

**CITY OF PORTLAND, TENNESSEE  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018**

**CITY OF PORTLAND, TENNESSEE**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2018**

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# **INTRODUCTORY SECTION**

**CITY OF PORTLAND, TENNESSEE  
SCHEDULE OF ELECTED AND APPOINTED OFFICIALS  
JUNE 30, 2018**

**ELECTED OFFICIALS**

Ken Wilber	Mayor, CMFO
Mike Callis	Vice Mayor
David Andrews	Alderman
Brian Harbin	Alderman
Andrew Jennings	Alderman
John Kerley	Alderman
Jody McDowell	Alderman
Beverly Watson	Alderman

**APPOINTED OFFICIALS**

Doug Yoeckel, CPA, CMFO	City Recorder
Patricia Keen	Assistant City Recorder
John R. Bradley	City Attorney
Joseph B. (Jack) Freedle	City Judge

**AUDIT COMMITTEE**

Kim Delaney, CPA  
Beverly Watson  
Jake Daughtry

# **FINANCIAL SECTION**

# ***The MG Group, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**Tullahoma, Tennessee**

## **INDEPENDENT AUDITOR'S REPORT**

Board of Mayor and 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 the City of Portland, Tennessee, (the City) as of and for the year ended June 30, 2018, 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.

### ***Auditor's Responsibility***

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

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

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

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## ***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 of Portland, Tennessee as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

The City of Portland, Tennessee has adopted the provisions of the Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information 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 the financial reporting for placing basic financial statements, in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplemental and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, supplementary and other information sections as listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and the supplementary information including the schedule of expenditures of federal awards and state financial assistance, schedules of principal and interest requirements for governmental and enterprise funds, and changes in property taxes receivable are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements.



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, based on our audit and the procedures performed as described above, the supplemental section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and other information listed in the table of contents as schedule of property tax rates and assessments, schedule of utility rate structure and number of customers, and AWWA water loss worksheets have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 06, 2018, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Portland, Tennessee's internal control over financial reporting and compliance.

*MG Group, P.C.*

Tullahoma, Tennessee  
November 06, 2018

## **CITY OF PORTLAND, TENNESSEE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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, 2018. 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, 2018 by \$66,968,257. Of this amount, \$12,449,540 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

\* The government's total net position after prior period adjustments increased by \$1,973,478.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,239,808, an increase of \$465,187 in comparison to the prior year. Approximately 48% of this total amount, \$2,998,824 is available for spending at the government's discretion (unassigned other general fund balance).

\* The City's long-term liabilities increased by \$991,078. Normal debt service payments reduced the liability offset by new debt offerings of \$646,500. The major impact was the implementation of GASB 75 which added \$2,107,367 in liabilities to the current year.

#### **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).

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, golf course 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 eight (8) 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, which is considered a major fund. 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, golf course 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.

**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 statement.

### **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 \$64,994,780 at the close of 2017 and \$66,968,257 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (75.4%) 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 6.3%) represents resources that are subject to external restrictions on how these may be used and assigned encumbrances from prior year. The remaining balance of unrestricted net position \$12,249,540 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 \$2,177,804 at the end of the current fiscal year.

During the current fiscal year, the government's net position increased by \$1,973,478. This increase is approximately 2.9% of total net position. Of this \$1,973,478 increase, the governmental activities increased \$1,197,222 and the business related activities increased \$776,256.

Table 1

**Net Position**  
(In Thousands)

	Government Activities			Business -type Activities			Total		
	2018	2017	Change	2018	2017	Change	2018	2017	Change
<b>Assets</b>									
Current & Other Assets	\$ 12,078	\$ 10,522	\$ 1,556	\$ 18,130	\$ 19,096	\$ (965)	\$ 30,208	\$ 29,618	\$ 591
Capital Assets	32,234	30,958	1,276	37,971	35,858	2,113	70,204	66,816	3,388
Total Assets	44,312	41,480	2,832	56,101	54,954	1,147	100,413	96,434	3,979
<b>Deferred Outflows</b>									
Deferred Outflows	1,238	912	326	812	556	257	2,050	1,468	582
Total Deferred Outflows	1,238	912	326	812	556	257	2,050	1,468	582
<b>Liabilities</b>									
Other Liabilities	542	736	(194)	1,145	635	509	1,687	1,371	316
L-T Liabilities	11,105	9,978	1,127	17,189	17,325	(136)	28,294	27,303	991
Total Liabilities	11,647	10,714	933	18,334	17,960	373	29,981	28,674	1,307
<b>Deferred Inflows</b>									
Deferred Inflows	5,145	4,118	1,027	369	115	254	5,514	4,233	1,281
Total Deferred Inflows	5,145	4,118	1,027	369	115	254	5,514	4,233	1,281
<b>Net Position</b>									
Net Investment in									
Capital Assets	22,847	21,471	1,377	27,649	26,802	847	50,496	48,273	2,224
Restricted	3,732	1,421	2,311	490	-	490	4,222	1,421	2,801
Unrestricted	2,178	4,669	(2,491)	10,072	10,632	(560)	12,250	15,301	(3,051)
Total Net Position	\$ 28,758	\$ 27,560	\$ 1,197	\$ 38,211	\$ 37,434	\$ 776	\$ 66,968	\$ 64,995	\$ 1,973

Table 2

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

	Government Activities			Business -type Activities			Total		
	2018	2017	Change	2018	2017	Change	2018	2017	Change
<b>Revenues</b>									
Program Revenues:									
Charges for Services	\$ 2,911	\$ 2,126	\$ 786	\$ 12,628	\$ 11,691	\$ 937	\$ 15,539	\$ 13,817	\$ 1,723
Operating Grants	1,041	342	699	-	-	-	1,041	342	699
Capital Grants	296	2,238	(1,942)	328	240	88	624	2,478	(1,854)
General Revenues:									
Property Taxes	4,089	4,050	39	-	-	-	4,089	4,050	39
Intergovernmental	3,958	3,461	497	-	-	-	3,958	3,461	497
Interest	15	19	(4)	60	47	13	74	66	8
Other Revenues	216	130	86	-	-	-	216	130	86
Gain	21	42	(21)	42	44	(2)	63	86	(23)
<b>Total Revenues</b>	<b>\$ 12,548</b>	<b>\$ 12,409</b>	<b>\$ 139</b>	<b>\$ 13,057</b>	<b>\$ 12,022</b>	<b>\$ 1,036</b>	<b>\$ 25,605</b>	<b>\$ 24,431</b>	<b>\$ 1,174</b>
<b>Program Expenses</b>									
Gen Gov't	\$ 966	\$ 2,761	\$ (1,794)	\$ -	\$ -	\$ -	\$ 966	\$ 2,761	\$ (1,794)
Public Safety	3,999	4,163	(164)	-	-	-	3,999	4,163	(164)
City Court	19	17	2	-	-	-	19	17	2
Hwy, Streets	1,606	1,466	140	-	-	-	1,606	1,466	140
Solid Waste	894	988	(94)	-	-	-	894	988	(94)
Impact Fee	-	-	-	-	-	-	-	-	-
Parks	814	805	9	-	-	-	814	805	9
Airport	617	527	90	-	-	-	617	527	90
Planning	274	257	17	-	-	-	274	257	17
Comm Develop	42	43	(1)	-	-	-	42	43	(1)
City Garage	183	52	132	-	-	-	183	52	132
Engineering	24	44	(21)	-	-	-	24	44	(21)
Animal Control	65	78	(14)	-	-	-	65	78	(14)
Stormwater	582	188	394	-	-	-	582	188	394
Water & Sewer	-	-	-	6,460	6,745	(284)	6,460	6,745	(284)
Gas	-	-	-	4,711	4,205	506	4,711	4,205	506
Interest on L-T Debt	287	288	(1)	-	-	-	287	288	(1)
<b>Total Expenses</b>	<b>10,391</b>	<b>11,676</b>	<b>(1,285)</b>	<b>11,171</b>	<b>10,950</b>	<b>222</b>	<b>21,562</b>	<b>22,626</b>	<b>(1,064)</b>
Increase (Decrease) in net position									
Extraordinary Item	-	-	-	-	-	-	-	-	-
Transfers	237	287	(50)	(237)	(287)	50	-	-	-
Increase (Decrease) in net position	2,394	1,019	1,375	1,649	786	863	4,043	1,805	2,238
Net Position - Beginning	27,560	26,541	1,019	37,434	36,649	786	64,995	63,190	1,805
Prior Period Adjustment	(1,197)	-	(1,197)	(873)	-	(873)	(2,069)	-	(2,069)
<b>Net Position - Ending</b>	<b>\$ 28,758</b>	<b>\$ 27,560</b>	<b>\$ 1,197</b>	<b>\$ 38,211</b>	<b>\$ 37,434</b>	<b>\$ 776</b>	<b>\$ 66,968</b>	<b>\$ 64,995</b>	<b>\$ 1,973</b>

## **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 \$6,239,808, an increase of \$465,187, in comparison with 2017. Of this total amount, \$2,998,824 constitutes unassigned fund balance which is used for spending at the government's discretion. The non-spendable portion of fund balance (\$329,558) 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 (\$1,477,604) is set aside for statutorily reserved purposes. The committed fund balance (\$86,897) is designated for special projects that are provided by City Council action. The assigned fund balance (\$1,346,925) 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 \$5,117,790 with \$2,998,824 (approximately 58.6%) 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 31.9% of total general fund expenditures and 37.3% of total expenditures less capital outlays. Total fund balance represents 54.5% of total general fund expenditures. During the current fiscal year, the fund balance of the City's general fund increased by \$355,987.

Overall sales tax revenues and local option tax revenues continue to improve year over year as new retail outlets continue to open or expand (Burger King) with additional outlets planned or in process for the coming year. Current year levels improved 2.4% and 6.0% respectively over 2017 levels.

Collections of current year property taxes were at 97.3% of total taxes billed. Overall collections of property taxes including delinquents and penalties exceeded planned levels by approximately .9%.

Building permits continue to be very strong up (+111.5%) versus 2017 and up (+11.1%) 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 (Hwy 109 by-pass). The current year significant increase is attributed to the construction of a major new facility in the Robertson County Industrial park.

The State of Tennessee's state shared revenues were up approximately +6.8% over prior year. Sales Tax continued to show solid improvements, +2.4%. State income tax returned to 2016 levels decreasing by

28% from prior year. The Income tax level will continue to decrease due to the phase-out of the tax under current state law, completely phased-out in 2021. Business tax was up from prior year by +5.0%. These factors combined with tight control on operating expenditures contributed to the improvement in general unassigned fund balance +\$590,110. The overall net change in general fund balance was +\$355,859.

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 \$2,998,824 at the end of 2018.

### **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 \$10,071,736, a decrease of \$560,402 (-5.3%) with Gas contributing a \$1,966,340 increase offset by Water & Sewer contributing a (\$2,526,742) decrease. The overall change in net position before prior period adjustments was an increase of \$1,649,018, with Water & Sewer contributing a \$1,035,514 increase and Gas a \$613,504 increase. Prior period adjustments decreased net position by -\$872,762, made up of Gas -\$349,257 and Water and Sewer -\$523,505. Operating income was up in Gas (+\$530,057) and up in Water & Sewer (+48,732) versus prior year.

Gas revenues were significantly up for the year +\$1,036,206 (23.5%) as temperatures were much colder versus prior year. Natural gas costs for the year were up +\$475,383 due to increased usage and the overall margin on gas increased by 1.9 percentage points. Spending was up moderately (+\$30,766) with administrative expenses (+\$46,505), depreciation (+\$5,051) and operating expenses down (-20,790).

Water & Sewer was down slightly in operating revenues of -\$57,203 Improved cost control in operating expenses (-\$168,254) and depreciation (-17,169) offset by increases in administrative expenses (+\$79,488) created the overall increase in operating income (+\$48,732).

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

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



Table 3

	General Fund		
	Budgeted Amounts		
	Original	Final	Change
<b>Revenues</b>			
Local Taxes:			
Property and Personalty Taxes	\$ 4,382,189	\$ 4,311,033	\$ (71,156)
Sales Taxes	1,555,000	1,535,000	(20,000)
Alcoholic Beverage Taxes	336,000	338,500	2,500
Business Taxes	120,000	120,000	-
Cable TV Franchise and Lease Taxes	120,000	119,800	(200)
Other Taxes	-	-	-
Licenses & Permits	227,700	518,700	291,000
Fines	209,750	188,750	(21,000)
Intergovernmental Revenues:			
Sales Taxes	893,600	978,900	85,300
Gasoline and Motor Fuel Taxes	430,000	380,000	(50,000)
Petroleum Special Taxes	25,000	23,000	(2,000)
Income Taxes	60,000	50,000	(10,000)
Corporate Excise Tax	20,000	114,625	94,625
In Lieu of Tax	153,000	165,000	12,000
Charges for Services	78,850	76,580	(2,270)
Rental Income	22,000	22,000	-
Investment Income	7,750	11,155	3,405
Miscellaneous Revenues	16,190	27,186	10,996
Total Revenues	<u>\$ 8,657,029</u>	<u>\$ 8,980,229</u>	<u>\$ 323,200</u>
<b>Expenditures</b>			
Current:			
General Government	\$ 880,906	\$ 957,564	\$ (76,658)
Public Safety	4,365,269	4,420,509	(55,240)
City Court	17,400	18,750	(1,350)
Highways, Streets and Roadways	1,263,115	1,366,865	(103,750)
Parks and Recreation	806,769	762,369	44,400
Planning and Zoning	296,015	342,340	(46,325)
Community Development	47,165	50,390	(3,225)
City Garage	48,972	48,597	375
Engineering	37,300	37,525	(225)
Animal Control	81,924	82,024	(100)
Debt Service			
Principal	608,320	622,145	(13,825)
Interest	284,790	287,036	(2,246)
Capital Outlay	87,664	2,539,799	(2,452,135)
Total Expenditures	<u>\$ 8,825,609</u>	<u>\$ 11,535,913</u>	<u>\$ (2,710,304)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (168,580)</u>	<u>\$ (2,555,684)</u>	<u>\$ (2,387,104)</u>
<b>Other Financing Sources (Uses)</b>			
Contributions	\$ 50,550	\$ 51,360	\$ 810
Grants	-	328,109	328,109
Operating Transfers In/Out	(99,335)	(109,800)	(10,465)
Proceeds from Sales of Capital Assets	2,500	1,500	(1,000)
Proceeds from Debt Issuance	-	379,500	379,500
Insurance Recoveries	15,000	25,500	10,500
Total Other Financing Sources (Uses)	<u>\$ (31,285)</u>	<u>\$ 676,169</u>	<u>\$ 707,454</u>
<b>Net Change in Fund Balance</b>	<u>\$ (199,865)</u>	<u>\$ (1,879,515)</u>	<u>\$ (1,679,650)</u>
<b>Budgetary Fund Balance - July 1, 2017</b>	<u>\$ 4,761,803</u>	<u>\$ 4,761,803</u>	<u>\$ -</u>
<b>Budgetary Fund Balance - June 30, 2018</b>	<u>\$ 4,561,938</u>	<u>\$ 2,882,288</u>	<u>\$ (1,679,650)</u>

## **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, 2018, amounts to \$70,204,406 (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 \$3,388,226 due to several large projects Golf Course Addition, Park Improvements, Waste Water Treatment Plant Upgrade and the Gas System Line Expansions and upgrades and several upgrades in equipment for the police, fire, storm water and solid waste departments. The cost additions were offset by the annual depreciation of \$2,869,514.

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

**Table 4**

	Balance 7/1/2017	Additions	Disposals/ Transfers	Balance 6/30/2018
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 5,731,178	\$ 478,057	\$ -	\$ 6,209,235
Construction in Progress	2,172,084	528,804	(2,075,200)	625,688
Total Capital Assets not being Depreciated	<u>\$ 7,903,262</u>	<u>\$ 1,006,861</u>	<u>\$ (2,075,200)</u>	<u>\$ 6,834,923</u>
Capital Assets Being Depreciated				
Buildings	\$ 9,708,487	\$ 2,467,650	\$ -	\$ 12,176,137
Improvements Other than Buildings	6,413,326	345,144	-	6,758,470
Infrastructure	13,585,998	36,703	-	13,622,701
Machinery & Equipment	6,016,937	770,935	(267,601)	6,520,271
Total Capital Assets being Depreciated	<u>\$ 35,724,748</u>	<u>\$ 3,620,432</u>	<u>\$ (267,601)</u>	<u>\$ 39,077,579</u>
Accumulated Depreciation				
Buildings, Improvements, Machinery and Equipment	\$ 8,203,577	\$ 873,327	\$ (257,005)	\$ 8,819,899
Infrastructure	4,466,513	392,587	-	4,859,100
Total Accumulated Depreciation	<u>\$ 12,670,090</u>	<u>\$ 1,265,914</u>	<u>\$ (257,005)</u>	<u>\$ 13,678,999</u>
<b>Total Governmental Activities, Net</b>	<u><u>\$ 30,957,920</u></u>	<u><u>\$ 3,361,379</u></u>	<u><u>\$ (2,085,796)</u></u>	<u><u>\$ 32,233,503</u></u>
<b>Business-type Activities</b>				
Capital Assets not being Depreciated				
Land & Right of Way	\$ 1,268,030	\$ 9,613	\$ -	\$ 1,277,643
Construction in Progress	1,379,155	3,305,831	(1,450,993)	3,233,993
Total Capital Assets not being Depreciated	<u>\$ 2,647,185</u>	<u>\$ 3,315,444</u>	<u>\$ (1,450,993)</u>	<u>\$ 4,511,636</u>
Capital Assets Being Depreciated				
Water & Sewer Plant	\$ 40,756,244	\$ 375,079		\$ 41,131,323
Natural Gas Plant	12,276,476	1,202,417		13,478,893
Equipment & Vehicles	2,746,039	260,796		3,006,835
Furniture & Fixtures	306,860	13,500		320,360
Total Capital Assets being Depreciated	<u>\$ 56,085,619</u>	<u>\$ 1,851,792</u>	<u>\$ -</u>	<u>\$ 57,937,411</u>
Accumulated Depreciation				
Water & Sewer Plant	\$ 16,088,225	\$ 1,072,880	\$ -	\$ 17,161,105
Natural Gas Plant	4,639,081	295,500	-	4,934,581
Machinery & Equipment	1,852,413	225,164	-	2,077,577
Furniture & Fixtures	294,825	10,056	-	304,881
Total Accumulated Depreciation	<u>\$ 22,874,544</u>	<u>\$ 1,603,600</u>	<u>\$ -</u>	<u>\$ 24,478,144</u>
<b>Total Business-type Activities, Net</b>	<u><u>\$ 35,858,260</u></u>	<u><u>\$ 3,563,636</u></u>	<u><u>\$ (1,450,993)</u></u>	<u><u>\$ 37,970,903</u></u>

## **ASSETS AND DEBT ADMINISTRATION – Continued**

### **Long-Term Debt**

At the end of the current year, the City of Portland had total debt outstanding of \$26,895,412. Of this amount, \$10,258,384 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 decreased by \$407,260 from the previous year due to normal debt service liquidation offset by new capital outlay borrowings for Police Vehicles (\$225,000), Fire Ladder Truck (\$154,500) and a new Sanitation Truck (\$267,000). Additionally the change in liability due to the implementation of GASB 75 for OPEB (increase of \$2,107,367) and the change of Net Pension Liability/(Asset) (decrease of \$1,410,614) were significant to the current year change.

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.

Table 5

	Balance June, 30 2017	Increases	Decreases	Balance June, 30 2018	Amounts Due Within One Year
<b>Governmental Activities</b>					
Capital Outlay Notes	\$ 2,182,624	\$ 646,500	\$ 464,941	\$ 2,364,183	\$ 579,723
Capital Leases	42,426	-	42,426	\$ -	-
Bonds	7,135,000	-	170,000	\$ 6,965,000	175,000
Compensated Absences	135,836	76,098	-	\$ 211,934	
Net Pension Liability (Asset)	56,337		902,973	\$ (846,636)	
Net OPEB Obligation	298,382		298,382	\$ -	-
Total OPEB Liability	-	1,563,903		\$ 1,563,903	
	<u>\$ 9,850,605</u>	<u>\$ 2,286,501</u>	<u>\$ 1,878,722</u>	<u>\$ 10,258,384</u>	<u>\$ 754,723</u>

	Balance June, 30 2017	Increases	Decreases	Balance June, 30 2018	Amounts Due Within One Year
<b>Business-Type Activities</b>					
Water & Sewer System					
Refunding and Improvement					
Bonds, Series 2016	15,040,000	-	655,000	\$ 14,385,000	670,000
State Revolving Loan	1,001,131	-	62,208	\$ 938,923	63,276
AMR	210,170	-	180,144	\$ 30,026	30,026
Capital Leases	8,002	-	8,002	\$ -	-
Capital Outlay Notes	203,795	-	87,130	\$ 116,665	69,998
	16,463,098	-	992,484	15,470,614	833,300
Plus bond premium	777,280	-	38,220	\$ 739,060	38,220
Less deferred loss on defeasance	(57,856)	3,085		\$ (54,771)	(3,086)
Less bond discount	(7,304)	389	-	\$ (6,915)	(389)
Compensated Absences	74,103	5,351	-	\$ 79,454	
Net Pension Liability (Asset)	17,598		507,641	\$ (490,043)	
Net OPEB Obligation	57,783	-	57,783	\$ -	-
Total OPEB Liability	-	899,629		\$ 899,629	
	<u>\$ 17,324,702</u>	<u>\$ 908,454</u>	<u>\$ 1,596,128</u>	<u>\$ 16,637,028</u>	<u>\$ 868,045</u>

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

The unemployment rate for the City of Portland is currently 3.0%, compared to the State unemployment rate of 3.6% and the national rate of 3.7%. 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 have already proven to alleviate and eliminate some of our flooding tendencies in the area.

The Portland Airport continues to seek federal and state grant programs to enhance the airport. 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. Additionally Civil Air Patrol (Search and Rescue Disaster Team) meets monthly at the Portland Airport

Portland's automotive manufacturers continue to thrive in our community. 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. Dorman Products (After- market auto parts assembly supplier) is nearing completion of a 815,000 SF facility.

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 offered, Addition of a night shift to the welding class is providing more opportunity to enhance our local workforce training. 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 late spring/early summer 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.

Portland continues to have a presence at the TN-KY ICSC Annual Conference as well as the Southeastern Conference in Atlanta for retail recruitment. Developers, Investors and Retailers are showing increased interest in our community. Of particular interest is our 35.7% growth rate in the federal census from 2000-2010. During the year we added a Burger King, a Fast Paced Clinic and a Tractor Supply Store to the community. 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 is in the final phases of planning approval, another independent convenience store is in the site preparation phase for building and several hotel/motel establishments have made site inquiries.

Tractor Supply was the first Tax Increment Financing Project (TIF) completed by the City. The project was completed in conjunction and cooperation with the Sumner County Government.

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) and several parks improvements. The renovation and addition to the City Hall is the final project under the bond issue and the design phase for the project is nearing completion. Construction should begin in early 2019.

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. The waste water plant, phase I rehabilitation project is under contract with completion of the phase slated for early 2019.

## **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

# **BASIC FINANCIAL STATEMENTS**



**City of Portland, Tennessee**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,217,362	\$ 7,593,012	\$ 10,810,374
Investments	-	993,471	993,471
Receivables:	-		
Property taxes, net of allowance	4,656,815		4,656,815
Other, net of allowance	210,257	826,285	1,036,542
Due from other governments	405,450	14,756	420,206
Inventories	95,651	386,509	482,160
Prepaid items	233,907	115,445	349,352
Restricted cash and cash equivalents	2,412,012	7,710,666	10,122,678
Net pension asset	846,636	490,043	1,336,679
Depreciable capital assets	39,077,579	57,937,411	97,014,990
Less: accumulated depreciation	(13,678,999)	(24,478,144)	(38,157,143)
Non-depreciable capital assets	6,834,923	4,511,636	11,346,559
Total assets	<u>44,311,593</u>	<u>56,101,090</u>	<u>100,412,683</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	61,685	61,685
Related to pension	1,154,633	702,750	1,857,383
Related to OPEB	83,347	47,945	131,292
Total deferred outflows of resources	<u>1,237,980</u>	<u>812,380</u>	<u>2,050,360</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	396,042	899,936	1,295,978
Accrued payroll	89,161	48,003	137,164
Accrued interest	56,828	122,336	179,164
Unearned revenue	-	74,500	74,500
Noncurrent liabilities:	-		
Compensated absences	211,934	79,454	291,388
Total OPEB Liability	1,563,884	899,618	2,463,502
Due within one year	754,723	871,520	1,626,243
Due in more than one year	8,574,460	15,338,157	23,912,617
Total Liabilities	<u>11,647,032</u>	<u>18,333,524</u>	<u>29,980,556</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property tax	4,506,443	-	4,506,443
Related to OPEB	69,846	40,179	110,025
Related to pension	568,632	329,130	897,762
Total deferred inflows of resources	<u>5,144,921</u>	<u>369,309</u>	<u>5,514,230</u>
<b>NET POSITION</b>			
Net investment in capital assets	22,847,492	27,648,858	50,496,350
Restricted for:	-		
Airport	41,081	-	41,081
Golf course	13,055	-	13,055
Solid Waste	215,802	-	215,802
Stormwater	231,781	-	231,781
Drug enforcement	22,262	-	22,262
Industrial revolving loan	557,144	-	557,144
Impact fee	40,893	-	40,893
Streets and highways	370,343	-	370,343
Day Care	46,402	-	46,402
Net pension asset	846,636	490,043	1,336,679
Assigned for prior year encumbrances	1,346,925	-	1,346,925
Unrestricted	2,177,804	10,071,736	12,249,540
Total Net Position	<u>\$ 28,757,620</u>	<u>\$ 38,210,637</u>	<u>\$ 66,968,257</u>

See notes to the financial statements

**City of Portland, Tennessee**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 966,191	\$ 15,197	\$ 50,000	\$ -	\$ (900,994)	\$ -	\$ (900,994)
Public safety	3,998,980	191,428	2,110	-	(3,805,442)	-	(3,805,442)
City court	18,646	-	-	-	(18,646)	-	(18,646)
Highways and streets	922,025	-	-	-	(922,025)	-	(922,025)
Soild Waste	893,966	1,014,269	-	-	120,303	-	120,303
Impact fee	20	142,818	-	-	142,798	-	142,798
Parks and recreation	813,604	47,661	-	-	(765,943)	-	(765,943)
Airport	617,058	151,732	-	121,467	(343,859)	-	(343,859)
Planning and codes	273,716	572,510	-	-	298,794	-	298,794
Community development	42,356	-	-	174,484	132,128	-	132,128
City garage	183,265	-	-	-	(183,265)	-	(183,265)
Engineering	23,678	-	-	-	(23,678)	-	(23,678)
Animal control	64,591	545	-	-	(64,046)	-	(64,046)
Golf course	19,517	120	988,954	-	969,557	-	969,557
Stormwater	582,082	775,118	-	-	193,036	-	193,036
Streets	683,913	-	-	-	(683,913)	-	(683,913)
Interest on long-term debt	287,214	-	-	-	(287,214)	-	(287,214)
Total Governmental Activities	<u>\$ 10,390,822</u>	<u>2,911,398</u>	<u>1,041,064</u>	<u>295,951</u>	<u>(6,142,409)</u>	<u>-</u>	<u>(6,142,409)</u>
Business-type activities							
Gas	4,710,861	5,412,535	-	14,875	-	716,549	716,549
Water and sewer	6,460,400	7,215,545	-	313,059	-	1,068,204	1,068,204
Total Business-type Activities	<u>11,171,261</u>	<u>12,628,080</u>	<u>-</u>	<u>327,934</u>	<u>-</u>	<u>1,784,753</u>	<u>1,784,753</u>
Total Primary Government	<u>\$ 21,562,083</u>	<u>\$ 15,539,478</u>	<u>\$ 1,041,064</u>	<u>\$ 623,885</u>	<u>(6,142,409)</u>	<u>1,784,753</u>	<u>(4,357,656)</u>
<b>General Revenues:</b>							
Property and personalty taxes					4,089,450	-	4,089,450
Payment in lieu of tax					165,826	-	165,826
Income and excise taxes					234,211	-	234,211
Sales taxes					2,572,346	-	2,572,346
Alcoholic beverage taxes					334,558	-	334,558
Business taxes					127,595	-	127,595
Miscellaneous taxes					523,710	-	523,710
Investment income					14,666	59,527	74,193
Rental income					106,591	-	106,591
Gain on sale of capital assets					20,963	-	20,963
Miscellaneous					109,451	41,711	151,162
Transfers, net					236,973	(236,973)	-
Total general revenues and transfers					<u>8,536,340</u>	<u>(135,735)</u>	<u>8,400,605</u>
Change in net position					2,393,931	1,649,018	4,042,949
Net position - July 1, 2017					27,560,399	37,434,381	64,994,780
Prior period adjustment - See Note 11 and 12					(1,196,709)	(872,762)	(2,069,471)
Net position - June 30, 2018					<u>\$ 28,757,621</u>	<u>\$ 38,210,637</u>	<u>\$ 66,968,258</u>

See notes to the financial statements

**City of Portland, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,589,920	\$ 1,039,454	\$ 5,629,374
Receivables, net			
Property taxes	4,656,815	-	4,656,815
Customer	91,964	118,293	210,257
Due from other governments	388,829	16,621	405,450
Inventories	65,304	30,347	95,651
Prepaid items	203,095	30,812	233,907
Total assets	<u>\$ 9,995,927</u>	<u>\$ 1,235,527</u>	<u>\$ 11,231,454</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 292,832	\$ 99,989	\$ 392,821
Accrued payroll	75,845	13,316	89,161
Due to other funds	3,017	204	3,221
Total liabilities	<u>371,694</u>	<u>113,509</u>	<u>485,203</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue - property tax	4,506,443	-	4,506,443
Total deferred inflows of resources	<u>4,506,443</u>	<u>-</u>	<u>4,506,443</u>
<b>Fund Balances</b>			
Nonspendable	268,399	61,159	329,558
Restricted for:			
Airport	-	17,966	17,966
Solid Waste	-	183,681	183,681
Stormwater	-	225,858	225,858
Drug enforcement	-	22,262	22,262
Golf course	-	13,055	13,055
Industrial revolving loan	-	557,144	557,144
Impact fee	-	40,893	40,893
Streets and highways	370,343	-	370,343
Day care	46,402	-	46,402
Committed to:			
Cable	39,656	-	39,656
Capital projects	40,756	-	40,756
SOR	6,485	-	6,485
Assigned to:			
Prior year encumbrances	1,346,925	-	1,346,925
Unassigned	2,998,824	-	2,998,824
Total fund balances	<u>5,117,790</u>	<u>1,122,018</u>	<u>6,239,808</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,995,927</u>	<u>\$ 1,235,527</u>	<u>\$ 11,231,454</u>

**City of Portland, Tennessee**  
**Reconciliation of the Balance Sheet of Governmental Funds to**  
**the Statement of Net Position**  
**June 30, 2018**

Total fund balances, governmental funds	\$	6,239,808
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Amounts reported for governmental activities in the statement  
of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		32,233,503
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Net pension asset and deferred outflows of resources that are not reported in the funds related to pensions.		2,001,269
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Deferred outflows of resources that are not reported in the funds related to OPEB.		83,347
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Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.		(9,597,945)
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Deferred inflows of resources that are not reported in the funds related to pensions.		(568,632)
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Total OPEB liability and deferred inflows of resources that are not reported in the funds related to OPEB.		(1,633,730)
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Net Position of governmental activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">28,757,620</div>
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**City of Portland, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	General Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 8,047,696	\$ -	\$ 8,047,696
Licenses and permits	572,510	-	572,510
Fines and forfeitures	182,953	8,475	191,428
Charges for services	63,403	2,084,057	2,147,460
Investment income	12,278	2,388	14,666
Rental/property income	20,013	86,578	106,591
Miscellaneous income	68,863	39	68,902
Total Revenues	<u>8,967,716</u>	<u>2,181,537</u>	<u>11,149,253</u>
<b>Expenditures:</b>			
Current:			
General government	538,956	-	538,956
Administrative and Mayor	223,811	-	223,811
Human resources	87,458	-	87,458
Planning & codes	295,523	-	295,523
Solid waste	-	891,370	891,370
Engineering	28,710	-	28,710
Airport	-	307,875	307,875
Golf course	-	16,049	16,049
Impact fees	-	20	20
Court	18,436	-	18,436
Police department	3,025,150	-	3,025,150
Fire department	1,244,432	-	1,244,432
Streets and highways	830,765	-	830,765
City garage	45,383	-	45,383
Stormwater	-	565,564	565,564
State Street Aid	17,641	-	17,641
Animal control	72,688	-	72,688
Swimming pool	28,045	-	28,045
Parks & recreation	639,434	-	639,434
Community development	46,594	-	46,594
Debt Service:			
Principal	619,570	57,796	677,366
Interest	287,214	-	287,214
Capital outlay	<u>1,343,568</u>	<u>1,734,014</u>	<u>3,077,582</u>
Total Expenditures	<u>9,393,378</u>	<u>3,572,688</u>	<u>12,966,066</u>
		-	
Excess (deficiency) of revenues over (under) expenditures	<u>(425,662)</u>	<u>(1,391,151)</u>	<u>(1,816,813)</u>
<b>Other Financing Sources (Uses)</b>			
Contributions and grants	225,094	1,111,921	1,337,015
Insurance proceeds	40,549	-	40,549
Capital outlay notes issued	379,500	267,000	646,500
Sale of capital assets	8,815	12,148	20,963
Operating transfers In	512,973	109,282	622,255
Operating transfers out	<u>(385,282)</u>	<u>-</u>	<u>(385,282)</u>
Total other financing sources (uses)	<u>781,649</u>	<u>1,500,351</u>	<u>2,282,000</u>
<b>Net Change in Fund Balance</b>	<b>355,987</b>	<b>109,200</b>	<b>465,187</b>
<b>Fund Balance - July 1, 2017</b>	<u><b>4,761,803</b></u>	<u><b>1,012,818</b></u>	<u><b>5,774,621</b></u>
<b>Fund Balance - June 30, 2018</b>	<u><u><b>\$ 5,117,790</b></u></u>	<u><u><b>\$ 1,122,018</b></u></u>	<u><u><b>\$ 6,239,808</b></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, 2018**

Net changes in fund balance - total governmental funds	\$	465,187
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period, net loss on disposal.		2,802,198
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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.		(657,631)
--	--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(646,500)
--	--	-----------

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 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.		677,366
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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.		(246,689)
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Change in net position of governmental activities	\$	<u><u>2,393,931</u></u>
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**City of Portland, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>			<b>Positive (Negative) Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local taxes:				
Property and personalty taxes	\$ 4,382,189	\$ 4,311,033	\$ 4,089,450	\$ (221,583)
Sales tax	1,555,000	1,535,000	1,576,795	41,795
Alcoholic beverage tax	336,000	338,500	334,558	(3,942)
Business tax	120,000	120,000	127,595	7,595
Cable TV franchise and lease tax	120,000	119,800	119,927	127
Licenses and permits	227,700	518,700	572,510	53,810
Fines	209,750	188,750	182,953	(5,797)
Intergovernmental revenues:				
Sales tax	893,600	978,900	995,551	16,651
Gasoline and motor fuel tax	430,000	380,000	380,652	652
Petroleum special tax	25,000	23,000	23,131	131
Income tax	60,000	50,000	119,589	69,589
Corporate excise tax	20,000	114,625	114,622	(3)
In lieu of tax	153,000	165,000	165,826	826
Charges for services	78,850	76,580	63,403	(13,177)
Rental income	22,000	22,000	20,013	(1,987)
Investment income	7,750	11,155	12,278	1,123
Miscellaneous revenues	16,190	27,186	68,863	41,677
Total revenues	<u>8,657,029</u>	<u>8,980,229</u>	<u>8,967,716</u>	<u>(12,513)</u>
<b>Expenditures:</b>				
Current:				
General Government				
Salaries, taxes and benefits	267,575	287,750	274,450	13,300
Repairs and maintenance	5,250	5,250	8,725	(3,475)
Supplies	58,000	58,000	54,899	3,101
Utilities	42,000	43,500	34,804	8,696
Other operating expenses	141,432	148,615	85,653	62,962
Donations	82,000	82,000	80,425	1,575
Capital outlay	5,000	1,159,450	92,435	1,067,015
	<u>601,257</u>	<u>1,784,565</u>	<u>631,391</u>	<u>1,153,174</u>
Administrative & Mayor				
Salaries, taxes and benefits	162,672	163,947	163,317	630
Repairs and maintenance	1,000	950	255	695
Supplies	1,250	1,250	706	544
Utilities	800	800	752	48
Other operating expenses	45,072	61,672	58,781	2,891
	<u>210,794</u>	<u>228,619</u>	<u>223,811</u>	<u>4,808</u>
Human Resources				
Salaries, taxes and benefits	67,449	66,974	62,298	4,676
Supplies	2,000	1,925	1,652	273
Utilities	-	500	499	1
Other operating expenses	4,406	34,431	23,009	11,422
Capital outlay	2,750	2,750	-	2,750
	<u>76,605</u>	<u>106,580</u>	<u>87,458</u>	<u>19,122</u>

(Continued on next page)

See notes to the financial statements

**City of Portland, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>			<b>Positive (Negative) Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Expenditures (continued):</b>				
Planning & Codes				
Salaries, taxes and benefits	264,929	253,904	218,956	34,948
Repairs and maintenance	5,800	41,800	41,351	449
Supplies	4,500	4,500	5,006	(506)
Utilities	2,375	2,375	2,776	(401)
Other operating expenses	18,411	39,761	23,619	16,142
Capital outlay	-	43,975	5,710	38,265
	<u>296,015</u>	<u>386,315</u>	<u>297,418</u>	<u>88,897</u>
Engineering				
Salaries, taxes and benefits	25,747	26,122	24,206	1,916
Repairs and maintenance	-	25	9	16
Supplies	550	550	408	142
Utilities	4,000	3,275	1,081	2,194
Other operating expenses	7,003	7,553	3,006	4,547
Capital outlay	1,500	1,275	-	1,275
	<u>38,800</u>	<u>38,800</u>	<u>28,710</u>	<u>10,090</u>
Court				
Salaries, taxes and benefits	13,225	13,325	13,046	279
Supplies	3,500	3,750	4,507	(757)
Utilities	150	150	137	13
Other operating expenses	525	1,525	746	779
Capital outlay	250	500	-	500
	<u>17,650</u>	<u>19,250</u>	<u>18,436</u>	<u>814</u>
Police Department				
Salaries, taxes and benefits	2,487,627	2,486,957	2,416,295	70,662
Repairs and maintenance	58,000	72,000	74,236	(2,236)
Supplies	53,500	65,500	51,772	13,728
Utilities	48,000	60,000	59,262	738
Other operating expenses	489,998	469,998	423,585	46,413
Capital outlay	5,000	263,100	235,842	27,258
	<u>3,142,125</u>	<u>3,417,555</u>	<u>3,260,992</u>	<u>156,563</u>
Fire Department				
Salaries, taxes and benefits	1,097,236	1,085,836	1,052,612	33,224
Repairs and maintenance	26,000	49,000	61,055	(12,055)
Supplies	18,000	21,000	24,647	(3,647)
Utilities	41,100	53,850	52,575	1,275
Other operating expenses	45,808	56,368	53,543	2,825
Capital outlay	17,250	268,750	209,436	59,314
	<u>1,245,394</u>	<u>1,534,804</u>	<u>1,453,868</u>	<u>80,936</u>
Streets and Highway Department				
Salaries, taxes and benefits	474,765	468,935	444,290	24,645
Repairs and maintenance	62,000	117,750	97,892	19,858
Supplies	10,500	10,500	11,368	(868)
Utilities	219,650	219,650	213,950	5,700
Other operating expenses	66,200	70,030	63,265	6,765
Capital outlay	50,164	59,164	34,276	24,888
	<u>883,279</u>	<u>946,029</u>	<u>865,041</u>	<u>80,988</u>

(Continued on next page)

See notes to the financial statements



**City of Portland, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>			<b>Positive (Negative) Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Expenditures (continued):</b>				
City Garage				
Salaries, taxes and benefits	34,625	33,400	30,962	2,438
Repairs and maintenance	1,000	1,000	851	149
Supplies	4,250	4,750	5,605	(855)
Utilities	5,980	6,080	4,494	1,586
Other operating expenses	3,117	3,367	3,471	(104)
Capital outlay	1,000	214,500	142,647	71,853
	<u>49,972</u>	<u>263,097</u>	<u>188,030</u>	<u>75,067</u>
State Street Aid				
Repairs and maintenance	20,000	5,000	3,575	1,425
Other operating expenses	30,000	25,000	14,066	10,934
Capital outlay	380,000	450,000	295,729	154,271
	<u>430,000</u>	<u>480,000</u>	<u>313,370</u>	<u>166,630</u>
Animal Control				
Salaries, taxes and benefits	66,216	67,716	62,021	5,695
Repairs and maintenance	4,000	3,000	1,300	1,700
Supplies	2,200	1,700	1,584	116
Utilities	5,250	5,350	4,985	365
Other operating expenses	4,258	4,258	2,798	1,460
Capital outlay	750	650	-	650
	<u>82,674</u>	<u>82,674</u>	<u>72,688</u>	<u>9,986</u>
Grants and Special Projects				
Capital outlay	-	415,085	218,362	196,723
	<u>-</u>	<u>415,085</u>	<u>218,362</u>	<u>196,723</u>
Swimming Pool				
Salaries, taxes and benefits	20,500	20,500	12,520	7,980
Repairs and maintenance	6,000	6,000	121	5,879
Supplies	5,000	6,000	5,488	512
Utilities	17,000	17,000	9,166	7,834
Other operating expenses	1,000	1,000	750	250
	<u>49,500</u>	<u>50,500</u>	<u>28,045</u>	<u>22,455</u>
Parks & Recreation				
Salaries, taxes and benefits	527,304	485,404	448,418	36,986
Repairs and maintenance	49,500	49,500	43,263	6,237
Supplies	17,000	17,000	12,795	4,205
Utilities	89,500	89,500	82,184	7,316
Other operating expenses	73,965	70,465	52,774	17,691
Capital outlay	2,500	109,600	112,946	(3,346)
	<u>759,769</u>	<u>821,469</u>	<u>752,380</u>	<u>69,089</u>
Community Development				
Salaries, Taxes and Benefits	35,461	37,186	35,320	1,866
Supplies	1,000	1,000	581	419
Utilities	1,350	1,350	1,610	(260)
Other operating expenses	9,354	10,854	9,083	1,771
Capital outlay	1,500	1,000	-	1,000
	<u>48,665</u>	<u>51,390</u>	<u>46,594</u>	<u>4,796</u>

(Continued on next page)

See notes to the financial statements

**City of Portland, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>			<b>Positive (Negative) Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Expenditures (continued):</b>				
Debt Service:				
Principal	608,320	622,145	619,570	2,575
Interest	284,790	287,036	287,214	(178)
	<u>893,110</u>	<u>909,181</u>	<u>906,784</u>	<u>2,397</u>
 Total Expenditures	 <u>8,825,609</u>	 <u>11,535,913</u>	 <u>9,393,378</u>	 <u>2,142,535</u>
 Excess (deficiency) of revenues over (under) expenditures	 (168,580)	 (2,555,684)	 (425,662)	 (2,130,022)
<b>Other Financing Sources (Uses)</b>				
Contributions	50,550	51,360	50,610	(750)
Grants	-	328,109	174,484	(153,625)
Sale of capital assets	2,500	1,500	8,815	7,315
Proceeds from debt issuance	-	379,500	379,500	-
Insurance recoveries	15,000	25,500	40,549	15,049
Transfers in	-	308,200	512,973	204,773
Transfers out	(99,335)	(418,000)	(385,282)	32,718
Total Other Financing Sources (Uses)	<u>(31,285)</u>	<u>676,169</u>	<u>781,649</u>	<u>72,762</u>
 <b>Net Change in Fund Balances</b>	 <u><u>\$ (199,865)</u></u>	 <u><u>\$ (1,879,515)</u></u>	 355,987	 <u><u>\$ 2,235,502</u></u>
 <b>Fund Balance - July 1, 2017</b>			 <u>4,761,803</u>	
 <b>Fund Balance - June 30, 2018</b>			 <u><u>\$ 5,117,790</u></u>	

See notes to the financial statements

**City of Portland, Tennessee**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Gas Fund</b>	<b>Water &amp; Sewer Fund</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 6,195,374	\$ 1,397,638	\$ 7,593,012
Investments	-	993,471	993,471
Receivables, customers, net	202,624	623,661	826,285
Due from other governments	-	11,434	11,434
Due from other funds	447	2,875	3,322
Inventory	137,602	248,907	386,509
Prepaid expenses	31,000	84,445	115,445
Restricted cash and cash equivalents	-	7,710,666	7,710,666
Net pension asset	124,731	365,312	490,043
Total current assets	6,691,778	11,438,409	18,130,187
<b>Noncurrent assets</b>			
Capital assets, not being depreciated			
Land, right of ways, usages	231,022	1,046,621	1,277,643
Construction in progress	177,418	3,056,575	3,233,993
Capital assets, being depreciated			
Plant and equipment	14,753,158	43,184,253	57,937,411
Less accumulated depreciation	(5,972,362)	(18,505,782)	(24,478,144)
Total capital assets, net	9,189,236	28,781,667	37,970,903
Total assets	15,881,014	40,220,076	56,101,090
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	-	61,685	61,685
Related to pension	182,644	520,106	702,750
Related to OPEB	13,263	34,682	47,945
Total deferred outflows of resources	195,907	616,473	812,380
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	143,374	646,536	789,910
Retainage payable	-	109,926	109,926
Unearned revenue	-	74,500	74,500
Accrued payroll	13,555	34,448	48,003
Accrued interest	-	122,336	122,336
Due to other funds	36	64	100
Notes and bonds payable, current	4,884	866,636	871,520
Total current liabilities	161,849	1,854,446	2,016,295
<b>Noncurrent Liabilities</b>			
Accrued compensated absences	24,036	55,418	79,454
Total OPEB liability	248,859	650,759	899,618
Notes and bonds payable, net of premiums and discounts	-	15,338,157	15,338,157
Total noncurrent liabilities	272,895	16,044,334	16,317,229
Total liabilities	434,744	17,898,780	18,333,524
<b>Deferred Inflows of Resources</b>			
Related to OPEB	11,115	29,064	40,179
Related to pension	83,774	245,356	329,130
Total deferred inflows of resources	94,889	274,420	369,309
<b>Net Position</b>			
Net investment in capital assets	6,928,146	20,720,712	27,648,858
Restricted for pension	124,731	365,312	490,043
Unrestricted	8,494,411	1,577,325	10,071,736
Total net position	\$ 15,547,288	\$ 22,663,349	\$ 38,210,637

See notes to the financial statements

**City of Portland, Tennessee**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Gas Fund</b>	<b>Water &amp; Sewer Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 5,412,535	\$ 7,215,545	\$ 12,628,080
Other operating revenues	25,883	15,828	41,711
Total operating revenues	5,438,418	7,231,373	12,669,791
<b>Operating Expenses:</b>			
Natural gas purchased	2,935,354	-	2,935,354
General administration	1,033,467	3,132,252	4,165,719
Utilities	56,607	574,135	630,742
Supplies	54,073	91,653	145,726
Machinery and equipment	190,251	270,505	460,756
Maintenance	91,908	693,870	785,778
Depreciation and amortization	349,201	1,216,179	1,565,380
Total operating expenses	4,710,861	5,978,594	10,689,455
Operating income	727,557	1,252,779	1,980,336
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	17,203	42,324	59,527
Bond interest and fiscal charges	-	(481,806)	(481,806)
Total nonoperating revenues (expenses)	17,203	(439,482)	(422,279)
Income before contributions and transfers	744,760	813,297	1,558,057
Capital contributions - development	14,875	301,625	316,500
Other contributions and grants	-	11,434	11,434
Transfers out	(146,131)	(90,842)	(236,973)
<b>Change in Net Position</b>	613,504	1,035,514	1,649,018
<b>Net Position - July 1, 2017</b>	15,283,041	22,151,340	37,434,381
<b>Prior period adjustment- See Note 11 and 12</b>	(349,257)	(523,505)	(872,762)
<b>Net Position - June 30, 2018</b>	<u>\$ 15,547,288</u>	<u>\$ 22,663,349</u>	<u>\$ 38,210,637</u>

See notes to financial statements

**City of Portland, Tennessee**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Gas Fund</b>	<b>Water &amp; Sewer Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers and users	\$ 5,395,550	\$ 6,670,146	\$ 12,065,696
Payments to suppliers	(3,681,290)	(1,702,080)	(5,383,370)
Payments to employees	(797,683)	(2,312,198)	(3,109,881)
Net cash provided by operating activities	916,577	2,655,868	3,572,445
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers to other funds	(146,131)	(90,842)	(236,973)
Net cash used by noncapital financing activities	(146,131)	(90,842)	(236,973)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital contributions	14,875	247,525	262,400
Other contributions and grants	-	11,434	11,434
Principal paid on capital debt	(29,308)	(963,116)	(992,424)
Proceeds from customer deposits	-	4,000	4,000
Interest paid on capital debt	-	(526,854)	(526,854)
Purchases and construction of capital assets	(748,873)	(2,917,926)	(3,666,799)
Net cash (used for) capital and related financing activities	(763,306)	(4,144,937)	(4,908,243)
<b>Cash Flows from Investing Activities:</b>			
Interest received	17,203	42,324	59,527
Net cash provided by investing activities	17,203	42,324	59,527
<b>Net increase (decrease) in cash and cash equivalents</b>	24,343	(1,537,587)	(1,513,244)
<b>Cash and cash equivalents, beginning</b>	6,171,031	10,645,891	16,816,922
<b>Cash and cash equivalents, end</b>	\$ 6,195,374	\$ 9,108,304	\$ 15,303,678
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income	\$ 727,557	\$ 1,252,779	\$ 1,980,336
Adjustments to reconcile operating Income to net cash provided by operating activities:			
Depreciation and amortization	349,201	1,216,179	1,565,380
(Increase) decrease in:			
Receivable, net	(5,260)	(28,123)	(33,383)
Due from other governments	-	(11,079)	(11,079)
Due from other funds	(178)	(548)	(726)
Inventory	13,566	(17,740)	(4,174)
Prepaid expenses	(11,083)	6,983	(4,100)
Deferred outflow - pension and OPEB	(24,234)	(144,284)	(168,518)
Increase (decrease) in:			
Accounts payable and accrued liabilities	(39,121)	312,683	273,562
Accrued payroll	1,727	2,642	4,369
OPEB asset to liability	(366,851)	(481,631)	(848,482)
Net pension liability to Asset	205,748	353,731	559,479
Due to other funds	36	57	93
Deferred inflow - pension and OPEB	65,427	188,910	254,337
Compensated absences	42	5,309	5,351
Net Cash Provided by Operating Activities	\$ 916,577	\$ 2,655,868	\$ 3,572,445

See notes to the financial statements

**City of Portland, Tennessee**  
**Statement of Fiduciary Net Position**  
**Agency Fund - Statement of Assets and Liabilities**  
**June 30, 2018**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents - restricted	<u>\$ 2,610</u>
Total Assets	<u><u>\$ 2,610</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 2,500
Due to other funds	<u>110</u>
Total Liabilities	<u><u>\$ 2,610</u></u>

See notes to the financial statements

**CITY OF PORTLAND, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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-Aldermen 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.

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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**B. Government-wide Financial Statements**

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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. However, data from fiduciary funds are 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.

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 (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions, and (3) 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 inter-fund 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.



**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

*Governmental Fund Financials*

Governmental fund financial statements are reported using the current financial 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 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 judgements 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 City 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.

Nonmajor governmental Funds – The special revenues funds of the City that are reported as nonmajor are as follows: Airport, Solid Waste (Sanitation), Stormwater, Industrial Revolving Loan, Drug Enforcement, Golf Course, and Impact Fee.

Since the government 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.

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 expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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 Statement*

The Fiduciary fund financial statement consists of a Statement of Net Position for an agency fund 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 fund is accounted for on a spending or “economic reasons” 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. Budget and Budgetary Accounting**

The City’s fiscal operating year begins July 1st. 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 the Board of Aldermen action. The budgetary basis is consistent with GAAP.

**F. Cash and Cash Equivalents**

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 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 and Solid Waste departments, 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 reflected costs applicable to future accounting periods are recorded as

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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 non-spendable.

**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 fund 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 with assets with an initial, total cost of more than \$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 the 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 2018, interest incurred in the proprietary funds totaled \$445,878 of which \$49,444 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

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**I. Property Tax**

The City's property tax is levied each October 1st on the assessed value listed as of the prior January 1<sup>st</sup> 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 1<sup>st</sup> 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.

Property taxes are treated as non-exchange revenue. Accounts receivable from imposed non-exchange 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 1<sup>st</sup>. Therefore, the City has recorded the succeeding year's receivable and deferred inflows of resources for taxes assessed as of June 30, 2018 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 inter-fund loans). Any residual balances outstanding between the governmental activities and the 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, 2018 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. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available resources. The compensated absence 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 that 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

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**M. Fund Balance**

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.

Non-spendable Fund Balance - Amounts that cannot be spent because they are either in a (a) non-spendable 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. 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 non-spendable, 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 the 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 law. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used,

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

it shall be the policy of the City to use the committed amounts first, followed by the assigned amounts and the 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.

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 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 TCRS for 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 their fair value.

**NOTE 2 – CASH AND CASH 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

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018, 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 secrete 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.

*Investments:* As of June 30, 2018, the City also held certificates of deposit with initial maturities of greater than three months which have been classified as investments. The certificates of deposit earn interest ranging from .15% to .75% and are invested with banks participating in the state bank collateral pool.

**NOTE 3 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2018, is as follows:

	<u>Due To</u>	<u>Due From</u>
<b>General Fund</b>	\$ -	\$ 3,017
<b>Airport</b>	-	189
<b>Water &amp; Sewer</b>	2,867	64
<b>Gas</b>	447	44
<b>Total</b>	<u>\$ 3,314</u>	<u>\$ 3,314</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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The composition of interfund transfers for the year ended June 30, 2018, is as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
Impact Fee	General Fund	\$ 276,000
General Fund	Golf Course	283,971
General Fund	Airport	75,000
General Fund	Storm Water	26,311

**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:

<u>Governmental Activities</u>	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Capital assets not being depreciated:</u>				
Land	\$ 5,731,178	\$ 478,057	\$ -	\$ 6,209,235
Construction in progress	2,172,084	528,804	2,075,200	625,688
Total Not Being Depreciated	7,903,262	1,006,861	2,075,200	6,834,923
<u>Capital assets being depreciated:</u>				
Buildings and plant	9,708,487	2,467,650	-	12,176,137
Machinery and equipment	6,016,937	770,935	267,601	6,520,271
Other improvements	6,413,326	345,144	-	6,758,470
Infrastructure	13,585,998	36,703	-	13,622,701
Total Being Depreciated	35,724,748	3,620,432	267,601	39,077,579
<u>Less: Accumulated Depreciation</u>	(12,670,090)	(1,265,914)	(257,005)	(13,678,999)
Net Capital Assets Being Depreciated	23,054,658	2,354,518	10,596	25,398,580
Net Capital Assets	\$ 30,957,920	\$ 3,361,379	\$ 2,085,796	\$ 32,233,503
<u>Business-type Activities</u>	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Capital assets not being depreciated:</u>				
Land	\$ 1,268,030	\$ 9,613	\$ -	\$ 1,277,643
Construction in progress	1,379,155	3,305,831	1,450,993	3,233,993
Total Not Being Depreciated	2,647,185	3,315,444	1,450,993	4,511,636
<u>Capital assets being depreciated:</u>				
Water & Sewer plant	40,756,244	375,079	-	41,131,323
Natural Gas plant	12,276,476	1,202,417	-	13,478,893
Machinery, equipment & vehicles	3,052,899	274,296	-	3,327,195
Total Being Depreciated	56,085,619	1,851,792	-	57,937,411
<u>Less: Accumulated Depreciation</u>	(22,874,544)	(1,603,600)	-	(24,478,144)
Net Capital Assets Being Depreciated	33,211,075	248,192	-	33,459,267
Net Capital Assets	\$ 35,858,260	\$ 3,563,636	\$ 1,450,993	\$ 37,970,903



**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

Primary Government- Governmental Activities

General government	\$ 67,601
Public safety	330,942
Parks & recreation	178,664
Streets	412,070
Solid Waste	31,532
Stormwater	24,935
Golf course	3,468
Airport	216,702
Total Depreciation	<u><u>\$ 1,265,914</u></u>

Primary Government- Business-Type Activities:

Water and sewer fund	\$ 1,254,399
Natural gas Fund	<u>349,201</u>
Total Depreciation	<u><u>\$ 1,603,600</u></u>

**NOTE 5 – CAPITAL LEASES**

The City has concluded lease agreements for the following capital assets as of June 30, 2018:

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

These lease agreements qualified 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, 2018, are paid in full.

**NOTE 6 - LONG-TERM LIABILITIES**

**Governmental Activities**

General Obligation Bonds, Capital Outlay Notes and Other Loans

The City issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government.

General obligation bonds, capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 30 years for bonds and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2018, will generally be retired from governmental or enterprise fund cash.

Debt outstanding as of June 30, 2018 consisted of the following:

	Interest Rates	Maturity Date	Original Issue	Balance at Year End
Governmental activities:				
<u>Capital Outlay Notes:</u>				
Series 2014	2.87%	2023	\$ -	\$ 263,870
Series 2012 (Airport)	3.40%	2019	-	6,403
Series 2013 (Fire Dept.)	2.68%	2022	-	168,000
Library Expansion Note 2011	2.45%	2020	-	118,750
Parks Dept. Note 2015	2.49%	2020	-	56,000
Police Dept. Note 2017	2.65%	2022	-	161,250
Police Dept Note 2018				213,750
Sanitation Truck 2018				267,000
Fire Dept. Note 2018				154,500
<u>General Obligation Bonds:</u>				
TMBF Street Dept. 2015	2.17%	2020	150,000	67,500
TMBF Street Paving 2015	2.61%	2023	1,150,000	754,660
TMBF Street Dept.	3.49%	2027	-	132,500
Public Imp. Series 2015	2.50%-3.75%	2045	7,300,000	6,965,000
			<u>\$ 8,600,000</u>	<u>\$ 9,329,183</u>
Business-type activities:				
<u>Bonds, Loans, and Notes</u>				
Refunding Bonds, Series 2016	2.50%-4.0%	2046	\$ -	\$ 14,385,000
State Revolving Loan Fund	1.70%	2031	1,500,000	938,923
Capital Outlay Note-Equip	2.35%	2020	-	116,665
Capital Outlay Note-Series WS 2009-3	3.40%	2019	-	30,026
			<u>\$ 1,500,000</u>	<u>\$ 15,470,614</u>

Annual debt service requirements to maturity for bonds and notes payable are as follows:

	<b>Total</b>	
<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 1,582,326	\$796,551
2020	1,499,393	753,353
2021	1,383,580	712,995
2022	1,233,446	673,653
2023	1,031,168	639,000
2024-2028	3,959,796	2,865,976
2029-2033	4,175,091	2,203,490
2034-2038	4,120,000	1,500,058
2039-2043	3,785,000	753,561
2044-2046	2,030,000	126,600
<b>Total</b>	<u><b>\$24,799,800</b></u>	<u><b>\$11,025,237</b></u>

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**FOR THE YEAR ENDED JUNE 30, 2018**

A summary of long-term liability activity, including debt, for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
<b>Governmental Activities</b>					
Capital Outlay Notes	\$ 2,182,624	\$ 646,500	\$ 464,941	\$ 2,364,183	\$ 579,723
Capital Leases	42,426	-	42,426	-	-
Bonds	7,135,000	-	170,000	6,965,000	175,000
Compensated Absences	135,836	76,098	-	211,934	-
Net Pension Liability (Asset) *	56,337	-	902,973	(846,636)	-
Net OPEB Obligation	298,382	-	298,382	-	-
Total OPEB Liability	-	1,563,903	-	1,563,903	-
	<u>\$ 9,850,605</u>	<u>\$ 2,286,501</u>	<u>\$ 1,878,722</u>	<u>\$ 10,258,384</u>	<u>\$ 754,723</u>

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
<b>Business-type Activities</b>					
Water & Sewer Refunding & Improvement Bonds, Series 2016	\$15,040,000	\$ -	\$ 655,000	\$ 14,385,000	\$ 670,000
State Revolving Loan	1,001,131	-	62,208	938,923	63,276
Capital Outlay Note WS 2009	210,170	-	180,144	30,026	30,026
Capital Leases	8,002	-	8,002	-	-
Capital Outlay Notes	203,795	-	87,130	116,665	69,998
	16,463,098	-	992,484	15,470,614	833,300
Plus bond premium	777,280	-	38,220	739,060	38,220
Less deferred loss on defeasance	(57,856)	3,085	-	(54,771)	(3,086)
Less bond discount	(7,304)	389	-	(6,915)	(389)
Compensated Absences	74,103	5,351	-	79,454	-
Net Pension Liability (Asset) *	17,598	-	507,641	(490,043)	-
Net OPEB Obligation	57,783	-	57,783	-	-
Total OPEB Liability	-	899,629	-	899,629	-
	<u>\$17,324,702</u>	<u>\$ 908,454</u>	<u>\$ 1,596,128</u>	<u>\$ 16,637,028</u>	<u>\$ 868,045</u>

\*net increase (decrease) shown

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

**CITY OF PORTLAND, TENNESSEE**  
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**FOR THE YEAR ENDED JUNE 30, 2018**

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.

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 is 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 an 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**

**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 publicly 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.

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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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	76
Active Employees	135
Total Employees	<u>264</u>

*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, 2018, employer contributions for the City were \$483,274 based on a rate of 11.43 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.

**Net Pension Liability (Asset)**

The City's net pension liability (asset) was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

*Change of assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent, decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average 4.25 percent to an average 4.00 percent; and modified mortality assumptions.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage by adding expected inflation of 2.5 percent.

The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>	<b><u>Target Allocation</u></b>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00	<u>1%</u>
		100%

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**Changes in Net Pension Liability (Asset)**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 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 Portland 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.

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

**Increase (Decrease)**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)– (b)
<b>Balance at 6/30/16</b>	<b><u>\$15,863,375</u></b>	<b><u>\$15,789,440</u></b>	<b><u>\$73,935</u></b>
<b>Changes for the year:</b>			
Service cost	578,391		578,391
Interest	1,208,654		1,208,654
Differences between expected and actual experience	(816,907)		(816,907)
Changes in assumptions	340,869		340,869
Contributions-employer		631,603	(631,603)
Contributions-employees		297,087	(297,087)
Net investment income		1,804,246	(1,804,246)
Benefit payments, including refunds of employee contributions	(652,758)	(652,758)	
Administrative expense		(11,315)	11,315
Other changes			
<b>Net changes</b>	<b><u>658,249</u></b>	<b><u>2,068,863</u></b>	<b><u>(1,410,614)</u></b>
<b>Balance at 6/30/17</b>	<b><u>\$16,521,624</u></b>	<b><u>\$17,858,303</u></b>	<b><u>\$(1,336,679)</u></b>

*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 7.25

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Portland's net pension liability (asset)	\$1,026,157	(\$1,336,679)	(\$3,278,523)

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

*Pension expense.* For the year ended June 30, 2018, the City recognized pension expense of \$166,082.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, Portland 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>
Difference between expected and actual experience	\$ 245,623	\$ 888,597
Net difference between projected and actual earnings on pension plan investment	-	9,165
Changes in assumptions	292,173	-
Contributions subsequent to the measurement date of June 30, 2017	<u>1,319,587</u>	<u>(not applicable)</u>
Total	<u>\$1,857,383</u>	<u>\$ 897,762</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," 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>	
2019	(141,060)
2020	86,086
2021	(44,230)
2022	(129,912)
2023	(62,849)
Thereafter	(68,005)

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



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**Payable to the Pension Plan**

At June 30, 2018, Portland reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

**NOTE 8. OTHER POST-EMPLOYMENT BENEFITS**

**Local Government OPEB Plan (LGOP)**

**Plan description** - Employees of the City of Portland, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

**Benefits provided** - The City offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health-savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The City currently pays for post-employment medical insurance benefits on a pay-as-you-go basis paying the monthly premiums. Retirees must pay the full premium for dependent coverage. The City's contribution to the plan for the year ended June 30, 2018 was \$130,554. There are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms** - At July 1, 2017, the following employees of City of Portland were covered by the benefit terms of the LGOP:

Inactive employees currently receiving benefit payments	11
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	113
Total	124

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An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the City of Portland paid \$130,554 to the LGOP for OPEB benefits as they came due.

**Actuarial assumptions** - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.5% for 2018, decreasing annually over a 33-year period to an ultimate rate of 3.71%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

**Discount rate** - The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation

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municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

***Changes in the Total OPEB Liability***

LGOP	Total OPEB Liability (a)
Balances at June 30, 2016	\$ 2,336,088
Changes for the year:	
Service cost	149,187
Interest	70,860
Changes of benefit terms	-
Differences between expected and actual experience	-
Change in assumptions	(106,826)
Benefit payments	(117,143)
Net changes	(3,922)
Balances at June 30, 2017	\$ 2,332,166

***Changes in assumptions*** - The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

***Sensitivity of total OPEB liability to changes in the discount rate*** - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate. (Rounded to the nearest thousands)

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	\$ 2,501,000	\$ 2,332,000	\$ 2,174,000

***Sensitivity of total OPEB liability to changes in the healthcare cost trend rate*** - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current healthcare cost trend rate. (Rounded to the nearest thousands)

	1% Decrease (6.00% to 3.77%)	Healthcare Cost Trend Rates (7.00% to 4.77%)	1% Increase (8.00% to 5.77%)
Total OPEB Liability	\$ 2,083,847	\$ 2,332,166	\$ 2,628,208

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***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

***OPEB expense*** - For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$208,683.

***Deferred outflows of resources and deferred inflows of resources*** - For the fiscal year ended June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

LGOP

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	-	-
Changes of assumptions	-	95,462
Employer payments subsequent to the measurement date	130,554	-
Total	<u>130,554</u>	<u>95,462</u>

*The amounts shown above for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.*

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

For the year ended June 30:

2019	(11,364)
2020	(11,364)
2021	(11,364)
2022	(11,364)
2023	(11,364)
Thereafter	(38,642)

**Tennessee Plan (TNP)**

***Plan description*** - Employees of the City of Portland, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated

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as a single-employer plan. All eligible post-65 retirees and disability participants of local governments, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and local education agencies. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

**Benefits provided** - The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. The TNP does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms** -At July 1, 2017, the following employees of the City of Portland, was covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	11
Active employees	<u>153</u>
Total	<u><u>166</u></u>

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the City paid \$738 to the TNP for OPEB benefits as they came due.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Actuarial assumptions** - The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection; therefore, trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

**Discount rate** - The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

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***Changes in the Total OPEB Liability***

TNP	Total OPEB Liability (a)
Balances at June 30, 2016	\$ 151,490
Changes for the year:	
Service cost	6,603
Interest	3,727
Changes of benefit terms	-
Differences between expected and actual experience	-
Change in assumptions	(15,184)
Benefit payments	(15,300)
Net changes	(20,154)
Balances at June 30, 2017	\$ 131,336

***Changes in assumptions*** - The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

***Sensitivity of total OPEB liability to changes in the discount rate*** - The following presents the total OPEB liability related to the TNP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate. (Rounded to the nearest thousands)

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	\$ 156,000	\$ 131,000	\$ 111,000

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

***OPEB expense*** - For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$8,697

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

***Deferred outflows of resources and deferred inflows of resources*** - For the fiscal year ended June 30, 2018; the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TNP from the following sources:

TNP

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	-	-
Changes of assumptions	-	14,563
Employer payments subsequent to the measurement date	738	-
Total	<u>738</u>	<u>14,563</u>

*The amounts shown above for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period*

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

TNP

For the year ended June 30:

2019	(1,633)
2020	(1,633)
2021	(1,633)
2022	(1,633)
2023	(1,633)
Thereafter	(4,899)

*In the table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.*

**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 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



**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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 2018 were approximately \$40,500. Settled claims have not exceeded insurance coverage since 2008.

**NOTE 10. COMMITMENTS, CONCENTRATIONS AND CONTINGENCIES**

**A. Commitments**

The City is committed on future capital expenditures for projects ongoing at June 30, 2018:

	<u>Amt Thru</u> <u>06/30/18</u>	<u>Additional</u> <u>Commitment</u>	<u>Total</u> <u>Project</u>	
<b>Governmental Funds Projects</b>				
City Hall Renovation	\$ 174,560	\$ 1,033,700	\$ 1,208,260	Bond
Mechanic Shop	150,547	71,000	221,547	Bond
<b>Water &amp; Sewer Fund</b>				
Waste Water Treatment Plant Upgrade	\$ 2,336,594	\$ 2,878,356	\$ 5,214,950	Bond
Waste Water Collection System Upgrade	344,488	605,512	950,000	Bond
I-65 Sewer Expansion	18,778	771,222	790,000	Bond
Demase Street Sewer Improvement	22,000	478,000	500,000	Bond
City Hall Renovation	-	500,000	500,000	Bond
WW Plant Upgrade Design Phase II	55,518	394,182	449,700	Operations
Interchange Utility Relocation	216,800	3,008	219,808	Operations
<b>Gas Fund</b>				
City Hall Renovation	\$ -	\$ 500,000	\$ 500,000	Operations
Gas System Improvements Phase III	123,100	1,234,021	1,357,121	Operations
Gas Customer Service Extensions	28,844	813,216	842,060	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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018, 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. The City's attorneys estimate that potential claims against the City resulting from such litigation would either be covered by insurance or would not materially affect the accompanying financial statements of the City.

**NOTE 11. IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS**

In July 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The pronouncement establishes standards of financial reporting for defined benefit OPEB plans and defined contribution OPEB plans.

Under this pronouncement, employers providing certain Postemployment Benefits Other than Pensions must measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expenses in connection with providing Postemployment Benefits Other than Pensions to employees in their enterprise funds and government-wide financial statements.

The effect of this implementation on beginning net assets was as follows:

	<u><b>Governmental Activities</b></u>	<u><b>Business Activities</b></u>
Net position, beginning of year as originally reported	\$ 27,560,399	\$ 37,434,381
Restatement of OPEB Liability	<u>(1,196,709)</u>	<u>(802,262)</u>
	<u>\$ 26,363,690</u>	<u>\$ 36,632,119</u>

**NOTE 12. PRIOR PERIOD ADJUSTMENT – CORRECTION OF AN ERROR**

Unearned revenues totaling \$70,500 in the Water/Sewer Fund were incorrectly accounted for in the prior year. A prior period adjustment was made to correct that error.

## **Required Supplementary Information**

**City of Portland, Tennessee**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on**  
**Participation in the Public Employee Pension Plan of TCRS**  
**General Government Employees**  
**For the Fiscal Year Ended June 30**

	2014	2015	2016	2017
<b>Total Pension Liability (Asset)</b>				
Service Cost	\$ 423,986	\$ 409,779	\$ 423,986	\$ 578,391
Interest	1,128,066	1,040,811	1,128,066	1,208,654
Changes in Benefit Terms	-	-	-	-
Differences Between Actual and Expected Experience	36,093	384,722	36,093	(816,907)
Change of Assumptions	-	-	-	340,869
Benefit Payments, Including Refunds of Employee Contributions	(683,337)	(688,881)	(683,337)	(652,758)
<b>Net Change in Total Pension Liability (Asset)</b>	<b>904,808</b>	<b>1,146,431</b>	<b>904,808</b>	<b>658,249</b>
Total Pension Liability (Asset), Beginning	14,958,567	13,812,136	14,958,567	15,863,375
Total Pension Liability (Asset), Ending (a)	<u>\$ 15,863,375</u>	<u>\$ 14,958,567</u>	<u>\$ 15,863,375</u>	<u>\$ 16,521,624</u>
 <b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 587,552	\$ 526,805	\$ 587,552	\$ 631,603
Contributions - Employee	276,673	248,121	276,673	297,087
Net Investment Income	405,013	452,471	405,013	1,804,246
Benefit Payments, Including Refunds of Employee Contributions	(683,337)	(688,881)	(683,337)	(652,758)
Administrative Expense	(9,659)	(5,977)	(9,659)	(11,315)
Net Change in Plan Fiduciary Net Position	576,242	532,539	576,242	2,068,863
Plan Fiduciary Net Position, Beginning	15,213,198	14,680,659	15,213,198	15,789,440
Plan Fiduciary Net Position, Ending (b)	<u>\$ 15,789,440</u>	<u>\$ 15,213,198</u>	<u>\$ 15,789,440</u>	<u>\$ 17,858,303</u>
 Net Pension Liability (Asset), Ending (a - b)	<u>\$ 73,935</u>	<u>\$ (254,631)</u>	<u>\$ 73,935</u>	<u>\$ (1,336,679)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.53%	101.70%	99.53%	108.09%
Covered Employee Payroll	\$ 5,527,302	\$ 4,955,832	\$ 5,527,302	5,941,704
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	1.34%	-5.14%	1.34%	-22.50%

\*\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

*Changes of assumptions.* In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

**City of Portland, Tennessee**  
**Schedule of Contributions Based on Participation in the Public**  
**Employee Pension Plan of TCRS**  
**For the Fiscal Year Ended June 30**

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 495,742	\$ 526,805	\$ 587,552	\$ 620,314	\$ 697,524
Contributions in relation to the actuarially determined contribution	495,742	526,805	577,156	\$ 631,603	\$ 483,274
Contribution deficiency (excess)	\$ -	\$ -	\$ 10,396	\$ (11,289)	\$ 214,250
Covered Payroll	\$ 4,775,917	\$ 4,955,832	\$ 5,527,302	\$ 5,941,704	\$ 6,901,163
Contributions as a Percentage of Covered Payroll	10.38%	10.63%	10.44%	10.63%	10.11%

\*\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

**City of Portland, Tennessee**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**

**LGOP**

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ 149,187
Interest	70,860
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(106,826)
Benefit payments	(117,143)
<b>Net change in total OPEB liability</b>	<u>(3,922)</u>
<b>Total OPEB liability - beginning</b>	<u>2,336,088</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 2,332,166</u></u>
 Covered-employee payroll	 \$ 6,901,160
Total OPEB liability as a percentage of covered-employee payroll	33.79%

\*\*There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan. The amounts reported for each fiscal year were determined as of the prior fiscal year-end. This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

**City of Portland, Tennessee**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**

**TNP**

	<b>2018</b>
<b>Total OPEB liability</b>	
Service cost	\$ 6,603
Interest	3,727
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(15,184)
Benefit payments	(15,300)
<b>Net change in total OPEB liability</b>	<b>(20,154)</b>
<b>Total OPEB liability - beginning</b>	<b>151,490</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 131,336</b>
Covered-employee payroll	\$ 6,901,160
Total OPEB liability as a percentage of covered-employee payroll	1.90%

\*\*There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan. The amounts reported for each fiscal year were determined as of the prior fiscal year-end. This schedule is intended to display ten years of information. Additional years will be displayed as the become available.

CITY OF PORTLAND, TENNESSEE  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2018**

*Valuation date: Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 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	Varies by Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation
Investment Rate of Return	7.5%, 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 Adjustment	2.5%



## **Supplemental Information Section**

**City of Portland, Tennessee**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds						Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets	Airport Fund	Solid Waste Fund	Stormwater Fund	Drug Fund	Golf Course Fund	Impact Fees Fund	Revolving Loan Fund	
Cash & cash equivalents	\$ 10,536	\$ 147,501	\$ 237,917	\$ 22,262	\$ 23,201	\$ 40,893	\$ 557,144	\$ 1,039,454
Receivables	-	83,184	35,109	-	-	-	-	118,293
Intergovernmental	16,621	-	-	-	-	-	-	16,621
Prepaid items and other assets	9,070	15,819	5,923	-	-	-	-	30,812
Inventory	14,045	16,302	-	-	-	-	-	30,347
Total assets	\$ 50,272	\$ 262,806	\$ 278,949	\$ 22,262	\$ 23,201	\$ 40,893	\$ 557,144	\$ 1,235,527
Liabilities								
Accounts payable	\$ 7,453	\$ 41,946	\$ 41,387	\$ -	\$ 9,203	\$ -	\$ -	\$ 99,989
Accrued liabilities	1,549	5,043	5,781	-	943	-	-	13,316
Due to other funds	189	15	-	-	-	-	-	204
Total liabilities	9,191	47,004	47,168	-	10,146	-	-	113,509
Fund Balances								
Nonspendable								
Inventory and prepaid items	23,115	32,121	5,923	-	-	-	-	61,159
Restricted For:								
Airport	17,966	-	-	-	-	-	-	17,966
Solid waste	-	183,681	-	-	-	-	-	183,681
Stormwater	-	-	225,858	-	-	-	-	225,858
Drug control	-	-	-	22,262	-	-	-	22,262
Golf course	-	-	-	-	13,055	-	-	13,055
Revolving loans	-	-	-	-	-	-	557,144	557,144
Impact fee	-	-	-	-	-	40,893	-	40,893
Total fund balances	41,081	215,802	231,781	22,262	13,055	40,893	557,144	1,122,018
Total liabilities and fund balances	\$ 50,272	\$ 262,806	\$ 278,949	\$ 22,262	\$ 23,201	\$ 40,893	\$ 557,144	\$ 1,235,527

*See independent auditor's report.*

**City of Portland, Tennessee**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds						Capital Projects Funds	Total Nonmajor Governmental Funds
	Airport Fund	Solid Waste Fund	Stormwater Fund	Drug Fund	Golf Course Fund	Impact Fees Fund	Industrial Loan Fund	
<b>Revenues</b>								
Charges for services	\$ 151,732	\$ 1,014,269	\$ 775,118	\$ -	\$ 120	\$ 142,818	\$ -	\$ 2,084,057
Fines and forfeitures	-	-	4,225	4,250	-	-	-	8,475
Investment income	43	421	453	-	-	-	1,471	2,388
Rental	86,558	-	-	-	20	-	-	86,578
Miscellaneous	-	-	-	-	39	-	-	39
Total revenues	238,333	1,014,690	779,796	4,250	179	142,818	1,471	2,181,537
<b>Expenditures</b>								
Salaries, taxes and benefits	99,488	413,784	313,408	-	3,068	-	-	829,748
Repairs and maintenance	20,437	52,165	129,778	-	1,616	-	-	203,996
Utilities	25,733	7,372	2,026	-	2,521	-	-	37,652
Supplies	4,690	7,185	22,161	-	2,427	20	-	36,483
Other operating	157,527	410,864	98,191	-	6,417	-	-	672,999
Debt service	15,370	42,426	-	-	-	-	-	57,796
Capital outlay	114,605	301,335	74,074	-	1,244,000	-	-	1,734,014
Total expenditures	437,850	1,235,131	639,638	-	1,260,049	20	-	3,572,688
Excess (deficiency) of revenues over (under) expenditures	(199,517)	(220,441)	140,158	4,250	(1,259,870)	142,798	1,471	(1,391,151)
<b>Other Financing Sources (Uses)</b>								
Contributions and grants	121,467	-	-	1,500	988,954	-	-	1,111,921
Sale of capital assets	-	12,101	-	47	-	-	-	12,148
Loan proceeds	-	267,000	-	-	-	-	-	267,000
Transfers in (out)	75,000	-	26,311	-	283,971	(276,000)	-	109,282
Total other financing sources and uses	196,467	279,101	26,311	1,547	1,272,925	(276,000)	-	1,500,351
<b>Net Change in Fund Balances</b>	(3,050)	58,660	166,469	5,797	13,055	(133,202)	1,471	109,200
<b>Fund Balance - beginning</b>	44,131	157,142	65,312	16,465	-	174,095	555,673	1,012,818
<b>Fund Balance - end</b>	\$ 41,081	\$ 215,802	\$ 231,781	\$ 22,262	\$ 13,055	\$ 40,893	\$ 557,144	\$ 1,122,018

See independent auditor's report.

**City of Portland, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**Airport Fund**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance with Final</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 135,000	\$ 152,750	\$ 151,732	\$ (1,018)
Investment income	100	40	43	3
Rental	84,000	86,100	86,558	458
Miscellaneous	250	220	-	(220)
Total revenues	219,350	239,110	238,333	(777)
<b>Expenditures</b>				
Salaries, taxes and benefits	103,175	103,305	99,488	3,817
Repairs and maintenance	22,000	23,715	20,437	3,278
Utilities	33,000	26,500	25,733	767
Supplies	3,000	4,750	4,690	60
Other operating	133,490	171,180	157,527	13,653
Debt service	15,685	-	15,370	(15,370)
Capital outlay	1,051,000	608,295	114,605	493,690
Total expenditures	1,361,350	937,745	437,850	499,895
Excess (deficiency) of revenues over (under) expenditures	(1,142,000)	(698,635)	(199,517)	499,118
<b>Other Financing Sources (Uses)</b>				
Contributions and grants	1,062,000	618,635	121,467	(497,168)
Transfers in (out)	80,000	80,000	75,000	(5,000)
Total other financing sources (uses)	1,142,000	698,635	196,467	(502,168)
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	(3,050)	<u>\$ (3,050)</u>
<b>Fund Balance - beginning</b>			<u>44,131</u>	
<b>Fund Balance - end</b>			<u>\$ 41,081</u>	

See independent auditor's report.

**City of Portland, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**Solid Waste Fund**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance with Final</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 996,000	\$ 1,000,000	\$ 1,014,269	\$ 14,269
Investment income	500		421	421
Miscellaneous	250	775	-	(775)
Total revenues	<u>996,750</u>	<u>1,000,775</u>	<u>1,014,690</u>	<u>13,915</u>
<b>Expenditures</b>				
Salaries, taxes and benefits	445,150	432,400	413,784	18,616
Repairs and maintenance	46,500	51,750	52,165	(415)
Utilities	7,594	7,594	7,372	222
Supplies	5,820	7,800	7,185	615
Other operating	483,771	411,453	410,864	589
Debt service	-	-	42,426	(42,426)
Capital outlay	384,250	93,778	301,335	(207,557)
Total expenditures	<u>1,373,085</u>	<u>1,004,775</u>	<u>1,235,131</u>	<u>(230,356)</u>
Excess (deficiency) of revenues over (under) expenditures	(376,335)	(4,000)	(220,441)	244,271
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	7,000	9,000	12,101	3,101
Loan proceeds	350,000	-	267,000	267,000
Transfers in (out)	19,335	-	-	-
Total other financing sources (uses)	<u>376,335</u>	<u>9,000</u>	<u>279,101</u>	<u>270,101</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ 5,000</u>	58,660	<u>\$ 514,372</u>
<b>Fund Balance - beginning</b>			<u>157,142</u>	
<b>Fund Balance - end</b>			<u>\$ 215,802</u>	

See independent auditor's report.

**City of Portland, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**Stormwater Fund**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			<b>Positive (Negative) Variance with Final</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Charges for services	\$ 740,500	\$ 765,000	\$ 775,118	\$ 10,118
Fines and forfeitures	5,000	3,500	4,225	725
Investment income	150	350	453	103
Total revenues	<u>745,650</u>	<u>768,850</u>	<u>779,796</u>	<u>10,946</u>
<b>Expenditures</b>				
Salaries, taxes and benefits	321,024	326,325	313,408	12,917
Repairs and maintenance	197,825	250,000	129,778	120,222
Utilities	8,000	2,250	2,026	224
Supplies	4,000	18,750	22,161	(3,411)
Other operating	69,801	113,700	98,191	15,509
Capital outlay	145,000	87,825	74,074	13,751
Total expenditures	<u>745,650</u>	<u>798,850</u>	<u>639,638</u>	<u>159,212</u>
Excess (deficiency) of revenues over (under) expenditures	-	(30,000)	140,158	170,158
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	-	30,000	26,311	(3,689)
Total other financing sources (uses)	<u>-</u>	<u>30,000</u>	<u>26,311</u>	<u>(3,689)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	166,469	<u>\$ 166,469</u>
<b>Fund Balance - beginning</b>			<u>65,312</u>	
<b>Fund Balance - end</b>			<u>\$ 231,781</u>	

See independent auditor's report.

**City of Portland, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**Drug Fund**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance with Final</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines and forfeitures	\$ 10,500	\$ 4,000	\$ 4,250	\$ 250
Total revenues	10,500	4,000	4,250	250
<b>Expenditures</b>				
Supplies	1,000	1,000	-	1,000
Total expenditures	1,000	1,000	-	1,000
Excess (deficiency) of revenues over (under) expenditures	9,500	3,000	4,250	(750)
<b>Other Financing Sources (Uses)</b>				
Contributions and grants	-	-	1,500	1,500
Sale of capital assets	2,000	2,000	47	(1,953)
Total other financing sources (uses)	2,000	2,000	1,547	(453)
<b>Net Change in Fund Balance</b>	<u>\$ 11,500</u>	<u>\$ 5,000</u>	5,797	<u>\$ (1,203)</u>
<b>Fund Balance - beginning</b>			<u>16,465</u>	
<b>Fund Balance - end</b>			<u>\$ 22,262</u>	

See independent auditor's report.

**City of Portland, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**Impact Fee Fund**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			<b>Positive (Negative) Variance with Final</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Charges for services	\$ 103,000	\$ 122,000	\$ 142,818	\$ 20,818
Total revenues	103,000	122,000	142,818	20,818
<b>Expenditures</b>				
Supplies	-	-	20	(20)
Total expenditures	-	-	20	(20)
Excess (deficiency) of revenues over (under) expenditures	103,000	122,000	142,798	20,798
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	-	(276,000)	(276,000)	-
Total other financing sources (uses)	-	(276,000)	(276,000)	-
<b>Net Change in Fund Balance</b>	<u>\$ 103,000</u>	<u>\$ (154,000)</u>	(133,202)	<u>\$ 20,798</u>
<b>Fund Balance - beginning</b>			<u>174,095</u>	
<b>Fund Balance - end</b>			<u>\$ 40,893</u>	

See independent auditor's report.



**City of Portland, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**Industrial Loan Fund**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			<b>Positive (Negative) Variance with Final</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Investment income	\$ 1,500	\$ 1,660	\$ 1,471	\$ (189)
Total revenues	<u>1,500</u>	<u>1,660</u>	<u>1,471</u>	<u>(189)</u>
<b>Expenditures</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	1,500	1,660	1,471	(189)
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	-	(32,200)	-	(32,200)
Total other financing sources (uses)	<u>-</u>	<u>(32,200)</u>	<u>-</u>	<u>(32,200)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 1,500</u>	<u>\$ (30,540)</u>	1,471	<u>\$ (32,389)</u>
<b>Fund Balance - beginning</b>			<u>555,673</u>	
<b>Fund Balance - end</b>			<u>\$ 557,144</u>	

See independent auditor's report.

**City of Portland, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**Golf Course Fund**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Positive (Negative) Variance with Final</b>
	<b>Original &amp; Final</b>	<b>Actual</b>	
<b>Revenues</b>			
Charges for services	\$ 17,000	\$ 120	\$ (16,880)
Rental	3,000	20	(2,980)
Miscellaneous		39	39
Total revenues	20,000	179	(19,821)
<b>Expenditures</b>			
Salaries, taxes and benefits	23,000	3,068	19,932
Repairs and maintenance	23,000	1,616	21,384
Utilities	2,000	2,522	(522)
Supplies	9,000	2,427	6,573
Other operating	13,500	6,416	7,084
Debt service	2,500	-	2,500
Capital outlay	381,000	1,244,000	(863,000)
Total expenditures	454,000	1,260,049	(806,049)
Excess (deficiency) of revenues over (under) expenditures	(434,000)	(1,259,870)	(825,870)
<b>Other Financing Sources (Uses)</b>			
Contributions	-	988,954	988,954
Loan proceeds	126,000	-	(126,000)
Transfers in (out)	308,000	283,971	(24,029)
Total other financing sources (uses)	434,000	1,272,925	838,925
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>13,055</u>	<u>\$ 13,055</u>
<b>Fund Balance - beginning</b>		<u>-</u>	
<b>Fund Balance - end</b>		<u>\$ 13,055</u>	

**Note to Schedule-** Acquisition of capital asset (golf course) consisted of actual expenditures of \$255,046 plus donated assets (contribution) of \$988,954. In order to record the asset at historical cost in accordance with GASB Codification Section 2200, total capital outlay expenditures are shown at \$1,244,000.

**CITY OF PORTLAND, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**Year Ended June 30, 2018**

<b>Federal Grantor/Pass -Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number</b>	<b>Pass Through Entity</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<u>Pass-through Programs:</u>				
Home Investment Partnerships Program	14.239	10-THDA-H-20	Tn Dept of Economic and Community Development	<u>22,950</u>
Total U.S Department of Housing and Urban Development				<u>22,950</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<u>Pass-through Programs:</u>				
High Visibility Enforcement Project	20.607	Z17THS278	TN Dept of Safety and Homeland Security	<u>8,759</u>
Total U.S. Department of Homeland Security				<u>8,759</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<u>Pass-through Programs:</u>				
Airport Improvement Program	20.106	AERO-18-185-00	TN Dept of Transportation	35,000
Airport Improvement Program	20.106	AERO-17-205-00	TN Dept of Transportation	11,000
Surface Transportation Program - Bicycle/Pedestrian Facil	20.205	130261	TN Dept of Transportation	31,019
Surface Transportation Program - Bicycle/Pedestrian Facil	20.205	150029	TN Dept of Transportation	2,508
Surface Transportation Program - Traffic Light Study	20.205	150201	TN Dept of Transportation	16,766
Surface Transportation Program	20.205	83LPLM-F1-097	TN Dept of Transportation	2,500
CDBG Hwy 109N Drainage Phase 2	14.228	33004-79713	TN Dept of Transportation	28,436
Total U.S. Department of Transportation				<u>127,229</u>
<b>TOTAL FEDERAL AWARDS</b>				<b>158,937</b>
<b>STATE ASSISTANCE</b>				
Tennessee Dept. of Transportation Aeronautics Division	N/A	AERO-M12-250	N/A	13,222
Tennessee Dept. of Transportation Aeronautics Division	N/A	AERO-15-123-00	N/A	1,113
Tennessee Dept of Transportation Aeronautics Division	N/A	AERO-18-249-00	N/A	41,760
Tennessee Dept of Transportation Aeronautics Division	N/A	AERO-18-248-00	N/A	12,000

**CITY OF PORTLAND, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**Year Ended June 30, 2018**

<b>Federal Grantor/Pass -Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract Number</b>	<b>Pass Through Entity</b>	<b>Expenditures</b>
Tennessee Dept. of Environment & Conservation	N/A	306200	N/A	11,434
Tennessee Dept. of Environment & Conservation	N/A	32701-02517	N/A	21,428
<b>TOTAL STATE ASSISTANCE</b>				<u>100,957</u>
<b>TOTAL FEDERAL AND STATE</b>				<u>259,894</u>

**Note 1 : Basis for 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. 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 \$938,923 at June 30, 2018 with the EPA obtained through the State Revolving Loan Fund (SRLF). The amount listed for this loan includes the outstanding loan balance from prior years less principal payments.

**City of Portland, Tennessee**  
**Schedule of Principal and Interest Requirements - Governmental Funds**  
**June 30, 2018**

Year Ending June 30,	Fire Department Capital		Public Library Expansion Capital Outlay Note 2011 Loan		Police Cars Capital Outlay		Street Paving Note Capital		Street Paving/Street Truck		Parks Improvements Capital	
	Outlay Note, Series 2013		#56		Note #70		Outlay Note #66		Capital Outlay Note #60		Outlay Note, Series 2017	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	42,000	4,502	75,000	2,097	45,000	6,103	143,760	17,977	55,560	6,842	15,000	4,384
2020	42,000	3,377	43,750	364	45,000	4,681	143,760	14,225	55,560	5,248	15,000	3,861
2021	42,000	2,251	-	-	45,000	3,259	143,760	10,473	55,560	3,653	15,000	3,337
2022	42,000	1,125	-	-	45,000	1,837	143,760	6,720	55,560	2,059	15,000	2,814
2023	-	-	-	-	33,750	444	143,760	2,968	41,630	497	15,000	2,290
2024	-	-	-	-	-	-	35,860	156	-	-	15,000	1,767
2025	-	-	-	-	-	-	-	-	-	-	15,000	1,243
2026	-	-	-	-	-	-	-	-	-	-	15,000	720
2027	-	-	-	-	-	-	-	-	-	-	12,500	200
	<b>\$ 168,000</b>	<b>\$ 11,255</b>	<b>\$ 118,750</b>	<b>\$ 2,461</b>	<b>\$ 213,750</b>	<b>\$ 16,324</b>	<b>\$ 754,660</b>	<b>\$ 52,519</b>	<b>\$ 263,870</b>	<b>\$ 18,299</b>	<b>\$ 132,500</b>	<b>\$ 20,616</b>

	Fire Department Capital		Parks Equipment Capital		Airport Capital Outlay Note		Sanitation Truck Capital		Street Equipment Capital		Police Cars Capital Outlay	
	Outlay Note #72		Outlay Note, Series 2015		Series 2010		Outlay Note #71		Outlay Note #65		Note #68	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	30,900	5,306	32,000	1,030	6,404	34	53,400	9,169	30,000	1,166	45,000	3,727
2020	30,900	4,143	24,000	250	-	-	53,400	7,160	30,000	516	45,000	2,539
2021	30,900	2,965	-	-	-	-	53,400	5,124	7,500	27	45,000	1,340
2022	30,900	1,802	-	-	-	-	53,400	3,114	-	-	26,250	233
2023	30,900	634	-	-	-	-	53,400	1,095	-	-	-	-
	<b>\$ 154,500</b>	<b>\$ 14,850</b>	<b>\$ 56,000</b>	<b>\$ 1,280</b>	<b>\$ 6,404</b>	<b>\$ 34</b>	<b>\$ 267,000</b>	<b>\$ 25,662</b>	<b>\$ 67,500</b>	<b>\$ 1,709</b>	<b>\$ 161,250</b>	<b>\$ 7,839</b>
	\$ 151,925											

Total Governmental Funds				
	General Obligation Refunding Bonds, Series 2015 Loan #64		Total Principal	Total Interest
	Principal	Interest		
2019	175,000	227,312	749,024	289,649
2020	180,000	222,938	708,370	269,302
2021	180,000	218,438	618,120	250,867
2022	185,000	213,937	596,870	233,641
2023	190,000	209,312	508,440	217,240
2024	195,000	204,563	245,860	206,486
2025	200,000	199,200	215,000	200,443
2026	205,000	193,700	220,000	194,420
2027	215,000	188,062	227,500	188,262
2028	220,000	181,613	220,000	181,613
2029	225,000	175,012	225,000	175,012
2030	230,000	168,263	230,000	168,263
2031	240,000	161,362	240,000	161,362
2032	245,000	154,163	245,000	154,163
2033	255,000	146,812	255,000	146,812
2034	260,000	139,163	260,000	139,163
2035	270,000	130,062	270,000	130,062
2036	280,000	120,613	280,000	120,613
2037	290,000	110,812	290,000	110,812
2038	300,000	100,663	300,000	100,663
2039	310,000	90,162	310,000	90,162
2040	320,000	79,313	320,000	79,313
2041	335,000	67,312	335,000	67,312
2042	345,000	54,750	345,000	54,750
2043	360,000	41,813	360,000	41,813
2044	370,000	28,312	370,000	28,312
2045	385,000	14,438	385,000	14,438
	<b>\$ 6,965,000</b>	<b>\$ 3,842,100</b>	<b>\$ 9,329,184</b>	<b>\$ 4,014,948</b>
				<b>\$ 13,344,132</b>

**City of Portland, Tennessee**  
**Schedule of Principal and Interest Requirements - Enterprise Funds**  
**June 30, 2018**

Year Ending June 30,	Water and Sewer System Revenue Refunding Bonds, Series 2016		State Revolving Fund Loan, 2006		Capital Outlay Note - Water & Sewer Jet Vac		Capital Outlay Note, Series WS 2009-3 AMR		Total Enterprise Funds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	670,000	489,344	63,276	15,468	70,000	2,017	30,024	73	833,300	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	360,969	72,492	6,252	-	-	-	-	572,492	367,221
2028	530,000	340,969	73,728	5,016	-	-	-	-	603,728	345,985
2029	545,000	319,769	74,988	3,756	-	-	-	-	619,988	323,525
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	255,969	26,251	93	-	-	-	-	581,251	256,062
2033	575,000	239,319	-	-	-	-	-	-	575,000	239,319
2034	590,000	222,069	-	-	-	-	-	-	590,000	222,069
2035	605,000	204,369	-	-	-	-	-	-	605,000	204,369
2036	635,000	180,169	-	-	-	-	-	-	635,000	180,169
2037	435,000	154,769	-	-	-	-	-	-	435,000	154,769
2038	455,000	137,369	-	-	-	-	-	-	455,000	137,369
2039	470,000	119,168	-	-	-	-	-	-	470,000	119,168
2040	490,000	100,368	-	-	-	-	-	-	490,000	100,368
2041	370,000	80,769	-	-	-	-	-	-	370,000	80,769
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>\$ 14,385,000</u>	<u>\$ 6,896,687</u>	<u>\$ 938,923</u>	<u>\$ 111,093</u>	<u>\$ 116,667</u>	<u>\$ 2,436</u>	<u>\$ 30,024</u>	<u>\$ 73</u>	<u>\$ 15,470,614</u>	<u>\$ 7,010,289</u>

**City of Portland, Tennessee**  
**Schedule of Changes in Property Taxes Receivable**  
**and Uncollected Delinquent Taxes Filed**  
**June 30, 2018**

<b>Year of Levy</b>	<b>Gross Property Taxes Receivable July 1, 2017</b>	<b>Property Tax Levied</b>	<b>Anticipated Current Year Levy</b>	<b>Abatements and Adjustments</b>	<b>Collections</b>	<b>Allowance for Uncollectibles</b>	<b>Net Property Taxes Receivable June 30, 2018</b>
2018			\$ 4,506,443				\$ 4,506,443
2017	3,866,641	-		174,367	(3,934,782)	-	106,226
2016	88,555	-		44,188	(89,050)		43,693
2015	49,080	-		(33,193)	(1,465)	(14,422)	-
2014	23,459	-		(13,552)		(9,907)	-
2013	21,119	-		2,928	(11,961)	(12,086)	-
2012	19,213	-		1,812	(5,755)	(15,270)	-
2011	29,964	-		1,675	(4,180)	(27,459)	-
2010	16,233	-		1,828	(6,566)	(11,495)	-
2009	21,854	-		1,645	(5,139)	(18,360)	-
2008	10,170	-		1,229	(3,782)	(7,617)	-
2007	8,768	-		(8,590)	(178)		-
							-
	<u>\$ 4,155,056</u>	<u>\$ -</u>	<u>\$ 4,506,443</u>	<u>\$ 174,337</u>	<u>(4,062,858)</u>	<u>(116,616)</u>	<u>4,656,362</u>

Note: All uncollected taxes for years due prior to March 1, 2016 have been turned over to the County for collection.

## **OTHER INFORMATION SECTION**



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

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<b>Year of Levy</b>	<b>Fiscal Year</b>	<b>Tax Rate Per \$100 Sumner</b>	<b>Tax Rate Per \$100 Robertson</b>	<b>Tax Assessment</b>
2018	2019	1.21	1.21	\$ 3,982,140
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	\$ 2,679,618
2013	2014	1.18	1.18	\$ 3,761,856
2012	2013	1.1	1.13	\$ 3,310,126
2011	2012	1.1	1.13	\$ 3,315,772
2010	2011	1.1	1.13	\$ 3,230,794
2009	2010	0.95	0.98	\$ 2,911,611
2008	2009	1.03	0.92	\$ 2,816,329
2007	2008	1.03	1.03	\$ 2,811,901

\*Anticipated Levy as of June 30, 2018

**City of Portland, Tennessee**  
**Utility Rate Structure and Number of Customers**  
**For the Year Ended June 30, 2018**

<b>Water Customer Rates</b>			
Effective 7/1/16	<b>Inside City Limits</b>		<b>Outside City Limits</b>
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	<b>Inside City Limits</b>		<b>Outside City Limits</b>
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

<b>Solid Waste (Sanitation) Rates</b>			
Sanitation for residential customers inside the city limits is \$18 per month.			
Business customer rate is \$22 per month.			

<b>Natural Gas Customer Rates</b>			
Residential - Inside City Limits			
Service Fee	4.50	Per Month	
PTA Rate	0.28	Per CCF	
Cost of Gas Rate	0.39	Per CCF	
Residential - Outside City Limits			
Service Fee	7.50	Per Month	
PTA Rate	0.35	Per CCF	
Cost of Gas Rate	0.39	Per CCF	
Commercial - Inside/Outside City Limits			
Service Fee	10.00	Per Month	
PTA Rate	0.30	Per CCF	
Cost of Gas Rate	0.39	Per CCF	
Industrial - Inside/Outside City Limits			
Service Fee	125.00	Per Month	
PTA Rate	0.30	Per CCF	
Cost of Gas Rate	0.39	Per CCF	

The rate structure is made up of three components: gas cost, PTA and service fees. 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 monthly cost of the gas rate were in effect at June 30, 2018

<b>Number of Customers</b>	
<b>Service</b>	<b>June 30, 2018</b>
Solid Waste (special revenue)	4,544
Stormwater (special revenue)	4,802
Water	7,501
Sewer	4,165
Natural Gas	4,857

See independent auditor's report.

# AWWA Free Water Audit Software: Reporting Worksheet

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American Water Works Association  
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Water Audit Report for: **City of Portland, Tennessee**  
Reporting Year: **2018** **7/2017 - 6/2018**

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.

## WATER SUPPLIED

Volume from own sources: [+](#) [?](#) 10 748.891 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

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

**WATER SUPPLIED: 748.891 MG/Yr**

## AUTHORIZED CONSUMPTION

Billed metered: [+](#) [?](#) 9 461.756 MG/Yr  
Billed unmetered: [+](#) [?](#) 10 1.138 MG/Yr  
Unbilled metered: [+](#) [?](#) n/a MG/Yr  
Unbilled unmetered: [+](#) [?](#) 7 104.837 MG/Yr

Click here: [?](#)  
for help using option  
buttons below

Pcnt: [?](#) Value: [?](#) MG/Yr  
[?](#) [?](#) 104.837 MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION: 567.731 MG/Yr**

Use buttons to select  
percentage of water  
supplied  
OR  
value

## WATER LOSSES (Water Supplied - Authorized Consumption)

**181.160 MG/Yr**

## Apparent Losses

Unauthorized consumption: [+](#) [?](#) 1.872 MG/Yr

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

Customer metering inaccuracies: [+](#) [?](#) 7 1.157 MG/Yr  
Systematic data handling errors: [+](#) [?](#) 1.154 MG/Yr

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

**Apparent Losses: 4.184 MG/Yr**

Pcnt: 0.25% Value: [?](#) MG/Yr  
[?](#) [?](#) [?](#) MG/Yr

0.25% [?](#) [?](#) MG/Yr  
0.25% [?](#) [?](#) MG/Yr

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

Real Losses = Water Losses - Apparent Losses: [?](#) **176.976 MG/Yr**

**WATER LOSSES: 181.160 MG/Yr**

## NON-REVENUE WATER

**NON-REVENUE WATER: 285.997 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 7,626  
Service connection density: [?](#) 28 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 \$3,485,274 \$/Year  
Customer retail unit cost (applied to Apparent Losses): [+](#) [?](#) 8 \$7.45 \$/1000 gallons (US)  
Variable production cost (applied to Real Losses): [+](#) [?](#) 7 \$1,469.81 \$/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: **2018** **7/2017 - 6/2018**

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

### System Attributes:

Apparent Losses:	<b>4.184</b>	MG/Yr
+	Real Losses:	<b>176.976</b> MG/Yr
=	<b>Water Losses:</b>	<b>181.160</b> MG/Yr

**? Unavoidable Annual Real Losses (UARL):** **57.29** MG/Yr

Annual cost of Apparent Losses: **\$31,170**

Annual cost of Real Losses: **\$260,121**

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: **38.2%**

Non-revenue water as percent by cost of operating system: **12.8%**

Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **1.50** gallons/connection/day

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

Real Losses per length of main per day\*: **1,781.94** 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): **176.98** million gallons/year

**? Infrastructure Leakage Index (ILI) [CARL/UARL]:** **3.09**

\* 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**

# ***The MG Group, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**Tullahoma, Tennessee**

**INDEPENDENT AUDITOR'S 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***

Board of Mayor and 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 06, 2018.

***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 *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. We did identify two deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Findings 2018-001 and 2018-002.

### ***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 and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mg Group, P.C.*

Tullahoma, Tennessee  
November 06, 2018

**City of Portland, Tennessee**  
**Schedule of Prior Year Findings**  
**June 30, 2018**

*Government Audit Standards* require auditors to report the status of uncorrected findings for prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or uncorrected. Presented below are financial statement findings along with their status from the Financial Statements and Supplementary Information of the City of Portland, for year ended June 30, 2017.

***Prior-year Financial Statement Findings***

<b>Prior Year Finding Number</b>	<b>Title of Finding</b>	<b>Status/ Current Year Finding Number</b>
<b>N/A</b>	<b>None identified</b>	<b>N/A</b>



**CITY OF PORTLAND, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2018**

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**PART I. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Portland, Tennessee (the "City") were prepared in accordance with accounting principles generally accepted in the United States of America.
2. The audit of the financial statements of the City disclosed two significant deficiencies in internal control and compliance. (Finding 2018-001 and 2018-002).
3. The audit of the financial statements of the City did not disclose any material weaknesses.

**PART II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

***2018-001: Budgeted Expenditures in Excess of Appropriations***

***Condition:*** The sanitation fund exceeded appropriations by \$230,356.50.

***Criteria:*** Tennessee Code Annotated, Section 6-56-203(1) states in part...all monies received and expended by a municipality shall be included in a budget ordinance. Therefore, notwithstanding any other law, no municipality may expend any monies regardless of their source, including monies derived from bond and long-term note proceeds, federal, state or private grants or loans, or special assessments, except in accordance with a budget ordinance...

***Effect:*** Expenditures made in excess of budgeted amounts could result in a loss of control over financial operations by the governing body.

***Recommendation:*** Expenditures should be held within appropriations approved by the Board of Mayor and Alderman.

***Management's Response:*** We concur with this finding. The delivery of a new sanitation truck that was included in the New Year Budget was moved up due to an emergency, an accident that rendered an existing truck inoperable for an extended period. The truck was received in the last week of the year and management had not adjusted the current year budget projection to account for the early delivery. We will institute procedures to review and account for open Purchase Orders in the current year projected appropriations and assure inclusion in amendments to our budget projections.

## CITY OF PORTLAND, TENNESSEE

### SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

June 30, 2018

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#### **2018-002: Significant Deficiency: Retainage in Construction Projects**

**Condition:** The City maintains bank accounts labeled "Retainage Account". These bank accounts contain retainage that has been withheld for multiple contractors and projects. The City does not maintain a separate escrow account for each contractor or project. Nor do the contractors have access to this account. The City keeps the retainage allocation amounts separate by assigning multiple general ledger account numbers for each project.

**Criteria:** *Tennessee Code Annotated*, Section 66-34-104 states in part:

(a) Whenever, in any contract for the improvement of real property, a certain amount or percentage of the contract price is retained, that retained amount shall be deposited in a separate, interest-bearing, escrow account with a third-party which must be established upon the withholding of any retainage.

(b) As of the time of the withholding of the retained funds, the funds shall become the sole and separate property of the prime contractor or remote contractor to whom they are owed, subject to the rights of the person withholding the retainage in the event the prime contractor or remote contractor otherwise entitled to the funds defaults on or does not complete its contract.

(d) The party with the responsibility for depositing the retained amount in a separate, interest-bearing, escrow account with a third party shall have the affirmative duty to provide written notice that it has complied with the requirements of this section to any prime contractor upon withholding the amount of retained funds from each and every application for payment, including:

1. Identification of the name of the financial institution with whom the escrow account has been established;
2. Account number; and
3. Amount of retained funds that are deposited in the escrow account with the third party.

(g) In contracts to which the State or any department, board or agency of the State is a party, interest shall be paid on the retained amounts.... Compliance with this section shall be mandatory, and may not be waived by contract.

(i) This section shall be applicable to all prime contracts and all subcontracts thereunder for the improvement of real property when the contract amount of such prime contract is five hundred thousand dollars (\$500,000) or greater, notwithstanding the amount of such subcontracts.

**Effect:** The City is in noncompliance with State statutes.

**Recommendation:** The City should establish an escrow account with a third party to account for retainage due to contractors, in accordance with TCA Section 66-34-104.

**CITY OF PORTLAND, TENNESSEE**

**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**

**June 30, 2018**

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***Management's Response:*** We concur with this finding. The City had previously misunderstood the requirement of this TCA section and had utilized third party escrow accounts if requested by the contractor for all large construction projects (\$500,000 and above). The City will immediately institute compliance with this TCA and establish third party escrow accounts with the financial institution of the contractor's choosing for all contracts of \$500,000 or greater.