**GEORGIA DEPARTMENT OF AUDITS AND ACCOUNTS**
**NONPROFIT AND LOCAL GOVERNMENT AUDITS DIVISION**
**AUDIT REPORT TRANSMITTAL DOCUMENT**

*Please complete the top portion of this form and submit it with your audit report. We will use this information to furnish your government the results of our review. These results will be furnished by e-mail.*

| | | |
|---|---|---|
| **Name of Governmental Unit** | TOWN OF PORTAL | |
| **Fiscal Year End** | 6/30/2016 | |
| **Governmental Contacts** | **Name** | **E-Mail Address** |
| Chief Official (e.g., Mayor, Chairman) | Billy Boggs | CITYOFPORTAL@BULLOCH.NET |
| City/County Clerk | MIKE ARRIETA | CITYOFPORTAL@BULLOCH.NET |
| City/County Manager | N/A | |
| Finance Director | N/A | |
| Other Officials to be Notified of Audit Results: (list below) | N/A | |
| | | |
| | | |
| | | |
| Name of Audit Firm | DENMARK & BROWN, P.C. | HSMITH@DENMARKBROWNCPA.COM |
| Auditor Contact for this Report | STEVE BROWN, CPA | SBROWN@DENMARKBROWNCPA.COM |
| CPA Telephone | 912-764-4123 | |
| CPA Fax | 912-489-8558 | |
| Form Completed by: (Name) | HEIDI SMITH | |
| (Title) | ACCOUNTANT | |

**For DOAA Internal Use**

| | | | | |
|---|---|---|---|---|
| Date Rpt Rcvd | Assigned to: | Upload | Mail | E-mail |
| Type of Report | Date Reviewed | | | # Grant Cites |
| # of 1s | # of 2s | # of Xs | | # of 3s |
| Date of CPA/Govt Response | | | | |
| Date Orig. Notice to Govt | | Date Rev Notice to Govt | | |
| Report Accepted? Y N | | Grants OK? Y N | | |
| CAP Required? Y N | | Date Cap Received | | |
| CAP Letter Dates | | CAP Not Received | | |
| CAP Has Problems | | CAP Accepted | | |
| Pension Plan(s) | Deferred Comp? Y N | OPEB? Y N N/A | | Single Audit? Y N |
| Total GF Revenues | $ | Total GF Expenditures | | $ |
| GF Nonspendable FB | $ | GF Restricted FB | | $ |
| GF Committed FB | $ | GF Assigned FB | | $ |
| GF Unassigned FB | $ | All Govt Funds Total FB | | $ |
| Total GW Expenses | Draft to CPA | Letter to Govt | | Logged |

# TOWN OF PORTAL, GEORGIA

## ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED JUNE 30, 2016

## TABLE OF CONTENTS
## Financial Section


| | Page |
|---|---|
| **INDEPENDENT AUDITOR'S REPORT** | 1 - 2 |
| **BASIC FINANCIAL STATEMENTS** | |
| **Government-wide Financial Statements:** | |
| Statement of Net Position | 3 |
| Statement of Activities | 4 |
| **Fund Financial Statements:** | |
| Governmental Funds: | |
| Balance Sheet | 5 |
| Reconciliation of Total Governmental Funds Balance to Net Position of Governmental Activities | 6 |
| Statement of Revenues, Expenditures and Changes in Fund Balance | 7 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 8 |
| Proprietary Funds: | |
| Statement of Net Position | 9 |
| Statement of Revenues, Expenses and Changes in Net Position | 10 |
| Statement of Cash Flows | 11 |
| **Notes to the Basic Financial Statements** | 12 - 32 |
| **REQUIRED SUPPLEMENTARY INFORMATION** | |
| Schedule of Changes in the Net Pension Liability – Last 10 Fiscal Years | 33 |
| Schedule of Pension Contributions – Last 10 Fiscal Years | 34 |
| Notes to Pension Schedules | 35 - 36 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | 37 |
| Notes to Required Supplementary Information | 38 |
| **OTHER SUPPLEMENTARY INFORMATION** | |
| 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* | 39 – 40 |
| Independent Auditor's Report on Schedule of Special Purpose Local Option Sales Tax | 41 |
| Schedule of Special Purpose Local Option Sales Tax – 2007 Referendum | 42 |
| Schedule of Special Purpose Local Option Sales Tax – 2013 Referendum | 43 |

Denmark & Brown, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

123 North Main Street
Statesboro, Georgia 30458

Phone: (912) 764-4123
Fax: (912) 489-8558

www.denmarkbrowncpa.com

# INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Portal, Georgia

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Portal, Georgia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

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

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

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

## 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, and each major fund of the Town of Portal, Georgia, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash

flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter – Change in Accounting Principle**

As described in Note 16 to the financial statements, in 2015 the Town of Portal adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

The Town of Portal, Georgia has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of historical pension information and the related notes on pages 33-36 and management's discussion and analysis budgetary comparison information on pages 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016, on our consideration of the Town of Portal, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Portal, Georgia's internal control over financial reporting and compliance.

Denmark & Brown, P.C.
Statesboro, Georgia
December 30, 2016

# TOWN OF PORTAL, GEORGIA
# STATEMENT OF NET POSITION
## June 30, 2016

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total |
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | | | |
| **Assets** | | | |
| Cash | $ 157,344 | $ 84,302 | $ 241,646 |
| Receivables, net of allowance for doubtful accounts | 43,908 | 42,329 | 86,237 |
| Interfund receivable | - | 22,514 | - |
| Prepaid insurance | 7,110 | 3,584 | 10,694 |
| Nondepreciable capital assets | 14,224 | - | 14,224 |
| Depreciable capital assets, net | 166,756 | 3,783,388 | 3,950,144 |
| Total Assets | 389,342 | 3,936,117 | 4,302,945 |
| **Deferred Outflows of Resources** | | | |
| Deferred pensions | 27,345 | 3,729 | 31,074 |
| Total Assets and Deferred Outflows of Resources | $ 416,687 | $ 3,939,846 | $ 4,334,019 |
| **LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** | | | |
| Current Liabilities | | | |
| Accounts payable | $ 33,657 | $ 6,115 | $ 39,772 |
| Accrued expenses | 6,912 | 430 | 7,342 |
| Interfund | 22,514 | - | - |
| Unearned revenue | 20,570 | - | 20,570 |
| Note payable - FMHA | - | 11,947 | 11,947 |
| Note payable - Board of Commissioners | 29,208 | - | 29,208 |
| Bond Payable - USDA | - | 13,170 | 13,170 |
| Total Current Liabilities | 112,861 | 31,662 | 122,009 |
| | | | - |
| Noncurrent Liabilities: | | | |
| Customer deposits | - | 34,706 | 34,706 |
| Net pension obligation | 95,057 | 12,962 | 108,019 |
| Note payable - FMHA | - | 342,087 | 342,087 |
| Note payable - Board of Commissioners | 411,031 | - | 411,031 |
| Bond Payable - USDA | - | 725,402 | 725,402 |
| Total Noncurrent Liabilities | 506,088 | 1,115,157 | 1,621,245 |
| Deferred Inflows of Resources | | | |
| Deferred pensions | 2,791 | 381 | 3,172 |
| Total Liabilities and Deferred Inflows of Resources | 621,740 | 1,147,200 | 1,746,426 |
| **NET POSITION** | | | |
| Net investment in capital assets | 180,980 | 2,690,782 | 2,871,762 |
| Restricted for: | | | |
| Department of Transportation - road construction | 20,758 | - | 20,758 |
| Debt service | - | 63,456 | 63,456 |
| Unrestricted | (406,791) | 38,408 | (368,383) |
| Total Net Position | (205,053) | 2,792,646 | 2,587,593 |
| Total Liabilities and Net Position | $ 416,687 | $ 3,939,846 | $ 4,334,019 |

The notes to the Financial Statements are an integral part of this statement.

# TOWN OF PORTAL, GEORGIA
# STATEMENT OF ACTIVITIES
## For the Year Ended June 30, 2016

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Business-type Activities | Net (Expense) Revenue and Changes in Net Position: Total |
|---|---|---|---|---|---|---|---|
| Governmental Activities: | | | | | | | |
| General and Administrative | $ 141,150 | $ 7,585 | $ - | - | $ (133,565) | $ - | $ (133,565) |
| Police | 131,774 | 65,320 | 2,375 | - | (64,079) | | (64,079) |
| Streets & Roads | 43,941 | - | | - | (43,941) | | (43,941) |
| Sanitation | 66,306 | 41,543 | | - | (24,763) | | (24,763) |
| Interest | 2,680 | - | | - | (2,680) | | (2,680) |
| Total Governmental Activities | 385,851 | 114,448 | 2,375 | - | (269,028) | - | (269,028) |
| Business Type Activities | | | | | | | |
| Water and Sewer System | 283,057 | 195,029 | - | - | | (88,028) | (88,028) |
| Total Business type activities | 283,057 | 195,029 | - | - | - | (88,028) | (88,028) |
| Total Primary Government | $ 668,908 | $ 309,477 | $ 2,375 | $ - | $ (269,028) | $ (88,028) | $ (357,056) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property | | | | | $ 67,008 | $ - | $ 67,008 |
| Insurance premium | | | | | 36,762 | | 36,762 |
| Franchise | | | | | 38,816 | | 38,816 |
| Alcoholic beverage | | | | | 24,682 | | 24,682 |
| Motor vehicle/Mobile home | | | | | 11,857 | | 11,857 |
| Intangibles | | | | | 489 | | 489 |
| Real estate transfer tax | | | | | 395 | | 395 |
| Other | | | | | 3,816 | 2,194 | 6,010 |
| Gain on sale of capital assets | | | | | 1,500 | | 1,500 |
| Total General Revenues | | | | | 185,325 | 2,194 | 187,519 |
| Transfers | | | | | 33,168 | (33,168) | - |
| Changes in Net Position | | | | | (50,535) | (119,002) | (169,537) |
| Net Position - beginning | | | | | (164,038) | 2,921,168 | 2,757,130 |
| Prior period adjustment | | | | | 9,520 | (9,520) | - |
| Net Position - beginning of year, as restated | | | | | (154,518) | 2,911,648 | 2,757,130 |
| Net Position - ending | | | | | $ (205,053) | $ 2,792,646 | $2,587,593 |

The notes to the Financial Statements are an integral part of this statement.

# TOWN OF PORTAL, GEORGIA
# BALANCE SHEET - GOVERNMENTAL FUNDS
# GENERAL FUND & SPLOST FUND
# June 30, 2016

| | General Fund | SPLOST Fund | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | $ 39,065 | $ 118,279 | $ 157,344 |
| Accounts receivable | 43,766 | 142 | 43,908 |
| Interfund Receivable | 94,027 | - | 94,027 |
| Prepaid insurance | 7,110 | - | 7,110 |
| Total Assets | $ 183,968 | $ 118,421 | $ 302,389 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts payable | $ 33,657 | $ - | $ 33,657 |
| Accrued other liabilities | 6,912 | - | 6,912 |
| Interfund payables | - | 116,540 | 116,540 |
| Unearned revenue | 20,570 | - | 20,570 |
| Total Liabilities | 61,139 | 116,540 | 177,679 |
| Deferred Inflows of Resources | 28,353 | - | 28,353 |
| Total Liabilities and Deferred Inflows of Resources | 89,492 | 116,540 | 206,032 |
| Fund Balances: | | | |
| Nonspendable | 7,110 | - | 7,110 |
| Assigned | 397 | - | 397 |
| Restricted | 20,758 | 1,881 | 22,639 |
| Unassigned | 66,211 | - | 66,211 |
| Total Fund Balance | 94,476 | 1,881 | 96,357 |
| Total Liabilities, Deferred Inflow of Resources and Fund Balance | $ 183,968 | $ 118,421 | $ 302,389 |

The notes to the Financial Statements are an integral part of this statement.

# TOWN OF PORTAL, GEORGIA
# RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
## June 30, 2016

| | | |
|---|---|---|
| Total Governmental Fund Balance | $ | 96,357 |
| 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, net of accumulated depreciation of $589,926 | | 180,979 |
| The deferred outflows are not current assets or financial resources, and the deferred inflows are not due and payable in the current period and therefore are not reported in the fund financial statements. | | |
| Deferred outlows | | 27,345 |
| Deferred inflows | | (2,791) |
| Certain long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: | | |
| Property taxes receivable | | 28,353 |
| Certain obligations, which will not be paid from current financial resources, are not reported in the funds | | |
| Notes payable | | (440,239) |
| Net pension liability | | (95,057) |
| Net Position of Governmental Activities | $ | (205,053) |

The notes to the Financial Statements are an integral part of this statement.

# TOWN OF PORTAL, GEORGIA
# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
# GOVERNMENTAL FUNDS
## For the Year Ended June 30, 2016

| | General Fund | SPLOST Fund | Total Governmental Funds |
|---|---|---|---|
| REVENUES | | | |
| Taxes | $ 174,356 | $ - | $ 174,356 |
| License and permits | 7,585 | - | 7,585 |
| Charges for services | 41,543 | - | 41,543 |
| Fines and forfeitures | 65,320 | - | 65,320 |
| Interest income | 150 | 453 | 603 |
| Contributions and donations | 500 | - | 500 |
| Other | 3,213 | - | 3,213 |
| Total Revenues | 292,667 | 453 | 293,120 |
| EXPENDITURES | | | |
| Current Operating: | | | |
| General government | 137,748 | - | 137,748 |
| Police | 124,789 | - | 124,789 |
| Streets and Roads | 26,395 | - | 26,395 |
| Sanitation | 65,876 | - | 65,876 |
| Total Current Operating | 354,808 | - | 354,808 |
| Capital Outlay: | | | |
| General government | 19,321 | - | 19,321 |
| Police | - | - | - |
| Streets and Roads | - | - | - |
| Sanitation | - | - | - |
| Total Capital Outlay | 19,321 | - | 19,321 |
| Debt Service: | | | |
| Principal retirement | - | 1,659 | 1,659 |
| Interest expense | - | 2,680 | 2,680 |
| Total Expenditures | 374,129 | 4,339 | 378,468 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (81,462) | (3,886) | (85,348) |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from Capital Asset Dispositions | 1,500 | - | 1,500 |
| Contributed Capital | 1,875 | - | 1,875 |
| Transfer to SPLOST Fund | (482) | - | (482) |
| Transfer from General Fund | | 482 | 482 |
| Transfers from Water & Sewer Fund | 29,311 | 3,857 | 33,168 |
| Total other financing sources | 32,204 | 4,339 | 36,543 |
| Net Changes in Fund Balance | (49,258) | 453 | (48,805) |
| Fund Balance - beginning of year | 143,734 | 1,428 | 145,162 |
| Fund Balance - end of year | $ 94,476 | $ 1,881 | $ 96,357 |

The notes to the Financial Statments are an integral part of this statement.

## TOWN OF PORTAL, GEORGIA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

### For the Year Ended June 30, 2016

| | | |
|---|---|---|
| Net Change in Fund Balance - Governmental Fund | $ | (48,805) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental fund reports capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets: | | |
| Capital asset purchases capitalized | | 19,321 |
| Depreciation expense | | (27,670) |
| Capital asset dispositions | | (20,489) |
| Accumulated depreciation | | 20,489 |
| A certain amount of property tax revenue in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental fund | | 5,653 |
| Governmental funds (SPLOST) report payment of principal and interest (debt service) as an expenditure while governmental activities report the interest portion of the debt service as an expense but report the principal as a reduction in the outstanding debt balance | | 1,659 |
| A certain amount of employee retirement expense is not expected to be funded with current financial resources and, therefore, is not reported in the governmental fund expenditures | | (693) |
| Change in Net Position of Governmental Activities | $ | (50,535) |

The notes to the Financial Statments are an integral part of this statement.

# TOWN OF PORTAL, GEORGIA
# STATEMENT OF NET POSITION
# PROPRIETARY FUND - WATER & SEWER ENTERPRISE FUNDS
# June 30, 2016

| | Business-Type Activities Water & Sewer Enterprise Funds |
|---|---|
| **ASSETS** | |
| Current Assets | |
| Cash | $ 84,302 |
| Accounts receivable, net of allowance for doubtful accounts | 37,357 |
| Accrued income receivable | 4,972 |
| Due from Other Funds | 22,514 |
| Prepaid insurance | 3,584 |
| Total Current Assets | 152,729 |
| Noncurrent Assets: | |
| Nondepreciable capital assets | - |
| Depreciable capital assets | 3,783,388 |
| Total Noncurrent Assets | 3,783,388 |
| Total Assets | $ 3,936,117 |
| **LIABILITIES** | |
| Current Liabilities | |
| Accounts payable | $ 6,115 |
| Note payable - FMHA | 11,947 |
| Bond payble - USDA | 13,170 |
| Other current liabilities | 430 |
| Total Current Liabilities | 31,662 |
| Noncurrent Liabilities: | |
| Customer deposits | 34,706 |
| Net pension obligation | 9,614 |
| Note payable - FHMA | 342,087 |
| Bond payable - USDA | 725,402 |
| Total Noncurrent Liabilities | 1,111,809 |
| Total Liabilities | 1,143,471 |
| **NET POSITION** | |
| Net investment in capital assets | 2,690,782 |
| Restricted for debt service | 63,456 |
| Unrestricted (deficit) | 38,408 |
| Total Net Position | 2,792,646 |
| Total Liabilities and Net Assets | $ 3,936,117 |

The notes to the Financial Statments are an integral part of this statement.

# TOWN OF PORTAL, GEORGIA
# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUND - WATER & SEWER ENTERPRISE
## For the Year Ended June 30, 2016

| | Business-Type Activities Water & Sewer Enterprise Funds |
|---|---|
| OPERATING REVENUES | |
| Water revenues | $ 106,276 |
| Sewer revenues | 88,753 |
| Total Operating Revenues | 195,029 |
| OPERATING EXPENSES | |
| Personnel services | 35,691 |
| Contracted services | 11,842 |
| Utilities | 21,184 |
| Insurance | 5,105 |
| Supplies and other expenses | 42,144 |
| Depreciation and amortization | 127,738 |
| Total Operating Expenses | 243,704 |
| Operating Income (Loss) | (48,675) |
| NONOPERATING REVENUES (EXPENSES) | |
| Other revenue | 2,044 |
| Interest income | 150 |
| Interest expense | (39,353) |
| Total Nonoperating Revenues (Expenses) | (37,159) |
| Income (Loss) Before Contributions and Transfers | (85,834) |
| CONTRIBUTIONS AND TRANSFERS | |
| Transfers out | (33,168) |
| Total Contributions and Transfers | (33,168) |
| Change in Net Position | (119,002) |
| Net Position - beginning of year, as stated | 2,921,168 |
| Prior period adjustment | (9,520) |
| Net Position - beginning of year, as restated | 2,911,648 |
| Net Position - End of year | $ 2,792,646 |

The notes to the Financial Statements are an integral part of this statement.

# TOWN OF PORTAL, GEORGIA
# STATEMENT OF CASH FLOWS
# PROPRIETARY FUND - WATER & SEWER ENTERPRISE FUNDS
## For the Year Ended June 30, 2016

| | Business-Type Activities Water & Sewer Enterprise Funds |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customer | $ 195,417 |
| Payments to suppliers | (88,206) |
| Payments to employees | (28,102) |
| Net Cash Provided by Operating Activities | 79,109 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers to other funds | (33,168) |
| Net Cash Used by Noncapital Financing Activities | (33,168) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of capital assets | (25,920) |
| Receipt of transfers from other funds | 30,056 |
| Proceeds from loan | 12,234 |
| Principal paid on capital debt | (24,103) |
| Interest paid on capital debt | (39,353) |
| Net Cash Used by Capital and Related Financing Activities | (47,086) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Receipt of customer deposits | 4,562 |
| Other receipts | 2,044 |
| Interest income | 150 |
| Net Cash Provided by Investing Activities | 6,756 |
| Increase in cash and cash equivalents | 5,611 |
| Cash and Cash Equivalents - beginning of year | 78,691 |
| Cash and Cash Equivalents - end of year | $ 84,302 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | |
| Operating income (loss) | $ (48,675) |
| Adjustment to reconcile operating loss to net cash provided by operating activities | |
| Depreciation expense | 127,738 |
| Change in assets and liabilities | |
| Receivables and accrued revenues | 388 |
| Prepaid insurance | 1,654 |
| Accounts and other payables | (1,996) |
| Net Cash provided by operating Activities | $ 79,109 |

The notes to the Financial Statements are an integral part of this statement.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY

The Town of Portal was chartered by an act of the General Assembly of the State of Georgia. The Town operates under a Mayor-Council form of government and provides services as authorized by its Charter: police, streets, sanitation and general administrative services. In addition, the Town operates a water distribution system and sewer system. The financial reporting entity has been determined by management in accordance with generally accepted accounting principles to be the primary government, organizations for which the primary government is financially accountable and organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the government for financial reporting purposes, management has considered all component units. The criteria used to determine financial accountability are the ability of the primary government to appoint a voting majority of the organization's governing body, and effectively impose its will on the organization. Also, if there is potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the primary government, financial accountability would exist. Based on the application of these criteria, the Town's primary government has **no** component units.

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. Its implementation creates new information and restructures much of the information that governments have presented in the past. The GASB's intent is to make annual reports more comprehensive and easier to understand.

GASB 34 became effective for entities the size of the Town during the fiscal year ending June 30, 2004. One of the changes required by GASB 34 is the presentation of current and accumulated depreciation by activity. Another important change is the requirement to present the original adopted budget as well as the final amended budget in the budgetary comparison statements.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is accountable.

The statement of activities demonstrates the degree to which direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) 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 of general revenues.

(Continued) – 1.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for the governmental fund and the proprietary fund (water and sewer enterprise fund).

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type activities for the Government as a whole.

These statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Accordingly, all the Town's assets and liabilities, including capital assets, as well as current year infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Town complies with Governmental Accounting Standards Board ("GASB") Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This Statement requires the Town to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements Financial Accounting Standards Board (FASB) Statements and Interpretation, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the Town has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

Governmental Fund Financial Statements

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements and Permanent funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those

(Continued) – 2.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

revenues susceptible to accrual are property taxes, alcoholic beverage taxes and charges for sanitation services, licenses, interest revenue and charges for services. Fines are not susceptible to accrual because generally they are not measurable until received in cash. The Town considers taxes as available in the period for which they were levied if they are collected within 60 days after year end.

The Town reports the following governmental funds:

**General fund** – a major fund that is the principal fund of the Town and is used to account for all activities of the Town not otherwise accounted for by a specified fund.

**SPLOST fund** – a separate capital projects fund that accounts for the special purpose local option sales tax received from Bulloch County to be used for various capital improvements.

The Town reports the following proprietary fund:

**Water & Sewer Enterprise fund** – a major fund that is the fund used to account for the operation of water and sewer services to the residents of the Town.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The Town's policy has set the capitalization threshold for reporting capital assets at $500. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. As a phase 3 entity, capital assets do not include infrastructure assets owned by the city acquired prior to June 30, 1999.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Compensated Absences

It is the City's policy that all unused vacation and sick leave lapses at year end. A liability is not reported for unpaid vacation and sick leave which does not vest and is not paid upon termination.

Long-Term Obligations

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 position.

(Continued) – 3.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

CASH

For the purposes of the statement of cash flows, the water and sewer enterprise fund considers certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

INVESTMENTS

State statutes authorize the Town to invest in obligations of the U.S. Treasury and the State of Georgia and its agencies, certificates of deposits of banks which have deposits insured by the Federal Deposit Insurance Corporation, repurchase agreements and the State's local government investment pool.

The Town currently has not adopted investment policies for credit risk, concentration risk, interest rate risk, or foreign currency risk.

INVENTORY AND PREPAID EXPENSES

Materials purchased are shown as expenditures when acquired and are not inventoried at year end due to lack of materiality.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

RESTRICTED ASSETS

As of June 30, 2016 restricted assets consisted of the following:

Customer deposits which are restricted as potential refunds to customers of water service.

Cash in SPLOST fund restricted for capital asset improvements.

Cash set aside in a separate checking account that is donor restricted for Christmas lights.

Cash set aside in a separate checking account that is restricted by the Department of Transportation for road construction.

The Town's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available is to allocate the application of restricted and unrestricted resources based upon the nature of the expenditure/expense or utilization of the asset purchased.

(Continued) – 4.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 25, the due date for property taxes. Taxes are levied on or about October 20 and are due and payable on January 25. The Town bills and collects its own property taxes. Town property tax revenues are recognized when levied to the extent that they result in current receivables.

OPERATING REVENUES AND EXPENSES

Proprietary funds distinguish operating revenues and expenses from non-operating 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. For the Town, these revenues are charges to customers for water and sewer services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses including operating grants and interest expense.

FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

**Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through adoption of a resolution. The City Council also may modify or rescind the commitment.

**Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance committee or the City's finance director to assign fund balances.

Continued) – 5.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balances are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

Committed
Assigned
Unassigned

**Net Position** – Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for specific future use. Designated fund balances represent tentative plans for future use of financial resources.

## NOTE 2 – DEPOSITS

The Town of Portal, Georgia has no custodial credit risk policy. The cash accounts consist entirely of demand deposits and short-term certificates of deposit. At June 30, 2016, the carrying amount of the Town's deposits was $241,646 and the bank balances were $240,305. The Town has cash accounts at three different financial institutions. All of the bank balances were covered by federal depository insurance. At June 30, 2016, there were no uninsured deposits.

## NOTE 3 – CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2016:

| Governmental Activities: | Balance July 1, 2015 | Increases | Decreases | Balance June 30, 2016 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 14,224 | $ | $ | $ 14,224 |
| Construction in progress | 0 | | | 0 |
| Total capital not being depreciated | 14,224 | | | 14,224 |

(Continued) – 6.

**NOTE 3 – CAPITAL ASSETS (Continued)**

| | Balance July 1, 2015 | Increases | Decreases | Balance June 30, 2016 |
|---|---|---|---|---|
| Capital assets, being depreciated: | | | | |
| Land improvements | 282,613 | | | 282,613 |
| Buildings | 77,184 | | | 77,184 |
| Building improvements | 21,270 | 10,693 | | 31,963 |
| Equipment and vehicles | 376,781 | 8,628 | (20,489) | 364,920 |
| Total capital being depreciated | 757,848 | 19,321 | (20,489) | 756,680 |
| Total capital assets | 772,072 | 19,321 | (20,489) | 770,904 |

| Governmental Activities: | Balance July 1, 2015 | Increases | Decreases | Balance June 30, 2016 |
|---|---|---|---|---|
| Accumulated depreciation | | | | |
| Land improvements | $ 175,575 | $ 15,255 | $ | $ 190,830 |
| Buildings | 51,844 | 2,591 | | 54,435 |
| Building improvements | 14,008 | 452 | | 14,460 |
| Equipment and vehicles | 341,319 | 9,372 | (20,489) | 330,202 |
| Total accumulated depreciation | 582,746 | 27,670 | (20,489) | 589,927 |
| Governmental activities capital assets, net | $ 189,326 | $ (8,349) | $ 0 | $ 180,977 |

| Business-type Activities: | Balance July 1, 2015 | Increases | Decreases | Balance June 30, 2016 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Construction in progress | $ 0 | $ | $ | $ 0 |
| Total capital not being depreciated | 0 | | | 0 |
| Capital assets, being depreciated: | | | | |
| Water system and sewer system | 4,894,436 | 18,220 | | 4,912,656 |
| Equipment and vehicles | 29,079 | 7,700 | | 36,779 |
| Total capital being depreciated | 4,923,515 | 25,920 | | 4,949,435 |
| Total capital assets | 4,923,515 | 25,920 | | 4,949,435 |

(Continued) – 7.

**NOTE 3 – CAPITAL ASSETS (Continued)**

| | Balance July 1, 2015 | Increases | Decreases | Balance June 30, 2016 |
|---|---|---|---|---|
| Accumulated depreciation | | | | |
| Water and sewer system | $ 1,011,915 | $ 126,525 | | $1,138,440 |
| Equipment and vehicles | 26,392 | 1,213 | | 27,605 |
| Total accumulated depreciation | 1,038,307 | 127,738 | | 1,166,045 |
| Business-type activities capital assets, net | 3,885,208 | (101,818) | | 3,783,390 |
| Less related debt: | | | | |
| Note payable to FMHA | 365,284 | 0 | (11,250) | 354,034 |
| Bond payable to USDA | 739,191 | 12,234 | (12,853) | 738,572 |
| | 1,104,475 | 12,234 | (24,103) | 1,092,606 |
| Capital assets, net of related debt | $2,780,733 | $ (114,052) | $24,103 | $ 2,690,784 |

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on the Proprietary Fund – Water and Sewer Enterprise Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight line depreciation method. Depreciation has been calculated on the capital assets using the following useful lives:

| | |
|---|---|
| Buildings | 15 - 40 years |
| Building improvements | 5 - 7 years |
| Land improvements | 10 -15 years |
| Water system | 40 years |
| Sewer System | 39 years |
| System improvements | 15 years |
| Equipment and vehicles | 5 -10 years |

Depreciation was charged to function/program of the Town as follows:

| | |
|---|---|
| Governmental Activities: | |
| General government | $ 3,213 |
| Police | 6,670 |
| Sanitation | 241 |
| Streets and roads | 17,546 |
| Total depreciation expense - Governmental Activities | $ 27,670 |
| | |
| Business-type Activities: | |
| Water and Sewer enterprise fund | $127,738 |

Continued) – 8.

## NOTE 4 – LONG-TERM OBLIGATIONS

### Note Payable – FMHA:

Long term debt reflected in the Water and Sewer Enterprise fund, a proprietary fund, includes a note payable to United States Department of Agriculture – Rural Development. The debt, in the original amount of $503,600, was issued in December, 1994, the proceeds of which were used to expand and improve the Town's water distribution system. The note bears an interest rate of 5.25% and is payable in 480 monthly installments of $2,513. The outstanding balance as of June 30, 2016 is $354,034. Debt service is being provided with fees from water revenues after operating and maintenance expenses of the system.

### Bond Payable – USDA:

Additional long term debt reflected in the Water and Sewer Enterprise fund includes a bond payable to the United States Department of Agriculture – Rural Development. The bond was issued in the amount of $795,000 for the sewer project financing. As of June 30, 2016, $776,837 of the total bond of $795,000 has been drawn by the Town. The interest rate for the bond is 2.75% and is being amortized over 39 years in monthly payments of $2,775 that began in July of 2014. In addition, a loan fee of $26,000 was incurred. The balance as of June 30, 2016 was $738,572. Debt service is being provided with fees from the sewer revenues after operating and maintenance expenses of the system.

### Notes Payable – Bulloch County Board of Commissioners:

Debt reflected in the SPLOST fund, a separate capital projects fund, are amounts payable to the Bulloch County Board of Commissioners. The original debt, in the amount of $550,000, was issued on April 9, 2008. The Town has been paying interest only on the note since issuance. The interest rate is .50% and will be amortized over 20 years with monthly payments of $2,409. An additional $50,000 was also loaned to the Town by the Bulloch County Board of Commissioners during the year ending June 30, 2011. This amount was issued on June 2, 2011. The interest rate is 2.00% and will be amortized over 20 years with monthly payments of $253. The proceeds from the two referenced loans were used to partially fund the Town's new sewer system. There are separate intergovernmental agreements with the County establishing payment schedules and the terms of repayment for both of the loans. The loans were advanced to the Town from County SPLOST proceeds. During the year ending June 30, 2014, $150,000 in excess SPLOST proceeds collected by the County were allocated to the Town and used to service the debt in addition to the required monthly payments. As of June 30, 2016, the balance of the original note was $400,000 and the balance of the second note is $40,239. The agreements for both of these notes indicate 12 monthly payments to be made per year. For the year ending June 30, 2016, only 9 payments were made.

### Debt Service:

The FMHA note obligation is collaterized by revenues from the water system after operating and maintenance expenses. The USDA bond obligation is collaterized by the sewer revenues after operating and maintenance expenses.

Continued) – 9.

## NOTE 4 – LONG-TERM OBLIGATIONS (Continued)

A comparison of the recognized collateralized revenues to the total debt service of the FMHA, USDA, and Bulloch County note and bond obligations for the year ended June 30, 2016 is as follows:

| | |
|---|---|
| Net Water and Sewer Revenues | $79,063 |
| Debt Service: | |
| USDA | 33,300 |
| FMHA | 30,156 |
| | 63,456 |
| | $15,607 |

The annual debt service requirements to maturity of the Town's note payable to FMHA – Rural Development as of June 30, 2016 is as follows:

| Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 11,947 | $ 18,209 | $ 30,156 |
| 2018 | 12,484 | 17,672 | 30,156 |
| 2019 | 13,155 | 17,001 | 30,156 |
| 2020 | 13,863 | 16,293 | 30,156 |
| 2021 | 14,608 | 14,548 | 30,156 |
| 2022 – 2026 | 85,707 | 65,073 | 150,780 |
| 2027 – 2031 | 111,371 | 39,409 | 150,780 |
| 2032 – 2034 | 90,899 | 8,292 | 99,191 |
| | $354,034 | $196,497 | $550,531 |

The annual debt service requirements to maturity of the Town's bond payable to USDA as of June 30, 2016 are as follows:

| Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 13,170 | $ 20,130 | $ 33,300 |
| 2018 | 13,536 | 19,764 | 33,300 |
| 2019 | 13,913 | 19,387 | 33,300 |
| 2020 | 14,300 | 19,000 | 33,300 |
| 2021 | 14,698 | 18,602 | 33,300 |
| 2022 – 2026 | 64,760 | 101,740 | 166,500 |
| 2027 – 2031 | 91,627 | 74,873 | 166,500 |
| 2032 – 2036 | 105,116 | 61,384 | 166,500 |
| 2037 – 2041 | 120,591 | 45,909 | 166,500 |
| 2042 – 2046 | 138,346 | 28,154 | 166,500 |
| 2047 – 2052 | 148,515 | 8,035 | 156,550 |
| | $738,572 | $416,978 | $1,155,550 |

Continued) – 10.

**NOTE 4 – LONG-TERM OBLIGATIONS (Continued)**

The annual debt service requirements to maturity of the Town's note payable to the Bulloch County Board of Commissioners in accordance with Intergovernmental Agreement #1 as of June 30, 2016 is as follows:

| Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 26,967 | $ 1,937 | $ 28,904 |
| 2018 | 27,102 | 1,802 | 28,904 |
| 2019 | 27,238 | 1,666 | 28,904 |
| 2020 | 27,375 | 1,529 | 28,904 |
| 2021 | 27,511 | 1,393 | 28,904 |
| 2022 – 2026 | 139,640 | 4,880 | 144,520 |
| 2027 – 2028 | 124,167 | 1,321 | 125,488 |
| | $400,000 | $ 14,528 | $414,528 |

The annual debt service requirements to maturity of the Town's note payable to the Bulloch County Board of Commissioners in accordance with Intergovernmental Agreement #2 as of June 30, 2016 is as follows:

| Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 2,241 | $ 794 | $ 3,035 |
| 2018 | 2,297 | 738 | 3,035 |
| 2019 | 2,343 | 692 | 3,035 |
| 2020 | 2,390 | 645 | 3,035 |
| 2021 | 2,439 | 596 | 3,035 |
| 2022 – 2026 | 12,950 | 2,225 | 15,175 |
| 2027 – 2030 | 15,579 | 872 | 16,451 |
| | $ 40,239 | $ 6,562 | $ 46,801 |

**Changes in Long Term Obligations:**

| | Balance July 1, 2015 | Additions | Payments | Balance June 30, 2016 | Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| Board of Commissioners #1 | $ 400,000 | $ | $ 0 | $400,000 | $ 26,967 |
| Board of Commissioners #2 | 41,898 | | 1,659 | 40,239 | 2,241 |
| | $ 441,898 | | $ 1,659 | $440,239 | 29,208 |
| Business-type Activities: | | | | | |
| Note Payable – USDA | $ 365,284 | $ | $ 11,250 | $354,034 | $ 11,947 |
| Bond Payable – Note Payable – USDA | $ 739,191 | 12,234 | 12,853 | 738,572 | 13,170 |
| | $1,104,475 | $ 12,234 | $24,103 | $1,092,606 | $ 25,117 |

(Continued) – 11.

## NOTE 4 – LONG-TERM OBLIGATIONS (Continued)

Interest expense for the year ended June 30, 2016 related to the FMHA note obligation totaled $18,906. This interest expense amount is included in the expenses for the business-type activities on the Statement of Activities. Interest expense for the year ended June 30, 2016 related to the USDA bond obligation totaled $20,447. This interest expense amount is included in the expenses for the business-type activities on the Statement of Activities. Interest expense for the year ended June 30, 2016 related to the Bulloch County Board of Commissioners note obligations are $2,680 and are included in the SPLOST Fund.

## NOTE 5 – RECEIVABLES

Receivables as of June 30, 2016 for the Town's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

| | Receivable | Allowance | Net |
|---|---|---|---|
| General Fund: | | | |
| Property tax | $ 29,462 | $ | $29,462 |
| Vehicle and mobile home tax | 882 | | 882 |
| Customer fees – sanitation | 15,102 | 4,118 | 10,984 |
| Alcoholic beverage tax | 2,438 | | 2,438 |
| Total General Fund | 47,884 | 4,118 | 43,766 |
| Water and Sewer Fund: | | | |
| Customer fees – Water services | 37,665 | 10,331 | 27,334 |
| Customer fees – Sewer services | 20,673 | 5,679 | 14,994 |
| Total Water & Sewer Fund | $ 58,338 | $ 16,010 | $ 42,328 |
| Total | $106,222 | $ 20,128 | $ 86,094 |

## NOTE 6 – RETIREMENT BENEFITS

### Defined Benefit Pension Plan

The Town provides a defined benefit pension plan for full-time employees of at least one year. The Town's defined benefit pension plan, the Town of Portal Retirement Plan, provides retirement and disability benefits to plan members and beneficiaries. The plan is reported on a fiscal year ending January 1, 2016.

Continued) – 12.

## NOTE 6 – RETIREMENT BENEFITS (Continued)

### Plan Description

The Town contributes to the Town of Portal Retirement Plan, which is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employer plan. O.C.G.A. Section 47-5-1 et Seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the GMEBS to the respective employer entities. For the Town of Portal Retirement Plan, that authority rests with the Town of Portal, Georgia. It is the responsibility of GMEBS to function as the investment and administrative agent for the Town of Portal, Georgia with respect to the pension plan. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Employee Benefits System, 201 Pryor Street, SW, Atlanta, GA 30303, or calling (404) 688-0472. The total payroll for employees participating in the Plan as of January 1, 2016 (the most recent actuarial valuation date) was $176,300.

Town employees are not permitted to contribute to the Plan. The Town contributes the entire cost of the Plan, using that actuarial basis described in the annual valuation report.

### Plan Asset Matter and Accounting Policies

The Plan's financial statements are prepared on the accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and increments in cash value of death benefits.

Investments in securities are valued at current market prices. Plan assets do not include any loans, notes, bonds, or other instruments or securities of the Town or related parties.

### Plan Membership

Effective January 1, 2015, the Plan was amended to provide for immediate participation for employees. At June 30, 2015, the following employees were covered by the benefit terms:

| | |
|---|---|
| Retirees and beneficiaries receiving benefits | 2 |
| Terminated plan members entitled to, but not receiving benefits | 1 |
| Active plan members | 7 |
| Total | 10 |

(Continued) – 13.

## NOTE 6 – RETIREMENT BENEFITS (Continued)

### Contributions

The plan is subject to the minimum funding standards of the Public Retirement System Standards Law (O.C.G.A. Section 47-20-10). The estimated minimum annual contribution for the year ended June 30, 2015 under those standards is $18,984 which is 11% of covered payroll. The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuation in annual contribution amount and to accumulate sufficient funds to secure benefits under the plan. The GMEBS funding policy is to contribute an amount equal to the recommended contribution each year.

### Pension Liabilities, Pension Expense, and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Town reported a liability of $108,019 as its net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The Town's net pension liability was based on the projection of the Town's long-term contributions to the pension plan, actuarially determined at January 1, 2016.

The following is a schedule that reconciles the differences between the beginning and ending net pension liability for the year ended June 30, 2016:

| **Changes in the Net Pension Liability** | **Total Pension Liability** (TPL) (a) | **Fiduciary Net Position** (FNP) (b) | **Net Pension Liability** (NPL) (a) – (b) |
|---|---|---|---|
| Balances at September 30, 2014 | $190,936 | $115,369 | $ 75,567 |
| Charges for the year: | | | |
| Service Cost | 6,501 | - | 6,501 |
| Interest | 14,451 | - | 14,451 |
| Differences between expected and actual experience | 28,274 | - | 28,274 |
| Contributions – employer | - | 17,691 | (17,691) |
| Contributions – employee | - | - | - |
| Net investment income | - | 1,033 | (1,033) |
| Benefit payments, including refunds of employee contributions | (8,940) | (8,940) | - |
| Administrative expense | - | (1,950) | 1,950 |
| Other | - | - | - |
| Net changes | 40,286 | 7,834 | 32,452 |
| Balances at September 30, 2015 | $231,222 | $123,203 | $108,019 |

Continued) – 14.

**NOTE 6 – RETIREMENT BENEFITS (Continued)**

The discount rate applied in the measurement of the total pension liability was 7.75%. The projection of cash flows used to determine this discount rate has made the assumption that employee contributions will be made at the current contribution rate and that the Town's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees, Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability. This discount rate has not changed since the prior measurement date.

| **Sensitivity of the Net Pension Liability to Changes in the Discount Rate** | **1% Decrease** (6.75%) | **Current Discount Rate** (7.75%) | **1% Increase** (8.75%) |
|---|---|---|---|
| | $147,225 | $108,019 | $ 76,512 |

**Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2015 are used to measure TPL as of September 30, 2014. The balances as of September 30, 2014 constitute measurements of the NPL for the fiscal year ending June 30, 2015.*

***Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2016 are used to measure TPL as of September 30, 2015. The balances as of September 30, 2015 constitute measurements of the NPL for the fiscal year ending June 30, 2016.*

For the year ended June 30, 2016, the Town recognized pension expense of $16,855. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Differences between expected and actual experience | $ 26,674 | $ - |
| Changes of assumptions | - | (3,172) |
| Net difference between projected and actual earnings on pension plan investments | 4,400 | - |
| Total | $ 31,074 | $ (3,172) |

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to the net pension liability to be recognized in future periods in a systematic and rational manner, as detailed below.

(Continued) – 15.

**NOTE 6 – RETIREMENT BENEFITS (Continued)**

The amounts listed in the table above and reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future years as follows:

| Year Ending June 30, | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2017 | $ 4,778 |
| 2018 | 4,778 |
| 2019 | 4,778 |
| 2020 | 5,490 |
| 2021 | 4,039 |
| 2022 and Thereafter | 4,039 |
| Total | $ 27,902 |

**Actuarial Methods and Assumptions**

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the actuarial present value of projected benefits attributable to past periods of service for current and inactive employees.

| | |
|---|---|
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Closed level dollar for remaining unfunded liability |
| Remaining Amortization Period | Remaining amortization period varies for the bases, with a net effective amortization period of 11 years |
| Asset Valuation Method | Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Actuarial assumptions: | |
| Net Investment rate of return | 7.75% |
| Projected salary increases | 3.25% plus service based merit increases |
| Cost of living adjustment | Not Applicable |
| Retirement Age: | |
| Normal | 65 |
| Early | 55 |
| Mortality: | |
| Healthy | RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females |
| Disabled | RP-2000 Disabled Retiree Mortality Table with sex-distinct rates |
| Plan termination basis (all lives) | 1994 Group Annuity Reserving Unisex Table |

(Continued) – 16.

## NOTE 6 – RETIREMENT BENEFITS (Continued)

### Net Investment Return

The 7.75% long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major net asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of September 30, 2015 are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return | Long-term Nominal Real Rate of Return |
|---|---|---|---|
| Domestic equity | 50% | 5.95% | 9.20% |
| International equity | 15% | 6.45% | 9.70% |
| Fixed income | 25% | 1.55% | 4.80% |
| Real estate | 10% | 3.75% | 7.00% |
| Cash | 0% | | |
| Total | **100%** | | |

## NOTE 7 – COMMITMENTS AND CONTINGENT LIABILITIES

On November 12, 2015, the Town was named as a defendant in a lawsuit as a result of an alleged accident occurring May 16, 2014 resulting in injury to the plaintiff. The Town of Portal timely filed its Answer on December 9, 2015. The parties have completed discovery and the Town's Motion for Summary Judgment was **granted** by the Court on November 28, 2016, which effectively **dismissed** the suit in the Town of Portal's favor. Accordingly, no accrual for potential loss is reflected in the financial statements.

The Town, for the years from 1995 to 2000, participated in the Community Oriented Policing Services grant program (COPS). The Town has not retained the employment of one police officer position as required by the grant program. The COPS program considers the retainage period to be on extension. The Town may be liable for grant repayment to the COPS program if the police officer position is not filled within and for the appropriate time frames. The extension dates, or possible repayment amount could not be reasonably determined as of the date of this auditor's report.

(Continued) – 17.

## NOTE 8 – RISK MANAGEMENT

The Town of Portal is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has purchases traditional insurance coverage to cover the risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Terms of the insurance policies purchased by the Town inclusive of limits, deductible and retroactive dates of coverage are as follows:

| | | |
|---|---|---|
| COVERAGE DESRIPTION – PROPERTY: | | |
| Buildings and Contents (Blanket) | $ | 1,000,000 |
| Personal property | $ | 500,000 |
| Automobile Physical Damage | | Vehicle Specific |
| COVERAGE DESCRIPTION – CASUALTY: | | |
| Comprehensive General Liability and Law Enforcement Liability | $ | 2,000,000 |
| Automobile Liability | $ | 1,000,000 |
| Errors and Omissions (Public Officials) Liability | $ | 2,000,000 |
| Employee Benefits Liability (each employee) | $ | 1,000,000 |
| Employee Benefits Liability (aggregate) | $ | 2,000,000 |
| COVERAGE DESCRIPTION – CRIME | | |
| Employee theft | $ | 500,000 |

DEDUCTIBLE:
Deductibles range from $1,000 to $2,500 depending on the type of coverage and per occurrence.

| | |
|---|---|
| COVERAGES SUBJECT TO RETROACTIVE DATE: | |
| Public officials liability | 5/1/2011 |
| Employee benefits liability | 5/1/2011 |

The basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary.

During the year ended June 30, 2016, the Town did not pay any claims. The Town has not compiled a record of the claims paid up to the $1,000 deductible for the prior years. The Town is not aware of any claims which the Town is liable for (up to $1,000) which were outstanding and unpaid at June 30, 2015. No provisions have been made in the financial statements for the year ended June 30, 2016 for any estimate of potential unpaid claims.

Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments to cover risk associated with injuries to employees. Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the Town of Portal became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund (2/21/89). The liability of the fund to the employees of any employer (Town of Portal) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

(Continued) – 18.

**NOTE 8 – RISK MANAGEMENT (continued)**

The fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Worker's Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false and fraudulent. The fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

**NOTE 9 – JOINT VENTURE**

Under Georgia law, the Town, in conjunction with other cities and counties in the nine county coastal Georgia area, is a member of the Coastal Georgia Regional Commissions (RC) and is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligation of an RC. Separate financial statements may be obtained from:

Coastal Georgia Regional Commissions
P.O. Box 1917
Brunswick, Georgia 31521

**NOTE 10 – INTERFUND TRANSFERS**

| | Transfers In | Transfers Out |
|---|---|---|
| General Fund | $ 29,311 | |
| Water & Sewer Enterprise Fund | | $ 29,311 |

The interfund transfer above reflects disbursements made by the Water & Sewer Enterprise fund for expenses allocable to the General fund for operating expenses such as property and liability insurance and payroll taxes.

| | Transfers In | Transfers Out |
|---|---|---|
| SPLOST Fund | $ 482 | |
| General Fund | | $ 482 |

The interfund transfer above reflects disbursements made by the General Fund for the payment of debt service allocable to the SPLOST Fund.

| | Transfers In | Transfers Out |
|---|---|---|
| SPLOST Fund | $ 3,857 | |
| Water & Sewer Enterprise Fund | | $ 3,857 |

The interfund transfer above reflects disbursements made by the Water & Sewer Enterprise Fund for the payment of debt service allocable to the SPLOST Fund.

(Continued) – 19.

## NOTE 11 – INTERFUND BALANCES

Entity-wide internal balances at June 30, 2016 were $116,540.

| Due To | Due From | Amount |
|---|---|---|
| Water & Sewer Enterprise Fund | SPLOST Fund | $ 22,513 |
| General Fund | SPLOST Fund | 94,027 |

Interfund balances consist of transfers for SPLOST capital projects.

## NOTE 12 – GASB 33 AND GASB 34

In 2004, the Town implemented GASB Statement No. 33 "Accounting and Financial Reporting for Non-exchange Transactions" and GASB Statement No. 34 "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments." Statement No. 34 established new financial reporting requirements for all state and local governments and consists of the following:

Management's discussion and analysis:
Basic Financial Statements
Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
Notes to the financial statements;
Required supplementary information, which requires budgetary comparison schedules to be presented;

Additionally, this new statement narrowed the definition for the fiduciary fund types, required the elimination of the effects if internal service activities and required recording of infrastructure assets. As a phase 3 entity, the Town has elected to record infrastructure from the year of inception forward.

## NOTE 13 – FUND EQUITY

Fund balances at June 30, 2016 are classified as follows:

Nonspendable – The following fund balances are non-spendable because they are allocated to:

| | |
|---|---|
| General Fund: | |
| Prepaid items | $ 7,110 |
| Total | $ 7,110 |

Assigned – The following balances are assigned because they are intended to be used for specific purposes:

| | |
|---|---|
| General Fund: | |
| Christmas Lights | $ 397 |
| Total | $ 397 |

Continued) – 20.

**NOTE 13 – FUND EQUITY (Continued)**

Restricted – The following fund balances are restricted for:

| | |
|---|---|
| General Fund: | |
| Department of Transportation – road construction | $ 20,758 |
| Capital Projects Fund: | |
| SPLOST Fund | 1,881 |
| Total Restricted Fund Balance | $ 22,639 |

Unassigned – The following fund balances are unassigned:

| | |
|---|---|
| General Fund | $ 66,211 |
| Total Restricted Fund Balance | $ 66,211 |

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 30, 2016, which is the date the financial statements were available to be issued.

**NOTE 15 – STEWARDSHIP**

Expenditures exceeded appropriations for the year ended June 30, 2016 in the following functional categories:

General Government - $16,507
Streets and Roads - $2,395
Sanitation - $2,872

The over-expenditures in these areas were financed from transfers and under-expenditures in other functional categories.

**NOTE 16 – PRIOR PERIOD ADJUSTMENTS**

During the year ended June 30, 2015, the Town of Portal implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*. This resulted in an adjustment to the beginning net position on the government-wide statement of activities and changes in net position to recognize the net pension liability. For the year ended June 30, 2015, the Town inadvertently allocated the entire adjustment to Governmental Activities, when a percentage should have actually been allocated to Business-Type Activities. Therefore, for the year ending June 30, 2016, a prior period adjustment has been made to both the Governmental Activities and the Business-Type Activities to reflect the proper allocation.

Continued) – 21.

## TOWN OF PORTAL, GEORGIA
## SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY - LAST 10 FISCAL YEARS

| | YEAR ENDED JUNE 30: | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| *Total pension liability* | | | | | | | | | | | |
| Service cost | $ 6,501 | $ 6,549 | | | | | | | | | |
| Interest | 14,451 | 13,663 | | | | | | | | | |
| Differences between expected and actual experience | 28,274 | 3,662 | | | | | | | | | |
| Changes of assumptions | - | (4,759) | | (Historical information prior to implementation of GASB 67/68 is not required) | | | | | | | |
| Changes of benefit terms | - | - | | | | | | | | | |
| Benefit payments, including refunds of employee contributions | (8,940) | (8,940) | | | | | | | | | |
| Net change in total pension liability | 40,286 | 10,175 | | | | | | | | | |
| Total pension liability - beginning | 190,936 | 180,761 | | | | | | | | | |
| Total pension liability - ending (a) | $ 231,222 | $ 190,936 | | | | | | | | | |
| *Plan fiduciary net position* | | | | | | | | | | | |
| Contributions - employer | $ 17,691 | $ 17,007 | | | | | | | | | |
| Contributions - employee | - | - | | | | | | | | | |
| Net investment income | 1,033 | 11,369 | | | | | | | | | |
| Benefit payments, including refunds of employee contributions | (8,940) | (8,940) | | (Historical information prior to implementation of GASB 67/68 is not required) | | | | | | | |
| Administrative expense | (1,950) | (1,610) | | | | | | | | | |
| Other | - | - | | | | | | | | | |
| Net change in fiduciary net position | 7,834 | 17,826 | | | | | | | | | |
| Plan fiduciary net position - beginning | 115,369 | 97,543 | | | | | | | | | |
| Plan fiduciary net position - ending (b) | $ 123,203 | $ 115,369 | | | | | | | | | |
| Net pension liability - ending: (a)-(b) | $ 108,019 | $ 75,567 | | | | | | | | | |
| Plan's fiduciary net position as a percentage of the total pension liability | 53.28% | 60.42% | | | | | | | | | |
| Covered employee payroll | 176,300 | 134,014 | | (Historical information prior to implementation of GASB 67/68 is not required) | | | | | | | |
| Net pension liability as a percentage of Covered employee payroll | 61.27% | 56.39% | | | | | | | | | |

The notes to the Required Supplementary Information are an integral part of this schedule.

## TOWN OF PORTAL, GEORGIA
## SCHEDULE OF PENSION CONTRIBUTIONS - LAST 10 FISCAL YEARS

| | YEAR ENDED JUNE 30: | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Actuarially determined contribution | - * | 16,409 | | | | | | | | | |
| Contributions in relation to the Actuarially determined contribution | - * | 17,836 | | | | | | | | | |
| Contribution deficiency (excess) | - * | (1,427) | | | | | | | | | |
| Covered-employee payroll | - * | 134,014 | | | | | | | | | |
| Contributions as a percentage of covered-employee payroll | - * | 13.31% | | | | | | | | | |

(Historical information prior to implementation of GASB 67/68 is not required)

* *2016 information will be determined after fiscal year end and will be included in the 2017 valuation report.*

** *Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of emloyee-covered payroll of the actuarially determined contributions.*

*** *2016 covered payroll is based on data collected as of August 31, 2014 for the 2015 actuarial valuation.*

The notes to the Required Supplementary Information are an integral part of this schedule.

## NOTE 1 – SIGNIFICANT METHODS AND ASSUMPTIONS

### Valuation Date

The actuarially determined contribution rate was determined as of January 1, 2016, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2017.

### Actuarial Methods and Assumptions

The following actuarial methods and assumptions were used to determine contribution rates:

| | |
|---|---|
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Closed level dollar for remaining unfunded liability |
| Remaining Amortization Period | Remaining amortization period varies for the bases, with a net effective amortization period of 11 years |
| Asset Valuation Method | Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Actuarial assumptions: | |
| Net Investment rate of return | 7.75% |
| Projected salary increases | 3.25% plus service based merit increases |
| Cost of living adjustment | Not Applicable |
| Retirement Age: | |
| Normal | 65 |
| Early | 55 |
| Mortality: | |
| Healthy | RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females |
| Disabled | RP-2000 Disabled Retiree Mortality Table with sex-distinct rates |
| Plan termination basis (all lives) | 1994 Group Annuity Reserving Unisex Table |

## NOTE 2 – CHANGES IN ASSUMPTIONS AND BENEFITS

### Changes in Assumptions

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

As a result of the plan change to provide immediate participation for employees, for the fiscal year ending in 2015, the eligibility assumption has been changed from six months to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.

Amounts reported for the fiscal year ending in 2015 and later reflect the following assumption changes approved by the Board in December, 2014 based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:

The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.

The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.

The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.

The inflation assumption was decreased from 3.50% to 3.25%.

The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

### Benefit Changes

Effective January 1, 2015, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits.

# TOWN OF PORTAL, GEORGIA
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
## For the Year Ended June 30, 2016

| | Budget Original | Budget Final | Actual | Variance With Final Budget |
|---|---|---|---|---|
| REVENUES: | | | | |
| Taxes | $ 169,800 | $ 169,800 | $ 174,356 | $ 4,556 |
| Licenses and permits | 9,000 | 9,000 | 7,585 | (1,415) |
| Charges for services | 38,000 | 38,000 | 41,543 | 3,543 |
| Fines and forfeitures | 70,000 | 70,000 | 65,320 | (4,680) |
| Contributions | - | - | 500 | 500 |
| Interest income | - | - | 150 | 150 |
| Other | - | - | 3,213 | 3,213 |
| Total Revenues | 286,800 | 286,800 | 292,667 | 5,867 |
| EXPENDITURES: | | | | |
| Current Operating | | | | |
| General Government | 94,770 | 121,241 | 137,748 | (16,507) |
| Police | 125,630 | 125,630 | 124,789 | 841 |
| Streets and Roads | 24,000 | 24,000 | 26,395 | (2,395) |
| Sanitation | 41,300 | 63,004 | 65,876 | (2,872) |
| Total Current Operating | 285,700 | 333,875 | 354,808 | (20,933) |
| Capital Outlay | | | | |
| General Government | 600 | 19,000 | 19,321 | (321) |
| Police | - | - | - | - |
| Streets and Roads | 500 | 500 | - | 500 |
| Sanitation | - | - | - | - |
| Total Capital Outlay | 1,100 | 19,500 | 19,321 | 179 |
| Total Expenditures | 286,800 | 353,375 | 374,129 | (20,754) |
| Excess of Revenues Over Expenditures | - | - | (81,462) | (81,462) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from Capital Asset Dispositions | - | - | 1,500 | (1,500) |
| Capital Contributions | - | - | 1,875 | (1,875) |
| Transfers to SPLOST Fund | - | - | (482) | 482 |
| Transfers from Water & Sewer Fund | - | 66,575 | 29,311 | 37,264 |
| Total Other Financing Sources | - | 66,575 | 32,204 | 35,871 |
| Net Changes in Fund Balance | - | - | (49,258) | (49,258) |
| Fund Balance - Beginning of year | - | - | 143,734 | 17,221 |
| Fund Balance - end of year | $ - | $ - | $ 94,476 | $ 94,476 |

The notes to the Required Supplementary Information are an integral part of this schedule.

## NOTE 1 – BUDGETARY INFORMATION

BUDGETS AND BUDGETARY ACCOUNTING

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

The Town Clerk submits to the Town Council a proposed operating budget for the year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. This submission is projected to occur in May of the preceding fiscal year.

The Town Council holds a public hearing on the budget, giving notice thereof in advance by publication in a newspaper of general circulation to the area. The hearing is projected to be held in June of the preceding fiscal year.

The budget is then revised and adopted or amended by the Town Council prior to July 1. The budget may be revised during the year only by a formal action of the Town Council. The legal level of budgetary control is at the department level.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Formal budgetary integration is employed as a management control device during the year for the general fund and water enterprise fund.

The budget presented in these financial statements is the unrevised budget adopted at the beginning of the year or as amended by the Town Council.

Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditures of monies are recorded to reserve that portion of the applicable appropriation is not employed by the Town. Non-cancellable commitments are recorded as expenditures in the year in which the obligation is incurred.

Denmark & Brown, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

123 North Main Street
Statesboro, Georgia 30458

Phone: (912) 764-4123
Fax: (912) 489-8558

www.denmarkbrowncpa.com

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIALREPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMEDIN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Town Council
Town of Portal, Georgia

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, and each major fund of the Town of Portal, Georgia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Portal, Georgia's basic financial statements, and have issued our report thereon dated December 30, 2016.

## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Portal, Georgia'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 Town of Portal, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Portal, Georgia'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 Town of Portal, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

Denmark & Brown, PC
December 30, 2016

Denmark & Brown, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

123 North Main Street
Statesboro, Georgia 30458

Phone: (912) 764-4123
Fax: (912) 489-8558

www.denmarkbrowncpa.com

# INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

Honorable Mayor and Town Council
Town of Portal, Georgia

We have audited the accompanying Schedules of Special Purpose Local Option Sales Tax for Town of Portal, Georgia for the year ended June 30, 2016. These schedules are the responsibility of the Town of Portal, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax 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 Schedules of Special Purpose Local Option Sales Tax are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedules of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting and is not intended to be a complete presentation of the Town of Portal, Georgia's revenues and expenditures.

In our opinion, the Schedules of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project of the Town of Portal, Georgia for the year ended June 30, 2016, in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the management, officials, and pass-through entities of the Town of Portal, Georgia and is not intended to be and should not be used by anyone other than these specified parties.

Denmark & Brown, P.C.

Denmark & Brown, PC
December 30, 2016

# TOWN OF PORTAL, GEORGIA
## SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 2007
## For the Year Ended June 30, 2016

| PROJECT | Original Estimated Cost | Current Estimated Cost | Expenditures Prior Years | Expenditures Current Year | Expenditures Total | Estimated Percentage of Completion |
|---|---|---|---|---|---|---|
| Road, Street, and Bridge Purposes | $63,500 | $63,500 | $ 8,503 | $ - | $ 8,503 | 13% |
| Public Safety - Police Car | 25,000 | 25,000 | 25,000 | - | 25,000 | 100% |
| Water and Sewer System | 450,800 | 1,050,800 | 1,088,353 | - | 1,088,353 | 104% |
| Sanitation | 50,000 | 50,000 | 44,907 | - | 44,907 | 90% |
| | $589,300 | $1,189,300 | $ 1,166,763 | $ - | $ 1,166,763 | 98% |

NOTE 1: The projects presented in the above schedule were approved in a referendum in Bulloch County, Georgia on April 4, 2006 and included in an Intergovernmental Agreement between Bulloch County and the Town of Portal, Georgia dated April 12, 2006.

NOTE 2: The Town approved a Phase II of the referenced Sewer System addition at an estimated cost of $600,000. The Town entered into an agreement with Bulloch County to fund the Phase II with a loan from the County to the Town, the proceeds for which are SPLOST funds.

# TOWN OF PORTAL, GEORGIA
## SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 2013
## For the Year Ended June 30, 2016

| PROJECT | Original Estimated Cost | Current Estimated Cost | Expenditures Prior Years | Expenditures Current Year | Expenditures Total | Estimated Percentage of Completion |
|---|---|---|---|---|---|---|
| Road, Street, and Bridge Purposes | $62,000 | $62,000 | $ - | $ - | $ - | 0% |
| Public Safety | 42,000 | 42,000 | 26,565 | - | 26,565 | 63% |
| Water and Sewer System | 267,083 | 267,083 | 213,177 | - | 213,177 | 80% |
| Sanitation | 87,000 | 87,000 | - | - | - | 0% |
| | $458,083 | $458,083 | $ 239,742 | $ - | $ 239,742 | 52% |
| Reconciling item to adjust for payments on debt related to 2013 project. | | | | | | |
| Debt payments | $0 | $638,679 | $ 172,269 | $ 4,339 | $ 176,608 | 28% |
| Reconciled total | $458,083 | $1,096,762 | $412,011 | $4,339 | $416,350 | |

NOTE 1: The projects presented in the above schedule were approved in a referendum in Bulloch County, Georgia on July 14, 2011 and included in an Intergovernmental Agreement between Bulloch County and the Town of Portal, Georgia dated July 14, 2011.

NOTE 2: The Town approved a Phase III of the referenced Sewer System addition at an estimated cost of $750,000. The Town used 2013 SPLOST funds to complete this project.

**TOWN OF PORTAL**

**PORTAL, GA 30450**

**CORRECTIVE ACTION PLAN**

**FYE JUNE 30, 2016**

The Town concurs with the finding that expenditures exceeded appropriations at the legal level of control as of June 30, 2016 in General Government, Streets and Roads and Sanitation categories.

The over-expenditures in the General Government category was due to minor under-budgeting in numerous areas. The aggregate of the slight under-budgeting amounts in various expense categories totaled $16,507.

The over-expenditures in the Streets and Roads category was due to under-budgeting for supplies which totaled $2,395.

The over-expenditures in the Sanitation category was due to under-budgeting for pension expense which totaled $2,872.

Management and Council will more closely examine the budget during the preparation process to assure a more accurate departmentalization of expenditures. The budget will also be compared to actual expenses during the year and if it can be projected that expenditures are going to exceed appropriations in certain areas, amendment of the budget will take place.