
2018	265,000	201,137
2019	340,000	190,723
2020	385,000	178,912
2021-2025	2,010,000	645,710
2026-2030	1,420,000	209,400
	<u>\$ 4,950,000</u>	<u>\$ 1,861,913</u>

Motor Vehicle Highway Bonds

Motor vehicle highway bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 5 to 20 year serial bonds with varying amounts of principal maturing each year. These bonds are issued to construct, maintain and improve trunkline highways. Motor vehicle highway bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	2.75%-5.125%	<u>\$ 5,375,000</u>

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Annual debt service requirements to maturity for motor vehicle highway bonds are as follows:

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 1,195,000	\$ 165,150
2017	865,000	134,788
2018	940,000	104,794
2019	890,000	69,875
2020	555,000	44,288
2021-2025	930,000	29,244
	<u>\$ 5,375,000</u>	<u>\$ 548,139</u>

Special Assessment Debt

Special assessment debt is an assessment that may be levied only on land and may be imposed only to pay for the cost of an improvement or service by which the assessed land is specially benefitted. These bonds are issued as 5 to 20 year serial bonds with varying amounts of principal maturing each year. Special assessment debt currently outstanding are as follows:

Purpose	Interest Rates	Amount
Water main, sewer main, road improvements	2.50%-5.25%	<u>\$ 1,635,000</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 70,000	\$ 73,507
2017	80,000	70,878
2018	70,000	68,142
2019	75,000	65,393
2020	85,000	62,239
2021-2025	445,000	254,964
2026-2030	400,000	151,318
2031-2035	410,000	56,081
	<u>\$ 1,635,000</u>	<u>\$ 802,522</u>

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Long-term debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Refundings	Deductions	Ending Balance	Due Within One Year
Governmental activities						
Bonds payable						
General obligation bonds	\$ 700,202	\$ -	\$ -	\$ (105,661)	\$ 594,541	\$ 109,306
CIP bonds	29,261,928	-	4,782,403	(7,219,028)	26,825,303	2,513,866
Building authority bonds	5,260,000	-	-	(430,000)	4,830,000	490,000
Downtown development authority bonds	4,565,000	-	-	(155,000)	4,410,000	175,000
Local development finance authority bonds	5,120,000	-	2,150,000	(2,320,000)	4,950,000	265,000
Motor vehicle highway bonds	6,510,000	-	-	(1,135,000)	5,375,000	1,195,000
Special assessment bonds	1,675,000	-	-	(40,000)	1,635,000	70,000
Total bonds payable	53,092,130	-	6,932,403	(11,404,689)	48,619,844	4,818,172
Deferred amounts - Issuance premiums	-	76,689	-	-	76,689	-
Compensated absences	1,735,787	1,279,493	-	(1,209,744)	1,805,536	1,209,744
Governmental activities long-term liabilities	\$ 54,827,917	\$ 1,356,182	\$ 6,932,403	\$ (12,614,433)	\$ 50,502,069	\$ 6,027,916
Business-type activities						
Bonds payable						
General obligation bonds	\$ 1,159,799	\$ -	\$ -	\$ (179,340)	\$ 980,459	\$ 185,694
CIP bonds	28,078,072	1,600,000	1,257,597	(3,005,972)	27,929,697	1,896,134
Total bonds payable	29,237,871	1,600,000	1,257,597	(3,185,312)	28,910,156	2,081,828
Deferred amounts - Issuance premiums	-	21,493	-	-	21,493	-
Compensated absences	99,762	42,151	-	(34,236)	107,677	39,155
Business-type activities long-term liabilities	\$ 29,337,633	\$ 1,663,644	\$ 1,257,597	\$ (3,219,548)	\$ 29,039,326	\$ 2,120,983

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.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

8. 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 over 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.

9. COMMITMENTS AND CONTINGENCIES

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 2014/2015 capital budget included new appropriations of \$25,303,005, including \$6,566,762 for the City's enterprise funds and \$18,736,243 for general government projects. At June 30, 2015, the City has substantial contractual commitments relating to its capital improvement program, as follows:

Projects	Spent to Date	Remaining Commitment
Water system expansion (enterprise fund)	\$ 1,639,114	\$ 3,234,231
Sewer main additions (enterprise fund)	69,331	1,624,091
Street additions and improvements	3,686,193	5,269,836
Sidewalk and bikeway improvements	81,476	71,313
Technology improvements	429,992	483,007
Public safety improvements - police	602,996	388,187
Public safety improvements - fire	1,655,794	100,701
Parks improvements	209,134	656,400
Public facility improvements	211,352	154,864
Total	\$ 8,585,382	\$ 11,982,630

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

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:

Fund Name	Description
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	The City is 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, 2015 was \$981,650. 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:

	2015	2014
Claims liability at the beginning of fiscal year	\$ 316,622	\$ 286,532
Claims and changes in estimates	342,757	258,094
Claims payments	<u>(260,512)</u>	<u>(228,004)</u>
Claims liability at June 30	<u>\$ 398,867</u>	<u>\$ 316,622</u>

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

10. PROPERTY TAXES

Each August 1st 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 14th 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.

11. PENSION PLAN - SINGLE EMPLOYER PENSION TRUST FUNDS

Employees' Retirement System

Plan Description. The City sponsors and administers a defined benefit plan (the "Plan"), a single-employer, defined benefit pension plan that covers general non-union employees of the City of Portage in addition to Radio/Cadet employees and department heads. The Plan was established and may be amended by the City Council and is administered by six-member Board of Trustees (the "Board"). 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. Separate financial statements are not issued for the Plan.

Method Used to Value Investments. Plan investments are reported at fair value. 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. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Plan Board of Trustees, with the assistance of a valuation service.

Investment Policy. Currently, Principal Life Insurance Company posts The City of Portage pension plan assets to the general investment account. The retirement plan's policy in regard to the allocation of invested assets is established and may be amended by the Finance Director. It is the policy of the Finance Director to re-evaluate investment directives annually.

Rate of Return. For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.16%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Benefits provided. For active participant in the plan: 1% of average monthly compensation not in excess of \$550 plus 1.75% of the amount, if any, by which such average compensation exceeds \$550, multiplied by the number of complete years of credited benefit service prior to July 1, 1985 plus 1.9% of average compensation, multiplied by the number of complete years of credited service on and after July 1, 1985. The plan is currently closed to new participants.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

General Participant, DPS foreman and employees hired as or promoted to department head or City Manager status on or after July 1, 1985, the first day of the month immediately following his or her 62nd birthday; for any department head or City Manager hired or City Manager before July 1, 1985 who is currently assigned as a department head shall be the first day of the month immediately following the earlier of (a) the date on which such participant has both attained the age of 57 and completed 30 years of credited service, or (b) the date such participant attains the age of 62; for a teamsters participant, the first day of the month immediately following his or her 65th birthday; for a police radio operator and cadet participant, the first day of the month immediately following his or her 62nd birthday; for a police officer participant, the first day of the month immediately following the earlier of (a) date on which he or she has both attained age 55 and completed 25 years of credited service, or (b) the first day of the month immediately following his or her 65th birthday; for a firefighter participant, the first day of the month immediately following the earlier of (a) date on which he or she attained age 55 and completed 25 years of credited service, or (b) the first day of the month immediately following his or her 65th birthday; for a court administrator participant, the first day of the month immediately following his or her 62nd birthday.

Contributions. Article 9, Section 24 of the Regulations of the State of Michigan constitution requires the financial benefits arising on account of service rendered each year be funded during that year. The City retains an actuary to determine the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the actuarially determined amount.

Employees Covered by Benefit Terms. At June 30, 2015, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	7
Active employees	1
Total membership	45

Net pension liability. The City's net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, using updated procedures and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Included in long-term rate of inflation
Salary increases	0.00%
Investment rate of return	5.16%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 tables with Scale AA.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class include the pension plan's target asset allocation as of June 30, 2015. The City's adopted asset allocation policy as of June 30, 2015 is to invest in fixed income assets with a target allocation of 100% and an expected long-term rate of return of 7.0%.

Discount rate. The discount rate used to measure the total pension liability was 4.96%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the most recent recommended contribution expresses as a percentage of covered payroll. Based on those assumptions, the pension plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total pension liability. The discount rate used in last year's reporting was 4.50%.

Changes in the Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 2,651,780	\$ 2,833,287	\$ (181,507)
Changes for the year:			
Interest	124,843	-	124,843
Differences between expected and actual experience	253,848	-	253,848
Net investment income	-	98,057	(98,057)
Benefit payments, including refunds of employee contributions	(269,521)	(269,521)	-
Net changes	109,170	(171,464)	280,634
Balances at June 30, 2015	\$ 2,760,950	\$ 2,661,823	\$ 99,127

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (asset) of the City, calculated using the discount rate of 4.96 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.96 percent) or 1-percentage-point higher (5.96 percent) than the current rate:

	1% Decrease (3.96%)	Current Discount Rate (4.96%)	1% Increase (5.96%)
City's net pension liability	\$ 309,494	\$ 99,127	\$ (85,443)

Pension Expense and Deferred Outflows of Resources Related to Pensions. For the year ended June 30, 2015, the City recognized pension expense of \$54,272. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 35,005
Changes in assumptions	17,388
Net difference between projected and actual earnings on pension plan investments	<u>(29,107)</u>
Total	<u><u>\$ 23,286</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ 5,821
2017	5,821
2018	5,821
2019	<u>5,823</u>
Total	<u><u>\$ 23,286</u></u>

Payable to the Pension Plan. At June 30, 2015, the City reported a payable of \$65,988 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

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.

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, 2015, the City contributed \$1,547,987 to the various plans, representing an aggregate of approximately 15.30% of covered payroll. No contributions were made to the plans by their participants.

13. OTHER POSTEMPLOYMENT BENEFITS

The City provides postemployment health insurance benefits according to the requirements and terms of various employment contracts, personnel policies and/or collective bargaining agreements. The City maintains trusts for postemployment 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 City-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).

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

Funding Policy

There are no required contributions by plan participants. The City-held plan has 18 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 City-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 (Asset)

Annual required contribution	\$ -
Interest on net OPEB obligation (asset)	(105,511)
Adjustment to annual required contribution	236,303
Annual OPEB cost	<u>130,792</u>
Contribution made	<u>12,379</u>
Change in net OPEB obligation (asset)	143,171
Net OPEB obligation (asset), beginning of year	<u>(1,680,042)</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (1,536,871)</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 2014/2015 the City paid \$105,512 for a total of 18 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.

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

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 postemployment 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

Fiscal Year Ended	Annual Cost	Percentage Contributed	Net OPEB Obligation
6/30/2013	\$ (1,320,364)	0.00%	\$ (1,659,678)
6/30/2014	(122,602)	0.00%	(1,680,042)
6/30/2015	130,792	9.46%	(1,536,871)

Funded Status and Funding Progress

As of June 30, 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 27 and 45 required supplementary information is presented after the footnotes section. Financial statements for the individual plans are as follows:

	Statement of Plan Net Position - June 30, 2015		
	Pension Trust Fund	Retiree Health Care Fund	Total
Assets			
Cash and Investments	\$ -	\$ 7,603	\$ 7,603
Investments, at fair value - mutual fund investments	-	6,852,212	6,852,212
Investments in fixed income securities	2,661,823	-	2,661,823
Total assets equal to net position restricted for pension and retiree health care.	\$ 2,661,823	\$ 6,859,815	\$ 9,521,638

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

	Statement of Changes in Plan Net Position - June 30, 2015		
	Pension Trust Fund	Retiree Health Care Fund	Total
Additions			
Employer contributions	\$ -	\$ 12,379	\$ 12,379
Investment income			
Net increase (decrease) in the fair value of investments	(5,866)	15	(5,851)
Interest income:	106,684	193,229	299,913
Net investment income	100,818	193,244	294,062
Total additions	100,818	205,623	306,441
Deductions			
Benefits to plan members	259,136	-	259,136
Administrative expenses	13,146	-	13,146
Total deductions	272,282	-	272,282
Change in net position	(171,464)	205,623	34,159
Net position:			
Beginning of year	2,833,287	6,654,192	9,487,479
End of year	\$ 2,661,823	\$ 6,859,815	\$ 9,521,638

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

14. FUND BALANCE

Detailed information on fund balances of governmental funds is as follows:

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	\$ 3,842	\$ -	\$ -	\$ 3,842
Prepays	240,108	-	2,062,976	2,303,084
Permanent funds	-	-	1,093,139	1,093,139
Total nonspendable	243,950	-	3,156,115	3,400,065
Restricted for:				
Streets	-	-	1,885,012	1,885,012
Capital improvements	-	2,380,677	-	2,380,677
Debt service	-	-	2,925,528	2,925,528
Public services	-	-	1,892	1,892
Community development	-	-	8,932	8,932
Permanent funds	-	-	1,582	1,582
Total restricted	-	2,380,677	4,822,946	7,203,623
Committed for:				
Cable television	-	-	467,876	467,876
West lake management	-	-	18,829	18,829
Curbside recycling	-	-	56,405	56,405
Leaf pickup spring clean	-	-	109,581	109,581
Total committed	-	-	652,691	652,691
Unassigned (deficit)	9,105,928	-	(1,783,745)	7,322,183
Total fund balances, governmental funds	\$ 9,349,878	\$ 2,380,677	\$ 6,848,007	\$ 18,578,562

CITY OF PORTAGE, MICHIGAN

Notes to Financial Statements

15. NET INVESTMENT IN CAPITAL ASSETS

Following is a summary of net investment in capital assets, as presented in the government-wide statement of net position:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 14,427,736	\$ 334,490
Capital assets being depreciated, net	48,641,644	92,674,078
	<u>63,069,380</u>	<u>93,008,568</u>
Related debt -		
Total bonds payable	<u>48,696,533</u>	<u>28,931,649</u>
Net investment in capital assets	<u>\$ 14,372,847</u>	<u>\$ 64,076,919</u>

16. SUBSEQUENT EVENTS

On July 9, 2015, a series of Capital Improvement Refunding Bonds was issued in the amount of \$6,555,000 (series 2015B, dated July 1, 2015). The bonds mature each September 1 and interest rates are all 3%. The refunding yielded net savings of \$671,761 and present value savings of \$576,653.

On September 23, 2015 a series of Capital Improvement Refunding Bonds was issued in the amount of \$11,630,000 (series 2015C, dated October 1, 2015). The bonds mature each December 1 and interest rates are all 3%. The refunding yielded net savings of \$1,642,815 and present value savings of \$1,484,537.

17. RESTATEMENT

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of the governmental activities increased by \$181,507.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PORTAGE, MICHIGAN

Required Supplementary Information

Employees' Retirement System

Schedule of Changes in the City's Net Pension Liability and Related Ratios

	2014	2015
Change in total pension liability		
Interest	\$ 119,975	\$ 124,843
Differences between expected and actual experience	-	253,848
Benefit payments, including refunds of member contributions	(268,621)	(269,521)
Net change in total pension liability	<u>(148,646)</u>	<u>109,170</u>
Total pension liability, beginning	<u>2,800,426</u>	<u>2,651,780</u>
Total pension liability, ending (a)	<u>2,651,780</u>	<u>2,760,950</u>
Change in plan fiduciary net position		
Net investment income	56,317	98,057
Benefit payments, including refunds of member contributions	(268,621)	(269,521)
Net change in plan fiduciary net position	<u>(212,304)</u>	<u>(171,464)</u>
Plan fiduciary net position, beginning	<u>3,045,591</u>	<u>2,833,287</u>
Plan fiduciary net position, ending (b)	<u>2,833,287</u>	<u>2,661,823</u>
City's net pension liability, ending (a)-(b)	<u>\$ (181,507)</u>	<u>\$ 99,127</u>
Plan fiduciary net position as a percentage of the total pension liability	106.84%	96.41%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF PORTAGE, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of the Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2014	\$ 2,651,780	\$ 2,833,287	\$ (181,507)	106.84%	\$ 40,673	-446.26%
2015	2,760,950	2,661,823	99,127	96.41%	39,988	247.89%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF PORTAGE, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
6/30/2014	\$ -	\$ -	\$ -	n/a	n/a
6/30/2015	-	-	-	n/a	n/a

Note: GASB 67 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation date	June 30, 2015
Notes	Actuarially determined contribution rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are reported.
Other information	The June 30, 2015 valuation determined contributions using an investment return assumption of 7.0%.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Inflation	Included in long-term rate of return
Salary increases	0.0%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Mortality rates	The RP-2000 Mortality Table

CITY OF PORTAGE, MICHIGAN

Required Supplementary Information

Employees' Retirement System
Schedule of Investment Returns

Fiscal Year Ended	Annual Money-Weighted Rate of Return, Net of Investment Expense
6/30/2014	1.94%
6/30/2015	5.16%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF PORTAGE, MICHIGAN

Required Supplementary Information

Postemployment Benefits Other than Pensions - 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, 2009, 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)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)
2009	\$ 2,780,444	\$ 4,184,689	\$ 1,404,245	66.4%
2011	4,439,887	4,138,629	(301,258)	107.3%
2013	5,432,512	4,001,800	(1,430,712)	135.8%

GAAP 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, 2010, June 30, 2012, and June 30, 2014.

Analysis of dollar amounts of plan net position, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net position 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.

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2010	\$ 285,202	100%
2011	288,861	173%
2012	63,898	156%
2013	102,239	100%
2014	(35,732)	100%
2015	-	-

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2015

	Special Revenue Funds	Debt Service Funds	Cemetery Perpetual Care Fund	Total
Assets				
Cash and investments	\$ 2,066,864	\$ 2,926,678	\$ 1,094,721	\$ 6,088,263
Accounts receivable	1,323,216	-	-	1,323,216
Special assessments receivable	-	1,609,269	-	1,609,269
Due from other governments	718,086	-	-	718,086
Prepaid items	48,512	2,014,464	-	2,062,976
Total assets	\$ 4,156,678	\$ 6,550,411	\$ 1,094,721	\$ 11,801,810
Liabilities				
Accounts payable	\$ 397,959	\$ 9,764	\$ -	\$ 407,723
Interfund payable	-	1,775,131	-	1,775,131
Accrued compensation	28,299	-	-	28,299
Unearned revenue	992,381	-	-	992,381
Deposits payable	25,000	-	-	25,000
Total liabilities	1,443,639	1,784,895	-	3,228,534
Deferred inflows of resources				
Unavailable special assessments	116,000	1,609,269	-	1,725,269
Fund balances				
Nonspendable	48,512	2,014,464	1,093,139	3,156,115
Restricted	1,895,836	2,925,528	1,582	4,822,946
Committed	652,691	-	-	652,691
Unassigned (deficit)	-	(1,783,745)	-	(1,783,745)
Total fund balances	2,597,039	3,156,247	1,094,721	6,848,007
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,156,678	\$ 6,550,411	\$ 1,094,721	\$ 11,801,810

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2015

	Special Revenue Funds	Debt Service Funds	Cemetery Perpetual Care Fund	Total
Revenues				
Property taxes	\$ 1,517,740	\$ 800,709	\$ -	\$ 2,318,449
Special assessments	1,284,257	190,609	-	1,474,866
Licenses and permits	866,992	-	-	866,992
Federal grants	156,607	-	-	156,607
State grants	3,981,924	-	-	3,981,924
Charges for services	-	-	32,125	32,125
Loan principal	86,489	-	-	86,489
Interest and rents	9,061	282,688	1,582	293,331
Net increase in fair value of investments	3,753	7,094	2,113	12,960
Other	74,525	-	-	74,525
Total revenues	7,981,348	1,281,100	35,820	9,298,268
Expenditures				
Current:				
General government	118,852	-	-	118,852
Public safety	50,999	-	-	50,999
Health and welfare	1,395,922	-	-	1,395,922
Recreation and cultural	620,306	-	-	620,306
Highways and streets	3,062,590	-	-	3,062,590
Debt service:				
Principal	-	4,313,686	-	4,313,686
Interest and fiscal charges	-	1,906,984	-	1,906,984
Total expenditures	5,248,669	6,220,670	-	11,469,339
Revenues over (under) expenditures	2,732,679	(4,939,570)	35,820	(2,171,071)
Other financing sources (uses)				
Issuance of long-term debt	-	6,932,403	-	6,932,403
Payment to refunding bond escrow agent	-	(6,893,239)	-	(6,893,239)
Premium on refunding debt	-	76,689	-	76,689
Transfers in	623,680	4,895,604	-	5,519,284
Transfers out	(3,250,680)	(60,604)	(1,582)	(3,312,866)
Total other financing sources (uses)	(2,627,000)	4,950,853	(1,582)	2,322,271
Net change in fund balances	105,679	11,283	34,238	151,200
Fund balances, beginning of year	2,491,360	3,144,964	1,060,483	6,696,807
Fund balances, end of year	\$ 2,597,039	\$ 3,156,247	\$ 1,094,721	\$ 6,848,007

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet

Nonmajor Special Revenue Funds
June 30, 2015

	Major Streets Fund	Local Streets Fund	Municipal Streets Fund	Cable Television Fund
Assets				
Cash and investments	\$ 591,976	\$ 492,972	\$ 188,653	\$ 391,967
Accounts receivable	-	-	-	214,835
Due from other governments	582,453	135,633	-	-
Prepaid items and other assets	44,399	3,725	-	-
Total assets	\$ 1,218,828	\$ 632,330	\$ 188,653	\$ 606,802
Liabilities				
Accounts payable	\$ 70,876	\$ 12,756	\$ -	\$ 111,554
Accrued compensation	11,835	11,208	-	2,372
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	25,000
Total liabilities	82,711	23,964	-	138,926
Deferred inflows of resources				
Unavailable special assessments	-	-	-	-
Fund balances				
Nonspendable	44,399	3,725	-	-
Committed	-	-	-	467,876
Restricted	1,091,718	604,641	188,653	-
Total fund balances	1,136,117	608,366	188,653	467,876
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,218,828	\$ 632,330	\$ 188,653	\$ 606,802

Community Development Block Grant Fund	CDBG Program Income Fund	ARRA Grant Fund	West Lake Management Program	Curbside Recycling Fund	Leaf Pickup Spring Clean Fund	Total
\$ 439	\$ 9,170	\$ 3,250	\$ 29,422	\$ 102,695	\$ 256,320	\$ 2,066,864
-	992,381	-	116,000	-	-	1,323,216
-	-	-	-	-	-	718,086
-	-	-	-	194	194	48,512
<u>\$ 439</u>	<u>\$ 1,001,551</u>	<u>\$ 3,250</u>	<u>\$ 145,422</u>	<u>\$ 102,889</u>	<u>\$ 256,514</u>	<u>\$ 4,156,678</u>
\$ 439	\$ 238	\$ 1,358	\$ 10,593	\$ 44,397	\$ 145,748	\$ 397,959
-	-	-	-	1,893	991	28,299
-	992,381	-	-	-	-	992,381
-	-	-	-	-	-	25,000
<u>439</u>	<u>992,619</u>	<u>1,358</u>	<u>10,593</u>	<u>46,290</u>	<u>146,739</u>	<u>1,443,639</u>
-	-	-	116,000	-	-	116,000
-	-	-	-	194	194	48,512
-	-	-	18,829	56,405	109,581	652,691
-	8,932	1,892	-	-	-	1,895,836
-	8,932	1,892	18,829	56,599	109,775	2,597,039
<u>\$ 439</u>	<u>\$ 1,001,551</u>	<u>\$ 3,250</u>	<u>\$ 145,422</u>	<u>\$ 102,889</u>	<u>\$ 256,514</u>	<u>\$ 4,156,678</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2015

	Major Streets Fund	Local Streets Fund	Municipal Streets Fund	Cable Television Fund
Revenues				
Property taxes	\$ -	\$ -	\$ 1,517,740	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	866,992
Federal grants	-	-	-	-
State grants	3,117,234	864,690	-	-
Loan principal	-	-	-	-
Interest and rents	2,102	600	1,564	290
Net increase in fair value of investments	1,036	879	368	716
Other	31,363	20,698	-	20,400
Total revenues	3,151,735	886,867	1,519,672	888,398
Expenditures				
General government	-	-	-	98,095
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	588,086
Highways and streets	1,948,312	1,084,276	30,002	-
Total expenditures	1,948,312	1,084,276	30,002	686,181
Revenues over (under) expenditures	1,203,423	(197,409)	1,489,670	202,217
Other financing sources (uses)				
Transfers in	250,000	300,000	-	-
Transfers out	(1,700,000)	(23,000)	(1,454,000)	-
Total other financing sources (uses)	(1,450,000)	277,000	(1,454,000)	-
Net change in fund balances	(246,577)	79,591	35,670	202,217
Fund balances, beginning of year	1,382,694	528,775	152,983	265,659
Fund balances, end of year	\$ 1,136,117	\$ 608,366	\$ 188,653	\$ 467,876

Community Development Block Grant Fund	CDBG Program Income Fund	ARRA Grant Fund	West Lake Management Fund	Curbside Recycling Fund	Leaf Pickup Spring Clean Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,517,740
-	-	-	10,679	597,039	676,539	1,284,257
156,607	-	-	-	-	-	866,992
-	-	-	-	-	-	156,607
-	86,489	-	-	-	-	3,981,924
-	3,069	5	57	642	732	86,489
-	-	7	58	196	493	9,061
-	-	-	-	1,032	1,032	3,753
-	-	-	-	-	-	74,525
156,607	89,558	12	10,794	598,909	678,796	7,981,348
20,757	-	-	-	-	-	118,852
50,999	-	-	-	-	-	50,999
158,531	13,000	-	-	593,394	630,997	1,395,922
-	-	-	32,220	-	-	620,306
-	-	-	-	-	-	3,062,590
230,287	13,000	-	32,220	593,394	630,997	5,248,669
(73,680)	76,558	12	(21,426)	5,515	47,799	2,732,679
73,680	-	-	-	-	-	623,680
-	(73,680)	-	-	-	-	(3,250,680)
73,680	(73,680)	-	-	-	-	(2,627,000)
-	2,878	12	(21,426)	5,515	47,799	105,679
-	6,054	1,880	40,255	51,084	61,976	2,491,360
\$ -	\$ 8,932	\$ 1,892	\$ 18,829	\$ 56,599	\$ 109,775	\$ 2,597,039

CITY OF PORTAGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - With Comparative Actual Total For the Year Ended June 30, 2014

Major Streets Fund

For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2014 Actual
Revenues					
Intergovernmental					
State grants	\$ 2,795,580	\$ 3,014,080	\$ 3,117,234	\$ 103,154	\$ 3,081,073
Interest and rents	2,600	2,600	2,102	(498)	4,661
Net increase in fair value of investments	-	-	1,036	1,036	7,311
Other	-	-	31,363	31,363	-
Total revenues	2,798,180	3,016,680	3,151,735	135,055	3,093,045
Expenditures					
Current - highways and streets:					
Routine maintenance	816,418	837,918	772,841	(65,077)	1,782,894
Traffic services	571,230	589,137	454,479	(134,658)	529,341
Winter maintenance	503,620	546,402	533,545	(12,857)	453,772
Administration	202,643	206,791	187,447	(19,344)	185,783
Total expenditures	2,093,911	2,180,248	1,948,312	(231,936)	2,951,790
Revenues over expenditures	704,269	836,432	1,203,423	366,991	141,255
Other financing sources (uses)					
Transfers in					
General fund	250,000	250,000	250,000	-	1,049,636
Transfers out					
Sewer fund	(23,000)	(23,000)	(23,000)	-	(23,000)
Capital improvements fund	(1,477,000)	(1,677,000)	(1,677,000)	-	(1,069,000)
Total other financing sources (uses)	(1,250,000)	(1,450,000)	(1,450,000)	-	(42,364)
Net change in fund balance	(545,731)	(613,568)	(246,577)	366,991	98,891
Fund balance, beginning of year	1,382,694	1,382,694	1,382,694	-	1,283,803
Fund balance, end of year	\$ 836,963	\$ 769,126	\$ 1,136,117	\$ 366,991	\$ 1,382,694

CITY OF PORTAGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - With Comparative Actual Total For the Year Ended June 30, 2014
 Local Streets Fund
 For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2014 Actual
Revenues					
Intergovernmental					
State grants	\$ 811,920	\$ 830,420	\$ 864,690	\$ 34,270	\$ 828,698
Interest and rents	800	800	600	(200)	1,877
Net increase in fair value of investments	-	-	879	879	1,482
Other	-	-	20,698	20,698	145
Total revenues	812,720	831,220	886,867	55,647	832,202
Expenditures					
Current - highways and streets:					
Routine maintenance	401,788	447,878	391,219	(56,659)	466,948
Traffic services	47,050	47,050	43,786	(3,264)	47,743
Winter maintenance	477,250	504,140	492,688	(11,452)	459,261
Administration	169,541	172,077	156,583	(15,494)	140,941
Total expenditures	1,095,629	1,171,145	1,084,276	(86,869)	1,114,893
Revenues under expenditures	(282,909)	(339,925)	(197,409)	142,516	(282,691)
Other financing sources (uses)					
Transfers in					
General fund	300,000	300,000	300,000	-	315,000
Transfers out					
Sewer fund	(23,000)	(23,000)	(23,000)	-	(23,000)
Total other financing sources (uses)	277,000	277,000	277,000	-	292,000
Net change in fund balance	(5,909)	(62,925)	79,591	142,516	9,309
Fund balance, beginning of year	528,775	528,775	528,775	-	519,466
Fund balance, end of year	\$ 522,866	\$ 465,850	\$ 608,366	\$ 142,516	\$ 528,775

CITY OF PORTAGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - With Comparative Actual Total For the Year Ended June 30, 2014
Municipal Streets Fund
For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2014 Actual
Revenues					
Property taxes	\$ 1,525,000	\$ 1,525,000	\$ 1,517,740	\$ (7,260)	\$ 1,221,197
Interest and rents	1,800	1,800	1,564	(236)	2,412
Net increase in fair value of investments	-	-	368	368	542
Total revenues	1,526,800	1,526,800	1,519,672	(7,128)	1,224,151
Expenditures					
Current - highways and streets - Operations	75,000	75,000	30,002	(44,998)	71,400
Revenues over expenditures	1,451,800	1,451,800	1,489,670	37,870	1,152,751
Other financing uses					
Transfer out Capital improvement fund	(1,454,000)	(1,454,000)	(1,454,000)	-	(1,158,000)
Net change in fund balance	(2,200)	(2,200)	35,670	37,870	(5,249)
Fund balance, beginning of year	152,983	152,983	152,983	-	158,232
Fund balance, end of year	\$ 150,783	\$ 150,783	\$ 188,653	\$ 37,870	\$ 152,983

CITY OF PORTAGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - With Comparative Actual Total For the Year Ended June 30, 2014
 Cable Television Fund
 For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2014 Actual
Revenues					
Annual fees	\$ 765,000	\$ 765,000	\$ 866,992	\$ 101,992	\$ 805,077
Interest and rents	700	700	290	(410)	783
Net increase in fair value of investments	-	-	716	716	546
Other revenue	-	20,400	20,400	-	-
Total revenues	<u>765,700</u>	<u>786,100</u>	<u>888,398</u>	<u>102,298</u>	<u>806,406</u>
Expenditures					
Current:					
General government - City manager	89,295	109,695	98,095	(11,600)	-
Recreation and cultural - Operations	660,012	660,012	588,086	(71,926)	570,405
Total expenditures	<u>749,307</u>	<u>769,707</u>	<u>686,181</u>	<u>(83,526)</u>	<u>570,405</u>
Revenues over expenditures	16,393	16,393	202,217	185,824	236,001
Other financing uses					
Transfers out					
Capital improvement fund	-	-	-	-	(250,000)
Net change in fund balance	16,393	16,393	202,217	185,824	(13,999)
Fund balance, beginning of year	<u>265,659</u>	<u>265,659</u>	<u>265,659</u>	<u>-</u>	<u>279,658</u>
Fund balance, end of year	<u>\$ 282,052</u>	<u>\$ 282,052</u>	<u>\$ 467,876</u>	<u>\$ 185,824</u>	<u>\$ 265,659</u>

CITY OF PORTAGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - With Comparative Actual Total For the Year Ended June 30, 2014
 Community Development Block Grant Fund
 For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2014 Actual
Revenues					
Intergovernmental					
Federal grants	\$ 218,672	\$ 379,315	\$ 156,607	\$ (222,708)	\$ 152,317
Expenditures					
Current:					
General government -					
Administration	21,814	22,314	20,757	(1,557)	18,854
Public safety -					
Code enforcement	53,661	53,661	50,999	(2,662)	48,954
Health and welfare:					
Housing rehabilitation	105,225	265,368	113,859	(151,509)	98,039
Portage Community Outreach Center	37,972	37,972	44,672	(6,700)	34,844
Total expenditures	218,672	379,315	230,287	(162,428)	200,691
Revenue under expenditures	-	-	(73,680)	(73,680)	(48,374)
Other financing sources					
Transfers in					
CDBG program income fund	-	-	73,680	73,680	48,374
Net change in fund balance	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF PORTAGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - With Comparative Actual Total For the Year Ended June 30, 2014
 Community Development Block Grant Program Income Fund
 For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2014 Actual
Revenues					
Loan principal	\$ 53,946	\$ 53,946	\$ 86,489	\$ 32,543	\$ 66,923
Interest and rents	-	-	3,069	3,069	12,594
Total revenues	53,946	53,946	89,558	35,612	79,517
Expenditures					
Current - health and welfare					
Loans	60,000	60,000	13,000	(47,000)	31,174
Revenue over (under) expenditures	(6,054)	(6,054)	76,558	82,612	48,343
Other financing uses					
Transfers out					
CDBG fund	-	-	(73,680)	(73,680)	(48,374)
Net change in fund balance	(6,054)	(6,054)	2,878	8,932	(31)
Fund balance, beginning of year	6,054	6,054	6,054	-	6,085
Fund balance, end of year	\$ -	\$ -	\$ 8,932	\$ 8,932	\$ 6,054

CITY OF PORTAGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - With Comparative Actual Total For the Year Ended June 30, 2014
 American Relief and Recovery Act Grant Fund
 For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2014 Actual
Revenues					
Interest and rents	\$ -	\$ -	\$ 5	\$ 5	\$ -
Net increase in fair value of investments	-	-	7	7	10
Net change in fund balance	-	-	12	12	10
Fund balance, beginning of year	1,870	1,880	1,880	-	1,870
Fund balance, end of year	\$ 1,870	\$ 1,880	\$ 1,892	\$ 12	\$ 1,880

CITY OF PORTAGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - With Comparative Actual Total For the Year Ended June 30, 2014
 West Lake Management Fund
 For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2014 Actual
Revenues					
Special assessments	\$ 10,250	\$ 10,250	\$ 10,679	\$ 429	\$ 10,323
Interest and rents	200	200	57	(143)	171
Net increase in fair value of investments	-	-	58	58	148
Total revenues	10,450	10,450	10,794	344	10,642
Expenditures					
Current - recreation and cultural - Weed control	35,000	41,200	32,220	(8,980)	5,300
Net change in fund balance	(24,550)	(30,750)	(21,426)	9,324	5,342
Fund balance, beginning of year	34,913	40,255	40,255	-	34,913
Fund balance, end of year	\$ 10,363	\$ 9,505	\$ 18,829	\$ 9,324	\$ 40,255

CITY OF PORTAGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - With Comparative Actual Total For the Year Ended June 30, 2014
 Curbside Recycling Fund
 For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2014 Actual
Revenues					
Special assessments	\$ 601,000	\$ 601,000	\$ 597,039	\$ (3,961)	\$ 594,921
Interest and rents	1,400	1,400	642	(758)	1,324
Net increase in fair value of investments	-	-	196	196	354
Other revenue	-	-	1,032	1,032	-
Total revenues	602,400	602,400	598,909	(3,491)	596,599
Expenditures					
Current - health and welfare - Operations	604,991	604,991	593,394	(11,597)	636,239
Net change in fund balance	(2,591)	(2,591)	5,515	8,106	(39,640)
Fund balance, beginning of year	90,724	51,084	51,084	-	90,724
Fund balance, end of year	\$ 88,133	\$ 48,493	\$ 56,599	\$ 8,106	\$ 51,084

CITY OF PORTAGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - With Comparative Actual Total For the Year Ended June 30, 2014
 Leaf Pickup/Spring Cleanup Fund
 For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2014 Actual
Revenues					
Special assessments	\$ 680,000	\$ 680,000	\$ 676,539	\$ (3,461)	\$ 674,551
Interest and rents	1,600	1,600	732	(868)	1,552
Net increase in fair value of investments	-	-	493	493	709
Other revenue	-	-	1,032	1,032	311
Total revenues	681,600	681,600	678,796	(2,804)	677,123
Expenditures					
Current - health and welfare - Operations	674,868	677,478	630,997	(46,481)	709,416
Revenue over (under) expenditures	6,732	4,122	47,799	43,677	(32,293)
Other financing uses					
Transfer out G.O. debt service fund	-	-	-	-	(19,862)
Net change in fund balance	6,732	4,122	47,799	43,677	(52,155)
Fund balance, beginning of year	61,976	61,976	61,976	-	114,131
Fund balance, end of year	\$ 68,708	\$ 66,098	\$ 109,775	\$ 43,677	\$ 61,976

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet
 Nonmajor Debt Service Funds
 June 30, 2015

	General Obligation Debt Fund	Special Assessment Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund
Assets				
Cash and investments	\$ -	\$ 488,097	\$ 3,648	\$ 134,617
Accounts receivable	-	-	-	-
Special assessments receivable	-	1,609,269	-	-
Prepaid items	1,987,636	-	-	-
Total assets	<u>\$ 1,987,636</u>	<u>\$ 2,097,366</u>	<u>\$ 3,648</u>	<u>\$ 134,617</u>
Liabilities				
Accounts payable	\$ 8,614	\$ -	\$ -	\$ -
Interfund payable	1,775,131	-	-	-
Total liabilities	<u>1,783,745</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue - special assessments	-	1,609,269	-	-
Fund balances				
Nonspendable	1,987,636	-	-	-
Restricted	-	488,097	3,648	134,617
Unassigned	(1,783,745)	-	-	-
Total fund balances	<u>203,891</u>	<u>488,097</u>	<u>3,648</u>	<u>134,617</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,987,636</u>	<u>\$ 2,097,366</u>	<u>\$ 3,648</u>	<u>\$ 134,617</u>

Building Authority Debt Service Fund	Local Development Finance Authority Debt Service Fund	Total
\$ 386,184	\$ 1,914,132	\$ 2,926,678
-	-	-
-	-	1,609,269
-	26,828	2,014,464
<u>\$ 386,184</u>	<u>\$ 1,940,960</u>	<u>\$ 6,550,411</u>
\$ -	\$ 1,150	\$ 9,764
-	-	1,775,131
-	1,150	1,784,895
-	-	1,609,269
-	26,828	2,014,464
386,184	1,912,982	2,925,528
-	-	(1,783,745)
<u>386,184</u>	<u>1,939,810</u>	<u>3,156,247</u>
<u>\$ 386,184</u>	<u>\$ 1,940,960</u>	<u>\$ 6,550,411</u>

CITY OF PORTAGE, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds
For the Year Ended June 30, 2015

	General Obligation Debt Fund	Special Assessment Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 291,899
Special assessments	-	190,609	-	-
Interest and rents	101	6,469	32	195
Net increase in fair value of investments	-	2,331	7	265
Total revenues	<u>101</u>	<u>199,409</u>	<u>39</u>	<u>292,359</u>
Expenditures				
Debt service:				
Principal	2,146,694	230,000	1,135,000	155,000
Interest and other fiscal charges	963,837	97,710	197,154	159,425
Total expenditures	<u>3,110,531</u>	<u>327,710</u>	<u>1,332,154</u>	<u>314,425</u>
Revenues under expenditures	<u>(3,110,430)</u>	<u>(128,301)</u>	<u>(1,332,115)</u>	<u>(22,066)</u>
Other financing sources (uses)				
Issuance of long-term debt	4,782,403	-	-	-
Payment to refunding bond escrow agent	(4,798,239)	-	-	-
Premium on refunding debt	76,689	-	-	-
Transfers in:				
General fund	-	-	-	100,000
Capital improvement fund	3,064,000	-	1,332,000	-
Downtown Development Authority fund	-	60,604	-	-
Transfers out -				
Capital improvements fund	-	-	-	(60,604)
Total other financing sources (uses)	<u>3,124,853</u>	<u>60,604</u>	<u>1,332,000</u>	<u>39,396</u>
Net change in fund balances	<u>14,423</u>	<u>(67,697)</u>	<u>(115)</u>	<u>17,330</u>
Fund balances, beginning of year	<u>189,468</u>	<u>555,794</u>	<u>3,763</u>	<u>117,287</u>
Fund balances, end of year	<u>\$ 203,891</u>	<u>\$ 488,097</u>	<u>\$ 3,648</u>	<u>\$ 134,617</u>



Building Authority Debt Service Fund	Local Development Finance Authority Debt Service Fund	Total
\$ -	\$ 508,810	\$ 800,709
-	-	190,609
273,050	2,841	282,688
753	3,738	7,094
<u>273,803</u>	<u>515,389</u>	<u>1,281,100</u>
421,992	225,000	4,313,686
154,297	334,561	1,906,984
<u>576,289</u>	<u>559,561</u>	<u>6,220,670</u>
<u>(302,486)</u>	<u>(44,172)</u>	<u>(4,939,570)</u>
-	2,150,000	6,932,403
-	(2,095,000)	(6,893,239)
-	-	76,689
		100,000
339,000	-	4,735,000
-	-	60,604
<u>-</u>	<u>-</u>	<u>(60,604)</u>
<u>339,000</u>	<u>55,000</u>	<u>4,950,853</u>
36,514	10,828	11,283
<u>349,670</u>	<u>1,928,982</u>	<u>3,144,964</u>
<u>\$ 386,184</u>	<u>\$ 1,939,810</u>	<u>\$ 3,156,247</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2015

	Equipment Fund	Insurance Fund	Accrued Leave Liability Fund	Total
Assets				
Current assets:				
Cash and investments	\$ 489,965	\$ 502,346	\$ 158,212	\$ 1,150,523
Inventory	77,537	-	-	77,537
Prepaid items	152,452	-	-	152,452
Total current assets	719,954	502,346	158,212	1,380,512
Capital assets:				
Land	22,489	-	-	22,489
Land improvements	121,937	-	-	121,937
Buildings	1,677,278	-	-	1,677,278
Machinery and equipment	858,450	-	-	858,450
Vehicles	4,315,661	-	-	4,315,661
Less accumulated depreciation	(4,382,611)	-	-	(4,382,611)
Total capital assets (net of accumulated depreciation)	2,613,204	-	-	2,613,204
Total assets	3,333,158	502,346	158,212	3,993,716
Liabilities				
Current liabilities:				
Accounts payable	128,615	-	-	128,615
Accrued compensation	6,527	-	157,905	164,432
Workers' compensation	-	398,867	-	398,867
Accrued interest payable	8,934	-	-	8,934
Current portion of compensated absences	5,223	-	-	5,223
Current portion of bonds payable	305,998	-	-	305,998
Total current liabilities	455,297	398,867	157,905	1,012,069
Noncurrent liabilities:				
Accrued compensated absences (net of current portion)	15,667	-	-	15,667
Bonds payable (net of current portion)	853,998	-	-	853,998
Total noncurrent liabilities	869,665	-	-	869,665
Total liabilities	1,324,962	398,867	157,905	1,881,734
Net position				
Net investment in capital assets	1,453,208	-	-	1,453,208
Unrestricted	554,988	103,479	307	658,774
Total net position	\$ 2,008,196	\$ 103,479	\$ 307	\$ 2,111,982

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Net Position - Internal Service Funds For the Year Ended June 30, 2015

	Equipment Fund	Insurance Fund	Accrued Leave Liability Fund	Total
Operating revenues				
Charges for services:				
User charges	\$ 1,918,961	\$ 342,757	\$ 100,000	\$ 2,361,718
Other	85,838	-	-	85,838
Total operating revenues	2,004,799	342,757	100,000	2,447,556
Operating expenses				
Operations and maintenance	754,316	-	-	754,316
Personnel	278,947	-	100,000	378,947
Workers' compensation	-	342,757	-	342,757
Depreciation	257,397	-	-	257,397
Total operating expenses	1,290,660	342,757	100,000	1,733,417
Operating income	714,139	-	-	714,139
Nonoperating revenues (expenses)				
Interest on investments	392	580	-	972
Net increase in fair value of investments	336	979	307	1,622
Gain on asset disposal	6,957	-	-	6,957
Interest expense	(28,270)	-	-	(28,270)
Total nonoperating revenues (expenses)	(20,585)	1,559	307	(18,719)
Change in net position	693,554	1,559	307	695,420
Net position, beginning of year	1,314,642	101,920	-	1,416,562
Net position, end of year	\$ 2,008,196	\$ 103,479	\$ 307	\$ 2,111,982

CITY OF PORTAGE, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2015

	Equipment Fund	Insurance Fund	Accrued Leave Liability Fund	Total
Cash flows from operating activities				
Receipts from customers	\$ 2,004,799	\$ 82,245	\$ -	\$ 2,087,044
Payments to suppliers	(797,700)	-	-	(797,700)
Payments to employees for services	(281,782)	-	(31,639)	(313,421)
Net cash provided (used) by operating activities	<u>925,317</u>	<u>82,245</u>	<u>(31,639)</u>	<u>975,923</u>
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	6,957	-	-	6,957
Acquisition and construction of capital assets	(660,319)	-	-	(660,319)
Principal paid on bonds payable	(158,599)	-	-	(158,599)
Interest and fiscal charges paid	(29,905)	-	-	(29,905)
Net cash used in capital and related financing activities	<u>(841,866)</u>	<u>-</u>	<u>-</u>	<u>(841,866)</u>
Cash flows from investing activities				
Interest on investments	392	580	-	972
Net increase in investments	336	979	307	1,622
Net cash provided by investing activities	<u>728</u>	<u>1,559</u>	<u>307</u>	<u>2,594</u>
Net change in cash and cash equivalents	<u>84,179</u>	<u>83,804</u>	<u>(31,332)</u>	<u>136,651</u>
Cash and cash equivalents, beginning of year	<u>405,786</u>	<u>418,542</u>	<u>189,544</u>	<u>1,013,872</u>
Cash and cash equivalents, end of year	<u>\$ 489,965</u>	<u>\$ 502,346</u>	<u>\$ 158,212</u>	<u>\$ 1,150,523</u>
Cash flows from operating activities				
Operating income	\$ 714,139	\$ -	\$ -	\$ 714,139
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	257,397	-	-	257,397
Changes in:				
Inventory	48,995	-	-	48,995
Prepaid items	(131,312)	-	-	(131,312)
Accounts payable	38,933	-	-	38,933
Accrued compensation	(2,835)	-	(31,639)	(34,474)
Workers' compensation	-	82,245	-	82,245
Net cash provided (used) by operating activities	<u>\$ 925,317</u>	<u>\$ 82,245</u>	<u>\$ (31,639)</u>	<u>\$ 975,923</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Fiduciary Net Position

Pension and Retiree Healthcare Trust Funds

June 30, 2015

	Pension Trust Fund	Retiree Health Care Fund	Total Pension and Retiree Healthcare Trust Funds
Assets			
Cash and investments	\$ -	\$ 7,603	\$ 7,603
Investments:			
Mutual funds	-	6,852,212	6,852,212
Fixed income securities	2,661,823	-	2,661,823
Total assets	<u>2,661,823</u>	<u>6,859,815</u>	<u>9,521,638</u>
Net position			
Restricted for pension benefits	2,661,823	-	2,661,823
Restricted for retiree healthcare benefits	-	6,859,815	6,859,815
Total net position	<u>\$ 2,661,823</u>	<u>\$ 6,859,815</u>	<u>\$ 9,521,638</u>

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CITY OF PORTAGE, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Pension and Retiree Healthcare Trust Funds
For the Year Ended June 30, 2015

	Pension Trust Fund	Retiree Health Care Fund	Total Pension and Retiree Healthcare Trust Funds
Additions			
Employer contributions	\$ -	\$ 12,379	\$ 12,379
Investment income:			
Net increase (decrease) in fair value of investments	(5,866)	15	(5,851)
Interest income	106,684	193,229	299,913
Net investment earnings	100,818	193,244	294,062
Total additions	100,818	205,623	306,441
Deductions			
Benefits to plan members	259,136	-	259,136
Administrative expenses	13,146	-	13,146
Total deductions	272,282	-	272,282
Change in net position	(171,464)	205,623	34,159
Net position, beginning of year	2,833,287	6,654,192	9,487,479
Net position, end of year	\$ 2,661,823	\$ 6,859,815	\$ 9,521,638

CITY OF PORTAGE, MICHIGAN

Combining Statement of Assets and Liabilities

Agency Funds
June 30, 2015

	Current Year Tax Collection	Investment Interest Allocation	Payroll Fund
Assets			
Cash and investments	\$ 122,570	\$ -	\$ -
Due from other governments	1,211	-	208,652
Accrued interest receivable	-	41,216	-
Total assets	\$ 123,781	\$ 41,216	\$ 208,652
Liabilities			
Checks issued against future deposits	\$ -	\$ -	\$ 194,074
Accrued interest payable	-	41,216	-
Due to other governments	123,781	-	10,886
Deposits	-	-	3,692
Total liabilities	\$ 123,781	\$ 41,216	\$ 208,652



Trust and Agency	Historic Book	Insurer Blight Escrow	Total Agency Funds
\$ 56,812	\$ 43	\$ -	\$ 179,425
-	-	-	209,863
-	-	-	41,216
<hr/>	<hr/>	<hr/>	<hr/>
\$ 56,812	\$ 43	\$ -	\$ 430,504
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
\$ -	\$ -	\$ -	\$ 194,074
-	-	-	41,216
159	43	-	134,869
56,653	-	-	60,345
<hr/>	<hr/>	<hr/>	<hr/>
\$ 56,812	\$ 43	\$ -	\$ 430,504
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF PORTAGE, MICHIGAN

Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Current year tax collection fund				
Assets				
Cash and investments	\$ 161,918	\$ 94,093,544	\$ 94,132,892	\$ 122,570
Due from other governments	550	331,913	331,252	1,211
Total assets	\$ 162,468	\$ 94,425,457	\$ 94,464,144	\$ 123,781
Liabilities				
Due to other governments	\$ 162,468	\$ 213,997,710	\$ 214,036,397	\$ 123,781
Investment interest allocation fund				
Assets				
Accrued interest receivable	\$ 31,342	\$ 176,889	\$ 167,015	\$ 41,216
Liabilities				
Accrued interest payable	\$ 31,342	\$ 176,889	\$ 167,015	\$ 41,216
Payroll fund				
Assets				
Cash and investments	\$ -	\$ 17,871,612	\$ 17,871,612	\$ -
Due from other governments	212,192	390,087	393,627	208,652
Total assets	\$ 212,192	\$ 18,261,699	\$ 18,265,239	\$ 208,652
Liabilities				
Checks issued against future deposits	\$ 201,772	\$ 17,863,914	\$ 17,871,612	\$ 194,074
Due to other governments	6,097	15,407,805	15,403,016	10,886
Deposits	4,323	967,525	968,156	3,692
Total liabilities	\$ 212,192	\$ 34,239,244	\$ 34,242,784	\$ 208,652
Trust and agency fund				
Assets				
Cash and investments	\$ 485,774	\$ 678,340	\$ 1,107,302	\$ 56,812
Liabilities				
Due to other governments	\$ -	\$ 39,651	\$ 39,492	\$ 159
Deposits	485,774	677,840	1,106,961	56,653
Total liabilities	\$ 485,774	\$ 717,491	\$ 1,146,453	\$ 56,812

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CITY OF PORTAGE, MICHIGAN

Statement of Changes in Agency Funds Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Historic book fund				
Assets				
Cash and investments	\$ 56	\$ 30	\$ 43	\$ 43
Liabilities				
Due to other governments	\$ 56	\$ 30	\$ 43	\$ 43
Insurer blight escrow fund				
Assets				
Cash and investments	\$ 8,295	\$ 8,426	\$ 16,721	\$ -
Liabilities				
Deposits	\$ 8,295	\$ 25,147	\$ 33,442	\$ -
Combined agency funds				
Assets				
Cash and investments	\$ 656,043	\$ 112,651,952	\$ 113,128,570	\$ 179,425
Due from other governments	212,742	722,000	724,879	209,863
Accrued interest receivable	31,342	176,889	167,015	41,216
Total assets	\$ 900,127	\$ 113,550,841	\$ 114,020,464	\$ 430,504
Liabilities				
Checks issued against future deposits	201,772	17,863,914	17,871,612	194,074
Accrued interest payable	31,342	176,889	167,015	41,216
Due to other governments	168,621	229,445,196	229,478,948	134,869
Deposits	498,392	1,670,513	2,108,558	60,345
Total liabilities	\$ 900,127	\$ 249,156,512	\$ 249,626,133	\$ 430,504

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STATISTICAL SECTION

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CITY OF PORTAGE, MICHIGAN

Statistical Section Table of Contents

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.

		<u>Page</u>
Financial Trends Tables 1-4	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	127
Revenue Capacity Tables 5-8	These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	137
Debt Capacity Tables 9-13	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.	145
Demographic and Economic Information Tables 14-15	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.	153
Operating Information Tables 16-18	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.	157

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

CITY OF PORTAGE, MICHIGAN

Net Position by Component

Last Ten Years

(accrual basis of accounting)

(expressed in thousands)

	2006	2007	2008	2009	2010
Governmental activities					
Net investment in capital assets	\$ 15,355	\$ 30,047	\$ 23,625	\$ 20,417	\$ 18,165
Restricted	8,249	6,375	5,909	5,641	6,029
Unrestricted	20,132	2,193	5,030	5,296	6,379
Total governmental activities net position	\$ 43,736	\$ 38,615	\$ 34,564	\$ 31,354	\$ 30,573
Business-type activities					
Net investment in capital assets	\$ 62,917	\$ 65,553	\$ 58,047	\$ 59,984	\$ 63,221
Restricted	200	200	200	200	200
Unrestricted	1,134	(1,507)	4,994	2,080	(1,378)
Total business-type activities net position	\$ 64,251	\$ 64,246	\$ 63,241	\$ 62,264	\$ 62,043
Primary government					
Net investment in capital assets	\$ 78,271	\$ 95,600	\$ 81,672	\$ 80,401	\$ 81,386
Restricted	8,449	6,575	6,109	5,841	6,229
Unrestricted	21,266	686	10,024	7,376	5,001
Total primary governmental net position	\$ 107,986	\$ 102,861	\$ 97,805	\$ 93,618	\$ 92,616

Source: City Comprehensive Annual Financial Reports

2011	2012	2013	2014	2015
\$ 15,119	\$ 13,826	\$ 11,263	\$ 9,934	\$ 14,373
8,165	7,251	9,699	10,959	8,576
5,724	9,685	9,858	10,515	11,455
<u>\$ 29,008</u>	<u>\$ 30,762</u>	<u>\$ 30,820</u>	<u>\$ 31,408</u>	<u>\$ 34,404</u>
\$ 62,821	\$ 63,846	\$ 64,019	\$ 63,588	\$ 64,077
200	200	-	-	-
724	3,003	6,913	11,408	15,368
<u>\$ 63,745</u>	<u>\$ 67,049</u>	<u>\$ 70,932</u>	<u>\$ 74,996</u>	<u>\$ 79,445</u>
\$ 77,940	\$ 77,673	\$ 75,282	\$ 73,522	\$ 78,450
8,365	7,451	9,699	10,959	8,576
6,448	12,688	16,771	21,923	26,823
<u>\$ 92,753</u>	<u>\$ 97,812</u>	<u>\$ 101,752</u>	<u>\$ 106,404</u>	<u>\$ 113,849</u>

CITY OF PORTAGE, MICHIGAN

Changes in Net Position

Last Ten Years

(accrual basis of accounting)

(expressed in thousands)

	2006	2007	2008	2009	2010
Expenses					
Governmental activities:					
Legislative	\$ 54	\$ 49	\$ 61	\$ 61	\$ 61
Judicial	17	25	49	47	50
General government	5,515	5,581	5,455	5,641	5,000
Public safety	14,383	14,967	15,078	15,210	13,870
Public works	420	440	432	477	445
Health and welfare	1,560	1,535	1,534	1,751	1,683
Economic development	1,952	-	-	13	-
Recreation and cultural	3,240	3,339	3,365	3,378	2,999
Public transportation	151	58	-	-	-
Highways and streets	2,327	3,945	4,026	3,734	2,966
Unallocated depreciation expense	7,107	7,103	6,874	6,094	6,708
Interest on long-term debt	3,251	2,946	2,756	2,974	2,553
Total governmental activities expenses	<u>39,977</u>	<u>39,988</u>	<u>39,630</u>	<u>39,380</u>	<u>36,335</u>
Business-type activities:					
Sewer	5,723	5,351	6,105	6,883	6,895
Water	4,931	4,004	4,509	4,473	4,545
Total business-type activities expenses	<u>10,654</u>	<u>9,355</u>	<u>10,614</u>	<u>11,356</u>	<u>11,440</u>
Total primary government expenses	<u>50,631</u>	<u>49,343</u>	<u>50,244</u>	<u>50,736</u>	<u>47,775</u>
Program revenues					
Governmental activities:					
Charges for services					
General government	-	-	-	-	-
Recreation and cultural	862	898	923	997	1,069
Public safety	978	966	747	753	657
Health & welfare	-	-	-	-	-
Other activities	600	495	482	486	467
Operating grants and contributions					
Judicial	-	-	-	-	-
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Economic development	-	-	-	-	-
Recreation and cultural	-	-	-	-	-
Highways & streets	3,578	3,474	3,504	3,360	3,305
Interest	1,248	896	1,028	860	982
Capital grants and contributions					
Public works	1,053	285	197	157	125
Health & welfare	1,242	1,239	1,286	1,337	1,173
Recreation and cultural	61	5	11	5	6
Total governmental activities program revenues	<u>9,622</u>	<u>8,258</u>	<u>8,178</u>	<u>7,955</u>	<u>7,784</u>

Schedule 2
UNAUDITED

2011	2012	2013	2014	2015
\$ 59	\$ 61	\$ 64	\$ 89	\$ 57
48	47	51	50	48
5,091	4,795	4,640	5,326	5,400
14,364	13,194	12,940	13,969	14,156
604	560	920	668	789
1,567	1,735	1,626	1,618	1,486
-	-	-	-	-
3,097	2,929	2,836	2,834	2,768
-	-	-	-	-
3,592	2,659	4,492	5,072	3,132
6,513	6,227	5,956	5,505	5,301
3,050	2,181	2,032	758	1,804
<u>37,985</u>	<u>34,388</u>	<u>35,557</u>	<u>35,889</u>	<u>34,941</u>
7,072	7,018	6,981	6,993	7,188
3,872	3,777	4,111	4,162	4,129
<u>10,944</u>	<u>10,795</u>	<u>11,092</u>	<u>11,155</u>	<u>11,317</u>
<u>48,929</u>	<u>45,183</u>	<u>46,649</u>	<u>47,044</u>	<u>46,258</u>
-	-	-	123	93
1,085	1,109	1,145	1,147	1,186
921	861	1,016	935	1,232
-	-	-	80	92
374	325	409	243	-
-	-	-	70	70
-	-	-	1,022	1,071
-	-	-	189	224
-	-	-	5	2
-	-	-	155	158
-	-	-	8	-
-	-	-	125	139
3,367	3,721	3,660	3,919	4,038
832	618	724	-	-
100	1,429	314	345	195
1,127	1,466	1,457	1,269	1,274
15	13	11	10	11
<u>7,821</u>	<u>9,542</u>	<u>8,736</u>	<u>9,645</u>	<u>9,785</u>

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CITY OF PORTAGE, MICHIGAN

Changes in Net Position (Accrual Basis of Accounting)

Last Ten Fiscal Years

	2006	2007	2008	2009	2010
Business-type activities:					
Charges for services					
Sewer	\$ 4,879	\$ 4,739	\$ 5,356	\$ 5,822	\$ 6,088
Water	3,869	3,813	4,076	4,547	5,129
Operating grants and contributions	97	70	64	98	25
Capital grants and contributions	2	-	-	-	-
Total business-type activities program revenues	8,847	8,622	9,496	10,467	11,242
Total primary government program revenues	18,469	16,880	17,674	18,422	19,026
Net (expense)/revenue					
Governmental activities	(30,355)	(31,730)	(31,452)	(31,425)	(28,551)
Business-type activities	(1,807)	(733)	(1,118)	(889)	(198)
Total primary government net expense	(32,162)	(32,463)	(32,570)	(32,314)	(28,749)
General revenues & other changes in net position					
Governmental activities:					
Property taxes	17,936	20,042	21,649	22,626	22,770
Unrestricted grants & contributions	5,758	5,443	5,334	5,130	4,804
Unrestricted investment earnings (loss)	593	388	482	342	137
Gain on sale of capital assets	9	1,347	50	27	37
Transfers	(37)	(611)	(114)	88	22
Total governmental activities	24,259	26,609	27,401	28,213	27,770
Business-type activities:					
Unrestricted grants & contributions	-	117	-	-	-
Unrestricted investment earnings (loss)	-	-	-	-	-
Transfers	37	611	114	(88)	(22)
Total business-type activities	37	728	114	(88)	(22)
Total primary government	24,296	27,337	27,515	28,125	27,748
Change in net position					
Governmental activities	(6,096)	(5,121)	(4,051)	(3,212)	(781)
Business-type activities	(1,770)	(5)	(1,004)	(977)	(220)
Total primary government	\$ (7,866)	\$ (5,126)	\$ (5,055)	\$ (4,189)	\$ (1,001)

Source: City Comprehensive Annual Financial Reports

Schedule 2
UNAUDITED

2011	2012	2013	2014	2015
\$ 7,020	\$ 7,604	\$ 8,184	\$ 8,524	\$ 8,879
5,694	6,636	6,808	6,757	6,613
17	18	63	54	242
-	-	-	-	-
<u>12,731</u>	<u>14,258</u>	<u>15,055</u>	<u>15,335</u>	<u>15,734</u>
<u>20,552</u>	<u>23,800</u>	<u>23,791</u>	<u>24,980</u>	<u>25,519</u>
(30,164)	(24,846)	(26,821)	(26,244)	(25,156)
1,787	3,463	3,963	4,180	4,417
<u>(28,377)</u>	<u>(21,383)</u>	<u>(22,858)</u>	<u>(22,064)</u>	<u>(20,739)</u>
21,993	21,266	21,590	21,413	21,868
5,064	5,014	5,036	5,100	6,002
86	47	(159)	170	83
93	115	399	-	7
86	159	12	151	9
<u>27,322</u>	<u>26,601</u>	<u>26,878</u>	<u>26,834</u>	<u>27,969</u>
-	-	-	-	-
-	-	(68)	36	41
<u>(86)</u>	<u>(159)</u>	<u>(12)</u>	<u>(151)</u>	<u>(9)</u>
<u>(86)</u>	<u>(159)</u>	<u>(80)</u>	<u>(115)</u>	<u>32</u>
<u>27,236</u>	<u>26,442</u>	<u>26,798</u>	<u>26,719</u>	<u>28,001</u>
(2,842)	1,755	57	590	2,814
1,701	3,304	3,883	4,065	4,448
<u>\$ (1,141)</u>	<u>\$ 5,059</u>	<u>\$ 3,940</u>	<u>\$ 4,655</u>	<u>\$ 7,262</u>

concluded.

CITY OF PORTAGE, MICHIGAN

Fund Balances - Governmental Funds

Last Ten Years

(modified accrual basis of accounting)

(expressed in thousands)

	2006	2007	2008	2009	2010
General fund					
Nonspendable					
Unassigned					
Reserved	\$ 1,077	\$ 1,513	\$ 1,784	\$ 1,829	\$ 2,053
Unreserved	3,337	2,782	3,054	3,613	4,087
Total general fund	\$ 4,414	\$ 4,295	\$ 4,838	\$ 5,442	\$ 6,140
All other governmental funds					
Nonspendable					
Committed					
Restricted					
Unassigned					
Reserved	\$ 5,142	\$ 3,489	\$ 3,646	\$ 3,850	\$ 6,189
Unreserved, reported in:					
Special revenue funds	940	1,199	1,120	1,316	1,966
Debt service funds	4,440	3,989	3,623	3,201	105
Capital improvement fund	-	(2,237)	168	549	1,374
Total all other governmental funds	\$ 10,522	\$ 6,440	\$ 8,557	\$ 8,916	\$ 9,634

Note: The City implemented GASB 54 for the fiscal year ended June 30, 2011. Prior years were not restated retroactively.

Source: City Comprehensive Annual Financial Reports

Schedule 3
UNAUDITED

2011	2012	2013	2014	2015
\$ 476	\$ 339	\$ 63	\$ 444	\$ 244
6,857	8,322	8,713	7,844	9,106
-	-	-	-	-
-	-	-	-	-
<u>\$ 7,333</u>	<u>\$ 8,661</u>	<u>\$ 8,776</u>	<u>\$ 8,288</u>	<u>\$ 9,350</u>
\$ 954	\$ 1,002	\$ 1,030	\$ 1,078	\$ 3,156
-	-	-	418	653
7,788	7,769	9,420	9,893	7,204
-	-	-	-	(1,784)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 8,742</u>	<u>\$ 8,771</u>	<u>\$ 10,450</u>	<u>\$ 11,389</u>	<u>\$ 9,229</u>

CITY OF PORTAGE, MICHIGAN

Changes in Fund Balances - Governmental Funds

Last Ten Years

(modified accrual basis of accounting)

(expressed in thousands)

	2006	2007	2008	2009	2010
Revenues					
Taxes and special assessments	\$ 19,737	\$ 21,612	\$ 21,846	\$ 23,529	\$ 24,426
Licenses and permits	1,271	1,189	1,170	965	1,017
Intergovernmental	8,274	8,296	7,772	7,722	7,489
Charges for services	2,854	2,492	2,226	2,277	2,157
Fines and forfeits	4	-	-	-	-
Interest and rents	955	1,522	1,158	1,274	1,063
Other	998	458	1,683	493	397
Total revenues	34,093	35,569	35,855	36,260	36,549
Expenditures					
Legislative	48	54	49	61	61
Judicial	12	17	25	49	47
General government	5,264	5,220	5,097	5,026	4,897
Public safety	13,278	13,460	14,247	14,358	14,528
Public works	339	357	372	374	432
Health and welfare	1,694	1,545	1,551	1,584	1,754
Recreation and cultural	2,699	2,841	2,974	2,955	2,993
Public transportation	113	149	61	-	-
Highways and streets	3,755	3,021	3,301	3,428	2,742
Refund of tax revenues	-	10	-	-	-
Development	2,535	1,952	-	-	13
Capital outlay	10,488	5,511	5,605	5,681	3,835
Debt service:					
Principal	3,366	3,223	3,892	4,258	4,407
Interest and fiscal charges	2,591	2,803	3,040	2,900	2,847
Total expenditures	46,182	40,163	40,214	40,674	38,556
Excess of revenues under expenditures	(12,089)	(4,594)	(4,359)	(4,414)	(2,007)
Other financing sources (uses)					
Issuance of long-term debt	8,063	8,794	785	7,089	2,800
Payment to refunding bond escrow agent	-	-	-	-	-
Premium on refunding debt	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	-
Transfers in	5,245	5,731	7,347	8,520	8,102
Transfers out	(5,712)	(5,768)	(7,958)	(8,635)	(8,014)
Total other financing sources (uses)	7,596	8,757	174	6,974	2,888
Net change in fund balances	\$ (4,493)	\$ 4,163	\$ (4,185)	\$ 2,560	\$ 881
Debt service as a percentage of noncapital expenditures	15.3%	17.9%	19.5%	20.1%	20.8%

Source: City Comprehensive Annual Financial Reports

Schedule 4
UNAUDITED

	2011	2012	2013	2014	2015
\$	24,376	\$ 23,477	\$ 23,136	\$ 22,960	\$ 23,342
	941	1,196	1,229	1,351	1,726
	7,198	7,040	7,424	8,777	8,940
	2,338	2,168	2,131	2,007	1,872
	-	-	-	-	-
	797	506	340	667	559
	398	1,061	506	560	1,296
	<u>36,048</u>	<u>35,448</u>	<u>34,766</u>	<u>36,322</u>	<u>37,735</u>
	61	59	61	89	57
	50	48	47	50	48
	4,604	4,657	4,521	4,349	4,631
	13,568	13,853	12,780	13,299	13,364
	423	559	516	535	486
	1,923	1,685	1,766	1,631	1,519
	2,782	2,695	2,686	2,677	2,688
	-	-	-	-	-
	2,814	2,679	2,740	4,138	3,063
	-	-	-	-	-
	-	-	-	-	-
	2,574	2,304	4,054	4,000	6,897
	5,001	5,976	4,412	4,258	4,314
	2,744	3,236	2,365	1,914	1,907
	<u>36,544</u>	<u>37,751</u>	<u>35,948</u>	<u>36,940</u>	<u>38,973</u>
	<u>(496)</u>	<u>(2,303)</u>	<u>(1,182)</u>	<u>(618)</u>	<u>(1,238)</u>
	1,890	2,517	2,380	918	6,932
	-	-	-	-	(6,893)
	-	-	-	-	77
	-	-	-	-	14
	9,372	8,908	8,877	9,994	9,886
	<u>(9,350)</u>	<u>(8,822)</u>	<u>(8,719)</u>	<u>(9,843)</u>	<u>(9,877)</u>
	<u>1,912</u>	<u>2,603</u>	<u>2,538</u>	<u>1,069</u>	<u>139</u>
\$	<u>1,416</u>	<u>\$ 300</u>	<u>\$ 1,356</u>	<u>\$ 451</u>	<u>\$ (1,099)</u>
	22.6%	24.4%	21.2%	17.5%	19.4%

CITY OF PORTAGE, MICHIGAN

Assessed and Estimated Actual Value of Taxable Property

Last Ten Years

(expressed in thousands)

Fiscal Year Ended June 30	Real Property Residential	Real Property Industrial & Commercial	Personal Property	Total Assessed Value	Total Direct Tax Rate
2006	\$ 1,155,351	\$ 590,184	\$ 330,667	\$ 2,076,202	10.144
2007	1,218,346	620,179	346,668	2,185,193	10.144
2008	1,262,594	642,889	336,229	2,241,712	10.489
2009	1,258,938	655,587	380,325	2,294,850	10.660
2010	1,216,115	675,591	381,101	2,272,807	10.660
2011	1,168,608	621,820	355,764	2,146,192	10.731
2012	1,151,156	554,414	355,714	2,061,284	10.892
2013	1,160,186	534,507	388,136	2,082,829	10.778
2014	1,144,542	528,477	362,621	2,035,640	10.778
2015	1,137,622	537,895	363,712	2,039,229	10.926

(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

Schedule 5
UNAUDITED

Estimated Market Value	Assessed Value as a Percentage of Market Value (2)	Tax Exempt Real Property	Exempt as % of Total Tax Base
\$ 4,152,404	50.0%	\$ 61,804	2.98%
4,370,386	50.0%	83,924	3.84%
4,483,424	50.0%	95,111	4.24%
4,589,700	50.0%	96,933	4.22%
4,545,614	50.0%	93,998	4.14%
4,292,384	50.0%	87,146	4.06%
4,122,568	50.0%	184,261	8.94%
4,165,658	50.0%	183,800	8.82%
4,071,279	50.0%	175,700	8.63%
4,078,458	50.0%	66,474	3.26%

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Property Tax Rates - Direct and Overlapping Governments
Last Ten Years
(rate per \$1,000 of taxable value)

City of Portage Direct Rates							
Fiscal Year Ended June 30	General Fund	Capital Improvements	Debt Service	Curbside Recycling	Fall Leaf/Spring Clean (1)	Municipal Streets	Total City Millage
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
2014	7.5000	2.0000	-	0.3049	0.3455	0.6274	10.7778
2015	7.5000	2.0000	-	0.3049	0.3455	0.7752	10.9256

Overlapping Rates							
Fiscal Year Ended June 30	State Education Tax	Portage Public Schools (2)	Portage District Library	Kalamazoo County	Kalamazoo Regional Educational Service Agency	Kalamazoo Valley Community College	Total Direct & Overlapping Rates
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
2014	6.0000	5.8000	1.5000	6.7695	4.8916	2.8135	38.5524
2015	6.0000	5.8000	1.5000	6.5362	6.4066	2.8135	39.9819

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

Source: Treasury Office

CITY OF PORTAGE, MICHIGAN

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2015		
		Taxable Value	Rank	Percentage of Total City Assessed Value
Pfizer , Inc. (fka Pharmacia & Upjohn, Inc.)	Pharmaceuticals	\$ 296,354,187	1	14.53
Stryker Corporation	Manufacturing	44,007,234	2	2.16
Crossroads Mall (Portfolio One, LLC)	Retail Sales	25,268,187	3	1.24
Consumers Energy Co.	Utility	24,031,942	4	1.18
Zoetis	Pharmaceuticals	16,800,500	5	0.82
Edward Rose Associates	Apartments	10,792,983	6	0.53
1901 Romence LLC	Apartments	10,241,932	7	0.50
Southland Mall Ltd	Retail Sales	7,807,100	8	0.38
Stryker Medical	Manufacturing	7,383,700	9	0.36
Bowers Manufacturing	Manufacturing	7,280,500	10	0.36
Mann+Hummel	Manufacturing			
Meijer, Inc.	Retail Sales			
State Farm Mutual Auto Insurance	Manufacturing			
Totals		<u>\$ 449,968,265</u>		<u>22.07</u>

Source: City Assessor's Office

Schedule 7
UNAUDITED

2006		
Taxable Value	Rank	Percentage of Total City Assessed Value
\$ 305,288,102	1	16.67
21,379,798	2	1.17
19,988,802	3	1.09
16,943,440	4	0.92
11,761,964	5	0.64
7,036,952	10	0.38
7,179,467	9	0.39
10,689,155	6	0.58
8,467,573	7	0.46
7,329,600	8	0.41
<u>\$ 416,064,853</u>		<u>22.71</u>

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Property Tax Levies and Collections
Last Ten 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
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%
2014	21,198	20,935	98.8%	14	20,949	98.8%
2015	21,311	21,074	98.9%	9	21,083	98.9%

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

Ratios of Outstanding Debt by Type

Last Ten Years

(expressed in thousands)

	2006	2007	2008	2009	2010
Governmental activities					
General obligation bonds	\$ 2,543	\$ 2,162	\$ 1,860	\$ 1,556	\$ 1,342
Special assessment bonds	7,415	7,280	6,350	5,525	4,720
Motor vehicle highway bonds	12,780	11,925	11,090	10,285	9,630
Capital improvement bonds	22,418	21,165	29,931	31,184	30,500
Redevelopment bonds	25,455	24,585	20,690	19,565	18,575
Total governmental activities	70,611	67,117	69,921	68,115	64,767
Business-type activities					
Utility revenue bonds	15,600	14,970	1,105	860	620
Capital improvement bonds	9,932	9,352	31,414	30,501	30,880
General obligation bonds	3,742	3,221	2,815	2,389	2,093
Total business-type activities	29,274	27,543	35,334	33,750	33,593
Total primary government	\$ 99,885	\$ 94,660	\$ 105,255	\$ 101,865	\$ 98,360
Percentage of personal income ⁽¹⁾	7.228%	6.682%	7.105%	6.777%	7.319%
Per capita	\$ 2,202	\$ 2,093	\$ 2,285	\$ 2,208	\$ 2,125

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

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

Source: City Comprehensive Annual Financial Reports

Schedule 9
UNAUDITED

	2011	2012	2013	2014	2015
\$	1,162	\$ 991	\$ 824	\$ 700	\$ 595
	2,790	3,525	1,715	1,675	1,635
	8,950	8,205	7,505	6,510	5,375
	30,817	29,764	29,973	29,262	26,825
	17,770	16,985	15,985	14,945	14,190
	<u>61,489</u>	<u>59,470</u>	<u>56,002</u>	<u>53,092</u>	<u>48,620</u>
	335	50	-	-	-
	30,458	28,981	28,227	28,078	27,930
	1,818	1,559	1,321	1,160	980
	<u>32,611</u>	<u>30,590</u>	<u>29,548</u>	<u>29,238</u>	<u>28,910</u>
\$	<u>94,100</u>	<u>90,060</u>	<u>85,550</u>	<u>82,330</u>	<u>77,530</u>
	6.709%	5.800%	6.057%	5.547%	4.094%
\$	2,033	\$ 1,945	\$ 1,854	\$ 1,732	\$ 1,621

Ratios of Net General Bonded Debt Outstanding

Last Ten Years

(expressed in thousands)

Fiscal Year	Governmental General Bonded Debt	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2006	\$ 76,870	\$ (6,435)	\$ 70,435	1.70%	\$ 1,553
2007	72,402	(6,170)	66,232	1.52%	1,464
2008	97,800	(5,934)	91,866	2.05%	1,994
2009	95,480	(5,727)	89,753	1.96%	1,946
2010	93,020	(5,018)	88,002	1.94%	1,901
2011	90,975	(3,371)	87,604	2.04%	1,892
2012	86,485	(3,519)	82,966	1.99%	1,792
2013	83,835	(2,648)	81,187	1.95%	1,754
2014	80,655	(2,589)	78,066	1.92%	1,643
2015	75,895	(6,550)	69,345	1.70%	1,643

Totals include governmental activities and business-type debt.

Any other bonds (special assessment bonds) are not paid with general government resources.

Source: City Comprehensive Annual Financial Reports

Computation of Net Direct and Overlapping Debt

June 30, 2015

Government Unit	Bonds Outstanding	Percentage Applicable to City	City's Share of Debt
Direct debt			
General obligation bonds	\$ 594,541	100.00%	\$ 594,541
Building authority bonds	4,830,000	100.00%	4,830,000
Downtown development authority bonds	4,410,000	100.00%	4,410,000
Local development finance authority bonds	4,950,000	100.00%	4,950,000
Special assessment bonds	1,635,000	100.00%	1,635,000
Motor vehicle highway fund bonds	5,375,000	100.00%	5,375,000
Capital improvement bonds	<u>26,825,303</u>	100.00%	<u>26,825,303</u>
Total City direct debt	<u>\$ 48,619,844</u>		<u>48,619,844</u>
Overlapping debt (1)			
Portage Public Schools	\$ 101,800,000	86.34%	87,894,120
Vicksburg Public Schools	14,427,000	7.64%	1,102,223
Comstock Public Schools	3,783,000	2.05%	77,552
Schoolcraft Public Schools	9,113,663	2.15%	195,944
Kalamazoo Valley Intermediate School District	37,394,246	25.04%	9,363,519
Kalamazoo Valley ISD Community College	14,525,000	27.31%	3,966,778
Kalamazoo Valley Community College	<u>9,835,000</u>	24.84%	<u>2,443,014</u>
Total overlapping debt	<u>\$ 190,877,909</u>		<u>105,043,150</u>
Total direct & overlapping debt			<u>\$ 153,662,994</u>

(1) Overlapping jurisdictions outstanding and overlapping debt as of June 30, 2015

Overlapping Debt - 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: City Comprehensive Annual Financial Reports and Municipal Financial Consultants Incorporated

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Legal Debt Margin

Last Ten Years
(expressed in thousands)

General Obligation Bonds Legal Debt Margin Calculation for Fiscal Year 2015

	<u>\$ 2,151,704</u>
Debt limit (10% of assessed value)	215,170
Amount of debt applicable to debt limit- General obligation debt	<u>46,985</u>
Legal debt margin	<u>\$ 168,185</u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2006	\$ 215,012	\$ 62,415	\$ 152,597	29.03%
2007	222,091	67,765	154,326	30.51%
2008	229,485	93,060	136,425	40.55%
2009	226,081	90,720	135,361	40.13%
2010	227,281	88,110	139,171	38.77%
2011	214,619	52,539	162,080	24.48%
2012	206,128	51,265	154,863	24.87%
2013	208,283	46,782	161,501	22.46%
2014	203,564	51,417	152,147	25.26%
2015	215,170	46,985	168,185	21.84%

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.

Source: Assessor (SEV), L-4022 Report and City Comprehensive Annual Financial Reports (debt balances)

CITY OF PORTAGE, MICHIGAN

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Net Revenue Available For Debt Service	Debt Service	
				Principal	Interest
Utility Bonds:					
2006	\$ 8,720	\$ 7,260	\$ 1,460	\$ 1,585	\$ 1,187
2007	8,618	7,250	1,368	1,731	1,172
2008	9,432	7,942	1,490	1,520	1,140
2009	10,369	8,380	1,989	1,535	1,469
2010	11,216	8,394	2,822	2,049	1,422
2011	12,715	7,787	4,928	2,117	1,342
2012	14,240	7,933	6,307	2,658	1,274
2013	14,991	8,204	6,787	3,075	1,197
2014	15,280	8,443	6,837	1,462	1,166
2015	15,642	8,023	7,619	3,185	1,167
Special Assessment Bonds:					
2006			\$ 2,893	\$ 919	\$ 336
2007			773	920	304
2008			863	930	299
2009			669	825	265
2010			581	805	232
2011			455	1,930	201
2012			390	440	156
2013			314	415	143
2014			267	305	105
2015			191	230	98

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.

SOURCE: City Comprehensive Annual Financial Reports

Schedule 13
UNAUDITED



Total	Coverage
-------	----------

\$ 2,772	53%
2,903	47%
2,660	56%
3,004	66%
3,471	81%
3,459	142%
3,932	160%
4,272	159%
2,628	260%
4,353	175%

\$ 1,255	231%
1,224	63%
1,229	70%
1,090	61%
1,037	56%
2,131	21%
596	65%
558	56%
410	65%
328	58%

CITY OF PORTAGE, MICHIGAN

Demographic and Economic Statistics

Last Ten Years

Year	Population	Personal income (in thousands)	Per Capita Personal Income	Median Household Income (1)	Median Age
2006	45,354	\$ 1,381,973	\$ 30,471	\$ 51,900	36
2007	45,236	1,416,559	31,315	51,600	36
2008	46,066	1,481,422	32,159	51,350	36
2009	46,133	1,503,040	32,581	51,142	36
2010	46,292	1,343,903	29,031	53,538	36
2011	46,292	1,402,601	30,299	57,246	37
2012	46,292	1,552,819	33,544	61,624	36
2013	46,135	1,412,413	29,971	56,330	37
2014	47,523	1,484,191	31,231	56,895	38
2015	47,837	1,893,532	39,583	55,131	37

Sources:

- (1) 2001 thru 2011 estimated using U. S. Census Bureau, City-Data.com
- (2) Portage Public Schools Community Relations
- (3) Department of Community Development

Source: United States Census Bureau, City-Data.com, Portage Public Schools

Schedule 14
UNAUDITED



Education Level in Years of Schooling	School Enrollment (2)	Unemployment Rate % (3)
14	8,816	3.9%
14	8,800	4.0%
14	8,776	4.8%
14	8,692	7.7%
14	8,692	7.9%
14	8,647	6.4%
14	8,548	5.4%
14	8,641	5.4%
14	8,810	4.3%
14	8,684	3.5%

CITY OF PORTAGE, MICHIGAN

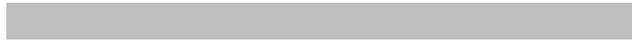
Principal Employers

Current Year and Nine Years Ago

Taxpayer	2015		
	Employees	Rank	Percentage of Total City Employment
Stryker Instruments	2,300	1	9.42%
Pfizer , Inc. (fka Pharmacia & Upjohn, Inc.)	2,100	2	8.60%
Portage Public Schools	950	3	3.89%
State Farm Mutual Auto Insurance Co.	950	4	3.89%
Kal. Regional Educational Service Agency	610	5	2.50%
Meijer, Inc.	600	6	2.46%
Summit Polymers / Mueller Plastics	472	7	1.93%
Wal-Mart	406	8	1.66%
J C Penney Co., Inc.	300	9	1.23%
Bowers Manufacturing	295	10	1.21%
Advantage Private Nursing			
Target (Target, Marshall Field's, Mervins)			
Total	<u>8,983</u>		<u>36.80%</u>
Total employees	<u>24,413</u>		

Source: Municipal Financial Consultants Incorporated

Schedule 15
UNAUDITED



2006		
Employees	Rank	Percentage of Total City Employment
1,100	4	4.11%
4,000	1	14.96%
1,121	3	4.19%
600	5	2.24%
1,361	2	5.09%
550	6	2.06%
300	9	1.12%
290	10	1.08%
490	8	1.83%
521	7	1.95%
<u>10,333</u>		<u>38.65%</u>
<u>26,738</u>		

CITY OF PORTAGE, MICHIGAN

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

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
General government					
Assessor	6	6	6	5	5
Clerk	3	3	3	3	3
City administration	8	8	8	8	8
Finance	10	10	9	9	9
Human resources	8	9	9	9	7
Purchasing	3	3	3	3	2
Police protection					
Administrative	4	4	4	4	4
Operations	75	74	70	70	68
Fire protection					
Administrative	4	4	4	4	4
Operations	31	31	32	31	31
Streets and equipment	25	23	23	21	20
Community development	18	18	17	16	15
Transportation and utilities	9	9	9	7	7
Parks and recreation	17	17	14	14	12
Senior center	6	6	6	6	5
Total	227	225	217	210	200

Source: City Annual Budget



Fiscal Year					
2011	2012	2013	2014	2015	
5	5	5	5	5	5
3	3	3	3	3	3
6	6	6	6	6	6
9	9	9	9	9	9
7	8	8	8	8	8
3	3	2	2	2	2
4	4	4	4	4	4
70	70	71	71	71	71
4	4	2	2	3	3
31	29	29	29	29	29
19	19	19	20	20	20
14	14	12	12	12	12
6	5	5	6	5	5
15	14	12	14	13	13
5	4	3	2	2	2
<u>201</u>	<u>197</u>	<u>190</u>	<u>193</u>	<u>192</u>	

CITY OF PORTAGE, MICHIGAN

Operating Indicators by Function/Program

Last Ten Years

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
Police					
Arrests	4,695	4,700	3,850	4,455	3,672
Traffic citations	3,616	3,600	2,850	2,800	3,654
Calls for service (police & fire)	24,934	24,000	24,500	24,800	24,808
Fire					
Number of calls answered					
Fire	117	134	120	126	140
Emergency medical	1,620	1,761	1,750	1,962	2,100
Inspections	3,000	2,971	3,100	3,588	3,026
Parks and Recreation					
Acreage of intensive maintenance	207	207	207	208	209
Acreage of boulevard mowing	129	130	131	131	131
Highways and streets					
Miles of major streets plowed	72	72	72	72	72
Miles of streets resurfaced	33	3	1	2	4
Miles of right-of-way mowed	52	66	50	50	50
Miles of streets swept	4,500	5,000	5,000	5,000	4,985
Water utility					
Water pumped & treated (millions of gallons)	2,170	2,200	2,200	2,110	2,002
Water main breaks	24	24	19	19	24
Sewer utility					
Sewage transported (millions of gallons)	1,850	1,890	1,784	1,800	1,800
Miles of sewers cleaned	95	95	81	78	77
Lift station inspections	3,750	3,800	1,980	2,200	1,900

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

Fiscal Year				
2011	2012	2013	2014	2015
2,970	2,653	2,335	3,840	4,000
2,354	4,212	2,745	2,646	2,600
24,808	24,957	21,796	25,718	25,000
120	116	122	114	100
1,778	1,822	2,125	2,360	2,300
3,025	2,153	2,578	2,500	2,500
209	209	209	209	209
131	131	131	131	140
72	72	72	72	72
2	4	4	9	9
50	50	50	50	50
4,615	4,395	4,395	2,679	2,143
1,993	1,750	2,200	1,846	1,778
29	27	25	27	27
1,420	1,360	1,442	1,522	1,552
77	77	76	73	82
1,929	1,800	1,916	1,959	1,809

CITY OF PORTAGE, MICHIGAN

Capital Assets Statistics by Function/Program Last Ten Years

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
Public safety					
Police:					
Stations	1	1	1	1	1
Vehicles	32	35	35	32	32
Fire:					
Stations	3	3	3	3	3
Vehicles	14	14	14	14	14
Health and welfare:					
Number of parks	15	15	16	16	16
Acres of parks	724	724	724	724	724
Senior citizen centers	1	1	1	1	1
Highways and streets:					
Miles of Streets	217	217	219	220	220
Water utility:					
Water mains (miles)	233	237	240	243	245
Number of fire hydrants	2,455	2,500	2,587	2,600	2,627
Number of customers	13,133	13,300	13,420	13,520	13,626
Sewer utility:					
Sewer lines (miles)	221	224	227	230	230
Lift stations	55	55	55	55	55
Number of customers	14,662	14,783	14,903	15,003	15,080

Source: City Annual Budget



Fiscal Year					
2011	2012	2013	2014	2015	
1	1	1	1	1	1
32	36	36	35	35	
3	3	3	3	3	3
14	14	14	14	14	14
16	16	16	17	17	
724	724	724	849	849	
1	1	1	1	1	1
220	220	220	220	220	220
246	246	246	247	247	
2,639	2,653	2,662	2,670	2,686	
13,692	13,752	13,752	13,850	13,768	
230	230	230	231	231	
55	55	55	55	55	
15,124	15,177	15,177	15,270	15,322	

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**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS REQUIRED BY OMB CIRCULAR A-133**

December 16, 2015

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Portage, Michigan* (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements. We issued our report thereon dated December 16, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



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CITY OF PORTAGE, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through Grantor Number	Federal Expenditures
U.S. Department of Housing and Urban Development				
Community Development Block Grant - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	Direct	B-12-MC-26-0023	\$ 24,909
Community Development Block Grant	14.218	Direct	B-13-MC-26-0023	<u>131,698</u>
				156,607
Department of Justice Grants				
Bulletproof Vest Partnership	16.607	Direct	n/a	6,801
U.S. Department of Homeland Security				
Assistance to Firefighters Grant	97.044	Direct	EMW-2012-FR-00383	<u>814,857</u>
Total expenditures of federal awards				<u><u>\$ 978,265</u></u>

See notes to schedule of expenditures of federal awards.

CITY OF PORTAGE, MICHIGAN

Notes to the Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the *City of Portage, Michigan* (the "City") under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipient
Assistance to Firefighters Grant	97.044	<u>\$ 546,010</u>



**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 16, 2015

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, 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, 2015, 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 16, 2015.

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*.

We noted a certain other matter that we reported to management of the City in a separate letter dated December 16, 2015.

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 "Lehman Lobson LLC". The signature is written in a cursive, flowing style.

**Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by OMB Circular A-133**

December 16, 2015

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *City of Portage, Michigan* (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2015. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Its Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CITY OF PORTAGE, MICHIGAN

Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---

97.044	Assistance to Fire Fighters - SAFER
--------	-------------------------------------

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

Auditee qualified as low-risk auditee? X yes _____ no

CITY OF PORTAGE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

CITY OF PORTAGE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS

None reported.



CITY OF PORTAGE, MICHIGAN

Schedule of Findings and Responses

For the Year Ended June 30, 2014

2014-FS-01 - Proper Accounting for Revenue

The City recorded insurance refunds to the City in an agency fund. This finding has been adequately resolved.

2014-FS-02 - Community Development Block Grant (CDBG) Program Income Fund

The City recorded CDBG program income as a permanent fund. This finding has been adequately resolved.

2014-FS-03 - Cemetery Perpetual Care Fund

The City reported the entire fund balance as nonspendable. This finding has been adequately resolved.



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 16, 2015

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Portage, Michigan* (the "City") as of and for the year ended June 30, 2015, and have issued our report thereon dated December 16, 2015. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 2, 2015, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated December 16, 2015. In addition, we noted certain other matters which are included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on October 15, 2015.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements.

As described in Note 11 to the financial statements, the City changed accounting policies related to accounting for pension plans by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*. The cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. No matters have come to our attention that would require us, under professional standards, to inform you about the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units. In addition, the financial statements include a net pension liability and other pension-related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards, but are not within the control of management.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

The schedule of adjustments passed is included with management's written representations in Attachment C to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the *City of Portage* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

CITY OF PORTAGE, MICHIGAN

Attachment A - Consideration of Internal Control Over Financial Reporting

For the June 30, 2015 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the City's internal control over financial reporting is described in our report, dated December 16, 2015, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated December 16, 2015, on the financial statements of the City of Portage.

Pension Trust Fund. (repeat comment) The City's pension trust fund, which is held, invested and administered by a third party, is not recorded in the City's accounting records. In order for the published Comprehensive Annual Financial Report to be appropriately supported by and agree to the City's accounting records, this fund should be recorded in the City's general ledger.

CDBG Program Income Fund. Through its Uniform Budgeting Manual, the State of Michigan Department of Treasury requires that individual funds are not to be budgeted resulting in an ending fund balance deficit. We noted that for the CDBG program income special revenue fund, the City budgeted for an ending fund balance deficit, which is not permissible under State statutes.

Changes in GASB Standards. During our testing of the long-term debt, we noted there were inconsistencies in the application of generally accepted accounting principals (GAAP) relating to the issuance of debt. GAAP requires that bond issuance costs be expensed in the period incurred, that premiums, discounts, and any calculated deferred charges relating to refundings be amortized over the life of the bond. We noted that there were prior year issuance costs that had not been subsequently expensed after the change in the requirement as well as the current year premium was not recorded to be amortized. We recommend the City review the GAAP requirements relating to proper accounting for long-term debt issuance and refunding.



CITY OF PORTAGE

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2015 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 72 ■ Fair Value Measurement and Application

Effective 06/15/2016 (your FY 2016)

This standard defines "fair value" as the price that would be received to sell an asset in an orderly transaction between market participants (an "exit price"). Fair value measurement is currently applied principally to investments, which GASB 72 does not change. However, it does introduce specific methods for measuring fair value when a market price is not readily available, and establishes a 3-level hierarchy of fair value that is disclosed in the footnotes, based on the presence or absence of observable market inputs.

GASB 73 ■ Pensions and Related Assets Not Within the Scope of GASB 68

Effective 06/15/2016 (your FY 2016)

This standard addresses accounting and financial reporting for pensions that were not covered by GASB Statement No. 68, because the plan assets are not held in trust. Essentially, it applies the same treatment as GASB 68, but reflects the total pension liability and plan assets separately, rather than a net pension liability. We do not expect this standard to have any significant effect on the City.

GASB 74 ■ Postemployment Benefit Plans Other than Pension Plans

Effective 06/15/2017 (your FY 2017)

This standard requires the calculation of a net other postemployment benefit (OPEB) liability based on an actuarial valuation of retiree healthcare and similar benefits administered by an OPEB trust. It mirrors the new accounting and financial reporting requirements of GASB 67 for pension plans.

GASB 75 ■ Postemployment Benefits Other than Pensions

Effective 06/15/2018 (your FY 2018)

This standard builds on the requirements of GASB 74 by requiring employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statements of net position. It mirrors the new accounting and financial reporting requirements of GASB 68 for pension benefits.

GASB 76 ■ The Hierarchy of GAAP for State and Local Governments

Effective 06/15/2016 (your FY 2016)

This standard clarifies the source of "generally accepted accounting principles" (GAAP) for governments. Authoritative sources of GAAP now include (1) GASB pronouncements, (2) GASB implementation guides, and (3) AICPA literature specifically cleared by the GASB. This standard does not change existing GAAP.

CITY OF PORTAGE

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2015 Audit

GASB 77 ■ Tax Abatement Disclosures

Effective 12/15/2016 (your FY 2017)

This standard requires governments to disclose certain information about tax abatement agreements made to foster economic development or otherwise benefit the government or its citizens. Required disclosures include a brief description of the arrangement, the gross dollar amount of taxes abated in the current period, and any additional commitments made by the government as part of the agreement.

2 CFR 200 ■ Uniform Guidance for Federal Awards

Cost Principles Effective 12/26/2014; Single Audit Requirements Effective 12/26/2015 (your FY 2016)

The Office of Management and Budget (OMB) has consolidated seven separate circulars (including administrative requirements, cost principles, and audit requirements) into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed \$750,000 (up from \$500,000). The OMB also made revisions to the list of compliance requirements tested in a single audit.

In addition, the Uniform Guidance now explicitly requires grant recipients to have sound internal controls (which should be consistent with the COSO framework), and documented procedures for grant administration. Written procedures are required for payments (cash draws), procurement (including conflicts of interest), allowability of costs, compensation, and travel costs. Rehmann is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements.



CITY OF PORTAGE, MICHIGAN

Attachment C - Management Representations For the June 30, 2015 Audit

Following are the written representations that we requested from management.



December 16, 2015

Rehmann Robson
675 Robinson Road
Jackson, MI 49201

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Portage, Michigan* (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the respective budgetary comparison for the general fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 16, 2015.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 2, 2015, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.

9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
22. We are responsible for the fair presentation of the City's net pension liability as calculated by the actuary retained by the City. We provided the actuary with complete and accurate information regarding the City's participation in the plan, and have reviewed the information provided by the actuary for inclusion in the City's financial statements.

Information Provided

23. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

24. All transactions have been recorded in the accounting records and are reflected in the financial statements.
25. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
26. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
27. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
29. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
30. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
31. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
32. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
33. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
34. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
35. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
36. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
37. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

38. With respect to the supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

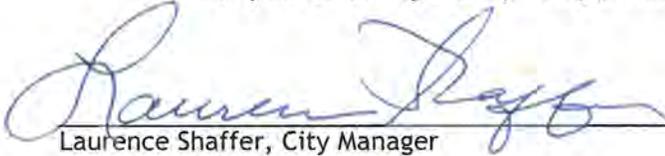
39. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

OMB Circular A-133

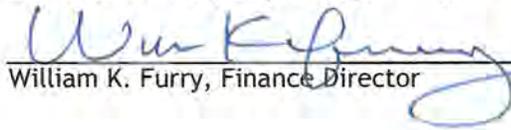
40. With respect to federal awards, we represent the following to you:
- a. We are responsible for understanding and complying with and have complied with the requirements of Circular A-133.
 - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with Circular A-133.
 - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with Circular A-133.
 - d. The methods of measurement or presentation have not changed from those used in the prior period.
 - e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
 - g. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
 - h. We have, in accordance with Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees,

- property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- i. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
 - j. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
 - k. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
 - l. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
 - m. We have received no requests from a federal agency to audit one or more specific programs as a major program.
 - n. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
 - o. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and the U.S. Office of Management and Budget's, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
 - p. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
 - q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
 - r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
 - s. We have monitored subrecipients to determine if they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133.
 - t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

- u. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- v. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by Circular A-133, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- w. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- x. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- y. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.



Laurence Shaffer, City Manager



William K. Furry, Finance Director

CITY OF PORTAGE, MICHIGAN

Schedule of Adjustments Passed (SOAP)

For the June 30, 2015 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures
Insurance fund					
Unposted claims reserve accrual	\$ -	\$ (26,640)	\$ -	\$ -	\$ (26,640)
Governmental activities					
Adjustment to net pension asset	\$ -				\$ -
Correction of accrued interest payable	-	-	-	-	-
Total governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -
Misstatement as a percentage of total assets - governmental activities	0.0%	0.0%	0.0%	0.0%	0.0%