

**City of Portland, Tennessee**  
**Financial Report**  
**June 30, 2017**

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## **Introductory Section**

**City of Portland, Tennessee**  
**Roster of City Officials and Official Bonds of Principal Officials**  
**June 30, 2017**

		<u><b>Period of Service</b></u>
Mayor	Ken Wilber CMFO	07/01/16 – 06/30/17
Vice Mayor	Mike Callis	07/01/16 – 06/30/17
Council Member	David Andrews	07/01/16 – 06/30/17
Council Member	Luther Bratton (not re-elected)	07/01/16 – 11/04/16
Council Member	Brian Harbin	07/01/16 – 06/30/17
Council Member	Andrew Jennings	07/01/16 – 06/30/17
Council Member	John Kerley (newly elected)	12/01/16 – 06/30/17
Council Member	Jody McDowell	07/01/16 – 06/30/17
Council Member	Beverly Watson	07/01/16 – 06/30/17
City Recorder	Doug Yoeckel, CPA CMFO	07/01/16 – 06/30/17
Assistant City Recorder	Patricia Keen	07/01/16 – 06/30/17
*City Attorney	David Amonette	07/01/16 – 06/30/17
City Judge	Steve Glaser	07/01/16 – 02/26/17
City Judge	Joseph B. (Jack) Freedle	02/27/17 – 06/30/17

\*\* All employees of the City of Portland, Tennessee are covered under the Property and Crime policy with the TML Risk Management Pool up to \$250,000 crime coverage. The City Recorder is bonded for an additional \$500,000.

\*New City Attorney John R. Bradley Appointed 12/01/17

## **Financial Section**

# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Aldermen  
City of Portland, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Portland, Tennessee (the City), as of and for the year ended June 30, 2017, 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion 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 auditors' 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

1000 Northchase Drive, Suite 260 • Goodlettsville, TN 37072 • 615-859-8800

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules listed on pages 51 - 53, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information presented 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 an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and supplemental information on pages 54 - 62, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and supplemental information on pages 54 - 62 including the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and was derived from and relates 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 supplemental information on pages 54 - 62 including the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section on page 1 and other supplementary information on pages 63 - 66 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 it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the City's internal control over financial reporting and on 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 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.

*Blankenship CPA Group, PLLC*

December 15, 2017

**CITY OF PORTLAND, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

As management of the City of Portland, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

**FINANCIAL HIGHLIGHTS**

\* The assets of the City of Portland exceeded its liabilities at the close of June 30, 2017 by \$64,994,780. Of this amount, \$15,300,775 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

\* The government's total net position increased by \$1,804,896.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,774,620, a decrease of (\$4,211,456), in comparison to the prior year. Approximately 42% of this total amount, \$2,408,556 is available for spending at the government's discretion (unassigned other general fund balance).

\* The City's long-term liabilities increased by \$7,614,813 due to a Water & Sewer Revenue Refunding Obligation bond issue of \$15,560,000 and two capital outlay notes totaling \$375,000 during the current year. Normal debt service payments and the refunding liquidation payments reduced the effect of the new debt. The bond issue was for plant and system upgrades to the City's waste treatment system.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Portland'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. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities, deferred outflows and inflows, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed 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 (e.g., uncollected tax and earned but unused vacation leave).



**CITY OF PORTLAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Both of the government-wide financial statements distinguish functions of the City 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 cost through user fees and charges (business-type activities). The governmental activities of the City of Portland include general government, planning and zoning, police, fire, highways and streets, recreation, animal control, city engineering, community development, sanitation, storm water and the airport authority. The business-type activities of the City include Water and Sewer and Natural Gas operations.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Portland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds:** Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statement focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the airport fund, which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation, as nonmajor governmental funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Portland adopts an annual appropriated budget for its general fund as well as drug fund, airport authority fund, impact fee fund, industrial loan fund, storm water fund and solid waste fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. See Table 3 for the general fund budget comparison. The other budgetary comparisons are in the combining and individual nonmajor fund statements and schedules section of the report.

## **FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS**

**Proprietary Funds:** The City of Portland maintains two proprietary funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses proprietary funds to account for its Water and Sewer and Natural Gas operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water and sewer and natural gas activities, which are considered to be major funds of the City.

**CITY OF PORTLAND, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

**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.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

**Government-wide Financial Analysis**

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City of Portland, assets and deferred outflows exceeded liabilities and deferred inflows by \$63,189,884 at the close of 2016 and \$64,994,780 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (74.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt that is still outstanding, used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets 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 used to liquidate these liabilities.

An additional portion of the City's net position (approximately 2.2%) represents resources that are subject to external restrictions on how these may be used. The remaining balance of unrestricted net position \$15,300,775 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole and for the business-type activities. The same situation held true for the prior year. Unrestricted net position of the governmental activities reflected a balance of \$4,668,637 at the end of the current fiscal year.

During the current fiscal year, the government's net position increased by \$1,804,896. This increase is approximately 2.8% of total net position. Of this \$1,804,896 increase, the governmental activities increased \$1,019,304 and the business related activities increased \$785,592.

**CITY OF PORTLAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Table 1**

**Net Position**  
(In Thousands)

	Government Activities			Business -type Activities			Total		
	2017	2016	Change	2017	2016	Change	2017	2016	Change
<b>Assets</b>									
Current & Other Assets	\$ 10,522	\$ 14,970	\$ (4,448)	\$ 19,096	\$ 10,061	\$ 9,034	\$ 29,618	\$ 25,031	\$ 4,587
Capital Assets	30,958	26,120	4,838	35,858	36,276	(417)	66,816	62,396	4,420
Total Assets	41,480	41,090	390	54,954	46,337	8,617	96,434	87,427	9,007
<b>Deferred Outflows</b>									
Deferred Outflows	912	883	29	556	545	11	1,468	1,428	40
Total Deferred Outflows	912	883	29	556	545	11	1,468	1,428	40
<b>Liabilities</b>									
Other Liabilities	736	677	59	635	319	316	1,371	996	375
L-T Liabilities	9,978	10,161	(183)	17,325	9,527	7,798	27,303	19,688	7,615
Total Liabilities	10,714	10,838	(124)	17,960	9,846	8,114	28,674	20,684	7,990
<b>Deferred Inflows</b>									
Deferred Inflows	4,118	4,594	(476)	115	387	(272)	4,233	4,981	(748)
Total Deferred Inflows	4,118	4,594	(476)	115	387	(272)	4,233	4,981	(748)
<b>Net Position</b>									
Net Investment in									
Capital Assets	21,471	16,344	5,126	26,802	26,868	(65)	48,273	43,212	5,061
Restricted	1,421	1,418	3	-	103	(103)	1,421	1,522	(100)
Unrestricted	4,669	8,779	(4,110)	10,632	9,678	954	15,301	18,456	(3,155)
Total Net Position	\$ 27,560	\$ 26,541	\$ 1,019	\$ 37,434	\$ 36,649	\$ 786	\$ 64,995	\$ 63,190	\$ 1,805

**CITY OF PORTLAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Table 2**

**Changes in Net Position**  
(In Thousands)

	Government Activities			Business -type Activities			Total		
	2017	2016	Change	2017	2016	Change	2017	2016	Change
<b>Revenues</b>									
Program Revenues:									
Charges for Services	\$ 2,126	\$ 1,635	\$ 491	\$ 11,691	\$ 10,456	\$ 1,235	\$ 13,817	\$ 12,090	\$ 1,726
Operating Grants	342	338	4	-	-	-	342	338	4
Capital Grants	2,238	2,409	(171)	240	237	3	2,478	2,646	(168)
General Revenues:									
Property Taxes	4,050	3,804	247	-	-	-	4,050	3,804	247
Intergovernmental	3,461	3,284	177	-	-	-	3,461	3,284	177
Interest	19	16	3	47	35	12	66	50	15
Other Revenues	130	150	(20)	-	-	-	130	150	(20)
Gain	42	37	5	44	10	34	86	46	40
<b>Total Revenues</b>	<b>\$ 12,409</b>	<b>\$ 11,673</b>	<b>\$ 736</b>	<b>\$ 12,022</b>	<b>\$ 10,737</b>	<b>\$ 1,285</b>	<b>\$ 24,431</b>	<b>\$ 22,409</b>	<b>\$ 2,021</b>
<b>Program Expenses</b>									
Gen Gov't	\$ 2,761	\$ 1,123	\$ 1,637	\$ -	\$ -	\$ -	\$ 2,761	\$ 1,123	\$ 1,637
Public Safety	4,163	4,005	158	-	-	-	4,163	4,005	158
City Court	17	18	(2)	-	-	-	17	18	(2)
Hwy, Streets	1,466	2,903	(1,437)	-	-	-	1,466	2,903	(1,437)
Solid Waste	988	974	14	-	-	-	988	974	14
Impact Fee	-	-	-	-	-	-	-	-	-
Parks	805	800	4	-	-	-	805	800	4
Airport	527	482	45	-	-	-	527	482	45
Planning	257	169	88	-	-	-	257	169	88
Comm Develop	43	39	4	-	-	-	43	39	4
City Garage	52	53	(1)	-	-	-	52	53	(1)
Engineering	44	107	(62)	-	-	-	44	107	(62)
Animal Control	78	80	(2)	-	-	-	78	80	(2)
Stormwater	188	-	188	-	-	-	188	-	188
Water & Sewer	-	-	-	6,745	6,309	436	6,745	6,309	436
Gas	-	-	-	4,205	3,773	432	4,205	3,773	432
Interest on L-T Debt	288	397	(109)	-	-	-	288	397	(109)
<b>Total Expenses</b>	<b>11,676</b>	<b>11,151</b>	<b>525</b>	<b>10,950</b>	<b>10,082</b>	<b>867</b>	<b>22,626</b>	<b>21,233</b>	<b>1,393</b>
<b>Increase (Decrease) in net position</b>									
Extraordinary Item	-	-	-	-	-	-	-	-	-
Transfers	287	283	3	(287)	(283)	(3)	-	-	-
<b>Increase (Decrease) in net position</b>	<b>1,019</b>	<b>805</b>	<b>214</b>	<b>786</b>	<b>371</b>	<b>414</b>	<b>1,805</b>	<b>1,176</b>	<b>628</b>
Net Position - Beginning	26,541	25,736	805	36,649	36,278	371	63,190	62,013	1,176
Prior Period Adjustment	-	-	-	-	-	-	-	-	-
<b>Net Position - Ending</b>	<b>\$ 27,560</b>	<b>\$ 26,541</b>	<b>\$ 1,019</b>	<b>\$ 37,434</b>	<b>\$ 36,649</b>	<b>\$ 786</b>	<b>\$ 64,995</b>	<b>\$ 63,190</b>	<b>\$ 1,805</b>

**CITY OF PORTLAND, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS, continued**

**Governmental Funds**

The focus of the City of Portland's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as useful measure to a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,774,620, a decrease of (\$4,211,456), in comparison with 2016. Of this total amount, \$2,408,556 constitutes unassigned fund balance which is used for spending at the government's discretion. The non-spendable portion of fund balance (\$323,514) is reserved to indicate that it is not available for new spending because it has been committed to provide for prepaid items and inventory and the restricted fund balance (\$1,275,375) is set aside for statutorily reserved purposes. The committed fund balance (\$92,525) is designated for special projects that are provided by City Council action. The assigned fund balance (\$1,674,650) is amounts intended to be used for specific purposes primarily capital projects.

The general fund is the chief operating fund of the City. At the end of the current fiscal year the total general fund balance was \$4,761,803 with \$2,408,556 (approximately 51%) constituting unassigned fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Unassigned fund balance represents 15.4% of total general fund expenditures and 28.9% of total expenditures less capital outlays. Total fund balance represents 30.4% of total general fund expenditures. During the current fiscal year, the fund balance of the City's general fund decreased by (\$4,173,046).

Overall sales tax revenues and local option tax revenues continue to improve year over year as new retail outlets continue to open or expand (Dollar Tree and Kirby Stop) with additional outlets planned or in process for the coming year. Current year levels improved 2.1% and 1.4% respectively over 2016 levels.

Collections of current year property taxes were at 97.7% of total taxes billed. Overall collections of property taxes including delinquents and penalties exceeded planned levels by approximately .8%.

Building permits continue to be very strong up (+104.2%) versus 2016 and up (+17.8%) to forecasted levels. Building permits are an excellent indicator of the construction business because they affect sewer and water taps and impact fees. Permits also affect the property tax revenues and sales tax revenues because of the impact of builders buying supplies and the increase in property assessment values. Building permits should continue to be strong because of growth indicators that support the road infrastructure improvements that are in process (new interchange on I-65) and the planned road project (109 by-pass).

The State of Tennessee's state shared revenues were up approximately +4.0% over prior year. Sales Tax continued to show solid improvements, +2.1%. State income tax improved significantly from prior year, +41.0%. Business tax was down from prior year by -7.0%. These factors combined with tight control on operating expenditures contributed to the improvement in general unassigned fund balance (+\$421,003) The effect of the significant capital improvement spending due from the bond issue in the prior year resulted in the large drop in general fund balance (-\$4,173,406).

**CITY OF PORTLAND, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

The City of Portland, recognizing fund balance problems in mid-year 2010, made several changes which continue to aid in the improvement in the fund balance. The improved economy and continued spending controls lend to continued positive signs with the strongest indicator being the unassigned fund balance of \$2,408,556 at the end of 2017.

**Proprietary Funds**

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$10,632,138, an increase of \$954,474 (+9.9%) with Water & Sewer contributing an \$864,553 increase and Gas contributing an \$89,941 increase. The overall change in net position was an increase of \$785,592, with Water & Sewer contributing a \$756,345 increase and Gas a \$29,247 increase. Operating income was down in Gas (-\$191,774) and up in Water & Sewer (+\$881,870) versus prior year.

Gas revenues were moderately up for the year +\$239,786 (5%) as temperatures were modestly cooler versus prior year. Natural gas costs for the year were up +\$352,737 and the overall margin on gas declined by 5.3 percentage points. Increased spending also contributed to the reduction in operating income, operating expenses (+\$77,593) administrative expenses (+\$677), and depreciation (+\$533).

Water & Sewer had a significant increase in operating revenues of +\$995,220 due primarily to a rate increase on sewer (+30.0%) implemented at the beginning of the fiscal year. Improved cost control in operating expenses (-65,407) offset by increases in depreciation (+\$16,857) and administrative expenses (+\$161,900) created the overall increase in operating income.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund budget was amended during the year. The following table illustrates the change to the annual budget.

**CITY OF PORTLAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Table 3**

	<b>General Fund</b>		
	<b>Budgeted Amounts</b>		
	<b>Original</b>	<b>Final</b>	<b>Change</b>
<b>Revenues</b>			
Local Taxes:			
Property and Personalty Taxes	\$ 3,967,000	\$ 4,020,000	\$ 53,000
Sales Taxes	1,510,000	1,510,000	-
Alcoholic Beverage Taxes	305,000	333,000	28,000
Business Taxes	122,000	122,000	-
Cable TV Franchise and Lease Taxes	122,000	120,000	(2,000)
Other Taxes	3,550	3,700	150
Licenses & Permits	132,500	216,000	83,500
Fines	227,000	205,279	(21,721)
Intergovernmental Revenues:			
Sales Taxes	940,000	940,000	-
Gasoline and Motor Fuel Taxes	310,000	320,000	10,000
Gas 1989 Taxes	-	-	-
Gas 3 Cent Taxes	-	-	-
Petroleum Special Taxes	23,500	23,500	-
Income Taxes	90,000	85,000	(5,000)
Corporate Excise Tax	20,000	42,500	22,500
In Lieu of Tax	180,000	186,640	6,640
Charges for Services	71,185	53,200	(17,985)
Rental Income	22,000	22,000	-
Investment Income	6,165	16,260	10,095
Miscellaneous Revenues	15,015	25,515	10,500
Total Revenues	<u>\$ 8,066,915</u>	<u>\$ 8,244,594</u>	<u>\$ 177,679</u>
<b>Expenditures</b>			
Current:			
General Government	\$ 849,526	\$ 965,003	\$ (115,477)
Public Safety	4,166,627	4,280,752	(114,125)
City Court	17,340	19,345	(2,005)
Highways, Streets and Roadways	1,170,767	1,262,550	(91,783)
Parks and Recreation	756,288	743,910	12,378
Planning and Zoning	258,077	284,551	(26,474)
Community Development	47,863	51,247	(3,384)
City Garage	56,680	58,005	(1,325)
Engineering	44,794	51,900	(7,106)
Animal Control	95,026	93,781	1,245
Debt Service			
Principal	559,984	806,237	(246,253)
Interest	288,897	290,721	(1,824)
Capital Outlay	7,272,539	8,895,921	(1,623,382)
Total Expenditures	<u>\$ 15,584,408</u>	<u>\$ 17,803,923</u>	<u>\$ (2,219,515)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (7,517,493)</u>	<u>\$ (9,559,329)</u>	<u>\$ (2,041,836)</u>
<b>Other Financing Sources (Uses)</b>			
Contributions	\$ 1,299,775	\$ 1,530,673	\$ 230,898
Grants	108,750	520,679	411,929
Operating Transfers In/Out	431,428	495,567	64,139
Proceeds from Sales of Capital Assets	-	29,500	29,500
Proceeds from Debt Issuance	-	600,000	600,000
Insurance Recoveries	15,000	15,000	-
Total Other Financing Sources (Uses)	<u>\$ 1,854,953</u>	<u>\$ 3,191,419</u>	<u>\$ 1,336,466</u>
<b>Net Change in Fund Balance</b>	<u>\$ (5,662,540)</u>	<u>\$ (6,367,910)</u>	<u>\$ (705,370)</u>
<b>Budgetary Fund Balance - July 1, 2016</b>	<u>\$ 8,934,849</u>	<u>\$ 8,934,849</u>	<u>\$ -</u>
<b>Budgetary Fund Balance - June 30, 2017</b>	<u>\$ 3,272,309</u>	<u>\$ 2,566,939</u>	<u>\$ (705,370)</u>

**CITY OF PORTLAND, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City of Portland's investment in capital assets from its governmental and business-type activities at June 30, 2017, amounts to \$66,816,180 (net of accumulated depreciation). This investment in capital assets consists mainly of land, buildings, improvements, machinery and equipment, park facilities, roads, bridges, and utility plant for the water, sewer, and natural gas services the City provides. Total Capital Assets increased by \$4,420,307 due to several large projects (Two Fire Hall Buildings, Airport Land Acquisition, Park Improvements, Waste Water Treatment Plant Upgrade and the Gas System Expansion Gate) and several upgrades in equipment for the streets, police and airport departments. The cost additions were offset by the annual depreciation of \$2,661,593.

Additional information on the City of Portland's capital assets can be found in the notes to the financial statements section of this report.



**CITY OF PORTLAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Table 4**

	Balance 7/1/2016	Additions	Disposals/ Transfers	Balance 6/30/2017
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 5,044,966	\$ 686,212	\$ -	\$ 5,731,178
Construction in Progress	1,782,269	5,205,472	(4,815,657)	2,172,084
Total Capital Assets not being Depreciated	<u>\$ 6,827,235</u>	<u>\$ 5,891,684</u>	<u>\$ (4,815,657)</u>	<u>\$ 7,903,262</u>
Capital Assets Being Depreciated				
Buildings	\$ 6,108,215	\$ 3,600,272	\$ -	\$ 9,708,487
Improvements Other than Buildings	5,745,033	668,293	-	6,413,326
Infrastructure	13,585,998	-	-	13,585,998
Machinery & Equipment	5,569,142	582,912	(135,117)	6,016,937
Total Capital Assets being Depreciated	<u>\$ 31,008,388</u>	<u>\$ 4,851,477</u>	<u>\$ (135,117)</u>	<u>\$ 35,724,748</u>
<b>Business-type Activities</b>				
Capital Assets not being Depreciated				
Land & Right of Way	\$ 1,268,030	\$ -	\$ -	\$ 1,268,030
Construction in Progress	618,626	1,084,637	(324,108)	1,379,155
Total Capital Assets not being Depreciated	<u>\$ 1,886,656</u>	<u>\$ 1,084,637</u>	<u>\$ (324,108)</u>	<u>\$ 2,647,185</u>
Capital Assets Being Depreciated				
Water & Sewer Plant	\$ 40,689,240	\$ 67,004		\$ 40,756,244
Natural Gas Plant	12,276,476	-		12,276,476
Equipment & Vehicles	2,413,447	332,592		2,746,039
Furniture & Fixtures	306,860	-		306,860
Total Capital Assets being Depreciated	<u>\$ 55,686,023</u>	<u>\$ 399,596</u>	<u>\$ -</u>	<u>\$ 56,085,619</u>
<b>Governmental Activities</b>				
Accumulated Depreciation				
Buildings, Improvements, Machinery and Equipment	\$ 7,640,770	\$ 692,195	\$ (129,388)	\$ 8,203,577
Infrastructure	4,074,612	391,901	-	4,466,513
Total Accumulated Depreciation	<u>\$ 11,715,382</u>	<u>\$ 1,084,096</u>	<u>\$ (129,388)</u>	<u>\$ 12,670,090</u>
<b>Business-type Activities</b>				
Accumulated Depreciation				
Water & Sewer Plant	\$ 15,021,329	\$ 1,066,896	\$ -	\$ 16,088,225
Natural Gas Plant	4,348,949	290,132	-	4,639,081
Machinery & Equipment	1,645,390	207,023	-	1,852,413
Furniture & Fixtures	281,379	13,446	-	294,825
Total Accumulated Depreciation	<u>\$ 21,297,047</u>	<u>\$ 1,577,497</u>	<u>\$ -</u>	<u>\$ 22,874,544</u>
<b>Total Governmental Activities, Net</b>	<b>\$ 26,120,241</b>	<b>\$ 9,659,065</b>	<b>\$ (4,821,386)</b>	<b>\$ 30,957,920</b>
<b>Total Business-type Activities, Net</b>	<b>\$ 36,275,632</b>	<b>\$ (93,264)</b>	<b>\$ (324,108)</b>	<b>\$ 35,858,260</b>

**CITY OF PORTLAND, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

**CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued**

**Long-Term Debt**

At the end of the current year, the City of Portland had total debt outstanding of \$27,302,674. Of this amount, \$9,977,971 comprises debt backed by the full faith and credit of the government (governmental activity debt) and the remainder of the debt of the City represents debt secured by both the taxing power of the City and specific revenue sources (e.g. revenue and tax bonds) of the proprietary funds.

The total debt increased by \$7,614,813 from the previous year due to a \$15.56 million W&S Bond issue to be used for a major improvements to the Waste Water System and W&S debt refunding. In addition the City added two new capital outlay notes for Police Vehicles (\$225,000) and parks improvements (\$150,000).

State statutes impose no debt limit on the amount of general obligation debt a governmental entity may issue.

Additional information on the City of Portland's debt can be found in the notes to the financial statements section of this report.

**CITY OF PORTLAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Table 5**

	Balance June, 30 2016	Increases	Decreases	Balance June, 30 2017	Amounts Due Within One Year
<b>Governmental Activities</b>					
Capital Outlay Notes	\$ 1,438,345	\$ 375,000	\$ (253,674)	\$ 1,559,671	\$ 275,760
Capital Leases	104,873	-	(62,447)	\$ 42,426	42,426
Bonds	7,431,913	-	(169,549)	\$ 7,262,364	174,549
Promissory Note	800,885	225,000	(402,930)	\$ 622,955	177,930
Compensated Absences	135,836	-	-	\$ 135,836	-
Net Pension Liability	-	56,337	-	\$ 56,337	-
OPEB	249,168	87,911	(38,697)	\$ 298,382	-
	<u>\$ 10,161,020</u>	<u>\$ 744,248</u>	<u>\$ (927,297)</u>	<u>\$ 9,977,971</u>	<u>\$ 670,665</u>
<b>Business-Type Activities</b>					
Water & Sewer System Revenue Refunding Bonds, Series 2006	\$ 4,885,000	\$ -	\$ (4,885,000)	\$ -	\$ -
Water & Sewer Refunding Bond	2,723,000	-	(2,723,000)	\$ -	-
Water & Sewer System Refunding and Improvement Bonds, Series 2016	-	15,560,000	(520,000)	\$ 15,040,000	655,000
State Revolving Loan	1,062,295	-	(61,164)	\$ 1,001,131	62,208
AMR	390,314	-	(180,144)	\$ 210,170	180,144
Capital Leases	39,402	-	(31,400)	\$ 8,002	8,002
Capital Outlay Notes	376,574	-	(172,778)	\$ 203,796	87,130
	<u>9,476,585</u>	<u>15,560,000</u>	<u>(8,573,486)</u>	<u>16,463,099</u>	<u>992,484</u>
Plus bond premium		802,260	(24,980)	\$ 777,280	(38,220)
Less deferred loss on defeasance	(60,942)		3,086	\$ (57,856)	(3,086)
Less bond discount	(7,693)		389	\$ (7,304)	(389)
Compensated Absences	63,337	10,766	-	\$ 74,103	-
Net Pension Liability	-	17,598	-	\$ 17,598	-
OPEB	55,554	50,572	(48,343)	\$ 57,783	-
	<u>\$ 9,526,841</u>	<u>\$ 16,441,196</u>	<u>\$ (8,643,334)</u>	<u>\$ 17,324,703</u>	<u>\$ 950,790</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The unemployment rate for the City of Portland is currently 2.4%, compared to the State unemployment rate of 3.0% and the national rate of 4.1%. The 2010 Census numbers revealed an impressive 35.7% growth rate for Portland.

The Public Disaster awarded a grant totaling one million one hundred and fifty thousand dollars to alleviate the drainage in the Northern quadrants of Portland. The project included a regional detention pond, a new generator and pump at the storm water lift station, a new box culvert and a concrete wall across the top of the detention pond outlet control structure with a davit crane at the lift station. These projects has already proven to alleviate our flooding tendencies in the area.

**CITY OF PORTLAND, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

The Portland Airport continues to participate in the federal and state grant programs. Realizing the benefit of air service in the northern part of the county, Sumner County provides an annual allocation of funds to partner with Portland on Airport projects. The completion of various major projects at the airport and the additional enhancement projects that are on-going at the airport will provide more opportunities for service to our local industries and citizens. The improved airport also is a strong attraction for prospective industries to our City.

Unipres, USA completed expansion for manufacture parts in Portland for the Nissan Rogue. This expansion included renovation of the property they purchased from Garcy Manufacturing from warehousing to manufacturing and an addition of 32,000 sq. ft. added to the main production facility. These projects were complete at the end of the prior fiscal year. Total investment for the project was approximately \$250 million and added an additional 700 jobs.

Hatch Stamping, Tier II automotive stamping facility, occupies a new 100,000 square foot spec facility that was built in the Tennessee Industrial Park on Jay Bird Drive. Operations commenced in the 2nd quarter of 2015 with hiring of approximately 110 employees. Additionally Hatch purchased a nearby operating metal stamping facility to expand their operation. They now have two campuses in Portland that are in full operation.

Two automotive related industries, Depor Industries and Kyowa America completed expansions during the prior year. Depor has since added another small expansion during the current year.

Portland's automotive manufacturers continue to experience steady growth as has been outlined. U.S. Tsubaki is in the process of building a new 250,000 square foot facility to consolidate all their Portland operations and to provide additional expansion capability.

Portland is one of two finalist for an after- market automotive parts assembly facility. The planned facility would be 815,000 sq. ft. with an optional expansion plan of an additional 185,000 square feet. Final location selection and site plans should be completed by the end of the 2<sup>nd</sup> quarter of fiscal 2018.

Portland continues to captivate industry seeking a US Southeastern location. Our location is ideal for product to market whether it be distribution or manufacturing. Our location also serves well for access to a skilled and trainable workforce. The Portland Campus of the TN college of Applied Technology is off to a robust start with Advanced Manufacturing, Machine Tool, Information Technology and Welding classes all growing. There are plans to continue the renovations to the campus and the addition of nursing and construction classes in the coming year. The TCAT staff is working closely with the local industries to meet their special training needs. The process of feeding the TCAT with high school students who wish to graduate with certifications to enter the workforce using the Middle College curriculum has been a huge success.

Road projects were a major part of the year with construction on the new I-65 interchange is in full mode. The new interchange will tie into Hwy 109 north of Portland. Currently the new bridge over the interstate is open to local and the ramps are being constructed. The project completion is set for the spring of 2019. In addition the joint project between four government entities (City of Portland, City of Orlinda, Robertson County and Sumner County) for the widening and adding of a signal at the intersection of Hwy 31W and Hwy 52, a main port of entrance to Portland, is continuing with the first phase of various utility relocations. The proposed Portland By-Pass route which will tie into HWY 109 at the new interchange is in the final engineering stages and is a top priority on TDOT project list. These road projects continue to enhance our ability to recruit new industry and retail prospects.

**CITY OF PORTLAND, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2017**

Portland continues to have a presence at the TN-KY ICSC Annual Conference as well as the Southeastern Conference in Atlanta for retail recruitment. Retailers are interested in our growth as well as the new transportation projects. Of particular interest is our 35.7% growth rate in the federal census from 2000-2010. During the year we added a convenience store at the north entrance to one of our major industrial parks. Significant interest is being generated along the new interchange corridor, as a large convenience store/truck servicing center has purchased property near the interchange site, a Speedway market has purchased property and submitted site plans and several hotel/motel establishments have made site inquiries. Currently under construction are a new Burger King restaurant and a new Fast Paced Clinic.

The City completed a bond issue in August 2015 of over \$7.4 million for a building program to include two fire halls, (one on the north side of town at the mouth of the interchange tie in to 109 and a joint project with the Sumner County EMS on the south side of town), several parks improvements and construction of a new or renovation of the existing city hall. The fire halls were completed during the year as were the parks improvements. The City Hall will be a renovation program that currently is in the design stage.

The City completed a \$15.5 million dollar Water & Sewer Bond issue in October 2016. The monies will be used for a refunding of prior debt of approximately \$8 million, funding for improvement to the existing waste water plant of \$4 million, funding for improvements to the sewer collection system of \$2 million and \$1.5 million for additional collection system line and water line expansions.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Portland, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City Recorder

City of Portland, Tennessee

100 South Russell St.

Portland, TN 37148

**City of Portland, Tennessee**  
**Statement of Net Position**  
**June 30, 2017**

	<b><u>Governmental</u></b> <b><u>Activities</u></b>	<b><u>Business-type</u></b> <b><u>Activities</u></b>	<b><u>Total</u></b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents - Unrestricted	\$ 2,438,149	\$ 8,548,877	\$ 10,987,026
Receivables:			
Property Taxes, Net of Allowance of \$150,780	4,119,775	-	4,119,775
Intergovernmental	725,062	355	725,417
Customer and Other, Net of Allowance of \$142,117	145,378	792,902	938,280
Total Receivables	4,990,215	793,257	5,783,472
Investments	553,835	989,053	1,542,888
Inventory and Supplies	95,068	382,335	477,403
Prepays and Other Current Items	228,447	111,345	339,792
Internal Balances	(2,589)	2,589	-
Total Current Assets	8,303,125	10,827,456	19,130,581
<b>Capital Assets</b>			
Depreciable Capital Assets, Net of Accumulated Depreciation	23,054,658	33,211,075	56,265,733
Non Depreciable Capital Assets	7,903,262	2,647,185	10,550,447
Total Capital Assets	30,957,920	35,858,260	66,816,180
<b>Other Assets</b>			
Cash and Cash Equivalents - Restricted	2,218,988	8,268,045	10,487,033
Total Other Assets	2,218,988	8,268,045	10,487,033
Total Assets	41,480,033	54,953,761	96,433,794
<b>Deferred Outflows of Resources</b>			
Deferred Pensions	912,268	555,651	1,467,919
Total Deferred Outflows of Resources	912,268	555,651	1,467,919
<b>Liabilities</b>			
Accounts Payable and Other Payables	645,997	464,473	1,110,470
Accrued Payroll	87,704	43,634	131,338
Accrued Interest	1,876	127,248	129,124
Long-term Liabilities:			
Compensated Absences	135,836	74,103	209,939
Other Post-employment Benefits Liability	298,382	57,783	356,165
Net Pension Liability	56,337	17,598	73,935
Due Within One Year	670,665	992,484	1,663,149
Due in More Than One Year	8,816,748	16,182,736	24,999,484
Total Liabilities	10,713,545	17,960,059	28,673,604
<b>Deferred Inflows of Resources</b>			
Deferred Property Tax Revenue	3,982,140	-	3,982,140
Deferred Pensions	136,217	114,972	251,189
Total Deferred Inflows of Resources	4,118,357	114,972	4,233,329
<b>Net Position</b>			
Net Investment in Capital Assets	21,470,507	26,802,243	48,272,750
Restricted for:			
Solid Waste	148,077	-	148,077
Stormwater	203,566	-	203,566
State Street Aid	271,330	-	271,330
Day Care	46,264	-	46,264
SOR	5,785	-	5,785
Drug Fund	16,465	-	16,465
Industrial Revolving Loan Fund	555,673	-	555,673
Impact Fee	174,095	-	174,095
Unrestricted	4,668,637	10,632,138	15,300,775
Total Net Position	\$ 27,560,399	\$ 37,434,381	\$ 64,994,780

See notes to the financial statements.

**City of Portland, Tennessee**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

<b>Functions/Programs:</b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government</b>		
					<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Primary government:</b>							
Governmental Activities:							
General Government	\$ 2,760,661	\$ 248,889	\$ -	\$ 1,862,030	\$ (649,742)	\$ -	\$ (649,742)
Public Safety	4,162,969	203,640	-	-	(3,959,329)	-	(3,959,329)
City Court	16,738	-	-	-	(16,738)	-	(16,738)
Highways, Streets and Roadway:	1,203,111	-	341,970	-	(861,141)	-	(861,141)
Solid Waste	988,168	1,001,771	-	-	13,603	-	13,603
Impact Fee	-	125,464	-	-	125,464	-	125,464
Parks and Recreation	804,529	38,933	-	-	(765,596)	-	(765,596)
Airport	527,362	114,864	-	376,102	(36,396)	-	(36,396)
Planning and Zoning	256,669	-	-	-	(256,669)	-	(256,669)
Community Development	43,122	-	-	-	(43,122)	-	(43,122)
City Garage	51,676	-	-	-	(51,676)	-	(51,676)
Engineering	44,452	-	-	-	(44,452)	-	(44,452)
Animal Control	78,163	1,105	-	-	(77,058)	-	(77,058)
Stormwater	187,809	391,146	-	-	203,337	-	203,337
Streets	262,455	-	-	-	(262,455)	-	(262,455)
Interest on Long-term Debt	288,236	-	-	-	(288,236)	-	(288,236)
Total Governmental Activities	11,676,120	2,125,812	341,970	2,238,132	(6,970,206)	-	(6,970,206)
Business-type Activities:							
Gas	4,204,712	4,402,212	-	8,250	-	205,750	205,750
Water and Sewer	6,744,812	7,288,576	-	231,815	-	775,579	775,579
Total Business-type Activities	10,949,524	11,690,788	-	240,065	-	981,329	981,329
Total Primary Government	\$ 22,625,644	\$ 13,816,600	\$ 341,970	\$ 2,478,197	\$ (6,970,206)	\$ 981,329	\$ (5,988,877)
<b>General Revenues:</b>							
Property and Personalty Taxes					\$ 4,050,278	\$ -	\$ 4,050,278
Payment in Lieu of Tax					187,852	-	187,852
Income and Excise Taxes					166,204	-	166,204
Sales Taxes					2,439,581	-	2,439,581
Alcoholic Beverage Taxes					366,574	-	366,574
Business Taxes					135,182	-	135,182
Miscellaneous State Taxes					165,861	-	165,861
Investment Income					19,026	46,854	65,880
Rental Income					102,177	-	102,177
Gain on Disposal of Capital Assets					42,089	44,034	86,123
Miscellaneous					28,060	-	28,060
<b>Transfers, Net</b>					286,625	(286,625)	-
Total General Revenues and Transfers					7,989,509	(195,737)	7,793,772
<b>Change in Net Position</b>					1,019,303	785,592	1,804,895
<b>Net Position - July 1, 2016</b>					26,541,096	36,648,789	63,189,885
<b>Net Position - June 30, 2017</b>					\$ 27,560,399	\$ 37,434,381	\$ 64,994,780

See notes to the financial statements.

**City of Portland, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<b>General Fund</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,246,192	\$ 191,957	\$ 2,438,149
Receivables, Net:			
Property Taxes	4,119,775	-	4,119,775
Intergovernmental	607,262	-	607,262
Customer	-	115,298	115,298
Grants and Other	56,022	60,204	116,226
Due From Other Funds	5,809	-	5,809
Investments	4,689	549,146	553,835
Inventory and Supplies	63,499	31,569	95,068
Prepays and Other Current Items	199,195	29,252	228,447
Restricted Cash	2,015,192	201,186	2,216,378
<b>Total Assets</b>	<b>\$ 9,317,635</b>	<b>\$ 1,178,612</b>	<b>\$ 10,496,247</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	488,171	155,215	643,386
Accrued Payroll	77,248	10,456	87,704
Due To Other Funds	8,273	124	8,397
<b>Total Liabilities</b>	<b>573,692</b>	<b>165,795</b>	<b>739,487</b>
<b>Deferred Inflows of Resources - Deferred Property Tax Revenue</b>	<b>3,982,140</b>	<b>-</b>	<b>3,982,140</b>
<b>Fund Balances:</b>			
Nonspendable:			
Inventory and Prepaid Items	262,693	60,821	323,514
Restricted For:			
Solid Waste	-	134,240	134,240
Stormwater	-	59,687	59,687
State Street Aid	271,330	-	271,330
Day Care	46,264	-	46,264
SOR	5,785	-	5,785
Airport Fund	-	11,837	11,837
Drug Fund	-	16,465	16,465
Industrial Revolving Note	-	555,672	555,672
Impact Fee - Parks & Recreation and Public Service	-	174,095	174,095
Committed To:			
Cable	65,413	-	65,413
Capital Projects	27,112	-	27,112
Assigned To:			
Capital Projects	1,674,650	-	1,674,650
Unassigned	2,408,556	-	2,408,556
<b>Total Fund Balances</b>	<b>4,761,803</b>	<b>1,012,817</b>	<b>5,774,620</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 9,317,635</b>	<b>\$ 1,178,612</b>	<b>\$ 10,496,247</b>

**City of Portland, Tennessee**  
**Reconciliation of the Balance Sheet to the Statement of Net Position of Governmental Activities**  
**June 30, 2017**

Total Governmental Fund Balances	\$ 5,774,620
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Some assets, including accounts receivable are not available in the current period and therefore are not reported in the funds.	31,654
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	30,957,920
Net Pension Asset and Deferred outflows of resources that are not reported in the funds related to pensions.	912,268
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(9,979,844)
Deferred inflows of resources that are not reported in the funds related to pensions.	(136,219)
<b>Net Position of the Governmental Activities</b>	<b>\$ 27,560,399</b>

See notes to the financial statements.



**City of Portland, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<b>General</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 7,853,502	\$ -	\$ 7,853,502
Licenses and Permits	248,889	-	248,889
Fines and Forfeitures	194,397	14,443	208,840
Charges for Services	40,038	1,628,045	1,668,083
Investment Income	16,355	2,671	19,026
Rental/Property Income	17,134	85,043	102,177
Miscellaneous Revenues	25,326	2,737	28,063
Total Revenues	<u>8,395,641</u>	<u>1,732,939</u>	<u>10,128,580</u>
<b>Expenditures</b>			
Current:			
General Government	843,523	-	843,523
Public Safety	4,147,981	-	4,147,981
City Court	16,549	-	16,549
Highways, Streets and Roadways	1,074,376	-	1,074,376
Solid Waste	-	923,668	923,668
Parks and Recreation	672,036	-	672,036
Airport	-	271,920	271,920
Planning and Zoning	267,480	-	267,480
Community Development	43,364	-	43,364
City Garage	54,205	-	54,205
Engineering	46,620	-	46,620
Animal Control	82,472	-	82,472
Stormwater	-	184,733	184,733
Debt Service:			
Principal	806,237	77,817	884,054
Interest	290,790	2,370	293,160
Capital Outlay	7,301,324	545,377	7,846,701
Total Expenditures	<u>15,646,957</u>	<u>2,005,885</u>	<u>17,652,842</u>
Deficiency of Revenues Over Expenditures	<u>(7,251,316)</u>	<u>(272,946)</u>	<u>(7,524,262)</u>
<b>Other Financing Sources (Uses)</b>			
Contributions and Grants	1,979,543	398,820	2,378,363
Insurance Proceeds	10,379	3,402	13,781
Operating Transfers In (Out) /PILOT	454,811	(168,186)	286,625
Capital Outlay Notes Issued	600,000	-	600,000
Proceeds from Sales of Capital Assets	33,537	500	34,037
Total Other Financing Sources (Uses)	<u>3,078,270</u>	<u>234,536</u>	<u>3,312,806</u>
<b>Net Change in Fund Balances</b>	(4,173,046)	(38,410)	(4,211,456)
<b>Fund Balance - July 1, 2016</b>	<u>8,934,849</u>	<u>1,051,227</u>	<u>9,986,076</u>
<b>Fund Balance - June 30, 2017</b>	<u><u>\$ 4,761,803</u></u>	<u><u>\$ 1,012,817</u></u>	<u><u>\$ 5,774,620</u></u>

See notes to the financial statements.

**City of Portland, Tennessee**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2017**

Net change in fund balances - total governmental funds \$ (4,211,456)

Amounts reported for governmental activities in the statement of activities are different from the amounts reported for governmental funds in the statement of revenues, expenditures and changes in fund balances 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. This is the amount by which depreciation exceeded capital outlays in the current period, net of loss on disposal. 4,837,680

Governmental funds report retirement contributions as expenditures. These expenditures are reported as deferred outflows of resources and either pension income or expense in the government-wide financial statements. This is the amount by which pension income exceeds pension expenditures in the current period. 293,547

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (140,231)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 288,977

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. (49,214)

Change in net position of governmental activities \$ 1,019,303

See notes to the financial statements.

**City of Portland, Tennessee**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Gas Fund</b>	<b>Water &amp; Sewer Fund</b>	<b>Total Proprietary Funds</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents - Unrestricted	\$ 6,152,777	\$ 2,396,100	\$ 8,548,877
Receivables - Customers, net	197,364	595,538	792,902
Due From Other Government	-	355	355
Due From Other Funds	269	2,327	2,596
Inventory	151,168	231,167	382,335
Prepaid and Other Current Expenses	19,917	91,428	111,345
Total Current Assets	<u>6,521,495</u>	<u>3,316,915</u>	<u>9,838,410</u>
<b>Capital Assets</b>			
Non-depreciable Capital Assets:			
Land, Right of Ways, Usages	221,409	1,046,621	1,268,030
Construction in Progress	772,632	606,523	1,379,155
Plant and Equipment	13,418,281	42,667,338	56,085,619
Less Accumulated Depreciation	<u>(5,623,161)</u>	<u>(17,251,383)</u>	<u>(22,874,544)</u>
Total Capital Assets	<u>8,789,161</u>	<u>27,069,099</u>	<u>35,858,260</u>
<b>Other Assets</b>			
Cash and Cash Equivalents - Restricted	18,254	8,249,791	8,268,045
Investments	-	989,053	989,053
Total Other Assets	<u>18,254</u>	<u>9,238,844</u>	<u>9,257,098</u>
Total Assets	<u>15,328,910</u>	<u>39,624,858</u>	<u>54,953,768</u>
<b>Deferred Outflows of Resources</b>			
Deferred Pensions	145,147	410,504	555,651
Total Deferred Outflows of Resources	<u>145,147</u>	<u>410,504</u>	<u>555,651</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable and Other Payables	189,682	245,978	435,660
Retainage Payable	7,187	21,626	28,813
Accrued Payroll	11,828	31,806	43,634
Accrued Interest	-	127,248	127,248
Due to Other Funds	-	7	7
Current Portion of Notes and Bonds Payable	29,308	963,176	992,484
Compensated Absences	23,994	50,109	74,103
Total Current Liabilities	<u>261,999</u>	<u>1,439,950</u>	<u>1,701,949</u>
<b>Long Term Liabilities</b>			
Other Post-employment Benefits Liability (Asset)	(111,345)	169,128	57,783
Net Pension Liability	6,017	11,581	17,598
Notes and Bonds Payable, Net of Premiums and Discounts	4,883	16,177,853	16,182,736
Total Long-Term Liabilities	<u>(100,445)</u>	<u>16,358,562</u>	<u>16,258,117</u>
Total Liabilities	<u>161,554</u>	<u>17,798,512</u>	<u>17,960,066</u>
<b>Deferred Inflows of Resources</b>			
Deferred Pensions	29,462	85,510	114,972
Total Deferred Inflows of Resources	<u>29,462</u>	<u>85,510</u>	<u>114,972</u>
<b>Net Position</b>			
Net Investment in Capital Assets	8,754,970	18,047,273	26,802,243
Unrestricted	6,528,071	4,104,067	10,632,138
Total Net Position	<u>\$ 15,283,041</u>	<u>\$ 22,151,340</u>	<u>\$ 37,434,381</u>

See notes to the financial statements.

**City of Portland, Tennessee**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Gas Fund</b>	<b>Water &amp; Sewer Fund</b>	<b>Total Proprietary Funds</b>
<b>Operating Revenues</b>			
Charges for Services	\$ 4,402,212	\$ 7,281,340	\$ 11,683,552
Other Revenues from Operations	-	7,236	7,236
Total Operating Revenues	<u>4,402,212</u>	<u>7,288,576</u>	<u>11,690,788</u>
<b>Operating Expenses</b>			
Natural Gas Purchase	2,459,971	-	2,459,971
General Administration	986,962	3,052,765	4,039,727
Utilities	55,489	552,484	607,973
Supplies	81,692	367,830	449,522
Machinery and Equipment	222,452	219,039	441,491
Maintenance	53,996	659,064	713,060
Depreciation and Amortization	344,150	1,233,347	1,577,497
Total Operating Expenses	<u>4,204,712</u>	<u>6,084,529</u>	<u>10,289,241</u>
Income from Operations	<u>197,500</u>	<u>1,204,047</u>	<u>1,401,547</u>
<b>Non-operating Revenues (Expenses)</b>			
Investment Income	17,994	28,860	46,854
Gain on Disposal of Capital Assets, Net	-	44,034	44,034
Interest Expense	-	(660,283)	(660,283)
Total Non-operating Revenues (Expenses)	<u>17,994</u>	<u>(587,389)</u>	<u>(569,395)</u>
Income Before Contributions and Transfers	<u>215,494</u>	<u>616,658</u>	<u>832,152</u>
<b>Contributions and Transfers</b>			
Tap Fees - Contribution	8,250	228,815	237,065
Contributions and Grants	-	3,000	3,000
Transfer to Other Funds/Payment in Lieu of Tax	(194,497)	(92,128)	(286,625)
Total Contributions and Transfers	<u>(186,247)</u>	<u>139,687</u>	<u>(46,560)</u>
<b>Change in Net Position</b>	<u>29,247</u>	<u>756,345</u>	<u>785,592</u>
<b>Net Position - July 1, 2016</b>	<u>15,253,794</u>	<u>21,394,995</u>	<u>36,648,789</u>
<b>Net Position - June 30, 2017</b>	<u>\$ 15,283,041</u>	<u>\$ 22,151,340</u>	<u>\$ 37,434,381</u>

See notes to the financial statements.

**City of Portland, Tennessee**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Gas Fund</b>	<b>Water &amp; Sewer Fund</b>	<b>Total Proprietary Funds</b>
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 4,313,563	\$ 7,020,451	\$ 11,334,014
Cash Payments to Suppliers for Goods and Services	(3,029,888)	(2,693,449)	(5,723,337)
Cash Payments to Employees for Services	(661,543)	(1,826,925)	(2,488,468)
Net Cash Provided by Operating Activities	622,132	2,500,077	3,122,209
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers to Other Funds	(194,497)	(92,128)	(286,625)
Net Cash Used by Non-Capital Financing Activities	(194,497)	(92,128)	(286,625)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Cash Received from Customers for Taps	8,250	228,815	237,065
Cash Received from Contributions and Grants	-	3,000	3,000
Principal Paid on Long-Term Debt	(29,308)	(961,656)	(990,964)
Proceeds from Long-Term Debt	-	8,500,000	8,500,000
Interest Paid on Long-Term Debt	-	(336,624)	(336,624)
Acquisition and Construction of Capital Assets	(280,128)	(879,994)	(1,160,122)
Proceeds from Sale of Capital Assets	-	44,034	44,034
Net Cash (Used) Provided by Capital and Related Financing Activities	(301,186)	6,597,575	6,296,389
<b>Cash Flows from Investing Activities:</b>			
Interest Received	17,994	23,836	41,830
Maturity of investment	-	25,618	25,618
Net Cash Provided by Investing Activities	17,994	49,454	67,448
<b>Net Increase in Cash and Restricted Cash</b>	<b>144,443</b>	<b>9,054,978</b>	<b>9,199,421</b>
<b>Cash &amp; Cash Equivalents - Unrestricted &amp; Restricted at Beginning of Year</b>	<b>6,026,588</b>	<b>1,590,913</b>	<b>7,617,501</b>
<b>Cash &amp; Cash Equivalents - Unrestricted &amp; Restricted at End of Year</b>	<b>\$ 6,171,031</b>	<b>\$ 10,645,891</b>	<b>\$ 16,816,922</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income	\$ 197,500	\$ 1,204,047	\$ 1,401,547
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	344,150	1,233,347	1,577,497
(Increase) Decrease in:			
Receivable, Net	(15,181)	(66,432)	(81,613)
Due from Other Government	-	(27,082)	(27,082)
Due from Other Funds	(55)	51,656	51,601
Inventory	47,446	33,304	80,750
Prepaid and Other Current Assets	2,263	15,668	17,931
Deferred Outflow - Pension	(2,857)	(7,952)	(10,809)
Increase (Decrease) in:			
Accounts and Other Payables	99,925	143,788	243,713
Accrued Payroll	2,420	7,871	10,291
OPEB Liability	(20,279)	22,508	2,229
Net Pension Liability	31,996	89,044	121,040
Due to Other Funds	(22)	(469)	(491)
Compensated Absences	8,294	2,472	10,766
Deferred Inflow - Pension	(73,468)	(201,693)	(275,161)
Net Cash Provided by Operating Activities	\$ 622,132	\$ 2,500,077	\$ 3,122,209
<b>Supplemental Disclosure of Noncash Capital and Related Financing Activities:</b>			
Use of Proceeds from Water and Sewer System Bonds, Series 2016 (Series 2016 Bonds):			
Repayment of Series 2014 Bond	\$ -	\$ 2,723,000	\$ 2,723,000
Repayment of Series 2006 Bond	-	4,885,000	4,885,000
Accrued Interest on Series 2014 Bond and Series 2006 Bond	-	82,257	82,257
Issuance Costs on Series 2016 Bonds	-	172,502	172,502
	\$ -	\$ 7,862,759	\$ 7,862,759

See notes to the financial statements.

**City of Portland, Tennessee**  
**Fiduciary Fund**  
**Statement of Net Position**  
**Agency Fund - Statement of Assets and Liabilities**  
**June 30, 2017**

	<b>Agency Fund</b>
<b>Assets</b>	
<b>Other Assets</b>	
Cash and Cash Equivalents - Restricted	\$ 2,610
Total Other Assets	2,610
Total Assets	\$ 2,610
<b>Liabilities</b>	
<b>Liabilities</b>	
Accounts Payable	\$ 2,610
Due to Other Funds	-
Total Liabilities	\$ 2,610

See notes to the financial statements.

**City of Portland, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**Major Governmental Fund**  
**For the Year Ended June 30, 2017**

	General Fund			
	Budgeted Amounts			Positive (Negative) Variance with Final Budget
	Original	Final	Actual	
Revenues				
Local Taxes:				
Property and Personalty Taxes	\$ 3,967,000	\$ 4,020,000	\$ 4,050,278	\$ 30,278
Sales Taxes	1,510,000	1,510,000	1,487,802	(22,198)
Alcoholic Beverage Taxes	305,000	333,000	366,574	33,574
Business Taxes	122,000	122,000	135,182	13,182
Cable TV Franchise and Lease Taxes	122,000	120,000	119,890	(110)
Other Taxes	3,550	3,700	3,606	(94)
Licenses and Permits	132,500	216,000	248,889	32,889
Fines	227,000	205,279	194,397	(10,882)
Intergovernmental Revenues:				
Sales Taxes	940,000	940,000	951,779	11,779
Gasoline and Motor Fuel Taxes	310,000	320,000	318,768	(1,232)
Petroleum Special Taxes	23,500	23,500	23,202	(298)
Income Taxes	90,000	85,000	166,204	81,204
Corporate Excise Taxes	20,000	42,500	42,365	(135)
In Lieu of Taxes	180,000	186,640	187,852	1,212
Charges for Services	71,185	53,200	40,038	(13,162)
Rental Income	22,000	22,000	17,134	(4,866)
Investment Income	6,165	16,260	16,355	95
Miscellaneous Revenues	15,015	25,515	25,326	(189)
Total Revenues	8,066,915	8,244,594	8,395,641	151,047
Expenditures				
Current:				
General Government				
Salaries, Taxes and Benefits	513,510	514,610	488,008	26,602
Repairs and Maintenance	6,250	11,800	14,524	(2,724)
Supplies	56,750	62,025	59,345	2,680
Utilities	35,800	43,400	41,134	2,266
Other Operating Expenses	161,216	252,168	158,512	93,656
Donations	76,000	81,000	82,000	(1,000)
Capital Outlay	5,982,925	6,965,110	5,627,764	1,337,346
Public Safety - Police:				
Salaries, Taxes and Benefits	2,704,999	2,646,674	2,573,106	73,568
Repairs and Maintenance	52,500	63,500	66,034	(2,534)
Supplies	120,500	132,500	128,553	3,947
Utilities	48,000	47,850	41,333	6,517
Other Operating Expenses	85,018	176,518	161,027	15,491
Capital Outlay	2,000	253,000	248,679	4,321
Public Safety - Fire:				
Salaries, Taxes and Benefits	1,032,246	1,066,485	1,034,605	31,880
Repairs and Maintenance	24,500	26,225	30,419	(4,194)
Supplies	27,500	46,000	41,565	4,435
Utilities	41,100	40,750	39,382	1,368
Other Operating Expenses	30,264	34,250	31,957	2,293
Capital Outlay	28,250	71,835	65,540	6,295
City Court				
Salaries, Taxes and Benefits	13,075	15,275	15,199	76
Supplies	3,750	3,500	822	2,678
Utilities	100	150	137	13
Other Operating Expenses	415	420	391	29
Capital Outlay	250	1,100	-	1,100

See notes to the financial statements.

**City of Portland, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**Major Governmental Fund**  
**For the Year Ended June 30, 2017**

	General Fund			
	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final		
Highways, Streets and Roadways - Non SSA				
Salaries, Taxes and Benefits	518,900	488,700	453,073	35,627
Repairs and Maintenance	75,500	86,000	47,261	38,739
Supplies	44,000	41,750	37,215	4,535
Utilities	211,650	218,350	213,829	4,521
Other Operating Expenses	25,717	59,750	60,543	(793)
Capital Outlay	13,164	131,164	131,763	(599)
State Street Aid				
State Street Aid - Street Paving	260,000	340,500	250,222	90,278
State Street Aid - Rock and Cold Mix	15,000	15,000	8,613	6,387
State Street Aid - Other				
Repairs and Maintenance	10,000	7,500	3,620	3,880
Other Operating Expenses	10,000	5,000	-	5,000
Capital Outlay	15,000	5,000	-	5,000
Parks and Recreation				
Salaries, Taxes and Benefits	493,389	495,419	475,118	20,301
Repairs and Maintenance	55,500	53,000	33,525	19,475
Supplies	46,500	41,000	28,672	12,328
Utilities	110,685	105,085	93,718	11,367
Other Operating Expenses	50,214	49,406	41,003	8,403
Capital Outlay	1,224,850	1,298,450	1,204,078	94,372
Planning and Zoning				
Salaries, Taxes and Benefits	231,976	242,575	228,738	13,837
Repairs and Maintenance	3,300	24,300	21,626	2,674
Supplies	2,800	2,800	3,707	(907)
Utilities	1,250	2,375	2,311	64
Other Operating Expenses	18,751	12,501	11,098	1,403
Capital Outlay	2,000	11,500	1,650	9,850
Community Development				
Salaries, Taxes and Benefits	36,381	36,765	34,122	2,643
Supplies	1,500	1,500	638	862
Utilities	1,350	1,350	1,031	319
Other Operating Expenses	8,632	11,632	7,573	4,059
Capital Outlay	1,500	1,512	2,005	(493)
City Garage				
Salaries, Taxes and Benefits	42,935	42,510	40,190	2,320
Repairs and Maintenance	1,000	1,000	429	571
Supplies	6,250	7,000	7,186	(186)
Utilities	5,480	6,430	5,506	924
Other Operating Expenses	1,015	1,065	894	171
Capital Outlay	1,600	145,000	7,900	137,100
Engineering				
Salaries, Taxes and Benefits	39,567	41,475	39,741	1,734
Utilities	500	2,350	1,723	627
Other Operating Expenses	4,727	8,075	5,156	2,919
Capital Outlay	500	12,000	11,945	55
Animal Control				
Salaries, Taxes and Benefits	83,331	81,281	73,711	7,570
Repairs and Maintenance	2,500	2,500	1,088	1,412
Supplies	1,650	2,400	1,518	882
Utilities	5,250	5,450	4,697	753
Other Operating Expenses	2,295	2,150	1,458	692
Capital Outlay	500	250	-	250

See notes to the financial statements.



**City of Portland, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**Major Governmental Fund**  
**For the Year Ended June 30, 2017**

	<b>General Fund</b>		
	<b>Budgeted Amounts</b>		<b>Positive (Negative) Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	
Debt Service:			
Principal	559,984	806,237	806,237
Interest	288,897	290,721	290,790
Total Expenditures	15,584,408	17,803,923	15,646,957
			2,156,966
Excess of Revenues Over (Under) Expenditures	(7,517,493)	(9,559,329)	(7,251,316)
			2,308,013
<b>Other Financing Sources (Uses)</b>			
Contributions	1,299,775	1,530,673	1,512,926
Grants	108,750	520,679	466,617
Transfers In/(Out)/ PILOT	431,428	495,567	454,811
Proceeds from Sales of Capital Assets	-	29,500	33,537
Proceeds from Debt Issuance	-	600,000	600,000
Insurance Recoveries	15,000	15,000	10,379
Total Other Financing Sources (Uses)	1,854,953	3,191,419	3,078,270
			(113,149)
<b>Net Change in Fund Balances</b>	(5,662,540)	(6,367,910)	(4,173,046)
			2,194,864
<b>Fund Balance - July 1, 2016</b>	8,934,849	8,934,849	8,934,849
			-
<b>Fund Balance - June 30, 2017</b>	<u>\$ 3,272,309</u>	<u>\$ 2,566,939</u>	<u>\$ 4,761,803</u>
			<u>\$ 2,194,864</u>

See notes to the financial statements.

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements**  
**June 30, 2017**

**Note 1. Significant Accounting Policies**

The City of Portland, Tennessee ("the City") was incorporated May 21, 1905, by the authority of the 54<sup>th</sup> Tennessee General Assembly and was chartered under the Private Acts of 1939, Chapter No. 568 House Bill No. 1377. The City operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety, water, wastewater, natural gas, solid waste (sanitation), parks and recreation, public works, planning and zoning, airport, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. Reporting Entity**

The accompanying financial statements present the City's operations.

The Portland Airport Authority as established in the city charter is responsible for development, construction and operation of the Portland Airport. Financial activities of the Portland Airport Authority are included in the Airport Fund of these financial statements.

City officials are responsible for appointing members of the Portland Housing Authority and the Housing Assistance Board of Portland, Tennessee. Accountability for these organizations does not extend beyond making appointments. They do not meet the criteria in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards for including as component units.

City officials are responsible for appointing members to the Industrial Development Board of the City of Portland Tennessee, as established by authority of Chapter 53, Title 7 of the Tennessee Code Annotated. The City has a fiduciary responsibility to administer proceeds of revenue notes issued by the Portland Industrial Development Board ("IDB"). The IDB does not meet the criteria in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards for including as a component unit, however it does meet the criteria for inclusion as a fiduciary fund.

**B. Government-wide Financial Statements**

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. 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 given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. However, data from fiduciary funds is not incorporated in the government-wide financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Long-term assets, receivables, long-term debt and other obligations are recognized. 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 assessed.

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 1. Significant Accounting Policies – Continued**

**B. Government-wide Financial Statements - Continued**

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Expenses are allocated among various City functions including administrative overhead charges allocated by the general fund to various City functions.

As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**C. Fund Financial Statements**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Separate financial statements are provided for governmental funds, fiduciary funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Governmental Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental revenues, 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 using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following governmental funds:

General Fund - the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund is considered a major fund for reporting purposes.

Non-major governmental Funds: The special revenue funds of the City that are reported as non-major are as follows: Airport, Solid Waste Fund (Sanitation), Stormwater, Industrial Revolving Loan Fund, Drug Fund and the Impact Fee Fund.

Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided that explains the transition from one basis of accounting to another.

*Proprietary Fund Financial Statements*

The focus of the proprietary fund measurement is upon determination of operating income, changes in net position and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 1. Significant Accounting Policies – Continued**

**C. Fund Financial Statements - Continued**

The principal operating revenues of the various utility funds are charges to customers for sales and services. The Water & Sewer fund also recognizes as operating revenue the portion of tap fees intended to cover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

Water & Sewer Fund - accounts for the water and wastewater services provided to customers of the system.

Natural Gas Fund - accounts for the distribution of natural gas to customers of the system.

*Fiduciary Fund Financial Statements*

The Fiduciary fund financial statements include a Statement of Net Position for the agency funds of the Portland Industrial Development Board which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on a spending or "economic resources" measurement and focus and the accrual basis of accounting.

**D. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**E. Budgets and Budgetary Accounting**

The City's fiscal operating year begins July 1. An annual operating budget is adopted by the Mayor and Board of Aldermen prior to the commencement of the fiscal year. The budget is legally enacted through the passage of an ordinance which also sets the tax rate. Any revision that alters the total appropriations of any fund requires Board of Alderman action. The budgetary basis is consistent with GAAP.

**F. Cash and Investments**

For purposes of the proprietary statements of cash flows, the City defines its cash and cash equivalents to include only cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less from the date of acquisition. Certain cash is reported as restricted because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or are restricted for use by outside parties or bond issues.

Investments consist of bank certificates of deposit with maturity in excess of three months from the date of purchase.

**G. Inventories and Prepaid Items**

Inventory of the public works, Solid Waste, Airport Authority, Water & Sewer and Gas Funds is stated at cost determined by the first-in, first-out (FIFO) method. The costs of governmental funds inventories are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reported as nonspendable.

**H. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary funds financial statements. Capital assets used in governmental fund operations are accounted for as capital outlay expenditures. Capital assets, not including general government infrastructure assets, are defined by the government as assets with an initial, total cost of more than

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 1. Significant Accounting Policies – Continued**  
**H. Capital Assets - Continued**

\$2,500 and an estimated useful life in excess of one year. General government infrastructure assets with a total cost greater than \$10,000 and an estimated useful life in excess of one year are capitalized. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest incurred during the construction phase of capital assets of proprietary funds is included as part of the capitalized value of the assets constructed. During 2017, interest incurred in the proprietary funds totaled \$661,254, of which \$971 was capitalized as part of the cost of constructed assets.

Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Governmental activities:

Buildings	40 years
Improvements Other than Buildings	10 - 40 years
Infrastructure Assets	15 - 50 years
Machinery, Equipment & Vehicles	5 - 40 years

Business-type activities:

Water and Sewer Plant	10 - 50 years
Natural Gas Plant	10 - 50 years
Machinery, Equipment & Vehicles	5 - 15 years
Furniture and Fixtures	5 - 15 years

**I. Property Tax**

The City's property tax is levied each October 1st on the assessed value listed as of the prior January 1st for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1st of the year assessments are made. Taxes become delinquent in March of the year subsequent to the levy date; at that time a lien attaches and delinquent taxes are turned over for collection proceedings. Property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectability is doubtful.

Under Section N50 of the *GASB's Codification of Governmental Accounting and Financial Reporting Standards Accounting for Non-exchange Transactions*, property taxes are imposed nonexchange revenue. Accounts receivable from imposed nonexchange transactions are recorded when the City has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date of January 1st. Therefore, the City has recorded the succeeding year's receivable and deferred inflows of resources for taxes assessed as of June 30, 2017 that will not be received until after year-end.

**J. Interfund Receivables, Payables and Transfers**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**K. Compensated Absences**

The City's policies permit employees to earn vacation time on a calendar-year basis. Any unused vacation leave at December 31 is forfeited. Vacation leave earned but unpaid at June 30, 2017 is accrued and presented as current liabilities in the government-wide and proprietary fund financial statements. The City's policies permit the accumulation, within certain limitations, of unused sick leave with vesting of unused amounts upon retirement with no monetary payouts.

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 1. Significant Accounting Policies – Continued**

**K. Compensated Absences – Continued**

In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

**L. Long-Term Liabilities**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized straight-line over the life of the bonds and are reported net with bonds payable. Bond issue costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**M. Fund Balance**

The City classifies fund balances in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Accounting, Section 1800.142 Governmental Fund Reporting. Fund balances are classified into clearly defined categories making the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints as defined in the City's fund balance policy:

**Nonspendable Fund Balance** – Amounts that cannot be spent because they are either in a (a) nonspendable form, including items not expected to be converted to cash (i.e. inventories, prepaid amounts, long-term portion of loans and notes receivable and property acquired for resale), or (b) legally or contractually required to be maintained intact (i.e. principal of permanent funds).

**Restricted Fund Balance** – Amounts constrained to be used for a specific purpose as per external parties, constitutional provision, or enabling legislation.

**Committed Fund Balance** – Amounts constrained to be used for a specific purpose as per action by the Board of Aldermen (by ordinance). Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Board removes or changes the commitment by taking the same action it employed to impose the commitment.

**Assigned Fund Balance** – Amounts intended to be used by the City for a specific purpose, but are neither restricted nor committed. The intent shall be expressed by the Board of Aldermen or a designee authorized by the Board of Aldermen for a specific purpose in accordance with policy established by the Board of Aldermen. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification. It does not require formal action. This classification includes the remaining positive fund balance for all governmental funds except for the General Fund.

**Unassigned Fund Balance** – Amounts available for any purpose (amounts that are not nonspendable, restricted, committed or assigned) in the General Fund. It represents the resources available for future spending. This classification includes negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. An appropriate level of unassigned fund balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it shall be the policy of the City to use the restricted amounts first as permitted under the law. When an expenditure is incurred for purposes for which

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 1. Significant Accounting Policies – Continued**

**M. Fund Balance – Continued**

amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City to use the committed amounts first, followed by the assigned amounts and then unassigned amounts.

**N. Net Position**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Government-wide and proprietary fund net position are divided into three components:

Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position—consist of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the City less related liabilities and deferred inflows of resources). Restrictions from enabling legislation include the State Street Aid Fund, Solid Waste Fund, Stormwater Fund, SOR, Impact Fee Fund and Drug Fund totaling \$819,318.

Unrestricted—all other net position is reported in this category.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**O. Pensions**

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

**Note 2. Cash and Investments**

The City has no formal deposit and investment policies other than those prescribed by State of Tennessee statute and explained below.

*Policies:* Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by Federal Deposit Insurance Corporation insurance (FDIC). Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

*Deposits:* As of June 30, 2017, all of the City's deposits were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks in the bank collateral pool determine the aggregate balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collected securities required to be pledged by the participant banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under the additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 2. Cash and Investments - Continued**

*Investments:* As of June 30, 2017, the City also held certificates of deposit with initial maturities of greater than three months which have been classified as investments. The certificates of deposits earn interest ranging from .15% to .75% and are invested with banks participating in the state bank collateral pool.

**Note 3. Interfund Balances and Transfers**

Interfund balances as of June 30, 2017, consist of the following:

Due From Fund	Due to Fund					
	General Fund	Airport Authority	Solid Waste Fund	Gas	Water & Sewer	Total
General Fund	\$ -	\$ -	\$ -	\$ 202	\$ 2,262	\$ 2,464
Airport Authority Fund	-	-	-	49	58	107
Solid Waste Fund	-	-	-	11	7	18
Water & Sewer	-	-	-	7	-	7
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269</u>	<u>\$ 2,327</u>	<u>\$ 2,596</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances will be repaid within one year.

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfer From	Transfer To			
	General Fund	Airport Authority	Solid Waste Fund	Total
General Fund	\$ -	\$ 37,845	\$ 30,000	\$ 67,845
Impact Fees Fund	236,031	-	-	236,031
Gas	194,497	-	-	194,497
Water & Sewer	92,128	-	-	92,128
	<u>\$ 522,656</u>	<u>\$ 37,845</u>	<u>\$ 30,000</u>	<u>\$ 590,501</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers were also made from the gas and water & sewer funds to the general fund for payment in lieu of tax. All transfers above were within these guidelines.

**Note 4. Capital Assets**

A summary of changes in capital assets as presented in the governmental activities column of the government-wide financial statement is as follows:



**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 4. Capital Assets – Continued**

	Balance 7/1/2016	Additions	Disposals / Transfers	Balance 6/30/2017
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 5,044,966	\$ 686,212	\$ -	\$ 5,731,178
Construction in Progress	1,782,269	5,205,472	(4,815,657)	2,172,084
Total Capital Assets not being Depreciated	<u>\$ 6,827,235</u>	<u>\$ 5,891,684</u>	<u>\$ (4,815,657)</u>	<u>\$ 7,903,262</u>
Capital Assets being Depreciated				
Buildings	\$ 6,108,215	\$ 3,600,272	\$ -	\$ 9,708,487
Improvements Other than Buildings	5,745,033	668,293	-	6,413,326
Infrastructure	13,585,998	-	-	13,585,998
Machinery, Equipment & Vehicles	5,569,142	582,912	(135,117)	6,016,937
Total Capital Assets being Depreciated	<u>\$ 31,008,388</u>	<u>\$ 4,851,477</u>	<u>\$ (135,117)</u>	<u>\$ 35,724,748</u>
<b>Business-type Activities</b>				
Capital Assets not being Depreciated				
Land & Right of Way	\$ 1,268,030	\$ -	\$ -	\$ 1,268,030
Construction in Progress	618,626	1,084,637	(324,108)	1,379,155
Total Capital Assets not being Depreciated	<u>\$ 1,886,656</u>	<u>\$ 1,084,637</u>	<u>\$ (324,108)</u>	<u>\$ 2,647,185</u>
Capital Assets being Depreciated				
Water & Sewer Plant	\$ 40,689,240	\$ 67,004	\$ -	\$ 40,756,244
Natural Gas Plant	12,276,476	-	-	12,276,476
Machinery, Equipment & Vehicles	2,413,447	332,592	-	2,746,039
Furniture & Fixtures	306,860	-	-	306,860
Total Capital Assets being Depreciated	<u>\$ 55,686,023</u>	<u>\$ 399,596</u>	<u>\$ -</u>	<u>\$ 56,085,619</u>
<b>Governmental Activities</b>				
Accumulated Depreciation				
Buildings, Improvements, Machinery Equipment and Vehicles	\$ 7,640,770	\$ 692,195	\$ (129,388)	\$ 8,203,577
Infrastructure	4,074,612	391,901	-	4,466,513
Total Accumulated Depreciation	<u>\$ 11,715,382</u>	<u>\$ 1,084,096</u>	<u>\$ (129,388)</u>	<u>\$ 12,670,090</u>
<b>Business-type Activities</b>				
Accumulated Depreciation				
Water & Sewer Plant	\$ 15,021,329	\$ 1,066,896	\$ -	\$ 16,088,225
Natural Gas Plant	4,348,949	290,132	-	4,639,081
Machinery & Equipment	1,645,390	207,023	-	1,852,413
Furniture and Fixtures	281,379	13,446	-	294,825
Total Accumulated Depreciation	<u>\$ 21,297,047</u>	<u>\$ 1,577,497</u>	<u>\$ -</u>	<u>\$ 22,874,544</u>
<b>Total Governmental Activities, Net</b>	<b>\$ 26,120,241</b>	<b>\$ 9,659,065</b>	<b>\$ (4,821,386)</b>	<b>\$ 30,957,920</b>
<b>Total Business-type Activities, Net</b>	<b>\$ 36,275,632</b>	<b>\$ (93,264)</b>	<b>\$ (324,108)</b>	<b>\$ 35,858,260</b>

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 4. Capital Assets – Continued**

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

Governmental activities:

Buildings	40 years
Improvements Other than Buildings	10 - 40 years
Infrastructure Assets	15 - 50 years
Machinery, Equipment & Vehicles	5 - 40 years

Business-type activities:

Water and Sewer Plant	10 - 50 years
Natural Gas Plant	10 - 50 years
Machinery, Equipment & Vehicles	5 - 15 years
Furniture and Fixtures	5 - 15 years

**Note 5. Capital Leases**

The City has ongoing lease agreements for the following capital assets as of June 30, 2017:

	<b>Capitalized Cost</b>
Solid Waste Vehicles	\$ 304,216
Water/Sewer Equipment	148,902
	<u>\$ 453,118</u>

These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates. The future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2017, are as follows:

<b>Year Ended June 30,</b>	<b>Future Minimum Lease Payments</b>
2018	\$ 50,921
Less: Amount representing Interest	(493)
Present Value of Future Minimum Payments	<u>\$ 50,428</u>

**Note 6. Long-Term Debt**

The following are summaries of long-term debt maturities of the City for the year ended June 30, 2017. Refer to pages 57-58 for a detail of long-term debt maturities: Note that other long-term liabilities are generally liquidated using governmental activities cash.

**A. Government Wide**

<b>Year Ending June 30,</b>	<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 1,658,600	\$ 816,997
2019	1,453,025	775,974
2020	1,370,093	737,367
2021	1,254,280	703,148
2022	1,104,146	666,902
2023-2027	4,036,686	2,975,203
2028-2032	4,181,319	2,344,951
2033-2037	4,195,000	1,648,150
2038-2042	3,780,000	895,838
2043-2046	2,790,000	222,350
	<u>\$ 25,823,149</u>	<u>\$ 11,786,880</u>

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 6. Long-Term Debt – Continued**

**B. Governmental Activities**

Long-term debt and obligations payable for governmental activities, backed by the full faith and credit of the City at June 30, 2017 are comprised of the following:

**Governmental Activities**

State Street Aid Paving Capital Outlay Note, Series 2014, due in monthly payments of principal and interest in the amount of \$4,630 with a final irregular payment of \$4,590 due April 2023. Interest is fixed at 2.87%. \$ 319,430

Airport Capital Outlay Note, Match for Grant, Series 2012, due in monthly payments of \$1,280, with a final irregular payment of \$47,392 due December 2019. Interest is fixed at 3.40%. 21,773

Fire Department Capital Outlay Note, Series 2012, due in annual payments of principal of \$42,000 and semi-annual interest payments at 2.68% fixed. Due March 2022. 210,000

Sanitation Dept, Capital Leases, due in monthly payments of principal and interest totaling \$5,348, due March 2018. Interest is variable. 42,426

Portland Public Library Expansion Capital Outlay Note, due in monthly payments of \$6,250, plus interest, due January 2020. Interest is fixed at 2.45%. 193,750

Parks Department Capital Outlay Note, due in monthly payments of principal of \$2,667, plus interest, due March 2020. Interest is fixed at 2.49%. 88,000

Street Department Tennessee Municipal Bond Fund, due in monthly payments of principal of \$2,500, plus interest, due October 2020. Interest is fixed at 2.17%. 97,500

Street Department Paving Tennessee Municipal Bond Fund, due in monthly payments of principal of \$11,980, plus interest, due October 2023. Interest is fixed at 2.61%. 898,420

Police Department Capital Outlay Note, due in monthly payments of principal of \$3,750 plus interest due January 2022. Interest is fixed at 2.65%. 206,250

Street Department Tennessee Municipal Bond Fund, due in monthly payments of principal of \$1,250, plus interest, due April 2027. Interest is fixed at 3.49%. 147,500

Series 2015 General Obligation (GO) Public Improvement Bond of \$7.3M, due in annual payments of principal plus semi-annual interest payments, due June 2045. Interest is variable from 2.5% to 3.75%, plus Bond Premium of \$127,364. 7,135,000

Total governmental activity debt 9,360,049

Less amounts due within one year (670,665)

Plus Bond Premium on 2015 GO Bond 127,364

Long-term governmental activity debt \$ 8,816,748

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 6. Long-Term Debt – Continued**

**B. Governmental Activities - Continued**

The following is a summary of changes to long-term liabilities in the Governmental Activities during the year ended June 30, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
<b>Governmental Activities</b>					
Capital Outlay Notes	\$ 1,438,345	\$ 375,000	\$ (253,677)	\$ 1,559,668	\$ 275,760
Capital Leases	104,873	-	(62,447)	42,426	42,426
Bonds	7,431,913	-	(169,549)	7,262,364	174,549
Promissory Notes	800,885	225,000	(402,930)	622,955	177,930
Compensated Absences	135,836	-	-	135,836	-
Net Pension Liability	-	56,337	-	56,337	-
OPEB	249,168	87,911	(38,697)	298,382	-
	<u>\$ 10,161,020</u>	<u>\$ 744,248</u>	<u>\$ (927,300)</u>	<u>\$ 9,977,968</u>	<u>\$ 670,665</u>

**C. Business-type Activities**

Long-term debt and obligations payable for business-type activities of the City at June 30, 2017 are comprised of the following:

**Business-Type Activities**

Water and Sewer System Refunding and Improvement Bonds, Series 2016, maturing between April 1, 2007 and June 30, 2046, at fixed interest rates ranging from 2.50% to 4.00% payable semiannually on October 1 and April 1, and principal payable annually on April 1 of each year. Pledged net revenues for repayment and guaranteed by an insurance policy. See additional notes below on Debt Service Reserve Requirements. \$15,040,000

Financing from the Wastewater Facility State Revolving Fund Loan Program at maximum amount of \$1,500,000. Principal to be paid monthly. Interest is currently paid monthly at 1.70%. Due October 2031. Pledged net revenues from the system and state-shared taxes for repayment and backed by full faith and credit of the City. 1,001,131

Capital Outlay Note for the Hwy 52 Water & Sewer Expansion, due in monthly installments of \$8,565, plus interest at 2.35%, through 2017. Secured by pledge of City's taxing power and backed by full faith and credit of the City. 17,130

Capital Equipment Lease payable in 60 monthly installments of \$2,681 with a residual purchase option of \$1. 8,002

Capital Outlay Note for Jet Vac, due in monthly installments of \$5,833 plus interest at 2.35%. Due February 2020. Secured by pledge of City's taxing power and backed by full faith and credit of the City. 186,667

Capital Outlay Note, Extension Series WS 2012 for Public Works AMR, due in monthly installments of \$15,012 plus interest at 3.4%, maturing September 2019. Secured by pledge of City's taxing power and backed by full faith and credit of the City. 210,170

16,463,100

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 6. Long-Term Debt - Continued**  
**C. Business-type Activities – Continued**

Plus unamortized premium	777,280
Less deferred loss on defeasance	(57,856)
Less discount on bonds	<u>(7,304)</u>
Total business activity debt	17,175,220
Less amounts due within one year, net of current portion of deferred loss on defeasance	<u>(992,484)</u>
Long-term business-activity debt	<u><u>\$ 16,182,736</u></u>

The following is a summary of changes to long-term liabilities in the Business-type activities during the year ended June 30, 2017:

	<b>Balance June 30, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2017</b>	<b>Amounts Due Within One Year</b>
<b>Business-Type Activities</b>					
Water & Sewer System Revenue					
Refunding Bonds, Series 2006	\$ 4,885,000	\$ -	\$(4,885,000)	\$ -	\$ -
Water & Sewer Refunding Bond	2,723,000	-	(2,723,000)	-	-
 Water & Sewer System Refunding & Improvement Bonds, Series 2016	 -	 15,560,000	 (520,000)	 15,040,000	 655,000
State Revolving Loan	1,062,295	-	(61,164)	1,001,131	62,208
AMR	390,314	-	(180,144)	210,170	180,144
Capital Leases	39,402	-	(31,400)	8,002	8,002
Capital Outlay Notes	<u>376,574</u>	<u>-</u>	<u>(172,777)</u>	<u>203,797</u>	<u>87,130</u>
	9,476,585	15,560,000	(8,573,485)	16,463,100	992,484
Plus bond premium	-	802,260	(24,980)	777,280	(38,220)
Less deferred loss on defeasance	(60,942)	-	3,086	(57,856)	(3,086)
Less bond discount	(7,693)	-	389	(7,304)	(389)
Compensated Absences	63,337	10,766	-	74,103	-
Net Pension Liability	-	17,598	-	17,598	-
OPEB	<u>55,554</u>	<u>50,572</u>	<u>(48,343)</u>	<u>57,783</u>	<u>-</u>
	<u><u>\$ 9,526,841</u></u>	<u><u>\$ 16,441,196</u></u>	<u><u>\$(8,643,333)</u></u>	<u><u>\$17,324,704</u></u>	<u><u>\$ 950,789</u></u>

The bond resolution authorizing the Water and Sewer System Refunding and Improvement Bonds, Series 2016 discussed above requires the City to establish a Debt Service Reserve Fund. The City has fully funded the Debt Service Reserve. The bond resolution also requires the City to maintain a Bond and Interest Sinking Fund (restricted assets). Monthly transfers to the fund must be sufficient to pay the interest and principal due on the succeeding respective payment dates. Finally, the bond resolution requires the City to establish rates to its customers in order to maintain a debt service coverage ratio of not less than 1.2 to 1 for the 2006 bonds and all prior lien bonds and 1 to 1 for all other obligations including required cash transfers to the Debt Service Reserve Fund. These refunding bonds defeased certain outstanding bonds, which were retired in October 2016.

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 6. Long-Term Debt - Continued**

**C. Business-type Activities – Continued**

The City issued \$15,560,000 in Water & Sewer System Refunding and Improvement Bonds, Series 2016 to refund certain outstanding debt of the City (Series 2006 and 2014 Bonds) and add approximately \$8,500,000 in new monies. The new refunding bonds bear interest at rates that range between 2.50% and 4.00% per annum for the life of the bond. The City refunded \$4,909,167 of Water & Sewer System Revenue Refunding Bonds, Series 2006 and \$2,781,091 of Water & Sewer Bonds, Series 2014 with interest rates ranging from 3.875% to 4.375% for the Series 2006 and 2.400% for the Series 2014. The reacquisition price exceeded the net carrying amount of the old debt by \$6,113. This amount should be presented as a deferred outflow of resources and amortized over the remaining life of the refunding debt. The refunded debt reduced the City's total debt service payments by \$749,293 and resulted in economic gain (difference between the present values of the debt service payments on the old and new debt) of \$672,310.

**Note 7. Pension Plans**

**A. General Information about the Pension Plan**

*Plan Description*

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided*

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms*

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	71
Active employees	128
	<u>253</u>

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 7. Pension Plans - Continued**

**A. General Information about the Pension Plan - Continued**

*Contributions*

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, employer contributions for the City were \$631,603 based on a rate of 10.44 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**B. Net Pension Liability (Asset)**

The City's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 7. Pension Plans – Continued**  
**B. Net Pension Liability (Asset) - Continued**

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-Term Securities	0.00%	1%
		<u>100%</u>

**C. Changes in the Net Pension Liability (Asset)**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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.

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
<b>Balance at 6/30/15</b>	<u>\$ 14,958,567</u>	<u>\$ 15,213,198</u>	<u>\$ (254,631)</u>
<b>Changes for the year:</b>			
Service cost	423,986	-	423,986
Interest	1,128,066	-	1,128,066
Differences between expected and actual experience	36,093	-	36,093
Contributions - employer	-	587,552	(587,552)
Contributions - employees	-	276,673	(276,673)
Net investment income	-	405,013	(405,013)
Benefit payments, including refunds of employee contributions	(683,337)	(683,337)	-
Administrative expense	-	(9,659)	9,659
<b>Net changes</b>	<u>904,808</u>	<u>576,242</u>	<u>328,566</u>
<b>Balance at 6/30/16</b>	<u><u>\$ 15,863,375</u></u>	<u><u>\$ 15,789,440</u></u>	<u><u>\$ 73,935</u></u>



**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 7. Pension Plans – Continued**

**C. Changes in the Net Pension Liability (Asset) - Continued**

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Portland's net pension liability (asset)	\$ 2,274,553	\$ 73,935	\$ (1,742,191)

**D. Negative Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Expense*

For the year ended June 30, 2017, the City recognized pension expense of \$186,595.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 305,739	\$ 251,189
Net difference between projected and actual earnings on pension plan	530,577	-
Contributions subsequent to the measurement date of June 30, 2016	631,603	(not applicable)
Total	<u>\$ 1,467,919</u>	<u>\$ 251,189</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<b>Year Ended June 30,</b>	<b>Amount</b>
2018	\$ 48,968
2019	48,968
2020	276,114
2021	145,798
2022	60,116
Therafter	5,163

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 7. Pension Plans – Continued**

**E. Payable to the Pension Plan**

At June 30, 2017, the City reported a payable of \$94,435 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

**Note 8. Other Post-Employment Benefits**

**A. Plan Description**

The City provides post-employment medical insurance benefits to all employees who retire at age 55 with at least 20 years of service, or retire at age 60 with at least 10 years of service, or retire with 30 years of service without regard to age. The benefits are payable until the retirees attain the age of 65 or become eligible for medical benefits through Medicare, whichever comes first. Spouses and beneficiaries of eligible retirees are allowed to participate in the Plan, however retirees are responsible to pay for their coverage. At July 1, 2015, the most recent actuarial valuation date, the plan had 128 participants not currently eligible for benefits, 10 participants eligible for benefits, and 13 retirees receiving benefits.

**B. Funding Policy**

The City currently pays for post-employment medical insurance benefits on a pay-as-you-go basis paying monthly premiums. Retirees must pay the full premium for dependent coverage. The City's contributions to the plan for the year ended June 30, 2017 was \$87,040.

**C. Annual OPEB Cost and Net OPEB Obligation**

The City's annual other post-employment benefit (OPEB) cost (expense) for the program is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Section P50 of the GASB Codification of Governmental Accounting and Financial Reporting Standards Accounting. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

	<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Total</b>
Annual required contribution (ARC)	\$ 91,075	\$ 52,391	\$ 143,466
Interest on net OPEB obligation	4,746	2,728	7,474
Amortization of Prior obligation	(7,909)	(4,548)	(12,457)
Annual OPEB cost (expense)	87,912	50,571	138,483
Contributions made	(38,697)	(48,343)	(87,040)
Increase in net OPEB obligation	49,215	2,228	51,443
Net OPEB obligation - beginning of the year	249,167	55,555	304,722
Net OPEB obligation - end of the year	<u>\$ 298,382</u>	<u>\$ 57,783</u>	<u>\$ 356,165</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 were as follows:

<b>Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net Ending OPEB Obligation/ (Asset)</b>
2015	\$ 141,864	53.18%	\$ 301,439
2016	\$ 137,355	73.31%	\$ 304,722
2017	\$ 138,483	62.85%	\$ 356,165

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 8. Other Post-Employment Benefits – Continued**  
**D. Funding Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,287,357, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,442,250, and the ratio of the unfunded actuarial liability to the covered payroll was 23.65%.

Actuarial values of the program involve estimates of the value of reported amounts and assumptions of the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Since the City has not established an irrevocable trust, there are no separate plan assets reported under GASB Codification Section P50.

**E. Actuarial Methods and Assumptions**

Projects of benefits for financial reporting purposes are based on the program (as understood by the employer and eligible participants) 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 participants at 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.

In the actuarial valuation performed as of July 1, 2015 the projected unit cost method was used. The actuarial assumptions include a 3% investment rate of return (0% real rate plus 3% inflation) and an annual healthcare cost trend rate of 5% level. The City's unfunded actuarial accrued liability is being amortized over a thirty year period using the level dollar method on an open basis. The remaining amortization period at July 1, 2015 is 30 years.

**Note 9. Risk Management**

The City is exposed to various risks to general liability and property and casualty losses. The City deems it was more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty and workman's compensation coverage. The City participates in the TML Risk Management Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member Cities. The City pays an annual premium to the TML for its general liability, law enforcement liability, errors and omissions liability, auto liability, workers' compensation and property coverage. The City's workers' compensation coverage is retrospectively rated, whereby premiums are accrued based on the ultimate costs of the experience of the City. Claims arising are paid by the pool. The Pool has the right to assess participants for loss experience in excess of premiums collected. The City also obtains commercial insurance coverage for accidents and sick-leave for volunteer firemen. Insurance recoveries during 2017 were approximately \$58,000. Settled claims have not exceeded insurance coverage since 2008.

**CITY OF PORTLAND, TENNESSEE**  
**Notes to the Financial Statements – Continued**  
**June 30, 2017**

**Note 10. Commitments, Concentrations and Contingencies**

**A. Commitments**

The City is committed on future capital expenditures for projects ongoing at June 30, 2017:

	Amount Through June 30, 2017	Additional Commitment	Total Project	Funding
<b>Governmental Funds Projects</b>				
City Hall Renovation	\$ 588,304	\$ 1,031,000	\$ 1,619,304	Bond
Mechanic Shop	\$ 57,871	\$ 163,446	\$ 221,317	Bond
<b>Water &amp; Sewer Fund</b>				
Waste Water Treatment Plant Upgrade	\$ 285,509	\$ 5,019,961	\$ 5,305,470	Bond
Waste Water Collection System Upgrade	\$ 112,865	\$ 1,887,135	\$ 2,000,000	Bond
I-65 Sewer Expansion	\$ 5,059	\$ 744,941	\$ 750,000	Bond
Interchange Utility Relocation	\$ 189,599	\$ 26,252	\$ 215,851	Operations
<b>Gas Fund</b>				
Gas Loop Phase II	\$ 768,924	\$ 163,780	\$ 932,704	Operations

**B. Concentrations**

The business-type activities have a concentration of accounts receivable with customers who are geographically concentrated in the City service area. The business-type activities require a cash deposit from new customers or a letter of credit from a previous utility company showing timely payment of bills. These requirements are in place to mitigate the risk of uncollectible accounts.

**C. Contingencies**

The City has an outstanding Order and Assessment issued by TDEC on February 9, 2011 related to permit discharge limit violations and overflows at the City wastewater treatment plant. The Order sets forth twelve required actions that must be taken by the City or civil penalties will be incurred. As of June 30, 2017, the City has incurred and can be subject to additional penalties which management believes would be immaterial to the accompanying financial statements of the City.

There are pending lawsuits in which the City is involved. City attorneys estimates that potential claims against the City resulting from such litigation would either be covered by insurance as discussed in Note 9 or would not materially affect the accompanying financial statements of the City.

**Note 11. Upcoming Accounting Pronouncement**

GASB has issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, Statement No 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. Management of the City believes implementation of Statement No. 75 will increase the OPEB liability for the OPEB Plan disclosed in Note 8 and will decrease the unrestricted net position. Statement No.75 is required to be adopted by the City for the fiscal year ending June 30, 2018.

Pages 49-50 have intentionally been left blank.

#### **Required Supplementary Information**

**CITY OF PORTLAND, TENNESSEE**  
**Required Supplementary Information**  
**Schedule of Funding Progress -**  
**Other Post Employment Benefit Plan**  
**June 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL/ Surplus (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
July 1, 2011	\$ -	\$ 1,152,354	\$ 1,152,354	0%	\$ 4,230,336	27.24%
July 1, 2013	\$ -	\$ 1,315,341	\$ 1,315,341	0%	\$ 4,726,721	27.83%
July 1, 2015	\$ -	\$ 1,287,357	\$ 1,287,357	0%	\$ 5,442,250	23.65%

The Governmental Accounting Standards Board (GASB) required the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The projected unit cost actuarial method has been used by the program for funding purposes. Refer to Note 8 for additional information and a description of the program.

**CITY OF PORTLAND, TENNESSEE**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability (Asset) and**  
**Related Ratios Based on Participation in the**  
**Public Employee Pension Plan of TCRS**  
**Last Fiscal Year ending June 30,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service Cost	\$ 423,986	\$ 409,779	\$ 389,011
Interest	1,128,066	1,040,811	1,015,953
Changes in benefit terms	-	-	-
Differences between actual & expected experience	36,093	384,722	(439,583)
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	<u>(683,337)</u>	<u>(688,881)</u>	<u>(620,533)</u>
<b>Net change in total pension liability</b>	904,808	1,146,431	344,848
<b>Total pension liability - beginning</b>	<u>14,958,567</u>	<u>13,812,136</u>	<u>13,467,288</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 15,863,375</u></u>	<u><u>\$ 14,958,567</u></u>	<u><u>\$ 13,812,136</u></u>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 587,552	\$ 526,805	\$ 495,742
Contributions - employee	276,673	248,121	238,795
Net investment income	405,013	452,471	2,076,912
Benefit payments, including refunds of employee contributions	(683,337)	(688,881)	(620,533)
Administrative expense	<u>(9,659)</u>	<u>(5,977)</u>	<u>(4,755)</u>
<b>Net change in plan fiduciary net position</b>	576,242	532,539	2,186,161
<b>Plan fiduciary net position - beginning</b>	<u>15,213,198</u>	<u>14,680,659</u>	<u>12,494,498</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 15,789,440</u></u>	<u><u>\$ 15,213,198</u></u>	<u><u>\$ 14,680,659</u></u>
 <b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<u><u>\$ 73,935</u></u>	<u><u>\$ (254,631)</u></u>	<u><u>\$ (868,523)</u></u>
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	99.53%	101.70%	106.29%
 <b>Covered-employee payroll</b>	\$ 5,527,302	\$ 4,955,832	\$ 4,775,917
 <b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	1.34%	-5.14%	-18.19%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.



**CITY OF PORTLAND, TENNESSEE**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Based on Participation in the Public Employee Pension Plan of TCRS**  
**Last Fiscal Year ending June 30,**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 495,742	\$ 526,805	\$ 587,552	\$ 631,603
Contributions in relation to the actuarially determined contribution	<u>495,742</u>	<u>526,805</u>	<u>577,156</u>	<u>631,603</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,396</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,775,917	\$ 4,955,832	\$5,527,302	\$6,168,216
Contributions as a percentage covered-employee payroll	10.38%	10.63%	10.63%	10.24%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Notes to Schedule**

*Valuation Date:* Actuarially determined contribution rates for the year ended June 30, 2017 were calculated based on the June 30, 2015 actuarial valuation. Detailed below are the methods and assumptions used in the June 30, 2015 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

## **Supplemental Information**

City of Portland, Tennessee  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2017

	Special Revenue Funds					Non-major Capital Projects Funds	Total Non-major Governmental Funds
	Airport Fund	Solid Waste Fund	Stormwater Fund	Drug Fund	Impact Fees Fund	Revolving Loan Fund	
<b>Assets</b>							
Cash & Equivalents (Unrestricted)	\$ 20,078	\$ 92,493	\$ 79,386	\$ -	\$ -	\$ -	\$ 191,957
Cash & Equivalents (Restricted)	1,869	2,231	-	16,465	174,095	6,526	201,186
Investments	-	-	-	-	-	549,146	549,146
Customer Receivables	-	81,398	33,900	-	-	-	115,298
Intergovernmental	60,204	-	-	-	-	-	60,204
Prepaid and Other Assets	7,710	15,917	5,625	-	-	-	29,252
Inventory	24,584	6,985	-	-	-	-	31,569
Total Assets	<u>\$ 114,445</u>	<u>\$ 199,024</u>	<u>\$ 118,911</u>	<u>\$ 16,465</u>	<u>\$ 174,095</u>	<u>\$ 555,672</u>	<u>\$ 1,178,612</u>
<b>Liabilities and Fund Equity</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 68,735	\$ 36,538	\$ 49,942	\$ -	\$ -	\$ -	\$ 155,215
Accrued Liabilities	1,473	5,326	3,657	-	-	-	10,456
Due To Other Funds	106	18	-	-	-	-	124
Total Liabilities	<u>70,314</u>	<u>41,882</u>	<u>53,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,795</u>
<b>Fund Balances</b>							
Nonspendable							
Inventory and Prepaid Items	32,294	22,902	5,625	-	-	-	60,821
Restricted For:							
Airport	11,837	-	-	-	-	-	11,837
Solid Waste	-	134,240	-	-	-	-	134,240
Stormwater	-	-	59,687	-	-	-	59,687
Drug Fund	-	-	-	16,465	-	-	16,465
Industrial Revolver	-	-	-	-	-	555,672	555,672
Impact Fee	-	-	-	-	174,095	-	174,095
Total Fund Balances	<u>44,131</u>	<u>157,142</u>	<u>65,312</u>	<u>16,465</u>	<u>174,095</u>	<u>555,672</u>	<u>1,012,817</u>
Total Liabilities and Fund Balances	<u>\$ 114,445</u>	<u>\$ 199,024</u>	<u>\$ 118,911</u>	<u>\$ 16,465</u>	<u>\$ 174,095</u>	<u>\$ 555,672</u>	<u>\$ 1,178,612</u>

See independent auditors' report.

City of Portland, Tennessee  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-major Governmental Funds  
For the Year Ended June 30, 2017

	Special Revenue Funds					Capital Projects Funds	Total Non-major Governmental Funds
	Airport Fund	Solid Waste Fund	Stormwater Fund	Drug Fund	Impact Fees Fund	Industrial Loan Fund	
<b>Revenues</b>							
Charges for Services	\$ 114,864	\$ 1,001,771	\$ 385,946	\$ -	\$ 125,464	\$ -	\$ 1,628,045
Fines and Forfeitures	-	-	5,200	9,243	-	-	14,443
Investment Income	88	695	230	-	-	1,657	2,670
Rental Income	85,043	-	-	-	-	-	85,043
Miscellaneous Revenue	2,736	-	-	-	-	-	2,736
Total Revenues	202,731	1,002,466	391,376	9,243	125,464	1,657	1,732,937
<b>Expenditures</b>							
Salaries, Taxes and Benefits	89,536	451,015	94,077	-	-	-	634,628
Repairs and Maintenance	33,979	46,003	49,449	-	-	-	129,431
Utilities	29,746	33,167	1,498	-	-	-	64,411
Supplies	99,722	6,124	7,829	338	-	-	114,013
Other Current Operating	18,936	387,357	31,881	-	-	-	438,174
Debt Service	16,006	64,181	-	-	-	-	80,187
Capital Outlay	371,382	32,327	141,330	-	-	-	545,039
Total Expenditures	659,307	1,020,174	326,064	338	-	-	2,005,883
Excess of Revenues Over (Under) Expenditures	(456,576)	(17,708)	65,312	8,905	125,464	1,657	(272,946)
<b>Other Financing Sources (Uses)</b>							
Contributions and Grants	398,820	-	-	-	-	-	398,820
Insurance Proceeds	3,402	-	-	-	-	-	3,402
Proceeds from Sales of Capital Assets	-	-	-	500	-	-	500
Transfers In (Out)	37,845	30,000	-	-	(236,031)	-	(168,186)
Total Other Financing Sources (Uses)	440,067	30,000	-	500	(236,031)	-	234,536
<b>Net Change in Fund Balances</b>	(16,509)	12,292	65,312	9,405	(110,567)	1,657	(38,410)
<b>Fund Balance - July 1, 2016</b>	60,640	144,850	-	7,060	284,662	554,015	1,051,227
<b>Fund Balance - June 30, 2017</b>	\$ 44,131	\$ 157,142	\$ 65,312	\$ 16,465	\$ 174,095	\$ 555,672	\$ 1,012,817

See independent auditors' report.

City of Portland, Tennessee  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
Non-Major Special Revenue Funds  
For the Year Ended June 30, 2017

	Airport Fund				Solid Waste Fund				Stormwater Fund			
	Budgeted Amounts		Positive (Negative) Variance with Final		Budgeted Amounts		Positive (Negative) Variance with Final		Budgeted Amounts		Positive (Negative) Variance with Final	
	Original	Final			Original	Final			Original	Final		
<b>Revenues</b>												
Charges for Services	\$ 165,000	\$ 125,000	\$ 114,864	\$ (10,136)	\$ 981,100	\$ 999,000	\$ 1,001,771	\$ 2,771	\$ 250,000	\$ 384,100	\$ 385,946	\$ 1,846
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	5,200	5,200	-
Investment Income	200	135	88	(47)	500	675	695	20	-	200	230	30
Rental Income	84,000	84,000	85,043	1,043	-	-	-	-	-	-	-	-
Miscellaneous Revenue	250	2,750	2,736	(14)	250	250	-	(250)	-	-	-	-
Total Revenues	249,450	211,885	202,731	(9,154)	981,850	999,925	1,002,466	2,541	250,000	389,500	391,376	1,876
<b>Expenditures</b>												
Salaries, Taxes and Benefits	103,625	94,450	89,536	4,914	459,010	460,935	451,015	9,920	79,970	109,649	94,077	15,572
Repairs and Maintenance	17,850	35,600	33,979	1,621	46,000	51,750	46,003	5,747	91,710	58,000	49,449	8,551
Utilities	29,750	31,950	29,746	2,204	33,320	34,320	33,167	1,153	6,000	5,000	1,498	3,502
Supplies	148,953	115,000	99,722	15,278	5,394	7,243	6,124	1,119	3,450	3,690	7,829	(4,139)
Other Current Operating	15,943	18,304	18,936	(632)	356,695	396,495	387,357	9,138	68,870	56,011	31,881	24,130
Debt Service	16,039	16,016	16,006	10	64,181	64,182	64,181	1	-	-	-	-
Capital Outlay	685,365	720,638	371,382	349,256	33,750	33,500	32,327	1,173	-	127,150	141,330	(14,180)
Total Expenditures	1,017,525	1,031,958	659,307	372,651	998,350	1,048,425	1,020,174	28,251	250,000	359,500	326,064	33,436
Excess of Revenues Over (Under) Expenditures	(768,075)	(820,073)	(456,576)	363,497	(16,500)	(48,500)	(17,708)	30,792	-	30,000	65,312	35,312
<b>Other Financing Sources (Uses)</b>												
Contributions and Grants	634,150	715,265	398,820	(316,445)	-	-	-	-	-	-	-	-
Insurance Proceeds	-	3,500	3,402	(98)	-	-	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In (Out)	113,925	81,308	37,845	(43,463)	-	32,000	30,000	(2,000)	-	-	-	-
Total Other Financing Sources (Uses)	748,075	800,073	440,067	(360,006)	-	32,000	30,000	(2,000)	-	-	-	-
<b>Net Change in Fund Balances</b>	(20,000)	(20,000)	(16,509)	3,491	(16,500)	(16,500)	12,292	28,792	-	30,000	65,312	35,312
<b>Fund Balance - July 1, 2016</b>	60,640	60,640	60,640	-	144,850	144,850	144,850	-	-	-	-	-
<b>Fund Balance - June 30, 2017</b>	\$ 40,640	\$ 40,640	\$ 44,131	\$ 3,491	\$ 128,350	\$ 128,350	\$ 157,142	\$ 28,792	\$ -	\$ 30,000	\$ 65,312	\$ 35,312

See independent auditors' report.

City of Portland, Tennessee  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
Non-Major Special Revenue Funds Continued  
For the Year Ended June 30, 2017

	Drug Fund				Impact Fee Fund				Industrial Loan Fund			
	Budgeted Amounts		Positive (Negative) Variance with Final		Budgeted Amounts		Positive (Negative) Variance with Final		Budgeted Amounts		Positive (Negative) Variance with Final	
	Original	Final			Original	Final			Original	Final		
<b>Revenues</b>												
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ 58,000	\$ 102,500	\$ 125,464	\$ 22,964	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	14,000	10,200	9,243	(957)	-	-	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-	-	-	1,500	1,660	1,657	(3)
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	<u>14,000</u>	<u>10,200</u>	<u>9,243</u>	<u>(957)</u>	<u>58,000</u>	<u>102,500</u>	<u>125,464</u>	<u>22,964</u>	<u>1,500</u>	<u>1,660</u>	<u>1,657</u>	<u>(3)</u>
<b>Expenditures</b>												
Salaries, Taxes and Benefits	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	-	1,000	338	(662)	-	-	-	-	-	-	-	-
Other Current Operating	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>1,000</u>	<u>338</u>	<u>(662)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	14,000	9,200	8,905	(295)	58,000	102,500	125,464	22,964	1,500	1,660	1,657	(3)
<b>Other Financing Sources (Uses)</b>												
Contributions and Grants	-	-	-	-	-	-	-	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	500	500	-	-	-	-	-	-	-	-	-
Transfers In (Out)	-	-	-	-	(263,750)	(323,750)	(236,031)	87,719	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>500</u>	<u>500</u>	<u>-</u>	<u>(263,750)</u>	<u>(323,750)</u>	<u>(236,031)</u>	<u>87,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	14,000	9,700	9,405	(295)	(205,750)	(221,250)	(110,567)	110,683	1,500	1,660	1,657	(3)
<b>Fund Balance - July 1, 2016</b>	<u>7,060</u>	<u>7,060</u>	<u>7,060</u>	<u>-</u>	<u>284,662</u>	<u>284,662</u>	<u>284,662</u>	<u>-</u>	<u>554,015</u>	<u>554,015</u>	<u>554,015</u>	<u>-</u>
<b>Fund Balance - June 30, 2017</b>	<u>\$ 21,060</u>	<u>\$ 16,760</u>	<u>\$ 16,465</u>	<u>\$ (295)</u>	<u>\$ 78,912</u>	<u>\$ 63,412</u>	<u>\$ 174,095</u>	<u>\$ 110,683</u>	<u>\$ 555,515</u>	<u>\$ 555,675</u>	<u>\$ 555,672</u>	<u>\$ (3)</u>

See independent auditors' report.

**City of Portland, Tennessee**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**June 30, 2017**

<b>GRANTOR</b>	<b>CFDA NO.</b>	<b>PASS THROUGH ENTITY</b>	<b>CONTRACT NO.</b>	<b>PASSED THROUGH TO SUBRECIPIENTS</b>	<b>EXPENDITURES</b>
<b>FEDERAL AWARDS</b>					
<b>U.S. Department of Housing and Urban Development</b>					
<u>Pass-through programs:</u>					
Home Investment Partnerships Program	14.239	Tennessee Dept. of Economic and Community Development	10-THDA-H-20	-	\$ 138,579
Sewer Rehabilitation Program	14.228	Tennessee Dept. of Transportation	33004-79713	-	8,267
<b>Total U.S. Department of Housing and Urban Development</b>				-	146,846
<b>U.S. Department of Homeland Security</b>					
<u>Pass-through programs:</u>					
High Visibility Enforcement Project	20.607	TN Dept of Safety & Homeland Security TN Highway Safety Office	Z17THS278	-	4,972
<b>Total U.S. Environmental Protection Agency</b>				-	4,972
<b>U.S. Department of Transportation</b>					
<u>Pass-through programs:</u>					
Airport Improvement Program	20.106	Tennessee Dept. of Tran/Aeronautics Division	AERO-15-175-00	-	221,967
Airport Improvement Program	20.106	Tennessee Dept. of Tran/Aeronautics Division	AERO-17-205-00	-	73,680
				-	295,647
Surface Transportation Program	20.205	State of TN Dept. of Transportation	140139	-	658
Surface Transportation Program Bicycle/Pedestrian Facility	20.205	State of TN Dept. of Transportation	130261	-	941
Surface Transportation Program Bicycle/Pedestrian Facility	20.205	State of TN Dept. of Transportation	150029	-	10,659
Surface Transportation Program	20.205	State of TN Dept. of Transportation	150201	-	13,800
Surface Transportation Program	20.205	State of TN Dept. of Transportation	83LPLM-F1-097	-	73,400
				-	99,458
Dept of Interior National Park Service	15.904	State of TN Dept of Environment & Conservation TN Historical Commission	P16AF00128	-	15,000
				-	15,000
<b>Total U.S. Department of Transportation</b>				-	410,105
<b>U.S. Environmental Protection Agency</b>					
<u>Pass-through programs:</u>					
Capitalization Grants for Clean Water State Revolving Funds	66.458	State of Tennessee, Dept. of Environment and Conservation	SRLF 2006-192	-	50,970
<b>Total U.S. Environmental Protection Agency</b>				-	50,970
<b>Total Federal Awards</b>				<b>\$ -</b>	<b>\$ 612,893</b>

See independent auditors' report

**City of Portland, Tennessee**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued**  
**June 30, 2017**

<b>GRANTOR</b>	<b>CFDA NO.</b>	<b>PASS THROUGH ENTITY</b>	<b>CONTRACT NO.</b>	<b>PASSED THROUGH TO SUBRECIPIENTS</b>	<b>EXPENDITURES</b>
<b>STATE ASSISTANCE</b>					
State of Tennessee, Dept. of Transportation Aeronautics Division	N/A	N/A	AERO-M12-250	-	14,300
State of Tennessee, Dept. of Transportation Aeronautics Division	N/A	N/A	AERO-15-232-00	-	14,600
State of Tennessee, Dept. of Transportation Local Programs Development	N/A	N/A	33007-08414 33004-13515	-	7,512
State of Tennessee Dept. of Transportation Aeronautics Division	N/A	N/A	AERO-15-123-00		1,858
State of Tennessee, Dept. of Environment and Conservation	N/A	N/A	32701-02517	-	75,401
State of Tennessee, Dept. of Environment and Conservation	N/A	N/A	SRLF 2006-192	-	10,194
<b>Total State Assistance</b>				<u>\$ -</u>	<u>\$ 123,865</u>
<b>Total Federal Awards and State Assistance</b>				<u>\$ -</u>	<u>\$ 736,758</u>

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Financial Assistance includes the federal and state grant activity of the City of Portland, Tennessee under the programs of the federal and state governments for the year ended June 30, 2017. Because the Schedule presents only a selected portion of the operations of the City of Portland, Tennessee, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Portland, Tennessee.

**Note 2: Significant Accounting Policies**

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting.
- (2) Pass-through entity identifying numbers are presented where available.

**Note 3: Loans Outstanding**

The City has outstanding loans of \$1,001,131 at June 30, 2017 with the EPA obtained through the State Revolving Loan Fund (SRLF). The amounts listed for these loans include the outstanding loan balance from prior years less principle payments.



City of Portland, Tennessee  
Schedule of Long-Term Debt, Principal, and Interest Requirements  
By Fiscal Year  
June 30, 2017

**Governmental Activities Long-Term Debt**

Year Ending June 30,	State Street Aid Paving Capital Outlay Note, Series 2014		Public Library Expansion Capital Outlay Note 2011		Police Department Capital Outlay Note 2017		Fire Department Capital Outlay Note, Series 2013		Sanitation Trucks Capital Lease Series 2013		Street Department, Tennessee Municipal Bond Fund Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 55,560	\$ 8,437	\$ 75,000	\$ 3,960	\$ 45,000	\$ 4,920	\$ 42,000	\$ 5,628	\$ 42,426	\$ 452	\$ 15,000	\$ 4,908
2019	55,560	6,842	75,000	2,097	45,000	3,728	42,000	4,502	-	-	15,000	4,384
2020	55,560	5,248	43,750	363	45,000	2,539	42,000	3,377	-	-	15,000	3,861
2021	55,560	3,653	-	-	45,000	1,341	42,000	2,251	-	-	15,000	3,337
2022	55,560	2,059	-	-	26,250	233	42,000	1,125	-	-	15,000	2,814
2023	41,630	497	-	-	-	-	-	-	-	-	15,000	2,290
2024	-	-	-	-	-	-	-	-	-	-	15,000	1,767
2025	-	-	-	-	-	-	-	-	-	-	15,000	1,243
2026	-	-	-	-	-	-	-	-	-	-	15,000	720
2027	-	-	-	-	-	-	-	-	-	-	12,500	200
	<u>\$ 319,430</u>	<u>\$ 26,736</u>	<u>\$ 193,750</u>	<u>\$ 6,420</u>	<u>\$ 206,250</u>	<u>\$ 12,761</u>	<u>\$ 210,000</u>	<u>\$ 16,883</u>	<u>\$ 42,426</u>	<u>\$ 452</u>	<u>\$ 147,500</u>	<u>\$ 25,524</u>

	Airport Capital Outlay Note Series 2010		Parks Department Capital Outlay Note 2015		\$150,000 Street Department Bond 2015		\$1,150,000 Paving Bond 2015		Series 2015 GO Public Improvement Bonds		Total Governmental Activities		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	\$ 15,370	\$ 314	\$ 32,000	\$ 1,827	\$ 30,000	\$ 1,817	\$ 143,760	\$ 21,729	\$ 170,000	\$ 231,563	\$ 666,116	\$ 285,555	\$ 951,671
2019	6,403	34	32,000	1,030	30,000	1,166	143,760	17,977	175,000	227,312	619,723	269,072	888,795
2020	-	-	24,000	250	30,000	515	143,760	14,225	180,000	222,938	579,070	253,316	832,386
2021	-	-	-	-	7,500	27	143,760	10,473	180,000	219,938	488,820	241,020	729,840
2022	-	-	-	-	-	-	143,760	6,721	185,000	213,938	467,570	226,890	694,460
2023	-	-	-	-	-	-	143,760	2,968	190,000	209,312	390,390	215,067	605,457
2024	-	-	-	-	-	-	35,860	156	195,000	204,562	245,860	206,485	452,345
2025	-	-	-	-	-	-	-	-	200,000	199,200	215,000	200,443	415,443
2026	-	-	-	-	-	-	-	-	205,000	193,700	220,000	194,420	414,420
2027	-	-	-	-	-	-	-	-	215,000	188,062	215,000	188,262	403,262
2028	-	-	-	-	-	-	-	-	220,000	181,612	232,500	181,612	414,112
2029	-	-	-	-	-	-	-	-	225,000	175,012	225,000	175,012	400,012
2030	-	-	-	-	-	-	-	-	230,000	168,262	230,000	168,262	398,262
2031	-	-	-	-	-	-	-	-	240,000	161,362	240,000	161,362	401,362
2032	-	-	-	-	-	-	-	-	245,000	154,162	245,000	154,162	399,162
2033	-	-	-	-	-	-	-	-	255,000	146,812	255,000	146,812	401,812
2034	-	-	-	-	-	-	-	-	260,000	139,162	260,000	139,162	399,162
2035	-	-	-	-	-	-	-	-	270,000	130,062	270,000	130,062	400,062
2036	-	-	-	-	-	-	-	-	280,000	120,612	280,000	120,612	400,612
2037	-	-	-	-	-	-	-	-	290,000	110,812	290,000	110,812	400,812
2038	-	-	-	-	-	-	-	-	300,000	100,662	300,000	100,662	400,662
2039	-	-	-	-	-	-	-	-	310,000	90,162	310,000	90,162	400,162
2040	-	-	-	-	-	-	-	-	320,000	79,312	320,000	79,312	399,312
2041	-	-	-	-	-	-	-	-	335,000	67,312	335,000	67,312	402,312
2042	-	-	-	-	-	-	-	-	345,000	54,750	345,000	54,750	399,750
2043	-	-	-	-	-	-	-	-	360,000	41,812	360,000	41,812	401,812
2044	-	-	-	-	-	-	-	-	370,000	28,312	370,000	28,312	398,312
2045	-	-	-	-	-	-	-	-	385,000	14,438	385,000	14,438	399,438
	<u>\$ 21,773</u>	<u>\$ 348</u>	<u>\$ 88,000</u>	<u>\$ 3,107</u>	<u>\$ 97,500</u>	<u>\$ 3,525</u>	<u>\$ 898,420</u>	<u>\$ 74,249</u>	<u>\$ 7,135,000</u>	<u>\$ 4,075,155</u>	<u>\$ 9,360,049</u>	<u>\$ 4,245,160</u>	<u>\$ 13,605,209</u>

See independent auditors' report.

City of Portland, Tennessee  
Schedule of Long-Term Debt, Principal, and Interest Requirements - Continued  
By Fiscal Year  
June 30, 2017

**Business-Type Activities Long-Term Debt**

Year Ending June 30,	Water and Sewer System Refunding and Improvement Bonds, Series 2016		State Revolving Fund Loan, 2006		Capital Outlay Note - Hwy 52 Water & Sewer Expansion		Public Works AMR Project, CO Notes, Series WS 2009-3		Capital Lease - Water and Sewer		Capital Outlay Note - Water and Sewer Jet Vac		Total Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 655,000	\$ 508,994	\$ 62,208	\$ 16,536	\$ 17,130	\$ 51	\$ 180,144	\$ 2,136	\$ 8,002	\$ 41	\$ 70,000	\$ 3,684	\$ 992,484	\$ 531,442
2019	670,000	489,344	63,276	15,468	-	-	30,026	73	-	-	70,000	2,017	833,302	506,902
2020	680,000	469,244	64,356	14,388	-	-	-	-	-	-	46,667	419	791,023	484,051
2021	700,000	448,844	65,460	13,284	-	-	-	-	-	-	-	-	765,460	462,128
2022	570,000	427,844	66,576	12,168	-	-	-	-	-	-	-	-	636,576	440,012
2023	455,000	410,744	67,728	11,016	-	-	-	-	-	-	-	-	522,728	421,760
2024	475,000	397,094	68,880	9,864	-	-	-	-	-	-	-	-	543,880	406,958
2025	480,000	385,218	70,068	8,676	-	-	-	-	-	-	-	-	550,068	393,894
2026	490,000	373,218	71,268	7,476	-	-	-	-	-	-	-	-	561,268	380,694
2027	500,000	360,968	72,492	6,252	-	-	-	-	-	-	-	-	572,492	367,220
2028	530,000	340,968	73,728	5,016	-	-	-	-	-	-	-	-	603,728	345,984
2029	545,000	319,768	74,988	3,756	-	-	-	-	-	-	-	-	619,988	323,524
2030	515,000	297,968	76,272	2,472	-	-	-	-	-	-	-	-	591,272	300,440
2031	535,000	277,368	77,580	1,164	-	-	-	-	-	-	-	-	612,580	278,532
2032	555,000	255,968	26,251	93	-	-	-	-	-	-	-	-	581,251	256,061
2033	575,000	239,318	-	-	-	-	-	-	-	-	-	-	575,000	239,318
2034	590,000	222,068	-	-	-	-	-	-	-	-	-	-	590,000	222,068
2035	605,000	204,368	-	-	-	-	-	-	-	-	-	-	605,000	204,368
2036	635,000	180,168	-	-	-	-	-	-	-	-	-	-	635,000	180,168
2037	435,000	154,768	-	-	-	-	-	-	-	-	-	-	435,000	154,768
2038	455,000	137,368	-	-	-	-	-	-	-	-	-	-	455,000	137,368
2039	470,000	119,168	-	-	-	-	-	-	-	-	-	-	470,000	119,168
2040	490,000	100,368	-	-	-	-	-	-	-	-	-	-	490,000	100,368
2041	370,000	80,768	-	-	-	-	-	-	-	-	-	-	370,000	80,768
2042	385,000	65,968	-	-	-	-	-	-	-	-	-	-	385,000	65,968
2043	400,000	53,938	-	-	-	-	-	-	-	-	-	-	400,000	53,938
2044	410,000	41,438	-	-	-	-	-	-	-	-	-	-	410,000	41,438
2045	425,000	28,112	-	-	-	-	-	-	-	-	-	-	425,000	28,112
2046	440,000	14,300	-	-	-	-	-	-	-	-	-	-	440,000	14,300
	<u>\$ 15,040,000</u>	<u>\$ 7,405,670</u>	<u>\$ 1,001,131</u>	<u>\$ 127,629</u>	<u>\$ 17,130</u>	<u>\$ 51</u>	<u>\$ 210,170</u>	<u>\$ 2,209</u>	<u>\$ 8,002</u>	<u>\$ 41</u>	<u>\$ 186,667</u>	<u>\$ 6,120</u>	<u>\$ 16,463,100</u>	<u>\$ 7,541,720</u>

**Total**

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 666,116	\$ 285,555	\$ 992,484	\$ 531,442	\$ 1,658,600	\$ 816,997
2019	619,723	269,072	833,302	506,902	1,453,025	775,974
2020	579,070	253,316	791,023	484,051	1,370,093	737,367
2021	488,820	241,020	765,460	462,128	1,254,280	703,148
2022	467,570	226,890	636,576	440,012	1,104,146	666,902
2023-2027	1,286,250	1,004,677	2,750,436	1,970,526	4,036,686	2,975,203
2028-2032	1,172,500	840,410	3,008,819	1,504,541	4,181,319	2,344,951
2033-2037	1,355,000	647,460	2,840,000	1,000,690	4,195,000	1,648,150
2038-2042	1,610,000	392,198	2,170,000	503,640	3,780,000	895,838
2043-2046	1,115,000	84,562	1,675,000	137,788	2,790,000	222,350
	<u>\$ 9,360,049</u>	<u>\$ 4,245,160</u>	<u>\$ 16,463,100</u>	<u>\$ 7,541,720</u>	<u>\$ 25,823,149</u>	<u>\$ 11,786,880</u>

See independent auditors' report.

**City of Portland, Tennessee**  
**Schedule of Changes in Property Taxes Receivable**  
**and Uncollected Delinquent Taxes Filed**  
**June 30, 2017**

<b>Year of Levy</b>	<b>Gross Property Taxes Receivable July 1, 2016</b>	<b>Property Tax Levied</b>	<b>Anticipated Current Year Levy</b>	<b>Adjustments</b>	<b>Collections</b>	<b>Allowance</b>	<b>Net Property Taxes Receivable June 30, 2017</b>
2017	\$ -	\$ -	\$ 3,982,140	\$ -	\$ -	\$ -	\$ 3,982,140
2016	3,879,734	-	-	183,849	(3,975,028)	-	88,555
2015	74,715	-	-	22,695	(48,330)	-	49,080
2014	51,878	-	-	(26,816)	(1,603)	(23,459)	-
2013	28,613	-	-	596	(8,090)	(21,119)	-
2012	23,699	-	-	887	(5,373)	(19,213)	-
2011	31,243	-	-	594	(1,873)	(29,964)	-
2010	18,104	-	-	916	(2,787)	(16,233)	-
2009	21,854	-	-	-	-	(21,854)	-
2008	10,170	-	-	-	-	(10,170)	-
2007	8,768	-	-	-	-	(8,768)	-
2006	6,440	-	-	(6,440)	-	-	-
<b>Totals</b>	<b>\$ 4,155,218</b>	<b>\$ -</b>	<b>\$ 3,982,140</b>	<b>\$ 176,281</b>	<b>\$ (4,043,084)</b>	<b>\$ (150,780)</b>	<b>\$ 4,119,775</b>

Note: All uncollected taxes for years due prior to March 1, 2015 have been turned over to the County for collection.

**City of Portland, Tennessee**  
**Utility Rate Structure and Number of Customers**  
**June 30, 2017**

<b>Water Customer Rates</b>		
Effective 7/1/16	<u>Inside City Limits</u>	<u>Outside City Limits</u>
Residential		
First 2,500 gallons	12.75	26.23
Per 1,000 gallons over 2,500	5.10	10.49
Commercial		
First 2,500 gallons	16.53	28.05
Per 1,000 gallons over 2,500	6.61	11.22
Industrial		
First 2,500 gallons	20.05	30.10
Per 1,000 gallons over 2,500	8.02	12.04
Pondville		
First 5,000 gallons	26.23	
Per 1,000 gallons over 5,000	10.49	

<b>Sewer Customer Rates</b>		
Effective 7/1/16	<u>Inside City Limits</u>	<u>Outside City Limits</u>
Residential		
First 2,500 gallons	25.00	32.40
Per 1,000 gallons over 2,500	10.00	12.96
Commercial		
First 2,500 gallons	29.90	38.90
Per 1,000 gallons over 2,500	11.96	15.56
Industrial		
First 2,500 gallons	32.40	42.13
Per 1,000 gallons over 2,500	12.96	16.85

**Solid Waste (Sanitation) Rates**

Sanitation for residential customers inside the city limits is \$18 per month. Business customer rate is \$22 per month.

**Natural Gas Customer Rates**

<u>Residential - Inside City Limits</u>		
Service Fee	4.50	Per Month
PTA rate	0.28	Per CCF
Cost of Gas Rate	0.34	Per CCF
<u>Residential - Outside City Limits</u>		
Service Fee	7.50	Per Month
PTA rate	0.35	Per CCF
Cost of Gas Rate	0.34	Per CCF
<u>Commercial - Inside/Outside City Limits</u>		
Service Fee	10.00	Per Month
PTA rate	0.30	Per CCF
Cost of Gas Rate	0.34	Per CCF
<u>Industrial - Inside/Outside City Limits</u>		
Service Fee	125.00	Per Month
PTA rate	0.30	Per CCF
Cost of Gas Rate	0.34	Per CCF

The rate structure is made up of three components, Gas cost, PTA and service fee. The cost of gas and the pass through adjustment make up the current cost of gas to the city at the city's source of supply. This cost is adjusted monthly, increased or decreased, to reflect the current market cost of gas to the city. The service fee covers the projected cost of operating and maintaining the city's gas department. The Service Fee and PTA rates were effective December 5, 2011 and the the monthly cost of gas rate was in effect at June 30, 2017.

**Number of Customers**

<u>Service</u>	<u>June 30, 2017</u>
Solid Waste (special revenue)	4,478
Stormwater (special revenue)	4,724
Water	7,361
Sewer	4,100
Natural Gas	4,760

See independent auditors' report.

**City of Portland, Tennessee**  
**Schedule of Property Tax Rates and Assessments**  
**Last Ten Fiscal Years**

<u>Year of Levy</u>	<u>Fiscal Year</u>	<u>Tax Rate Per \$100 Sumner</u>	<u>Tax Rate Per \$100 Robertson</u>	<u>Tax Assessment</u>
2017	2018	\$ 1.21	\$ 1.21	* \$ 3,982,140
2016	2017	\$ 1.21	\$ 1.21	\$ 3,985,892
2015	2016	\$ 1.21	\$ 1.21	\$ 3,882,467
2014	2015	\$ 1.21	\$ 1.21	\$ 3,679,618
2013	2014	\$ 1.18	\$ 1.18	\$ 3,761,856
2012	2013	\$ 1.10	\$ 1.13	\$ 3,310,126
2011	2012	\$ 1.10	\$ 1.13	\$ 3,315,772
2010	2011	\$ 1.10	\$ 1.13	\$ 3,230,794
2009	2010	\$ 0.95	\$ 0.98	\$ 2,911,661
2008	2009	\$ 1.03	\$ 0.92	\$ 2,816,329
2007	2008	\$ 1.03	\$ 1.03	\$ 2,811,901
2006	2007	\$ 1.03	\$ 1.16	\$ 2,475,690

\* Anticipated Levy as of June 30, 2017

See independent auditors' report.



# AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0  
American Water Works Association  
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? Click to access definition  
+ Click to add a comment

Water Audit Report for: **City of Portland, Tennessee**

Reporting Year: **2017** **7/2016 - 6/2017**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

**All volumes to be entered as: MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

<----- Enter grading in column 'E' and 'J' ----->

## WATER SUPPLIED

Volume from own sources: + ? 10 703.189 MG/Yr  
Water imported: + ? n/a MG/Yr  
Water exported: + ? n/a MG/Yr

## Master Meter and Supply Error Adjustments

Pcnt: Value: MG/Yr  
+ ? MG/Yr  
+ ? MG/Yr  
+ ? MG/Yr

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

**WATER SUPPLIED: 703.189 MG/Yr**

## AUTHORIZED CONSUMPTION

Billed metered: + ? 9 463.931 MG/Yr  
Billed unmetered: + ? 10 1.373 MG/Yr  
Unbilled metered: + ? n/a MG/Yr  
Unbilled unmetered: + ? 7 88.375 MG/Yr

Click here: ?  
for help using option  
buttons below

Pcnt: Value: MG/Yr  
88.375 MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION: 553.679 MG/Yr**

Use buttons to select  
percentage of water  
supplied  
OR  
value

## WATER LOSSES (Water Supplied - Authorized Consumption)

**149.510 MG/Yr**

## Apparent Losses

Unauthorized consumption: + ? 1.758 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: + ? 7 1.163 MG/Yr  
Systematic data handling errors: + ? 1.160 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

**Apparent Losses: 4.081 MG/Yr**

Pcnt: Value: MG/Yr  
0.25% 0.25% MG/Yr

0.25% 0.25% MG/Yr

## Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? 145.429 MG/Yr

**WATER LOSSES: 149.510 MG/Yr**

## NON-REVENUE WATER

**NON-REVENUE WATER: 237.885 MG/Yr**

= Water Losses + Unbilled Metered + Unbilled Unmetered

## SYSTEM DATA

Length of mains: + ? 10 272.1 miles  
Number of active AND inactive service connections: + ? 8 7,416  
Service connection density: ? 27 conn./mile main

Are customer meters typically located at the curbside or property line? Yes

Average length of customer service line: + ? (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 6 60.0 psi

## COST DATA

Total annual cost of operating water system: + ? 8 \$3,414,621 \$/Year  
Customer retail unit cost (applied to Apparent Losses): + ? 8 \$7.48 \$/1000 gallons (US)  
Variable production cost (applied to Real Losses): + ? 7 \$1,472.98 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

## WATER AUDIT DATA VALIDITY SCORE:

**\*\*\* YOUR SCORE IS: 85 out of 100 \*\*\***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

## PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Unauthorized consumption

2: Systematic data handling errors

3: Customer metering inaccuracies



## AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.  
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Water Audit Report for: **City of Portland, Tennessee**

Reporting Year: **2017** **7/2016 - 6/2017**

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 85 out of 100 \*\*\*

### System Attributes:

Apparent Losses:	<b>4.081</b>	MG/Yr
+ Real Losses:	<b>145.429</b>	MG/Yr
= <b>Water Losses:</b>	<b>149.510</b>	MG/Yr

? Unavoidable Annual Real Losses (UARL): **56.60** MG/Yr

Annual cost of Apparent Losses: **\$30,522**

Annual cost of Real Losses: **\$214,215** Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

### Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: **33.8%**

Non-revenue water as percent by cost of operating system: **11.0%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **1.51** gallons/connection/day

Real Losses per service connection per day: **N/A** gallons/connection/day

Real Losses per length of main per day\*: **1,464.30** gallons/mile/day

Real Losses per service connection per day per psi pressure: **N/A** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **145.43** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **2.57**

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

## **Internal Control and Compliance Section**



# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## **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**

To the Honorable Mayor and Board of Aldermen  
City of Portland, Tennessee

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, each major fund, and the aggregate remaining fund information of the City of Portland, Tennessee (the City), as of and for the year ended June 30, 2017, 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 15, 2017.

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blanchenship CPA Group, PLLC*

December 15, 2017

**City of Portland, Tennessee**  
**Summary Schedule of Prior Year Findings**  
**June 30, 2017**

**Financial Statement Findings**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
N/A	None Identified	N/A

**Federal Award Findings and Questioned Costs**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
N/A	None Identified	N/A