

**CITY OF PORTLAND, TENNESSEE  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019**

**CITY OF PORTLAND, TENNESSEE**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2019**

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# **INTRODUCTORY SECTION**

**CITY OF PORTLAND, TENNESSEE  
ELECTED AND APPOINTED OFFICIALS  
JUNE 30, 2019**

**ELECTED OFFICIALS**

Mike Callis	Mayor
John Kerley	Vice Mayor
Thomas Dillard	Alderman
Mike Hall	Alderman
Brian Harbin	Alderman
Andrew Jennings	Alderman
Jody McDowell	Alderman
Megann Thompson	Alderwoman

**APPOINTED OFFICIALS**

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

**AUDIT COMMITTEE**

Andrew Jennings  
  
Kim Delaney, CPA  
  
Jake Daughtry

# **FINANCIAL SECTION**

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

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portland, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Portland, Tennessee'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.

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**16053 Rankin Avenue, Dunlap, Tennessee 37327**

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**Fax (931) 563-5585**

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Portland, Tennessee as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

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

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portland, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, schedule of expenditures of federal awards and state financial assistance, and the other information section 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, including the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain



additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, including the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, and other information section 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 October 28, 2019 on our consideration of the City of Portland, Tennessee'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 solely 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 effectiveness of the City of Portland, Tennessee's 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  
October 28, 2019

## **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, 2019. 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, 2019 by \$68,230,263. Of this amount, \$11,656,079 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

\* The government's total net position after increased by \$1,262,005.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,174,049, a decrease of (\$65,759) in comparison to the prior year. Approximately 50.5% of this total amount, \$3,120,801 is available for spending at the government's discretion (unassigned other general fund balance).

\* The City's long-term liabilities decreased by (\$1,707,934). Normal debt service payments of \$1,587,603 reduced the liability with no current year new debt offerings. A reduction in OPEB liability offset with an increase in compensated absences accounted for the additional reduction in the liabilities.

#### **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 codes, 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 statements 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 Required Supplementary Information.

### 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 \$66,968,257 at the close of 2018 and \$68,230,263 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (76.4%) 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 6.5%) 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 \$11,656,079 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 \$1,871,045 at the end of the current fiscal year.

During the current fiscal year, the government's net position increased by \$1,262,006. This increase is approximately 1.8% of total net position. Of this \$1,262,006 increase, the governmental activities increased \$62,831 and the business-related activities increased \$1,199,175.

Table 1

**Net Position**  
(In Thousands)

	Government Activities			Business -type Activities			Total		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
<b>Assets</b>									
Current & Other Assets	\$ 12,729	\$ 12,078	\$ 651	\$ 13,845	\$ 18,130	\$ (4,285)	\$ 26,574	\$ 30,208	\$ (3,634)
Capital Assets	31,794	32,234	(439)	42,897	37,971	4,926	74,691	70,204	4,487
Total Assets	44,523	44,312	211	56,742	56,101	641	101,265	100,413	852
<b>Deferred Outflows</b>									
Deferred Outflows	779	1,238	(459)	494	812	(318)	1,273	2,050	(778)
Total Deferred Outflows	779	1,238	(459)	494	812	(318)	1,273	2,050	(778)
<b>Liabilities</b>									
Other Liabilities	698	542	156	1,152	1,145	7	1,850	1,687	163
L-T Liabilities	10,311	11,105	(794)	16,275	17,189	(914)	26,586	28,294	(1,708)
Total Liabilities	11,010	11,647	(638)	17,426	18,334	(907)	28,436	29,981	(1,545)
<b>Deferred Inflows</b>									
Deferred Inflows	5,471	5,145	327	400	369	31	5,872	5,514	357
Total Deferred Inflows	5,471	5,145	327	400	369	31	5,872	5,514	357
<b>Net Position</b>									
Net Investment in									
Capital Assets	23,158	22,847	311	28,966	29,876	(910)	52,124	52,723	(599)
Restricted	3,791	3,732	59	659	490	169	4,450	4,222	228
Unrestricted	1,871	2,178	(307)	9,785	7,845	1,940	11,656	10,023	1,633
Total Net Position	\$ 28,820	\$ 28,758	\$ 63	\$ 39,410	\$ 38,211	\$ 1,199	\$ 68,230	\$ 66,968	\$ 1,262

Table 2

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

	Government Activities			Business -type Activities			Total		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
<b>Revenues</b>									
Program Revenues:									
Charges for Services	\$ 2,991	\$ 2,911	\$ 79	\$ 13,283	\$ 12,628	\$ 655	\$ 16,273	\$ 15,539	\$ 734
Operating Grants	56	1,041	(985)	-	-	-	56	1,041	(985)
Capital Grants	751	296	455	63	328	(265)	814	624	190
General Revenues:									
Property Taxes	4,726	4,089	636	-	-	-	4,726	4,089	636
Intergovernmental	4,275	3,958	317	-	-	-	4,275	3,958	317
Interest	16	15	2	60	60	-	76	74	2
Other Revenues	200	216	(16)	49	42	7	249	258	(9)
Gain	127	21	106	(2)	-	(2)	125	21	104
<b>Total Revenues</b>	<b>\$ 13,141</b>	<b>\$ 12,548</b>	<b>\$ 594</b>	<b>\$ 13,452</b>	<b>\$ 13,057</b>	<b>\$ 395</b>	<b>\$ 26,594</b>	<b>\$ 25,605</b>	<b>\$ 989</b>
<b>Program Expenses</b>									
Gen Gov't	\$ 1,442	\$ 966	\$ 476	\$ -	\$ -	\$ -	\$ 1,442	\$ 966	\$ 476
Public Safety	5,612	3,999	1,613	-	-	-	5,612	3,999	1,613
City Court	16	19	(3)	-	-	-	16	19	(3)
Hwy, Streets	1,899	1,606	293	-	-	-	1,899	1,606	293
Solid Waste	1,038	894	144	-	-	-	1,038	894	144
Impact Fee	-	-	-	-	-	-	-	-	-
Parks	917	814	103	-	-	-	917	814	103
Airport	685	617	68	-	-	-	685	617	68
Planning	341	274	67	-	-	-	341	274	67
Comm Develop	83	42	40	-	-	-	83	42	40
City Garage	54	183	(130)	-	-	-	54	183	(130)
Engineering	22	24	(2)	-	-	-	22	24	(2)
Animal Control	58	65	(7)	-	-	-	58	65	(7)
Stormwater	708	582	126	-	-	-	708	582	126
Water & Sewer	-	-	-	7,134	6,460	674	7,134	6,460	674
Gas	-	-	-	4,848	4,711	137	4,848	4,711	137
Interest on L-T Debt	290	287	3	-	-	-	290	287	3
<b>Total Expenses</b>	<b>13,350</b>	<b>10,391</b>	<b>2,959</b>	<b>11,982</b>	<b>11,171</b>	<b>811</b>	<b>25,332</b>	<b>21,562</b>	<b>3,770</b>
Increase (Decrease) in net position									
Extraordinary Item	-	-	-	-	-	-	-	-	-
Transfers	271	237	34	(271)	(237)	(34)	-	-	-
Increase (Decrease) in net position	63	2,394	(2,331)	1,199	1,649	(450)	1,262	4,043	(2,781)
Net Position - Beginning	28,758	27,560	1,197	38,211	37,434	776	66,968	64,995	1,973
Prior Period Adjustment	-	(1,197)	1,197	-	(873)	873	-	(2,069)	2,069
<b>Net Position - Ending</b>	<b>\$ 28,820</b>	<b>\$ 28,758</b>	<b>\$ 63</b>	<b>\$ 39,410</b>	<b>\$ 38,211</b>	<b>\$ 1,199</b>	<b>\$ 68,230</b>	<b>\$ 66,968</b>	<b>\$ 1,262</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 \$6,174,049, a decrease of (\$65,759), in comparison with 2018. Of this total amount, \$3,120,801 constitutes unassigned fund balance which is used for spending at the government's discretion. The non-spendable portion of fund balance (\$366,098) 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 (\$1,410,523) is set aside for statutorily reserved purposes. The committed fund balance (\$127,942) is designated for special projects that are provided by City Council action. The assigned fund balance (\$1,148,685) is amounts intended to be used for specific purposes primarily capital projects.

The general fund is the chief operating fund of the City. At the end of the current fiscal year the total general fund balance was \$4,986,266 with \$3,120,801 (approximately 62.6%) 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 29.2% of total general fund expenditures and 34.6% of total expenditures less capital outlays. Total fund balance represents 46.6% of total general fund expenditures. During the current fiscal year, the fund balance of the City's general fund decreased by (\$131,524).

Overall sales tax revenues and local option tax revenues continue to improve year over year as new retail outlets continue to open or expand with additional outlets planned or in process for the coming year. The new interstate interchange continues to attract several new retail outlets. Current year levels improved 4.2% and 19.0% respectively over 2018 levels.

Collections of current year property taxes were at 97.8% of total taxes billed. Overall collections of property taxes including delinquents and penalties exceeded planned levels by approximately 1.6%.

Building permits continue to be very strong however not up to prior year level (-19.0%) versus 2018 and but up (+10.3%) 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 strength is attributed to the construction of several retail facilities, strong residential housing construction and a new production facility (Tsubaki).

The State of Tennessee's state shared revenues were up approximately +9.2% over prior year. Sales Tax continued to show solid improvements, +4.2%. Local option tax continues to grow because of the growth in retail business, +19.0%. The phase out of the state income tax continues the decrease in revenue, down 27.5% from prior year. The Income tax level will continue to decrease under the phase-out, completely phased-out in 2021. Business tax was up strong from prior year, +18.3%. These factors contributed to the improvement in general unassigned fund balance +\$121,977. The overall net change in general fund balance was (-\$131,524) created by increased spending for employment of a fully staffed fire department, addition of 12 firefighters.

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 \$3,120,801 at the end of 2019.

### **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 \$9,785,034, an increase of \$1,940,197 (+24.7%) with Water & Sewer contributing a (\$3,499,145) increase offset by Gas contributing a (\$1,558,948) decrease. Operating income was up in Gas (+\$33,015) and down in Water & Sewer (-\$195,495) versus prior year.

Gas revenues were slightly up for the year +\$170,292 (+3.1%) as temperatures were relatively the same versus prior year. Natural gas costs for the year were up +\$62,950 due to slight increase in usage and the overall margin on gas increased by .5 percentage points. Spending was up moderately (+\$74,327) with administrative expenses (+\$86,470), depreciation (+\$39,670) and operating expenses down (-\$51,813). Overall operating income was up (+\$33,015).

Water & Sewer was up over 6% in operating revenues, +\$491,435. Costs were up significantly in operating expenses (+\$590,838), depreciation (+\$63,045) and administrative expenses (+\$33,047) creating the overall decrease in operating income (-\$195,495). Maintenance and supply expenses for the sewer system were the major contributing factor as the city works to upgrade and eliminate issues at the plant and in the collection system.

### **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	\$ 4,761,000	\$ 4,697,000	\$ (64,000)
Sales Taxes	1,565,000	1,800,000	235,000
Alcoholic Beverage Taxes	342,000	341,000	(1,000)
Business Taxes	125,000	125,000	-
Cable TV Franchise and Lease Taxes	121,000	117,000	(4,000)
Other Taxes	-	-	-
Licenses & Permits	440,500	435,200	(5,300)
Fines	197,750	176,800	(20,950)
Intergovernmental Revenues:			
Sales Taxes	1,010,500	1,022,250	11,750
Gasoline and Motor Fuel Taxes	400,000	400,000	-
Petroleum Special Taxes	23,000	23,000	-
Income Taxes	45,000	45,000	-
Corporate Excise Tax	30,000	67,000	37,000
In Lieu of Tax	155,000	172,250	17,250
Charges for Services	77,750	71,190	(6,560)
Rental Income	22,000	22,000	-
Investment Income	7,900	10,925	3,025
Miscellaneous Revenues	27,500	33,500	6,000
Total Revenues	<u>\$ 9,350,900</u>	<u>\$ 9,559,115</u>	<u>\$ 208,215</u>
<b>Expenditures</b>			
Current:			
General Government	\$ 969,208	\$ 1,243,676	\$ (274,468)
Public Safety	4,996,010	5,058,881	(62,871)
City Court	19,080	19,080	-
Highways, Streets and Roadways	907,404	928,029	(20,625)
Parks and Recreation	743,677	767,726	(24,049)
Planning and Zoning	359,346	337,061	22,285
Community Development	49,063	84,613	(35,550)
City Garage	54,201	57,001	(2,800)
Engineering	35,075	27,975	7,100
Animal Control	81,425	85,400	(3,975)
Debt Service			
Principal	689,220	689,220	-
Interest	280,475	280,475	-
Capital Outlay	1,188,964	3,437,439	(2,248,475)
Total Expenditures	<u>\$ 10,373,148</u>	<u>\$ 13,016,576</u>	<u>\$ (2,643,428)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (1,022,248)</u>	<u>\$ (3,457,461)</u>	<u>\$ (2,435,213)</u>
<b>Other Financing Sources (Uses)</b>			
Contributions	\$ 50,000	\$ 51,000	\$ 1,000
Grants	596,500	755,800	159,300
Operating Transfers In/Out	43,248	381,236	337,988
Proceeds from Sales of Capital Assets	2,500	1,000	(1,500)
Proceeds from Debt Issuance	-	-	-
Insurance Recoveries	15,000	7,500	(7,500)
Total Other Financing Sources (Uses)	<u>\$ 707,248</u>	<u>\$ 1,196,536</u>	<u>\$ 489,288</u>
<b>Net Change in Fund Balance</b>	<u>\$ (315,000)</u>	<u>\$ (2,260,925)</u>	<u>\$ (1,945,925)</u>
<b>Budgetary Fund Balance - July 1, 2018</b>	<u>\$ 5,117,790</u>	<u>\$ 5,117,790</u>	<u>\$ -</u>
<b>Budgetary Fund Balance - June 30, 2019</b>	<u>\$ 4,802,790</u>	<u>\$ 2,856,865</u>	<u>\$ (1,945,925)</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, 2019, amounts to \$74,691,060 (net of accumulated depreciation). This investment in capital assets consists mainly of land, buildings, improvements, machinery and equipment, park facilities, roads, bridges, and utility plant for the water, sewer, and natural gas services the City provides. Total Capital Assets increased by \$4,486,654 due to several large projects, Waste Water Treatment Plant Upgrade and the Gas System Line Expansions and upgrades and several upgrades in equipment for the police, fire, and solid waste departments. The cost additions were offset by the annual depreciation of \$3,073,818.

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 7/1/2018	Additions	Disposals/ Transfers	Balance 6/30/2019
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 6,209,235	\$ 57,939	\$ -	\$ 6,267,174
Construction in Progress	625,688	562,314	(444,821)	743,181
Total Capital Assets not being Depreciated	<u>\$ 6,834,923</u>	<u>\$ 620,253</u>	<u>\$ (444,821)</u>	<u>\$ 7,010,355</u>
Capital Assets Being Depreciated				
Buildings	\$ 12,176,137	\$ 5,872	\$ (14,750)	\$ 12,167,259
Improvements Other than Buildings	6,758,470	261,242	-	7,019,712
Infrastructure	13,622,701	-	-	13,622,701
Machinery & Equipment	6,520,271	555,475	(834,030)	6,241,716
Total Capital Assets being Depreciated	<u>\$ 39,077,579</u>	<u>\$ 822,589</u>	<u>\$ (848,780)</u>	<u>\$ 39,051,388</u>
Accumulated Depreciation				
Buildings, Improvements, Machinery and Equipment	\$ 8,819,899	\$ 1,012,905	\$ (817,040)	\$ 9,015,764
Infrastructure	4,859,100	392,818	-	5,251,918
Total Accumulated Depreciation	<u>\$ 13,678,999</u>	<u>\$ 1,405,723</u>	<u>\$ (817,040)</u>	<u>\$ 14,267,682</u>
<b>Total Governmental Activities, Net</b>	<u><u>\$ 32,233,503</u></u>	<u><u>\$ 37,119</u></u>	<u><u>\$ (476,561)</u></u>	<u><u>\$ 31,794,061</u></u>
<b>Business-type Activities</b>				
Capital Assets not being Depreciated				
Land & Right of Way	\$ 1,277,643	\$ 3,039	\$ -	\$ 1,280,682
Construction in Progress	3,233,993	6,664,981	(3,476,260)	6,422,714
Total Capital Assets not being Depreciated	<u>\$ 4,511,636</u>	<u>\$ 6,668,020</u>	<u>\$ (3,476,260)</u>	<u>\$ 7,703,396</u>
Capital Assets Being Depreciated				
Water & Sewer Plant	\$ 41,131,323	\$ 1,116,087	\$ (105,000)	\$ 42,142,410
Natural Gas Plant	13,478,893	2,125,937	-	15,604,830
Equipment & Vehicles	3,006,835	208,788	(413,901)	2,801,722
Furniture & Fixtures	320,360	15,380	-	335,740
Total Capital Assets being Depreciated	<u>\$ 57,937,411</u>	<u>\$ 3,466,192</u>	<u>\$ (518,901)</u>	<u>\$ 60,884,702</u>
Accumulated Depreciation				
Water & Sewer Plant	\$ 17,161,105	\$ 1,082,640	\$ (41,827)	\$ 18,201,918
Natural Gas Plant	4,934,581	316,885	-	5,251,466
Machinery & Equipment	2,077,579	264,531	(413,313)	1,928,797
Furniture & Fixtures	304,879	4,039	-	308,918
Total Accumulated Depreciation	<u>\$ 24,478,144</u>	<u>\$ 1,668,095</u>	<u>\$ (455,140)</u>	<u>\$ 25,691,099</u>
<b>Total Business-type Activities, Net</b>	<u><u>\$ 37,970,903</u></u>	<u><u>\$ 8,466,117</u></u>	<u><u>\$ (3,540,021)</u></u>	<u><u>\$ 42,896,999</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 \$26,585,816. Of this amount, \$10,311,271 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 obligations decreased by \$1,701,049. Bonds, Leases and Capital Outlay Notes with bond premium and discount decreased -\$1,625,433 from the previous year due to normal debt service liquidation with no new borrowings, OPEB obligation decreased -\$114,246 and Compensated Absences increased +\$38,630.

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 2018	Increases	Decreases	Balance June, 30 2019	Amounts Due Within One Year
<b>Governmental Activities</b>					
Capital Outlay Notes	\$ 2,364,184		\$ 574,024	\$ 1,790,160	\$ 528,370
Capital Leases	-	-	-	\$ -	-
Bonds	6,965,000	-	175,000	\$ 6,790,000	180,000
Compensated Absences	211,934	13,050	-	\$ 224,984	
Total OPEB Liability	1,563,903	-	57,776	\$ 1,506,127	
	<u>\$ 11,105,021</u>	<u>\$ 13,050</u>	<u>\$ 806,800</u>	<u>\$ 10,311,271</u>	<u>\$ 708,370</u>
	Balance June, 30 2018	Increases	Decreases	Balance June, 30 2019	Amounts Due Within One Year
<b>Business-Type Activities</b>					
Water & Sewer System					
Refunding and Improvement					
Bonds, Series 2016	14,385,000	-	670,000	\$ 13,715,000	680,000
State Revolving Loan	938,923	-	68,553	\$ 870,370	58,993
AMR	30,026	-	30,026	\$ -	-
Capital Leases	-	-	-	\$ -	-
Capital Outlay Notes	116,667	-	70,000	\$ 46,667	46,667
	<u>15,470,616</u>	<u>-</u>	<u>838,579</u>	<u>14,632,037</u>	<u>785,660</u>
Plus bond premium	739,060	-	38,220	\$ 700,840	38,220
Less bond discount	(6,915)	390	-	\$ (6,525)	(390)
Compensated Absences	79,454	25,580		\$ 105,034	
Total OPEB Liability	899,629	-	56,470	\$ 843,159	
	<u>\$ 17,181,844</u>	<u>\$ 25,970</u>	<u>\$ 933,269</u>	<u>\$ 16,274,545</u>	<u>\$ 823,490</u>

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

The unemployment rate for the City of Portland is currently 2.8%, compared to the State unemployment rate of 3.4% and the national rate of 3.5%. The 2010 Census numbers revealed an impressive 35.7% growth rate for Portland.

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 has completed 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) completed an 815,000 SF facility during the year and is in the process of expanding with a 181,640 SF addition.

Portland has additional industrial growth with Advanced Plating locating in Portland at an existing 115,000 SF facility adding \$4 million in investment and the addition of 200 new jobs over a five-year period. S.R. Smith relocated and expanded operations into an available 166,500 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 in full operation 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. Renovations to the campus were completed and the additional classes for nursing, cosmetology and office administration were added during the 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 nearing completion with a projected opening date around the end of November 2019. The new interchange will tie into Hwy 109 north of Portland. Additionally, 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, has a targeted completion date of November 2019. The proposed Portland By-Pass route which will tie into HWY 109 at the new interchange is in the final engineering stages with land acquisition to begin in spring/summer 2020. The 109 corridor is the tie in to the northern loop of I-840, the loop around Nashville. These road projects continue to enhance our ability to recruit new industry and retail prospects.

Portland continues to have a presence at the International ICSC in Las Vegas, the TN-KY ICSC Annual Conference and the Southeastern Conference in Atlanta for retail recruitment. Additionally, the City entered into a contract with Retail Strategies for retail recruitment expertise. 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 and the new interstate interchange completion . During the year we added a Dollar General Store on our east side and a convenience store, a Speedway store and fueling station and a 5-Star store and fueling station near the new interchange. Significant additional interest is being generated along the new interchange corridor.

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 final approval and bid award have been completed with construction to begin in early 2020.

The City completed the waste water plant improvement/renovation during the current year along with several sewer collection system projects and the phase II design for the waste water plant expansion. The City plans to issue a \$16 million dollar Water & Sewer Bond issue in early 2020 to fund the waste water plant expansion (\$9 million) and several large collection system projects (\$7 million) in order to upgrade our system for the anticipated growth due to the road infrastructure improvements.

## **REQUESTS FOR INFORMATION**

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

City Recorder

City of Portland, Tennessee

100 South Russell St.

Portland, TN 37148

**City of Portland, Tennessee**  
**Statement of Net Position**  
**June 30, 2019**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,985,198	\$ 8,630,544	\$ 12,615,742
Investments	-	1,005,340	1,005,340
Receivables:			
Property taxes, net of allowance	4,899,535	-	4,899,535
Other, net of allowance	181,514	847,715	1,029,229
Due from other governments	602,745	68,616	671,361
Inventories	109,758	368,321	478,079
Prepaid items	253,342	135,946	389,288
Restricted cash and cash equivalents	1,558,104	2,129,836	3,687,940
Net pension asset	1,138,502	658,977	1,797,479
Depreciable capital assets	39,051,388	60,884,702	99,936,090
Less: accumulated depreciation	(14,267,682)	(25,691,099)	(39,958,781)
Non-depreciable capital assets	7,010,355	7,703,396	14,713,751
Total assets	<u>44,522,759</u>	<u>56,742,294</u>	<u>101,265,053</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	51,684	51,684
Related to pension	686,675	390,978	1,077,653
Related to OPEB	91,965	51,484	143,449
Total deferred outflows of resources	<u>778,640</u>	<u>494,146</u>	<u>1,272,786</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	535,877	896,116	1,431,993
Accrued payroll	106,637	50,407	157,044
Accrued interest	55,735	117,311	173,046
Unearned revenue	-	88,000	88,000
Noncurrent liabilities:			
Compensated absences	224,984	105,034	330,018
Total OPEB Liability	1,506,127	843,159	2,349,286
Due within one year	708,370	823,490	1,531,860
Due in more than one year	7,871,790	14,502,862	22,374,652
Total Liabilities	<u>11,009,520</u>	<u>17,426,379</u>	<u>28,435,899</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property tax	4,773,583	-	4,773,583
Deferred revenue - other	50	-	50
Related to OPEB	191,749	107,345	299,094
Related to pension	506,046	292,904	798,950
Total deferred inflows of resources	<u>5,471,428</u>	<u>400,249</u>	<u>5,871,677</u>
<b>NET POSITION</b>			
Net investment in capital assets	23,158,166	28,965,801	52,123,967
Restricted for:	-		
Airport	70,154	-	70,154
Golf course	21,654	-	21,654
Solid Waste	277,663	-	277,663
Stormwater	334,352	-	334,352
Drug enforcement	28,285	-	28,285
Industrial revolving loan	307,575	-	307,575
Impact fee	148,100	-	148,100
Streets and highways	279,743	-	279,743
Day Care	36,527	-	36,527
Net pension asset	1,138,502	658,977	1,797,479
Assigned for prior year encumbrances	1,148,685	-	1,148,685
Unrestricted	1,871,045	9,785,034	11,656,079
Total Net Position	<u>\$ 28,820,451</u>	<u>\$ 39,409,812</u>	<u>\$ 68,230,263</u>

See notes to the financial statements



**City of Portland, Tennessee**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 1,442,314	\$ 18,253	\$ 50,000	\$ -	\$ (1,374,061)	\$ -	\$ (1,374,061)
Public safety	5,611,897	188,939	1,000	-	(5,421,958)	-	(5,421,958)
City court	15,658	-	-	-	(15,658)	-	(15,658)
Highways and streets	1,405,670	-	-	-	(1,405,670)	-	(1,405,670)
Soild Waste	1,038,333	1,049,146	-	-	10,813	-	10,813
Impact fee	-	107,207	-	-	107,207	-	107,207
Parks and recreation	916,629	49,288	-	-	(867,341)	-	(867,341)
Airport	684,867	174,280	-	396,548	(114,039)	-	(114,039)
Planning and codes	340,826	466,141	-	-	125,315	-	125,315
Community development	82,675	-	-	354,304	271,629	-	271,629
City garage	53,661	-	-	-	(53,661)	-	(53,661)
Engineering	21,512	-	-	-	(21,512)	-	(21,512)
Animal control	57,672	170	-	-	(57,502)	-	(57,502)
Golf course	187,059	117,485	4,860	-	(64,714)	-	(64,714)
Stormwater	708,167	819,603	-	-	111,436	-	111,436
Streets	493,015	-	-	-	(493,015)	-	(493,015)
Interest on long-term debt	289,794	-	-	-	(289,794)	-	(289,794)
Total Governmental Activities	<u>13,349,749</u>	<u>2,990,512</u>	<u>55,860</u>	<u>750,852</u>	<u>(9,552,525)</u>	<u>-</u>	<u>(9,552,525)</u>
Business-type activities							
Gas	4,848,150	5,576,491	-	42,050	-	770,391	770,391
Water and sewer	<u>7,133,920</u>	<u>7,706,468</u>	<u>-</u>	<u>20,914</u>	<u>-</u>	<u>593,462</u>	<u>593,462</u>
Total Business-type Activities	<u>11,982,070</u>	<u>13,282,959</u>	<u>-</u>	<u>62,964</u>	<u>-</u>	<u>1,363,853</u>	<u>1,363,853</u>
Total Primary Government	<u>\$ 25,331,819</u>	<u>\$ 16,273,471</u>	<u>\$ 55,860</u>	<u>\$ 813,816</u>	<u>(9,552,525)</u>	<u>1,363,853</u>	<u>(8,188,672)</u>
<u>General Revenues:</u>							
Property and personalty taxes					4,725,936	-	4,725,936
Payment in lieu of tax					173,530	-	173,530
Income and excise taxes					153,802	-	153,802
Sales taxes					2,916,726	-	2,916,726
Alcoholic beverage taxes					336,323	-	336,323
Business taxes					150,924	-	150,924
Miscellaneous taxes					543,589	-	543,589
Investment income					16,369	59,818	76,187
Rental income					120,718	-	120,718
Gain/(loss) on sale of capital assets					126,700	(1,819)	124,881
Miscellaneous					79,502	48,559	128,061
Transfers, net					<u>271,236</u>	<u>(271,236)</u>	<u>-</u>
Total general revenues and transfers					<u>9,615,355</u>	<u>(164,678)</u>	<u>9,450,677</u>
Change in net position					<u>62,830</u>	<u>1,199,175</u>	<u>1,262,005</u>
Net position - July 1, 2018					<u>28,757,621</u>	<u>38,210,637</u>	<u>66,968,258</u>
Net position - June 30, 2019					<u>\$ 28,820,451</u>	<u>\$ 39,409,812</u>	<u>\$ 68,230,263</u>

See notes to the financial statements

**City of Portland, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,907,735	\$ 1,077,463	\$ 3,985,198
Receivables, net			
Property taxes	4,899,535	-	4,899,535
Customer	60,389	121,125	181,514
Due from other governments	533,353	69,392	602,745
Inventories	56,996	52,762	109,758
Prepaid items	215,572	37,770	253,342
Restricted cash and cash equivalents	1,558,104	-	1,558,104
Total assets	<u>\$ 10,231,684</u>	<u>\$ 1,358,512</u>	<u>\$ 11,590,196</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 377,468	\$ 156,114	\$ 533,582
Accrued payroll	92,177	14,460	106,637
Due to other funds	2,140	155	2,295
Total liabilities	<u>471,785</u>	<u>170,729</u>	<u>642,514</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue - property tax	4,773,583	-	4,773,583
Deferred revenue - other	50	-	50
Total deferred inflows of resources	<u>4,773,633</u>	<u>-</u>	<u>4,773,633</u>
<b>Fund Balances</b>			
Nonspendable	272,568	93,530	366,098
Restricted for:			
Airport	-	30,390	30,390
Solid Waste	-	233,884	233,884
Stormwater	-	328,258	328,258
Drug enforcement	-	28,285	28,285
Golf course	-	17,761	17,761
Industrial revolving loan	-	307,575	307,575
Impact fee	-	148,100	148,100
Streets and highways	279,743	-	279,743
Day care	36,527	-	36,527
Committed to:			
Cable	25,431	-	25,431
Capital projects	94,626	-	94,626
SOR	7,885	-	7,885
Assigned to:			
Prior year encumbrances	1,148,685	-	1,148,685
Unassigned	3,120,801	-	3,120,801
Total fund balances	<u>4,986,266</u>	<u>1,187,783</u>	<u>6,174,049</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,231,684</u>	<u>\$ 1,358,512</u>	<u>\$ 11,590,146</u>

**City of Portland, Tennessee**  
**Reconciliation of the Balance Sheet of Governmental Funds to**  
**the Statement of Net Position**  
**June 30, 2019**

Total fund balances, governmental funds	\$	6,174,049
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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.		31,794,061
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Net pension asset and deferred outflows of resources that are not reported in the funds related to pensions.		1,825,177
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Deferred outflows of resources that are not reported in the funds related to OPEB.		91,965
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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.		(8,860,879)
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Deferred inflows of resources that are not reported in the funds related to pensions.		(506,046)
--	--	-----------

Total OPEB liability and deferred inflows of resources that are not reported in the funds related to OPEB.		(1,697,876)
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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;">28,820,451</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, 2019**

	General Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 9,000,830	\$ -	\$ 9,000,830
Licenses and permits	466,141	-	466,141
Fines and forfeitures	171,574	23,165	194,739
Charges for services	67,711	2,261,921	2,329,632
Investment income	14,406	1,963	16,369
Rental/property income	21,521	99,197	120,718
Miscellaneous income	45,251	28,268	73,519
Total Revenues	<u>9,787,434</u>	<u>2,414,514</u>	<u>12,201,948</u>
<b>Expenditures:</b>			
Current:			
General government	689,032	-	689,032
Administrative and Mayor	225,614	-	225,614
Collection	59,607	-	59,607
Human resources	68,724	-	68,724
Planning & codes	297,915	-	297,915
Solid waste	-	916,286	916,286
Engineering	21,179	-	21,179
Airport	-	346,477	346,477
Golf course	-	157,198	157,198
Court	15,658	-	15,658
Police department	3,199,795	255	3,200,050
Fire department	1,710,109	-	1,710,109
Streets and highways	877,824	-	877,824
City garage	50,908	-	50,908
Stormwater	-	658,359	658,359
State Street Aid	7,937	-	7,937
Animal control	56,566	-	56,566
Swimming pool	33,668	-	33,668
Parks & recreation	663,773	-	663,773
Community development	77,766	-	77,766
Debt Service:			
Principal	689,220	59,796	749,016
Interest	280,591	9,203	289,794
Capital outlay	1,674,796	505,081	2,179,877
Total Expenditures	<u>10,700,682</u>	<u>2,652,655</u>	<u>13,353,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(913,248)</u>	<u>(238,141)</u>	<u>(1,151,389)</u>
<b>Other Financing Sources (Uses)</b>			
Contributions and grants	405,304	401,408	806,712
Insurance proceeds	5,983	-	5,983
Revolving loans	-	(125,000)	(125,000)
Sale of capital assets	77,962	48,738	126,700
Operating transfers in	422,475	-	422,475
Operating transfers out	(130,000)	(21,239)	(151,239)
Total other financing sources (uses)	<u>781,724</u>	<u>303,907</u>	<u>1,085,631</u>
<b>Net Change in Fund Balance</b>	<b>(131,524)</b>	<b>65,766</b>	<b>(65,758)</b>
<b>Fund Balance - July 1, 2018</b>	<u>5,117,790</u>	<u>1,122,017</u>	<u>6,239,807</u>
<b>Fund Balance - June 30, 2019</b>	<u><u>\$ 4,986,266</u></u>	<u><u>\$ 1,187,783</u></u>	<u><u>\$ 6,174,049</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, 2019**

Net changes in fund balance - total governmental funds	\$	(65,758)
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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.		(223,867)
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Governmental funds report retirement contributions as expenditures. These expenditures are reported as deferred outflows of resources and either pension and OPEB income or expense in the government-wide financial statements. This is the amount by which pension income exceeds pension and OPEB expenditures in the current period.		(167,701)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		125,000
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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.		749,016
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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.		(353,860)
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Change in net position of governmental activities	\$	62,830
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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, 2019**

	<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	\$ 4,761,000	\$ 4,697,000	\$ 4,725,936	\$ 28,936
Sales tax	1,565,000	1,800,000	1,875,618	75,618
Alcoholic beverage tax	342,000	341,000	336,323	(4,677)
Business tax	125,000	125,000	150,924	25,924
Cable TV franchise and lease tax	121,000	117,000	118,851	1,851
Licenses and permits	440,500	435,200	466,141	30,941
Fines	197,750	176,800	171,574	(5,226)
Intergovernmental revenues:				
Sales tax	1,010,500	1,022,250	1,041,108	18,858
Gasoline and motor fuel tax	400,000	400,000	401,943	1,943
Petroleum special tax	23,000	23,000	22,795	(205)
Income tax	45,000	45,000	86,657	41,657
Corporate excise tax	30,000	67,000	67,145	145
In lieu of tax	155,000	172,250	173,530	1,280
Charges for services	77,750	71,190	67,711	(3,479)
Rental income	22,000	22,000	21,521	(479)
Investment income	7,900	10,925	14,406	3,481
Miscellaneous revenues	27,500	33,500	45,251	11,751
Total revenues	9,350,900	9,559,115	9,787,434	228,319
<b>Expenditures:</b>				
Current:				
General Government				
Salaries, taxes and benefits	251,997	253,200	236,192	17,008
Repairs and maintenance	6,500	11,500	10,813	687
Supplies	59,000	60,000	56,504	3,496
Utilities	45,500	54,500	49,028	5,472
Other operating expenses	132,821	380,514	204,570	175,944
Donations	85,000	85,000	131,925	(46,925)
Capital outlay	3,000	817,500	132,917	684,583
	583,818	1,662,214	821,949	840,265
Administrative & Mayor				
Salaries, taxes and benefits	164,203	166,425	163,169	3,256
Repairs and maintenance	1,000	1,000	555	445
Supplies	1,250	1,250	1,323	(73)
Utilities	1,000	1,000	739	261
Other operating expenses	37,554	75,054	59,828	15,226
	205,007	244,729	225,614	19,115
Collection				
Salaries, taxes and benefits	80,450	68,325	59,607	8,718
	80,450	68,325	59,607	8,718
Human Resources				
Salaries, taxes and benefits	68,994	57,469	44,789	12,680
Supplies	2,000	2,000	1,970	30
Utilities	750	750	649	101
Other operating expenses	31,189	25,689	21,316	4,373
Capital outlay	2,000	4,000	3,866	134
	104,933	89,908	72,590	17,318

(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, 2019**

	<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	283,970	247,185	234,418	12,767
Repairs and maintenance	11,500	11,500	4,812	6,688
Supplies	5,000	5,000	5,051	(51)
Utilities	3,000	3,000	2,747	253
Other operating expenses	55,876	70,376	50,887	19,489
Capital outlay	6,750	28,000	27,934	66
	<u>366,096</u>	<u>365,061</u>	<u>325,849</u>	<u>39,212</u>
Engineering				
Salaries, taxes and benefits	25,089	18,739	14,763	3,976
Repairs and maintenance	-	200	588	(388)
Supplies	550	750	82	668
Utilities	3,150	2,950	2,059	891
Other operating expenses	6,286	5,336	3,687	1,649
Capital outlay	1,500	-	-	-
	<u>36,575</u>	<u>27,975</u>	<u>21,179</u>	<u>6,796</u>
Court				
Salaries, taxes and benefits	13,325	13,330	13,119	211
Supplies	4,000	4,000	1,234	2,766
Utilities	200	200	-	200
Other operating expenses	1,555	1,550	1,305	245
Capital outlay	500	500	-	500
	<u>19,580</u>	<u>19,580</u>	<u>15,658</u>	<u>3,922</u>
Police Department				
Salaries, taxes and benefits	2,549,304	2,601,394	2,568,084	33,310
Repairs and maintenance	55,000	70,000	75,736	(5,736)
Supplies	57,500	66,500	50,707	15,793
Utilities	62,750	70,750	68,617	2,133
Other operating expenses	500,111	495,111	436,651	58,460
Capital outlay	5,000	70,000	56,567	13,433
	<u>3,229,665</u>	<u>3,373,755</u>	<u>3,256,362</u>	<u>117,393</u>
Fire Department				
Salaries, taxes and benefits	1,601,606	1,494,226	1,459,932	34,294
Repairs and maintenance	33,500	86,000	85,538	462
Supplies	26,500	38,250	32,986	5,264
Utilities	54,850	75,600	73,531	2,069
Other operating expenses	54,889	61,050	58,122	2,928
Capital outlay	52,650	112,750	106,914	5,836
	<u>1,823,995</u>	<u>1,867,876</u>	<u>1,817,023</u>	<u>50,853</u>
Streets and Highway Department				
Salaries, taxes and benefits	515,657	498,682	482,626	16,056
Repairs and maintenance	62,000	85,500	80,373	5,127
Supplies	10,500	11,000	12,346	(1,346)
Utilities	224,650	227,150	222,563	4,587
Other operating expenses	71,597	82,697	79,916	2,781
Capital outlay	26,164	185,014	175,196	9,818
	<u>910,568</u>	<u>1,090,043</u>	<u>1,053,020</u>	<u>37,023</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, 2019**

	<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	33,209	34,159	32,272	1,887
Repairs and maintenance	3,000	2,500	1,217	1,283
Supplies	8,250	7,250	6,405	845
Utilities	5,980	7,580	6,971	609
Other operating expenses	3,762	5,512	4,043	1,469
Capital outlay	10,000	79,000	37,112	41,888
	<u>64,201</u>	<u>136,001</u>	<u>88,020</u>	<u>47,981</u>
State Street Aid				
Repairs and maintenance	5,000	7,000	2,291	4,709
Other operating expenses	18,000	16,000	5,646	10,354
Capital outlay	377,000	677,000	485,078	191,922
	<u>400,000</u>	<u>700,000</u>	<u>493,015</u>	<u>206,985</u>
Animal Control				
Salaries, taxes and benefits	66,146	66,121	42,232	23,889
Repairs and maintenance	3,500	6,000	4,137	1,863
Supplies	1,750	1,750	975	775
Utilities	5,750	8,000	7,777	223
Other operating expenses	4,279	3,529	1,445	2,084
Capital outlay	500	500	-	500
	<u>81,925</u>	<u>85,900</u>	<u>56,566</u>	<u>29,334</u>
Grants and Special Projects				
Capital outlay	702,400	1,434,425	619,374	815,051
	<u>702,400</u>	<u>1,434,425</u>	<u>619,374</u>	<u>815,051</u>
Swimming Pool				
Salaries, taxes and benefits	20,500	22,750	20,484	2,266
Repairs and maintenance	5,500	5,500	248	5,252
Supplies	5,000	5,000	3,007	1,993
Utilities	15,500	15,500	9,092	6,408
Other operating expenses	1,000	1,000	837	163
Capital outlay	-	-	1,042	(1,042)
	<u>47,500</u>	<u>49,750</u>	<u>34,710</u>	<u>15,040</u>
Parks & Recreation				
Salaries, taxes and benefits	471,976	497,276	479,864	17,412
Repairs and maintenance	49,500	49,500	38,625	10,875
Supplies	17,000	16,000	11,386	4,614
Utilities	89,500	93,500	83,175	10,325
Other operating expenses	68,201	61,700	50,723	10,977
Capital outlay	-	26,750	26,728	22
	<u>696,177</u>	<u>744,726</u>	<u>690,501</u>	<u>54,225</u>
Community Development				
Salaries, Taxes and Benefits	36,527	37,477	36,249	1,228
Supplies	1,000	1,000	226	774
Utilities	1,500	1,500	877	623
Other operating expenses	10,036	44,636	40,414	4,222
Capital outlay	1,500	2,000	2,068	(68)
	<u>50,563</u>	<u>86,613</u>	<u>79,834</u>	<u>6,779</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, 2019**

	<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>				
Principal	689,220	689,220	689,220	-
Interest	280,475	280,475	280,591	(116)
	<u>969,695</u>	<u>969,695</u>	<u>969,811</u>	<u>- (116)</u>
 Total Expenditures	 <u>10,373,148</u>	 <u>13,016,576</u>	 <u>10,700,682</u>	 <u>2,315,894</u>
 Excess (deficiency) of revenues over (under) expenditures	 (1,022,248)	 (3,457,461)	 (913,248)	 2,544,213
<b>Other Financing Sources (Uses)</b>				
Contributions	50,000	51,000	51,000	-
Grants	596,500	755,800	354,304	(401,496)
Sale of capital assets	2,500	1,000	77,962	76,962
Insurance recoveries	15,000	7,500	5,983	(1,517)
Transfers in	371,748	631,236	422,475	(208,761)
Transfers out	(328,500)	(250,000)	(130,000)	120,000
Total Other Financing Sources (Uses)	<u>707,248</u>	<u>1,196,536</u>	<u>781,724</u>	<u>(414,812)</u>
 <b>Net Change in Fund Balances</b>	 <u>\$ (315,000)</u>	 <u>\$ (2,260,925)</u>	 (131,524)	 <u>\$ 2,129,401</u>
 <b>Fund Balance - July 1, 2018</b>			<u>5,117,790</u>	
 <b>Fund Balance - June 30, 2019</b>			<u>\$ 4,986,266</u>	

See notes to the financial statements

**City of Portland, Tennessee**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	<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	\$ 4,740,012	\$ 3,890,532	\$ 8,630,544
Investments	-	1,005,340	1,005,340
Receivables, customers, net	241,122	606,593	847,715
Due from other governments	-	62,964	62,964
Due from other funds	638	5,014	5,652
Inventory	134,141	234,180	368,321
Prepaid expenses	24,745	111,201	135,946
Restricted cash and cash equivalents	-	2,129,836	2,129,836
Net pension asset	167,730	491,247	658,977
Total current assets	5,308,388	8,536,907	13,845,295
<b>Noncurrent assets</b>			
Capital assets, not being depreciated			
Land, right of ways, usages	234,061	1,046,621	1,280,682
Construction in progress	434,033	5,988,681	6,422,714
Capital assets, being depreciated			
Plant and equipment	16,780,409	44,104,293	60,884,702
Less accumulated depreciation	(6,117,948)	(19,573,151)	(25,691,099)
Total capital assets, net	11,330,555	31,566,444	42,896,999
Total assets	16,638,943	40,103,351	56,742,294
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	-	51,684	51,684
Related to pension	101,226	289,752	390,978
Related to OPEB	12,509	38,975	51,484
Total deferred outflows of resources	113,735	380,411	494,146
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	194,152	592,298	786,450
Retainage payable	-	106,309	106,309
Unearned revenue	-	88,000	88,000
Accrued payroll	12,406	38,001	50,407
Accrued interest	-	117,311	117,311
Due to other funds	3,270	87	3,357
Notes and bonds payable, current	-	823,490	823,490
Total current liabilities	209,828	1,765,496	1,975,324
<b>Noncurrent Liabilities</b>			
Accrued compensated absences	30,509	74,525	105,034
Total OPEB liability	204,858	638,301	843,159
Notes and bonds payable, net of premiums and discounts	-	14,502,862	14,502,862
Total noncurrent liabilities	235,367	15,215,688	15,451,055
Total liabilities	445,195	16,981,184	17,426,379
<b>Deferred Inflows of Resources</b>			
Related to OPEB	26,081	81,264	107,345
Related to pension	74,553	218,351	292,904
Total deferred inflows of resources	100,634	299,615	400,249
<b>Net Position</b>			
Net investment in capital assets	11,330,555	17,635,246	28,965,801
Restricted for pension	167,730	491,247	658,977
Unrestricted	4,708,564	5,076,470	9,785,034
Total net position	\$ 16,206,849	\$ 23,202,963	\$ 39,409,812

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, 2019**

	<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	\$ 5,576,491	\$ 7,706,468	\$ 13,282,959
Other operating revenues	32,219	16,340	48,559
Total operating revenues	5,608,710	7,722,808	13,331,518
<b>Operating Expenses:</b>			
Natural gas purchased	2,998,304	-	2,998,304
General administration	1,119,937	3,165,299	4,285,236
Utilities	61,952	593,090	655,042
Supplies	83,921	410,119	494,040
Machinery and equipment	123,679	422,988	546,667
Maintenance	71,474	794,804	866,278
Depreciation and amortization	388,871	1,279,224	1,668,095
Total operating expenses	4,848,138	6,665,524	11,513,662
Operating income	760,572	1,057,284	1,817,856
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	15,621	44,197	59,818
Sale of capital assets	-	(1,819)	(1,819)
Bond interest and fiscal charges	(12)	(468,396)	(468,408)
Total nonoperating revenues (expenses)	15,609	(426,018)	(410,409)
Income before contributions and transfers	776,181	631,266	1,407,447
Capital contributions - development	-	-	-
Other contributions and grants	42,050	20,914	62,964
Transfers out	(158,670)	(112,566)	(271,236)
<b>Change in Net Position</b>	659,561	539,614	1,199,175
<b>Net Position - July 1, 2018</b>	15,547,288	22,663,349	38,210,637
<b>Net Position - June 30, 2019</b>	<u>\$ 16,206,849</u>	<u>\$ 23,202,963</u>	<u>\$ 39,409,812</u>

See notes to financial statements

**City of Portland, Tennessee**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<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	\$ 5,588,510	\$ 7,419,908	\$ 13,008,418
Payments to suppliers	(3,335,758)	(1,942,058)	(5,277,816)
Payments to employees	(1,137,507)	(3,165,299)	(4,302,806)
Net cash provided by operating activities	<u>1,115,245</u>	<u>2,312,551</u>	<u>3,427,796</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers to other funds	(158,670)	(112,566)	(271,236)
Net cash used by noncapital financing activities	<u>(158,670)</u>	<u>(112,566)</u>	<u>(271,236)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital contributions	20,200	295,869	316,069
Other contributions and grants	42,050	20,914	62,964
Insurance recoveries	-	7,031	7,031
Sale of capital asset gain/(loss)	-	(1,819)	(1,819)
Principal paid on capital debt	(4,884)	(878,441)	(883,325)
Interest paid on capital debt	(12)	(468,396)	(468,408)
Purchases and construction of capital assets	(2,484,912)	(4,307,276)	(6,792,187)
Net cash (used for) capital and related financing activities	<u>(2,427,558)</u>	<u>(5,332,118)</u>	<u>(7,757,856)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest received	15,621	44,197	59,818
Net cash provided by investing activities	<u>15,621</u>	<u>44,197</u>	<u>59,818</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,455,362)</b>	<b>(3,087,936)</b>	<b>(4,541,478)</b>
<b>Cash and cash equivalents, beginning</b>	<b>6,195,374</b>	<b>9,108,304</b>	<b>15,303,678</b>
<b>Cash and cash equivalents, end</b>	<b><u>\$ 4,740,012</u></b>	<b><u>\$ 6,020,368</u></b>	<b><u>\$ 10,762,200</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income	\$ 760,572	\$ 1,057,284	\$ 1,817,856
Adjustments to reconcile operating Income to net cash provided by operating activities:			
Depreciation and amortization	388,871	1,279,224	1,668,095
(Increase) decrease in:			
Receivable, net	38,498	(17,068)	21,430
Due from other governments	-	51,530	51,530
Due from other funds	191	2,139	2,330
Inventory	(3,461)	(14,727)	(18,188)
Prepaid expenses	(6,255)	26,756	20,501
Deferred outflow - pension and OPEB	(82,172)	(389,011)	(471,183)
Net pension asset	42,999	125,935	168,934
Increase (decrease) in:			
Accounts payable and accrued liabilities	(50,778)	305,858	255,080
Retainage payable	-	3,617	3,617
Unearned revenue	-	(13,500)	(13,500)
Accrued payroll	1,149	(3,553)	(2,404)
OPEB liability	44,001	12,458	56,459
Due to other funds	(3,234)	(23)	(3,257)
Deferred inflow - pension and OPEB	(8,663)	(95,261)	(103,924)
Compensated absences	(6,473)	(19,107)	(25,580)
Net Cash Provided by Operating Activities	<u>\$ 1,115,245</u>	<u>\$ 2,312,551</u>	<u>\$ 3,427,796</u>

See notes to the financial statements

**City of Portland, Tennessee**  
**Statement of Fiduciary Net Position**  
**Agency Fund - Statement of Assets and Liabilities**  
**June 30, 2019**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents - restricted	<u>\$ 5,610</u>
Total Assets	<u><u>\$ 5,610</u></u>
<b>Liabilities</b>	
Accounts payable	\$ -
Accrued liabilities	2,500
Due to other funds	<u>3,110</u>
Total Liabilities	<u><u>\$ 5,610</u></u>

See notes to the financial statements

**CITY OF PORTLAND, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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.

**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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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.

*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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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 fund 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 governmental fund 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 nonoperating revenues and expenses.

The government reports the following major proprietary funds:

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

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

*Fiduciary Fund Financial 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 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.



**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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 reflecting costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reported as 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 as 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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

**Governmental Activities:**

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

**Business-type Activities:**

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

**I. Property Tax**

The City's property tax is levied each October 1st on the assessed value listed as of the prior January 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, 2019 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, 2019 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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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 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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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, 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 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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

*Deposits:* As of June 30, 2019, all of the City's deposits were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks in the bank collateral pool determine the aggregate balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collected securities required to be pledged by the participant banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under the additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

*Investments:* As of June 30, 2019, 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, 2019, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds		
General Fund	\$ -	\$ 2,140
	-	2,140
Nonmajor Funds		
Airport Fund	-	138
Solid Waste Fund	-	17
	-	155
Proprietary Funds		
Water and Sewer Fund	5,014	87
Gas Fund	638	3,270
	5,652	3,357
	<u>\$ 5,652</u>	<u>\$ 5,652</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.

The composition of interfund transfers for the year ended June 30, 2019, is as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
Industrial Revolving Loan Fund	General Fund	\$ 125,239
Drug Fund	General Fund	26,000
General Fund	Airport Fund	80,000
General Fund	Golf	50,000

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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>	Beginning Balance July 1, 2018	Additions	Deletions	Adjustments	Ending Balance June 30, 2019
<u>Capital assets not being depreciated:</u>					
Land	\$ 6,209,235	\$ 57,939	\$ -	\$ -	\$ 6,267,174
Construction in progress	625,688	562,314	-	(444,821)	743,181
Total Not Being Depreciated	6,834,923	620,253	-	(444,821)	7,010,355
<u>Capital assets being depreciated:</u>					
Buildings and plant	12,176,137	5,872	(14,750)	-	12,167,259
Machinery and equipment	6,520,271	555,475	(834,030)	-	6,241,716
Other improvements	6,758,470	261,242	-	-	7,019,712
Infrastructure	13,622,701	-	-	-	13,622,701
Total Being Depreciated	39,077,579	822,589	(848,780)	-	39,051,388
<u>Less: Accumulated Depreciation</u>	(13,678,999)	(1,405,723)	817,040	-	(14,267,682)
Net Capital Assets Being Depreciated	25,398,580	(583,134)	(31,740)	-	24,783,706
Net Capital Assets	\$ 32,233,503	\$ 37,119	\$ (31,740)	\$ (444,821)	\$ 31,794,061
 <u>Business-type Activities</u>					
	Beginning Balance July 1, 2018	Additions	Deletions	Adjustments	Ending Balance June 30, 2019
<u>Capital assets not being depreciated:</u>					
Land	\$ 1,277,643	\$ 3,039	\$ -	\$ -	\$ 1,280,682
Construction in progress	3,233,993	6,664,981	(3,245,063)	(231,197)	6,422,714
Total Not Being Depreciated	4,511,636	6,668,020	(3,245,063)	(231,197)	7,703,396
<u>Capital assets being depreciated:</u>					
Water & Sewer plant	41,131,323	1,116,087	(105,000)	-	42,142,410
Natural Gas plant	13,478,893	2,125,937	-	-	15,604,830
Machinery, equipment & vehicles	3,327,195	224,168	(413,901)	-	3,137,462
Total Being Depreciated	57,937,411	3,466,192	(518,901)	-	60,884,702
<u>Less: Accumulated Depreciation</u>	(24,478,144)	(1,668,095)	455,140	-	(25,691,099)
Net Capital Assets Being Depreciated	33,459,267	1,798,097	(63,761)	-	35,193,603
Net Capital Assets	\$ 37,970,903	\$ 8,466,117	\$ (3,308,824)	\$ (231,197)	\$ 42,896,999

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

Primary Government- Governmental Activities

General government	\$ 72,099
Public safety	383,482
Parks & recreation	194,338
Planning and codes	3,216
Streets	421,763
Solid Waste	60,495
Stormwater	29,740
Golf course	28,571
Airport	212,019
Total Depreciation	<u>\$ 1,405,723</u>

Primary Government-Business-type Activities

Water and sewer fund	\$ 1,279,224
Natural gas Fund	388,871
Total Depreciation	<u>\$ 1,668,095</u>

**NOTE 5 - 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 over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2019, will generally be retired from governmental or enterprise fund cash.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Debt outstanding as of June 30, 2019 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	\$ 500,000	\$ 208,310
Series 2012 (Airport)	3.40%	2019	138,333	-
Series 2013 (Fire Dept.)	2.68%	2022	378,000	126,000
Library Expansion Note 2011	2.45%	2020	675,000	43,750
Parks Dept. Note 2015	2.49%	2020	160,000	24,000
Police Dept. Note 2017	2.65%	2022	225,000	116,250
Police Dept Note 2018	3.16%	2023	225,000	168,750
Sanitation Truck 2018	3.78%	2023	267,000	213,600
Fire Dept. Note 2018	3.78%	2023	154,500	123,600
<u>General Obligation Bonds:</u>				
TMBF Street Dept. 2015	2.17%	2020	150,000	37,500
TMBF Street Paving 2015	2.61%	2023	1,150,000	610,900
TMBF Street Dept.	3.49%	2027	150,000	117,500
Public Imp. Series 2015	2.50%-3.75%	2045	7,410,000	6,790,000
			<u>\$ 11,582,833</u>	<u>\$ 8,580,160</u>
Business-type activities:				
<u>Bonds, Loans, and Notes</u>				
Refunding Bonds, Series 2016	2.50%-4.0%	2046	\$ 14,385,000	\$ 13,715,000
State Revolving Loan Fund	1.70%	2031	1,500,000	870,370
Capital Outlay Note-Equip	2.35%	2020	350,000	46,667
Capital Outlay Note-Series WS 201	3.40%	2019	1,056,776	-
			<u>\$ 17,291,776</u>	<u>\$ 14,632,037</u>



**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

<b>Years Ending</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 1,494,030	\$ 753,353
2021	1,383,580	712,995
2022	1,233,446	673,653
2023	1,031,168	639,000
2024	789,740	613,444
2025-2029	4,015,044	2,751,069
2030-2034	4,180,189	2,066,185
2035-2039	4,050,000	1,348,156
2040-2044	3,785,000	613,981
2045-2046	1,250,000	56,850
<b>Total</b>	<b>\$ 23,212,197</b>	<b>\$ 10,228,686</b>

A summary of long-term liability activity, including debt, for the year ended June 30, 2019 is as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
	<b>June, 30</b>			<b>June, 30</b>	<b>Due Within</b>
	<b>2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>2019</b>	<b>One Year</b>
<b>Governmental Activities</b>					
Capital Outlay Notes	\$ 2,364,184	\$ -	\$ (574,024)	\$ 1,790,160	\$ 528,370
Bonds	6,965,000	-	(175,000)	6,790,000	180,000
Compensated Absences	211,934	13,050		224,984	-
Total OPEB Liability	1,563,903	-	(57,776)	1,506,127	-
	<u>\$ 11,105,021</u>	<u>\$ 13,050</u>	<u>\$ (806,800)</u>	<u>\$ 10,311,271</u>	<u>\$ 708,370</u>
	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
	<b>June, 30</b>			<b>June, 30</b>	<b>Due Within</b>
	<b>2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>2019</b>	<b>One Year</b>
<b>Business-Type Activities</b>					
Water & Sewer Refunding & Improvement Bonds, Series 2016	\$ 14,385,000	\$ -	\$ (670,000)	\$ 13,715,000	\$ 680,000
State Revolving Loan	938,923	-	(68,553)	870,370	58,993
Capital Outlay Note WS 2009	30,026	-	(30,026)	-	-
Capital Outlay Notes	116,667	-	(70,000)	46,667	46,667
	<u>15,470,616</u>	<u>-</u>	<u>(838,579)</u>	<u>14,632,037</u>	<u>785,660</u>
Plus Bond Premium	739,060		(38,220)	\$ 700,840	38,220
Less bond discount	(6,915)	390		(6,525)	(390)
Compensated Absences	79,454	25,580		105,034	
Total OPEB Liability	899,629		(56,470)	843,159	
	<u>\$ 17,181,844</u>	<u>\$ 25,970</u>	<u>\$ (933,269)</u>	<u>\$ 16,274,545</u>	<u>\$ 823,490</u>

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

The bond resolution authorizing the Water and Sewer System Refunding and Improvement Bonds, Series 2016 discussed above requires the City to establish a Debt Service Reserve Fund. The City has fully funded the Debt Service Reserve. The bond resolution also requires the City to maintain a Bond and Interest Sinking Fund (restricted assets). Monthly transfers to the fund must be sufficient to pay the interest and principal due on the succeeding respective payment dates.

Finally, the bond resolution requires the City to establish rates to its customers in order to maintain a debt service coverage ratio of not less than 1.2 to 1 for the 2006 bonds and all prior lien bonds and 1 to 1 for all other obligations including required cash transfers to the Debt Service Reserve Fund. These refunding bonds defeased certain outstanding bonds, which were retired in October 2016.

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 6 – 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/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies](http://www.treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies).

*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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	84
Active Employees	128
Total Employees	<u>267</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, 2019, employer contributions for the City were \$585,283 based on a rate of 7.61 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 ADC and member contributions are expected to finance the cost of benefits earned by 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, 2018, 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, 2018 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 8.72 to 3.44 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

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

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

The actuarial assumptions used in the June 30, 2018 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.

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 and 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%

**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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

	<b>Increase (Decrease)</b>		
	<b>Total</b>	<b>Plan</b>	<b>Net Pension</b>
	<b>Pension Liability</b>	<b>Fiduciary Net Position</b>	<b>Liability (Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a)– (b)</b>
<b>Balance at 6/30/17</b>	<b>\$ 16,521,624</b>	<b>\$ 17,858,303</b>	<b>\$ (1,336,679)</b>
<b>Changes for the year:</b>			
Service cost	573,359	-	573,359
Interest	1,217,498	-	1,217,498
Differences between expected and actual experience	73,950	-	73,950
Changes in assumptions	-	-	-
Contributions-employer	-	477,517	(477,517)
Contributions-employees	-	368,786	(368,786)
Net investment income	-	1,491,884	(1,491,884)
Benefit payments, including refunds of employee contributions	(603,825)	(603,825)	-
Administrative expense	-	(12,580)	12,580
Other changes			
<b>Net changes</b>	<b>1,260,982</b>	<b>1,721,782</b>	<b>(460,800)</b>
<b>Balance at 6/30/18</b>	<b>\$ 17,782,606</b>	<b>\$ 19,580,085</b>	<b>\$ (1,797,479)</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 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</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(6.25%)</b>	<b>Rate</b>	<b>(8.25%)</b>
Portland's net pension liability (asset)	\$730,235	(\$1,797,479)	(\$3,873,346)

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

*Pension expense.* For the year ended June 30, 2019, the City recognized pension expense of (\$36,669).

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2019, 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	\$ 248,893	\$ 709,098
Net difference between projected and actual earnings on pension plan investment	-	89,852
Changes in assumptions	243,477	-
Contributions subsequent to the measurement date of June 30, 2018	<u>585,283</u>	<u>(not applicable)</u>
Total	<u>\$ 1,077,653</u>	<u>\$ 798,950</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2018,” 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>	
2020	58,885
2021	(71,431)
2022	(157,113)
2023	(90,050)
2024	(57,441)
Thereafter	10,564

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

**Payable to the Pension Plan**

At June 30, 2019, Portland reported a payable of \$65,043 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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. 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, 2018, the following employees of City of Portland were covered by the benefit terms of the LGOP:

Inactive employees currently receiving benefit payments	12
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	135
Total	<hr/> 147 <hr/>

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019, the City of Portland paid \$136,735 to the LGOP for OPEB benefits as they came due.

**Actuarial assumptions** - The total OPEB liability in the June 30, 2018 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	6.75% for 2019, decreasing annually over a 32-year period to an ultimate rate of 3.81%.
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 3.62 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.



**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

LGOP	Total OPEB Liability (a)
Total OPEB liability- beginning balance	<u>\$ 2,332,166</u>
Changes for the year:	
Service cost	141,202
Interest	85,728
Changes of benefit terms	-
Differences between expected and actual experience	3,512
Change in assumptions	(225,062)
Benefit payments	<u>(130,554)</u>
Net changes	<u>(125,174)</u>
Total OPEB liability - ending balance	<u>\$ 2,206,992</u>

***Changes in assumptions*** - The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability. It was also decided to change the status will increase the OPEB liability. Other changes in assumptions include adjustment to initial per capita cost and slight changes to the near term health trend rates.

***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 (2.62%) or 1-percentage-point higher (4.62%) than the current discount rate.

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB Liability	\$ 2,370,973	\$ 2,206,992	\$ 2,053,294

***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 or 1-percentage-point higher than the current healthcare cost trend rate.

	1% Decrease (5.75% to 2.81%)	Healthcare Cost Trend Rates (6.75% to 3.81%)	1% Increase (7.75% to 4.81%)
Total OPEB Liability	\$ 1,971,377	\$ 2,206,992	\$ 2,488,800

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

***OPEB expense*** - For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$192,726.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

***Deferred outflows of resources and deferred inflows of resources*** - For the fiscal year ended June 30, 2019, 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	\$ 3,150	\$ -
Changes of assumptions	-	285,958
Employer payments subsequent to the measurement date	136,753	-
Total	<u>\$ 139,903</u>	<u>\$ 285,958</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:

2020	(34,204)
2021	(34,204)
2022	(34,204)
2023	(34,204)
2024	(34,204)
Thereafter	(111,788)

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

**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 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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2018, the following employees of the City of Portland, was covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	15
Active employees	<u>92</u>
Total	<u><u>108</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 \$800 to the TNP for OPEB benefits as they came due.

**Actuarial assumptions** - The collective total OPEB liability in the June 30, 2018 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.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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 3.62 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.

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

TNP	Total OPEB Liability
	(a)
Total OPEB liability - beginning balance	\$ 131,336
Changes for the year:	
Service cost	5,095
Interest	4,844
Changes of benefit terms	-
Differences between expected and actual experience	3,156
Change in assumptions	(1,399)
Benefit payments	(738)
Net changes	10,958
Total OPEB liability - ending balance	\$ 142,294

**Changes in assumptions** - The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. 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 or 1-percentage-point higher than the current discount rate.

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB Liability	\$ 167,343	\$ 142,294	\$ 121,891

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

***OPEB expense*** - For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$8,534

***Deferred outflows of resources and deferred inflows of resources*** - For the fiscal year ended June 30, 2019, 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	\$ 2,746	\$ -
Changes of assumptions	-	13,135
Employer payments subsequent to the measurement date	800	-
Total	\$ 3,546	\$ 13,135

*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:

2020	(1,405)
2021	(1,405)
2022	(1,405)
2023	(1,405)
2024	(1,405)
Thereafter	(3,364)

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

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 8. 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 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 2019 were approximately \$5,983. Settled claims have not exceeded insurance coverage since 2008.

**NOTE 9. COMMITMENTS, CONCENTRATIONS AND CONTINGENCIES**

**A. Commitments**

The City is committed on future capital expenditures for projects ongoing at June 30, 2019:

	Amt Thru 6/30/2019	Additional Commitment	Total Project	
<b>Governmental Funds Projects</b>				
City Hall Renovation	\$ 227,946	\$ 840,217	\$ 1,068,163	Bond
Mechanic Shop	\$ 187,659	\$ 33,658	\$ 221,317	Bond
Gateview Road	\$ 60,950	\$ 79,050	\$ 140,000	Bond
<b>Water &amp; Sewer Fund</b>				
Waste Water Treatment Plant Upgrade	\$ 5,287,975	\$ 277,025	\$ 5,565,000	Bond
Waste Water Collection System Upgrade	\$ 497,351	\$ 713,539	\$ 1,210,890	Bond
City Hall Renovation	\$ -	\$ 500,000	\$ 500,000	Bond
WW Plant Upgrade Design Phase II	\$ 428,000	\$ 21,700	\$ 449,700	Operations
Hwy 31W/52 Utility Relocation	\$ 93,520	\$ 101,336	\$ 194,856	Operations
AMR Project	\$ -	\$ 300,000	\$ 300,000	Operations
<b>Gas Fund</b>				
City Hall Renovation	\$ -	\$ 500,000	\$ 500,000	Operations
AMR Project	\$ 299,724	\$ 222,776	\$ 522,500	Operations

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**B. Concentrations**

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

**C. Contingencies**

As of the date of this report, no contingent liabilities exist for the City.

# **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	2018
<b>Total Pension Liability (Asset)</b>					
Service Cost	\$ 423,986	\$ 409,779	\$ 423,986	\$ 578,391	\$ 573,359
Interest	1,128,066	1,040,811	1,128,066	1,208,654	1,217,498
Changes in Benefit Terms	-	-	-	-	-
Differences Between Actual and Expected Experience	36,093	384,722	36,093	(816,907)	73,950
Change of Assumptions	-	-	-	340,869	-
Benefit Payments, Including Refunds of Employee Contributions	(683,337)	(688,881)	(683,337)	(652,758)	(603,825)
<b>Net Change in Total Pension Liability (Asset)</b>	904,808	1,146,431	904,808	658,249	1,260,982
Total Pension Liability (Asset), Beginning	14,958,567	13,812,136	14,958,567	15,863,375	16,521,624
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>	<u>\$ 17,782,606</u>
 <b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 587,552	\$ 526,805	\$ 587,552	\$ 631,603	\$ 477,517
Contributions - Employee	276,673	248,121	276,673	297,087	368,786
Net Investment Income	405,013	452,471	405,013	1,804,246	1,491,884
Benefit Payments, Including Refunds of Employee Contributions	(683,337)	(688,881)	(683,337)	(652,758)	(603,825)
Administrative Expense	(9,659)	(5,977)	(9,659)	(11,315)	(12,580)
Net Change in Plan Fiduciary Net Position	576,242	532,539	576,242	2,068,863	1,721,782
Plan Fiduciary Net Position, Beginning	15,213,198	14,680,659	15,213,198	15,789,440	17,858,303
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>	<u>\$ 19,580,085</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>	<u>\$ (1,797,479)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.53%	101.70%	99.53%	108.09%	110.11%
Covered Employee Payroll	\$ 5,527,302	\$ 4,955,832	\$ 5,527,302	5,941,704	6,366,885
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	1.34%	-5.14%	1.34%	-22.50%	-28.23%

\*\*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	2019
Actuarially Determined Contribution	\$ 495,742	\$ 526,805	\$ 587,552	\$ 620,314	\$ 306,247	\$ 585,283
Contributions in relation to the actuarially determined contribution	495,742	526,805	577,156	631,603	477,517	585,283
Contribution deficiency (excess)	\$ -	\$ -	\$ 10,396	\$ (11,289)	\$ (171,270)	\$ -
Covered Payroll	\$ 4,775,917	\$ 4,955,832	\$ 5,527,302	\$ 5,941,704	\$ 6,366,885	\$ 7,688,246
Contributions as a Percentage of Covered Payroll	10.38%	10.63%	10.44%	10.63%	7.50%	7.61%

\*\*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**

	<b>2018</b>	<b>2019</b>
<b>Total OPEB liability</b>		
Service cost	\$ 149,187	\$ 141,202
Interest	70,860	85,728
Changes of benefit terms	-	-
Differences between expected and actual experience	-	3,512
Changes of assumptions	(106,826)	(225,062)
Benefit payments	(117,143)	(130,554)
<b>Net change in total OPEB liability</b>	<b>(3,922)</b>	<b>(125,174)</b>
<b>Total OPEB liability - beginning</b>	<b>2,336,088</b>	<b>2,332,166</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 2,332,166</b>	<b>\$ 2,206,992</b>
Covered-employee payroll	\$ 6,901,160	\$ 7,688,246
Total OPEB liability as a percentage of covered-employee payroll	33.79%	28.71%

\*\*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>2019</b>
<b>Total OPEB liability</b>		
Service cost	\$ 6,603	\$ 5,095
Interest	3,727	4,844
Changes of benefit terms	-	-
Differences between expected and actual experience	-	3,156
Changes of assumptions	(15,184)	(1,399)
Benefit payments	(15,300)	(738)
<b>Net change in total OPEB liability</b>	<b>(20,154)</b>	<b>10,958</b>
<b>Total OPEB liability - beginning</b>	<b>151,490</b>	<b>131,336</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 131,336</b>	<b>\$ 142,294</b>
Covered-employee payroll	\$ 6,901,160	\$ 7,688,246
Total OPEB liability as a percentage of covered-employee payroll	1.90%	1.85%

\*\*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.

See independent auditor's report.

**CITY OF PORTLAND, TENNESSEE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2019**

*Valuation date: Actuarially determined contribution rates for fiscal year 2019 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	2.50%
Salary Increases	Graded Salary Ranges from 8.72% to 3.44% Based on Age, Including Inflation, Averaging 4.00%
Investment Rate of Return	7.25%, 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	2.25%

*Changes 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 of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See independent auditor's report

# **OTHER SUPPLEMENTARY INFORMATION**

**City of Portland, Tennessee**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2019**

	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	28,468	211,636	330,143	28,285	23,256	148,100	307,575	\$ 1,077,463
Receivables, net	-	84,907	36,218	-	-	-	-	121,125
Intergovernmental	69,392	-	-	-	-	-	-	69,392
Prepaid items and other assets	9,228	18,557	6,092	-	3,893	-	-	37,770
Inventory	30,540	22,222	-	-	-	-	-	52,762
Total assets	\$ 137,628	\$ 337,322	\$ 372,453	\$ 28,285	\$ 27,149	\$ 148,100	\$ 307,575	\$ 1,358,512
Liabilities								
Accounts payable	65,696	53,328	32,919	-	4,171	-	-	\$ 156,114
Accrued payroll	1,640	6,314	5,182	-	1,324	-	-	14,460
Due to other funds	138	17	-	-	-	-	-	155
Total liabilities	67,474	59,659	38,101	-	5,495	-	-	170,729
Fund Balances								
Nonspendable								
Inventory and prepaid items	39,764	43,779	6,094	-	3,893	-	-	93,530
Restricted For:								
Airport	30,390	-	-	-	-	-	-	30,390
Solid waste		233,884	-	-	-	-	-	233,884
Stormwater		-	328,258	-	-	-	-	328,258
Drug control		-	-	28,285	-	-	-	28,285
Golf course		-	-	-	17,761	-	-	17,761
Revolving loans		-	-	-	-	-	307,575	307,575
Impact fee		-	-	-	-	148,100	-	148,100
Total fund balances	70,154	277,663	334,352	28,285	21,654	148,100	307,575	1,187,783
Total liabilities and fund balances	\$ 137,628	\$ 337,322	\$ 372,453	\$ 28,285	\$ 27,149	\$ 148,100	\$ 307,575	\$ 1,358,512

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, 2019**

	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	\$ 174,280	\$ 1,049,146	\$ 813,803	\$ -	\$ 117,485	\$ 107,207	\$ -	\$ 2,261,921
Fines and forfeitures	-	-	5,800	17,365	-	-	-	23,165
Investment income	97	515	681	-	-	-	670	1,963
Rental	96,240	-	-	-	2,957	-	-	99,197
Miscellaneous	-	27,891	10	-	367	-	-	28,268
Total revenues	270,617	1,077,552	820,294	17,365	120,809	107,207	670	2,414,514
<b>Expenditures</b>								
Salaries, taxes and benefits	103,064	415,251	365,141	-	80,172	-	-	963,628
Repairs and maintenance	31,198	66,671	125,560	-	12,186	-	-	235,615
Utilities	33,957	11,584	14,961	-	13,160	-	-	73,662
Supplies	152,366	48,227	29,669	255	21,900	-	-	252,417
Other operating	25,892	374,553	123,028	-	29,780	-	-	553,253
Debt service	6,429	62,570	-	-	-	-	-	68,999
Capital outlay	365,186	40,660	89,363	-	9,872	-	-	505,081
Total expenditures	718,092	1,019,516	747,722	255	167,070	-	-	2,652,655
Excess (deficiency) of revenues over (under) expenditures	(447,475)	58,036	72,572	17,110	(46,261)	107,207	670	(238,141)
<b>Other Financing Sources (Uses)</b>								
Contributions and grants	396,548	-	-	-	4,860	-	-	401,408
Revolving loans	-	3,825	30,000	14,913	-	-	-	48,738
Loan proceeds	-	-	-	-	-	-	(125,000)	(125,000)
Transfers in (out)	80,000	-	-	(26,000)	50,000	-	(125,239)	(21,239)
Total other financing sources and uses	476,548	3,825	30,000	(11,087)	54,860	-	(250,239)	303,907
<b>Net Change in Fund Balances</b>	29,073	61,861	102,572	6,023	8,599	107,207	(249,569)	65,766
<b>Fund Balance - beginning</b>	41,081	215,802	231,780	22,262	13,055	40,893	557,144	1,122,017
<b>Fund Balance - end</b>	\$ 70,154	\$ 277,663	\$ 334,352	\$ 28,285	\$ 21,654	\$ 148,100	\$ 307,575	\$ 1,187,783

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, 2019**

	<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	\$ 155,000	\$ 175,000	\$ 174,280	\$ (720)
Investment income	50	50	97	47
Rental	92,000	92,000	96,240	4,240
Miscellaneous	125	100	-	(100)
Total revenues	<u>247,175</u>	<u>267,150</u>	<u>270,617</u>	<u>3,467</u>
<b>Expenditures</b>				
Salaries, taxes and benefits	104,570	104,695	103,064	1,631
Repairs and maintenance	22,000	32,450	31,198	1,252
Utilities	35,000	37,300	33,957	3,343
Supplies	141,000	172,000	152,366	19,634
Other operating	17,666	28,566	25,892	2,674
Debt service	6,439	6,439	6,429	10
Capital outlay	701,350	711,441	365,186	346,255
Total expenditures	<u>1,028,025</u>	<u>1,092,891</u>	<u>718,092</u>	<u>374,799</u>
Excess (deficiency) of revenues over (under) expenditures	(780,850)	(825,741)	(447,475)	378,266
<b>Other Financing Sources (Uses)</b>				
Contributions and grants	712,350	733,030	396,548	(336,482)
Transfers in (out)	68,500	80,000	80,000	-
Total other financing sources (uses)	<u>780,850</u>	<u>813,030</u>	<u>476,548</u>	<u>(336,482)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (12,711)</u>	29,073	<u>\$ 41,784</u>
<b>Fund Balance - beginning</b>			<u>41,081</u>	
<b>Fund Balance - end</b>			<u>\$ 70,154</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, 2019**

	<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	\$ 1,029,000	\$ 1,040,750	\$ 1,049,146	\$ 8,396
Investment income	500	500	515	15
Miscellaneous	87	87	27,891	27,804
Total revenues	<u>1,029,587</u>	<u>1,041,337</u>	<u>1,077,552</u>	<u>36,215</u>
<b>Expenditures</b>				
Salaries, taxes and benefits	483,505	433,255	415,251	18,004
Repairs and maintenance	50,000	81,000	66,671	14,329
Utilities	7,595	13,345	11,584	1,761
Supplies	41,820	53,320	48,227	5,093
Other operating	391,167	378,917	374,553	4,364
Debt service	62,500	62,500	62,570	(70)
Capital outlay	314,000	47,000	40,660	6,340
Total expenditures	<u>1,350,587</u>	<u>1,069,337</u>	<u>1,019,516</u>	<u>49,821</u>
Excess (deficiency) of revenues over (under) expenditures	(321,000)	(28,000)	58,036	86,036
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	-	3,825	3,825
Debt proceeds	267,000	-	-	-
Insurance Proceeds	-	28,000	-	(28,000)
Total other financing sources (uses)	<u>267,000</u>	<u>28,000</u>	<u>3,825</u>	<u>(24,175)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (54,000)</u>	<u>\$ -</u>	<u>61,861</u>	<u>\$ 61,861</u>
<b>Fund Balance - beginning</b>			<u>215,802</u>	
<b>Fund Balance - end</b>			<u>\$ 277,663</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, 2019**

	<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	\$ 760,300	\$ 805,400	\$ 813,803	\$ 8,403
Fines and forfeitures	5,000	5,800	5,800	-
Investment income	255	675	681	6
Miscellaneous	-	-	10	10
Total revenues	<u>765,555</u>	<u>811,875</u>	<u>820,294</u>	<u>8,419</u>
<b>Expenditures</b>				
Salaries, taxes and benefits	376,685	374,410	365,141	9,269
Repairs and maintenance	208,300	109,950	125,560	(15,610)
Utilities	13,050	17,800	14,961	2,839
Supplies	27,200	34,200	29,669	4,531
Other operating	49,070	43,915	123,028	(79,113)
Capital outlay	61,250	211,600	89,363	122,237
Total expenditures	<u>735,555</u>	<u>791,875</u>	<u>747,722</u>	<u>44,153</u>
Excess (deficiency) of revenues over (under) expenditures	30,000	20,000	72,572	52,572
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	10,000	40,000	-	(40,000)
Sale of capital assets	-	-	30,000	30,000
Total other financing sources (uses)	<u>10,000</u>	<u>40,000</u>	<u>30,000</u>	<u>(10,000)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 40,000</u>	<u>\$ 60,000</u>	102,572	<u>\$ 42,572</u>
<b>Fund Balance - beginning</b>			<u>231,780</u>	
<b>Fund Balance - end</b>			<u>\$ 334,352</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, 2019**

	<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	\$ 7,000	\$ 17,000	\$ 17,365	\$ 365
Total revenues	7,000	17,000	17,365	365
<b>Expenditures</b>				
Supplies	1,000	1,000	255	745
Total expenditures	1,000	1,000	255	745
Excess (deficiency) of revenues over (under) expenditures	6,000	16,000	17,110	1,110
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	(15,000)	(35,000)	(26,000)	9,000
Sale of capital assets		15,000	14,913	87
Total other financing sources (uses)	(15,000)	(20,000)	(11,087)	9,087
<b>Net Change in Fund Balance</b>	<u>\$ (9,000)</u>	<u>\$ (4,000)</u>	6,023	<u>\$ 10,197</u>
<b>Fund Balance - beginning</b>			<u>22,262</u>	
<b>Fund Balance - end</b>			<u>\$ 28,285</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, 2019

	Budgeted Amounts			Positive (Negative) Variance with Final
	Original	Final	Actual	
<b>Revenues</b>				
Charges for services	\$ 60,000	\$ 95,000	\$ 107,207	\$ 12,207
Total revenues	60,000	95,000	107,207	12,207
<b>Expenditures</b>				
Supplies	-	250	-	250
Total expenditures	-	250	-	250
Excess (deficiency) of revenues over (under) expenditures	60,000	94,750	107,207	12,457
<b>Net Change in Fund Balance</b>	<u>\$ 60,000</u>	<u>\$ 94,750</u>	107,207	<u>\$ 12,457</u>
<b>Fund Balance - beginning</b>			<u>40,893</u>	
<b>Fund Balance - end</b>			<u>\$ 148,100</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, 2019**

	<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	\$ 500	\$ 600	\$ 670	\$ 70
Total revenues	500	600	670	70
<b>Expenditures</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	500	600	670	70
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	(125,000)	(325,000)	(125,239)	199,761
Revolving loans	-	(125,000)	(125,000)	-
Total other financing sources (uses)	(125,000)	(450,000)	(250,239)	199,761
<b>Net Change in Fund Balance</b>	<u>\$ (124,500)</u>	<u>\$ (449,400)</u>	<u>\$ (249,569)</u>	<u>\$ 199,831</u>
<b>Fund Balance - beginning</b>			557,144	
<b>Fund Balance - end</b>			<u>\$ 307,575</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, 2019**

	Budgeted Amounts			Positive (Negative) Variance with Final
	Original	Final	Actual	
<b>Revenues</b>				
Charges for services	\$ 135,000	\$ 108,500	\$ 117,485	\$ 8,985
Rental	42,000	7,000	2,957	(4,043)
Miscellaneous	23,000	13,470	367	(13,103)
Total revenues	200,000	128,970	120,809	(8,161)
<b>Expenditures</b>				
Salaries, taxes and benefits		109,450	80,172	29,278
Repairs and maintenance	40,000	25,220	12,186	13,034
Utilities	18,500	16,000	13,160	2,840
Supplies	46,000	37,000	21,900	15,100
Other operating	191,000	51,800	29,780	22,020
Debt service	29,500	-	-	-
Capital outlay		14,500	9,872	4,628
Total expenditures	325,000	253,970	167,070	86,900
Excess (deficiency) of revenues over (under) expenditures	(125,000)	(125,000)	(46,261)	78,739
<b>Other Financing Sources (Uses)</b>				
Contributions	-	-	4,860	4,860
Transfers in (out)	125,000	125,000	50,000	(75,000)
Total other financing sources (uses)	125,000	125,000	54,860	(70,140)
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	8,599	<u>\$ 8,599</u>
<b>Fund Balance - beginning</b>			<u>13,055</u>	
<b>Fund Balance - end</b>			<u>\$ 21,654</u>	

See Independent auditor's report.

**CITY OF PORTLAND, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED JUNE 30, 2019**

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR</b>	<b>CFDA NO.</b>	<b>PROGRAM</b>	<b>CONTRACT NO.</b>	<b>EXPENDITURES</b>
<b><u>FEDERAL AWARDS</u></b>				
<b>U.S. Department of Housing and Urban Development</b>				
<b><u>Pass-through funding:</u></b>				
Tennessee Dept. of Economic and Community Development	14.239	Home Investment Partnerships Program	10-THDA-H-20	\$ 34,600
<b>Total U.S. Department of Housing and Urban Development</b>				<b>34,600</b>
<b>U.S. Department of Homeland Security</b>				
<b><u>Pass-through funding:</u></b>				
TN Dept of Safety & Homeland Security				
TN Highway Safety Office	20.607	High Visibility Enforcement Project	Z17THS278	4,800
<b>Total U.S. Department of Homeland Security</b>				<b>4,800</b>
<b>Federal Aviation Administration</b>				
<b><u>Pass-through funding:</u></b>				
TN Dept of Transportation, Aeronautics Division	20.106	T-Hangar Apron Rehab - Construction	AERO 19-174-00	69,922
TN Dept of Transportation, Aeronautics Division	20.106	2019 Airport Land Acquisition Grant	CN #: AERO-19-243-00	1,250
<b>Total Federal Aviation Administration</b>				<b>71,172</b>
<b>U.S. Department of Transportation</b>				
<b><u>Pass-through funding:</u></b>				
TN Dept of Transportation	20.205	SRTS Watt Hardison Sidewalk (Safe Routes To Schools)	130261	162,606
Surface Transportation Program				
Surface Transportation Program	20.205	Kirby Road Paving	150201	141,152
<b>Total U.S. Department of Transportation</b>				<b>303,758</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>414,329</b>
<b><u>STATE AWARDS</u></b>				
TN Dept of Transportation, Aeronautics Division	N/A	Annual Airport Maint. Grant	AERO-M12-250	14,300
TN Dept of Transportation, Aeronautics Division	N/A	Airport Detention Pond	AERO-15-123-00	126,005
TN Dept of Transportation, Aeronautics Division	N/A	RPZ Underground Relocation	CN: AERO-18-249-00 Proj: 83-0409-18	41,412
TN Dept of Transportation, Aeronautics Division	N/A	RPZ Approach Obstruction Removal	CN: AERO-18-248-00 Proj: 83-0408-18	46,100
TN Dept of Transportation, Aeronautics Division	N/A	Parallel Taxiway South Design Only	AERO-19-220-00 Agency Tracking #40100-00619	52,220
State of Tennessee	N/A	<u>Fast Track Infrastructure Dev Prog (FIDP)</u>		
Office of Economic & Community Development		Cardinal Sewer Addition (Tsubaki Sewer Project)	CN: 306200 Agency Tracking #33006-62617	116,947 57,155
TN Dept of Tourist Development	N/A	Mini Park		42,450
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>				<b>496,589</b>

See independent auditor's report.



**CITY OF PORTLAND, TENNESSEE**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL  
ASSISTANCE**

**For the Year Ended June 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Portland, Tennessee under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Pass-through entity contract numbers are presented where available.
3. The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – OUTSTANDING LOANS**

The City has outstanding a loan of \$870,370 obtained through the State Revolving Loan Fund (SRLF) in 2006. The loan is presented in detail elsewhere in the supplementary and other information section of this report.

See independent auditor's report.

## **OTHER INFORMATION SECTION**

**City of Portland, Tennessee**  
**Schedule of Changes in Long-term Debt**  
**June 30, 2019**

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Last Maturity Date	Outstanding 7/1/2018	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2019
<b><u>Governmental Activities</u></b>							
<b><u>Capital Outlay Notes Payable</u></b>							
Fire Department Capital Outlay Note #72	\$ 378,000	2.68%	3/1/2022	\$ 168,000	\$ -	\$ (42,000)	\$ 126,000
Airport Capital Outlay Note Series 2010	138,333	2.10%	12/4/2018	6,404	-	(6,404)	-
Public Library Expansion Capital Outlay Note 2011 Loan #56	675,000	2.35%		118,750	-	(75,000)	43,750
Street Paving Note Capital Outlay Note #60	500,000	2.87%	4/1/2023	263,870	-	(55,560)	208,310
Parks Equipment Capital Outlay Note, Series 2015	160,000	2.49%	3/9/2020	56,000	-	(32,000)	24,000
Street Equipment Capital Outlay Note #65	150,000	2.17%	10/1/2020	67,500	-	(30,000)	37,500
Street Paving Note Capital Outlay Note #66	1,150,000	2.61%	10/1/2023	754,660	-	(143,760)	610,900
Police Cars Capital Outlay Note #68	225,000	2.65%	1/11/2022	161,250	-	(45,000)	116,250
Parks Improvements Capital Outlay Note, Series 2017	150,000	2.65%	4/15/2027	132,500	-	(15,000)	117,500
Police Cars Capital Outlay Note #70	225,000	3.16%	4/15/2023	213,750	-	(45,000)	168,750
Sanitation Trucks Capital Outlay Note #71	267,000	3.78%		267,000	-	(53,400)	213,600
Fire Department Capital Outlay Note, Series 2013	154,500	3.78%		154,500	-	(30,900)	123,600
Total Capital Outlay Notes Payable				\$ 2,364,184	\$ -	\$ (574,024)	\$ 1,790,160
<b><u>Bonds Payable</u></b>							
General Obligation Refunding Bonds, Series 2015 Loan #64	\$ 7,410,000	3.50%	4/1/2045	\$ 6,965,000	\$ -	\$ (175,000)	\$ 6,790,000
Total Bonds Payable				\$ 6,965,000	\$ -	\$ (175,000)	\$ 6,790,000
<b><u>Business Activities</u></b>							
<b><u>Capital Outlay Notes Payable</u></b>							
AMR Note #52	\$ 1,056,776	3.40%	9/1/2018	\$ 30,026	\$ -	\$ (30,026)	\$ -
Jet Vac Trk #62	350,000	2.35%	2/6/2020	116,667	-	(70,000)	46,667
Total Capital Outlay Notes Payable				\$ 146,693	\$ -	\$ (100,026)	\$ 46,667
<b><u>Bonds Payable</u></b>							
Water and Sewer System Revenue Refunding Bonds, Series 2016 #67	\$ 14,405,000	3.00%	4/1/2046	\$ 14,385,000	\$ -	\$ (670,000)	\$ 13,715,000
Net original issue premiums and discounts							
Total Bonds Payable				\$ 14,385,000	\$ -	\$ (670,000)	\$ 13,715,000
<b><u>Other Loan Payable</u></b>							
State Revolving Fund Loan, 2006 Loan #37	\$ 1,500,000	1.70%	10/1/2031	938,923	-	(68,553)	\$ 870,370
Total Other Loans Payable				\$ 938,923	\$ -	\$ (68,553)	\$ 870,370

**City of Portland, Tennessee**  
**Schedule of Principal and Interest Requirements - Governmental Funds**  
**June 30, 2019**

Year Ending June 30,	Fire Department Capital Outlay Note, Series 2013		Public Library Expansion Capital Outlay Note 2011 Loan #56		Police Cars Capital Outlay Note #70		Street Paving Note Capital Outlay Note #66		Street Paving/Street Truck Capital Outlay Note #60		Parks Improvements Capital Outlay Note, Series 2017	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 126,000</b>	<b>\$ 6,753</b>	<b>\$ 43,750</b>	<b>\$ 364</b>	<b>\$ 168,750</b>	<b>\$ 10,221</b>	<b>\$ 610,900</b>	<b>\$ 34,542</b>	<b>\$ 208,310</b>	<b>\$ 11,457</b>	<b>\$ 117,500</b>	<b>\$ 16,232</b>

	Fire Department Capital Outlay Note #72		Parks Equipment Capital Outlay Note, Series 2015		Sanitation Truck Capital Outlay Note #71		Street Equipment Capital Outlay Note #65		Police Cars Capital Outlay Note #68	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 123,600</b>	<b>\$ 9,544</b>	<b>\$ 24,000</b>	<b>\$ 250</b>	<b>\$ 213,600</b>	<b>\$ 16,493</b>	<b>\$ 37,500</b>	<b>\$ 543</b>	<b>\$ 116,250</b>	<b>\$ 4,112</b>

Total Governmental Funds					
General Obligation Refunding Bonds, Series 2015 Loan #64		Total Principal	Total Interest	Total	
Principal	Interest				
2020	180,000	222,938	708,370	269,302	977,672
2021	180,000	218,438	618,120	250,867	868,987
2022	185,000	213,937	596,870	233,641	830,511
2023	190,000	209,312	508,440	217,240	725,680
2024	195,000	204,563	245,860	206,486	452,346
2025	200,000	199,200	215,000	200,443	415,443
2026	205,000	193,700	220,000	194,420	414,420
2027	215,000	188,062	227,500	188,262	415,762
2028	220,000	181,613	220,000	181,613	401,613
2029	225,000	175,012	225,000	175,012	400,012
2030	230,000	168,263	230,000	168,263	398,263
2031	240,000	161,362	240,000	161,362	401,362
2032	245,000	154,163	245,000	154,163	399,163
2033	255,000	146,812	255,000	146,812	401,812
2034	260,000	139,163	260,000	139,163	399,163
2035	270,000	130,062	270,000	130,062	400,062
2036	280,000	120,613	280,000	120,613	400,613
2037	290,000	110,812	290,000	110,812	400,812
2038	300,000	100,663	300,000	100,663	400,663
2039	310,000	90,162	310,000	90,162	400,162
2040	320,000	79,313	320,000	79,313	399,313
2041	335,000	67,312	335,000	67,312	402,312
2042	345,000	54,750	345,000	54,750	399,750
2043	360,000	41,813	360,000	41,813	401,813
2044	370,000	28,312	370,000	28,312	398,312
2045	385,000	14,438	385,000	14,438	399,438
	<b>\$ 6,790,000</b>	<b>\$ 3,614,788</b>	<b>\$ 8,580,160</b>	<b>\$ 3,725,299</b>	<b>\$ 12,305,459</b>

**City of Portland, Tennessee**  
**Schedule of Principal and Interest Requirements - Enterprise Funds**  
**June 30, 2019**

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		Total Enterprise Funds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	680,000	469,244	58,993	14,388	46,667	419	785,660	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	26,337	93	-	-	581,337	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>\$ 13,715,000</u>	<u>\$ 6,407,343</u>	<u>\$ 870,370</u>	<u>\$ 95,625</u>	<u>\$ 46,667</u>	<u>\$ 419</u>	<u>\$ 14,632,037</u>	<u>\$ 6,503,387</u>

City of Portland, Tennessee  
Schedule of Changes in Property Taxes Receivable  
and Uncollected Delinquent Taxes Filed  
June 30, 2019

<b>Year of Levy</b>	<b>Gross Property Taxes Receivable July 1, 2018</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, 2019</b>
2019	\$ -	\$ -	\$ 4,773,583	\$ -	\$ -	\$ -	\$ 4,773,583
2018	-	4,603,243		-	(4,506,991)	-	96,252
2017	106,223	-		108,268	(185,098)	-	29,393
2016	43,693	-		(9,504)	(5,893)	(28,296)	-
2015	14,422	-		(3,050)	(254)	(11,118)	-
2014	9,907	-		(2,622)	-	(7,285)	-
2013	12,086	-		(3,258)	-	(8,828)	-
2012	15,270	-		(843)	(185)	(14,242)	-
2011	27,459	-		(266)	-	(27,193)	-
2010	11,495	-		197	(484)	(11,208)	-
2009	18,360	-		-	-	(18,360)	-
2008	-	-		-	-	-	-
2007	-	-		-	-	-	-
	<u>\$ 258,915</u>	<u>\$ 4,603,243</u>	<u>\$ 4,773,583</u>	<u>\$ 88,922</u>	<u>\$ (4,698,905)</u>	<u>\$ (126,530)</u>	<u>\$ 4,899,228</u>

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

City of Portland, Tennessee  
Schedule of Water Loss  
June 30, 2019

**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: **2019**    **7/2018 - 6/2019**

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

**System Attributes:**

Apparent Losses:	<b>4.279</b>	MG/Yr
+ Real Losses:	<b>188.397</b>	MG/Yr
= <b>Water Losses:</b>	<b>192.676</b>	MG/Yr

? Unavoidable Annual Real Losses (UARL): **57.98** MG/Yr

Annual cost of Apparent Losses: **\$32,094**

Annual cost of Real Losses: **\$273,784**

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: **12.7%** Real Losses valued at Variable Production Cost

Operational Efficiency:

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

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

Real Losses per length of main per day\*: **1,886.53** 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): **188.40** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **3.25**

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

City of Portland, Tennessee  
Schedule of Water Loss  
June 30, 2019

**AWWA Free Water Audit Software:  
Reporting Worksheet**

WAS v5.0  
American Water Works Association  
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[?](#) Click to access definition  
[+](#) Click to add a comment

**Water Audit Report for:** City of Portland, Tennessee  
**Reporting Year:** 2019 7/2018 - 6/2019

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**

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

Volume from own sources:	<a href="#">+</a>	<a href="#">?</a>	<u>10</u>	<u>765.805</u>	MG/Yr	<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<input checked="" type="radio"/>	<input type="radio"/>	<u>  </u>	MG/Yr
Water imported:	<a href="#">+</a>	<a href="#">?</a>	<u>n/a</u>	<u>  </u>	MG/Yr	<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<input checked="" type="radio"/>	<input type="radio"/>	<u>  </u>	MG/Yr
Water exported:	<a href="#">+</a>	<a href="#">?</a>	<u>n/a</u>	<u>  </u>	MG/Yr	<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<input checked="" type="radio"/>	<input type="radio"/>	<u>  </u>	MG/Yr

**Master Meter and Supply Error Adjustments**

Pcnt:	<u>  </u>	Value:	<u>  </u>	MG/Yr
<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<input checked="" type="radio"/>	<input type="radio"/>
<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<input checked="" type="radio"/>	<input type="radio"/>
<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<input checked="" type="radio"/>	<input type="radio"/>

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

**WATER SUPPLIED:** 765.805 MG/Yr

**AUTHORIZED CONSUMPTION**

Billed metered:	<a href="#">+</a>	<a href="#">?</a>	<u>9</u>	<u>472.338</u>	MG/Yr	<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<input checked="" type="radio"/>	<input type="radio"/>	<u>  </u>	MG/Yr
Billed unmetered:	<a href="#">+</a>	<a href="#">?</a>	<u>10</u>	<u>0.824</u>	MG/Yr	<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<input checked="" type="radio"/>	<input type="radio"/>	<u>  </u>	MG/Yr
Unbilled metered:	<a href="#">+</a>	<a href="#">?</a>	<u>n/a</u>	<u>  </u>	MG/Yr	<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<input checked="" type="radio"/>	<input type="radio"/>	<u>  </u>	MG/Yr
Unbilled unmetered:	<a href="#">+</a>	<a href="#">?</a>	<u>7</u>	<u>99.967</u>	MG/Yr	<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<input checked="" type="radio"/>	<input type="radio"/>	<u>  </u>	MG/Yr

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

Pcnt:	<u>  </u>	Value:	<u>99.967</u>	MG/Yr
<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<input checked="" type="radio"/>	<input type="radio"/>

Unbilled Unmetered volume entered is greater than the recommended default value

**AUTHORIZED CONSUMPTION:** ? 573.129 MG/Yr

Use buttons to select percentage of water supplied **OR** value

**WATER LOSSES (Water Supplied - Authorized Consumption)**

**Apparent Losses**

Unauthorized consumption: [+](#) [?](#)    1.915 MG/Yr

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

Customer metering inaccuracies:	<a href="#">+</a>	<a href="#">?</a>	<u>7</u>	<u>1.184</u>	MG/Yr
Systematic data handling errors:	<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<u>1.181</u>	MG/Yr

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

**Apparent Losses:** ? 4.279 MG/Yr

Pcnt:	<u>0.25%</u>	Value:	<u>  </u>	MG/Yr
<a href="#">+</a>	<a href="#">?</a>	<u>  </u>	<input checked="" type="radio"/>	<input type="radio"/>

<u>0.25%</u>	<input checked="" type="radio"/>	<input type="radio"/>	<u>  </u>	MG/Yr
<u>0.25%</u>	<input checked="" type="radio"/>	<input type="radio"/>	<u>  </u>	MG/Yr

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

**Real Losses = Water Losses - Apparent Losses:** ? 188.397 MG/Yr

**WATER LOSSES:** ? 192.676 MG/Yr

**NON-REVENUE WATER**

**NON-REVENUE WATER:** ? 292.643 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:	<a href="#">+</a>	<a href="#">?</a>	<u>10</u>	<u>273.6</u>	miles
Number of <u>active AND inactive</u> service connections:	<a href="#">+</a>	<a href="#">?</a>	<u>8</u>	<u>7,783</u>	
Service connection density:	<a href="#">?</a>	<u>  </u>	<u>28</u>	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:	<a href="#">+</a>	<a href="#">?</a>	<u>8</u>	<u>\$3,561,010</u>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<a href="#">+</a>	<a href="#">?</a>	<u>8</u>	<u>\$7.50</u>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<a href="#">+</a>	<a href="#">?</a>	<u>7</u>	<u>\$1,453.23</u>	\$/Million gallons <input type="checkbox"/> 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



**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>
2019	2020	1.41	1.11	\$ 4,773,583
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

\*Anticipated Levy as of June 30, 2019

**City of Portland, Tennessee**  
**Schedule of Utility Rate Structure and Number of Customers**  
**For the Year Ended June 30, 2019**

<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	0.33	Per CCF	
Residential - Outside City Limits			
Service Fee	7.50	Per Month	
PTA Rate	0.35	Per CCF	
Cost of Gas Rate	0.33	Per CCF	
Commercial - Inside/Outside City Limits			
Service Fee	10.00	Per Month	
PTA Rate	0.30	Per CCF	
Cost of Gas Rate	0.33	Per CCF	
Industrial - Inside/Outside City Limits			
Service Fee	125.00	Per Month	
PTA Rate	0.30	Per CCF	
Cost of Gas Rate	0.33	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, 2019.

<b>Number of Customers</b>	
<b>Service</b>	<b>June 30, 2019</b>
Solid Waste (special revenue)	4,605
Stormwater (special revenue)	4,860
Water	7,647
Sewer	4,214
Natural Gas	5,045

# **GOVERNMENT AUDITING STANDARDS SECTION**

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

## **CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

### **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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portland, Tennessee as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Portland, Tennessee's basic financial statements, and have issued our report thereon dated October 28, 2019.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Portland, Tennessee'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 of Portland, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Portland, Tennessee's internal control.

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Portland, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance

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**16053 Rankin Avenue, Dunlap, Tennessee 37327**

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with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

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

*MG Group, P.C.*

Tullahoma, Tennessee  
October 28, 2019

**City of Portland, Tennessee**  
**Summary Schedule of Prior Year Findings**  
**June 30, 2019**

*Government Auditing 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 the year ended June 30, 2018.

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

<b>Prior Year Finding Number</b>	<b>Title of Finding</b>	<b>Status</b>
2018-001	Budgeted Expenditures in Excess of Appropriations	Corrected
2018-002	Retainage Requirements in Construction Projects	Corrected