

**Comprehensive Annual Financial Report**  
**for fiscal year ended June 30, 2014**  
Portage, Michigan

This page intentionally left blank.

# CITY OF PORTAGE, MICHIGAN

## Table of Contents

	<u>Page</u>
<b>Introductory Section</b>	
Elected Officers	1
Letter of Transmittal	2
Table of Organization	7
GFOA Certificate of Achievement	8
<b>Financial Section</b>	
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 Changes 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>
<b>Required Supplementary Information</b>	
Schedule of Funding Progress and Employer Contributions - Defined Benefit Retirement Plan	87
Schedule of Funding Progress and Employer Contributions - Retiree Healthcare Funding Plan	88
Schedule of Investment Returns (GASB 67)	89
Schedule of Changes in City's Net Pension Liability and Related Ratios (GASB 67) - Employee Retirement System	90
Schedule of City Contributions (GASB 67)	91
<b>Combining and Individual Fund Financial Statements</b>	
<b>Nonmajor Governmental Funds:</b>	
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
Cultural Activities Fund	102
Cable Television Fund	103
Community Development Block Grant 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>
<b>Statistical Section (Unaudited)</b>	
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	149
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
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>	164
Schedule of Findings and Responses	166



This page intentionally left blank.

## INTRODUCTORY SECTION

# CITY OF PORTAGE, MICHIGAN

## ELECTED OFFICERS

For the Year Ended June 30, 2014

### Elected Officials

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

### Appointed Officials

Acting City Manager	Laurence Shaffer
Acting 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 & Purchasing Director	Robert C. Luders
Director of Parks, Recreation and Public Services	William M. Deming
Public Safety Director - Police/Fire Chief	Richard J. White
Transportation and Utilities Director	W. Christopher Barnes



December 24, 2014

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

The comprehensive annual financial report of the City of Portage, Michigan for the fiscal year ended June 30, 2014 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.

#### RECOVERING ECONOMY WITH CONTINUED ECONOMIC CHALLENGES

The city realized a 1.6 percent increase in General Fund property tax revenue in fiscal year 2013-2014, although total General Fund revenues declined slightly. Interest income from investments to the city continues to be substantially reduced as the city has shifted assets to very secure (but low interest bearing) investments. Solid efforts to control expenditures kept General Fund spending more than \$2.5 million below amended budget for the second consecutive year.

The lingering recessionary conditions continued to impact upon city resources in 2013-2014, further challenging the ability of the city to address service needs. Expenditures were aggressively managed during the fiscal year to ensure the most appropriate application of resources. Of particular note:

- . Program and staffing adjustments were implemented in the Department of Parks, Recreation and Public Services which resulted in a reduction of approximately 1500 budgeted staff hours.
- . Transfers from the General Fund to the Major and Local Street Funds in the amount of \$1,365,000 were accomplished, compared to \$1,063,000 in fiscal year 2012-2013.
- . A General Fund transfer of \$1,265,000 to the Capital Improvement Program occurred, compared to \$1,153,000 in fiscal year 2012-2013.

7900 South Westnedge Avenue ♦ Portage, Michigan 49002  
[www.portagemi.gov](http://www.portagemi.gov)

## 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 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 \$2,035,639,500 for the fiscal year beginning July 1, 2013. The taxable value for the year beginning July 1, 2013 decreased approximately 2.3 percent compared to the prior year. The City of Portage unemployment rate for August 2014 was 4.1 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.

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, several other manufacturers 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.

#### 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 auditor's opinion for additional information relating to fiscal year 2013-2014.

Tax collections were 98.6 percent of the tax levy. The County of Kalamazoo has established a Delinquent Tax Revolving Fund and pays the City for all real property taxes returned as delinquent to the County Treasurer as of March 1 each year.

**General Fund Balance.** In 1985 City Council established that the fund balance of the General Fund be at least 13 percent of General Fund expenditures including transfers. The total “unassigned” fund balance of the General Fund at June 30, 2014 was 34 percent of actual fiscal year 2013-2014 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 36 percent of expenditures including transfers. The General Fund budget approved by City Council for fiscal year 2013-2014 required a fund balance of 25 percent of General Fund expenditures. In fiscal 2014-2015 the minimum balance was lowered to 24%.

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, 2014, the Sewer and Water Funds had ending net position balances of \$48,040,477 and \$26,955,756 respectively. Annual rate reviews and adjustments ensure continued financial soundness of the utility system.

**OTHER INFORMATION**

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

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Portage for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the twenty-seventh consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA Award for Distinguished Budget Presentation for the annual budget for fiscal year 2013-2014. 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-seventh 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, 2014. 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



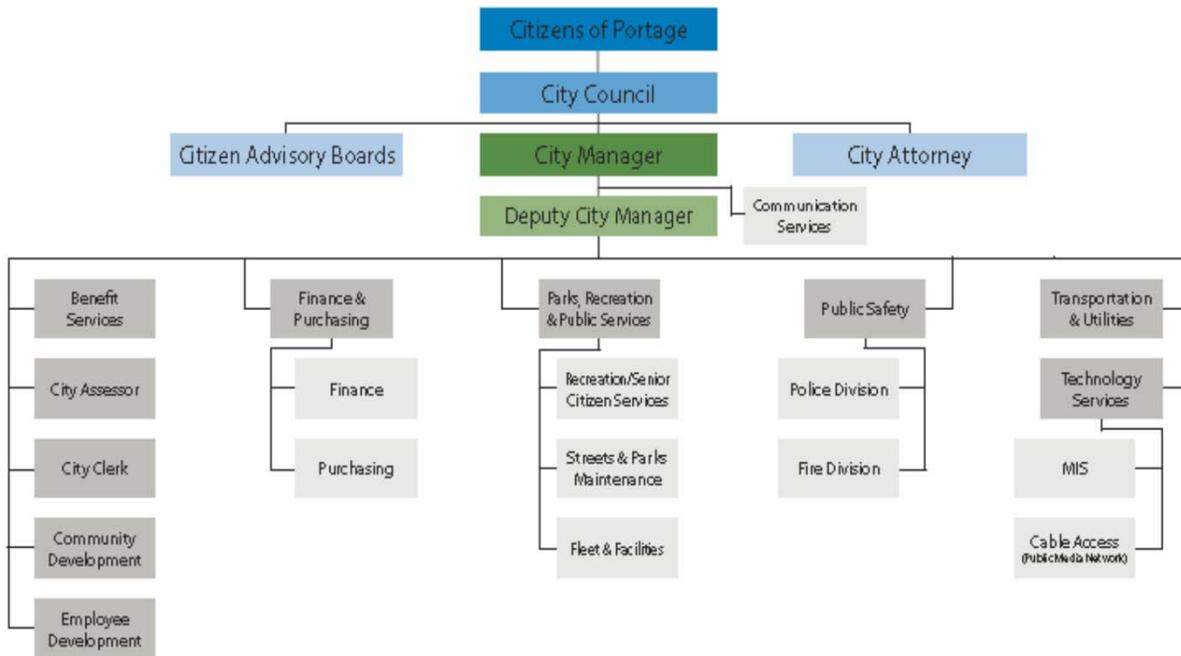
William K. Furry  
Finance Director

# CITY OF PORTAGE, MICHIGAN

## Table of Organization



### Organizational Chart



Revised: 09/20/2013

CITY OF PORTAGE, MICHIGAN

GFOA Certificate of Achievement



Government Finance Officers Association

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

Presented to

**City of Portage  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO

This page intentionally left blank.

## FINANCIAL SECTION

This page intentionally left blank.

**INDEPENDENT AUDITORS' REPORT**

December 24, 2014

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 units, each major fund, and the aggregate remaining fund information of the *City of Portage, Michigan* (the "City"), as of and for the year ended December 24, 2014, 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 units, each major fund, and the aggregate remaining fund information of the City of Portage, Michigan, as of June 30, 2014, 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. 67*

The City implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, in the current year. While there was no effect on the amounts reported in the financial statements themselves, there were substantial changes to the disclosures found in Note 12 to the financial statements, including the calculation of the City's net pension asset. 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 Month //, 2014, 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

*Rehmann Lobson LLC*

This page intentionally left blank.

## 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, 2014. 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 exceeded its liabilities. At June 30, 2014, net position totaled \$106,404,968. Of this amount, \$21,923,454 (unrestricted) is available to meet ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,652,748 a combination of increases in governmental activities of \$588,801 and business-type activities of \$4,063,947.
- Total government-wide liabilities decreased by \$4,685,567 or 5.0% during the current fiscal year. Liabilities for governmental activities decreased by \$3,743,053 and for business-type activities by \$942,514. The prevailing debt reduction strategy remains, restraint in new borrowing and calling older debt issues when resources are available.
- At June 30, 2014, the City's governmental funds reported combined ending fund balances of \$19,677,229, an increase of \$451,512 over the prior year. Approximately 39.9% of this total, or \$7,843,754 is unassigned fund balance, available for spending at the City's discretion.
- The City's total bonded debt decreased by \$3,220,000 during the fiscal year ended June 30, 2014. One new bond series was issued, \$3,130,000 in capital improvement bonds to fund various street, water, and sewer projects, and equipment purchases. Payments reducing debt principal totaled \$6,350,000. Total outstanding debt principal at fiscal year end was \$82,330,000. A schedule of the City's long-term obligations can be found in Note 8 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 twenty 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 permanent funds. Data from these governmental funds are combined into a single column labeled nonmajor governmental funds. Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

The Government Finance Officers Association recommends that, at a minimum, a government, regardless of size, maintain an unassigned fund balance no less than 5 to 15 percent of regular general fund operating revenue, or no less than one to two months of regular general fund expenditures. The one month's average operating expenditures for the general fund is approximately \$1,701,000, and approximately \$3,078,000 for the City governmental funds. The unassigned fund balance in the general fund of approximately \$7,844,000 represents approximately 5 months of operation at June 30, 2014 levels. An adequate amount of unassigned fund balance is necessary to mitigate current and future risks and to ensure stable tax rates and service levels for citizens. The Portage City Council passed a resolution establishing a 24% general fund balance maintained as a guideline based on expenditures. From year to year, the City may report a fund balance in excess of 24% as the result of planned savings for expenditures to be made in the near future.

*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
Special assessment debt service fund	Governmental	Governmental
Capital improvements fund	Governmental	Governmental
Special revenue funds	Governmental	Governmental - nonmajor
All other debt service funds	Governmental	Governmental - nonmajor
Permanent funds	Governmental	Governmental - nonmajor
Internal service funds	Governmental	Proprietary
Assets previously reported with general capital assets	Governmental	Excluded
Infrastructure assets	Governmental	Excluded
Liabilities previously reported with general long-term debt	Governmental	Excluded
Water fund	Business-type	Proprietary
Sewer fund	Business-type	Proprietary
Fiduciary funds	Excluded	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 exceeded liabilities and deferred inflows of resources by \$106,404,968 at the close of the fiscal year, an increase of 4.6% over the previous year.

The largest portion of net position (69.1%) 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 a 5.3% reduction of long-term debt in governmental activities and a 1.1% 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	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$28,160,801	\$27,076,727	\$12,214,492	\$ 8,351,198	\$ 40,375,293	\$ 35,427,925
Capital assets, net	63,026,513	67,264,839	92,825,723	93,567,584	155,852,236	160,832,423
<b>Total assets</b>	<b>91,187,314</b>	<b>94,341,566</b>	<b>105,040,215</b>	<b>101,918,782</b>	<b>196,227,529</b>	<b>196,260,348</b>
<b>Liabilities</b>						
Long-term liabilities	54,827,917	57,888,730	29,337,633	29,667,500	84,165,550	87,556,230
Other liabilities	4,950,662	5,632,902	706,349	1,318,996	5,657,011	6,951,898
<b>Total liabilities</b>	<b>59,778,579</b>	<b>63,521,632</b>	<b>30,043,982</b>	<b>30,986,496</b>	<b>89,822,561</b>	<b>94,508,128</b>
<b>Net position:</b>						
Net investment in capital assets	9,934,383	11,262,850	63,587,852	64,019,573	73,522,235	75,282,423
Restricted	10,959,279	9,699,114	-	-	10,959,279	9,699,114
Unrestricted	10,515,073	9,857,970	11,408,381	6,912,713	21,923,454	16,770,683
<b>Total net position</b>	<b>\$31,408,735</b>	<b>\$30,819,934</b>	<b>\$74,996,233</b>	<b>\$70,932,286</b>	<b>\$ 106,404,968</b>	<b>\$ 101,752,220</b>

The largest portion of the City's net position is its investment in capital assets (i.e., land, buildings, equipment, vehicles, and infrastructure), less any related debt that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. While the City's investment in its capital assets is reported net of related debt, it must be noted that the resources required to repay the debt come from other sources, since the capital assets cannot be used to liquidate those liabilities.

An additional portion of net position, \$10,959,279 (10.3%), represents resources subject to external restrictions on how they may be used. The remaining balance of \$21,923,453 (20.6%) may be used to meet the government's ongoing obligations to citizens and creditors.

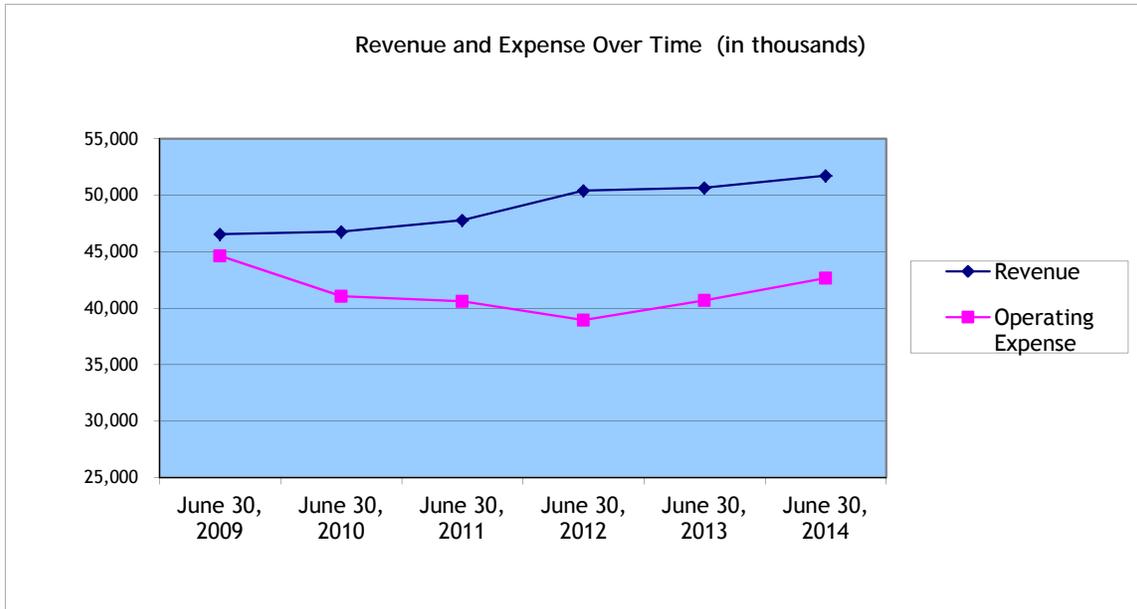
### Changes in Net Position

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 the revenue versus core operating costs gap has widened from 2009 to 2012, as expenses dropped as a result of no wage increases for non-union staff, some success in cost control in collective bargaining, and aggressive cost controls everywhere possible.

# 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 2.5% in fiscal 2013, and up 2.6% in 2014. 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, 3.3% from 2012 to 2013 and 7.0% from 2013 to 2014. (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 \$1,364,636 in fiscal 2014.



The total net position of the City increased by \$4,652,748 in the current year. Long-term liabilities decreased by \$3,390,680, or 3.9%, the result of paying down current debt. Capital assets decreased 3.1% as depreciation on existing assets outpaced completed construction projects. The overall increase in net position of 4.6% was the result of a small increase in governmental activities of \$588,801 and solid increase in business-type activities of \$4,063,947. The decrease in long-term liabilities was on par with the increase in total net position. Governmental activities net position was essentially unchanged, due largely to the \$4.2 million decrease in the capital assets almost offset by the \$3.8 million decrease in liabilities. The net position of business-type activities increased by \$4,063,947, up 5.7% 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 storm drainage improvements and sewer lift station renovations.

# CITY OF PORTAGE, MICHIGAN

## Management's Discussion and Analysis

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 2,527,504	\$ 2,569,539	\$15,280,423	\$14,991,490	\$ 17,807,927	\$ 17,561,029
Operating grants	5,493,140	4,384,381	53,799	63,045	5,546,939	4,447,426
Capital grants	1,625,105	1,782,073	-	-	1,625,105	1,782,073
General revenues:						
Property taxes	21,413,202	21,589,783	-	-	21,413,202	21,589,783
Grants and contributions not restricted	5,100,328	5,036,528	-	-	5,100,328	5,036,528
Unrestricted investment earnings (loss)	169,641	(158,462)	36,015	(67,754)	205,656	(226,216)
Gain on sale of capital assets	-	398,637	-	-	-	398,637
<b>Total revenues</b>	<b>36,328,920</b>	<b>35,602,479</b>	<b>15,370,237</b>	<b>14,986,781</b>	<b>51,699,157</b>	<b>50,589,260</b>
Expenses:						
Legislative	89,318	63,828	-	-	89,318	63,828
Judicial	50,224	51,475	-	-	50,224	51,475
General government	5,326,077	4,639,841	-	-	5,326,077	4,639,841
Public safety	13,969,369	12,940,490	-	-	13,969,369	12,940,490
Public works	668,358	919,937	-	-	668,358	919,937
Health and welfare	1,617,764	1,626,327	-	-	1,617,764	1,626,327
Recreation and cultural	2,834,367	2,835,613	-	-	2,834,367	2,835,613
Highways and streets	5,072,382	4,492,307	-	-	5,072,382	4,492,307
Unallocated depreciation	5,505,280	5,955,633	-	-	5,505,280	5,955,633
Interest on long-term debt	757,765	2,031,548	-	-	757,765	2,031,548
Sewer	-	-	6,993,349	6,981,003	6,993,349	6,981,003
Water	-	-	4,162,156	4,111,029	4,162,156	4,111,029
<b>Total expenses</b>	<b>35,890,904</b>	<b>35,556,999</b>	<b>11,155,505</b>	<b>11,092,032</b>	<b>47,046,409</b>	<b>46,649,031</b>
Change in net position						
before transfers	438,016	45,480	4,214,732	3,894,749	4,652,748	3,940,229
Transfers	150,785	11,847	(150,785)	(11,847)	-	-
<b>Change in net position</b>	<b>588,801</b>	<b>57,327</b>	<b>4,063,947</b>	<b>3,882,902</b>	<b>4,652,748</b>	<b>3,940,229</b>
Net position:						
Beginning of year	30,819,934	30,762,607	70,932,286	67,049,384	101,752,220	97,811,991
<b>End of year</b>	<b>\$31,408,735</b>	<b>\$30,819,934</b>	<b>\$74,996,233</b>	<b>\$70,932,286</b>	<b>\$ 106,404,968</b>	<b>\$ 101,752,220</b>

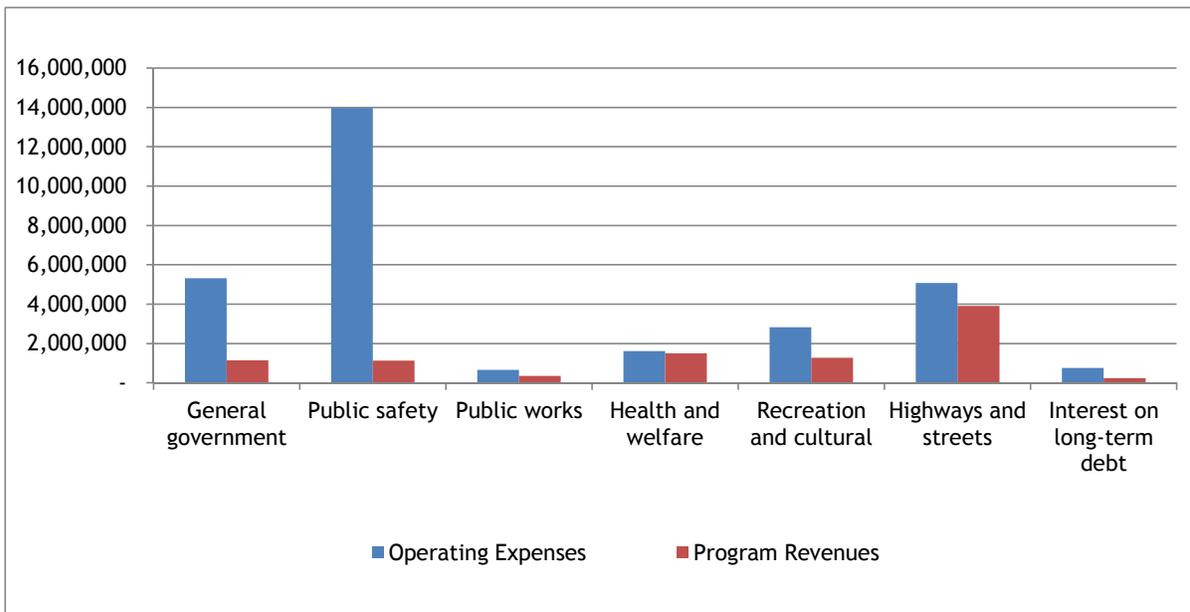
# CITY OF PORTAGE, MICHIGAN

## 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. Increases in highway and street services have required General Fund support to fill the gap between State of Michigan Act 51 funding and City spending on street maintenance. It remains to be seen whether the recent reduction of oil prices in the world market will help stabilize state gas tax funding for City road maintenance and reduce demand for General Fund resources.

Program Revenues and Operating Expenses - Governmental Activities



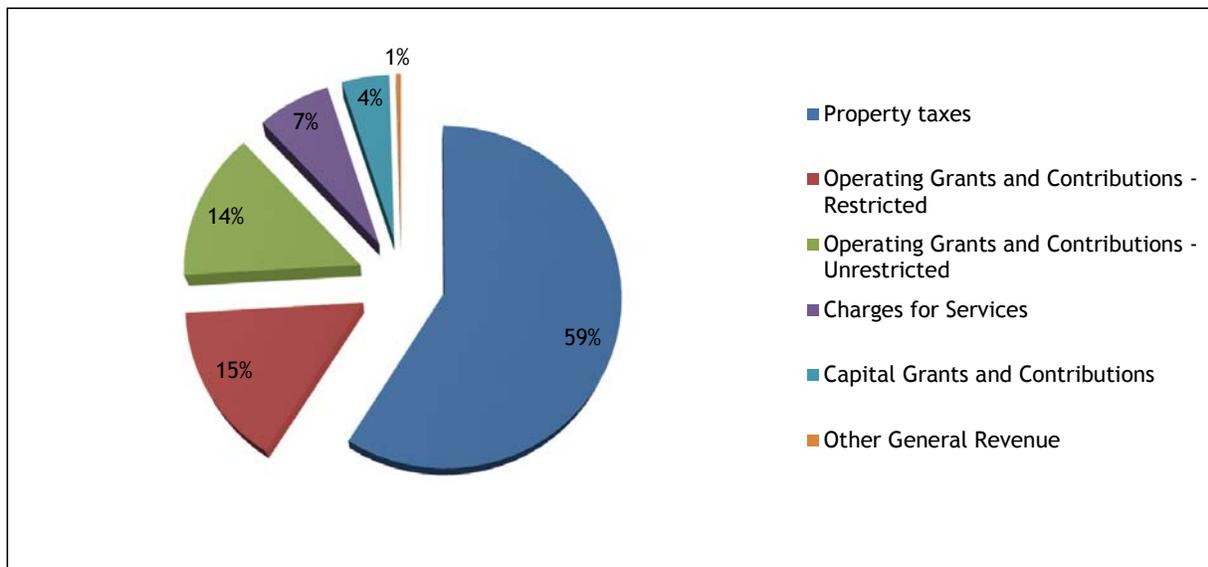
General revenues such as property taxes and unrestricted grants and contributions are not shown by program, but are used to support program activities City-wide. For governmental activities, without regard to program, property taxes are the largest source of revenue, followed by unrestricted grant and 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 2013/2014 consisted of 58.89% property tax, 15.05% restricted purpose/use grant funding, 14.03% unrestricted purpose/use grant funding, 6.95% revenue from charges for services, 4.47% 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 as other revenue sources have all but vanished.



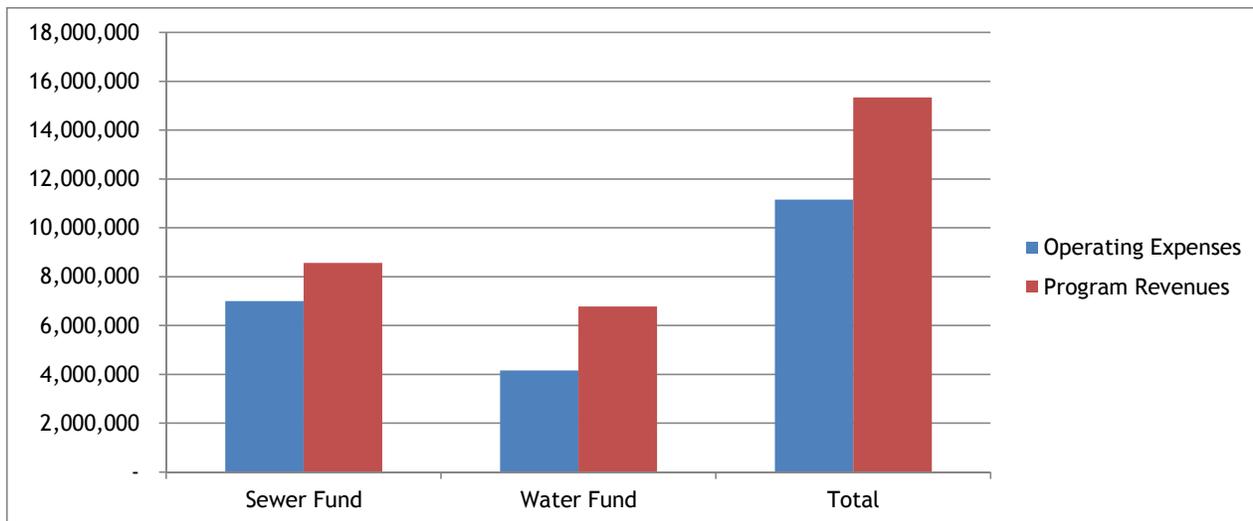
### Program Revenues and Expenses - Business-type Activities

Operating revenues for each of the enterprise funds exceeded operating expenses. Revenues exceeded expenses in the sewer operating fund due to improved consumption rates. Revenue in the water utility decreased compared to the prior year, but exceeded expenditures, which declined slightly year to year. A utility rate study is prepared annually for review, and the rate increase for the typical residential customer was much lower in 2013/2014 than the prior year. Rate adjustments have been adopted by City Council to support increasing operating costs and the arsenic removal facility built in 2012. To cover continuing cost increases the utility funds have had to absorb over the past few years, the City Administration has made use of net position to continue operations, maintenance and improvement of the city utility systems rather than impose large annual rate increases. Fee increases from the regional wastewater utility have been more moderate of late, but there remains the risk that the government entity 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 on the horizon.

# 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%). Capacity charge revenue, \$77,143, was formerly treated as contributed capital for financial reporting purposes. Placed in service in 2012, the arsenic removal facility brought the water utility into compliance with federally mandated water quality standards, also removing iron and manganese from the City water supply. The new facility provides the capacity to meet increased demand for water and fire flow needs far into the future.

### Financial Analysis of the 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 \$7,843,754, while total fund balance was \$8,287,834. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 34.0% of total general fund expenditures plus transfers out, and total fund balance represents 36.0% of expenditures and transfers out. The fund balance in the general fund decreased by \$488,114 during the fiscal year.

The special assessment debt fund fund balance decreased \$48,230 as debt service costs exceeded collection of special assessments for the year.

The capital improvement fund fund balance increased by \$1,069,208 as the pace of construction spending slowed temporarily. The majority of capital spending was on major and local street reconstruction projects, with vehicle purchases and numerous other projects also included. The fund balance increase is a combination of revenues outpacing expenditures as multi-year projects are begun. In addition, transfers in and debt proceeds exceeded transfers out.

## CITY OF PORTAGE, MICHIGAN

### Management's Discussion and Analysis

The non-major funds include special revenue, most debt service, and permanent funds. In the special revenue fund group, the major and local streets funds both saw fund balance increases, a total of over \$100,000 for the two combined. The municipal street fund is a street repair millage fund, collecting a levy dedicated to supporting reconstruction and rebuilding city streets. Transfers out for capital spending plus expenditures for the year exceeded tax revenue by \$5,249 in the municipal street fund. The majority of other special revenue funds had moderate decreases in fund balance, offsetting the increase of the major and local street funds. The cultural activities fund was closed, ending decades of city-provided seasonal entertainment events supported largely by local grants and contributions.

The debt service funds are of two types, one supported by tax increment funding and one by transfers from the capital improvement fund. Principal, interest charges and transfers out exceeded revenues by \$126,599 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 a decrease of \$20,673 to its fund balance. The remaining debt service funds receive transfers from the capital improvement program 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 \$1,551,018. 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 \$2,512,929 as revenue from increased production outpaced expenses as it did in the prior year. Overall, contractual 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 \$734,380 greater than the original budget. This increase was largely 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 \$2,539,531 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 have been slowed. This was the 7th consecutive year with expenditures under amended budget by at least \$2.6 million. Amended budget also includes some funds held for software upgrades and replacements put in place in fiscal year 2014/2015.

The amended revenue budget for the general fund was \$139,906 higher than the original budget reflecting grants awarded, contributions, recreation fees, and building permits. Actual general fund revenues exceeded the amended revenue budget by \$372,780 for the year, a variance of 1.7%.

# 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, 2014, amount to \$155,852,236 (net of accumulated depreciation). Capital assets include land, right-of-way, land improvements, buildings, machinery and equipment, vehicles, infrastructure, and the water/sewer system. The net change in the City's capital assets for the current fiscal year showed a decrease of approximately \$5.0 million primarily due to depreciation expenses exceeding capital asset additions by a 5 to 2 margin. This reflects both a decrease in expansion of infrastructure due to the overall economy and the conscious choice to pay down debt instead of incurring more debt to fund construction.

Capital asset balances are as follows:

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 9,748,069	\$ 9,586,468	\$ 334,490	\$ 334,490	\$ 10,082,559	\$ 9,920,958
Right-of-way	4,496,180	4,496,180	-	-	4,496,180	4,496,180
Land improvements	1,941,245	2,148,451	2,832	3,209	1,944,077	2,151,660
Buildings	6,725,120	7,035,755	215,486	240,640	6,940,606	7,276,395
Machinery and equipment	1,019,074	331,274	70,114	15,268	1,089,188	346,542
Vehicles	1,766,214	1,239,481	-	-	1,766,214	1,239,481
Infrastructure	37,330,611	42,427,230	-	-	37,330,611	42,427,230
Water/sewer system	-	-	92,202,801	92,973,977	92,202,801	92,973,977
<b>Total capital assets, net</b>	<b>\$63,026,513</b>	<b>\$67,264,839</b>	<b>\$92,825,723</b>	<b>\$93,567,584</b>	<b>\$ 155,852,236</b>	<b>\$ 160,832,423</b>

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

- Governmental capital assets being depreciated decreased by \$4.4 million, mostly due to depreciation on street infrastructure assets in excess of additions. The additions included machinery and vehicles costing more than \$1.7 million, and infrastructure, land and buildings at just over \$660,000.
- Business-type activities completed construction of depreciable capital assets of \$804,231, consisting primarily of storm drainage improvements. That increase was offset by more than \$1.5 million in depreciation charges.

Additional information on the City's capital assets can be found in Note 6 of this report.

*Long-term debt.* At the end of the current fiscal year, the City reported \$82,330,000 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 \$1,835,550. Additional information regarding debt can be found in Note 8 to the financial statements.

	Bonded Debt					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Bonds	\$53,092,130	\$56,001,989	\$29,237,871	\$29,548,011	\$ 82,330,001	\$ 85,550,000

During fiscal year 2014, the City's total long-term obligations decreased by \$3,220,000.

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 2013/2014 budget, continuing to budget for a middle course with fallback positions as a matter of necessity in financial planning. Twelve years ago the City began a plan to weather the expected future economic uncertainties. The cost containment measures continue and the savings that have been put away have been smoothing the City's transition through the challenges presented. City management has continued to reduce costs through implementation of process improvements for greater efficiencies, and staff reduction through reorganization when attrition provides opportunities. Plans to set aside stabilization funds are being discussed as future budgets are developed.

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 rebounding, with new residential, retail and financial locations planned or under construction. Capital investment and expansion are reigniting, 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 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, but tax base estimates for the 2014/2015 year indicated an upturn, and together with the increases in new construction signal the value of the tax base may have turned the corner to growth.

Challenges continue as changes in state funding become defined and municipalities face the loss of the business personal property tax. Fortunately, the changes are being phased in, allowing time to plan and adapt. Early estimates indicate an approximate 1 percent increase in City taxable value for fiscal year 2015/2016, and 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>.

This page intentionally left blank.

## BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

# CITY OF PORTAGE, MICHIGAN

## Statement of Net Position

June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
<b>Assets</b>				
Cash and investments	\$ 21,945,655	\$ 7,558,780	\$ 29,504,435	\$ 20,974
Receivables, net	3,931,714	4,236,586	8,168,300	-
Prepaid items and other assets	603,390	419,126	1,022,516	-
Net other postemployment benefit asset	1,680,042	-	1,680,042	-
Capital assets not being depreciated	14,244,249	334,490	14,578,739	-
Capital assets being depreciated, net	48,782,264	92,491,233	141,273,497	-
<b>Total assets</b>	<b>91,187,314</b>	<b>105,040,215</b>	<b>196,227,529</b>	<b>20,974</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	3,895,618	529,616	4,425,234	-
Checks issued on future deposits	46,532	-	46,532	-
Unearned revenue	1,008,512	176,733	1,185,245	-
Long-term liabilities:				
Due within one year	5,912,759	1,963,324	7,876,083	-
Due in more than one year	48,915,158	27,374,309	76,289,467	-
<b>Total liabilities</b>	<b>59,778,579</b>	<b>30,043,982</b>	<b>89,822,561</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	9,934,383	63,587,852	73,522,235	-
Restricted for:				
Expendable -				
Capital projects	4,692,588	-	4,692,588	-
Major and local streets	2,053,310	-	2,053,310	-
Debt service	3,144,964	-	3,144,964	-
Public services	1,880	-	1,880	-
Nonexpendable -				
Cemetery permanent fund	1,066,537	-	1,066,537	-
Unrestricted	10,515,073	11,408,381	21,923,454	20,974
<b>Total net position</b>	<b>\$ 31,408,735</b>	<b>\$ 74,996,233</b>	<b>\$ 106,404,968</b>	<b>\$ 20,974</b>

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, 2014

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 89,318	\$ -	\$ -	\$ -	(89,318)
Judicial	50,224	-	70,000	-	19,776
General government	5,326,077	123,157	1,021,813	-	(4,181,107)
Public safety	13,969,369	934,998	189,310	-	(12,845,061)
Public works	668,358	-	5,487	345,310	(317,561)
Health and welfare	1,617,764	79,828	155,193	1,269,472	(113,271)
Economic development	-	-	7,908	-	7,908
Recreation and cultural	2,834,367	1,147,443	124,563	10,323	(1,552,038)
Highways and streets	5,072,382	-	3,918,866	-	(1,153,516)
Unallocated depreciation expense	5,505,280	-	-	-	(5,505,280)
Interest on long-term debt	757,765	242,078	-	-	(515,687)
<b>Total governmental activities</b>	<b>35,890,904</b>	<b>2,527,504</b>	<b>5,493,140</b>	<b>1,625,105</b>	<b>(26,245,155)</b>
Business-type activities:					
Sewer	6,993,349	8,523,599	38,016	-	1,568,266
Water	4,162,156	6,756,824	15,783	-	2,610,451
<b>Total business-type activities</b>	<b>11,155,505</b>	<b>15,280,423</b>	<b>53,799</b>	<b>-</b>	<b>4,178,717</b>
<b>Total primary government</b>	<b>\$ 47,046,409</b>	<b>\$ 17,807,927</b>	<b>\$ 5,546,939</b>	<b>\$ 1,625,105</b>	<b>\$ (22,066,438)</b>
<b>Component unit</b>					
Economic Development Corporation	\$ -	\$ -	\$ 2	\$ -	\$ 2

continued...

CITY OF PORTAGE, MICHIGAN

Statement of Activities (Continued)

For the Year Ended June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Net revenues (expenses)	<u>\$ (26,245,155)</u>	<u>\$ 4,178,717</u>	<u>\$ (22,066,438)</u>	<u>\$ 2</u>
General revenues and transfers				
Property taxes	21,413,202	-	21,413,202	-
Grants and contributions not restricted to specific programs	5,100,328	-	5,100,328	-
Unrestricted investment earnings	169,641	36,015	205,656	-
Transfers	150,785	(150,785)	-	-
Total general revenues and transfers	<u>26,833,956</u>	<u>(114,770)</u>	<u>26,719,186</u>	<u>-</u>
Change in net position	588,801	4,063,947	4,652,748	2
Net position, beginning of year	<u>30,819,934</u>	<u>70,932,286</u>	<u>101,752,220</u>	<u>20,972</u>
Net position, end of year	<u>\$ 31,408,735</u>	<u>\$ 74,996,233</u>	<u>\$ 106,404,968</u>	<u>\$ 20,974</u>

concluded.

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

CITY OF PORTAGE, MICHIGAN

**Balance Sheet**  
 Governmental Funds  
 June 30, 2014

	General Fund	Special Assessment Debt Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and investments	\$ 8,483,321	\$ 555,794	\$ 5,002,161	\$ 6,843,925	\$ 20,885,201
Accounts receivable	87,758	-	-	1,210,304	1,298,062
Special assessments receivable	-	1,993,408	-	9,700	2,003,108
Due from other governments	-	-	-	630,544	630,544
Interfund receivable	46,532	-	-	-	46,532
Inventory	2,757	-	-	-	2,757
Prepaid items and other assets	441,323	-	-	11,638	452,961
<b>Total assets</b>	<b>\$ 9,061,691</b>	<b>\$ 2,549,202</b>	<b>\$ 5,002,161</b>	<b>\$ 8,706,111</b>	<b>\$ 25,319,165</b>
<b>Liabilities</b>					
Accounts payable	\$ 341,236	\$ -	\$ 309,073	\$ 1,464,242	\$ 2,114,551
Retainage payable	-	-	500	-	500
Interfund payable	-	-	-	46,532	46,532
Accrued compensation	273,339	-	-	21,102	294,441
Unearned revenue	9,990	-	-	998,522	1,008,512
Deposits payable	149,292	-	-	25,000	174,292
<b>Total liabilities</b>	<b>773,857</b>	<b>-</b>	<b>309,573</b>	<b>2,555,398</b>	<b>3,638,828</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue - special assessments	-	1,993,408	-	9,700	2,003,108
<b>Fund balance</b>					
Nonspendable	444,080	-	-	1,078,175	1,522,255
Restricted	-	555,794	4,692,588	4,644,360	9,892,742
Committed	-	-	-	418,478	418,478
Unassigned	7,843,754	-	-	-	7,843,754
<b>Total fund balance</b>	<b>8,287,834</b>	<b>555,794</b>	<b>4,692,588</b>	<b>6,141,013</b>	<b>19,677,229</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 9,061,691</b>	<b>\$ 2,549,202</b>	<b>\$ 5,002,161</b>	<b>\$ 8,706,111</b>	<b>\$ 25,319,165</b>

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, 2014

Fund balances - total governmental funds	\$ 19,677,229
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	238,971,549
Accumulated depreciation	(178,155,318)
The net pension asset is not an available resource and, therefore, is not reported in the funds.	
Other postemployment benefit asset	1,680,042
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	2,003,108
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	1,416,562
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds and loans payable	(51,773,535)
Accrued vacation and sick pay	(1,710,531)
Accrued interest on long-term liabilities	(700,371)
Net position of governmental activities	<u>\$ 31,408,735</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, 2014

	General Fund	Special Assessment Debt Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total
<b>Revenues</b>					
Property taxes	\$ 15,563,371	\$ -	\$ 3,898,534	\$ 1,951,297	\$ 21,413,202
Special assessments	-	266,522	-	1,279,795	1,546,317
Licenses and permits	545,934	-	-	805,077	1,351,011
Federal grants	58,839	-	-	152,317	211,156
State grants	3,832,673	-	810,000	3,909,771	8,552,444
Other grants	13,769	-	-	-	13,769
Charges for services	1,944,976	-	-	62,511	2,007,487
Loan principal	-	-	-	66,923	66,923
Interest and rents	280,537	84,275	22,507	279,600	666,919
Net increase in fair value of investments	29,964	4,601	17,676	23,969	76,210
Other	251,958	-	112,780	52,081	416,819
<b>Total revenues</b>	<b>22,522,021</b>	<b>355,398</b>	<b>4,861,497</b>	<b>8,583,341</b>	<b>36,322,257</b>
<b>Expenditures</b>					
<b>Current:</b>					
Judicial	50,224	-	-	-	50,224
Legislative	89,318	-	-	-	89,318
General government	4,330,015	-	-	18,854	4,348,869
Public safety	13,249,094	-	-	48,954	13,298,048
Public works	535,454	-	-	-	535,454
Health and welfare	121,237	-	-	1,509,712	1,630,949
Recreation and cultural	2,039,157	-	-	637,562	2,676,719
Highways and streets	-	-	-	4,138,083	4,138,083
<b>Debt service:</b>					
Principal	-	305,000	-	3,952,804	4,257,804
Interest and fiscal charges	-	104,899	-	1,808,874	1,913,773
Capital outlay	-	-	4,000,289	-	4,000,289
<b>Total expenditures</b>	<b>20,414,499</b>	<b>409,899</b>	<b>4,000,289</b>	<b>12,114,843</b>	<b>36,939,530</b>
<b>Revenue over (under) expenditures</b>	<b>2,107,522</b>	<b>(54,501)</b>	<b>861,208</b>	<b>(3,531,502)</b>	<b>(617,273)</b>
<b>Other financing sources (uses)</b>					
Proceeds from issuance of debt	-	-	918,000	-	918,000
Transfers in	34,000	6,271	3,872,000	6,081,657	9,993,928
Transfers out	(2,629,636)	-	(4,582,000)	(2,631,507)	(9,843,143)
<b>Total other financing sources (uses)</b>	<b>(2,595,636)</b>	<b>6,271</b>	<b>208,000</b>	<b>3,450,150</b>	<b>1,068,785</b>
<b>Net change in fund balances</b>	<b>(488,114)</b>	<b>(48,230)</b>	<b>1,069,208</b>	<b>(81,352)</b>	<b>451,512</b>
<b>Fund balances, beginning of year</b>	<b>8,775,948</b>	<b>604,024</b>	<b>3,623,380</b>	<b>6,222,365</b>	<b>19,225,717</b>
<b>Fund balances, end of year</b>	<b>\$ 8,287,834</b>	<b>\$ 555,794</b>	<b>\$ 4,692,588</b>	<b>\$ 6,141,013</b>	<b>\$ 19,677,229</b>

The accompanying notes are an integral part of these basic 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, 2014

Net change in fund balances - total governmental funds	\$ 451,512
Amounts reported for <i>governmental activities</i> 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	1,611,397
Depreciation expense	(6,415,531)
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	(106,242)
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	4,257,804
Proceeds from issuance of long-term debt	(918,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in accrued interest payable on bonds	1,190,866
Change in the accrual for compensated absences	151,381
Change in net other postemployment benefits asset	20,364
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	373,445
Interest revenue from governmental internal service funds	6,663
Interest expense from governmental internal service funds	(34,858)
Change in net position of governmental activities	<u>\$ 588,801</u>

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
<b>Taxes:</b>				
Property tax collections	\$ 14,537,200	\$ 14,608,470	\$ 14,623,248	\$ 14,778
Penalty and interest	65,000	65,000	106,370	41,370
Administration fees	850,000	850,000	833,753	(16,247)
<b>Total taxes</b>	<b>15,452,200</b>	<b>15,523,470</b>	<b>15,563,371</b>	<b>39,901</b>
<b>Licenses and permits:</b>				
Building fees and permits	319,000	319,000	515,120	196,120
Liquor licenses	30,000	30,000	30,814	814
<b>Total licenses and permits</b>	<b>349,000</b>	<b>349,000</b>	<b>545,934</b>	<b>196,934</b>
<b>Federal grants</b>	<b>51,000</b>	<b>51,000</b>	<b>58,839</b>	<b>7,839</b>
<b>State grants:</b>				
Revenue sharing	3,763,831	3,763,831	3,752,809	(11,022)
Criminal justice grants	9,500	9,500	9,864	364
Parks grants	2,500	2,500	-	(2,500)
Other local government revenue	-	52,343	70,000	17,657
<b>Total state grants</b>	<b>3,775,831</b>	<b>3,828,174</b>	<b>3,832,673</b>	<b>4,499</b>
<b>Contribution from local units</b>	<b>20,100</b>	<b>20,100</b>	<b>13,769</b>	<b>(6,331)</b>
<b>Charges for services:</b>				
Recreation fees	227,100	234,100	231,391	(2,709)
Police service fees	261,100	261,100	276,094	14,994
Planning, zoning, and site fees	28,550	28,550	45,192	16,642
Accounting and management	1,344,680	1,344,680	1,344,680	-
Cemetery	54,000	54,000	46,869	(7,131)
Other	-	-	750	750
<b>Total charges for services</b>	<b>1,915,430</b>	<b>1,922,430</b>	<b>1,944,976</b>	<b>22,546</b>

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues (concluded)</b>				
Interest and rents:				
Interest on investments	\$ 40,000	\$ 40,000	\$ 64,251	\$ 24,251
Net increase in fair value of investments	-	-	29,964	29,964
Rental income	195,750	195,750	216,286	20,536
<b>Total interest and rents</b>	<b>235,750</b>	<b>235,750</b>	<b>310,501</b>	<b>74,751</b>
Other:				
Reimbursements:				
Senior Center	122,900	122,900	122,857	(43)
Other reimbursements	600	600	344	(256)
Donations	53,050	53,050	30,000	(23,050)
Miscellaneous	44,920	54,213	98,757	44,544
<b>Total other revenues</b>	<b>221,470</b>	<b>230,763</b>	<b>251,958</b>	<b>21,195</b>
<b>Total revenues</b>	<b>22,020,781</b>	<b>22,160,687</b>	<b>22,522,021</b>	<b>361,334</b>
<b>Expenditures</b>				
Judicial -				
District Court	55,355	59,359	50,224	(9,135)
Legislative -				
City Council	61,500	167,274	89,318	(77,956)
General government -				
City Manager	570,377	585,377	442,906	(142,471)
Finance:				
Accounting	299,210	299,294	281,170	(18,124)
Financial management	333,633	333,633	223,022	(110,611)
Treasury	154,626	154,626	146,021	(8,605)
<b>Total finance</b>	<b>787,469</b>	<b>787,553</b>	<b>650,213</b>	<b>(137,340)</b>
City assessor:				
Assessor	562,578	581,614	494,497	(87,117)
Board of review	37,713	43,974	33,649	(10,325)
<b>Total city assessor</b>	<b>600,291</b>	<b>625,588</b>	<b>528,146</b>	<b>(97,442)</b>

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
City attorney	\$ 226,728	\$ 226,728	\$ 226,076	\$ (652)
City Clerk:				
Elections	188,873	191,373	155,796	(35,577)
City Clerk	140,225	138,496	118,939	(19,557)
Records management	66,408	70,115	61,604	(8,511)
Total city clerk	395,506	399,984	336,339	(63,645)
Human resources:				
Employee development	433,601	435,507	380,423	(55,084)
Benefit services	448,257	469,602	391,631	(77,971)
Total human resources	881,858	905,109	772,054	(133,055)
Information services:				
Management information services	726,647	728,242	672,955	(55,287)
Communication services	6,816	6,816	2,531	(4,285)
Total information services	733,463	735,058	675,486	(59,572)
Purchasing:				
Purchasing	99,179	99,179	88,712	(10,467)
Risk management	48,320	48,320	43,976	(4,344)
Total purchasing	147,499	147,499	132,688	(14,811)
Buildings	600,639	781,506	501,280	(280,226)
Cemeteries	66,621	67,384	64,827	(2,557)
Total general government	5,127,306	5,488,419	4,469,557	(1,018,862)

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Public safety:				
Police:				
Administration	\$ 737,581	\$ 829,776	\$ 786,466	\$ (43,310)
Youth services	480,826	481,303	378,540	(102,763)
Investigation	611,246	612,165	612,812	647
Patrol	5,130,812	5,135,346	4,667,440	(467,906)
Training	116,611	119,136	111,840	(7,296)
Central communications	865,761	1,001,212	931,630	(69,582)
911 call center	185,104	217,773	173,849	(43,924)
Records	501,722	504,047	454,067	(49,980)
Drug law enforcement	84,672	84,672	68,563	(16,109)
<b>Total police</b>	<b>8,714,335</b>	<b>8,985,430</b>	<b>8,185,207</b>	<b>(800,223)</b>
Fire:				
Administration	683,289	702,614	621,414	(81,200)
Operations	3,670,793	3,729,513	3,422,103	(307,410)
On-call	156,890	103,890	75,980	(27,910)
Emergency operations	750	750	567	(183)
Fire marshal	114,080	96,080	86,755	(9,325)
Training	71,143	71,608	67,933	(3,675)
<b>Total fire</b>	<b>4,696,945</b>	<b>4,704,455</b>	<b>4,274,752</b>	<b>(429,703)</b>
Community development:				
Building services	357,154	359,154	345,265	(13,889)
Planning/community development	281,535	285,384	264,088	(21,296)
Neighborhood services	184,226	189,313	179,782	(9,531)
<b>Total community development</b>	<b>822,915</b>	<b>833,851</b>	<b>789,135</b>	<b>(44,716)</b>
<b>Total public safety</b>	<b>14,234,195</b>	<b>14,523,736</b>	<b>13,249,094</b>	<b>(1,274,642)</b>
Public works:				
Street lighting	577,000	577,000	512,001	(64,999)
Public facilities	50,000	50,000	23,453	(26,547)
<b>Total public works</b>	<b>627,000</b>	<b>627,000</b>	<b>535,454</b>	<b>(91,546)</b>
Health and welfare:				
Human services	121,237	121,237	121,237	-

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Recreation and cultural:				
Senior citizen center	\$ 284,392	\$ 284,392	\$ 275,705	\$ (8,687)
Recreation	314,525	327,069	247,644	(79,425)
Parks	1,510,995	1,582,177	1,515,808	(66,369)
Total recreation and cultural	<u>2,109,912</u>	<u>2,193,638</u>	<u>2,039,157</u>	<u>(154,481)</u>
Total expenditures	<u>22,219,650</u>	<u>22,954,030</u>	<u>20,414,499</u>	<u>(2,539,531)</u>
Revenues over (under) expenditures	<u>(198,869)</u>	<u>(793,343)</u>	<u>2,107,522</u>	<u>2,900,865</u>
Other financing sources (uses)				
Transfers in				
Recreation and cultural	-	30,000	30,000	-
Cemetery permanent fund	4,000	4,000	4,000	-
Transfers out				
Major street fund	(250,000)	(1,049,636)	(1,049,636)	-
Local street fund	(300,000)	(315,000)	(315,000)	-
Capital improvement fund	(1,265,000)	(1,265,000)	(1,265,000)	-
Total other financing sources (uses)	<u>(1,811,000)</u>	<u>(2,595,636)</u>	<u>(2,595,636)</u>	<u>-</u>
Net change in fund balance	(2,009,869)	(3,388,979)	(488,114)	2,900,865
Fund balance, beginning of year	<u>8,775,948</u>	<u>8,775,948</u>	<u>8,775,948</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,766,079</u>	<u>\$ 5,386,969</u>	<u>\$ 8,287,834</u>	<u>\$ 2,900,865</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, 2014

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 4,760,475	\$ 2,798,305	\$ 7,558,780	\$ 1,013,872
Accounts receivable	2,230,010	1,830,243	4,060,253	-
Inventory	-	-	-	126,532
Prepaid items and other assets	100,047	319,079	419,126	21,140
Current portion of hookup charges receivable	19,321	7,225	26,546	-
<b>Total current assets</b>	<b>7,109,853</b>	<b>4,954,852</b>	<b>12,064,705</b>	<b>1,161,544</b>
Noncurrent assets:				
Hook-up charges receivable (net of current portion)	101,438	48,349	149,787	-
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	69,451,495	59,511,959	128,963,454	-
Machinery and equipment	704,838	458,335	1,163,173	965,756
Vehicles	-	-	-	4,507,336
Less accumulated depreciation	(23,991,680)	(14,689,213)	(38,680,893)	(5,084,514)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>46,881,302</b>	<b>45,944,421</b>	<b>92,825,723</b>	<b>2,210,282</b>
<b>Total noncurrent assets</b>	<b>46,982,740</b>	<b>45,992,770</b>	<b>92,975,510</b>	<b>2,210,282</b>
<b>Total assets</b>	<b>54,092,593</b>	<b>50,947,622</b>	<b>105,040,215</b>	<b>3,371,826</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	89,136	178,793	267,929	89,682
Accrued compensation	7,052	4,797	11,849	194,540
Checks issued on future deposits	-	-	-	-
Retainage payable	2,500	18,046	20,546	-
Workers' compensation	-	-	-	316,622
Accrued interest payable	46,304	182,988	229,292	10,569
Unearned revenue	120,759	55,974	176,733	-
Current portion of vacation and sick pay	25,930	13,843	39,773	6,314
Current portion of bonds payable	433,778	1,489,773	1,923,551	158,599
<b>Total current liabilities</b>	<b>725,459</b>	<b>1,944,214</b>	<b>2,669,673</b>	<b>776,326</b>
Noncurrent liabilities:				
Accrued vacation and sick pay, net of current portion	26,489	33,500	59,989	18,942
Bonds payable, net of current portion	5,300,168	22,014,152	27,314,320	1,159,996
<b>Total noncurrent liabilities</b>	<b>5,326,657</b>	<b>22,047,652</b>	<b>27,374,309</b>	<b>1,178,938</b>
<b>Total liabilities</b>	<b>6,052,116</b>	<b>23,991,866</b>	<b>30,043,982</b>	<b>1,955,264</b>
<b>Net position</b>				
Net investment in capital assets	41,147,356	22,440,496	63,587,852	891,687
Unrestricted	6,893,121	4,515,260	11,408,381	524,875
<b>Total net position</b>	<b>\$ 48,040,477</b>	<b>\$ 26,955,756</b>	<b>\$ 74,996,233</b>	<b>\$ 1,416,562</b>

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, 2014

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service Funds
Operating revenues				
Charges for services:				
User charges	\$ 8,446,456	\$ 6,756,824	\$ 15,203,280	\$ 2,151,181
Capacity charge	77,143	-	77,143	-
Other	-	-	-	34,102
Total operating revenues	<u>8,523,599</u>	<u>6,756,824</u>	<u>15,280,423</u>	<u>2,185,283</u>
Operating expenses				
Operations and maintenance	4,872,227	1,176,341	6,048,568	913,682
Personnel	-	-	-	450,564
General and administrative	1,184,123	1,210,688	2,394,811	-
Workers' compensation	-	-	-	258,094
Depreciation	729,179	816,914	1,546,093	189,498
Total operating expenses	<u>6,785,529</u>	<u>3,203,943</u>	<u>9,989,472</u>	<u>1,811,838</u>
Operating income	<u>1,738,070</u>	<u>3,552,881</u>	<u>5,290,951</u>	<u>373,445</u>
Nonoperating revenues (expenses)				
Interest on investments	54,768	35,046	89,814	6,663
Interest and fiscal charges	(207,820)	(958,213)	(1,166,033)	(34,858)
Total nonoperating revenues (expenses)	<u>(153,052)</u>	<u>(923,167)</u>	<u>(1,076,219)</u>	<u>(28,195)</u>
Income before transfers	1,585,018	2,629,714	4,214,732	345,250
Transfers in	46,000	-	46,000	-
Transfers out	(80,000)	(116,785)	(196,785)	-
Change in net position	1,551,018	2,512,929	4,063,947	345,250
Net position, beginning of year	<u>46,489,459</u>	<u>24,442,827</u>	<u>70,932,286</u>	<u>1,071,312</u>
Net position, end of year	<u>\$ 48,040,477</u>	<u>\$ 26,955,756</u>	<u>\$ 74,996,233</u>	<u>\$ 1,416,562</u>

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, 2014

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service Funds
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 8,460,491	\$ 6,624,495	\$ 15,084,986	\$ 1,782,279
Payments to suppliers	(6,502,123)	(2,543,618)	(9,045,741)	(1,047,652)
Payments to employees for services	(14,084)	(4,028)	(18,112)	(381,220)
<b>Net cash provided by operating activities</b>	<b>1,944,284</b>	<b>4,076,849</b>	<b>6,021,133</b>	<b>353,407</b>
<b>Cash flows from noncapital financing activities</b>				
Transfer from other funds	46,000	-	46,000	-
Transfer to other funds	(80,000)	(116,785)	(196,785)	-
<b>Net cash used in noncapital financing activities</b>	<b>(34,000)</b>	<b>(116,785)</b>	<b>(150,785)</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from issuance of debt	325,000	1,150,000	1,475,000	737,000
Acquisition and construction of capital assets	(292,495)	(511,737)	(804,232)	(755,305)
Principal paid on bonds and loans	(410,004)	(1,375,136)	(1,785,140)	(307,055)
Interest paid on long-term debt	(207,820)	(958,213)	(1,166,033)	(33,561)
<b>Net cash used in capital and related financing activities</b>	<b>(585,319)</b>	<b>(1,695,086)</b>	<b>(2,280,405)</b>	<b>(358,921)</b>
<b>Cash flows from investing activities</b>				
Interest on investments	54,768	35,046	89,814	6,663
<b>Net change in cash and cash equivalents</b>	<b>1,379,733</b>	<b>2,300,024</b>	<b>3,679,757</b>	<b>1,149</b>
Cash and cash equivalents, beginning of year	3,380,742	498,281	3,879,023	1,012,723
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,760,475</b>	<b>\$ 2,798,305</b>	<b>\$ 7,558,780</b>	<b>\$ 1,013,872</b>
<b>Cash flows from operating activities</b>				
Operating income	\$ 1,738,070	\$ 3,552,881	\$ 5,290,951	\$ 373,445
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	729,179	816,914	1,546,093	189,498
Change in:				
Accounts receivable	(58,635)	(124,730)	(183,365)	-
Inventory	-	-	-	(20,255)
Prepaid items	(118)	(54)	(172)	(275)
Accounts payable	(448,155)	(174,581)	(622,736)	(113,440)
Accrued compensation	(14,084)	(4,028)	(18,112)	(105,656)
Retainage payable	2,500	18,046	20,546	-
Workers' compensation	-	-	-	30,090
Unearned revenue	(4,473)	(7,599)	(12,072)	-
<b>Net cash provided by operating activities</b>	<b>\$ 1,944,284</b>	<b>\$ 4,076,849</b>	<b>\$ 6,021,133</b>	<b>\$ 353,407</b>

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

# CITY OF PORTAGE, MICHIGAN

## Statement of Net Position

Fiduciary Funds

June 30, 2014

	Pension and Retiree Healthcare Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 7,577	\$ 656,043
Mutual fund investments	6,646,615	-
Fixed income securities	2,833,287	-
Due from other governments	-	212,742
Accrued interest receivable	-	31,342
	<hr/>	<hr/>
<b>Total assets</b>	<b>9,487,479</b>	<b>\$ 900,127</b>
<b>Liabilities</b>		
Checks issued against future deposits	-	201,772
Accrued interest payable	-	31,342
Due to other governments	-	168,621
Deposits	-	498,392
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>-</b>	<b>\$ 900,127</b>
<b>Net position restricted for:</b>		
Pension benefits	2,833,287	
Retiree healthcare benefits	6,654,192	
	<hr/>	
<b>Total net position</b>	<b>\$ 9,487,479</b>	

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, 2014

	Pension and Retiree Healthcare Trust Funds
<b>Additions</b>	
Employer contributions	\$ 102,238
Investment income:	
Net decrease in the fair value of investments	(46,821)
Interest income	958,076
Net investment income	911,255
<b>Total additions</b>	<b>1,013,493</b>
<b>Deductions</b>	
Benefits to plan members	268,622
Administrative expenses	13,147
<b>Total deductions</b>	<b>281,769</b>
<b>Change in net position</b>	<b>731,724</b>
<b>Net position:</b>	
Beginning of year	8,755,755
End of year	<u>\$ 9,487,479</u>

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

This page intentionally left blank.

## 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 *special assessment debt fund* is utilized under City Charter to balance the cost of certain public improvements between private benefit and public burden, and to emphasize the difference between special assessment debt and other debt issues. The public improvements subject to special assessment primarily benefit a particular property owner or group of property owners, ultimately increasing the fair market value of their property. The property owners pay the assessment over a 10-year term for street improvements, and over a 20-year term for water and sewer improvements. City Charter permits up to a one mill tax levy dedicated to the construction or reconstruction of streets. As a result, only the construction or reconstruction of streets petitioned for by citizens and approved by Council result in special assessments. The City has the authority to levy special assessments for water and sewer public improvements. The City anticipates that special assessments will decline over time to a level where they will cease to be a major fund and no longer merit distinction from other debt issues.

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, cultural activities, cable television, community development block grant (CDBG), 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 \$5.51 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, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City has no items that qualify as deferred outflows of resources.

### *Long-term Debt*

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

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

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenues) until that time.

### *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.

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.

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### *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.

### *Pension Costs*

It is the policy of the City to fund pension costs annually. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service cost.

### *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

### *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, and CDBG program income fund, although they are not legally required. Multi-year budgets are adopted for capital projects and grant funds, where appropriations remain authorized for the life of the project, irrespective of fiscal year.

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

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

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.

## 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

Fund/Activity	Final Budget	Actual	Over Budget
General fund			
Police -			
Investigation	\$ 612,165	\$ 612,812	\$ 647

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### 4. POOLED INVESTMENTS AND CASH

The following summarizes the amounts of the cash and investments at June 30, 2014:

	Primary Government	Component Unit	Totals
<b>Statement of net position</b>			
Cash and investments	\$ 29,504,435	\$ 20,974	\$ 29,525,409
<b>Statement of fiduciary net position</b>			
Pension and other employee benefit trust funds:			
Cash and cash equivalents	7,577	-	7,577
Investments	9,479,902	-	9,479,902
Agency funds -			
Cash and cash equivalents	656,043	-	656,043
<b>Total</b>	<b>\$ 39,647,957</b>	<b>\$ 20,974</b>	<b>\$ 39,668,931</b>
<b>Deposits and investments</b>			
Bank deposits:			
Checking and savings accounts			\$ 16,929,776
Investments			13,092,232
Pension and other retiree healthcare trust funds investments			9,479,902
Cash on hand			4,900
Cash held by agent			162,121
<b>Total</b>			<b>39,668,931</b>

Other cash includes construction retainage and other deposits in escrow, petty cash, and insurance pool deposits. The pension and retiree healthcare fund's investment in fixed income securities of \$2.83 million and the retiree health care fund's investment of \$6.65 million with the Municipal Employee's Retirement System of Michigan are excluded from the above as those funds are not pooled investments and cash. Component unit cash as of June 30, 2014, totaled \$20,974, and is not pooled cash.

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

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### Investments

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

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

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

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

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

Pension trust fund investments, 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.

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).

As of June 30, 2014, the City had the following investments:

Investment Type	Fair Value	Effective Duration in Years
U.S. government agencies	\$ 9,078,664	0.7890
Municipal bonds	1,983,844	2.696
Investment pools	2,029,724	-
Total fair value	<u>\$ 13,092,232</u>	

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### 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, 2014, 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 6-10 years	Due > 10 years
U.S. government agencies	\$ 9,078,664	\$ 7,570,515	\$ 1,508,149	\$ -	\$ -
Municipal bonds	1,983,844	-	1,983,844	-	-
<b>Total</b>	<b>\$ 11,062,508</b>	<b>\$ 7,570,515</b>	<b>\$ 3,491,993</b>	<b>\$ -</b>	<b>\$ -</b>

### Credit Risk

The U.S. government agencies notes were rated Aaa by Moody's. The State of Michigan municipal bonds were rated Aa2 by Moody's.

### 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
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	may not exceed 25%	may not exceed 40%

As of June 30, 2014, the City held 39% of its portfolio in Federal National Mortgage Association ("Fannie Mae") bonds, government sponsored enterprises (GSE's) that, on September 7, 2008, were placed under conservatorship by the Federal Housing Finance Agency, a move that served to give the formerly implicit government backing of these securities a more explicit guarantee. The remaining investments included State of Michigan taxable municipal bonds 15%, Federal Farm Credit Bank 11%, Federal Home Loan Bank 19% and CLASS 16%.

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### *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, 2014, 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.

### *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, 2014, \$15,873,904 of the City's deposits were exposed to custodial credit risk because the level of compensating balances exceeds the amount covered by FDIC insurance.

### *Primary Government*

At year end, the carrying amount and book value of the City cash deposits was \$16,929,776 and the bank balance was \$16,123,904, of which \$15,873,904 is over the \$250,000 coverage limit for FDIC insurance. The risk inherent in exceeding the FDIC limit otherwise is considered remote, and the compensating balance is instrumental in limiting the expense of bank service charges. The historic low interest rates made it necessary to increase the compensating balance amount in order to offset bank fees. The residual overnight sweep is invested in a governmental cash investment fund that meets the criteria for local government investment pools outlined in Public Act 367 of 1982. Funds deposited in accordance with the requirements of Public Act 367 of 1982 are considered fully secured. No collateralization is required of the banking institution.

Other cash of \$167,021 consisted of \$137,121 in cash reserves held by the City's insurer in a qualified governmental investment pool account, \$25,000 in escrow deposit held in the cable television fund and invested in a money market fund, and \$4,900 in petty cash and cash used by law enforcement. The cash in this category is not subject to FDIC insurance.

### *Component Units*

The carrying value of deposits for the Economic Development Corporation was \$20,974, deposited at a federal depository bank covered by FDIC insurance.

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### 5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts receivable	\$ 1,298,062	\$ 4,236,586
Special assessments receivable	2,003,108	-
Due from other governments	630,544	-
	<u>\$ 3,931,714</u>	<u>\$ 4,236,586</u>
Amount not expected to be collected within one year	<u>\$ 2,013,098</u>	<u>\$ 149,787</u>

### 6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

#### Primary government

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 9,586,468	\$ 161,601	\$ -	\$ 9,748,069
Right-of-way	4,496,180	-	-	4,496,180
	<u>14,082,648</u>	<u>161,601</u>	<u>-</u>	<u>14,244,249</u>
Capital assets being depreciated:				
Land improvements	7,059,757	57,956	-	7,117,713
Buildings	13,628,376	31,936	-	13,660,312
Machinery and equipment	5,726,073	894,351	-	6,620,424
Vehicles	8,012,941	812,198	-	8,825,139
Infrastructure	195,389,847	408,661	-	195,798,508
	<u>229,816,994</u>	<u>2,205,102</u>	<u>-</u>	<u>232,022,096</u>
Less accumulated depreciation for:				
Land improvements	(4,911,306)	(265,162)	-	(5,176,468)
Buildings	(6,592,621)	(342,571)	-	(6,935,192)
Machinery and equipment	(5,394,799)	(206,551)	-	(5,601,350)
Vehicles	(6,773,460)	(285,465)	-	(7,058,925)
Infrastructure	(152,962,617)	(5,505,280)	-	(158,467,897)
	<u>(176,634,803)</u>	<u>(6,605,029)</u>	<u>-</u>	<u>(183,239,832)</u>
Total capital assets being depreciated, net	<u>53,182,191</u>	<u>(4,399,927)</u>	<u>-</u>	<u>48,782,264</u>
Governmental activities capital assets, net	<u>\$ 67,264,839</u>	<u>\$ (4,238,326)</u>	<u>\$ -</u>	<u>\$ 63,026,513</u>

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated -				
Land	\$ 334,490	\$ -	\$ -	\$ 334,490
<b>Capital assets being depreciated:</b>				
Land improvements	12,872	-	-	12,872
Buildings	1,032,627	-	-	1,032,627
Machinery and equipment	1,094,446	68,727	-	1,163,173
Water and sewer system	128,227,948	735,504	-	128,963,452
	<u>130,367,893</u>	<u>804,231</u>	<u>-</u>	<u>131,172,124</u>
<b>Less accumulated depreciation for:</b>				
Land improvements	(9,663)	(377)	-	(10,040)
Buildings	(791,987)	(25,154)	-	(817,141)
Machinery and equipment	(1,079,178)	(13,881)	-	(1,093,059)
Water and sewer system	(35,253,971)	(1,506,680)	-	(36,760,651)
	<u>(37,134,799)</u>	<u>(1,546,092)</u>	<u>-</u>	<u>(38,680,891)</u>
Total capital assets being depreciated, net	<u>93,233,094</u>	<u>(741,861)</u>	<u>-</u>	<u>92,491,233</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 93,567,584</u>	<u>\$ (741,861)</u>	<u>\$ -</u>	<u>\$ 92,825,723</u>

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

**Governmental activities:**

General government	\$ 285,368
Public safety	319,435
Public works	26,662
Health and welfare	11,873
Recreation and cultural	266,913
Unallocated depreciation	5,505,280
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>189,498</u>

Total depreciation expense - governmental activities \$ 6,605,029

**Business-type activities:**

Water	\$ 729,178
Sewer	<u>816,914</u>

Total depreciation expense - business-type activities \$ 1,546,092

The component unit has no capital assets.

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### 7. TRANSFERS

Transfers between funds for the year ended June 30, 2014, were as follows:

Transfers Out	Transfers in			
	General Fund	Special Assessment Debt Fund	Capital Projects Fund	Nonmajor Governmental Funds
General fund	\$ -	\$ -	\$ 1,265,000	\$ 1,364,636
Capital improvements fund	-	-	-	4,582,000
Nonmajor governmental funds	34,000	6,271	2,477,000	68,236
Sewer fund	-	-	80,000	-
Water fund	-	-	50,000	66,785
	<u>\$ 34,000</u>	<u>\$ 6,271</u>	<u>\$ 3,872,000</u>	<u>\$ 6,081,657</u>

Transfers Out	Transfers In	
	Sewer Fund	Totals
General fund	\$ -	\$ 2,629,636
Capital improvements fund	-	4,582,000
Nonmajor governmental funds	46,000	2,631,507
Sewer fund	-	80,000
Water fund	-	116,785
	<u>\$ 46,000</u>	<u>\$ 10,039,928</u>

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

### 8. LONG-TERM DEBT

#### *Debt Issuance*

One series of capital improvement bonds was issued during the fiscal year in the amount of \$3,130,000 (Series 2013, issued August 1, 2013). These bonds were issued to fund construction or purchase of various assets including roads and sidewalks, parks, facilities, equipment, vehicles, and water and sewer systems.

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### 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%	\$ 700,202
Business-type activities	2.00-5.50%	1,159,798
		<u>\$ 1,860,000</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
2015	\$ 105,660	\$ 19,734	\$ 179,340	\$ 32,543
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
2020-2024	232,067	17,145	367,933	25,396
	<u>\$ 700,202</u>	<u>\$ 91,567</u>	<u>\$ 1,159,798</u>	<u>\$ 146,809</u>

### 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	0.40%-5.00%	\$ 29,261,928
Business-type activities	0.40%-5.00%	28,078,072
		<u>\$ 57,340,000</u>

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

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
2015	\$ 2,420,791	\$ 888,084	\$ 1,744,211	\$ 1,080,042
2016	2,513,866	826,153	1,896,134	1,015,775
2017	2,455,267	759,083	1,884,733	947,682
2018	2,474,555	690,079	2,610,445	864,442
2019	2,274,709	620,572	2,390,291	766,372
2020-2024	10,131,780	2,124,035	11,648,220	2,390,414
2025-2029	5,986,941	714,322	5,198,059	536,602
2030-2034	975,247	83,216	659,753	64,426
2035-2038	28,772	647	46,226	1,040
	<u>\$ 29,261,928</u>	<u>\$ 6,706,191</u>	<u>\$ 28,078,072</u>	<u>\$ 7,666,795</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%-5.60%	<u>\$ 5,260,000</u>

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 430,000	\$ 153,316
2016	490,000	130,124
2017	725,000	108,280
2018	680,000	91,228
2019	685,000	75,443
2020-2024	2,250,000	134,592
	<u>\$ 5,260,000</u>	<u>\$ 692,983</u>

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### *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>\$ 4,565,000</u>

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 155,000	\$ 158,875
2016	175,000	154,325
2017	205,000	148,775
2018	225,000	142,037
2019	245,000	133,888
2020-2024	2,275,000	472,019
2025-2029	1,285,000	100,584
	<u>\$ 4,565,000</u>	<u>\$ 1,310,503</u>

### *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>\$ 5,120,000</u>

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 225,000	\$ 279,263
2016	250,000	268,775
2017	250,000	255,375
2018	250,000	241,975
2019	325,000	228,575
2020-2024	1,975,000	854,338
2025-2029	1,645,000	318,750
2030-2034	200,000	12,700
	<u>\$ 5,120,000</u>	<u>\$ 2,459,751</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	2.00%-5.125%	<u>\$ 6,510,000</u>

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 1,135,000	\$ 196,006
2016	1,195,000	165,150
2017	865,000	134,788
2018	940,000	104,794
2019	890,000	69,875
2020-2024	1,485,000	73,531
	<u>\$ 6,510,000</u>	<u>\$ 744,144</u>

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### 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>\$ 1,675,000</u>

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 40,000	\$ 75,583
2016	70,000	73,507
2017	80,000	70,878
2018	70,000	68,142
2019	75,000	65,393
2020-2024	440,000	274,375
2025-2029	420,000	171,057
2030-2034	390,000	76,806
2035-2038	90,000	2,363
	<u>\$ 1,675,000</u>	<u>\$ 878,104</u>

Long-term debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 823,636	\$ -	\$ (123,434)	\$ 700,202	\$ 105,660
CIP bonds	29,973,353	1,655,000	(2,366,425)	29,261,928	2,420,791
Building authority bonds	5,815,000	-	(555,000)	5,260,000	430,000
Downtown development authority bonds	4,825,000	-	(260,000)	4,565,000	155,000
Local development finance authority bonds	5,345,000	-	(225,000)	5,120,000	225,000
Motor vehicle highway bonds	7,505,000	-	(995,000)	6,510,000	1,135,000
Special assessment bonds	1,715,000	-	(40,000)	1,675,000	40,000
Total bonds payable	<u>56,001,989</u>	<u>1,655,000</u>	<u>(4,564,859)</u>	<u>53,092,130</u>	<u>4,511,451</u>
Compensated absences	1,886,741	1,250,356	(1,401,310)	1,735,787	1,401,308
Governmental activities long-term liabilities	<u>\$ 57,888,730</u>	<u>\$ 2,905,356</u>	<u>\$ (5,966,169)</u>	<u>\$ 54,827,917</u>	<u>\$ 5,912,759</u>

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable					
General obligation bonds	\$ 1,321,364	\$ -	\$ (161,565)	\$ 1,159,799	\$ 179,340
CIP bonds	28,226,647	1,475,000	(1,623,575)	28,078,072	1,744,211
Total bonds payable	29,548,011	1,475,000	(1,785,140)	29,237,871	1,923,551
Compensated absences	119,489	42,816	(62,543)	99,762	39,773
Business-type activities					
long-term liabilities	\$ 29,667,500	\$ 1,517,816	\$ (1,847,683)	\$ 29,337,633	\$ 1,963,324

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

## 9. LITIGATION

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

On May 6, 1998, the City reached a settlement agreement with the City of Kalamazoo 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.

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### 10. 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 2013/2014 capital budget included new appropriations of \$23,152,329, including \$5,000,389 for the City's enterprise funds and \$18,151,940 for general government projects. At June 30, 2014, 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)	\$ 639,362	\$ 3,348,345
Sewer main additions (enterprise fund)	299,265	713,417
Street additions and improvements	1,938,154	6,201,787
Sidewalk and bikeway improvements	34,486	224,191
Technology improvements	587,841	948,868
Public safety improvements - police	368,835	354,183
Public safety improvements - fire	289,999	1,417,011
Parks improvements	432,158	490,382
Public facility improvements	245,726	36,320
<b>Total</b>	<b>\$ 4,835,825</b>	<b>\$ 13,734,504</b>

#### *Risk Related Contingencies*

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

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, 2014 was \$137,121. The amount of insurance settlement has not exceeded insurance coverage in this fiscal year, nor in the preceding three fiscal years.

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

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:

	2014	2013
Claims liability at the beginning of fiscal year	\$ 286,532	\$ 370,212
Claims and changes in estimates	258,094	114,128
Claims payments	<u>(228,004)</u>	<u>(197,808)</u>
Claims liability at June 30	<u>\$ 316,622</u>	<u>\$ 286,532</u>

## 11. 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.

## 12. DEFINED BENEFIT PENSION PLAN

### *General Information about the Pension Plan*

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

*Plan administration.* City of Portage administers the City of Portage Defined Benefit Pension Plan - a single-employer defined benefit pension plan that provides pensions for participants as defined by the plan document. The plan is currently closed to new participants. Management of the plan is the responsibility of the Finance Director and Benefit Services Director.

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

*Plan membership.* At June 30, 2014, Retirement Plan membership consisted of the following:

Inactive plan members receiving benefits	35
Inactive members entitled to, not yet receiving benefits	9
Active members	<u>1</u>
Total membership	<u><u>45</u></u>

*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.

*Normal Retirement.* 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.

### *Employer Disclosures under GASB Statement 27*

For the last three years (including the current year), no contributions were required or made, and there was no annual pension cost or obligation (asset).

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

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

As of July 1, 2014, the most recent actuarial valuation date, the plan was 125.7% funded. The actuarial accrued liability for benefits was \$2,254,482, and the actuarial value of assets was \$2,833,287, resulting in an overfunded actuarial accrued liability (UAAL) of \$578,805. The covered payroll (annual payroll of active employees covered by the plan) was \$41,194, and the ratio of the assets in excess of the pension benefit obligation to the covered payroll was 1405.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

### *Pension Plan Disclosures under GASB Statement 67*

The financial statements of the City of Portage Defined Benefit Plan (the "Plan") are prepared on the accrual basis of accounting. Member contributions are recognized in the period in which they are due. The City's contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

*Net pension liability of the City.* The components of the net pension liability of the City at June 30, 2014, are as follows:

Total pension liability	\$ 2,651,780
Plan fiduciary net position	2,833,287
City's net pension liability (asset)	<u>\$ (181,507)</u>

Plan fiduciary net position as a percentage of the total pension liability	106.84%
---	---------

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2014, using updated procedures and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0 percent
Salary increases	0 percent, average, including inflation
Investment rate of return	4.5 percent, net of pension plan investment expense, including inflation
Mortality rates	Based on the 1970 Group Annuity Mortality table for males or females, as appropriate

# 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, 2014. The City's adopted asset allocation policy as of June 30, 2014 is to invest in fixed income assets with a target allocation of 100% and an expected long-term rate of return of 4.5%.

### Investments

*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, 2014, the annual money-weighted rate of return on retirement plan investments, net of retirement plan investment expense, was 1.94%. The money-weighted rate of return expresses investment performance, net of investment expense.

*Discount rate.* The discount rate used to measure the total pension liability was 4.5 percent. 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 difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*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 4.5 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 (3.5 percent) or 1-percentage-point higher (5.5 percent) than the current rate:

	1% Decrease (3.5%)	Current Discount (4.5%)	1% Increase (5.5%)
City's net pension liability	\$ 16,034	\$ (181,508)	\$ (355,162)

## 13. 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.

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### *Plan Description*

The plans cover all full-time employees, except the one still enrolled in the defined benefit plan. Plan members are not required to contribute. Plan provision and contribution requirements are established and may be amended by the City Council, under City Charter Section 6.17. The City is required to contribute either specific dollar amounts or specific percentages of full-time salary costs, depending on the employee group. During the fiscal year ended June 30, 2014, the City contributed \$1,600,748 to the various plans, representing an aggregate of approximately 16.07% of covered payroll. No contributions were made to the plans by their participants.

## 14. 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).

### *Funding Policy*

There are no required contributions by plan participants. The City-held plan has 20 retiree participants who meet the eligibility requirements. Recommended contributions are actuarially determined. The amounts of the contributions made annually to the union-held and managed OPEB plans for the PPOA, PPCOA and IAFF groups are based on collective bargaining agreements. The 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 require contribution	\$ -
Interest on net OPEB obligation (asset)	(100,150)
Adjustment to annual require contribution	(22,452)
Annual OPEB cost	<u>(122,602)</u>
Contribution made	<u>102,238</u>
Change in net OPEB obligation (asset)	(20,364)
Net OPEB obligation (asset), beginning of year	<u>(1,659,678)</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (1,680,042)</u></u>

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### *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 2013/2014 the City paid \$102,238 for a total of 22 participants in retiree health insurance premiums or benefit waivers.

#### *Methods Used to Value Investments*

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

#### *Actuarial Assumptions*

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

The annual required contribution (ARC) was determined as part of the June 30, 2013 actuarial valuation. A discount rate of 7% was used along with an assumption of a 7% rate of return on plan assets and an inflation rate of 0%. Pre- and 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
6/30/2012	\$ 288,861	35%	\$ (237,076)
6/30/2013	(1,320,364)	0%	(1,659,678)
6/30/2014	(122,602)	0%	(1,680,042)

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### *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, 2014			
	Pension Trust Fund	Retiree Health Care Fund	Total
<b>Assets</b>			
Cash and Investments	\$ -	\$ 7,577	\$ 7,577
Investments in fixed income securities	2,833,287	-	2,833,287
Investments, at fair value - mutual fund investments	-	6,646,615	6,646,615
<b>Total assets equal to net position restricted for pension and retiree health care.</b>			
	<u>\$ 2,833,287</u>	<u>\$ 6,654,192</u>	<u>\$ 9,487,479</u>

=

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

	Statement of Changes in Plan Net Position - June 30, 2014		
	Pension Trust Fund	Retiree Health Care Fund	Total
<b>Additions</b>			
Employer contributions	\$ -	\$ 102,238	\$ 102,238
<b>Investment income</b>			
Net increase (decrease) in the fair value of investments	(46,848)	27	(46,821)
Interest income:	116,313	841,763	958,076
Net investment income	69,465	841,790	911,255
Total additions	69,465	944,028	1,013,493
<b>Deductions</b>			
Benefits to plan members	268,622	-	268,622
Administrative expenses	13,147	-	13,147
Total deductions	281,769	-	281,769
Change in net position	(212,304)	944,028	731,724
<b>Net position:</b>			
Beginning of year	3,045,591	5,710,164	8,755,755
End of year	\$ 2,833,287	\$ 6,654,192	\$ 9,487,479

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### 15. FUND BALANCE

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

	General Fund	Special Assessment Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Inventory	\$ 2,757	\$ -	\$ -	\$ -	\$ 2,757
Prepays	441,323	-	-	11,638	452,961
Permanent funds	-	-	-	1,066,537	1,066,537
<b>Total nonspendable</b>	<b>444,080</b>	<b>-</b>	<b>-</b>	<b>1,078,175</b>	<b>1,522,255</b>
Restricted for:					
Streets	-	-	-	2,053,310	2,053,310
Capital improvements	-	-	4,692,588	-	4,692,588
Debt service	-	555,794	-	2,589,170	3,144,964
Public services	-	-	-	1,880	1,880
<b>Total restricted</b>	<b>-</b>	<b>555,794</b>	<b>4,692,588</b>	<b>4,644,360</b>	<b>9,892,742</b>
Committed for:					
Cable television	-	-	-	265,659	265,659
West lake management	-	-	-	40,255	40,255
Curbside recycling	-	-	-	50,836	50,836
Leaf pickup spring clean	-	-	-	61,728	61,728
<b>Total committed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>418,478</b>	<b>418,478</b>
Unassigned	7,843,754	-	-	-	7,843,754
<b>Total fund balances, governmental funds</b>	<b>\$ 8,287,834</b>	<b>\$ 555,794</b>	<b>\$ 4,692,588</b>	<b>\$ 6,141,013</b>	<b>\$ 19,677,229</b>

# CITY OF PORTAGE, MICHIGAN

## Notes to Financial Statements

### 16. 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	\$ 14,244,249	\$ 334,490
Capital assets being depreciated, net	<u>48,782,264</u>	<u>92,491,233</u>
	63,026,513	92,825,723
 Related debt -		
Total bonds payable	<u>53,092,130</u>	<u>29,237,871</u>
 Net investment in capital assets	<u>\$ 9,934,383</u>	<u>\$ 63,587,852</u>

### 17. SUBSEQUENT EVENTS

On December 10, 2014, the City issued Local Development Finance Authority 2014 Tax Increment Refunding Bonds in the amount of \$2,150,000. The series included \$2,150,000 in serial bonds maturing each January 1 from 2016 to 2027, with interest rates from 0.55% to 3.05%. The refunding yielded net savings of \$264,725 and present value savings of \$231,147.



This page intentionally left blank.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PORTAGE, MICHIGAN

**Required Supplementary Information**  
 Defined Benefit Retirement Plan

Schedule of Funding Progress

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

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a / b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll ((a-b) / c)
2009	\$ 3,037,408	\$ 2,611,912	\$ 425,496	116.3%	\$ 92,659	459.2%
2010	3,347,059	2,555,419	791,640	131.0%	39,234	2017.7%
2011	3,262,548	2,512,906	749,642	129.8%	38,793	1932.4%
2012	3,189,774	2,485,102	704,672	128.4%	38,805	1815.9%
2013	3,045,591	2,369,046	676,545	128.6%	41,130	1644.9%
2014	2,833,287	2,254,482	578,805	125.7%	41,194	1405.1%

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
2009	\$ -	100%
2010	-	100%
2011	-	100%
2012	-	100%
2013	-	100%
2014	-	100%

## 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%

# CITY OF PORTAGE, MICHIGAN

## Required Supplementary Information (GASB Statement No. 67)

### Schedule of Investment Returns

Last Fiscal Year (ultimately 10 years of data will be presented)

Fiscal Year Ended	Annual Money- Weighted Rate of Return, Net of Investment Expense
Employees' Retirement System 6/30/2014	1.94%

# CITY OF PORTAGE, MICHIGAN

## Required Supplementary Information (GASB Statement No. 67)

### Employees' Retirement System

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

Last Fiscal Year (ultimately 10 years of data will be presented)

	2014
Change in total pension liability	
Service cost	\$ -
Interest	119,975
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(268,621)
Net change in total pension liability	<u>(148,646)</u>
 Total pension liability, beginning	 <u>2,800,426</u>
 Total pension liability, ending (a)	 <u>2,651,780</u>
 Change in plan fiduciary net position	
Contributions - employer	-
Contributions - member	-
Net investment income	56,318
Benefit payments, including refunds of member contributions	(268,621)
Administrative expense	-
Other	-
Net change in plan fiduciary net position	<u>(212,303)</u>
 Plan fiduciary net position, beginning	 <u>3,045,591</u>
 Plan fiduciary net position, ending (b)	 <u>2,833,288</u>
 City's net pension liability, ending (a)-(b)	 <u><u>\$ (181,508)</u></u>
  Plan fiduciary net position as a percentage of the total pension liability	  106.84%

# CITY OF PORTAGE, MICHIGAN

## Required Supplementary Information (GASB Statement No. 67)

### Schedule of City Contributions

Last Fiscal Year

Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
-------------------	-------------------------------------	---------------------	----------------------------------	-----------------	--

#### Employees' Retirement System

6/30/2014	\$ -	\$ -	\$ -	n/a	n/a
-----------	------	------	------	-----	-----

#### Notes to Schedule of Contributions

Valuation date June 30, 2014

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, 2014 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	3.0%
Salary increases	3.0% compounded annually, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Mortality rates	The 1970 Group Annuity Mortality Table

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2014

	Special Revenue Funds	Debt Service Funds	Permanent Funds		Total
			Cemetery Perpetual Care Fund	CDBG Program Income Fund	
<b>Assets</b>					
Cash and investments	\$ 3,188,000	\$ 2,589,170	\$ 1,060,483	\$ 6,272	\$ 6,843,925
Accounts receivable	211,782	-	-	998,522	1,210,304
Special assessments receivable	9,700	-	-	-	9,700
Due from other governments	630,544	-	-	-	630,544
Prepaid items and other assets	11,638	-	-	-	11,638
<b>Total assets</b>	<b>\$ 4,051,664</b>	<b>\$ 2,589,170</b>	<b>\$ 1,060,483</b>	<b>\$ 1,004,794</b>	<b>\$ 8,706,111</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,464,024	\$ -	\$ -	\$ 218	\$ 1,464,242
Interfund payable	46,532	-	-	-	46,532
Accrued compensation	21,102	-	-	-	21,102
Unearned revenue	-	-	-	998,522	998,522
Deposits payable	25,000	-	-	-	25,000
<b>Total liabilities</b>	<b>1,556,658</b>	<b>-</b>	<b>-</b>	<b>998,740</b>	<b>2,555,398</b>
<b>Deferred inflows of resources</b>					
Unavailable special assessments	9,700	-	-	-	9,700
<b>Fund balances</b>					
Nonspendable	11,638	-	1,060,483	6,054	1,078,175
Restricted	2,055,190	2,589,170	-	-	4,644,360
Committed	418,478	-	-	-	418,478
<b>Total fund balances</b>	<b>2,485,306</b>	<b>2,589,170</b>	<b>1,060,483</b>	<b>6,054</b>	<b>6,141,013</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,051,664</b>	<b>\$ 2,589,170</b>	<b>\$ 1,060,483</b>	<b>\$ 1,004,794</b>	<b>\$ 8,706,111</b>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds  
For the Year Ended June 30, 2014

	Special Revenue Funds	Debt Service Funds	Permanent Funds		Total
			Cemetery Perpetual Care Fund	CDBG Program Income Fund	
<b>Revenues</b>					
Property taxes	\$ 1,221,197	\$ 730,100	\$ -	\$ -	\$ 1,951,297
Special assessments	1,279,795	-	-	-	1,279,795
Licenses and permits	805,077	-	-	-	805,077
Federal grants	152,317	-	-	-	152,317
State grants	3,909,771	-	-	-	3,909,771
Charges for services	20,637	-	41,874	-	62,511
Loan principal	-	-	-	66,923	66,923
Interest and rents	12,883	249,986	4,137	12,594	279,600
Net increase in fair value of investments	11,092	9,167	3,710	-	23,969
Other	456	51,625	-	-	52,081
<b>Total revenues</b>	<b>7,413,225</b>	<b>1,040,878</b>	<b>49,721</b>	<b>79,517</b>	<b>8,583,341</b>
<b>Expenditures</b>					
Current:					
General government	18,854	-	-	-	18,854
Public safety	48,954	-	-	-	48,954
Health and welfare	1,478,538	-	-	31,174	1,509,712
Recreation and cultural	637,562	-	-	-	637,562
Highways and streets	4,138,083	-	-	-	4,138,083
Debt service:					
Principal	-	3,952,804	-	-	3,952,804
Interest and fiscal charges	-	1,808,874	-	-	1,808,874
<b>Total expenditures</b>	<b>6,321,991</b>	<b>5,761,678</b>	<b>-</b>	<b>31,174</b>	<b>12,114,843</b>
Revenues over (under) expenditures	1,091,234	(4,720,800)	49,721	48,343	(3,531,502)
<b>Other financing sources (uses)</b>					
Transfers in	1,413,010	4,668,647	-	-	6,081,657
Transfers out	(2,572,862)	(6,271)	(4,000)	(48,374)	(2,631,507)
<b>Total other financing sources (uses)</b>	<b>(1,159,852)</b>	<b>4,662,376</b>	<b>(4,000)</b>	<b>(48,374)</b>	<b>3,450,150</b>
Net change in fund balances	(68,618)	(58,424)	45,721	(31)	(81,352)
Fund balances, beginning of year	2,553,924	2,647,594	1,014,762	6,085	6,222,365
Fund balances, end of year	\$ 2,485,306	\$ 2,589,170	\$ 1,060,483	\$ 6,054	\$ 6,141,013

CITY OF PORTAGE, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Special Revenue Funds  
 June 30, 2014

	Major Streets Fund	Local Streets Fund	Municipal Streets Fund	Cultural Activities Fund
<b>Assets</b>				
Cash and investments	\$ 2,086,803	\$ 423,853	\$ 152,983	\$ -
Accounts receivable	-	-	-	-
Special assessments receivable	-	-	-	-
Due from other governments	444,673	136,435	-	-
Prepaid items and other assets	6,385	4,757	-	-
<b>Total assets</b>	<u>\$ 2,537,861</u>	<u>\$ 565,045</u>	<u>\$ 152,983</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,145,524	\$ 28,149	\$ -	\$ -
Interfund payable	-	-	-	-
Accrued compensation	9,643	8,121	-	-
Deposits payable	-	-	-	-
<b>Total liabilities</b>	<u>1,155,167</u>	<u>36,270</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources	-	-	-	-
<b>Fund balances</b>				
Nonspendable	6,385	4,757	-	-
Committed	-	-	-	-
Restricted	1,376,309	524,018	152,983	-
<b>Total fund balances</b>	<u>1,382,694</u>	<u>528,775</u>	<u>152,983</u>	<u>-</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 2,537,861</u>	<u>\$ 565,045</u>	<u>\$ 152,983</u>	<u>\$ -</u>

Cable Television Fund	Community Development Block Grant Fund	ARRA Grant Fund	West Lake Management Program	Curbside Recycling Fund	Leaf Pickup Spring Clean Fund	Total
\$ 177,969	\$ -	\$ 3,238	\$ 41,755	\$ 99,928	\$ 201,471	\$ 3,188,000
211,782	-	-	-	-	-	211,782
-	-	-	9,700	-	-	9,700
-	49,436	-	-	-	-	630,544
-	-	-	-	248	248	11,638
<u>\$ 389,751</u>	<u>\$ 49,436</u>	<u>\$ 3,238</u>	<u>\$ 51,455</u>	<u>\$ 100,176</u>	<u>\$ 201,719</u>	<u>\$ 4,051,664</u>
\$ 97,309	\$ 2,904	\$ 1,358	\$ 1,500	\$ 48,387	\$ 138,893	\$ 1,464,024
-	46,532	-	-	-	-	46,532
1,783	-	-	-	705	850	21,102
25,000	-	-	-	-	-	25,000
<u>124,092</u>	<u>49,436</u>	<u>1,358</u>	<u>1,500</u>	<u>49,092</u>	<u>139,743</u>	<u>1,556,658</u>
-	-	-	9,700	-	-	9,700
-	-	-	-	248	248	11,638
265,659	-	-	40,255	50,836	61,728	418,478
-	-	1,880	-	-	-	2,055,190
<u>265,659</u>	<u>-</u>	<u>1,880</u>	<u>40,255</u>	<u>51,084</u>	<u>61,976</u>	<u>2,485,306</u>
<u>\$ 389,751</u>	<u>\$ 49,436</u>	<u>\$ 3,238</u>	<u>\$ 51,455</u>	<u>\$ 100,176</u>	<u>\$ 201,719</u>	<u>\$ 4,051,664</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, 2014

	Major Streets Fund	Local Streets Fund	Municipal Streets Fund	Cultural Activities Fund
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 1,221,197	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Federal grants	-	-	-	-
State grants	3,081,073	828,698	-	-
Charges for services	-	-	-	20,637
Interest on investments	4,661	1,877	2,412	93
Net increase in fair value of investments	7,311	1,482	542	-
Other	-	145	-	-
<b>Total revenues</b>	<b>3,093,045</b>	<b>832,202</b>	<b>1,224,151</b>	<b>20,730</b>
<b>Expenditures</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	61,857
Highways and streets	2,951,790	1,114,893	71,400	-
<b>Total expenditures</b>	<b>2,951,790</b>	<b>1,114,893</b>	<b>71,400</b>	<b>61,857</b>
<b>Revenues over (under) expenditures</b>	<b>141,255</b>	<b>(282,691)</b>	<b>1,152,751</b>	<b>(41,127)</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,049,636	315,000	-	-
Transfers out	(1,092,000)	(23,000)	(1,158,000)	(30,000)
<b>Total other financing sources (uses)</b>	<b>(42,364)</b>	<b>292,000</b>	<b>(1,158,000)</b>	<b>(30,000)</b>
<b>Net change in fund balances</b>	<b>98,891</b>	<b>9,309</b>	<b>(5,249)</b>	<b>(71,127)</b>
<b>Fund balances, beginning of year</b>	<b>1,283,803</b>	<b>519,466</b>	<b>158,232</b>	<b>71,127</b>
<b>Fund balances, end of year</b>	<b>\$ 1,382,694</b>	<b>\$ 528,775</b>	<b>\$ 152,983</b>	<b>\$ -</b>

Cable Television Fund	Community Development Block Grant Fund	ARRA Grant Fund	West Lake Management Fund	Curbside Recycling Fund	Leaf Pickup Spring Clean Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,221,197
-	-	-	10,323	594,921	674,551	1,279,795
805,077	-	-	-	-	-	805,077
-	152,317	-	-	-	-	152,317
-	-	-	-	-	-	3,909,771
-	-	-	-	-	-	20,637
783	-	10	171	1,324	1,552	12,883
546	-	-	148	354	709	11,092
-	-	-	-	-	311	456
<u>806,406</u>	<u>152,317</u>	<u>10</u>	<u>10,642</u>	<u>596,599</u>	<u>677,123</u>	<u>7,413,225</u>
-	18,854	-	-	-	-	18,854
-	48,954	-	-	-	-	48,954
-	132,883	-	-	636,239	709,416	1,478,538
570,405	-	-	5,300	-	-	637,562
-	-	-	-	-	-	4,138,083
<u>570,405</u>	<u>200,691</u>	<u>-</u>	<u>5,300</u>	<u>636,239</u>	<u>709,416</u>	<u>6,321,991</u>
<u>236,001</u>	<u>(48,374)</u>	<u>10</u>	<u>5,342</u>	<u>(39,640)</u>	<u>(32,293)</u>	<u>1,091,234</u>
-	48,374	-	-	-	-	1,413,010
(250,000)	-	-	-	-	(19,862)	(2,572,862)
<u>(250,000)</u>	<u>48,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,862)</u>	<u>(1,159,852)</u>
(13,999)	-	10	5,342	(39,640)	(52,155)	(68,618)
<u>279,658</u>	<u>-</u>	<u>1,870</u>	<u>34,913</u>	<u>90,724</u>	<u>114,131</u>	<u>2,553,924</u>
<u>\$ 265,659</u>	<u>\$ -</u>	<u>\$ 1,880</u>	<u>\$ 40,255</u>	<u>\$ 51,084</u>	<u>\$ 61,976</u>	<u>\$ 2,485,306</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, 2013

Major Streets Fund

For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2013 Actual
<b>Revenues</b>					
Intergovernmental					
State grants	\$ 2,729,000	\$ 2,949,860	\$ 3,081,073	\$ 131,213	\$ 2,789,864
Interest on investments	2,500	2,500	4,661	2,161	2,565
Net increase (decrease) in fair value of investments	-	-	7,311	7,311	(11,535)
<b>Total revenues</b>	<b>2,731,500</b>	<b>2,952,360</b>	<b>3,093,045</b>	<b>140,685</b>	<b>2,780,894</b>
<b>Expenditures</b>					
Current - highways and streets:					
Routine maintenance	784,741	2,021,600	1,782,894	(238,706)	710,563
Traffic services	537,104	625,524	529,341	(96,183)	584,406
Winter maintenance	436,310	453,785	453,772	(13)	386,893
Administration	202,150	208,662	185,783	(22,879)	147,587
<b>Total expenditures</b>	<b>1,960,305</b>	<b>3,309,571</b>	<b>2,951,790</b>	<b>(357,781)</b>	<b>1,829,449</b>
<b>Revenues over (under) expenditures</b>	<b>771,195</b>	<b>(357,211)</b>	<b>141,255</b>	<b>498,466</b>	<b>951,445</b>
<b>Other financing sources (uses)</b>					
Transfers in					
General fund	250,000	1,049,636	1,049,636	-	497,767
Transfers out					
Sewer fund	(23,000)	(23,000)	(23,000)	-	(22,500)
Capital improvements fund	(1,069,000)	(1,069,000)	(1,069,000)	-	(1,109,767)
<b>Total other financing sources (uses)</b>	<b>(842,000)</b>	<b>(42,364)</b>	<b>(42,364)</b>	<b>-</b>	<b>(634,500)</b>
<b>Net change in fund balance</b>	<b>(70,805)</b>	<b>(399,575)</b>	<b>98,891</b>	<b>498,466</b>	<b>316,945</b>
<b>Fund balance, beginning of year</b>	<b>1,283,803</b>	<b>1,283,803</b>	<b>1,283,803</b>	<b>-</b>	<b>966,858</b>
<b>Fund balance, end of year</b>	<b>\$ 1,212,998</b>	<b>\$ 884,228</b>	<b>\$ 1,382,694</b>	<b>\$ 498,466</b>	<b>\$ 1,283,803</b>

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, 2013

Local Streets Fund

For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2013 Actual
<b>Revenues</b>					
Intergovernmental					
State grants	\$ 796,000	\$ 796,000	\$ 828,698	\$ 32,698	\$ 864,894
Interest on investments	2,000	2,000	1,877	(123)	814
Net increase (decrease) in fair value of investments	-	-	1,482	1,482	(6,606)
Other	-	-	145	145	110
<b>Total revenues</b>	<b>798,000</b>	<b>798,000</b>	<b>832,202</b>	<b>34,202</b>	<b>859,212</b>
<b>Expenditures</b>					
Current - highways and streets:					
Routine maintenance	\$ 399,930	524,024	466,948	(57,076)	809,185
Traffic services	48,303	48,303	47,743	(560)	52,679
Winter maintenance	431,407	459,333	459,261	(72)	385,568
Administration	162,746	167,235	140,941	(26,294)	131,753
<b>Total expenditures</b>	<b>1,042,386</b>	<b>1,198,895</b>	<b>1,114,893</b>	<b>(84,002)</b>	<b>1,379,185</b>
Revenues under expenditures	(244,386)	(400,895)	(282,691)	118,204	(519,973)
<b>Other financing sources (uses)</b>					
Transfers in					
General fund	300,000	315,000	315,000	-	565,000
Transfers out					
Sewer fund	(23,000)	(23,000)	(23,000)	-	(22,500)
<b>Total other financing sources (uses)</b>	<b>277,000</b>	<b>292,000</b>	<b>292,000</b>	<b>-</b>	<b>542,500</b>
<b>Net change in fund balance</b>	<b>32,614</b>	<b>(108,895)</b>	<b>9,309</b>	<b>118,204</b>	<b>22,527</b>
Fund balance, beginning of year	519,466	519,466	519,466	-	496,939
<b>Fund balance, end of year</b>	<b>\$ 552,080</b>	<b>\$ 410,571</b>	<b>\$ 528,775</b>	<b>\$ 118,204</b>	<b>\$ 519,466</b>

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, 2013

Municipal Streets Fund

For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2013 Actual
<b>Revenues</b>					
Property taxes	\$ 1,215,800	\$ 1,215,800	\$ 1,221,197	\$ 5,397	\$ 1,076,435
Interest on investments	2,500	2,500	2,412	(88)	1,812
Net increase (decrease) in fair value of investments	-	-	542	542	(1,868)
<b>Total revenues</b>	<b>1,218,300</b>	<b>1,218,300</b>	<b>1,224,151</b>	<b>5,851</b>	<b>1,076,379</b>
<b>Expenditures</b>					
Current - highways and streets - Operations	71,400	71,400	71,400	-	71,400
<b>Revenues over expenditures</b>	<b>1,146,900</b>	<b>1,146,900</b>	<b>1,152,751</b>	<b>5,851</b>	<b>1,004,979</b>
<b>Other financing uses</b>					
Transfer out Capital improvement fund	(1,158,000)	(1,158,000)	(1,158,000)	-	(972,000)
<b>Net change in fund balance</b>	<b>(11,100)</b>	<b>(11,100)</b>	<b>(5,249)</b>	<b>5,851</b>	<b>32,979</b>
<b>Fund balance, beginning of year</b>	<b>158,232</b>	<b>158,232</b>	<b>158,232</b>	<b>-</b>	<b>125,253</b>
<b>Fund balance, end of year</b>	<b>\$ 147,132</b>	<b>\$ 147,132</b>	<b>\$ 152,983</b>	<b>\$ 5,851</b>	<b>\$ 158,232</b>

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, 2013

Cultural Activities Fund

For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2013 Actual
<b>Revenues</b>					
Charges for services	\$ 26,000	\$ 26,000	\$ 20,637	\$ (5,363)	\$ 46,554
Interest on investments	100	100	93	(7)	201
Net decrease in fair value of investments	-	-	-	-	(937)
Other	20,000	20,000	-	(20,000)	73,660
<b>Total revenues</b>	<b>46,100</b>	<b>46,100</b>	<b>20,730</b>	<b>(25,370)</b>	<b>119,478</b>
<b>Expenditures</b>					
Current - recreation and cultural	80,572	82,972	61,857	(21,115)	110,732
<b>Revenues over (under) expenditures</b>	<b>(34,472)</b>	<b>(36,872)</b>	<b>(41,127)</b>	<b>(4,255)</b>	<b>8,746</b>
<b>Other financing uses</b>					
Transfers out					
General fund	-	(30,000)	(30,000)	-	-
<b>Net change in fund balance</b>	<b>(34,472)</b>	<b>(66,872)</b>	<b>(71,127)</b>	<b>(4,255)</b>	<b>8,746</b>
<b>Fund balance, beginning of year</b>	<b>71,127</b>	<b>71,127</b>	<b>71,127</b>	<b>-</b>	<b>62,381</b>
<b>Fund balance, end of year</b>	<b>\$ 36,655</b>	<b>\$ 4,255</b>	<b>\$ -</b>	<b>\$ (4,255)</b>	<b>\$ 71,127</b>

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, 2013

Cable Television Fund

For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2013 Actual
<b>Revenues</b>					
Annual fees	\$ 765,000	\$ 795,000	\$ 805,077	\$ 10,077	\$ 784,466
Interest on investments	900	900	783	(117)	701
Net increase (decrease) in fair value of investments	-	-	546	546	(3,126)
<b>Total revenues</b>	<b>765,900</b>	<b>795,900</b>	<b>806,406</b>	<b>10,506</b>	<b>782,041</b>
<b>Expenditures</b>					
Current - recreation and cultural - Operations	644,956	715,236	570,405	(144,831)	628,839
<b>Revenues over expenditures</b>	<b>120,944</b>	<b>80,664</b>	<b>236,001</b>	<b>155,337</b>	<b>153,202</b>
<b>Other financing uses</b>					
Transfers out					
General fund	-	-	-	-	(120,000)
Capital improvement fund	(250,000)	(250,000)	(250,000)	-	(30,000)
<b>Total other financing sources (uses)</b>	<b>(250,000)</b>	<b>(250,000)</b>	<b>(250,000)</b>	<b>-</b>	<b>(150,000)</b>
<b>Net change in fund balance</b>	<b>(129,056)</b>	<b>(169,336)</b>	<b>(13,999)</b>	<b>155,337</b>	<b>3,202</b>
<b>Fund balance, beginning of year</b>	<b>279,658</b>	<b>279,658</b>	<b>279,658</b>	<b>-</b>	<b>276,456</b>
<b>Fund balance, end of year</b>	<b>\$ 150,602</b>	<b>\$ 110,322</b>	<b>\$ 265,659</b>	<b>\$ 155,337</b>	<b>\$ 279,658</b>

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, 2013

Community Development Block Grant Fund

For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2013 Actual
<b>Revenues</b>					
Intergovernmental					
Federal grants	\$ 198,100	\$ 312,459	\$ 152,317	\$ (160,142)	\$ 196,257
<b>Expenditures</b>					
Current:					
General government -					
Administration	21,347	21,347	18,854	(2,493)	19,146
Public safety -					
Code enforcement	52,563	52,563	48,954	(3,609)	48,857
Health and welfare:					
Housing rehabilitation	92,386	203,705	98,039	(105,666)	83,385
Portage Community Outreach Center	31,804	34,844	34,844	-	36,000
<b>Total expenditures</b>	<b>198,100</b>	<b>312,459</b>	<b>200,691</b>	<b>(111,768)</b>	<b>187,388</b>
Revenue over (under) expenditures	-	-	(48,374)	48,374	8,869
<b>Other financing sources (uses)</b>					
Transfers in					
CDBG program income fund	-	-	48,374	48,374	-
Transfers out					
CDBG program income fund	-	-	-	-	(8,869)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>48,374</b>	<b>48,374</b>	<b>(8,869)</b>
Net change in fund balance	-	-	-	96,748	-
Fund balance, beginning of year	-	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ 96,748	\$ -

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, 2013  
 American Relief and Recovery Act Grant Fund  
 For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2013 Actual
<b>Revenues</b>					
Net increase in fair value of investments	\$ -	\$ -	\$ 10	\$ 10	\$ -
<b>Expenditures</b>					
Current - general government -					
Buildings	-	-	-	-	6,459
Net change in fund balance	-	-	10	10	(6,459)
Fund balance, beginning of year	1,870	1,870	1,870	-	8,329
Fund balance, end of year	<u>\$ 1,870</u>	<u>\$ 1,870</u>	<u>\$ 1,880</u>	<u>\$ 10</u>	<u>\$ 1,870</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, 2013

West Lake Management Fund

For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2013 Actual
<b>Revenues</b>					
Special assessments	\$ 23,800	\$ 23,800	\$ 10,323	\$ (13,477)	\$ 11,125
Interest on investments	-	-	171	171	188
Net increase (decrease) in fair value of investments	-	-	148	148	(551)
<b>Total revenues</b>	<b>23,800</b>	<b>23,800</b>	<b>10,642</b>	<b>(13,158)</b>	<b>10,762</b>
<b>Expenditures</b>					
Current - recreation and cultural - Weed control	35,000	57,180	5,300	(51,880)	21,170
<b>Net change in fund balance</b>	<b>(11,200)</b>	<b>(33,380)</b>	<b>5,342</b>	<b>38,722</b>	<b>(10,408)</b>
Fund balance, beginning of year	34,913	34,913	34,913	-	45,321
<b>Fund balance, end of year</b>	<b>\$ 23,713</b>	<b>\$ 1,533</b>	<b>\$ 40,255</b>	<b>\$ 38,722</b>	<b>\$ 34,913</b>

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, 2013

Curbside Recycling Fund

For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2013 Actual
<b>Revenues</b>					
Special assessments	\$ 590,800	\$ 590,800	\$ 594,921	\$ 4,121	\$ 663,794
Interest on investments	1,400	1,400	1,324	(76)	1,358
Net increase (decrease) in fair value of investments	-	-	354	354	(1,601)
<b>Total revenues</b>	<b>592,200</b>	<b>592,200</b>	<b>596,599</b>	<b>4,399</b>	<b>663,551</b>
<b>Expenditures</b>					
Current - health and welfare Operations	648,124	649,760	636,239	(13,521)	635,671
<b>Net change in fund balance</b>	<b>(55,924)</b>	<b>(57,560)</b>	<b>(39,640)</b>	<b>17,920</b>	<b>27,880</b>
Fund balance, beginning of year	90,724	90,724	90,724	-	62,844
<b>Fund balance, end of year</b>	<b>\$ 34,800</b>	<b>\$ 33,164</b>	<b>\$ 51,084</b>	<b>\$ 17,920</b>	<b>\$ 90,724</b>

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, 2013

Leaf Pickup/Spring Cleanup Fund

For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget	2013 Actual
<b>Revenues</b>					
Special assessments	\$ 669,600	\$ 669,600	\$ 674,551	\$ 4,951	\$ 792,737
Interest on investments	2,000	2,000	1,552	(448)	1,586
Net increase (decrease) in fair value of investments	-	-	709	709	(1,481)
Other revenue	-	-	311	311	-
<b>Total revenues</b>	<b>671,600</b>	<b>671,600</b>	<b>677,123</b>	<b>5,523</b>	<b>792,842</b>
<b>Expenditures</b>					
Current - health and welfare Operations	736,507	737,684	709,416	(28,268)	716,840
<b>Revenue over (under) expenditures</b>	<b>(64,907)</b>	<b>(66,084)</b>	<b>(32,293)</b>	<b>33,791</b>	<b>76,002</b>
<b>Other financing uses</b>					
Transfer out G.O. debt service fund	(19,862)	(19,862)	(19,862)	-	(19,862)
<b>Net change in fund balance</b>	<b>(84,769)</b>	<b>(85,946)</b>	<b>(52,155)</b>	<b>33,791</b>	<b>56,140</b>
<b>Fund balance, beginning of year</b>	<b>114,131</b>	<b>114,131</b>	<b>114,131</b>	<b>-</b>	<b>57,991</b>
<b>Fund balance, end of year</b>	<b>\$ 29,362</b>	<b>\$ 28,185</b>	<b>\$ 61,976</b>	<b>\$ 33,791</b>	<b>\$ 114,131</b>

CITY OF PORTAGE, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Debt Service Funds  
 June 30, 2014

	General Obligation Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund
Assets			
Cash and investments	<u>\$ 189,468</u>	<u>\$ 3,763</u>	<u>\$ 117,287</u>
Fund balances			
Restricted for debt service	<u>\$ 189,468</u>	<u>\$ 3,763</u>	<u>\$ 117,287</u>



Building Authority Debt Service Fund	Local Development Finance Authority Debt Service Fund	Total
--------------------------------------	---	-------

<u>\$ 349,670</u>	<u>\$ 1,928,982</u>	<u>\$ 2,589,170</u>
-------------------	---------------------	---------------------

<u>\$ 349,670</u>	<u>\$ 1,928,982</u>	<u>\$ 2,589,170</u>
-------------------	---------------------	---------------------

# CITY OF PORTAGE, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Year Ended June 30, 2014

	General Obligation Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ 250,495
Interest and rents	-	-	-
Net increase in fair value of investments	668	13	420
Other revenue	-	-	51,625
<b>Total revenues</b>	<b>668</b>	<b>13</b>	<b>302,540</b>
<b>Expenditures</b>			
Debt Service:			
Principal	2,037,724	995,000	260,000
Interest	956,232	224,367	162,868
<b>Total expenditures</b>	<b>2,993,956</b>	<b>1,219,367</b>	<b>422,868</b>
Revenues under expenditures	(2,993,288)	(1,219,354)	(120,328)
<b>Other financing sources (uses)</b>			
Transfers in			
Capital improvement fund	2,952,000	1,223,000	-
Leaf pickup/spring cleanup fund	19,862	-	-
Water fund	66,785	-	-
Transfers out			
Capital improvements fund	-	-	(6,271)
<b>Total other financing sources (uses)</b>	<b>3,038,647</b>	<b>1,223,000</b>	<b>(6,271)</b>
<b>Net change in fund balances</b>	<b>45,359</b>	<b>3,646</b>	<b>(126,599)</b>
Fund balances, beginning of year	144,109	117	243,886
<b>Fund balances, end of year</b>	<b>\$ 189,468</b>	<b>\$ 3,763</b>	<b>\$ 117,287</b>



Building Authority Debt Service Fund	Local Development Finance Authority Debt Service Fund	Total
\$ -	\$ 479,605	\$ 730,100
242,078	7,908	249,986
1,237	6,829	9,167
-	-	51,625
<u>243,315</u>	<u>494,342</u>	<u>1,040,878</u>
435,080	225,000	3,952,804
<u>175,392</u>	<u>290,015</u>	<u>1,808,874</u>
<u>610,472</u>	<u>515,015</u>	<u>5,761,678</u>
<u>(367,157)</u>	<u>(20,673)</u>	<u>(4,720,800)</u>
407,000	-	4,582,000
-	-	19,862
-	-	66,785
-	-	<u>(6,271)</u>
<u>407,000</u>	<u>-</u>	<u>4,662,376</u>
39,843	(20,673)	(58,424)
<u>309,827</u>	<u>1,949,655</u>	<u>2,647,594</u>
<u>\$ 349,670</u>	<u>\$ 1,928,982</u>	<u>\$ 2,589,170</u>

# CITY OF PORTAGE, MICHIGAN

## Combining Statement of Net Position

Internal Service Funds

June 30, 2014

	Equipment Fund	Insurance Fund	Accrued Leave Liability Fund	Total
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 405,786	\$ 418,542	\$ 189,544	\$ 1,013,872
Inventory	126,532	-	-	126,532
Prepaid items and other assets	21,140	-	-	21,140
<b>Total current assets</b>	<b>553,458</b>	<b>418,542</b>	<b>189,544</b>	<b>1,161,544</b>
Capital assets:				
Land	22,489	-	-	22,489
Land improvements	121,937	-	-	121,937
Buildings	1,677,278	-	-	1,677,278
Machinery and equipment	965,756	-	-	965,756
Vehicles	4,507,336	-	-	4,507,336
Less accumulated depreciation	(5,084,514)	-	-	(5,084,514)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>2,210,282</b>	<b>-</b>	<b>-</b>	<b>2,210,282</b>
<b>Total assets</b>	<b>2,763,740</b>	<b>418,542</b>	<b>189,544</b>	<b>3,371,826</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	89,682	-	-	89,682
Accrued compensation	4,996	-	189,544	194,540
Workers' compensation	-	316,622	-	316,622
Accrued interest payable	10,569	-	-	10,569
Current portion of vacation and sick pay	6,314	-	-	6,314
Current portion of long-term debt	158,599	-	-	158,599
<b>Total current liabilities</b>	<b>270,160</b>	<b>316,622</b>	<b>189,544</b>	<b>776,326</b>
Noncurrent liabilities:				
Bonds payable (net of current portion)	1,159,996	-	-	1,159,996
Accrued vacation and sick pay (net of current portion)	18,942	-	-	18,942
<b>Total noncurrent liabilities</b>	<b>1,178,938</b>	<b>-</b>	<b>-</b>	<b>1,178,938</b>
<b>Total liabilities</b>	<b>1,449,098</b>	<b>316,622</b>	<b>189,544</b>	<b>1,955,264</b>
<b>Net position</b>				
Net investment in capital assets	891,687	-	-	891,687
Unrestricted	422,955	101,920	-	524,875
<b>Total net position</b>	<b>\$ 1,314,642</b>	<b>\$ 101,920</b>	<b>\$ -</b>	<b>\$ 1,416,562</b>

# CITY OF PORTAGE, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Net Position - Internal Service Funds For the Year Ended June 30, 2014

	Equipment Fund	Insurance Fund	Accrued Leave Liability Fund	Total
Operating revenues				
Charges for services:				
User charges	\$ 1,718,087	\$ 258,094	\$ 175,000	\$ 2,151,181
Other	34,102	-	-	34,102
<b>Total operating revenues</b>	<b>1,752,189</b>	<b>258,094</b>	<b>175,000</b>	<b>2,185,283</b>
Operating expenses				
Operations and maintenance	913,682	-	-	913,682
Personnel	275,564	-	175,000	450,564
Workers' compensation	-	258,094	-	258,094
Depreciation	189,498	-	-	189,498
<b>Total operating expenses</b>	<b>1,378,744</b>	<b>258,094</b>	<b>175,000</b>	<b>1,811,838</b>
<b>Operating income</b>	<b>373,445</b>	<b>-</b>	<b>-</b>	<b>373,445</b>
Nonoperating revenues (expenses)				
Interest on investments	3,509	3,154	-	6,663
Interest expense	(34,858)	-	-	(34,858)
<b>Total nonoperating revenues (expenses)</b>	<b>(31,349)</b>	<b>3,154</b>	<b>-</b>	<b>(28,195)</b>
<b>Change in net position</b>	<b>342,096</b>	<b>3,154</b>	<b>-</b>	<b>345,250</b>
Net position, beginning of year	972,546	98,766	-	1,071,312
<b>Net position, end of year</b>	<b>\$ 1,314,642</b>	<b>\$ 101,920</b>	<b>\$ -</b>	<b>\$ 1,416,562</b>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2014

	Equipment Fund	Insurance Fund	Accrued Leave Liability Fund	Total
Cash flows from operating activities				
Receipts from customers	\$ 1,752,189	30,090	\$ -	\$ 1,782,279
Payments to suppliers	(1,047,652)	-	-	(1,047,652)
Payments to employees for services	(273,959)	-	(107,261)	(381,220)
Net cash provided (used) by operating activities	430,578	30,090	(107,261)	353,407
Cash flows from capital and related financing activities				
Proceeds from capital borrowings	737,000	-	-	737,000
Acquisition and construction of capital assets	(755,305)	-	-	(755,305)
Principal paid on bonds payable	(307,055)	-	-	(307,055)
Interest and fiscal charges paid	(33,561)	-	-	(33,561)
Net cash used in capital and related financing activities	(358,921)	-	-	(358,921)
Cash flows from investing activities				
Interest on investments	3,509	3,154	-	6,663
Net change in cash and cash equivalents	75,166	33,244	(107,261)	1,149
Cash and cash equivalents, beginning of year	330,620	385,298	296,805	1,012,723
Cash and cash equivalents, end of year	\$ 405,786	\$ 418,542	\$ 189,544	\$ 1,013,872
Cash flows from operating activities				
Operating income	\$ 373,445	\$ -	\$ -	\$ 373,445
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	189,498	-	-	189,498
Changes in:				
Inventory	(20,255)	-	-	(20,255)
Prepaid items and other assets	(275)	-	-	(275)
Accounts payable	(113,440)	-	-	(113,440)
Accrued compensation	1,605	-	(107,261)	(105,656)
Workers' compensation	-	30,090	-	30,090
Net cash provided (used) by operating activities	\$ 430,578	\$ 30,090	\$ (107,261)	\$ 353,407

# CITY OF PORTAGE, MICHIGAN

## Combining Statement of Fiduciary Net Position

Pension and Retiree Healthcare Trust Funds

June 30, 2014

	Pension Trust Fund	Retiree Health Care Fund	Total Pension and Retiree Healthcare Trust Funds
<b>Assets</b>			
Cash and investments	\$ -	\$ 7,577	\$ 7,577
Investments:			
Mutual funds	-	6,646,615	6,646,615
Fixed income securities	2,833,287	-	2,833,287
<b>Total assets</b>	<u>2,833,287</u>	<u>6,654,192</u>	<u>9,487,479</u>
<b>Net position</b>			
Restricted for pension benefits	2,833,287	-	2,833,287
Restricted for retiree healthcare benefits	-	6,654,192	6,654,192
<b>Total net position</b>	<u>\$ 2,833,287</u>	<u>\$ 6,654,192</u>	<u>\$ 9,487,479</u>

This page intentionally left blank.

# CITY OF PORTAGE, MICHIGAN

## Combining Statement of Changes in Fiduciary Net Position

Pension and Retiree Healthcare Trust Funds  
For the Year Ended June 30, 2014

	Pension Trust Fund	Retiree Health Care Fund	Total Pension and Retiree Healthcare Trust Funds
<b>Additions</b>			
Employer contributions	\$ -	\$ 102,238	\$ 102,238
Investment income:			
Net increase (decrease) in fair value of investments	(46,848)	27	(46,821)
Interest income	116,313	841,763	958,076
Net investment earnings	69,465	841,790	911,255
<b>Total additions</b>	<b>69,465</b>	<b>944,028</b>	<b>1,013,493</b>
<b>Deductions</b>			
Benefits to plan members	268,622	-	268,622
Administrative expenses	13,147	-	13,147
<b>Total deductions</b>	<b>281,769</b>	<b>-</b>	<b>281,769</b>
<b>Change in net position</b>	<b>(212,304)</b>	<b>944,028</b>	<b>1,295,262</b>
Net position, beginning of year	3,045,591	5,710,164	8,755,755
<b>Net position, end of year</b>	<b>\$ 2,833,287</b>	<b>\$ 6,654,192</b>	<b>\$ 10,051,017</b>

# CITY OF PORTAGE, MICHIGAN

## Combining Statement of Assets and Liabilities

Agency Funds  
June 30, 2014

	Current Year Tax Collection	Investment Interest Allocation	Payroll Fund
<b>Assets</b>			
Cash and investments	\$ 161,918	\$ -	\$ -
Due from other governments	550	-	212,192
Accrued interest receivable	-	31,342	-
<b>Total assets</b>	<b>\$ 162,468</b>	<b>\$ 31,342</b>	<b>\$ 212,192</b>
<b>Liabilities</b>			
Checks issued against future deposits	\$ -	\$ -	\$ 201,772
Accrued interest payable	-	31,342	-
Due to other governments	162,468	-	6,097
Deposits	-	-	4,323
<b>Total liabilities</b>	<b>\$ 162,468</b>	<b>\$ 31,342</b>	<b>\$ 212,192</b>



Trust and Agency	Historic Book	Insurer Blight Escrow	Total Agency Funds
\$ 485,774	\$ 56	\$ 8,295	\$ 656,043
-	-	-	212,742
-	-	-	31,342
<u>\$ 485,774</u>	<u>\$ 56</u>	<u>\$ 8,295</u>	<u>\$ 900,127</u>
\$ -	\$ -	\$ -	\$ 201,772
-	-	-	31,342
-	56	-	168,621
<u>485,774</u>	<u>-</u>	<u>8,295</u>	<u>498,392</u>
<u>\$ 485,774</u>	<u>\$ 56</u>	<u>\$ 8,295</u>	<u>\$ 900,127</u>

# CITY OF PORTAGE, MICHIGAN

## Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Current year tax collection fund</b>				
<b>Assets</b>				
Cash and investments	\$ 176,887	\$ 88,424,349	\$ 88,439,318	\$ 161,918
Due from other governments	41,962	1,163,672	1,163,121	550
<b>Total assets</b>	<b>\$ 218,849</b>	<b>\$ 89,588,021</b>	<b>\$ 89,602,439</b>	<b>\$ 162,468</b>
<b>Liabilities</b>				
Due to other governments	\$ 218,849	\$ 188,125,637	\$ 188,182,018	\$ 162,468
<b>Investment interest allocation fund</b>				
<b>Assets</b>				
Accrued interest receivable	\$ 12,174	\$ 195,960	\$ 176,793	\$ 31,342
<b>Liabilities</b>				
Accrued interest payable	\$ 12,174	\$ 195,960	\$ 176,793	\$ 31,342
<b>Payroll fund</b>				
<b>Assets</b>				
Cash and investments	\$ -	\$ 16,666,000	\$ 16,666,000	\$ -
Due from other governments	202,286	391,377	381,471	212,192
<b>Total assets</b>	<b>\$ 202,286</b>	<b>\$ 17,057,377</b>	<b>\$ 17,047,471</b>	<b>\$ 212,192</b>
<b>Liabilities</b>				
Checks issued against future deposits	\$ 30,930	\$ 16,836,842	\$ 16,666,000	\$ 201,772
Allowance for termination costs	164,739	-	164,739	-
Due to other governments	508	14,624,882	14,619,293	6,097
Deposits	6,109	1,056,038	1,057,824	4,323
<b>Total liabilities</b>	<b>\$ 202,286</b>	<b>\$ 32,517,762</b>	<b>\$ 32,507,856</b>	<b>\$ 212,192</b>

continued...

# CITY OF PORTAGE, MICHIGAN

## Statement of Changes in Agency Funds Assets and Liabilities

### Fiduciary Funds

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Trust and agency fund</b>				
<b>Assets</b>				
Cash and investments	\$ 186,946	\$ 536,250	\$ 237,422	\$ 485,774
Due from other governments	-	20	20	-
<b>Total assets</b>	<b>\$ 186,946</b>	<b>\$ 536,270</b>	<b>\$ 237,442</b>	<b>\$ 485,774</b>
<b>Liabilities</b>				
Due to other governments	\$ -	\$ 144,050	\$ 144,050	\$ -
Deposits	186,946	534,888	236,060	485,774
<b>Total liabilities</b>	<b>\$ 186,946</b>	<b>\$ 678,938</b>	<b>\$ 380,110</b>	<b>\$ 485,774</b>
<b>Historic book fund</b>				
<b>Assets</b>				
Cash and investments	\$ 120	\$ 11	\$ 75	\$ 56
Due from other governments	-	396	396	-
<b>Total assets</b>	<b>\$ 120</b>	<b>\$ 407</b>	<b>\$ 471</b>	<b>\$ 56</b>
<b>Liabilities</b>				
Due to other governments	\$ 120	\$ 602	\$ 666	\$ 56
<b>Total liabilities</b>	<b>\$ 120</b>	<b>\$ 602</b>	<b>\$ 666</b>	<b>\$ 56</b>
<b>Insurer blight escrow fund</b>				
<b>Assets</b>				
Cash and investments	\$ -	\$ 16,424	\$ 8,129	\$ 8,295
<b>Liabilities</b>				
Deposits	\$ -	\$ 16,424	\$ 8,129	\$ 8,295

continued...

# CITY OF PORTAGE, MICHIGAN

## Statement of Changes in Agency Funds Assets and Liabilities

### Fiduciary Funds

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Combined agency funds</b>				
<b>Assets</b>				
Cash and investments	\$ 363,953	\$ 105,643,034	\$ 105,350,944	\$ 656,043
Due from other governments	244,248	1,163,672	1,163,121	212,742
Accrued interest receivable	12,174	195,960	176,793	31,342
<b>Total assets</b>	<b>\$ 620,375</b>	<b>\$ 107,002,666</b>	<b>\$ 106,690,858</b>	<b>\$ 900,127</b>
<b>Liabilities</b>				
Checks issued against future deposits	30,930	16,836,842	16,666,000	201,772
Allowance for termination costs	164,739	-	164,739	-
Accrued interest payable	12,174	195,960	176,793	31,342
Due to other governments	219,357	202,750,519	202,801,311	168,621
Deposits	193,175	1,607,952	1,302,679	498,392
<b>Total liabilities</b>	<b>\$ 620,375</b>	<b>\$ 221,391,273</b>	<b>\$ 221,111,522</b>	<b>\$ 900,127</b>

concluded.

## STATISTICAL SECTION

This page intentionally left blank.

# 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)*

	2005	2006	2007	2008	2009
<b>Governmental activities</b>					
Net investment in capital assets	\$ 24,041	\$ 15,355	\$ 30,047	\$ 23,625	\$ 20,417
Restricted	7,839	8,249	6,375	5,909	5,641
Unrestricted	17,952	20,132	2,193	5,030	5,296
<b>Total governmental activities net position</b>	<b>\$ 49,832</b>	<b>\$ 43,736</b>	<b>\$ 38,615</b>	<b>\$ 34,564</b>	<b>\$ 31,354</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 63,612	\$ 62,917	\$ 65,553	\$ 58,047	\$ 59,984
Restricted	200	200	200	200	200
Unrestricted	2,208	1,134	(1,507)	4,994	2,080
<b>Total business-type activities net position</b>	<b>\$ 66,020</b>	<b>\$ 64,251</b>	<b>\$ 64,246</b>	<b>\$ 63,241</b>	<b>\$ 62,264</b>
<b>Primary government</b>					
Net investment in capital assets	\$ 87,653	\$ 78,271	\$ 95,600	\$ 81,672	\$ 80,401
Restricted	8,039	8,449	6,575	6,109	5,841
Unrestricted	20,160	21,266	686	10,024	7,376
<b>Total primary governmental net position</b>	<b>\$ 115,852</b>	<b>\$ 107,986</b>	<b>\$ 102,861</b>	<b>\$ 97,805</b>	<b>\$ 93,618</b>

Source: City Comprehensive Annual Financial Reports

2010	2011	2012	2013	2014
\$ 18,165	\$ 15,119	\$ 13,826	\$ 11,263	\$ 9,934
6,029	8,165	7,251	9,699	10,959
6,379	5,724	9,685	9,858	10,515
<u>\$ 30,573</u>	<u>\$ 29,008</u>	<u>\$ 30,762</u>	<u>\$ 30,820</u>	<u>\$ 31,408</u>
\$ 63,221	\$ 62,821	\$ 63,846	\$ 64,019	\$ 63,588
200	200	200	-	-
(1,378)	724	3,003	6,913	11,408
<u>\$ 62,043</u>	<u>\$ 63,745</u>	<u>\$ 67,049</u>	<u>\$ 70,932</u>	<u>\$ 74,996</u>
\$ 81,386	\$ 77,940	\$ 77,673	\$ 75,282	\$ 73,522
6,229	8,365	7,451	9,699	10,959
5,001	6,448	12,688	16,771	21,923
<u>\$ 92,616</u>	<u>\$ 92,753</u>	<u>\$ 97,812</u>	<u>\$ 101,752</u>	<u>\$ 106,404</u>

CITY OF PORTAGE, MICHIGAN

**Changes in Net Position**

Last Ten Years

(accrual basis of accounting)

(expressed in thousands)

	2005	2006	2007	2008	2009
<b>Expenses</b>					
Governmental activities:					
Legislative	\$ 48	\$ 54	\$ 49	\$ 61	\$ 61
Judicial	12	17	25	49	47
General government	6,014	5,515	5,581	5,455	5,641
Public safety	14,352	14,383	14,967	15,078	15,210
Public works	357	420	440	432	477
Health and welfare	1,714	1,560	1,535	1,534	1,751
Economic development	2,535	1,952	-	-	13
Recreation and cultural	3,125	3,240	3,339	3,365	3,378
Public transportation	118	151	58	-	-
Highways and streets	5,483	2,327	3,945	4,026	3,734
Unallocated depreciation expense	7,023	7,107	7,103	6,874	6,094
Interest on long-term debt	2,739	3,251	2,946	2,756	2,974
Total governmental activities expenses	<u>43,520</u>	<u>39,977</u>	<u>39,988</u>	<u>39,630</u>	<u>39,380</u>
Business-type activities:					
Sewer	5,472	5,723	5,351	6,105	6,883
Water	4,969	4,931	4,004	4,509	4,473
Total business-type activities expenses	<u>10,441</u>	<u>10,654</u>	<u>9,355</u>	<u>10,614</u>	<u>11,356</u>
Total primary government expenses	<u>53,961</u>	<u>50,631</u>	<u>49,343</u>	<u>50,244</u>	<u>50,736</u>
<b>Program revenues</b>					
Governmental activities:					
Charges for services					
General government	-	-	-	-	-
Recreation and cultural	806	862	898	923	997
Public safety	1,068	978	966	747	753
Health & welfare	-	-	-	-	-
Other activities	601	600	495	482	486
Operating grants and contributions					
Judicial	-	-	-	-	-
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Economic development	-	-	-	-	-
Recreation and cultural	-	-	-	-	-
Highways & streets	3,623	3,578	3,474	3,504	3,360
Interest	1,369	1,248	896	1,028	860
Capital grants and contributions					
Public works	978	1,053	285	197	157
Health & welfare	1,182	1,242	1,239	1,286	1,337
Recreation and cultural	150	61	5	11	5
Total governmental activities program revenues	<u>9,777</u>	<u>9,622</u>	<u>8,258</u>	<u>8,178</u>	<u>7,955</u>

Schedule 2  
UNAUDITED

2010	2011	2012	2013	2014
\$ 61	\$ 59	\$ 61	\$ 64	\$ 89
50	48	47	51	50
5,000	5,091	4,795	4,640	5,326
13,870	14,364	13,194	12,940	13,969
445	604	560	920	668
1,683	1,567	1,735	1,626	1,618
-	-	-	-	-
2,999	3,097	2,929	2,836	2,834
-	-	-	-	-
2,966	3,592	2,659	4,492	5,072
6,708	6,513	6,227	5,956	5,505
2,553	3,050	2,181	2,032	758
<u>36,335</u>	<u>37,985</u>	<u>34,388</u>	<u>35,557</u>	<u>35,889</u>
6,895	7,072	7,018	6,981	6,993
4,545	3,872	3,777	4,111	4,162
<u>11,440</u>	<u>10,944</u>	<u>10,795</u>	<u>11,092</u>	<u>11,155</u>
<u>47,775</u>	<u>48,929</u>	<u>45,183</u>	<u>46,649</u>	<u>47,044</u>
-	-	-	-	123
1,069	1,085	1,109	1,145	1,147
657	921	861	1,016	935
-	-	-	-	80
467	374	325	409	243
-	-	-	-	70
-	-	-	-	1,022
-	-	-	-	189
-	-	-	-	5
-	-	-	-	155
-	-	-	-	8
-	-	-	-	125
3,305	3,367	3,721	3,660	3,919
982	832	618	724	-
125	100	1,429	314	345
1,173	1,127	1,466	1,457	1,269
6	15	13	11	10
<u>7,784</u>	<u>7,821</u>	<u>9,542</u>	<u>8,736</u>	<u>9,645</u>

continued...

# CITY OF PORTAGE, MICHIGAN

## Changes in Net Position (Accrual Basis of Accounting) Last Ten Fiscal Years

	2005	2006	2007	2008	2009
Business-type activities:					
Charges for services					
Sewer	\$ 4,432	\$ 4,879	\$ 4,739	\$ 5,356	\$ 5,822
Water	3,540	3,869	3,813	4,076	4,547
Operating grants and contributions	98	97	70	64	98
Capital grants and contributions	-	2	-	-	-
Total business-type activities program revenues	<u>8,070</u>	<u>8,847</u>	<u>8,622</u>	<u>9,496</u>	<u>10,467</u>
Total primary government program revenues	<u>17,847</u>	<u>18,469</u>	<u>16,880</u>	<u>17,674</u>	<u>18,422</u>
Net (expense)/revenue					
Governmental activities	(33,743)	(30,355)	(31,730)	(31,452)	(31,425)
Business-type activities	(2,371)	(1,807)	(733)	(1,118)	(889)
Total primary government net expense	<u>(36,114)</u>	<u>(32,162)</u>	<u>(32,463)</u>	<u>(32,570)</u>	<u>(32,314)</u>
General revenues & other changes in net position					
Governmental activities:					
Property taxes	17,928	17,936	20,042	21,649	22,626
Unrestricted grants & contributions	6,207	5,758	5,443	5,334	5,130
Unrestricted investment earnings (loss)	296	593	388	482	342
Gain on sale of capital assets	26	9	1,347	50	27
Transfers	(100)	(37)	(611)	(114)	88
Total governmental activities	<u>24,357</u>	<u>24,259</u>	<u>26,609</u>	<u>27,401</u>	<u>28,213</u>
Business-type activities:					
Unrestricted grants & contributions	-	-	117	-	-
Unrestricted investment earnings (loss)	-	-	-	-	-
Transfers	100	37	611	114	(88)
Total business-type activities	<u>100</u>	<u>37</u>	<u>728</u>	<u>114</u>	<u>(88)</u>
Total primary government	<u>24,457</u>	<u>24,296</u>	<u>27,337</u>	<u>27,515</u>	<u>28,125</u>
Change in net position					
Governmental activities	(9,386)	(6,096)	(5,121)	(4,051)	(3,212)
Business-type activities	(2,271)	(1,770)	(5)	(1,004)	(977)
Total primary government	<u>\$ (11,657)</u>	<u>\$ (7,866)</u>	<u>\$ (5,126)</u>	<u>\$ (5,055)</u>	<u>\$ (4,189)</u>

Source: City Comprehensive Annual Financial Reports

Schedule 2  
UNAUDITED

2010	2011	2012	2013	2014
\$ 6,088	\$ 7,020	\$ 7,604	\$ 8,184	\$ 8,524
5,129	5,694	6,636	6,808	6,757
25	17	18	63	54
-	-	-	-	-
<u>11,242</u>	<u>12,731</u>	<u>14,258</u>	<u>15,055</u>	<u>15,335</u>
<u>19,026</u>	<u>20,552</u>	<u>23,800</u>	<u>23,791</u>	<u>24,980</u>
(28,551)	(30,164)	(24,846)	(26,821)	(26,244)
(198)	1,787	3,463	3,963	4,180
<u>(28,749)</u>	<u>(28,377)</u>	<u>(21,383)</u>	<u>(22,858)</u>	<u>(22,064)</u>
22,770	21,993	21,266	21,590	21,413
4,804	5,064	5,014	5,036	5,100
137	86	47	(159)	170
37	93	115	399	-
22	86	159	12	151
<u>27,770</u>	<u>27,322</u>	<u>26,601</u>	<u>26,878</u>	<u>26,834</u>
-	-	-	-	-
-	-	-	(68)	36
<u>(22)</u>	<u>(86)</u>	<u>(159)</u>	<u>(12)</u>	<u>(151)</u>
<u>(22)</u>	<u>(86)</u>	<u>(159)</u>	<u>(80)</u>	<u>(115)</u>
<u>27,748</u>	<u>27,236</u>	<u>26,442</u>	<u>26,798</u>	<u>26,719</u>
(781)	(2,842)	1,755	57	62,723
(220)	1,701	3,304	3,883	11,040
<u>\$ (1,001)</u>	<u>\$ (1,141)</u>	<u>\$ 5,059</u>	<u>\$ 3,940</u>	<u>\$ 73,763</u>

concluded.

# CITY OF PORTAGE, MICHIGAN

## Fund Balances - Governmental Funds

Last Ten Years

*(modified accrual basis of accounting)*

*(expressed in thousands)*

	2005	2006	2007	2008	2009
General fund					
Nonspendable					
Unassigned					
Reserved	\$ 1,109	\$ 1,077	\$ 1,513	\$ 1,784	\$ 1,829
Unreserved	2,967	3,337	2,782	3,054	3,613
<b>Total general fund</b>	<b>\$ 4,076</b>	<b>\$ 4,414</b>	<b>\$ 4,295</b>	<b>\$ 4,838</b>	<b>\$ 5,442</b>
All other governmental funds					
Nonspendable					
Committed					
Restricted					
Reserved	\$ 2,818	\$ 5,142	\$ 3,489	\$ 3,646	\$ 3,850
Unreserved, reported in:					
Special revenue funds	1,081	940	1,199	1,120	1,316
Debt service funds	2,801	4,440	3,989	3,623	3,201
Capital improvement fund	-	-	(2,237)	168	549
<b>Total all other governmental funds</b>	<b>\$ 6,700</b>	<b>\$ 10,522</b>	<b>\$ 6,440</b>	<b>\$ 8,557</b>	<b>\$ 8,916</b>

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

2010	2011	2012	2013	2014
	\$ 476	\$ 339	\$ 63	\$ 444
	6,857	8,322	8,713	7,844
\$ 2,053	-	-	-	-
4,087	-	-	-	-
<u>\$ 6,140</u>	<u>\$ 7,333</u>	<u>\$ 8,661</u>	<u>\$ 8,776</u>	<u>\$ 8,288</u>
	\$ 954	\$ 1,002	\$ 1,030	\$ 1,078
	-	-	-	418
	7,788	7,769	9,420	9,893
\$ 6,189	-	-	-	-
1,966	-	-	-	-
105	-	-	-	-
1,374	-	-	-	-
<u>\$ 9,634</u>	<u>\$ 8,742</u>	<u>\$ 8,771</u>	<u>\$ 10,450</u>	<u>\$ 11,389</u>

# CITY OF PORTAGE, MICHIGAN

## Changes in Fund Balances - Governmental Funds

Last Ten Years

(modified accrual basis of accounting)

(expressed in thousands)

	2005	2006	2007	2008	2009
<b>Revenues</b>					
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
<b>Total revenues</b>	<b>34,093</b>	<b>35,569</b>	<b>35,855</b>	<b>36,260</b>	<b>36,549</b>
<b>Expenditures</b>					
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
<b>Total expenditures</b>	<b>46,182</b>	<b>40,163</b>	<b>40,214</b>	<b>40,674</b>	<b>38,556</b>
Excess of revenues over (under) expenditures	(12,089)	(4,594)	(4,359)	(4,414)	(2,007)
<b>Other financing sources (uses)</b>					
Proceeds from issuance of debt	8,063	8,794	785	7,089	2,800
Transfers in	5,245	5,731	7,347	8,520	8,102
Transfers out	(5,712)	(5,768)	(7,958)	(8,635)	(8,014)
<b>Total other financing sources (uses)</b>	<b>7,596</b>	<b>8,757</b>	<b>174</b>	<b>6,974</b>	<b>2,888</b>
<b>Net change in fund balances</b>	<b>\$ (4,493)</b>	<b>\$ 4,163</b>	<b>\$ (4,185)</b>	<b>\$ 2,560</b>	<b>\$ 881</b>
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

	2010	2011	2012	2013	2014
\$	24,376	\$ 23,477	\$ 23,136	\$ 23,372	\$ 22,960
	941	1,196	1,229	1,405	1,351
	7,198	7,040	7,424	7,649	8,777
	2,338	2,168	2,131	2,167	2,007
	-	-	-	-	-
	797	506	340	78	667
	398	1,061	506	931	560
	<u>36,048</u>	<u>35,448</u>	<u>34,766</u>	<u>35,602</u>	<u>36,322</u>
	61	59	61	64	89
	50	48	47	51	50
	4,604	4,657	4,521	4,483	4,349
	13,568	13,853	12,780	13,226	13,298
	423	559	516	487	535
	1,923	1,685	1,766	1,647	1,631
	2,782	2,695	2,686	2,727	2,677
	-	-	-	-	-
	2,814	2,679	2,740	3,280	4,138
	-	-	-	-	-
	-	-	-	-	-
	2,574	2,304	4,054	2,417	4,000
	5,001	5,976	4,412	4,445	4,258
	2,744	3,236	2,365	2,086	1,914
	<u>36,544</u>	<u>37,751</u>	<u>35,948</u>	<u>34,913</u>	<u>36,940</u>
	<u>(496)</u>	<u>(2,303)</u>	<u>(1,182)</u>	<u>689</u>	<u>(618)</u>
	1,890	2,517	2,380	1,093	918
	9,372	8,908	8,877	9,570	9,994
	<u>(9,350)</u>	<u>(8,822)</u>	<u>(8,719)</u>	<u>(9,558)</u>	<u>(9,843)</u>
	<u>1,912</u>	<u>2,603</u>	<u>2,538</u>	<u>1,105</u>	<u>1,069</u>
\$	<u>1,416</u>	<u>\$ 300</u>	<u>\$ 1,356</u>	<u>\$ 1,794</u>	<u>\$ 451</u>
	22.6%	24.4%	21.2%	18.7%	17.5%

## 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
2005	\$ 1,090,639	\$ 565,780	\$ 330,008	\$ 1,986,427	10.144
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

(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
\$ 3,972,854	50.0%	N/A (1)	N/A (1)
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%

This page intentionally left blank.

**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
2005	7.4712	2.0000	-	0.3200	0.3530	-	10.1442
2006	7.4372	2.0000	-	0.3070	0.4000	-	10.1442
2007	7.5000	2.0000	-	0.2742	0.3700	-	10.1442
2008	7.5000	2.0000	-	0.2742	0.3700	0.3450	10.4892
2009	7.5000	2.0000	-	0.2922	0.3520	0.5156	10.6598
2010	7.5000	2.0000	-	0.2710	0.2950	0.5938	10.6598
2011	7.5000	2.0000	-	0.2710	0.2950	0.6652	10.7312
2012	7.5000	2.0000	-	0.3603	0.4000	0.6313	10.8916
2013	7.5000	2.0000	-	0.3349	0.4000	0.5429	10.7778
2014	7.5000	2.0000	-	0.3049	0.3455	0.6274	10.7778

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
2005	6.0000	3.7000	1.4900	6.1362	3.0416	2.8135	33.3255
2006	6.0000	2.7000	1.4900	6.1362	4.5416	2.8135	33.8255
2007	6.0000	2.7000	1.4900	6.5862	4.5416	2.8135	34.2755
2008	6.0000	2.7000	1.4900	6.7162	4.5416	2.8135	34.7505
2009	6.0000	5.0400	1.4900	6.3311	4.8316	2.8135	37.1660
2010	6.0000	5.0400	1.5000	6.7212	4.8316	2.8135	37.5661
2011	6.0000	5.0400	1.5000	6.7412	4.8566	2.8135	37.6825
2012	6.0000	5.0400	1.5000	6.7412	4.8616	2.8135	37.8479
2013	6.0000	5.8000	1.5000	6.3596	4.8666	2.8135	38.1175
2014	6.0000	5.8000	1.5000	6.7695	4.8916	2.8135	38.5524

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	2014		
		Taxable Value	Rank	Percentage of Total City Assessed Value
Pfizer , Inc. (fka Pharmacia & Upjohn, Inc)	Pharmaceuticals	\$ 286,016,110	1	14.44
Stryker Corporation	Manufacturing	38,690,245	2	1.95
Crossroads Mall (Portfolio One, LLC)	Retail Sales	24,870,264	3	1.26
Consumers Energy Co.	Utility	23,940,352	4	1.21
Zoetis	Pharmaceuticals	15,296,500	5	0.77
Edward Rose Associates	Apartments	10,679,256	6	0.54
Southland Mall Ltd	Retail Sales	7,721,300	7	0.39
Meijer, Inc.	Retail Sales	7,611,660	8	0.38
Stryker Medical	Manufacturing	7,150,200	9	0.36
Mann+Hummel	Manufacturing	7,055,200	10	0.36
State Farm Mutual Auto Insurance	Manufacturing			
Bowers Manufacturing	Manufacturing			
Totals		<u>\$ 429,031,087</u>		<u>21.66</u>

Source: City Assessor's Office

Schedule 7  
UNAUDITED

2005		
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
8,467,573	7	0.46
10,689,155	6	0.58
7,329,600	8	0.41
7,179,467	9	0.39
<u>\$ 416,064,853</u>		<u>22.71</u>

This page intentionally left blank.

**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
2005	\$ 17,714	\$ 17,530	99.0%	\$ 158	\$ 17,688	99.9%
2006	18,589	18,334	98.6%	185	18,519	99.6%
2007	19,674	18,719	95.1%	868 *	19,587	99.6%
2008	21,090	20,258	96.1%	437	20,695	98.1%
2009	22,277	21,834	98.0%	57	21,891	98.3%
2010	22,269	21,727	97.6%	14	21,741	97.6%
2011	21,527	20,990	97.5%	19	21,009	97.6%
2012	21,345	20,902	97.9%	5	20,907	97.9%
2013	21,537	21,181	98.3%	5	21,186	98.4%
2014	21,198	20,935	98.8%	14	20,949	98.8%

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)

	2005	2006	2007	2008	2009
<b>Governmental activities</b>					
General obligation bonds	\$ 2,913	\$ 2,543	\$ 2,162	\$ 1,860	\$ 1,556
Special assessment bonds	8,054	7,415	7,280	6,350	5,525
Motor vehicle highway bonds	13,530	12,780	11,925	11,090	10,285
Capital improvement bonds	17,643	22,418	21,165	29,931	31,184
Redevelopment bonds	23,065	25,455	24,585	20,690	19,565
<b>Total governmental activities</b>	<b>65,205</b>	<b>70,611</b>	<b>67,117</b>	<b>69,921</b>	<b>68,115</b>
<b>Business-type activities</b>					
Utility revenue bonds	16,155	15,600	14,970	1,105	860
Capital improvement bonds	8,732	9,932	9,352	31,414	30,501
General obligation bonds	4,202	3,742	3,221	2,815	2,389
<b>Total business-type activities</b>	<b>29,089</b>	<b>29,274</b>	<b>27,543</b>	<b>35,334</b>	<b>33,750</b>
<b>Total primary government</b>	<b>\$ 94,294</b>	<b>\$ 99,885</b>	<b>\$ 94,660</b>	<b>\$ 105,255</b>	<b>\$ 101,865</b>
Percentage of personal income <sup>(1)</sup>	0.318%	0.328%	0.302%	0.327%	0.313%
Per capita	\$ 2,083	\$ 2,202	\$ 2,093	\$ 2,285	\$ 2,208

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

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

Source: City Comprehensive Annual Financial Reports

Schedule 9  
UNAUDITED

2010	2011	2012	2013	2014
\$ 1,342	\$ 1,162	\$ 991	\$ 824	\$ 700
4,720	2,790	3,525	1,715	1,675
9,630	8,950	8,205	7,505	6,510
30,500	30,817	29,764	29,973	29,262
18,575	17,770	16,985	15,985	14,945
<u>64,767</u>	<u>61,489</u>	<u>59,470</u>	<u>56,002</u>	<u>53,092</u>
620	335	50	-	-
30,880	30,458	28,981	28,227	28,078
2,093	1,818	1,559	1,321	1,160
<u>33,593</u>	<u>32,611</u>	<u>30,590</u>	<u>29,548</u>	<u>29,238</u>
<u>\$ 98,360</u>	<u>\$ 94,100</u>	<u>\$ 90,060</u>	<u>\$ 85,550</u>	<u>\$ 82,330</u>
0.339%	0.311%	0.268%	0.285%	0.264%
\$ 2,125	\$ 2,033	\$ 1,945	\$ 1,854	\$ 1,732

**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
2005	\$ 70,085	\$ (3,737)	\$ 66,348	1.67%	\$ 1,465
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

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, 2014

Government Unit	Bonds Outstanding	Percentage Applicable to City	City's Share of Debt
<b>Direct debt</b>			
General obligation bonds	\$ 700,202	100.00%	\$ 700,202
Building authority bonds	5,260,000	100.00%	5,260,000
Downtown development authority bonds	4,565,000	100.00%	4,565,000
Local development finance authority bonds	5,120,000	100.00%	5,120,000
Special assessment bonds	1,675,000	100.00%	1,675,000
Motor vehicle highway fund bonds	6,510,000	100.00%	6,510,000
Capital improvement bonds	<u>29,261,928</u>	100.00%	<u>29,261,928</u>
<b>Total City direct debt</b>	<u>\$ 53,092,130</u>		<u>53,092,130</u>
<b>Overlapping debt (1)</b>			
Portage Public Schools	\$ 107,750,000	86.34%	93,031,350
Vicksburg Public Schools	16,691,000	7.64%	1,275,192
Comstock Public Schools	5,192,000	2.05%	106,436
Schoolcraft Public Schools	10,416,428	2.15%	223,953
Kalamazoo Valley Intermediate School District	16,400,000	27.31%	4,478,840
Kalamazoo County	<u>34,039,701</u>	25.04%	<u>8,523,541</u>
<b>Total overlapping debt</b>	<u>\$ 190,489,129</u>		<u>107,639,312</u>
<b>Total direct &amp; overlapping debt</b>			<u>\$ 160,731,442</u>

(1) Overlapping jurisdictions outstanding and overlapping debt as of June 30, 2014

*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

**Legal Debt Margin**

Last Ten Years  
*(expressed in thousands)*

Special Assessment Bonds Legal Debt Margin Calculation for Fiscal Year 2014

State Equalized Assessed Value - June 30, 2014	\$ 2,035,640
Debt limit (12% of assessed value)	244,277
Amount of debt applicable to debt limit - Special assessment bonds	<u>1,675</u>
Legal debt margin	<u>\$ 242,602</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
2005	\$ 249,144	\$ 8,054	\$ 241,090	3.23%
2006	258,015	7,415	250,600	2.87%
2007	266,509	7,280	259,229	2.73%
2008	275,382	6,350	269,032	2.31%
2009	271,297	5,525	265,772	2.04%
2010	272,737	4,720	268,017	1.73%
2011	257,543	2,790	254,753	1.08%
2012	247,354	3,525	243,829	1.43%
2013	249,940	1,715	248,225	0.69%
2014	244,277	1,675	242,602	0.69%

General Obligation Bonds Legal Debt Margin Calculation for Fiscal Year 2014

State Equalized Assessed Value - June 30, 2014	<u>\$ 2,035,640</u>
Debt limit (10% of assessed value)	203,564
Amount of debt applicable to debt limit- General obligation debt	<u>51,417</u>
Legal debt margin	<u>\$ 152,147</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
2005	\$ 207,620	\$ 53,365	\$ 154,255	25.70%
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%

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:					
2005	\$ 7,972	\$ 7,158	\$ 814	\$ 1,365	\$ 1,143
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
Special Assessment Bonds:					
2005			\$ 941	\$ 910	\$ 354
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			345	305	105

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
-------	----------

\$	2,508	32%
	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%

\$	1,264	74%
	1,255	231%
	1,224	63%
	1,229	70%
	1,090	61%
	1,037	56%
	2,131	21%
	596	65%
	558	56%
	410	84%

# CITY OF PORTAGE, MICHIGAN

## Demographic and Economic Statistics

Last Ten Years

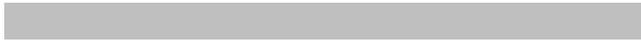
Year	Population	Personal income	Per Capita Personal Income	Median Household Income (1)	Median Age
2005	45,277	\$ 1,341,433	\$ 29,627	\$ 51,631	36
2006	45,354	1,381,973	30,471	51,900	36
2007	45,236	1,416,559	31,315	51,600	36
2008	46,066	1,481,422	32,159	51,350	36
2009	46,133	1,503,040	32,581	51,142	36
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

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	8,962	3.9%
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%

# CITY OF PORTAGE, MICHIGAN

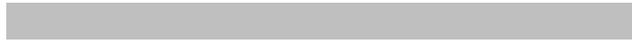
## Principal Employers

Current Year and Nine Years Ago

Taxpayer	2014		
	Employees	Rank	Percentage of Total City Employment
Stryker Instruments	2,300	1	9.12%
Pfizer , Inc. (fka Pharmacia & Upjohn, Inc)	2,100	2	8.33%
Portage Public Schools	950	3	3.77%
State Farm Mutual Auto Insurance Co.	950	4	3.77%
Kal. Regional Educational Service Agency	610	5	2.42%
Meijer, Inc.	600	6	2.38%
Summit Polymers / Mueller Plastics	472	7	1.87%
Wal-Mart	406	8	1.61%
J C Penney Co., Inc	300	9	1.19%
Bowers Manufacturing	295	10	1.17%
Advantage Private Nursing			
Target (Target, Marshall Field's, Mervins)			
Total	<u>8,983</u>		<u>35.63%</u>
Total employees	<u>25,210</u>		

Source: Municipal Financial Consultants Incorporated

Schedule 15  
UNAUDITED



2005		
Employees	Rank	Percentage of Total City Employment
1,100	4	4.17%
4,000	1	15.16%
1,121	3	4.25%
600	5	2.27%
1,361	2	5.16%
550	6	2.08%
300	9	1.14%
290	10	1.10%
490	8	1.86%
521	7	1.97%
<u>10,333</u>		<u>39.15%</u>
<u>26,391</u>		

# CITY OF PORTAGE, MICHIGAN

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

Function/Program	Fiscal Year				
	2005	2006	2007	2008	2009
General government					
Assessor	6	6	6	6	5
Clerk	3	3	3	3	3
City administration	9	8	8	8	8
Finance	10	10	10	9	9
Human resources	8	8	9	9	9
Purchasing	2	3	3	3	3
Police protection					
Administrative	4	4	4	4	4
Operations	75	75	74	70	70
Fire protection					
Administrative	4	4	4	4	4
Operations	31	31	31	32	31
Streets and equipment	24	25	23	23	21
Community development	18	18	18	17	16
Transportation and utilities	9	9	9	9	7
Parks and recreation	17	17	17	14	14
Senior center	5	6	6	6	6
<b>Total</b>	<b>225</b>	<b>227</b>	<b>225</b>	<b>217</b>	<b>210</b>

Source: City Annual Budget



Fiscal Year					
2010	2011	2012	2013	2014	
5	5	5	5	5	5
3	3	3	3	3	3
8	6	6	6	6	6
9	9	9	9	9	9
7	7	8	8	8	8
2	3	3	2	2	2
4	4	4	4	4	4
68	70	70	71	71	
4	4	4	2	2	
31	31	29	29	29	
20	19	19	19	20	
15	14	14	12	12	
7	6	5	5	6	
12	15	14	12	14	
5	5	4	3	2	
<u>200</u>	<u>201</u>	<u>197</u>	<u>190</u>	<u>193</u>	

# CITY OF PORTAGE, MICHIGAN

## Operating Indicators by Function/Program Last Ten Years

Function/Program	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Police</b>					
Arrests	4,010	4,695	4,700	3,850	4,455
Traffic citations	4,533	3,616	3,600	2,850	2,800
Calls for service (police & fire)	23,913	24,934	24,000	24,500	24,800
<b>Fire</b>					
Number of calls answered					
Fire	118	117	134	120	126
Emergency medical	2,019	1,620	1,761	1,750	1,962
Inspections	2,143	3,000	2,971	3,100	3,588
<b>Parks and Recreation</b>					
Acreage of intensive maintenance	203	207	207	207	208
Acreage of boulevard mowing	129	129	130	131	131
<b>Highways and streets</b>					
Miles of major streets plowed	72	72	72	72	72
Miles of streets resurfaced	2	33	3	1	2
Miles of right-of-way mowed	58	52	66	50	50
Miles of streets swept	4,800	4,500	5,000	5,000	5,000
<b>Water utility</b>					
Water pumped & treated (millions of gallons)	2,000	2,170	2,200	2,200	2,110
Water main breaks	21	24	24	19	19
<b>Sewer utility</b>					
Sewage transported (millions of gallons)	1,818	1,850	1,890	1,784	1,800
Miles of sewers cleaned	96	95	95	81	78
Lift station inspections	3,950	3,750	3,800	1,980	2,200

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

Fiscal Year				
2010	2011	2012	2013	2014
3,672	2,970	2,653	2,335	3,397
3,654	2,354	4,212	2,745	2,726
24,808	24,808	24,957	21,796	24,753
140	120	116	122	120
2,100	1,778	1,822	2,125	2,290
3,026	3,025	2,153	2,578	2,500
209	209	209	209	209
131	131	131	131	131
72	72	72	72	72
4	2	4	4	9
50	50	50	50	50
4,985	4,615	4,395	4,395	2,679
2,002	1,993	1,750	2,200	2,053
24	29	27	25	27
1,800	1,420	1,360	1,442	1,465
77	77	77	76	76
1,900	1,929	1,800	1,916	1,833

# CITY OF PORTAGE, MICHIGAN

## Capital Assets Statistics by Function/Program Last Ten Years

Function/Program	Fiscal Year				
	2005	2006	2007	2008	2009
Public safety					
Police:					
Stations	1	1	1	1	1
Vehicles	32	32	35	35	32
Fire:					
Stations	3	3	3	3	3
Vehicles	14	14	14	14	14
Health and welfare:					
Number of parks	15	15	15	16	16
Acres of parks	724	724	724	724	724
Senior citizen centers	1	1	1	1	1
Highways and streets:					
Miles of Streets	215	217	217	219	220
Water utility:					
Water mains (miles)	226	233	237	240	243
Number of fire hydrants	2,498	2,455	2,500	2,587	2,600
Number of customers	13,025	13,133	13,300	13,420	13,520
Sewer utility:					
Sewer lines (miles)	218	221	224	227	230
Lift stations	56	55	55	55	55
Number of customers	14,450	14,662	14,783	14,903	15,003

Source: City Annual Budget



Fiscal Year					
2010	2011	2012	2013	2014	
1	1	1	1	1	1
32	32	36	36	35	35
3	3	3	3	3	3
14	14	14	14	14	14
16	16	16	16	16	17
724	724	724	724	724	849
1	1	1	1	1	1
220	220	220	220	220	220
245	246	246	246	246	247
2,627	2,639	2,653	2,662	2,670	2,670
13,626	13,692	13,752	13,752	13,850	13,850
230	230	230	230	231	231
55	55	55	55	55	55
15,080	15,124	15,177	15,177	15,270	15,270

This page intentionally left blank.

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 24, 2014

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Portage* (the "City"), as of and for the year ended June 30, 2014, 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 24, 2014.

#### 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2014-FS-01, -02, and -03 that we consider to be significant deficiencies.

#### 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*.

#### City of Portage's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

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

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

# CITY OF PORTAGE, MICHIGAN

## Schedule of Findings and Responses

For the Year Ended June 30, 2014

### 2014-FS-01 - Proper Accounting for Revenue

**Finding Type.** Significant Deficiency in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for ensuring that all revenues of the City are properly recorded in the general ledger accounts.

**Condition.** The City has received refunds from Michigan Municipal Risk Management Association (MMRMA) over the last five years in the amount of approximately \$412,000.

**Cause.** These monies were deposited and recorded by the City in an agency fund liability account, which would infer these funds are owed to someone outside of the City, when in fact, they are not owed by the City but are actually insurance refunds to the City.

**Effect.** As these have been recorded by the City as a liability, it currently overstates the City's liabilities and under reports revenues in the general fund.

**Recommendation.** We recommend the City record these refunds as revenues to the appropriate funds and eliminate the balance in the liability account.

**View of Responsible Official.** Management agrees with the recommendation. The funds have been transferred and recognized as revenue for the fiscal year ending June 30, 2015.

# CITY OF PORTAGE, MICHIGAN

## Schedule of Findings and Responses

For the Year Ended June 30, 2014

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

**Finding Type.** Significant Deficiency in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for proper classification of the different funds of the City based on the particular purpose of the fund.

**Condition.** The City currently reports the CDBG program income fund as a permanent fund. 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.

**Cause.** The City has reported the CDBG program income fund as a permanent fund based on its understanding of the purpose of the fund which is to provide qualified citizens with home program loans.

**Effect.** While reporting the fund as a permanent fund rather than a special revenue fund (which is 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) does not change the fund activity, it does not meet the definition of a permanent fund.

**Recommendation.** We recommend the City change the reporting classification of the CDBG program income fund and report it as a special revenue fund.

**View of Responsible Official.** Management agrees with the recommendation. The Community Development Block Grant Program Income Fund will be reclassified and reported as a special revenue fund type following the close of fiscal year 2014-2015.

# CITY OF PORTAGE, MICHIGAN

## Schedule of Findings and Responses

For the Year Ended June 30, 2014

### 2014-FS-03 - Cemetery Perpetual Care Fund

**Finding Type.** Significant Deficiency in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for proper recording and reporting of permanent funds of the City. This includes proper accounting for the corpus of the fund and the interest received on the corpus.

**Condition.** We noted that while the City properly reports the cemetery perpetual care fund as a permanent fund and reports the fund balance as nonspendable, it appears there is not a spendable portion reported for the interest earned.

**Cause.** The City has reported the fund balance in the fund for several years as all nonspendable. It does not report a spendable portion.

**Effect.** While reporting the entire fund balance as nonspendable, it has not properly shown the spendable portion which is the allowable portion to provide for maintenance and care.

**Recommendation.** We recommend the City review the revenues received and determine the amount that is considered spendable and report that amount in the fund separate from the nonspendable portion.

**View of Responsible Official.** Management will implement appropriate procedures to ensure permanent fund nonspendable fund balance is consistently classified and reported properly. In fiscal years ending June 30, 2102 and June 30, 2013, ending fund balance was properly reported because all spendable revenue was transferred out of the Cemetery Fund during the year.



This page intentionally left blank.