CITY OF PORTLAND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2014

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CITY OF PORTLAND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2014

CITY COUNCIL

David Krebs, Mayor

Cathy Skurow, Mayor Pro Tem

Ron Jorgensen

Gary Moore, Sr.

John Green

David E. Lewis

John Vilo

CITY MANAGER

Randy Wright

Prepared by

Finance Department

Michel Sorrell
Finance Director

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CITY OF PORTLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2014

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INTRODUCTORY SECTION

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April 7, 2014

Honorable Mayor, City Council, and City Manager
City of Portland, TX

The Comprehensive Annual Financial Report of the City of Portland, Texas for the year ended September 30, 2014, is hereby submitted. This report is provided to the City Council, City Manager, City staff, our citizens, our bondholders and other interested parties to give detailed information concerning the financial condition and activities of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Finance Department of the City.

We are confident that the enclosed data is accurate in all material respects, all disclosures required to obtain maximum understanding are present and the report is organized in a manner that fairly presents the financial position and results of operations of the City as measured by the financial activity of its various funds. As readers move through the report, they will find the data and analysis in the early parts of the report focus on broad overviews and total-government financial position. The analyses present the big-picture results of operation for the current year compared to the prior year. The notes to the financial report illustrate policy, regulatory compliance, legal constraints, and pertinent financial disclosures required to evaluate the City's financial position effectively. The Financial Section presents detailed information on specific funds and fund groups that help the reader see our operations in detail.

The Charter of the City of Portland requires that the City Council appoint certified public accountants, who will be responsible to the Council, to perform an independent audit of all funds and group of accounts of the City on an annual basis. Lovvorn & Kieschnick, LLP, is the firm hired by the City Council to meet this requirement. The auditors' unqualified opinion of the City's September 30, 2014 financial statements is the first item in the Financial Section of this document.

COMMUNITY PROFILE AND LOCAL ECONOMY

The City of Portland is truly *the Land of Possibilities*. We are located on two beautiful bays that provide endless recreational, sport and aesthetic possibilities. Our residents are just minutes away from cultural centers such as Selena Auditorium, the Art Museum of South Texas, the Texas State Aquarium, and USS Lexington Museum. In addition to the wondrous natural beauty and cultural wealth provided by our location, the City of Portland is strategically located in close proximity to the major financial, commercial and industrial engines of the Coastal Bend. This combination of natural beauty, recreational and cultural richness, and easy access to employment and business prospects makes Portland an ideal place to live, work, raise a family and own a business.

The City of Portland benefits from a school system that consistently receives statewide recognition in its academic, artistic and athletics programs. In the City of Portland, the students in the Gregory-Portland Independent School District attend three elementary schools, one intermediate school, a junior high and high school. There is a new elementary school currently under construction and expected to be open in the 2015-2016 school year. This new elementary school will replace one of the aging buildings. The school district is classified at level 4-A for all interscholastic competitions.

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The economic outlook within the city limits of Portland continues to be favorable for retail, casual dining, medical services offices, lodging, and financial establishments. In addition, the City will benefit from industry growth in the surrounding areas. Portland has experienced continued slow and steady residential growth. Three newly developing subdivisions will accommodate the influx of new residents as industry and business moves within the region. The City welcomed a Walgreen's and an Applebee's to the business corridor in 2014.

The local region is beginning to see major increases in heavy industry operations, some of those are underway, and some just on the horizon. Located just east of the Portland border, Voestalpine, an Austrian steel processing company, broke ground in 2014 and will complete construction by the end of 2015. Voestalpine will operate a direct reduction plant to produce high quality sponge iron from iron ore pellets. This project represents a $750 million investment and promises 1400 construction jobs and 150 fulltime permanent jobs when fully operational. The planned Cheniere Energy facility located on the Port of Corpus Christi's La Quinta Channel is completing licensing and will tentatively begin construction the second quarter of 2015, bringing in over 3,500 construction workers and approximately 350 full-time permanent jobs.. The new facilities will provide three new trains for liquefaction of natural gas extracted from the Eagle Ford Shale fields in south central Texas and the exportation of liquefied gas worldwide. The Tianjin Pipe Corporation, a Chinese manufacturing company, is located just 7 miles from the city limits. This project began the second phase of the manufacturing facility in the latter part of 2014.

CITY SERVICES

Services provided by the City under the general governmental functions include police and fire protection, health services, planning and engineering, code enforcement, community development, street maintenance, traffic control, parks operation and maintenance, recreation, and library services. Water and sewer services are provided under an enterprise fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt. The City provides drainage system development and maintenance through an enterprise fund to ensure the current and future residents will not be victimized by reasonably foreseeable flood events.

Whenever feasible and economically beneficial, the City has a history of providing specific services to our citizens through privatization. These privatized services include, solid waste/brush collection and recycling pickup, ambulance services, and new construction plan review and inspections. Privatization allows the City the ability to provide needed and desired services at a reduced cost.

As discussed in the notes to the Financial Statements, the Portland Community Center Complex Development Corporation (PCCCDC) is considered a blended component unit of the City. A seven-member board of directors, of which four members must be active city council members, governs this legally separate entity. The function of the PCCCDC is to oversee the appropriations of funds collected under the special sales tax for economic development, including the payment of debt service for the projects approved by the voters for that purpose.

BUDGETING AND LONG RANGE PLANNING

Each year the city council, city manager and all staff personnel participate in a planning retreat to set the long-range plans for the City. At this meeting, strategic goals are discussed as well as objectives for the upcoming fiscal year. The strategic goals guide the budget and the objectives are incorporated into the budget. In addition, the future growth and service demands for the City are identified, discussed and prioritized. Items placed into the five-year plan in prior years are revisited, revised or removed, depending upon the current and anticipated reality.

In accordance with the City Charter, on or before August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means for financing them for the upcoming year, along with

General Fund; Debt Service Fund; the following Special Revenue Funds: Portland Community Center Complex Fund, Restricted Use Fund, and Venue Tax Fund; and all enterprise funds. For more detail on performance compared to budget, the reader should turn to the individual fund statements in the financial reports section of this document.

As part of the budgeting process, the City Council annually adopts a five-year capital improvement program which is incorporated into the budget for year one and changed as needed in subsequent years. The current focus of the capital program is to maintain and reconstruct major infrastructure pieces that are reaching the end of their useful lives. The City has not proposed any new buildings but has proposed various park improvements, a veteran's memorial, and community center improvements. These capital projects began in 2014, and some will span several years.

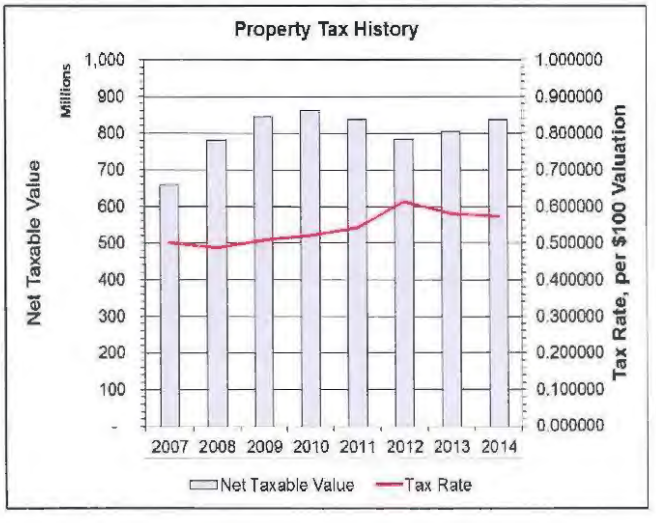
ACCOUNTING AND INTERNAL CONTROLS

In order to provide accurate financial information for planning and decision-making, all departments of the City participate in the accounting control system of financial transactions and assets. To this end, the City's accounting records for the general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Full accrual accounting is used to account for the City's Water and Sewer Utility and the Drainage Utility.

In daily operations of the accounting system, the adequacy of the internal control structure is a key element. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding safeguarding assets against loss and the reliability of the financial records for preparing financial reports. This reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived and the evaluation of the costs and benefits requires estimates and judgment by management. We believe that the City's internal accounting control systems adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

GENERAL REVENUE TRENDS

The general trend of revenues has been positive in most areas. Property values in the City increased from fiscal year 2013 to 2014 by 4.2%. The City did raise the tax rate by $0.05 to pay for additional services. Sales tax collections increased by 9.7% from the previous year. This increase is mostly due to more spending by consumers as the economy begins to recover.



STAFFING AND EMPLOYEE BENEFITS

The City of Portland operates with a very limited number of employees. In 2013 - 14, the budget provided for only 110 full time employees. The City Council has invested in the human capital represented by our employees so that we may attract and retain competent, multi-talented employees. In addition, Portland's benefits are equal to or superior to most cities in the state. However, like many employers across the country, the City of Portland has had to take measures to contain the cost of our health benefits plan. To assist our employees in this area, the City offers a Section 125 Plan that allows employees to pay for insurance premiums, health related expenses and dependent care with pretax dollars and thereby reduce their income tax liability. The retirement plan (through the Texas Municipal Retirement System) requires a 6% contribution from the employee and a 2-to-1 matching contribution by the City. The City has a deferred compensation plan through ICMA for employees wishing to make additional retirement deposits.

Starting in fiscal year 2009, the City of Portland was required to measure and report liability for Other Post Employment Benefits (OPEB). The Governmental Accounting Standards Board (GASB), the entity charged with establishing accounting principles for state and local governments, has issued Statement 45 which requires the disclosure of the total liability being incurred by governments on the benefits (other than pensions) that are offered to retirees. The City of Portland offers very limited access to continued health benefits to employees who qualify. We have complied with the reporting requirements, but are not currently planning to fund this liability on other than a pay-as-you-go basis. For a more detailed discussion of our OPEB liability, see Note 9 on page 47 in the Notes to the Financial Statements.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2013. This was the fifth consecutive year that the City has achieved this prestigious award. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government.

The Certificate of Achievement is valid for a period of one year only. However, we believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of Lorenzo Lara and the entire staff of the Finance Department and the cooperation of all operating departments of the City. We would also like to thank the members of the City Council, the City Manager and the City staff for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,

Michel Sorrell, CPA, CPM
Finance Director

CITY OF PORTLAND, TEXAS

CITY COUNCIL

David Krebs, Mayor

Cathy Skurow, Mayor Pro Tem

Ron Jorgensen

Gary Moore, Sr.

John Green

David E. Lewis

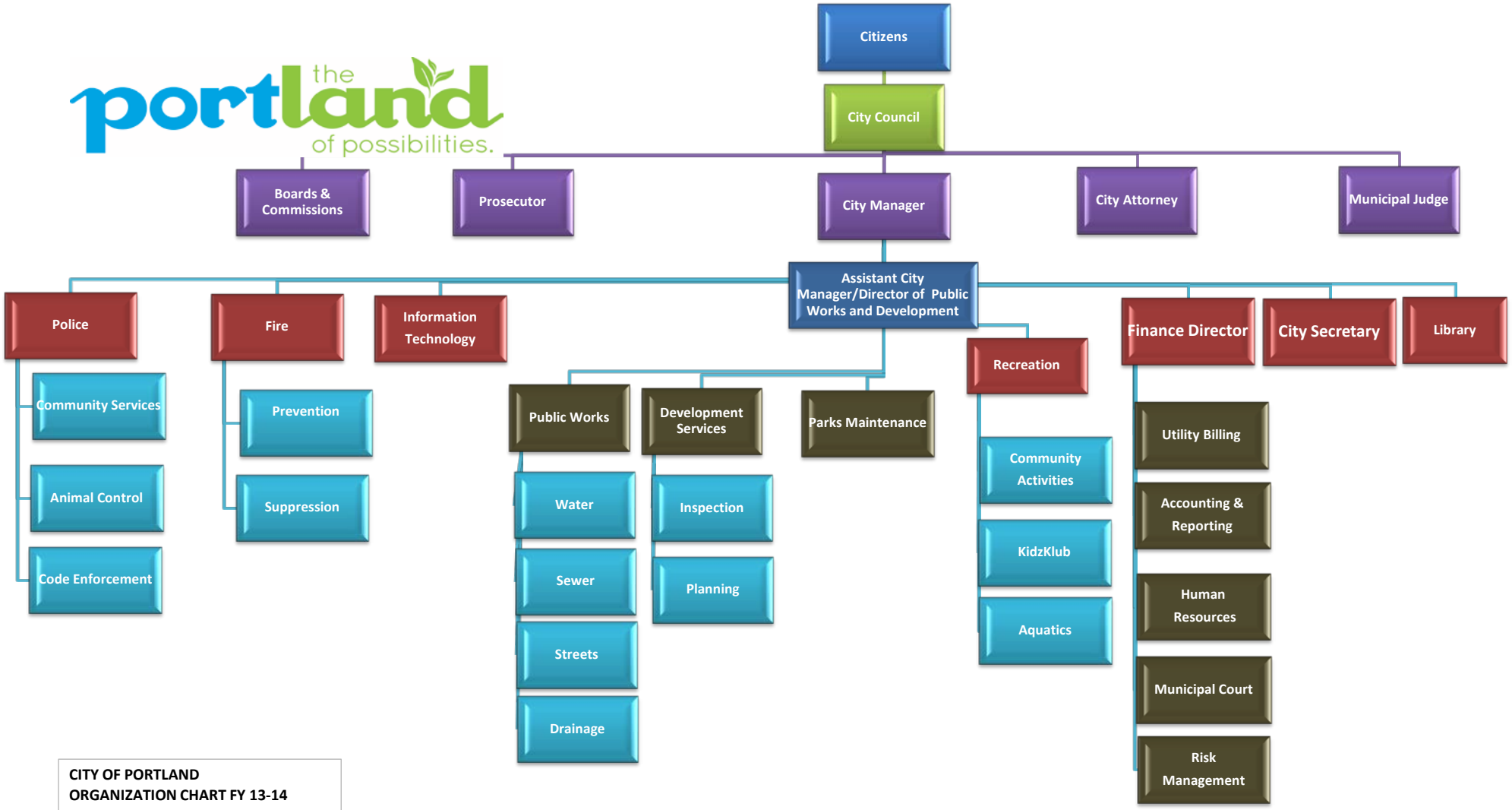
John Vilo

CITY MANAGER

Randy Wright

FINANCE DIRECTOR

Michel Sorrell, CPA



CITY OF PORTLAND
ORGANIZATION CHART FY 13-14

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Portland

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

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FINANCIAL SECTION

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Corpus Christi, TX 78401 fax 361-884-3457

Lovvorn & Kieschnick, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Honorable Mayor,
Members of City Council
City of Portland, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portland ("the City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of 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 risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portland as of September 30, 2014, 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

As described in Note 1 to the financial statements, in 2014 the City of Portland adopted new accounting guidance. Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portland's basic financial statements. The introductory section, combining and individual fund financial statement and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented

for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015 on our consideration of the City of Portland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Portland's internal control over financial reporting and compliance.

Respectfully submitted,

Lovvorn + Kieschnick, LLP

Lovvorn & Kieschnick, LLP
Corpus Christi, TX

March 26, 2015

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MANAGEMENT'S DISCUSSION & ANALYSIS

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City of Portland, Texas
Management's Discussion and Analysis
September 30, 2014
(Unaudited)

As management of the City of Portland (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's financial statements, which follow this narrative report.

Financial Highlights

- The assets and deferred outflow of revenues of the City of Portland exceeded its liabilities at the close of 2014 by $55,848,960 (net position). Of this amount, $10,203,796 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by $4,653,442 in 2014.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $15,314,750, an increase of 59.5% in comparison with the prior year. Of that amount, just under 1.13% was non-spendable (made up of inventory and prepaid items), 47.0% was legally restricted to specific purposes because of the source of the funds, 3.6% was committed to various specific purposes, and 14.79% (about $2,265,702) was assigned to Cultural and Recreational purposes.
- The remainder of the governmental fund balances, $5,130,328 or 33.5%, was the General Fund unassigned fund balance, which is available for any of the City's obligations.
- The City's major utility, the Water & Sewer Fund, reported total net position of $18,806,368. This represents a 12.4% increase over the prior year. Most significant is a $432,288 decrease in unrestricted net assets to $3,436,571 in this fund. This decrease is due to both a change in accounting principles and the use of some fund reserves to pay for capital improvements.
- The City's total long-term debt increased by $3,405,718 (11%) during the current fiscal year. The City issued $4,905,000 in general obligation certificates of obligation Series 2014 to fund Phase 9 of the Street Improvement Program.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The financial statements, as well as this management discussion and analysis, reflect the new GASB Statement No. 65. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs,

regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Portland that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include the Water and Sewer Utility System and the Drainage Utility System.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements

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

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

Because the focus of governmental fund statement is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Street Improvement Fund, which are considered major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Systems Utility and for its Drainage Utility. The other proprietary fund type - internal service funds - is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the Insurance Fund, an internal service fund, to account for its employee health and dental insurance benefit plan. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund reports provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Systems Utility and for the Drainage Utility. Both Funds are considered to be major funds of the City. Individual

fund data for the internal service fund is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one fiduciary fund. The Police Explorers Private Purpose Trust Fund is used to report resources held in trust for the Police Explorer Program. The Police Explorer Program is for youths who want to go into public safety as a future career. The fund consists of donations to be used for training and related travel expenses.

The fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-52 to this report.

Other information. In addition to the basic financial statements and accompanying notes, the basic financial statements contain certain required supplementary information including this discussion and analysis and information concerning the City's progress in funding its obligations to provide pension and retiree health benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Portland, assets and deferred outflows of resources exceeded liabilities by $55,848,960 at the close of the most recent fiscal year. By far the largest portion of the City's net position, $43,116,617 or 77.2%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire these assets, which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position ($2,528,547 or 4.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance, or unrestricted net position, of $10,203,796, or 18%, may be used to meet the government's ongoing obligations to citizens and creditors. It has been the practice of the City to finance major maintenance and rehabilitation of infrastructure or invest in new capital assets by cautious and conservative draws on these unrestricted net assets. It is anticipated that this will continue to be our practice – whenever possible - in the future.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. These positive balances are indicative of the conservative fiscal practices of the City which combine careful budgeting procedures and moderate operating activities at all staff levels.

The City's net position increased by $4,653,442 (9.09%) during the fiscal year (see Table 1). The majority of this positive movement is attributed to an increase in net investment in capital assets. Such a result is illustrative of the City's on-going commitment to maintain and improve our infrastructure like streets, water and sewer system service lines and the sewage treatment plant.

Management Discussion and Analysis
Comparative Data
Table 1

Government-wide Comparative Financial Data

Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	17,169,726	11,129,100	7,303,557	9,186,012	24,473,283	20,315,112
Capital Assets, net of accumulated depreciation	36,531,904	35,996,833	31,455,563	27,907,410	67,987,467	63,904,243
Total Assets	53,701,630	47,125,933	38,759,120	37,093,422	92,460,750	84,219,355
Deferred Outflows of Resources						
Deferred Charge For Refunding	154,743	169,265	169,265	181,471	324,008	350,736
Liabilities						
Current & Due Within One Year	3,426,827	2,782,216	2,183,743	2,330,947	5,610,570	5,113,163
Due in More Than One Year	16,760,636	12,705,389	14,564,592	15,556,021	31,325,228	28,261,410
Total Liabilities	20,187,463	15,487,605	16,748,335	17,886,968	36,935,798	33,374,573
Net Position						
Net Investment in Capital Assets	25,004,733	23,895,496	18,111,884	15,407,610	43,116,617	39,303,106
Restricted for:						
Debt Service	971,410	963,200	112,137	109,875	1,083,547	1,073,075
Federal and State Programs	1,445,000	1,013,783	-	-	1,445,000	1,013,783
Unrestricted	6,247,767	5,935,114	3,956,029	3,870,440	10,203,796	9,805,554
Total Net Position	33,668,910	31,807,593	22,180,050	19,387,925	55,848,960	51,195,518

Governmental Activities

Revenues:

- For fiscal year 2014, the program revenues from governmental activities totaled $2,147,971. General government program revenues consist primarily of fees, fines and charges for services. This group of revenues decreased by 3.1% in 2014.
- The other governmental activity program revenues – grants and contributions – *declined* by more than 3% ($6,725) in 2014.
- Property tax collections totaled $5,149,614, an increase of 8.8% from the prior year reflecting both an increase in taxable values and an increase in the tax rate adopted by the City.
    - Assessed taxable values went up by $33,796,760 or 4.2% from the prior year. This increase reflects higher appraised values and additional growth that is coming into the City, both residential and commercial.
    - Effective and aggressive efforts continue in order to collect delinquent property taxes.
- Other taxes collected by the City also increased by $500,991 or 9.3%, these include Sales Tax, Hotel Occupancy Tax and Franchise Tax. This increase indicates consumers are spending more and that the economy looks to be improving.

Expenses:

- For fiscal year, 2014 governmental expenses totaled $12,220,124, a decrease of $259,740 over the prior year. There was growth and contraction in different segments of governmental activities. Public Safety grew by $73,906, an increase of 1.3%. Public Works reduced expenses by ($248,247). Public Safety increases included the replacement of 911 equipment. Public Works completed the installation of radio read meters allowing the reduction in meter reader staff. The efficiency of the new meters allowed the City to reduce costs in other operations such as repairs and maintenance.

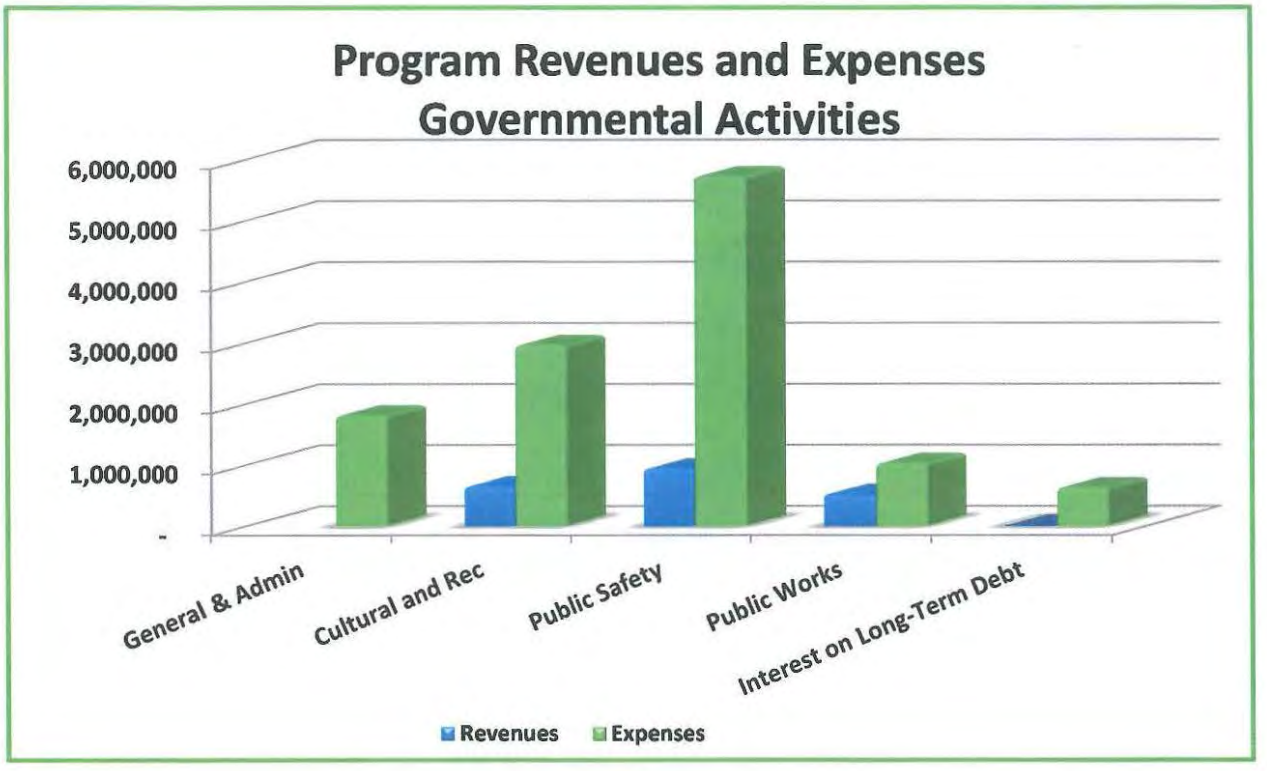
Table 2 below illustrates the changes in the City's net position.

CITY OF PORTLAND, CHANGE IN NET POSITION
As of September 30, 2014
Compared to September 30, 2013
Table 2

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Program Revenues						
Fees, Fines & Charges for Services	1,931,016	1,991,985	6,518,152	6,222,759	8,449,168	8,214,744
Operating Grants and Contribntions	216,955	223,680	-	-	216,955	223,680
Capital Grants and Contributions	-	-	1,984,406	1,992,896	1,984,406	1,992,896
Total Program Revenues	2,147,971	2,215,665	8,502,558	8,215,655	10,650,529	10,431,320
General Revenues						
Property Taxes	5,149,614	4,732,212	-	-	5,149,614	4,732,212
Sales Taxes	4,372,082	3,985,513	-	-	4,372,082	3,985,513
Franchise Taxes	1,068,690	1,014,730	-	-	1,068,690	1,014,730
Hotel/Motel Taxes	437,750	377,288	-	-	437,750	377,288
Investment Earnings	132,393	(113,095)	101,894	(60,427)	234,287	(173,522)
Gain on Disposal of Assets	61,000	10,138	1,617	3,982	62,617	14,120
Miscellaneous	337,948	241,036	15,107	14,632	353,055	255,668
Total Revenues	13,707,448	12,463,487	8,621,176	8,173,842	22,328,624	20,637,329
Expenses						
General Government and Admin.	1,825,146	1,946,383	-	-	1,825,146	1,946,383
Cultural and Recreational	2,977,241	2,908,389	-	-	2,977,241	2,908,389
Public Safety	5,736,316	5,662,410	-	-	5,736,316	5,662,410
Public Works	1,040,387	1,288,634	-	-	1,040,387	1,288,634
Interest on Long Term Debt	641,034	674,048	-	-	641,034	674,048
Water and Sewer	-	-	5,208,439	4,804,592	5,208,439	4,804,592
Drainage	-	-	246,619	251,472	246,619	251,472
Total Government Expenses	12,220,124	12,479,864	5,455,058	5,056,064	17,675,182	17,535,928
Change in Net Position						
Increase (Decrease) Before Transfers	1,487,324	(16,377)	3,166,118	3,117,778	4,653,442	3,101,401
Transfers	373,993	586,830	(373,993)	(586,830)	-	-
Change in Net Position	1,861,317	570,453	2,792,125	2,530,948	4,653,442	3,101,401
Net Position, Beginning of Year	31,807,593	31,237,140	19,387,925	16,856,977	51,195,518	47,054,116
Net Position, End of Year	33,668,910	31,807,593	22,180,050	19,387,925	55,848,960	50,155,517

The table on the next page illustrates governmental activities, both revenues and expenses, as found in the Government-Wide Statement of Activities, Exhibit 2, on pages 16-17. Governmental activities are supported through revenue sources that are spread across the population such as property tax and sales tax. Governmental activities, unlike business-type activities, are not funded through individual service fees. A properly managed city government will provide a safe community, maintained infrastructure, and cultural and recreation facilities. All of these amenities are provided through government activities. In 2014, revenues from taxes, investments and miscellaneous sources are used to offset this $10.1 million deficit between expenses and program revenues in the governmental activities. Table 3 on the next page illustrates a comparison of governmental activity revenues and expenses.

Program Revenues & Expenses – Governmental Activities
Table 3

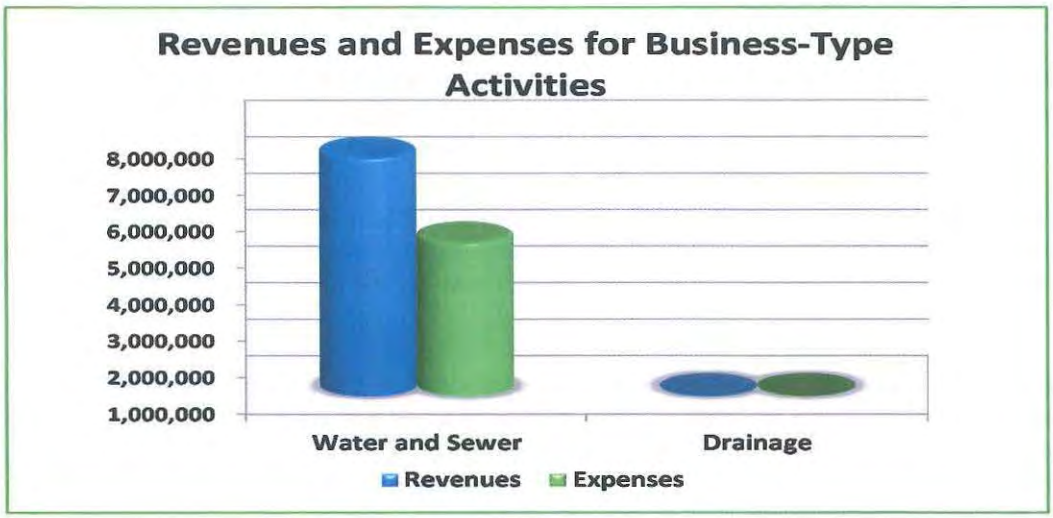


A look at the City's business-type activities, as seen in Table 4 below, shows a different revenue and expense picture. Business-type activities provide services for a fee, or charge, and are operated in such a manner that the fees for services are established to provide for current operations, debt service payments, system improvements and capital projects for expansion as needed.

Business-type Activities. As shown in the Government-Wide Statement of Activities, Exhibit 2, on pages 16-17, program revenues of the City's business-type activities were $8,502,558 for the fiscal year ended September 30, 2014. Expenses for those same activities totaled $5,455,058 resulting in net revenues of $3,047,500 from operations. After the non-program revenues and transfers out are added in, the total change in net position for the business type activities was $2,792,125. This is an increase of 14.4% in net position in the business-type activities. The majority of this increase can be attributed to a large grant provided by the Texas Water Development Board. The grant is dedicated to the installation of a sanitary sewer system in the Doyle Addition, which is in the City's ETJ. The Doyle Addition Sewer Project was completed this year.

The amount of unrestricted net assets available for the purpose of meeting immediate operating needs is $3,956,029. The total business-type unrestricted net position represents only 18% of total net position in this area. The City is located on the Gulf of Mexico and subject to the effects of hurricanes; this level of unrestricted net assets provides assurance of the City's ability to continue operation in the event of a natural disaster.

Program Revenues & Expenses – Business – Type Activities
Table 4



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Portland uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. An analysis of the City's governmental and proprietary funds follows.

Governmental Funds. The focus of the City governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending balances of $15,314,750, an increase of 59.5% compared to the prior year. Of this total, using the new GASB 54 classifications to rank the balances from most constrained to most available, this total breaks down:

Non-Spendable (inventory and pre-paid expenses)	$ 172,865
Restricted (constrained by external agreements)	7,202,847
Committed (purpose/use set by City Council)	543,008
Assigned (special revenues not otherwise designated)	2,265,702
Unassigned (remainder of General Fund balance)	5,130,328
Total Governmental Fund Balance	$15,314,750

The General Fund is the chief operating fund of the City. As shown, the unassigned (and therefore available-for-any-governmental-purpose) fund balance of the General Fund is $5,130,328. This amount is equivalent to 176 days' full-service operations (total budgeted 2014-2015 operating costs of $10,637,428 divided by 365 days, yields daily operating cost of $29,144). City financial policies require a minimum of 90 days operating reserve on hand at all times to sustain operations in the event of a disaster. Since Portland sits on the Texas Gulf Coast, we are constantly aware of the possibility of devastating hurricanes.

The Assigned Fund Balance is the combined total of balances from the Community Center Complex Development Fund, the Shoreline and Wetlands Fund and the Venue Tax Fund. These three funds are all dedicated for improvements to the cultural and recreational experiences of the City. The revenues received in these funds – for example the voter-authorized 4B Economic Development Sales Tax (Community Center Complex Development Fund) and the Venue Sales Tax - have specific general purposes, but are available to be used - at the City Council's discretion - to those general purposes.

The Restricted Fund Balances totaling $7,202,847 are in a variety of the City's governmental funds. Each of these fund balances has contractual, statutory or grantor constraints placed on their use from external authorities. The larger balances include $4,681,424 for the Street Improvement Construction Fund, the $1,0764204 restricted for debt service on long-term debt, $828,413 restricted for Hotel Occupancy Tax revenue purposes, and $332,587 restricted for law enforcement purposes.

The Committed Fund Balances are amounts the City Council has specifically put aside to be used for a variety of purposes. Committed balances include $444,006 for capital improvements. The City Council has complete discretion on the use, accumulation or the dissolution of these balances.

Proprietary Funds. The proprietary funds ended 2014 with combined net position totaling $22,302,394. This class of funds include the Water and Sewer System Fund, the Drainage Utility Fund, and the Insurance Fund. In this total, the net positions for each fund are, Water and Sewer Fund $18,806,368, the Drainage Fund $3,373,681 and the Insurance Fund $122,345.

The Water and Sewer System Utility is an essential service provided by the City and we work hard to insure proper funding and operation. The Utility is financed through sales of water and sewer services that are priced to provide for current operations, maintenance of the system and on-going capital improvement. In 2014, the operations resulted in unrestricted net position of $3,436,571, which will finance 195 days of operations if a catastrophic event were to occur that interrupted normal revenue streams. With only 90 days reserve required by City policy, the balance of that reserve amount is available for capital improvements.

Maintaining the integrity of this system now and for the future is a high priority for the City. We regularly invest in the improvement of aging infrastructure, insure that changes in population distribution do not degrade the quality of service by over-taxing area assets, and act proactively to provide services when there is clear indication of economic growth in undeveloped areas of (or near) the city

The Drainage Utility Fund accounts for drainage planning, maintenance and service to the residents and businesses of the City. This fund had total net position of $3,373,681 at the end of 2014. Of this, 85% was in the form of capital assets. In 2012, an engineering firm conducted an impact fee study (including a series of public hearings to notify the public) to determine the cost of needed drainage improvements and assess costs to be shared by landowners. This project, the Broadway Boulevard Drainage Improvement Project, was funded by a $700,000 loan from General Fund to the Drainage Utility Construction Fund. The project was completed in 2014. Approximately $291,410 in impact fees have been recovered for commercial projects built that benefit from the drainage project. The impact fees assessed are used to "payback" the General Fund.

The Insurance Fund is an internal service fund used to provide employee insurance benefits. It is funded through the contributions of the City and employees based on the individual employee plan. At September 30, 2014 the net position in this fund was $122,345.

General Fund Budgetary Highlights

During FY2013-14, the budget was amended at mid-year to reflect new and updated information, as well as material changes in operations. The mid-year adjustment included an increase in sales tax revenue by 2.5%. Sales tax revenue affects three funds: the General Fund, the Portland Community Center Development Fund (4b) and the Venue Sales Tax Fund. The mid-year adjustment also incorporated the budgeted expenses in each of five funds to account for the implementation of the compensation structure and across the board increases, and to reduce operations costs related to the change in funding of capital improvements.

Final budget compared to actual results. There were no significant changes in revenue. The total variance of $189,035, or 2%, consisted of increased revenues in taxes, charges for services, investment income and contributions. There some slight decreases in licenses and permits, intergovernmental, and fines and forfeitures.

The variance in expenditures is a decrease in overall expenditures by $448,104, or 5%. This decrease is attributed to moving budgeted capital projects to the next fiscal year and a reduction in staff, resulting in salary savings. Projects moved to next year include the UV installation at the wastewater treatment plant and the Indian Point Pier Shoreline Preservation, completed in 2015.

To fully account for the cost of all City services, each of the funds is charged with the "cost" of the services provided by the other funds. For example, the Water and Sewer fund provides services to all of the General Fund departments. Likewise, several departments in General Fund provide administrative, financial, information technology and supervisory services to the Water and Sewer fund, the 4B Economic Development fund and the Venue Tax Fund. Since it is inefficient for the City to write checks back and forth between funds every month, this allocation of costs are handled annually in the budget process. The cost of services provided to the Water and Sewer Fund by General Fund departments is netted against the cost of water and sewer services provided to General Fund. This calculation is the basis of the inter-fund transfers that appear in the financial reports.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Portland's investment in capital assets for its governmental and business-type activities as of September 30, 2014 amounts to $67,965,147 (net of accumulated depreciation). This investment in capital assets includes, land, buildings and improvements, vehicles, furniture and equipment, infrastructure and construction in progress. The total increase in capital assets for the current fiscal year was $4.06 million or 6.0%.

The City of Portland continues to make necessary capital investments to maintain and improve our infrastructure. Maintenance and replacement of infrastructure can be costly and often cities will cut these items from their budget when faced with a shortfall. When maintenance is delayed, what ultimately ends up happening is the infrastructure degrades and becomes a much more expensive undertaking to repair. The following is a list of capital assets and projects occurring in 2014:

- Completed the installation of automatic radio-read water meters throughout the City ($1.1 million).
- Installation and completion of Water Line Replacements ($3.8 million budgeted).
- Expansion of the City's SCADA (supervisory control and data acquisition) system began ($600,000).
- Construction completed on the Sanitary Sewer System in Doyle Addition ($2.3 million).
- Phase 9B (Sealcoat) of the Street Improvement Project began. Phase 9A Rehab and Construction will begin in FY 2015.
- Construction of the Northshore Area Drainage Improvement Project was completed. ($700,000).
- Construction continued on the Fire Station No. 2 Expansion ($569,250).

For a more detailed discussion of the City's capital assets, turn to Note 3 in the Notes to these Financial Statements.

Capital Assets
Net of Capital Accumulated Depreciation
Table 5

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Land	4,412,524	4,412,524	118,362	118,362	4,530,886	4,530,886
Buildings	14,692,792	15,218,742	475,095	484,843	15,167,887	15,703,585
Vehicles	1,476,248	1,456,237	-	-	1,476,248	1,456,237
Equipment	1,344,606	1,445,286	697,377	677,180	2,041,983	2,122,466
Infrastructure	13,175,870	12,889,272	25,496,636	21,823,073	38,672,506	34,712,345
Intangibles	446,548	506,372	367,177	367,177	813,725	873,549
Construction in Progress	983,316	68,400	4,278,596	4,436,782	5,261,912	4,505,182
Total	36,531,904	35,996,833	31,433,243	27,907,417	67,965,147	63,904,250

Long-Term Debt. In April of 2014 the City issued Combination Tax and Revenue Certificates of Obligation, Series 2014 ($4,905,000). The City issued the bonds to fund the Phase 9A and 9B Street Improvement Project. Phase 9A is an estimated $4,000,000 project to reconstruct and rehabilitate the City's streets. Phase 9B is an estimated $1,000,000 project to sealcoat the City's streets

In 2014, Standard & Poor's rating agency increased the City's rating on the Combined Tax and Limited Pledge Revenue Certificates of Obligation to "AA". The City's Utility System Revenue bonds are rated by Standard & Poor's at "A+". For both general obligation debt and utility revenue system debt, the City purchases insurance to enhance the rating on each issue to "AAA" for increased marketability.

Extensive discussion of the City's Long-term debt can be found in Note 4 of the Notes to the Basic Financial Statements on pages 38-43 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City of Portland's economic outlook is positive, however, caution is still necessary when preparing the FY 2014-2015 budget. The City is experiencing growth both residential and commercial. Much of this development can be attributed to the industrial growth in the surrounding areas. Along with growth comes the need for infrastructure and services. Building a sound and conservative budget during growth periods can be challenging. The required capital outlay precedes the potential revenue from ad valorem and sales tax and thus can be a financial demand on the City's resources.

We continue to see steady progress in the various planned industrial facilities in the North Bay area. Cheniere Energy will likely receive its final permit and will begin construction of its facility sometime in mid-2015. Tianjin Pipe Company (TPCO) has begun phase two of its steel pipe plant. Voestalpine, Texas a high quality steel production plant is under construction with probable startup in late 2015. OxyChem has begun construction of its new natural gas liquids fractionator project. Together, this growth will result in a peak of approximately 7,300 construction jobs and as many as 1,000 permanent jobs by late 2015 -- all within 1 ½ miles of Portland.

That growth is being reflected locally by the quickening tempo of interest and investment by retail, commercial and restaurant developers. By the end of 2014, Portland added a Walgreens Drugs and an Applebee's. In that same period, two hotels, a shopping center and a Discount Tire store will be under construction or near completion. It is clear that business has recognized the opportunity for investment and placed Portland in its crosshairs.

In late 2014, the national unemployment was 5.6% with Texas at 4.6%. Given the coming increase in workers to the North Bay area we will likely see that number driven even lower. Our calculated population in July 2014 was 19,186. Our historic growth of 1-1.5% is likely to increase in the next twelve to eighteen months.

Our success as a community is and will continue to be rooted in single-family home development. We must continue to invest in the City's infrastructure and workforce to meet the challenges we know lie ahead as well as those we cannot yet know. Single-family home construction will increase as more lots become available and the demand for housing increases. Building permits for new homes that has historically hovered around 70 per year could increase by as much as 25% this fiscal year.

Our ad valorem taxable value will increase proportionately as the rate of new construction increases. The City will see an increase in valuation resulting from the annexation of approximately 1,840 acres with-in the ETJ. Revenues from sales tax will continue to climb slowly as additional retail spaces open.

The FY 2014-2015 budget for the utility departments includes major projects to expand infrastructure and to increase efficiency and effectiveness throughout the systems. The City replaced aging water lines this year and will begin replacing the sewer lines in 2015. Replacing aging lines reduces the number of breaks and leaks.

In the general government area, the City continues to work on the enhancement of our beautiful shoreline parks by constructing connecting hike and bike trails that link Violet Andrews Park and Sunset Lake Park. The shoreline

preservation project at Indian Point Pier was completed this year. The City temporarily pushed back the Sports Complex Improvement Project until FY 2015-216. The project will rehabilitate ball fields; add parking, and other park amenities. These projects will provide enjoyment for residents and visitors alike. By focusing on our unique local assets and playing to our strengths – safe, clean, affordable city with high quality services – the City Council and management will continue to make Portland the most attractive place for families in the Coastal Bend.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, creditors, and other interested parties with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Portland's Finance Director, 1900 Billy G. Webb, Portland, Texas 78374.

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BASIC FINANCIAL STATEMENTS

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CITY OF PORTLAND, TEXAS
GOVERNMENT - WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	14,739,528	3,395,098	18,134,626
Receivables, Net of Allowance for Uncollectible:			
Delinquent Taxes	127,163	-	127,163
Accounts	617,992	607,120	1,225,112
Due From Other Governments	177,224	-	177,224
Inventory	27,331	209,070	236,401
Prepaid Items	118,430	19,526	137,956
Escrow Funds	175,069	-	175,069
Internal Balances	392,944	(392,944)	-
Restricted Assets:			
Cash and Cash Equivalents	794,045	3,465,687	4,259,732
Capital Assets:			
Land	4,412,524	118,362	4,530,886
Intangibles	534,971	367,177	902,148
Buildings and Improvements	22,180,839	692,505	22,873,344
Vehicles	2,903,180	-	2,903,180
Furniture and Equipment	3,061,558	1,165,756	4,227,314
Water and Sewer System	-	30,021,583	30,021,583
Infrastructure	42,762,007	4,574,381	47,336,388
Construction in Progress	983,316	4,278,596	5,261,912
Accumulated Depreciation	(40,306,491)	(9,762,797)	(50,069,288)
TOTAL ASSETS	53,701,630	38,759,120	92,460,750
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	154,743	169,265	324,008
Total Deferred Outflows of Resources	154,743	169,265	324,008
LIABILITIES			
Accounts Payable	770,314	594,666	1,364,980
Accrued Interest	140,584	48,280	188,864
Accrued Liabilities	192,559	59,760	252,319
Escrow	456,000	-	456,000
Deposits	175,886	445,767	621,653
Noncurrent Liabilities:			
Due within one year	1,691,484	1,035,270	2,726,754
Due in more than one year	16,760,636	14,564,592	31,325,228
TOTAL LIABILITIES	20,187,463	16,748,335	36,935,798
NET POSITION			
Net Investment in Capital Assets	25,004,733	18,111,884	43,116,617
Restricted for:			
Debt Service	971,410	112,137	1,083,547
Federal and State Programs	1,445,000	-	1,445,000
Unrestricted	6,247,767	3,956,029	10,203,796
TOTAL NET POSITION	33,668,910	22,180,050	55,848,960

See accompanying notes to basic financial statements.

CITY OF PORTLAND, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

		Program Revenues		
Program Activites	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government and Administration	1,825,146	-	-	-
Cultural and Recreational	2,977,241	656,221	4,500	-
Public Safety	5,736,316	740,629	212,455	-
Public Works	1,040,387	534,166	-	-
Interest on Long Term Debt & Other Fiscal Charges	641,034	-	-	
Total Governmental Activites	12,220,124	1,931,016	216,955	-
Business-Type Activities:				
Water and Sewer	5,208,439	6,091,364	-	1,443,956
Drainage	246,619	426,788	-	540,450
Total Business-Type Activities	5,455,058	6,518,152	-	1,984,406
Total Government	17,675,182	8,449,168	216,955	1,984,406

General Revenues:
Taxes
Property
Sales
Franchise
Hotel/Motel
Investment Earnings
Miscellaneous
Gain on Disposal of Assets
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position at Beginning of Year
Net Position at End of Year

The accompanying notes to financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
(1,825,146)	-	(1,825,146)
(2,316,520)	-	(2,316,520)
(4,783,232)	-	(4,783,232)
(506,221)	-	(506,221)
(641,034)	-	(641,034)
(10,072,153)	-	(10,072,153)
-	2,326,881	2,326,881
-	720,619	720,619
-	3,047,500	3,047,500
(10,072,153)	3,047,500	(7,024,653)
5,149,614	-	5,149,614
4,372,082	-	4,372,082
1,068,690	-	1,068,690
437,750	-	437,750
132,393	101,894	234,287
337,948	15,107	353,055
61,000	1,617	62,617
373,993	(373,993)	-
11,933,470	(255,375)	11,678,095
1,861,317	2,792,125	4,653,442
31,807,593	19,387,925	51,195,518
33,668,910	22,180,050	55,848,960

CITY OF PORTLAND, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

Exhibit 3

	General	Street Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	4,972,978	4,947,810	4,685,438	14,606,226
Receivables, Net of Allowance for Uncollectible:				
Accounts	570,870	-	47,122	617,992
Ad Valorem Taxes	102,298	-	24,865	127,163
Due from Other Funds	393,359	-	75,000	468,359
Due from Other Governments	-	-	177,224	177,224
Inventory	27,331	-	-	27,331
Prepaid Items	85,669	-	32,761	118,430
Escrow Funds	147,965	-	27,104	175,069
Restricted Assets				
Cash and Cash Equivalents	-	-	794,045	794,045
TOTAL ASSETS	6,300,470	4,947,810	5,863,559	17,111,839
LIABILITIES AND FUND BALANCE				
Accounts Payable	442,260	266,387	51,125	759,772
Accrued Interest Payable	-		10,709	10,709
Accrued Liabilities	187,696	-	4,863	192,559
Deposits	175,886	-	-	175,886
Escrow	-	-	456,000	456,000
Due to Other Funds	50,000	-	25,000	75,000
TOTAL LIABILITIES	855,842	266,387	547,697	1,669,926
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue - Property Taxes	102,298	-	24,865	127,163
Total Deferred Inflows of Resources	102,298	-	24,865	127,163
FUND BALANCE				
Non-Spendable				
Inventory	27,331	-	-	27,331
Prepaid Items	85,669	-	59,865	145,534
Restricted for:				
Law Enforcement	-		332,588	332,588
Debt Service	-	-	1,076,420	1,076,420
Federal and State Programs	-		31,718	31,718
Municipal Technology Fees	-		12,622	12,622
Building Security Fund	-		60,285	60,285
Cable Franchise P.E.G.	-		69,375	69,375
Hotel Occupancy Tax Reserve	-		828,415	828,415
Capital Improvements	-	4,681,423	110,001	4,791,424
Committed to:				
Windstorm Insurance	50,000	-	-	50,000
Indian Point Pier	12,044	-	-	12,044
Old Town Development	2,199	-	-	2,199
Parks	34,724	-	-	34,724
Environmental Education	35	-	-	35
Capital Improvements	-	-	444,006	444,006
Assigned:		-		
Cultural and Recreational	-	-	2,265,702	2,265,702
Unassigned	5,130,328	-	-	5,130,328
TOTAL FUND BALANCE	5,342,330	4,681,423	5,290,997	15,314,750
TOTAL LIABILITIES AND FUND BALANCE	6,300,470	4,947,810	5,863,559	17,111,839

The accompanying notes to financial statements are an integral part of this statement.

CITY OF PORTLAND, TEXAS Exhibit 3-R

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balance - total governmental funds	15,314,750
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the funds.	36,531,904
Property taxes receivable unavailable to pay for current period expenditures are unearned in the funds.	127,163
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	122,345
Payables for capital leases which are not due in the current period are not reported in the funds.	(483,555)
Other long-term liabilities which are not due in the current period are not reported in the funds	(1,605,227)
Payables for bond principal which are not due in the current period are not reported in the funds.	(15,969,718)
Premiums on issuance of bonds to be amortized over life of debt.	(393,620)
Payables for bond interest which are not due in the current period are not reported in the funds.	(129,875)
Deferred charge for refunding is expended in the funds, but is amortized in statement of net position	154,743
Net position of governmental activities - statement of net position	33,668,910

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

Exhibit 4

	General	Street Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	7,224,385	-	3,796,031	11,020,416
Licenses and Permits	470,320	-	-	470,320
Intergovernmental	35,571	-	204,181	239,752
Charges for Services	1,023,159	-	-	1,023,159
Fines and Forfeitures	236,947	-	87,576	324,523
Investment Income	96,330	711	35,352	132,393
Contributions	98,253	-	-	98,253
Oil Leases and Royalties	14,655	-	-	14,655
Other	151,120	-	164,135	315,255
Total Revenues	9,350,740	711	4,287,275	13,638,726
EXPENDITURES				
Current:				
General Government	1,742,140	-	-	1,742,140
Public Safety	5,238,968	-	459,461	5,698,429
Public Works	1,373,161	545,508	-	1,918,669
Cultural and Recreational	1,720,842	-	850,375	2,571,217
Debt Service:				
Principal Retirement	-	-	1,172,200	1,172,200
Interest and Fiscal Charges	-	-	462,735	462,735
Bond Issuance Cost	-	112,721	-	112,721
Total Expenditures	10,075,111	658,229	2,944,771	13,678,111
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(724,371)	(657,518)	1,342,504	(39,385)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	61,000	-	-	61,000
Bonds Issued	-	4,905,000	-	4,905,000
Capital Lease Proceeds	202,265		-	202,265
Bond Premium	-	210,971	-	210,971
Transfers In	991,113	-	209,543	1,200,656
Transfers Out	-	-	(826,663)	(826,663)
Total Other Financing Sources (Uses)	1,254,378	5,115,971	(617,120)	5,753,229
NET CHANGE IN FUND BALANCES	530,007	4,458,453	725,384	5,713,844
FUND BALANCES, beginning of year	4,812,323	222,970	4,565,613	9,600,906
FUND BALANCES, end of year	5,342,330	4,681,423	5,290,997	15,314,750

The accompanying notes to financial statements are an integral part of this statement.

CITY OF PORTLAND, TEXAS Exhibit 4-R

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balance - total governmental funds	5,713,844
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA (Statement of Activities).	2,322,853
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,720,279)
Trade in or disposal of capital assets decrease net position in the SOA but not in the funds.	(67,502)
Certain property tax revenues are unearned in the funds. This is the change in these amounts this year.	7,721
Proceeds from bonds issued do not provide revenue in the SOA, but are reported as current resources in the funds.	(4,905,000)
Bond Premiums	(210,971)
Repayment of bond and capital lease principal is an expenditure in the funds but is not an expense in the SOA.	1,172,200
Amortization of bond premium is an expense in the SOA but not in the funds	22,214
Amortization of deferred amount is an expense reduction in the SOA but not in the funds	(14,522)
Proceeds from capital leases are reported as other financing sources in the fund statements, but not in the SOA.	(202,265)
The net revenue (expense) of internal service funds is reported with governmental activities.	62,048
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in OPEB obligations	(226,144)
Change in accrued interest payable	(73,270)
Change in compensated absences	(19,610)
Change in net position of governmental activities - statement of activities	1,861,317

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	3,210,746	184,352	3,395,098	133,302
Accounts Receivable	558,005	26,646	584,651	-
Less Allowance for Uncollectible Accounts	22,469	-	22,469	-
Inventory	209,070	-	209,070	-
Prepaid Items	19,526	-	19,526	-
Due from Water and Sewer Fund	-	-	-	105
Total Current Assets	4,019,816	210,998	4,230,814	133,407
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents	3,465,687	-	3,465,687	-
Total Restricted Assets	3,465,687	-	3,465,687	-
Capital Assets:				
Land	118,362	-	118,362	-
Intangible Assets	-	367,177	367,177	-
Buildings	692,505	-	692,505	-
Water System	9,388,458	-	9,388,458	-
Sewer System	20,633,125	-	20,633,125	-
Equipment	1,018,509	147,247	1,165,756	-
Infrastructure	-	4,574,381	4,574,381	
Construction in Progress	3,535,451	743,145	4,278,596	-
Total Capital Assets	35,386,410	5,831,950	41,218,360	-
Less Accumulated Depreciation	(9,015,665)	(747,132)	(9,762,797)	-
Net Capital Assets	26,370,745	5,084,818	31,455,563	-
Total Noncurrent Assets	29,836,432	5,084,818	34,921,250	-
TOTAL ASSETS	33,856,248	5,295,816	39,152,064	133,407

CITY OF PORTLAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge for Refunding	169,265	-	169,265	-
Total Deferred Outflows of Resources	169,265	-	169,265	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	559,983	34,684	594,667	-
Flexible Spending Accounts	-	-	-	10,540
Accrued Liabilities	59,760	-	59,760	-
Due to General Fund	-	392,839	392,839	520
Current Portion of Long-Term Debt-Bonds (Net of Bond Premium)	915,782	119,488	1,035,270	-
Accrued Interest	41,118	7,162	48,280	-
Deposits	445,767	-	445,767	-
Total Current Liabilities	2,022,515	554,173	2,576,688	11,060
Non-Current Liabilities:				
Bonds Payable (Net of Bond Premium)	12,925,737	1,367,962	14,293,699	-
Net OPEB Obligation	270,893	-	270,893	-
Total Non-Current Liabilities	13,196,630	1,367,962	14,564,592	-
Total Liabilities	15,219,145	1,922,135	17,141,280	11,060
Net Position:				
Net Investment in Capital Assets	15,257,660	2,854,224	18,111,884	-
Restricted for:				
Debt Service	112,137	-	112,137	-
Unrestricted	3,436,571	519,457	3,956,028	122,345
Net Position	18,806,368	3,373,681	22,180,049	122,345

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF PORTLAND, TEXAS

Exhibit 6

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
YEAR ENDED SEPTEMBER 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities-
OPERATING REVENUES	Water and Sewer	Drainage Fund	Total	Internal Service Fund
Charges for Services	6,091,364	426,788	6,518,152	897,365
Miscellaneous	15,107	-	15,107	-
Total Operating Revenues	6,106,471	426,788	6,533,259	897,365
OPERATING EXPENSES				
Personnel Services	1,089,069	-	1,089,069	-
Maintenance	283,432	-	283,432	-
Purchase of Water	2,018,116	-	2,018,116	-
Contract Payments	164,864	1,184	166,048	831,297
Materials and Supplies	122,392	-	122,392	-
Utilities	302,988	-	302,988	-
Other Operating Expenses	-	-	-	4,038
Depreciation	734,874	184,310	919,184	-
Total Operating Expenses	4,715,735	185,494	4,901,229	835,335
Net Operating Income (Loss)	1,390,736	241,294	1,632,030	62,030
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	102,144	(250)	101,894	18
Gain on Sale of Capital Assets	1,617	-	1,617	-
Interest and Fiscal Charges	(492,704)	(61,125)	(553,829)	-
Net Non-Operating Revenues (Expenses)	(388,943)	(61,375)	(450,318)	18
Income (Loss) Before Contributions and Transfers	1,001,793	179,919	1,181,712	62,048
Capital Contributions	1,443,956	540,450	1,984,406	-
Transfers In	46,514	-	46,514	-
Transfers Out	(413,008)	(7,500)	(420,508)	-
Change in Net Position	2,079,255	712,869	2,792,124	62,048
NET POSITION BEGINNING OF YEAR	16,727,113	2,660,812	19,387,925	60,297
NET POSITION END OF YEAR	18,806,368	3,373,681	22,180,049	122,345

The accompanying notes to financial statements are an integral part of this statement.

CITY OF PORTLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

Exhibit 7

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
Cash flow from operating activities:				
Cash received from customers	6,061,555	425,939	6,487,494	898,591
Cash borrowed from other funds	-	(171,410)	(171,410)	-
Cash payments to suppliers for goods and services	(3,069,024)	(67,414)	(3,136,438)	-
Cash payments to employees for services	(1,104,609)	-	(1,104,609)	-
Cash Payments for Loss Claims	-	-	-	(833,120)
Net cash provided by operating activities	1,887,922	187,115	2,075,037	65,471
Cash flows from noncapital financing activities:				
Transfers from other funds	46,514	-	46,514	-
Transfers to other funds	(413,008)	-	(413,008)	-
Net cash provided by noncapital financing activities	(366,494)	-	(366,494)	-
Cash Flows from Capital and Related Financing Activities:				
Cash received from other Governments - Grants	-	-	-	-
Principal Payment on bonds	(971,683)	(112,382)	(1,084,065)	-
Interest and Fiscal Charges Paid	(492,704)	(61,125)	(553,829)	-
Purchase of Capital Assets	(1,843,032)	(476,636)	(2,319,668)	-
Net Cash Used for Capital and Related Financing Activities	(3,307,419)	(650,143)	(3,957,562)	-
Cash Flows from Investing Activities - Interest Income	102,144	(250)	101,894	18
Net Increase (Decrease) in Cash and Cash Equivalents	(1,683,847)	(463,278)	(2,147,125)	65,489
Cash and Cash Equivalents at Beginning of Year	8,360,280	647,630	9,007,910	67,813
* CASH AND CASH EQUIVALENTS AT END OF YEAR	6,676,433	184,352	6,860,785	133,302
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	1,390,736	241,294	1,632,030	62,030
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	734,874	184,310	919,184	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(44,916)	(653)	(45,569)	-
(Increase) Decrease in Due from Other Funds	2,314	-	2,314	1,224
(Increase) Decrease in Inventory	(13,138)	-	(13,138)	-
(Increase) Decrease in Prepaid Expense	(1,516)	-	(1,516)	-
Increase (Decrease) in Accounts Payable	(118,687)	(66,004)	(184,691)	1,694
Increase (Decrease) in Accrued Liabilities	(15,540)	(422)	(15,962)	520
Increase (Decrease) in Due to Other Funds	(68,862)	(171,410)	(240,272)	-
Increase (Decrease) in Accrued Interest	(1,849)	-	(1,849)	-
Increase (Decrease) in Deposits	24,506	-	24,506	-
Net Cash Provided (Used) by Operating Activities	1,887,922	187,115	2,075,037	65,468

Noncash Investing, Capital, and Financing Activities:
During this past year, the Enterprise Funds received $1,524,000 noncash capital contributions from developers consisting of water and sewer infrastructure and drainage infrastructure.

* Includes restricted cash and cash equivalents.

The accompanying notes to financial statements are an integral part of this statement.

CITY OF PORTLAND, TEXAS EXHIBIT 8

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2014

	Private-purpose Trust Fund Police Explorers Fund
ASSETS	
Cash and Cash Equivalents	631
Investments	-
Total Assets	631
LIABILITIES	
Current Liabilities:	
Accounts Payable	-
Internal Accounts Payable	-
Total Liabilities	-
NET POSITION	
Held In Trust	631
Total Net Position	631

The accompanying notes to financial statements are an integral part of this statement.

CITY OF PORTLAND, TEXAS EXHIBIT 9

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Private Purpose Trust Fund Police Explorers Fund
	2014
ADDITIONS	
Contributions	881
Interest on Investments	-
Total Additions	881
DEDUCTIONS	
Other Expenses	250
Change in Net Position	631
Total Net Position, Beginning	-
Total Net Position, Ending	631

The accompanying notes to financial statements are an integral part of this statement.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Portland, Texas operates under a home Rule Charter adopted in an election on August 8, 1967. The City operates under a Council-Manager form of government. Principal services accounted for as general government functions include police and fire protection, health services, planning and engineering, code enforcement, street maintenance, traffic control, parks operation and maintenance, recreation and library services. Sanitation services are provided by a private firm. Water and sewer services are provided under an Enterprise Fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and debt payments.

As required by generally accepted accounting principles, these financial statements present the City and its component unit, an entity for which the City is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. When applicable, discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the government.

Blended Component Unit

The Portland Community Center Complex Development Corporation (PCCCDC) was formed to facilitate development and construction of the Community Center Complex and to administer the distribution of the proceeds of any development bonds issued and certain development sales taxes received on behalf of the City. The City manages the day to day operations of the corporation. The City Council appoints a seven-member board of directors of which four are council members. Due to the financial interdependency of the PCCCDC, it is a blended component unit reported as a special revenue fund. The corporation does not issue separate financial statements.

Discretely Presented Component Unit

There are no component units required to be discretely presented.

The financial statements of the City of Portland, Texas (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Interfund services for sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses and are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific

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

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund-

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Street Improvements Fund-

The Street Improvements Fund accounts for street improvements financed by combination tax and revenue certificates of obligation.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water and Sewer System Fund-

The Water and Sewer System Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Drainage Fund-

The Drainage Fund is used to finance drainage system permits, studies, plans, mainteuance and improvements. The fund also accounts for the accumulation of resources for, and the payment of,

long-term debt principal and interest for drainage system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Additionally, the City reports the following fund types:

Internal Service Fund-

The Insurance Internal Service Fund is used to account for the provision of medical benefits for all City employees.

Private-Purpose Trust Fund-

The Police Explorers Fund is used to account for activities of the police explorers program.

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Unbilled water and sewer services, which are not material, are not accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

D. Encumbrances

Encumbrances represent commitments related to unperformed (executory) contracts for goods or services. Under City ordinance, contracts for capital expenditures outstanding at year-end are encumbered and all other uncompleted contracts lapse.

E. Investments

The City can legally invest in certificates of deposit, obligations of the U.S. Government and its Agencies or instrumentalities, State obligations, local government investment pools and certain money market funds.

The City has implemented GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." As a governmental entity other than an external investment pool, in accordance with GASB 31 the City's investments are stated at fair value, except for money market investments with remaining maturity of one year or less when purchased and nonparticipating interest earning investment contracts.

F. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded as non-spendable to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Inventories

Inventories in the General Fund consist of expendable supplies held for consumption and are carried at average cost. The average cost is recorded as an expenditure at the time of consumption. Inventories reported in the General Fund are offset by a non-spendable fund balance which indicates that it does not constitute "available spendable resources" even though it is a component of assets. The inventories in the Proprietary Funds consist of supplies and are recorded at the lower of average cost or market.

H. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

I. Transactions between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

The City allocates to the Proprietary funds an indirect cost percentage of information technology services and salaries and wages and related costs of personnel who perform administrative services for those funds but are paid through the General Fund along with other indirect costs deemed necessary for their operations. Transfers from the Water and Sewer System Fund are in compliance with Texas Water Code, Section 16.356.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on capital assets.

Assets capitalized have an original cost of $5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50	Years
Water and Sewer System	5-50	Years
Infrastructure	20-30	Years
Equipment and Furniture	5-10	Years
Improvements	10-20	Years
Vehicles	5-10	Years
Intangibles	5	Years

K. Compensated Absences

City employees earn vacation leave, which can accumulate yearly, at a maximum rate of 1.5 times the employee's annual accrual. All vacation pay is accrued when incurred in the Government-wide Financial Statements. Compensated absences are reported in the governmental funds only if they have matured. The General Fund and the Venue Sales Tax Fund are the only governmental funds with payroll, and those funds liquidate the liability for compensated absences in the governmental funds. Proprietary funds accrue vacation leave in the period they are earned. Sick leave is cumulative up to sixty days and is not convertible to vacation leave or additional pay. The cost of sick leave is recognized when payments are made to employees.

L. Net Position and Fund Equity

In the government-wide financial statements and proprietary funds financial statements, net position is reported in three categories: net investment in capital assets, restricted net position; and unrestricted net position. Net position invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets, does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments). All other net position is considered unrestricted.

In the fund financial statements, fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.

Assigned Fund Balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council (Council) has by resolution authorized the city manager to assign fund balance. The Council may also assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

In order to sustain operations in the event of a disaster or emergency, City financial policies require a minimum of 90 days operating reserve be maintained in the General Fund unassigned fund balance and the Water and Sewer System Fund unrestricted net position.

M. Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

N. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

O. Recently Issued and Adopted Accounting Pronouncements

In April 2012, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities.* Beginning with fiscal year 2014, the City implemented the provisions of this statement, which establishes accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of this new Statement resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (see Note 14).

Recently Issued Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* will require the City to record a net position obligation on the government-wide statement of net position. Net pension obligation equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. Statement 68 may also require changes to the projection of benefit payments and the rate used to discount the projected benefit payments. Statement 68 will be effective for the City for the year ending September 30, 2015. The City is currently evaluating the impact of statement 68 for fiscal year 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *Government Combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of Statement 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The City is currently evaluating the impact of GASB 69 for fiscal year 2015.

2. CASH AND INVESTMENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Texas Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to

invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Interlocal Governmental Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (PFIA), Chapter 2256 of the Texas Government Code. In addition to other provisions of the PFIA designed to promote liquidity and safety of principal, the (PFIA) requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in TexPool are reported at share value since they are 2a7-like. A 2a7-like pool is one that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

A. Cash Deposits:

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $431,802 and the bank balance was $627,292. The City's cash deposits at September 30, 2014 and during the period ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

B. Investments:

As of September 30, 2014, the City had the following investments and maturities:

		Investment Maturities (In Years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Investment Pools:					
Investment in TexPool	13,209,097	13,209,097	-	-	-
Certificates of Deposit	8,754,091	52,430	6,165,906	1,625,347	910,408
Total Fair Value	21,963,188	13,261,527	6,165,906	1,625,347	910,408

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. While the City has adopted an investment policy that recommends controlling interest rate risk through maturity diversification, the policy does not place any formal limits of investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – In accordance with state law and the City's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at lease A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The City's investments in investment pools were rated AAA.

Concentration of Credit Risk – The City does not place a limit on the amount the City may invest in any one issuer. The City does not have a concentration of credit risk.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a custodial credit risk.

3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
Governmental Activities:				
Capital assets, not being depreciated				
Land	4,412,524	-	-	4,412,524
Construction in Progress	68,400	914,916	-	983,316
Total capital assets, not being depreciated	4,480,924	914,916	-	5,395,840
Capital assets, being depreciated				
Building and Improvements	22,180,839	-	-	22,180,839
Vehicles	2,723,962	306,490	(127,272)	2,903,180
Equipment and Furniture	2,941,480	163,853	(43,775)	3,061,558
Infrastructure	41,824,413	937,594	-	42,762,007
Intangibles	534,971	-	-	534,971
Total capital assets, being depreciated	70,205,665	1,407,937	(171,047)	71,442,555
Less accumulated depreciation for:				
Buildings and Improvements	(6,962,097)	(525,950)	-	(7,488,047)
Vehicles	(1,267,725)	(222,843)	63,636	(1,426,932)
Equipment and Furniture	(1,496,194)	(260,666)	39,908	(1,716,952)
Infrastructure	(28,935,141)	(650,996)	-	(29,586,137)
Intangibles	(28,599)	(59,824)	-	(88,423)
Total accumulated depreciation	(38,689,756)	(1,720,279)	103,544	(40,306,491)
Total capital assets, being depreciated, net	31,515,909	(312,342)	(67,503)	31,136,064
Governmental activities capital assets, net	35,996,833	602,574	(67,503)	36,531,904
Business-type Activities:				
Capital assets, not being depreciated				
Land	118,362	-	-	118,362
Intangibles	367,177	-	-	367,177
Construction in Progress	4,436,782	2,796,525	(2,954,711)	4,278,596
Total capital assets, not being depreciated	4,922,321	2,796,525	(2,954,711)	4,764,135
Capital assets, being depreciated				
Buildings	686,429	6,077	-	692,506
Water System	8,961,235	427,224	-	9,388,459
Sewer System	17,122,089	3,511,037	-	20,633,126
Equipment	1,044,233	118,409	(19,213)	1,143,429
Infrastructure	4,033,932	540,450	-	4,574,382
Total capital assets, being depreciated	31,847,918	4,603,197	(19,213)	36,431,902
Less accumulated depreciation for:				
Buildings	(201,586)	(15,825)	-	(217,411)
Water System	(3,194,468)	(223,026)	-	(3,417,494)
Sewer System	(4,637,682)	(416,519)	-	(5,054,201)
Equipment	(367,053)	(98,212)	19,213	(446,052)
Infrastructure	(462,033)	(165,603)	-	(627,636)
Total accumulated depreciation	(8,862,822)	(919,185)	19,213	(9,762,794)
Total capital assets, being depreciated, net	22,985,096	3,684,012	-	26,669,108
Business-type activities capital assets, net	27,907,417	6,480,537	(2,954,711)	31,433,243

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

Governmental activities:	
General government and administration	106,595
Public Safety	441,219
Public Works	708,799
Cultural and recreational	463,666
Total depreciation expense - Governmental activities	1,720,279
Business-type activities:	
Water and Sewer	734,874
Drainage	184,311
Total Depreciation Expense - Business-type Activities	919,185

4. LONG-TERM DEBT

Combination Tax and Revenue Certificates of Obligation, Series 2014

On April 24, 2014, the City issued $4,905,000 Contribution Tax and Revenue Certificates of Obligation, Series 2014. The certificates are direct obligations payable from an ad valorem tax levied on all taxable property located within the City. Solely to comply with Texas law to permit the certificates to be sold for cash, the certificates are additionally served by a lien on and pledge of the "Surplus Revenue" derived from the ownership and operations of the City's waterworks and sewer systems. Proceeds from the sale of the certificates will be used to acquire, construct, and equip various street, sidewalk and related drainage improvements in the City, to construct, repair, improve and rehabilitate various City parking facilities, and to pay all or a portion of the legal, fiscal and engineering fees in connection with such projects. The issuance consisted of $3,695,000 in Serial Certificates and $1,210,000 in Term Certificates. The Serial Certificates carry interest rates of 2.000% to 4.000% and mature between August 15, 2015 and August 15, 2028, with one final Serial Certificate payment due on August 15, 2034. The Term Certificates carry an interest rate of 3.600% and mature between August 15, 2029 and August 15, 2033. The City has reserved the right to redeem at its sale option, to redeem the Serial Certificates stated to mature August 15, 2024 in whole or from time to time in part, in principle amount of $5,000 or any integral multiple thereof on August 15, 2023, or any date thereafter. The Term Certificates are also subject to mandatory redemption prior to stated maturity in part by lot, at a price equal to the principle amount thereof plus accrued interest to the date of redemption.

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2014.

	BALANCE OCTOBER 1	ADDITIONS	REDUCTIONS	BALANCE SEPTEMBER 30	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	7,747,035	4,905,000	542,317	12,109,718	787,522
Sales Tax Revenue Bonds	4,005,000	-	315,000	3,690,000	320,000
Utility System Revenue Bonds	335,000	-	165,000	170,000	170,000
Bond Premium	204,863	210,971	22,214	393,620	24,422
Total Bonds Payable	12,291,898	5,115,971	1,044,531	16,363,338	1,301,944
Capital Leases	431,173	202,265	149,883	483,555	144,081
Compensated Absences	348,579	419,687	400,077	368,189	245,459
OPEB Obligations	1,010,894	226,144	-	1,237,038	-
Total Governmental Activities	14,082,544	5,964,067	1,594,491	18,452,120	1,691,484
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds	14,153,000	-	859,000	13,294,000	885,000
General Obligation Bonds	1,567,965	-	112,683	1,455,282	117,478
Bond Premium	612,479	-	32,793	579,686	32,793
Total Bonds Payable	16,333,444	-	1,004,476	15,328,968	1,035,271
Compensated Absences	38,409	27,275	30,497	35,187	35,187
OPEB Obligations	227,053	43,840	-	270,893	-
Total Business-Type Activities	16,598,906	71,115	1,034,973	15,635,048	1,070,458
Total Government	30,681,450	6,035,182	2,629,464	34,087,168	2,761,942

BONDED DEBT LIABILITIES

At September 30, 2014, bonds payable consisted of the following individual issues:

	GOVERNMENTAL	BUSINESS-TYPE
Combination Tax and Revenue Certificates of Obligation, Series 2003, Maturing in Fiscal 2022 and Bearing Interest at 3.75% to 5.25% (Original Debt $670,000)	340,000	-
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006, Maturing in Fiscal 2026 and Bearing Interest at 4.10% to 5.00% (Original Debt $3,170,000)	2,265,000	-
Sales Tax Revenue Refunding Bonds, Series 2007, Maturing in 2025 and Bearing Interest at 4.00% to 4.25% (Original Debt $2,635,000)	1,890,000	-
Utility System Revenue Bonds, Series 2009, Maturing in Fiscal 2029 and Bearing Interest at 3.760% to 4.810% (Original Debt $322,000)	-	276,000
Utility System Revenue Bonds, Series 2009-A, Maturing in Fiscal 2029 and Bearing Interest at 2.000% to 4.500% (Original Debt $6,500,000)	-	4,950,000
Combination Tax and Revenue Certificates of Obligation, Series 2010, Maturing in Fiscal 2030 and Bearing Interest at 2.00% to 4.125% (Original Debt $4,080,000)	1,579,718	1,455,282
General Obligation Refunding Bonds, Series 2010, Maturing in 2024 and Bearing Interest at 2.00% to 4.00% (Original Debt $3,620,000)	3,020,000	-
Utility System Revenue Refunding Bonds, Series 2010, Maturing in Fiscal 2022 and Bearing Interest at 2.00% to 4.00% (Original Debt $2,370,000)	-	1,670,000
Utility System Revenue Bonds, Series 2012, Maturing in Fiscal 2031 and Bearing Interest at 0.080% to 3.680% (Original Debt $193,000)	-	173,000
Utility System Revenue and Refunding Bonds, Series 2012, Maturing in Fiscal 2032, and Bearing Interest at 2.00% to 4.00% (Original Debt $7,380,000)	170,000	6,225,000
Sales Tax Revenue Refunding Bonds, Series 2013, Maturing in Fiscal 2023 and Bearing Interest at 2.000% to 4.000% (Original Debt $1,980,000)	1,800,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2014, Maturing in Fiscal 2034 and Bearing Interest at 2.00% to 4.00% (Original Debt $4,905,000)	4,905,000	-
Total Bonds Payable	15,969,718	14,749,282

The annual requirements for bonds for years subsequent to September 30, 2014, are as follows:

REVENUE BONDS

YEAR ENDING	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
SEPTEMBER 30	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2015	490,000	124,863	614,863	885,000	492,090	1,377,090
2016	325,000	114,287	439,287	896,000	467,112	1,363,112
2017	340,000	104,663	444,663	927,000	441,045	1,368,045
2018	350,000	94,507	444,507	953,000	413,107	1,366,107
2019	360,000	83,508	443,508	990,000	382,617	1,372,617
2020-2024	1,790,000	206,800	1,996,800	4,078,000	1,408,613	5,486,613
2025-2029	205,000	4,356	209,356	3,534,000	649,929	4,183,929
2030-2032	-	-	-	1,031,000	83,029	1,114,029
TOTAL	3,860,000	732,984	4,592,984	13,294,000	4,337,542	17,631,542

GENERAL OBLIGATION BONDS

YEAR ENDING	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
SEPTEMBER 30	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2015	787,523	516,477	1,304,000	117,477	57,294	174,771
2016	862,523	432,895	1,295,418	117,477	53,770	171,247
2017	902,727	400,269	1,302,996	122,273	49,071	171,344
2018	857,870	365,220	1,223,090	67,130	44,180	111,310
2019	892,870	331,975	1,224,845	67,130	41,495	108,625
2020-2024	4,409,412	1,143,672	5,553,084	395,588	163,551	559,139
2025-2029	2,027,282	463,232	2,490,514	462,718	79,543	542,261
2030-2034	1,369,511	148,904	1,518,415	105,489	4,351	109,840
TOTAL	12,109,718	3,802,644	15,912,362	1,455,282	493,255	1,948,537

For the Governmental Activities, General Obligation Bonds and a portion of the Utility System Revenue Bonds are paid by the Debt Service Fund. The Sales Tax Revenue Bonds are paid by the Portland Community Center Complex Development and the Venue Sales Tax Special Revenue Funds.

For the Business-Type Activities, the Revenue Bonds are paid by the Water and Sewer System Fund, and the General Obligation Bonds are paid by the Drainage Fund.

OPEB obligations are paid by the General Fund and the Water and Sewer System Fund, respectfully.

RESTRICTED CASH AND CASH EQUIVALENTS—UTILITY FUND

Revenue Bonds-

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on the pledge of the net revenues of the water and sewer system.

The Revenue Bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional Revenue Bonds unless the special funds noted above contain the required amounts. Management of the City believes that it is in compliance with all significant financial requirements as of September 30, 2014.

The components of restricted cash and cash equivalents as of September 30, 2014 are as follows:

Revenue Bond Construction	2,908,378
Revenue Bond Reserve	38,498
Interest and Sinking Fund--Bonds	114,758
Customer Deposits	390,925
Other Deposits	13,128
Total Restricted Cash and Cash Equivalents	3,465,687

Defeased Bonds Outstanding-

At September 30, 2014 the City did not have any outstanding principal of defeased bonds.

Authorized But Not Issued Debt-

The City has $500,000 in Revenue Bonds for the Water and Sewer System Fund authorized but unissued. The City does not plan to issue these bonds.

CAPITAL LEASES

During 2014 the City entered into a lease agreement for a street sweeper at a cost of $202,265. Also, during 2013, the City entered into a lease agreement for financing the acquisition of a fire truck at a cost of $531,173. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been reported at the present value of their future minimum lease payments as of the inception date. The equipment purchased under capital leases is included in the capital assets of the City. The amortization of this equipment has been included in the City's depreciation expense. The Debt Service Fund pays the debt for the equipment. Future minimum lease payments are as follows:

FISCAL YEAR ENDING SEPTEMBER 30	GOVERNMENTAL ACTIVITIES
2015	155,768
2016	155,768
2017	155,768
2018	41,985
TOTAL	509,289
Less amount representing interest (Rates 2.29% to 2.68%)	(25,734)
Present value of future minimum lease payments	483,555

5. COMMITMENTS UNDER NONCAPITALIZED LEASES

Operating Leases:

The City leases equipment. Most of the leases are cancelable.

Minimum lease commitments for the next five years are immaterial.

6. INTERFUND TRANSACTIONS AND BALANCES

Interfund transfers during the year ended September 30, 2014 were as follows:

	TRANSFERS IN		
TRANSFERS OUT	GENERAL FUND	NON MAJOR GOVERNMENTAL	TOTAL
Nonmajor Governmental	585,605	209,543	795,148
Water and Sewer System	405,508	-	405,508
TOTAL	991,113	209,543	1,200,656

- The General Fund received transfers from the Water and Sewer System Fund and from nonmajor governmental funds to cover allocated amounts of administrative service charges and other expenditures. Transfers from the Water and Sewer System Fund are in compliance with Texas Water Code, Section 16.356.

- The transfers received by the nonmajor governmental funds were for debt service and to supplement construction and maintenance projects.

Interfund receivables and payables at September 30, 2014 are as follows:

	INTERFUND RECEIVABLE	INTERFUND PAYABLE
GOVERNMENTAL FUNDS		
General Fund	393,359	50,000
Nonmajor Governmental	75,000	25,000
Total Governmental	468,359	75,000
ENTERPRISE FUNDS		
Water and Sewer System	-	105
Drainage Fund	-	392,839
Total Enterprise	-	392,944
INTERNAL SERVICE FUND	105	520
TOTAL	468,464	468,464

The interfund balances at September 30, 2014 are generally short-term loans to cover temporary cash flows and reimbursements for various funds. Included in General Fund interfund payables is $50,000 to construction funds for construction projects. Also for Nonmajor Governmental Funds, interfund payables include $25,000 for a veterans memorial complex project. Except for the following, the other interfund balances are expected to be repaid in less than one year. At the end of fiscal year 2013, the City Council authorized an interfund loan of $700,000 from the General Fund to the Drainage Fund for the purpose of financing certain drainage improvement projects. The Drainage Fund will repay the General Fund the full amount of the loan, plus interest. The repayment schedule will be annually or as impact fees imposed are collected by the Drainage Fund. Beginning October 1, 2013, the Drainage Fund will pay the General Fund the interest accrued (interest rate determined by the TexPool Daily Interest Factor as of September 30, 2012) on the loan as of September 30, 2013, plus $20,000 of the principal. The balance of this interfund loan at September 30, 2014 was $392,839.

7. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

The San Patricio County Appraisal District establishes appraised values. Responsibility for the billing and collection of the City's taxes has beeu transferred to San Patricio County Tax Assessor/Collector as a cost-cutting measure iu cousolidation government functions. Allowances for uncollectible accounts within the General and Debt Service Funds are based upon historical experience in property tax collections.

8. PENSION PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2013	Plan Year 2014
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age / years of service)	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consist of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The city contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Three-year trend information is as follows:

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2012	$772,132	$772,132	100%	-0-
2013	$838,144	$838,144	100%	-0-
2014	$901,167	$901,167	100%	-0-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	26.2 years; closed period	25.2 years; closed period	25.0 years; closed period
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2013	$14,285,079	$20,272,857	70.5%	$5,987,778	$5,553,642	107.8%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

9. POSTEMPLOYMENT BENEFITS

Effective for fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)" prospectively (no beginning Net OPEB Obligation).

A. Healthcare Plan

Plan Description

The City of Portland offers its retirees medical and prescription drug and dental coverage until age 65. The plan is a self-insured continuation of the active plan. Dependents of retirees can also enroll in the plan but are required to pay their full cost. Currently there are only six retirees on the plan and no dependents. Inasmuch as the plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued. Continuation of these benefits is dependent on periodic authorization by the City Council.

Funding Policy

The City may contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For 2014, the City made no contributions and instead elected to continue funding on a pay-as-you-go basis, which amounted to $30,962 for 2014. In 2014 and prior years, the General Fund and Water and Sewer System Fund have been used to provide this funding.

Annual OPEB Cost and Net OPEB Obligation

For 2014, the components of the City's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation to the Plan were as follows:

Annual required contribution	298,746
Interest on net OPEB obligation	49,229
Adjustment to annual required contribution	(47,029)
Annual OPEB cost	300,946
Contributions or payments made	(30,962)
Increase in net OPEB obligation	269,984
Net OPEB obligation, beginning of year	1,237,947
Net OPEB obligation, end of year	1,507,931

The end of year net OPEB obligation is shown as a non-current liability on the Government-wide Statement of Net Assets. It is allocated between the Governmental and Business-Type Activities.

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

Years Ended September 30	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	300,946	10.29%	1,507,931
2013	280,852	8.72%	1,237,947
2012	287,156	9.01%	981,598

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2014, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	(1)	2,623,045	
Actuarial value of assets	(2)	-	
Unfunded AAL (UAAL)	(3)	2,623,045	(1) - (2)
Funded ratio	(4)	0.0%	(2) / (1)
Covered payroll	(5)	5,844,901	
UAAL as % of covered payroll	(6)	44.9%	(3) / (5)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the City and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The latest actuarial valuation for the City was completed as of October 1, 2014. The significant assumptions underlying the actuarial calculations are as follows:

Actuarial Cost Method	Projected Unit Credit
Eligibility	Age 55 with 10 years of service with the City and 20 years of service with TMRS
Survivor Eligibility	Spouses must pay full cost of coverage
Annual Maximum	None
Lifetime Maximum	$2,000,000
Medical Benefit Claims Cost by Age	Percentage increase with age
Medical Inflation	Assured rate ranges from 10% in the short term to 5% in the long term
Discount Rate for Valuing Liabilities	4.0%
Salary Scale	3.0%
Mortality Rates	RP 2000 Combined Healthy Mortality Table
Withdrawal Rates	Based on years of service
Retirement Rates	Younger hired-age employees based on service; older hired-age employees based on age
Amortization Methodology:	
Method	Level Percentage of Projected Payroll (salary scale 3.0%)
Period	30 years
Type	Open

B. Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period proceeding the month of death). Retired employees are insured for $7,500. This coverage is an "other postemployment benefit," or OPEB.

	Plan Year 2013	Plan Year 2014
The City offers supplemental death benefits to:		
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were:

Schedule of Contribution Rates

(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.03%	0.03%	100.00%
2013	0.03%	0.03%	100.00%
2014	0.03%	0.03%	100.00%

10. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has utilized the purchase of commercial insurance to cover any potential losses. Except for minimal deductibles, the City has transferred risk of loss to commercial issuers. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the year ended September 30, 2014 or the three prior years.

11. COMMITMENTS AND CONTINGENT LIABILITIES

In the opinion of City Attorney and management, there is no pending or threatened litigation against the City that would have a material effect on the City's financial position or operations.

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

12. CONSTRUCTION COMMITMENTS

The City has active construction projects as of September 30, 2014. At year end the construction commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
General Government		
Community Center Complex Design & Veterans Memorial	15,000	85,000
Street Improvement Project - Phase 9A	187,829	3,812,171
Street Improvement Project - Phase 9B	291,390	708,610
Northshore Drainage Outfall Improvements	11,274	-
Fire Station #2 Remodeling Project	477,823	91,428
Total General Government	983,316	4,697,209
Enterprise		
Northshore Drainage Outfall Improvements	743,145	34,687
SCADA	128,631	471,369
Doyle Addition Hook-up Project - USDA	29,852	185,713
Automated Meter Reading Project	1,277,431	187,569
Water/Sewer Line Replacement, Phase 1	2,090,912	1,764,088
WWTP UV	8,625	11,375
Total Enterprise	4,278,596	2,654,801
TOTAL	5,261,912	7,352,010

General Government construction projects are primarily funded by general obligation bonds. Enterprise construction projects are primarily funded by revenue bonds and some Federal grant funding.

13. ENCUMBRANCES

At September 30, 2014 the City did not have any encumbrances outstanding.

14. RESTATEMENTS AND RECLASSIFICATIONS

As mentioned in Note 1.0 to the financial statements, the City implemented GASB statement No. 65, *Items Previously Reported as Assets and Liabilities.* The provisions of this statement required that bond issuance costs be expensed in the year they are incurred. Previously, bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB statement No. 65, bond issuance costs previously reported as assets had to be removed from the financial statements. This resulted in a restatement of beginning net position in the City's Water and Sewer System Fund and Drainage Fund in the amounts of $434,587 and $65,921 respectfully. Assets of the respective Funds were reduced by the same amount. This also resulted in a restatement of beginning net position in the City's Governmental Statement of Net Position in the amount of $403,694. Assets of the Governmental Activities were reduced by the same amount. In addition, deferred charges on refunding in the amount of $169,265 and $181,471 were classified as Deferred Outflows of resources in the Governmental Activities and Business-type Activities respectively, instead of netting the amount against noncurrent liabilities due in more than one year.

15. SUBSEQUENT EVENT—ISSUANCE OF TAX NOTES

On December 17, 2014 the City sold $2,340,000 City of Portland, Texas Tax Notes, Series 2014. Proceeds from the Notes will be used for capital equipment purchases and projects. The Notes bear a fixed interest rate of 1.16% and mature in Fiscal Year 2017. The Notes are secured by ad valorem taxes.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF PORTLAND, TEXAS Exhibit A-1

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR 2013

	2014				2013
	Budgeted Amounts		Actual	Variance With Final Budget Positive	Actual
	Original	Final	(Budgetary Basis)	(Negative)	(Budgetary Basis)
REVENUES					
Taxes	7,198,500	7,179,750	7,224,385	44,635	6,702,430
Licenses and Permits	391,000	504,190	470,320	(33,870)	323,040
Intergovernmental	125,028	130,108	35,571	(94,537)	29,835
Charges for Services	968,141	973,725	1,023,159	49,434	972,775
Fines and Forfeitures	303,200	251,712	236,947	(14,765)	223,888
Investment Income	42,100	47,304	96,330	49,026	(59,913)
Contributions	31,000	23,620	98,253	74,633	112,910
Oil Leases and Royalties	17,500	15,000	14,655	(345)	16,092
Other	31,000	36,296	151,120	114,824	165,954
Total Revenues	9,107,469	9,161,705	9,350,740	189,035	8,487,011
EXPENDITURES					
Current					
General Government	2,033,328	1,775,118	1,731,165	43,953	1,894,717
Public Safety	5,496,257	5,422,518	5,238,968	183,550	4,988,847
Public Works	1,156,062	1,238,166	1,170,896	67,270	1,039,331
Cultural and Recreational	1,897,757	1,874,173	1,720,842	153,331	1,616,920
Total Expenditures	10,583,404	10,309,975	9,861,871	448,104	9,539,815
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,475,935)	(1,148,270)	(511,131)	637,139	(1,052,804)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	117,500	76,000	61,000	(15,000)	20,953
Transfers In	1,195,644	1,071,854	991,113	(80,741)	1,139,712
Transfers Out	-	-	-	-	(719,758)
Total Other Financing Sources (Uses)	1,313,144	1,147,854	1,052,113	(95,741)	440,907
NET CHANGE IN FUND BALANCE	(162,791)	(416)	540,982	541,398	(611,897)
FUND BALANCE (BUDGETARY BASIS), beginning of year	4,709,181	4,074,098	4,801,348	727,250	5,413,245
FUND BALANCE (BUDGETARY BASIS), end of year	4,546,390	4,073,682	5,342,330	1,268,648	4,801,348
Plus Effect of Encumbrances			-		10,975
Less Effect of Capital Lease Purchases			-		-
FUND BALANCE (GAAP BASIS)			5,342,330		4,812,323

See accompanying notes to required supplementary information.

CITY OF PORTLAND, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2014

BUDGETARY DATA

The City Council follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the City Charter, on or before August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. The City Charter requires the budget be submitted in summary form. More detailed line item budgets are included for administrative control. At any time during the fiscal year the City Manager may transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency; and, upon written request by the City Manager, the City Council may by ordinance transfer part or all of any unencumbered appropriation balance from one department, office or agency to another. The level of control for the detailed budgets is at the function level.

2. Public hearings are conducted to obtain taxpayer comment.

3. On or before September 15, the budget is legally enacted through passage of an ordinance. Should the Council take no action on or prior to such day, the budget as submitted by the City Manager shall be deemed to have been adopted by the City Council.

4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund, and the following Special Revenue Funds: Portland Community Center Complex Fund, Restricted Use Fund, and the Venue Sales Tax Fund.

5. Budgets for the General and Special Revenue Funds are adopted on a budgetary basis rather than in conformity with generally accepted accounting principles (GAAP). Under the budgetary basis, differences from GAAP consist of timing differences related to capital outlay encumbrances, which are treated as expenditures for budgetary purposes and capitalized leases, for which only principal and interest payments are budgeted.

6. The City Charter requires the adoption of a summary budget for proprietary funds.

7. Except for capital outlay encumbrances, appropriations lapse at the end of each fiscal year.

BUDGETARY-GAAP REPORTING RECONCILIATION

Adjustments necessary to convert the results of operations and fund balances at the end of the year from the GAAP basis of accounting to the budgetary basis of accounting are as follows:

	Net Change in Fund Balance	Fund Balance at End of Year
	General Fund	General Fund
GAAP Basis	530,007	5,342,330
Reserve for Encumbrances at 10-1-13	10,975	-
Reserve for Encumbrances at 9-30-14	-	-
Budgetary Basis	540,982	5,342,330

EXHIBIT A-3

CITY OF PORTLAND, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
LAST THREE VALUATION DATES
(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	11,263,277	16,057,833	70.1%	4,794,556	4,755,702	100.8%
12/31/2012	12,698,606	17,498,897	72.6%	4,800,291	5,255,875	91.3%
12/31/2013	14,285,079	20,727,857	70.5%	5,987,778	5,553,642	107.8%

CITY OF PORTLAND, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
POSTEMPLOYMENT HEALTHCARE PLAN
SCHEDULE OF FUNDING PROGRESS
LAST THREE FISCAL YEARS
(UNAUDITED)

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	Funded Ratio (1) / (2)	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
2012	$ -	$2,151,469	0.0%	$2,151,469	$5,509,380	39.1%
2013	$ -	$2,380,777	0.0%	$2,380,777	$5,674,661	42.0%
2014	$ -	$2,623,045	0.0%	$2,623,045	$5,844,901	44.9%

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES AS SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Shoreline and Wetlands Fund – established to account for funds from Grants and local matching funds for the development and construction of a hike and bike trail and other improvements.

Portland Community Center Complex Development Fund – receives restricted sales tax revenue. The fund also accounts for the payment of bond principal, interest and related costs of Sales Tax Revenue Refunding Bonds.

Restricted Use Fund – established to account for funds that have statutory restrictions which include hotel/motel taxes, municipal technology fees, and court building security fees.

Venue Sales Tax Fund – established to account for restricted venue sales taxes and to account for payment of bond, principal, interest and related costs of sales tax revenue bonds to be issued.

Grants Administration Fund – established to account for grants that have specific program requirements for compliance and internal control matters.

Law Enforcement Fund – established to account for State and Federal forfeiture funds.

Debt Service Fund

Debt Service Fund – to account for the accumulation of resources for and payment of general long-term debt bond principal, interest, and related costs.

Capital Project Funds

Capital Improvements Fund – to account for various capital projects financed by general obligation bonds and capital leases.

Community Center Construction Fund – to account for constructing improvements to the City's library system, financed by general obligation bonds.

Venue Sales Tax Construction Fund – established to account for sales tax revenue bond proceeds to construct, acquire and equip improvements to the venue project designated as the parks and recreation system, including the municipal swimming pool complex.

Restricted (HOT) Construction Fund – established to account for the construction of a new Veterans Memorial Complex and a right-of-way project financed by hotel/motel taxes funding from the Restricted Use Fund.

CITY OF PORTLAND, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Special Revenue						
	Shoreline And Wetlands Fund	Portland Community Center Complex Development Fund	Restricted Use Fund	Venue Sales Tax Fund	Grants Administration Fund	Law Enforcement Fund	Total Special Revenue Funds
ASSETS							
Cash and Cash Equivalents	164,206	1,095,549	1,409,683	411,125	25,787	332,588	3,438,938
Receivables							
Accounts	-	-	44,475	1,742	-	-	46,217
Ad Valorem Taxes	-	-	-	-	-	-	-
Due from Other Governments	-	86,168	-	85,125	5,931	-	177,224
Prepaid Item	-	-	-	-	-	-	-
Prepaid Insurance	-	32,761	-	-	-	-	32,761
Restricted Assets							-
Cash and Cash Equivalents	-	-	-	794,045	-	-	794,045
TOTAL ASSETS	164,206	1,214,478	1,454,158	1,319,141	31,718	332,588	4,516,289
LIABILITIES AND FUND BALANCE							
Accounts Payable	-	-	1,972	15,739	-	-	17,711
Accrued Interest Payable	-	-	489	-	-	-	489
Accrued Wages Payable	-	-	-	4,863	-	-	4,863
Escrow	-	-	456,000	-	-	-	456,000
Due to Other Funds	-	-	25,000	-	-	-	25,000
TOTAL LIABILITIES	-	-	483,461	20,602	-	-	504,063
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue - Property Taxes	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-	-
FUND BALANCE							
Non-Spendable:							
Prepaid Items	-	32,761	-	27,104	-	-	59,865
Restricted For:							
Debt Service	-	-	-	351,656	-	-	351,656
Federal and State Programs	-	-	-		31,718	-	31,718
Municipal Technology Fees	-	-	12,622	-	-	-	12,622
Building Security Fund	-	-	60,285	-	-	-	60,285
Cable Franchise P.E.G.	-	-	69,375	-	-	-	69,375
Hotel Occupancy Tax Reserve	-	-	828,415	-	-	-	828,415
Law Enforcement	-	-	-	-	-	332,588	332,588
Capital Improvements	-	-	-	-	-	-	-
Committed to:							
Capital Improvements	-	-	-	-	-	-	-
Assigned							
Cultural and Recreational	164,206	1,181,717	-	919,779	-	-	2,265,702
TOTAL FUND BALANCE	164,206	1,214,478	970,697	1,298,539	31,718	332,588	4,012,226
TOTAL LIABILITIES AND FUND BALANCE	164,206	1,214,478	1,454,158	1,319,141	31,718	332,588	4,516,289

	Capital Projects					
Debt Service Fund	Capital Improvements Fund	Community Center Construction Fund	Venue Sales Tax Construction Fund	Restricted HOT Construction Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
734,079	301,734	10	125,676	85,001	512,421	4,685,438
					-	
905	-	-	-	-	-	47,122
24,865	-	-	-	-	-	24,865
-	-	-	-	-	-	177,224
	-	-	-	-	-	-
-	-	-	-	-	-	32,761
					-	-
-	-	-	-	-	-	794,045
759,849	351,734	10	125,676	110,001	587,421	5,863,559
-	33,414	-	-	-	33,414	51,125
10,220	-	-	-	-	-	10,709
-	-	-	-	-	-	4,863
-	-	-	-	-	-	456,000
-	-	-	-	-	-	25,000
10,220	33,414	-	-	-	33,414	547,697
24,865	-	-	-	-	-	24,865
24,865	-	-	-	-	-	24,865
-	-	-	-	-	-	59,865
724,764	-	-	-	-	-	1,076,420
-	-	-	-	-	-	31,718
-	-	-	-	-	-	12,622
-	-	-	-	-	-	60,285
-	-	-	-	-	-	69,375
-	-	-	-	-	-	828,415
-	-	-	-	-	-	332,588
-	-	-	-	110,001	110,001	110,001
-	318,320	10	125,676	-	444,006	444,006
-	-	-	-	-	-	2,265,702
724,764	318,320	10	125,676	110,001	554,007	5,290,997
759,849	351,734	10	125,676	110,001	587,421	5,863,559

CITY OF PORTLAND, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue						
	Shoreline And Wetlands Fund	Portland Community Center Complex Development Fund	Restricted Use Fund	Venue Sales Tax Fund	Grants Administration Fund	Law Enforcement Fund	Total Special Revenue Funds
REVENUES							
Taxes and Special Assessments	-	1,086,547	437,750	1,086,547	-	-	2,610,844
Intergovernmental	-	-	-	169,111	35,070	-	204,181
Investment income	51	5,417	12,240	4,619	-	93	22,420
Drug Forfeiture - Federal	-	-	-	-	-	87,176	87,176
Drug Forfeiture - Local	-	-	-	-	-	400	400
Other	11,050	-	36,703	-	-	-	47,753
TOTAL REVENUES	11,101	1,091,964	486,693	1,260,277	35,070	87,669	2,972,774
EXPENDITURES							
General Government	-	-	-	-	-	-	-
Cultural and Recreational	-	71,010	96,253	553,253	46,282	-	766,798
Public Safety	-	-	-	-	-	20,677	20,677
Public Works	-	-	-	-	-	-	-
Debt Service							
Principal Retirement	-	135,000	-	180,000	-	-	315,000
Interest and Fiscal Charges	-	81,888	-	51,700	-	-	133,588
TOTAL EXPENDITURES	-	287,898	96,253	784,953	46,282	20,677	1,236,063
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,101	804,066	390,440	475,324	(11,212)	66,992	1,736,711
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	(413,559)	(125,000)	(288,104)	-	-	(826,663)
NET CHANGE IN FUND BALANCES	11,101	390,507	265,440	187,220	(11,212)	66,992	910,048
FUND BALANCE, beginning of year	153,105	823,971	705,257	1,111,319	42,930	265,596	3,102,178
FUND BALANCE, end of year	164,206	1,214,478	970,697	1,298,539	31,718	332,588	4,012,226

	Capital Projects					
Debt Service Fund	Capital Improvements Fund	Community Center Construction Fund	Venue Sales Tax Construction Fund	Restricted HOT Construction Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
1,185,187	-	-	-	-	-	3,796,031
-	-	-	-	-	-	204,181
12,802	78	9	42	1	130	35,352
-	-	-	-	-	-	87,176
-	-	-	-	-	-	400
-	116,382	-	-	-	116,382	164,135
1,197,989	116,460	9	42	1	116,512	4,287,275
-	-	-	-	-	-	-
-	-	68,577	-	15,000	83,577	850,375
-	438,784	-	-	-	438,784	459,461
-	-	-	-	-	-	-
					-	
857,200	-	-	-	-	-	1,172,200
329,147	-	-	-	-	-	462,735
1,186,347	438,784	68,577	-	15,000	522,361	2,944,771
11,642	(322,324)	(68,568)	42	(14,999)	(405,849)	1,342,504
67,643	-	16,900	-	125,000	141,900	209,543
-	-	-	-	-	-	(826,663)
79,285	(322,324)	(51,668)	42	110,001	(263,949)	725,384
645,479	640,644	51,678	125,634	-	817,956	4,565,613
724,764	318,320	10	125,676	110,001	554,007	5,290,997

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GENERAL FUND

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund. The Fund uses the modified accrual basis of accounting.

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CITY OF PORTLAND, TEXAS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

Exhibit C-1

	2014	2013
ASSETS		
Cash and Cash Equivalents	4,972,978	4,949,344
Receivables:		
Delinquent Taxes	102,298	97,070
Accounts	570,870	523,667
Due from Enterprise Funds	392,839	633,216
Due from Insurance Fund	520	-
Due from Other Special Revenue Funds	-	6,064
Due from Other Capital Projects Funds	-	281
Inventory	27,331	17,129
Prepaid Items	85,669	81,148
Escrow Funds	147,965	147,916
TOTAL ASSETS	6,300,470	6,455,835
LIABILITIES AND FUND BALANCE		
Accounts Payable	442,260	414,924
Accrued Liabilities	187,696	224,345
Deposits	175,886	175,735
Due to Enterprise Funds	-	2,314
Due to Insurance Fund	-	1,329
Due to Debt Service Fund	-	1,637
Due to Special Revenue Funds	-	6,907
Due to Construction Fund	50,000	719,250
TOTAL LIABILITIES	855,842	1,546,441
DEFERRED INFLOWS OF RESOURCES:		
Unavailable Revenue - Property Taxes	102,298	97,071
Total Deferred Inflows of Resources	102,298	97,071
FUND BALANCE		
Non-Spendable:		
Inventory	27,331	17,129
Prepaid Items	85,669	81,148
Committed to:		
Windstorm Insurance	50,000	50,000
Indian Point Pier	12,044	12,044
Old Town Development	2,199	2,199
Parks	34,724	34,724
Environmental Education	35	35
Unassigned	5,130,328	4,615,044
TOTAL FUND BALANCE	5,342,330	4,812,323
TOTAL LIABILITIES AND FUND BALANCE	6,300,470	6,455,835

CITY OF PORTLAND, TEXAS Exhibit C-2

GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
REVENUES		
Taxes	7,224,385	6,702,430
Licenses and Permits	470,320	323,040
Intergovernmental	35,571	29,835
Charges for Services	1,023,159	972,775
Fines and Forfeitures	236,947	223,888
Investment Income	96,330	(59,913)
Contributions	98,253	112,910
Oil Leases and Royalties	14,655	16,092
Other	151,120	165,954
Total Revenues	9,350,740	8,487,011
EXPENDITURES		
Current		
General Government	1,742,140	1,883,742
Public Safety	5,238,968	5,520,020
Public Works	1,373,161	1,039,331
Cultural and Recreational	1,720,842	1,616,920
Total Expenditures	10,075,111	10,060,013
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(724,371)	(1,573,002)
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	61,000	20,953
Capital Leases	202,265	531,173
Transfers In	991,113	1,139,712
Transfers Out	-	(719,758)
Total Other Financing Sources (Uses)	1,254,378	972,080
NET CHANGE IN FUND BALANCE	530,007	(600,922)
FUND BALANCE, beginning of year	4,812,323	5,413,245
FUND BALANCE, end of year	5,342,330	4,812,323

CITY OF PORTLAND, TEXAS

Exhibit C-3

GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENTS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR 2013

	2014				2013
	Budgeted Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	(Budgetary Basis)	(Negative)	(Budgetary Basis)
Current Expenditures					
General Administration					
Administration	1,175,212	1,018,864	999,647	19,217	1,207,825
Accounting	361,760	382,801	382,152	649	362,802
Information Technology	496,356	373,453	349,366	24,087	324,090
Total General Administration	2,033,328	1,775,118	1,731,165	43,953	1,894,717
Public Safety					
Police Administration	3,742,091	3,647,092	3,527,676	119,416	3,208,961
Fire Department	1,438,511	1,438,862	1,395,595	43,267	1,477,867
Animal Control	150,097	155,525	155,089	436	144,897
Municipal Court	165,558	181,039	160,608	20,431	157,122
Total Public Safety	5,496,257	5,422,518	5,238,968	183,550	4,988,847
Public Works					
General Services Department	156,256	129,765	132,766	(3,001)	121,558
Street Maintenance	589,091	611,560	586,164	25,396	534,084
Vehicle Maintenance	77,617	81,112	78,938	2,174	73,072
Community Development	333,098	415,729	373,028	42,701	310,617
Total Public Works	1,156,062	1,238,166	1,170,896	67,270	1,039,331
Culture and Recreation					
Park Maintenance	552,376	496,539	458,052	38,487	428,472
Community Center	525,040	539,016	479,021	59,995	472,973
Swimming Pool	-	-	-	-	-
Kidz Klub/Kidz Kamp	259,238	264,447	253,279	11,168	239,906
Latch Key Program	-	-	-	-	-
Senior Citizens Center	68,760	68,802	69,763	(961)	49,763
Skate Park	5,600	711	711	-	2,084
Library	486,743	504,658	460,016	44,642	423,722
Total Culture and Recreation	1,897,757	1,874,173	1,720,842	153,331	1,616,920
Total Current Expenditures	10,583,404	10,309,975	9,861,871	448,104	9,539,815

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SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds for specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The City maintains the following special revenue funds:

Shoreline and Wetlands Fund – established to account for funds from Grants and local matching funds for the development and construction of a hike and bike trail and other improvements.

Portland Community Center Complex Development Fund – receives restricted sales tax revenue. The fund also accounts for the payment of bond principal, interest and related costs of Sales Tax Revenue Refunding Bonds.

Restricted Use Fund – established to account for funds that have statutory restrictions which include hotel/motel taxes, municipal technology fees, and court building security fees.

Venue Sales Tax Fund – established to account for restricted venue sales taxes and to account for payment of bond, principal, interest and related costs of sales tax revenue bonds to be issued.

Grants Administration Fund – established to account for grants that have specific program requirements for compliance and internal control matters.

Law Enforcement Fund – established to account for State and Federal forfeiture funds.

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CITY OF PORTLAND, TEXAS EXHIBIT D-1

SHORELINES AND WETLANDS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	164,206	3,105
Due from Other Funds	-	150,000
TOTAL ASSETS	164,206	153,105
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	-
Fund Balance:		
Assigned:		
Cultural and Recreational	164,206	153,105
TOTAL LIABILITIES AND FUND BALANCE	164,206	153,105

CITY OF PORTLAND, TEXAS Exhibit D-2

SHORELINE AND WETLANDS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
	Actual	Actual
REVENUES		
Investment Income	51	-
Other	11,050	1,600
Total Revenues	11,101	1,600
EXPENDITURES		
Cultural and Recreational	-	-
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,101	1,600
OTHER FINANCING SOURCES (USES)		
Transfers In - Restricted Use Fund	-	150,000
Transfers Out - Debt Service Fund	-	-
Total Other Financing Uses	-	150,000
NET CHANGE IN FUND BALANCE	11,101	151,600
FUND BALANCE, beginning of year	153,105	1,505
FUND BALANCE, end of year	164,206	153,105

CITY OF PORTLAND, TEXAS EXHIBIT D-3

PORTLAND COMMUNITY CENTER COMPLEX FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	1,095,549	712,149
Accounts Receivable	-	-
Due from Other Governments	86,168	79,706
Due from General Fund	-	1,430
Prepaid Insurance	32,761	31,221
TOTAL ASSETS	1,214,478	824,506
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	535
Due to Other Funds	-	-
TOTAL LIABILITIES	-	535
Fund Balance:		
Non-Spendable:		
Prepaid Items	32,761	31,221
Assigned:		
Cultural and Recreational	1,181,717	792,750
TOTAL FUND BALANCE	1,214,478	823,971
TOTAL LIABILITIES AND FUND BALANCE	1,214,478	824,506

CITY OF PORTLAND, TEXAS

Exhibit D-4

PORTLAND COMMUNITY CENTER COMPLEX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014
WITH COMPARATIVE TOTALS FOR, 2013

	2014				2013
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Taxes and Special Assessments	1,050,000	1,101,875	1,086,547	(15,328)	991,698
Investment Income	500	80	5,417	5,337	(44,828)
Other	-	6,800	-	(6,800)	-
Total Revenues	1,050,500	1,108,755	1,091,964	(16,791)	946,870
EXPENDITURES					
Cultural and Recreational	161,125	135,887	71,010	64,877	68,314
Debt Service					
Principal Retirement	135,000	135,000	135,000	-	125,000
Interest and Fiscal Charges	80,938	81,663	81,888	(225)	86,870
Total Expenditures	377,063	352,550	287,898	64,652	280,184
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	673,437	756,205	804,066	47,861	666,686
OTHER FINANCING SOURCES (USES)					
Transfers Out - General Fund	(322,015)	(344,016)	(344,016)	-	(295,272)
Transfers Out - Debt Service Fund	(52,643)	(52,643)	(52,643)	-	(116,945)
Transfers Out - Community Center Construction Fund	-	-	(16,900)	(16,900)	-
Total Other Financing Uses	(374,658)	(396,659)	(413,559)	(16,900)	(412,217)
NET CHANGE IN FUND BALANCE	298,779	359,546	390,507	30,961	254,469
FUND BALANCE, beginning of year			823,971		569,502
FUND BALANCE, end of year			1,214,478		823,971

CITY OF PORTLAND, TEXAS EXHIBIT D-5

RESTRICTED USE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	1,409,683	1,324,967
Accounts Receivable	44,475	40,136
Interest Receivable	-	-
Due from General Fund	-	1,018
TOTAL ASSETS	1,454,158	1,366,121
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	1,972	53,194
Accrued Liabilities	489	1,477
Escrow	456,000	456,000
Due to Other Funds	25,000	150,193
TOTAL LIABILITIES	483,461	660,864
Fund Balance:		
Restricted for:		
Municipal Technology Fees	12,622	15,661
Building Security Fund	60,285	57,383
Cable Franchise P.E.G.	69,375	47,959
Hotel Occupancy Tax Reserve	828,415	584,254
TOTAL FUND BALANCE	970,697	705,257
TOTAL LIABILITIES AND FUND BALANCE	1,454,158	1,366,121

CITY OF PORTLAND, TEXAS
RESTRICTED USE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014
WITH COMPARATIVE TOTALS FOR 2013

Exhibit D-6

	2014				2013
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Taxes and Special Assessments	380,000	390,000	437,750	47,750	377,288
Investment Income	4,350	5,870	12,240	6,370	(3,311)
Other	27,000	27,000	36,703	9,703	34,210
Total Revenues	411,350	422,870	486,693	63,823	408,187
EXPENDITURES					
Cultural and Recreational	247,347	118,729	96,253	22,476	275,272
Public Safety	10,479	17,795	-	17,795	-
Total Expenditures	257,826	136,524	96,253	40,271	275,272
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	153,524	286,346	390,440	104,094	132,915
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out - Shoreline and Wetlands Fund	(150,000)	-	-	-	(150,000)
Transfers Out - Community Construction Fund	(345,000)	-	-	-	-
Transfers Out - Restricted HOT Construction Fund	(100,000)	(135,000)	(125,000)	10,000	
Total Other Financing Uses	(595,000)	(135,000)	(125,000)	10,000	(150,000)
NET CHANGE IN FUND BALANCE	(441,476)	151,346	265,440	114,094	(17,085)
FUND BALANCE, beginning of year			705,257		722,342
FUND BALANCE, end of year			970,697		705,257

CITY OF PORTLAND, TEXAS EXHIBIT D-7

VENUE SALES TAX FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	411,125	407,225
Interest Receivable	1,742	-
Due from Other Governments	85,125	78,274
Due from General Fund	-	1,430
Prepaid Item	-	-
Prepaid Insurance	27,104	26,273
Restricted Assets		
Cash and Cash Equivalents	794,045	609,726
TOTAL ASSETS	1,319,141	1,122,928
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	15,739	7,695
Accrued Liabilities	4,863	3,914
Due to Other Funds	-	-
TOTAL LIABILITIES	20,602	11,609
Fund Balance:		
Non-Spendable:		
Prepaid Items	27,104	26,273
Restricted for:		
Debt Service	351,656	351,956
Assigned:		
Cultural and Recreational	919,779	733,090
TOTAL FUND BALANCE	1,298,539	1,111,319
TOTAL LIABILITIES AND FUND BALANCE	1,319,141	1,122,928

CITY OF PORTLAND, TEXAS

Exhibit D-8

VENUE SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014
WITH COMPARATIVE TOTALS FOR 2013

	2014				2013
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Taxes and Special Assesments	1,050,000	1,101,875	1,086,547	(15,328)	991,707
Charges for Services	156,000	163,000	169,111	6,111	177,867
Investment Income	3,350	2,900	4,619	1,719	3,968
Other	-	-	-	-	-
Total Revenues	1,209,350	1,267,775	1,260,277	(7,498)	1,173,542
EXPENDITURES					
Cultural and Recreational	523,971	543,436	553,253	(9,817)	427,356
Debt Service:					
Principal Retirement	180,000	180,000	180,000	-	160,000
Interest and Fiscal Charges	42,021	52,300	51,700	600	91,035
Bond Issuance Costs	-	-	-	-	75,567
Total Expenditures	745,992	775,736	784,953	(9,217)	753,958
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	463,358	492,039	475,324	(16,715)	419,584
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	-	-	-	1,980,000
Premium on Bonds Issued	-	-	-	-	33,932
Paid to Escrow Agent	-	-	-	-	(1,995,814)
Transfers Out - General Fund	(260,838)	(241,590)	(241,590)	-	(257,329)
Transfers Out - Water and Sewer System Fund	(46,514)	(46,514)	(46,514)	-	
Total Other Financing Sources (Uses)	(307,352)	(288,104)	(288,104)	-	(239,211)
NET CHANGE IN FUND BALANCE	156,006	203,935	187,220	(16,715)	180,373
FUND BALANCE, beginning of year			1,111,319		930,946
FUND BALANCE, end of year			1,298,539		1,111,319

CITY OF PORTLAND, TEXAS EXHIBIT D-9

GRANTS ADMINISTRATION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash & Cash Equivalents	25,787	35,257
Accounts Receivable	-	-
Due from Other Governments	5,931	9,349
Due from General Fund	-	3,028
Prepaid Item	-	-
TOTAL ASSETS	31,718	47,634
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	1,116
Due to Other Funds	-	3,588
TOTAL LIABILITIES	-	4,704
Fund Balance:		
Non-Spendable:		
Prepaid Items	-	-
Restricted for:		
Federal and State Programs	31,718	42,930
Total Fund Balance	31,718	42,930
TOTAL LIABILITIES AND FUND BALANCE	31,718	47,634

CITY OF PORTLAND, TEXAS EXHIBIT D-10

GRANTS ADMINISTRATION FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2014 and 2013

	2014	2013
	Actual	Actual
REVENUES		
Grants	35,070	203,358
Contributions	-	-
Total Revenues	35,070	203,358
EXPENDITURES		
Culture and Recreation	46,282	30,097
Public Safety	-	152,244
Public Works	-	3,500
Total Expenditures	46,282	185,841
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,212)	17,517
OTHER FINANCING SOURCES (USES)		
Transfers In - General Fund	-	-
Total Other Financing Sources (Uses)	-	-
NET CHANGE IN FUND BALANCE	(11,212)	17,517
FUND BALANCE, beginning of year	42,930	25,413
FUND BALANCE, end of year	31,718	42,930

CITY OF PORTLAND, TEXAS EXHIBIT D-11

LAW ENFORCEMENT FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash & Cash Equivalents	332,588	267,879
Accounts Receivable	-	-
Due from Other Governments	-	-
Due from General Fund	-	-
Prepaid Item	-	-
TOTAL ASSETS	332,588	267,879
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	-
Due to Other Funds	-	2,283
TOTAL LIABILITIES	-	2,283
Fund Balance:		
Non-Spendable:		
Prepaid Items	-	-
Restricted for:		
Local Forfeitures	1,330	930
State Drug Forfeitures	7,548	7,545
Federal Equitable Sharing	323,710	257,121
Total Fund Balance	332,588	265,596
TOTAL LIABILITIES AND FUND BALANCE	332,588	267,879

CITY OF PORTLAND, TEXAS Exhibit D-12

LAW ENFORCEMENT FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2014 and 2013

	2014	2013
	Actual	Actual
REVENUES		
Drug Forfeiture - Federal	87,176	192,290
Drug Forfeiture - Local	400	452
Drug Forfeiture - State	-	2,430
Charges for Services	-	-
Investment Income	93	190
Total Revenues	87,669	195,362
EXPENDITURES		
Public Safety	20,677	114,898
Total Expenditures	20,677	114,898
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	66,992	80,464
OTHER FINANCING SOURCES (USES)		
Transfers In - General Fund	-	-
Transfers Out - Street Improvement Fund	-	-
Total Other Financing Sources (Uses)	-	-
NET CHANGE IN FUND BALANCE	66,992	80,464
FUND BALANCE, beginning of year	265,596	185,132
FUND BALANCE, end of year	332,588	265,596

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for and payment of general long-term debt bond principal, interest, and related costs. The Debt Service Fund uses the modified accrual basis of accounting, except principal and interest are recognized when due.

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CITY OF PORTLAND, TEXAS
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

Exhibit E-1

	2014	2013
ASSETS		
Cash and Cash Equivalents	734,079	642,141
Taxes Receivable	28,255	25,420
Allowance for Uncollectible Taxes	(3,390)	(3,050)
Accounts Receivable	905	1,701
Due from General Fund	-	1,637
TOTAL ASSETS	759,849	667,849
LIABILITIES AND FUND BALANCE		
Accrued Interest Payable	10,220	-
Other	-	-
TOTAL LIABILITIES	10,220	-
DEFERRED INFLOWS OF RESOURCES:		
Unavailable Revenue - Property Taxes	24,865	22,370
Total Deferred Inflows of Resources	24,865	22,370
FUND BALANCE:		
Restricted for:		
Debt Service	724,764	645,479
TOTAL LIABILITIES AND FUND BALANCE	759,849	667,849

CITY OF PORTLAND, TEXAS

Exhibit E-2

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR 2013

	2014				2013
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Ad Valorem Taxes, Penalties and Interest	1,147,642	1,175,000	1,185,187	10,187	1,067,951
Investment Income	3,100	5,595	12,802	7,207	(11,702)
Total Revenues	1,150,742	1,180,595	1,197,989	17,394	1,056,249
EXPENDITURES					
Debt Service:					
Principal Retirement	836,100	857,200	857,200	-	825,740
Interest and Fiscal Charges	345,964	329,089	329,147	(58)	342,390
Bond Issuance Costs	-	-	-	-	-
Total Expenditures	1,182,064	1,186,289	1,186,347	(58)	1,168,130
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(31,322)	(5,694)	11,642	17,336	(111,881)
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	-	-	-	-
Bond Premium	-	-	-	-	-
Transfers In - PCCC Fund	52,643	52,643	52,643	-	116,945
Transfers In - Utility Fund	-	15,000	15,000		
Payments to Refunding Escrow Agent	-	-	-	-	-
NET CHANGE IN FUND BALANCE	21,321	61,949	79,285	17,336	5,064
FUND BALANCE, beginning of year			645,479		640,415
FUND BALANCE, end of year			724,764		645,479

CAPITAL PROJECT FUNDS

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds). The Capital Projects Funds use the modified accrual basis of accounting. The City maintains the following Capital Projects Funds:

Capital Improvements Fund – to account for various capital projects financed by general obligation bonds and capital leases.

Street Improvements Fund – to account for street improvements financed by combination tax and revenue certificates of obligation.

Community Center Construction Fund – to account for constructing improvements to the City's library system, financed by general obligation bonds.

Venue Sales Tax Construction Fund – established to account for sales tax revenue bond proceeds to construct, acquire and equip improvements to the venue project designated as the parks and recreation system, including the municipal swimming pool complex.

Restricted (Hot) Construction Fund – established to account for the construction of a new Veterans Memorial Complex and a right-of-way project financed by hotel/motel taxes funding from the Restricted Use Fund.

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CITY OF PORTLAND, TEXAS
CAPITAL IMPROVEMENTS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

Exhibit F-1

	2014	2013
ASSETS		
Cash and Cash Equivalents	301,734	21,604
Prepaid Items	-	-
Due From General Fund	50,000	619,250
TOTAL ASSETS	351,734	640,854
LIABILITIES AND FUND BALANCE		
Accounts Payable	33,414	210
Due to General Fund	-	-
Due to Water/Wastewater Fund	-	-
TOTAL LIABILITIES	33,414	210
FUND BALANCE:		
Restricted for:		
Capital Improvements - Police Station	-	21,296
Committed for:		
Capital Improvements - Fire Station	97,644	532,682
Capital Improvements - Police Station	170,676	36,666
Capital Improvements - City Hall Litigation	50,000	50,000
TOTAL FUND BALANCE	318,320	640,644
TOTAL LIABILITIES AND FUND BALANCE	351,734	640,854

CITY OF PORTLAND, TEXAS Exhibit F-2

CAPITAL IMPROVEMENTS FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
REVENUES		
Intergovernmental	-	-
Investment Income	78	98
Other	116,382	-
Total Revenues	116,460	98
EXPENDITURES		
General Government	-	8,328
Public Safety	438,784	161,563
Public Works	-	17,967
Total Expenditures	438,784	187,858
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(322,324)	(187,760)
OTHER FINANCING SOURCES (USES)		
Other Sources - Bonds Issued	-	-
Transfers In - General Fund	-	619,250
Transfers In - Portland Comm Center Complex Fund	-	-
Transfers Out - Street Improvements Fund	-	-
Total Other Financing Sources (Uses)	-	619,250
NET CHANGE IN FUND BALANCE	(322,324)	431,490
FUND BALANCE, beginning of year	640,644	209,154
FUND BALANCE, end of year	318,320	640,644

CITY OF PORTLAND, TEXAS Exhibit F-3

STREET IMPROVEMENTS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	4,947,811	124,392
Interest Receivable	-	-
Due From General Fund	-	100,000
TOTAL ASSETS	4,947,811	224,392
LIABILITIES AND FUND BALANCE		
Accounts Payable	266,387	466
Due to General Fund	-	281
Due to Drainage Construction Fund	-	675
TOTAL LIABILITIES	266,387	1,422
FUND BALANCE:		
Restricted For:		
Capital Improvements - Streets	4,681,423	-
Committed To:		
Capital Improvements - Streets	-	222,970
TOTAL FUND BALANCE	4,681,423	222,970
TOTAL LIABILITIES AND FUND BALANCE	4,947,810	224,392

CITY OF PORTLAND, TEXAS

Exhibit F-4

STREET IMPROVEMENTS FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
REVENUES		
Intergovernmental	-	-
Investment Income	711	2,227
Total Revenues	711	2,227
EXPENDITURES		
Current:		
Public Works	545,508	42,206
Debt Service:		
Bond Issuance Costs	112,721	-
Total Expenditures	658,229	42,206
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(657,518)	(39,979)
OTHER FINANCING SOURCES		
Bonds Issued	4,905,000	-
Bond Premiums	210,971	-
Transfers In-General Fund	-	100,000
Transfer Out-General Fund	-	(281)
Total Other Financing Sources	5,115,971	99,719
NET CHANGE IN FUND BALANCE	4,458,453	59,740
FUND BALANCE, beginning of year	222,970	163,230
FUND BALANCE, end of year	4,681,423	222,970

CITY OF PORTLAND, TEXAS
COMMUNITY CENTER CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

Exhibit F-5

	2014	2013
ASSETS		
Cash and Cash Equivalents	10	51,678
Prepaid Items	-	-
TOTAL ASSETS	10	51,678
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	-
Due to General Fund	-	-
TOTAL LIABILITIES	-	-
FUND BALANCE:		
Committed To:		
Capital Improvements	10	51,678
TOTAL FUND BALANCE	10	51,678
TOTAL LIABILITIES AND FUND BALANCE	10	51,678

CITY OF PORTLAND, TEXAS

Exhibit F-6

COMMUNITY CENTER CONSTRUCTION FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
REVENUES		
Investment Income	9	57
EXPENDITURES		
Cultural and Recreational	68,577	-
Interest and Fiscal Charges (Bond Issuance Costs)	-	-
Total Expenditures	68,577	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(68,568)	57
OTHER FINANCING SOURCES		
Transfers In-Portland Community Center Complex	16,900	-
NET CHANGE IN FUND BALANCE	(51,668)	57
FUND BALANCE, beginning of year	51,678	51,621
FUND BALANCE, end of year	10	51,678

CITY OF PORTLAND, TEXAS

Exhibit F-7

VENUE SALES TAX CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	125,676	125,634
Prepaid Items	-	-
Due from Venue Sales Tax Fund	-	-
TOTAL ASSETS	125,676	125,634
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	-
Due to General Fund	-	-
TOTAL LIABILITIES	-	-
FUND BALANCE:		
Committed For :		
Capital Improvements	125,676	125,634
TOTAL FUND BALANCE	125,676	125,634
TOTAL LIABILITIES AND FUND BALANCE	125,676	125,634

CITY OF PORTLAND, TEXAS Exhibit F-8

VENUE SALES TAX CONSTRUCTION FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
REVENUES		
Interest	42	119
TOTAL REVENUES	42	119
EXPENDITURES		
Cultural and Recreation	-	48,933
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	42	(48,814)
OTHER FINANCING SOURCES		
Transfers In - Restricted Use Fund	-	-
Transfers In - Venue Sales Tax Fund	-	-
Transfers Out - Venue Sales Tax Fund	-	-
NET CHANGE IN FUND BALANCE	42	(48,814)
FUND BALANCE, beginning of year	125,634	174,448
FUND BALANCE, end of year	125,676	125,634

CITY OF PORTLAND, TEXAS Exhibit F-9

RESTRICTED (HOT) CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	85,001	-
Prepaid Items	-	-
Due from Restricted Use Fund	25,000	-
TOTAL ASSETS	110,001	-
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	-
Due to General Fund	-	-
TOTAL LIABILITIES	-	-
FUND BALANCE:		
Restricted For :		
Capital Improvements	110,001	-
TOTAL FUND BALANCE	110,001	-
TOTAL LIABILITIES AND FUND BALANCE	110,001	-

CITY OF PORTLAND, TEXAS Exhibit F-10

RESTRICTED (HOT) CONSTRUCTION FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
REVENUES		
Interest	1	-
TOTAL REVENUES	1	-
EXPENDITURES		
Cultural and Recreation	15,000	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,999)	-
OTHER FINANCING SOURCES		
Transfers In - Restricted Use Fund	125,000	-
Transfers In - Venue Sales Tax Fund	-	-
Transfers Out - Venue Sales Tax Fund	-	-
NET CHANGE IN FUND BALANCE	110,001	-
FUND BALANCE, beginning of year	-	-
FUND BALANCE, end of year	110,001	-

PROPRIETARY FUNDS

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ENTERPRISE FUNDS

Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the governing body is that costs (including depreciation) or providing goods or services to the general public on a continuing basis be financed or recovered primarily through the user charges. The Enterprise Funds use the accrual basis of accounting. The City maintains the following Enterprise Funds:

Water and Sewer System Fund – established to account for the operations of the City's water and sewer system.

Drainage Fund – established to finance drainage system permits, studies, plans, maintenance and improvements.

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
WATER AND SEWER SYSTEM FUND
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	3,210,746	3,048,805
Accounts Receivable	558,005	535,558
Less Allowance for Uncollectible Accounts	22,469	-
Due From Other Governments	-	33,031
Inventory	209,070	195,932
Prepaid Items	19,526	18,010
Due from General Fund	-	2,314
Total Current Assets	4,019,816	3,833,650
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	3,465,687	5,311,475
Total Restricted Assets	3,465,687	5,311,475
Capital Assets:		
Land	118,362	118,362
Buildings	692,505	686,429
Water System	9,388,458	8,961,234
Sewer System	20,633,125	17,122,088
Equipment	1,018,509	896,986
Construction in Progress	3,535,451	4,160,942
Total Capital Assets	35,386,410	31,946,041
Less Accumulated Depreciation	(9,015,665)	(8,300,004)
Net Capital Assets	26,370,745	23,646,037
TOTAL ASSETS	33,856,248	32,791,162

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
WATER AND SEWER SYSTEM FUND
SEPTEMBER 30, 2014 AND 2013

	2014	2013
Deferred Outflows of Resources		
Deferred Charge for Refunding	169,265	181,471
Total Deferred Outflows of Resources	169,265	181,471
LIABILITIES		
Current Liabilities:		
Accounts Payable	559,983	678,670
Accrued Liabilities	59,760	75,300
Accrued Vacation Leave	-	-
Due to General Fund	-	68,967
Due to Insurance Fund	105	-
Current Portion of Long-Term Debt (Net of Bond Premium)	915,782	889,782
Accrued Interest	41,118	42,967
Deposits	445,767	421,261
Total Current Liabilities	2,022,515	2,176,947
Non-Current Liabilities:		
Revenue Bonds (Net of Bond Premium)	12,925,737	13,841,520
Net OPEB Obligation	270,893	227,053
Total Non-Current Liabilities	13,196,630	14,068,573
Total Liabilities	15,219,145	16,245,520
Net Position:		
Net Investment in Capital Assets	15,257,660	12,748,379
Restricted for:		
Debt Service	112,137	109,875
Unrestricted	3,436,571	3,868,859
Net Position	18,806,368	16,727,113

CITY OF PORTLAND, TEXAS

Exhibit G-2

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER AND SEWER SYSTEM FUND
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Charges for Services:		
Water Sales	3,180,809	3,021,275
Water Connections	113,305	46,670
Sewer Sales	2,729,790	2,710,832
Sewer Connections	67,460	29,178
Total Charges for Services	6,091,364	5,807,955
Miscellaneous	15,107	14,632
Total Operating Revenues	6,106,471	5,822,587
OPERATING EXPENSES		
Personnel Services	1,089,069	1,044,671
Maintenance	283,432	103,388
Purchase of Water	2,018,116	1,923,576
Contract Payments	164,864	113,832
Materials and Supplies	122,392	147,711
Utilities	302,988	300,869
Depreciation	734,874	629,538
Total Operating Expenses	4,715,735	4,263,585
Net Operating Income	1,390,736	1,559,002
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	102,144	(64,877)
Gain (Loss) on Disposal of Assets	1,617	3,982
Interest and Fiscal Charges	(492,704)	(512,638)
Net Non-Operating Revenues (Expenses)	(388,943)	(573,533)
Income (Loss) Before Contributions and Transfers	1,001,793	985,469
Capital Contributions	1,443,956	1,795,646
Transfers In	46,514	-
Transfers Out - Debt Service Fund	(7,500)	-
Transfers Out - General Fund	(405,508)	(586,830)
Change in Net Position	2,079,255	2,194,285
NET POSITION BEGINNING OF YEAR	16,727,113	14,532,828
NET POSITION END OF YEAR	18,806,368	16,727,113

CITY OF PORTLAND, TEXAS
WATER AND SEWER SYSTEM FUND
SUMMARY BUDGET
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2014

Exhibit G-3

A summary budget is adopted for the Water and Sewer System Fund on a non-GAAP budgetary basis. Actual revenues an expenses compared to budget and reconciliation to generally accepted accounting principles follows:

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Budgetary Basis	(Negative)
OPERATING REVENUES				
Charges for Services	5,967,300	5,885,980	6,091,364	205,384
Miscellaneous	9,000	12,192	15,107	2,915
Total Operating Revenues	5,976,300	5,898,172	6,106,471	208,299
OPERATING EXPENSES				
Personnel Services	1,092,523	1,130,745	1,089,069	41,676
Maintenance	329,539	346,363	283,432	62,931
Purchase of Water	1,912,500	1,912,500	2,018,116	(105,616)
Contract Payments	120,787	166,187	164,864	1,323
Materials and Supplies	244,875	236,593	122,392	114,201
Utilities	314,187	313,732	302,988	10,744
Capital Outlay - Equipment	994,100	89,275	-	89,275
Total Operating Expenses	5,008,511	4,195,395	3,980,861	214,534
Operating Income	967,789	1,702,777	2,125,610	422,833
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	21,900	22,730	102,144	79,414
Intergovernmental Grant Revenue	-	-	-	-
Gain (Loss) on Disposal of Assets	30,000	1,617	1,617	-
Interest, Principal and Fiscal Charges	(1,376,118)	(1,376,496)	(492,704)	883,792
Net Non-Operating Revenues (Expenses)	(1,324,218)	(1,352,149)	(388,943)	963,206
Income (Loss) Before Transfers	(356,429)	350,628	1,736,667	1,386,039
Transfer In	46,514	46,514	46,514	-
Transfers Out - General Fund	(532,051)	(405,508)	(405,508)	-
Transfers Out -Debt Service Fund	-	(7,500)	(7,500)	-
NET INCOME (LOSS) (NON-GAAP BUDGETARY BASIS)	(841,966)	(15,866)	1,370,173	1,386,039
Adjustments				
Depreciation Expense			(734,874)	
Capital Assets Contributed by Developers/Grants			1,443,956	
NET INCOME (LOSS) (GAAP BASIS)			2,079,255	

CITY OF PORTLAND, TEXAS

Exhibit G-4

COMPARATIVE STATEMENTS OF CASH FLOWS
WATER AND SEWER SYSTEM FUND
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash flow from operating activities:		
Cash received from customers	6,061,555	5,966,394
Cash payments to suppliers for goods and services	(3,069,024)	(3,328,129)
Cash payments to employees for services	(1,104,609)	(995,164)
Net cash provided by operating activities	1,887,922	1,643,101
Cash flows from noncapital financing activities:		
Transfers from other funds	46,514	-
Transfers to other funds	(413,008)	(586,830)
Net Cash Used for Noncapital Financing Activities:	(366,494)	(586,830)
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Long-term Debt	-	-
Cash Received from Other Governments - Grants	-	1,495,546
Principal Payment on bonds	(971,683)	(973,260)
Principal Payment on Capital Lease	-	-
Interest and Fiscal Charges Paid	(492,704)	(512,638)
Purchase of Capital Assets	(1,843,032)	(5,653,260)
Net Cash Used for Capital and Related Financing Activities	(3,307,419)	(5,643,612)
Cash Flows from Investing Activities - Interest Income	102,144	(64,877)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,683,847)	(4,652,218)
Cash and Cash Equivalents at Beginning of Year	8,360,280	13,012,498
*CASH AND CASH EQUIVALENTS AT END OF YEAR	6,676,433	8,360,280
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	1,390,736	1,530,633
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	734,874	629,538
Amortization	-	28,369
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(44,916)	143,807
(Increase) Decrease in Due from Other Funds	2,314	80,492
(Increase) Decrease in Inventory	(13,138)	(97,080)
(Increase) Decrease in Prepaid Expense	(1,516)	(1,500)
Increase (Decrease) in Accounts Payable	(118,687)	(461,224)
Increase (Decrease) in Accrued Liabilities	(15,540)	49,507
Increase (Decrease) in Due to Other Funds	(68,862)	(239,921)
Increase (Decrease) in Accrued Vacation Leave	-	(34,448)
Increase (Decrease) in Accrued Interest	(1,849)	(1,808)
Increase (Decrease) in Deposits	24,506	16,736
Net Cash Provided (Used) by Operating Activities	1,887,922	1,643,101

Noncash Investing, Capital, and Financing Activities:
Capital Contributions from developers
consisting of water and sewer system
infrastructure - $983,550 for 2014 and $300,100 for 2013.

* Includes restricted cash and cash equivalents.

CITY OF PORTLAND, TEXAS Exhibit G-5

COMPARATIVE STATEMENTS OF NET POSITION
DRAINAGE FUND
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	184,352	647,630
Drainage Fee Receivable	26,646	25,797
Interest Receivable	-	-
Due from General Fund	-	-
Due from Street Improvement Fund	-	675
Total Current Assets	210,998	674,102
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	-	-
Total Restricted Assets	-	-
Capital Asets		
Intangible Assets	367,177	367,177
Infrastructure	4,574,381	4,033,931
Equipment	147,247	147,247
Construction In Progress	743,145	275,840
Total Capital Assets	5,831,950	4,824,195
Less Accumulated Depreciation	(747,132)	(562,822)
Net Capital Assets	5,084,818	4,261,373
TOTAL ASSETS	5,295,816	5,001,396
LIABILITIES		
Current Liabilities:		
Accounts Payable	34,684	100,688
Due to General Fund	392,839	564,249
Accrued Interest Payable	7,162	7,584
Current Portion of Long-Term Debt-Bonds	117,478	112,683
Current Portion of Bond Premium	2,010	2,010
Total Current Liabilities	554,173	787,214
Non-Current Liabilities:		
Bonds Payable	1,337,805	1,454,982
Bond Premium	30,157	32,467
Total Non-Current Liabilities	1,367,962	1,487,449
TOTAL LIABILITIES	1,922,135	2,274,663
NET POSITION		
Net Investment in Capital Assets	2,854,224	2,659,231
Unrestricted	519,457	67,502
Net Position	3,373,681	2,726,733

CITY OF PORTLAND, TEXAS Exhibit G-6

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DRAINAGE FUND
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Charges for Services:		
Drainage Fees	426,788	414,804
Miscellaneous	-	-
Total Operating Revenues	426,788	414,804
OPERATING EXPENSES		
Maintenance	-	18,178
Contract Payments	1,184	4,439
Depreciation Expense	184,310	160,380
Total Operating Expenses	185,494	182,997
Net Operating Income	241,294	231,807
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	(250)	4,450
Intergovernmental Revenue	-	-
Interest and Fiscal Charges	(61,125)	(64,539)
Net Non-Operating Revenues (Expenses)	(61,375)	(60,089)
Income (Loss) Before Contributions and Transfers	179,919	171,718
Capital Contributions	540,450	197,250
Transfers In - General Fund	-	-
Transfers Out	(7,500)	-
Change in Net Position	712,869	368,968
NET POSITION BEGINNING OF YEAR	2,660,812	2,291,844
NET POSITION END OF YEAR	3,373,681	2,660,812

CITY OF PORTLAND, TEXAS

Exhibit G-7

DRAINAGE FUND
SUMMARY BUDGET
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2014

A summary budget is adopted for the Drainage Fund on a non-GAAP budgetary basis. Actual revenues and expenses compared to budget and reconciliation to generally accepted accounting principles follows:

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Budgetary Basis	(Negative)
OPERATING REVENUES				
Charges for Services:				
Drainage Fees	275,000	276,000	426,788	150,788
Miscellaneous	100	30	-	(30)
				-
Total Operating Revenues	275,100	276,030	426,788	150,758
				-
OPERATING EXPENSES				-
Maintenance	10,600	6,120	-	6,120
Contract Payments	2,800	2,750	1,184	1,566
Capital Outlay	7,500	-	-	-
				-
Total Operating Expenses	20,900	8,870	1,184	7,686
				-
Net Operating Income (Loss)	254,200	267,160	425,604	158,444
				-
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	-	-	(250)	(250)
Intergovernmental Revenue	-	-	-	-
Interest and Fiscal Charges	(60,675)	(61,071)	(61,125)	(54)
Net Non-Operating Revenues (Expenses)	(60,675)	(61,071)	(61,375)	(304)
Income (Loss) Before Transfers	193,525	206,089	364,229	158,140
Transfers In - General Fund	-	-	-	-
Transfers Out - General Fund	-	(7,500)	(7,500)	-
Total Transfers	-	(7,500)	(7,500)	-
Net Income (Loss) (Non-GAAP Budgetary Basis)	193,525	198,589	356,729	158,140
Adjustments				
Depreciation Expense			(184,310)	
Capital Assets Contributed by Developers			540,450	
NET INCOME (LOSS) (GAAP BASIS)			712,869	

CITY OF PORTLAND, TEXAS Exhibit G-8

COMPARATIVE STATEMENTS OF CASH FLOWS
DRAINAGE FUND
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash flow from operating activities:		
Cash received from customers	425,939	416,184
Cash borrowed from other funds	(171,410)	(156,716)
Cash loaned to other funds	-	-
Cash payments to suppliers for goods and services	(67,414)	(289,762)
Net cash provided by operating activities	187,115	(30,294)
Cash flow from non-capital financing activities:		
Transfers from other funds	-	-
Net cash provided by non-capital financing activities	-	-
Cash flow from capital and related financing activities:		
Cash received from other governments	-	-
Bonds Issued	-	-
Bond Premium	-	-
Principal Payment on Bonds	(112,382)	(134,560)
Principal Payment on Capital Lease	-	-
Interest and Fiscal Charges	(61,125)	(64,539)
Purchase of capital assets	(476,636)	(265,079)
Net cash provided by capital and related financing activities	(650,143)	(464,178)
Cash flow from investing activities:		
Interest on cash and cash equivalents	(250)	4,646
Net Increase (Decrease) in Cash and Cash Equivalents	(463,278)	(489,826)
Cash and Cash Equivalents at Beginning of Year	647,630	1,137,456
CASH AND CASH EQUIVALENTS AT END OF YEAR	184,352	647,630

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	241,294	227,871
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	184,310	160,380
Amortization		3,936
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(653)	1,576
(Increase) Decrease in Due from Other Funds	-	126
(Increase) Decrease in Prepaid Expense	-	-
Increase (Decrease) in Accounts Payable	(66,004)	(266,963)
Increase (Decrease) in Accrued Liabilities	(422)	(504)
Increase (Decrease) in Due to Other Funds	(171,410)	(156,716)
Net Cash Provided by Operating Activities	187,115	(30,294)

Noncash Investing, Capital, and Financing Activities:
Capital Contributions from developers
consisting of drainage system
infrastructure - $540,450 for 2014 and $197,250 for 2013.

INTERNAL SERVICE FUND

Internal Service Funds account for revenues and expenses related to services provided to other funds of the City.

Insurance Fund – accounts for the provision of medical benefits for all City employees.

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CITY OF PORTLAND, TEXAS Exhibit H-1

COMPARATIVE STATEMENTS OF NET POSITION
INSURANCE INTERNAL SERVICE FUND
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	133,302	67,813
Refund Receivable	-	-
Flexible Spending Advance	-	-
Due from Water and Sewer System Fund	105	-
Due from General Fund	-	1,329
Prepaid Items	-	-
TOTAL ASSETS	133,407	69,142
LIABILITIES		
Accounts Payable	-	-
Flexible Spending Accounts	10,540	8,845
Accrued Liabilities	-	-
Due to General Fund	520	-
TOTAL LIABILITIES	11,060	8,845
NET POSITION		
Unrestricted	122,345	60,297

CITY OF PORTLAND, TEXAS Exhibit H-2

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INSURANCE INTERNAL SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Charges for Services	897,365	876,220
Miscellaneous	-	-
Total Operating Revenues	897,365	876,220
OPERATING EXPENSES		
Contract Payments	831,297	879,655
Other Operating Expenses	4,038	3,556
Total Operating Expenses	835,335	883,211
NET OPERATING INCOME (LOSS)	62,030	(6,991)
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	18	57
NET INCOME (LOSS)	62,048	(6,934)
NET POSITION, beginning of year	60,297	67,231
NET POSITION, end of year	122,345	60,297

CITY OF PORTLAND, TEXAS Exhibit H-3

COMPARATIVE STATEMENTS OF CASH FLOWS
INSURANCE INTERNAL SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash flow from operating activities:		
Cash received from other funds for services	898,591	945,193
Cash payments for loss claims	(833,120)	(957,375)
Net cash provided by operating activities	65,471	(12,182)
Cash flow from investing activities:		
Interest on cash and cash equivalents	18	57
Net Increase (Decrease) in Cash and Cash Equivalents	65,489	(12,125)
Cash and Cash Equivalents at Beginning of Year	67,813	79,938
CASH AND CASH EQUIVALENTS AT END OF YEAR	133,302	67,813
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	62,030	(6,991)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	-	-
(Increase) Decrease in Flexible Spending Advance	-	-
(Increase) Decrease in Due from Other Funds	1,224	68,974
(Increase) Decrease in Prepaid Expense	-	-
Increase (Decrease) in Accounts Payable	1,694	(74,165)
Increase (Decrease) in Due to Other Funds	520	-
Net Cash Provided by Operating Activities	65,468	(12,182)

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FIDUCIARY FUND

Fiduciary fund statements provide information about the financial relationships in which the city acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

> Police Explorers Fund – a private-purpose-trust fund established to account for activities of the police explorers program.

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CITY OF PORTLAND, TEXAS EXHIBIT I-1

COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
POLICE EXPLORERS FUND
SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	631	-
Investments	-	-
Total Assets	631	-
LIABILITIES		
Accounts Payable	-	-
Internal Accounts Payable	-	-
Total Liabilities	-	-
NET POSITION		
Net Position Held in Trust for Police Explorers Activities	631	-

CITY OF PORTLAND, TEXAS EXHIBIT I-2

COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
POLICE EXPLORERS FUND
YEAR ENDED SEPTEMBER 30, 2014 AND 2013

	Private Purpose Trust Fund	
	2014	2013
ADDITIONS		
Contributions	881	-
Interest on Investments	-	-
Total Additions	881	-
DEDUCTIONS		
Other Expenses	250	-
Change in Net Position	631	-
Total Net Position, Beginning	-	-
Total Net Position, Ending	631	-

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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CITY OF PORTLAND, TEXAS Exhibit J-1

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES - BY SOURCE
SEPTEMBER 30, 2014 AND 2013

	2014	2013
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land	4,412,524	4,412,524
Buildings and Improvements	22,180,839	22,180,839
Construction in Progress	983,316	68,400
Vehicles	2,903,180	2,723,962
Furniture and Equipment	3,061,558	2,941,480
Infrastructure	42,762,007	41,824,413
Intangibles	534,971	534,971
Total	76,838,395	74,686,589

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:		
Capital Projects Funds - General Obligation Bonds	50,772,321	50,293,102
General Fund Revenues	10,020,507	9,326,170
Contributed Capital	12,833,435	11,895,841
Intergovernmental	3,177,476	3,171,476
Venue Tax Fund Revenue	34,656	-
Total	76,838,395	74,686,589

CITY OF PORTLAND, TEXAS

EXHIBIT J-2

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2014

Function and Activity	Total	General Government	Public Safety	Public Works	Cultural and Recreational
Land	4,412,524	819,055	7,318		3,586,151
Buildings and Improvements	22,180,839	3,135,116	4,456,786	399,127	14,189,810
Vehicles	2,903,180	48,489	2,282,533	387,225	184,933
Furniture and Equipment	3,061,558	317,661	1,618,256	236,220	889,421
Infrastructure	42,762,007	-	-	42,762,007	-
Intangibles	534,971	32,753	438,950	63,268	-
Construction in Progress	983,316	-	477,823	490,493	15,000
Total Governmental Funds Capital Assets	76,838,395	4,353,074	9,281,666	44,338,340	18,865,315

CITY OF PORTLAND, TEXAS EXHIBIT J-3

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
YEAR ENDED SEPTEMBER 30, 2014

Function And Activity	Balance 10/01/13	Additions	Deletions	Balance 09/30/14
General Government	4,266,646	86,428		4,353,074
Public Safety	8,906,640	583,874	208,848	9,281,666
Public Works	42,727,682	1,629,862	19,204	44,338,340
Cultural and Recreational	18,785,621	91,594	11,900	18,865,315
Total Governmental Funds Capital Assets	74,686,589	2,391,758	239,952	76,838,395

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STATISTICAL SECTION
(Unaudited)

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Financial Trends — **Tables 1-4**

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity — **Tables 5-8**

These schedules contain information to help the reader assess the city's most significant local revenue sources: property and sales taxes.

Debt Capacity — **Tables 9-10**

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic Information — **Tables 11-12**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

Operating Information — **Tables 13-17**

These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

Additional Information — **Table 18**

This schedule presents trend information related to retirement plan funding.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

CITY OF PORTLAND,TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2005	2006	2007	2008
Governmental Activities				
Net investment in capital assets	$ 19,484,655	$ 20,657,233	$ 21,825,285	$ 23,534,153
Restricted	822,760	797,375	862,053	866,321
Unrestricted	5,718,236	5,571,917	4,715,196	4,757,037
Total governmental activities net position	$ 26,025,651	$ 27,026,525	$ 27,402,534	$ 29,157,511
Business-type activities				
Net investment in capital assets	$ 8,230,701	$ 8,836,555	$ 9,922,100	$ 11,492,281
Restricted	359,588	437,407	515,684	568,657
Unrestricted	551,314	698,773	503,013	1,056,200
Total business-type activities net position	$ 9,141,603	$ 9,972,735	$ 10,940,797	$ 13,117,138
Primary government				
Net investment in capital assets	$ 27,715,356	$ 29,493,788	31,747,385	$ 35,026,434
Restricted	1,182,348	1,234,782	1,377,737	1,434,978
Unrestricted	6,269,550	6,270,690	5,218,209	5,813,237
Total primary government net position	$ 35,167,254	$ 36,999,260	$ 38,343,331	$ 42,274,649

Source: Comprehensive Annual Financial Reports

	Fiscal Year					
	2009	2010	2011	2012	2013	2014
	$ 23,651,889	$ 23,330,540	$ 22,977,675	$ 23,580,006	$ 23,895,496	$ 25,004,733
	562,386	625,125	1,437,050	1,808,330	1,976,983	2,416,410
	5,711,181	6,410,709	6,332,276	6,466,435	6,338,808	6,247,767
	$ 29,925,456	$ 30,366,374	$ 30,747,001	$ 31,854,771	$ 32,211,287	$ 33,668,910
	$ 11,759,416	$ 12,368,731	$ 12,975,355	$ 13,491,679	$ 15,407,610	$ 18,111,884
	145,023	193,564	205,288	108,056	109,875	112,137
	2,026,500	2,460,183	3,323,097	3,683,515	4,370,948	3,956,029
	$ 13,930,939	$ 15,022,478	$ 16,503,740	$ 17,283,250	$ 19,888,433	$ 22,180,050
	$ 35,411,305	$ 35,699,271	$ 35,953,030	$ 37,071,685	$ 39,303,106	$ 43,116,617
	707,409	818,689	1,642,338	1,916,386	2,086,858	2,528,547
	7,737,681	8,870,892	9,655,373	10,149,950	10,709,756	10,203,796
	$ 43,856,395	$ 45,388,852	$ 47,250,741	$ 49,138,021	$ 52,099,720	$ 55,848,960

CITY OF PORTLAND,TEXAS
CHANGES IN NET POSITION
Last ten fiscal years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities:				
General government and administration	969,014	1,784,890	1,064,503	$ 1,051,690
Cultural and recreational	2,441,126	1,722,496	2,188,345	2,626,505
Public Safety	2,686,487	3,198,259	3,871,906	4,188,827
Public Works	2,064,566	2,167,166	2,286,120	1,404,282
Interest on long term debt	574,242	630,953	692,927	600,302
Total Governmental Activities Expenses	8,735,435	9,503,764	10,103,801	9,871,606
Business-type activities:				
Water and Sewer	3,429,001	3,751,993	3,575,458	3,951,147
Drainage Utility	2,818	12,232	22,253	67,999
Total business-type activities expenses	3,431,819	3,764,225	3,597,711	4,019,146
Total Government Expenses	$ 12,167,254	$ 13,267,989	$ 13,701,512	$ 13,890,752
Program Revenues				
Governmental activities:				
Fees, Fines,and Charges for Services:				
Administration	2,113	2,993	4,407	-
Cultural and recreational	532,068	531,613	576,940	643,824
Public Safety	365,373	611,231	599,436	638,366
Public Works	230,056	222,483	201,753	210,102
Operating grants and contributions				
Cultural and recreational	8,923	7,060	8,495	13,428
Public Safety	172,250	8,420	100,042	37,175
Public Works	14,864	-	-	-
Capital grants and contributions				
Cultural and recreational	-		-	-
Public Works	243,894	1,329,141	529,872	1,286,227
Total Governmental Activities Program Revenues	$ 1,569,541	$ 2,712,941	$ 2,020,945	$ 2,829,122
Business-type Activities:				
Fees, Fines,and Charges for Services				
Water and Sewer	3,491,531	3,725,707	3,870,278	4,404,844
Drainage Utility	78,158	82,107	86,021	87,632
Operating grants and contributions				
Water and Sewer	-	-	-	-
Capital Grants and Contributions				
Water and Sewer	349,372	779,649	617,756	1,169,376
Drainage Utility		80,000	163,255	698,696
Total business-type activities program revenues	3,919,061	4,667,463	4,737,310	6,360,548
Total Primary Government Program Revenues	$ 5,488,602	$ 7,380,404	$ 6,758,255	$ 9,189,670

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 1,256,885	$ 1,421,374	$ 1,532,324	$ 1,910,890	$ 1,946,383	$ 1,825,146
2,500,572	2,615,381	2,743,835	2,805,939	2,908,389	2,977,241
4,607,168	4,615,046	4,844,775	5,141,876	5,662,410	5,736,316
1,548,127	1,717,427	1,756,566	1,802,525	1,288,634	1,040,387
621,649	546,654	614,090	581,332	674,048	641,034
10,534,401	10,915,882	11,491,590	12,242,562	12,479,864	12,220,124
4,619,688	4,364,772	4,952,414	4,974,490	4,804,592	5,208,439
124,773	102,541	160,128	165,661	251,472	246,619
4,744,461	4,467,313	5,112,542	5,140,151	5,056,064	5,455,058
$ 15,278,862	$ 15,383,195	$ 16,604,132	$ 17,382,713	$ 17,535,928	$ 17,675,182
-	-	-	-	-	-
606,943	764,954	821,521	783,733	818,687	656,221
667,966	592,575	597,250	882,494	826,844	740,629
174,111	170,814	321,594	352,854	346,454	534,166
7,614	8,060	13,402	11,531	17,622	4,500
44,414	201,966	301,131	238,225	206,058	212,455
-	-	-	-	-	-
-	-	-	-	-	-
492,428	105,861	59,500	-	-	-
$ 1,993,476	$ 1,844,230	$ 2,114,398	$ 2,268,837	$ 2,215,665	$ 2,147,971
5,294,058	5,327,943	5,821,151	5,865,702	5,807,955	6,091,364
88,013	104,135	274,470	275,031	414,804	426,788
17,902	7,545	287,475	-	-	
289,698	199,365	144,250	222,196	1,795,646	1,443,956
124,157	208,103	-	-	197,250	540,450
5,813,828	5,847,091	6,527,346	6,362,929	8,215,655	8,502,558
$ 7,807,304	$ 7,691,321	$ 8,641,744	$ 8,631,766	$ 10,431,320	$ 10,650,529

(continued)

CITY OF PORTLAND,TEXAS
CHANGES IN NET POSITION
Last ten fiscal years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2005	**2006**	**2007**	**2008**
Net (Expense) Revenue				
Governmental Activities	(7,165,894)	(6,790,823)	(8,082,856)	$ (7,042,484)
Business-type Activities	487,242	903,238	1,139,599	2,341,402
Total Primary government net expense	$ (6,678,652)	$ (5,887,585)	$ (6,943,257)	$ (4,701,082)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Ad valorem	3,052,003	3,172,245	3,492,510	3,864,540
Sales	2,274,216	2,650,560	2,825,389	2,911,431
Franchise	941,290	988,127	1,051,431	1,087,961
Hotel/Motel	157,696	166,136	175,797	193,740
Investment earnings	235,792	373,134	491,896	283,538
Miscellaneous	159,667	133,331	112,381	215,935
Disposal of Capital Assets	(18,623)	-	-	-
Transfers	294,663	209,383	309,461	240,316
Total Governmental Activities	$ 7,096,704	$ 7,692,916	$ 8,458,865	$ 8,797,461
Business-type Activities:				
Investment earnings	104,454	124,788	131,931.0	60,802
Gain (Loss) on Disposal of Assets	-	-	(9,031.0)	-
Miscellaneous	9,432	12,489	15,024	14,453
Transfers	(294,663)	(209,383)	(309,461.0)	(240,316)
Total Business-type Activities	(180,777)	(72,106)	(171,537)	(165,061)
Total Primary Government	6,915,927	7,620,810	8,287,328	8,632,400
Change in Net Position				
Governmental Activities	(69,190)	902,093	376,009	1,754,977
Business-type Activities	306,465	831,132	968,062	2,176,341
Total Primary Government	$ 237,275	$ 1,733,225	$ 1,344,071	3,931,318

Source: Comprehensive Annual Financial Reports

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ (8,540,925)	$ (9,071,652)	$ (9,377,192)	$ (9,973,725)	$ (10,264,199)	$ (10,072,153)
1,069,367	1,379,778	1,414,804	1,222,778	3,159,591	3,047,500
$ (7,471,558)	$ (7,691,874)	$ (7,962,388)	$ (8,750,947)	$ (7,104,608)	$ (7,024,653)
4,232,399	4,463,514	4,553,921	4,733,902	4,732,212	5,149,614
3,162,719	3,074,103	3,404,064	4,065,035	3,985,513	4,372,082
1,051,320	1,029,609	1,009,656	1,033,907	1,014,730	1,068,690
209,049	228,199	267,274	379,677	377,288	437,750
73,430	50,045	95,830	116,144	(113,095)	132,393
270,728	282,504	402,355	243,119	241,036	337,948
-	8,932	-	325	10,138	61,000
309,225	375,664	24,719	509,386	586,830	373,993
$ 9,308,870	$ 9,512,570	$ 9,757,819	$ 11,081,495	$ 10,834,652	$ 11,933,470
25,148	31,426	35,594	49,506	(60,427)	101,894
-	1,469	41,091	-	3,982	1,617
28,511	54,530	14,492	16,612	14,632	15,107
(309,225)	(375,664)	(24,719)	(509,386)	(586,830)	(373,993)
(255,566)	(288,239)	66,458	(443,268)	(628,643)	(255,375)
9,053,304	9,224,331	9,824,277	10,638,227	10,206,009	11,678,095
767,945	440,918	380,627	1,107,770	570,453	1,861,317
813,801	1,091,539	1,481,262	779,510	2,530,948	2,792,125
1,581,746	1,532,457	1,861,889	1,887,280	3,101,401	4,653,442

(concluded)

CITY OF PORTLAND, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2005	2006	2007	2008
General Fund				
Non-spendable	$ 103,016	$ 63,382	$ 119,102	$ 154,993
Restricted	653	3,323	6,122	6,490
Committed	127,549	160,091	164,622	214,622
Unassigned	2,313,088	2,445,540	2,497,025	2,961,261
Total General Fund	$ 2,544,306	$ 2,672,336	$ 2,786,871	$ 3,337,366
All Other Governmental Funds				
Non-spendable	-	-	74,882	92,725
Restricted	680,014	1,105,593	1,123,212	1,254,912
Committed	1,369,336	4,934,422	3,838,557	218,013
Assigned	1,061,400	545,868	724,559	290,841
	$ 3,110,750	$ 6,585,883	$ 5,761,210	$ 1,856,491

Table 3

2009	2010	2011	2012	2013	2014
$ 90,694	$ 96,005	$ 91,795	$ 91,890	$ 98,277	$ 113,000
8,492	26,754	141,323	-	-	-
212,620	401,302	407,782	414,252	99,002	99,002
3,742,324	4,234,699	4,368,149	4,924,408	4,615,044	5,130,328
$ 4,054,130	$ 4,758,760	$ 5,009,049	$ 5,430,550	$ 4,812,323	$ 5,342,330
49,704	100,868	52,168	54,743	31,221	59,865
948,174	1,193,257	2,723,390	2,251,167	1,680,558	7,202,847
168,822	2,127,502	490,516	214,343	1,019,630	444,006
922,304	852,818	947,342	1,152,954	945,855	2,265,702
$ 2,089,004	$ 4,274,445	$ 4,213,416	$ 3,673,207	$ 3,677,264	$ 9,972,420

CITY OF PORTLAND, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2014	2013	2012	2011
REVENUES:				
Taxes	$11,020,416	$10,131,074	$10,239,637	$9,240,828
Licenses and Permits	470,320	323,040	340,758	309,303
Intergovernmental	239,752	233,193	263,879	327,107
Charges for Services	1,023,159	1,150,642	1,099,240	1,139,017
Fines and Forfeitures	324,523	419,060	485,812	191,816
Investment Income	132,393	(113,095)	116,144	95,830
Contributions	98,253	112,910	103,305	104,688
Oil Leases and Royalties	14,655	16,092	15,634	18,257
Other	315,255	201,764	203,331	367,065
Total Revenues	13,638,726	12,474,680	12,867,740	11,793,911
EXPENDITURES:				
Current:				
General Government	1,742,140	1,892,070	1,746,767	1,390,877
Public Safety	5,698,429	5,948,725	5,413,120	4,515,608
Public Works	1,918,669	1,103,004	2,598,475	2,039,076
Cultural and Recreational	2,571,217	2,466,892	2,843,221	2,324,661
Debt Service:				
Principal	1,172,200	1,110,740	851,462	859,999
Interest and Finance Charges	462,735	520,295	543,114	575,013
Bond Issuance Cost	112,721	75,567	-	-
Advance Refunding Escrow	-	-	-	-
Total Expenditures	13,678,111	13,117,293	13,996,159	11,705,234
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(39,385)	(642,613)	(1,128,419)	88,677
OTHER FINANCE SOURCES (USES):				
Sale of Capital Assets	61,000	20,953	325	75,864
Bond Premium	210,971	33,932	-	-
Bonds Issued	4,905,000	1,980,000	500,000	-
Capital Leases	202,265	531,173	-	-
Transfers In	1,200,656	2,126,415	1,905,629	1,469,649
Payments to Bond Escrow Agent	-	(1,995,814)	-	-
Transfers Out	(826,663)	(1,539,585)	(1,396,243)	(1,444,930)
Total Other Financing Sources (Uses)	5,753,229	1,157,074	1,009,711	100,583
NET CHANGE IN FUND BALANCES	$5,713,844	$514,461	($118,708)	$189,260
Debt service as a percentage of noncapital expenditures	14.40%	13.89%	12.27%	13.50%

Source: Comprehensive Annual Financial Reports

Table 4

Fiscal Year					
2010	2009	2008	2007	2006	2005
$8,826,937	$8,608,750	$8,064,435	$7,511,921	$6,974,291	$6,415,210
153,993	154,351	223,796	210,294	226,381	230,765
228,805	182,624	58,498	100,092	597,970	119,088
1,074,377	914,353	902,773	828,477	749,980	652,381
194,155	272,979	260,610	255,840	281,617	246,464
50,045	73,430	283,538	491,896	373,134	235,792
98,028	97,168	103,109	96,369	102,451	76,949
43,539	62,162	103,773	8,410	11,842	12,668
227,976	200,144	106,271	103,971	121,129	146,999
10,897,855	10,565,961	10,106,803	9,607,270	9,438,795	8,136,316
1,273,740	1,156,038	993,840	1,547,553	2,539,813	1,619,638
4,446,807	5,857,300	6,235,187	3,975,804	3,348,231	3,470,880
1,271,665	1,012,697	1,464,261	1,890,393	1,671,936	924,183
2,393,228	2,104,446	2,208,812	1,931,929	2,351,336	3,676,127
830,033	732,738	714,721	628,645	510,483	561,869
520,808	589,900	581,399	712,118	598,255	554,680
146,813	-	116,475	-	-	-
-	-	307,012	-	-	-
10,883,094	11,453,119	12,621,707	10,686,442	11,020,054	10,807,377
14,761	(887,158)	(2,514,904)	(1,079,172)	(1,581,259)	(2,671,061)
218,859	-	-	-	-	-
182,264	-	-	-	-	-
5,743,640	-	2,635,000	-	3,211,643	-
-	245,615	114,532	59,573	-	656,970
1,169,764	954,190	1,216,623	1,701,260	1,114,437	1,278,664
(3,684,302)	-	(2,508,899)	-	-	-
(794,099)	(644,965)	(976,307)	(1,391,799)	(905,054)	(984,001)
2,836,126	554,840	480,949	369,034	3,421,026	951,633
$2,850,887	($332,318)	($2,033,955)	($710,138)	$1,839,767	($1,719,428)
12.41%	11.55%	10.27%	12.55%	10.06%	10.33%

CITY OF PORTLAND, TEXAS
PROPERTY TAX LEVY AND CURRENT YEAR COLLECTION RATE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	3,006,428	2,939,299	97.8%	62,771	3,002,070	99.9%
2006	3,135,498	3,090,899	98.6%	41,510	3,132,409	99.9%
2007	3,462,791	3,365,762	97.2%	92,128	3,457,890	99.9%
2008	3,790,136	3,740,445	98.7%	42,895	3,783,340	99.8%
2009	4,207,637	4,122,377	98.0%	78,112	4,200,489	99.8%
2010	4,393,511	4,320,179	98.3%	64,159	4,384,338	99.8%
2011	4,503,929	4,419,631	98.1%	76,393	4,496,024	99.8%
2012	4,702,251	4,629,944	98.5%	59,428	4,689,372	99.7%
2013	4,665,607	4,611,650	98.8%	37,526	4,649,176	99.6%
2014	5,102,632	5,044,103	98.9%	-	5,044,103	98.9%

Source: San Patricio County Tax Assessor Collector

CITY OF PORTLAND, TEXAS
PROPERTY TAX RATES AND TAX LEVIES-
ALL OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
September 30, 2014

Tax Rates (1)

Fiscal Year	City General Fund	City Debt Service	City Total	School	County	Navigation District	Drainage District	Total	City's Percent of Total
2005	0.4725	0.0504	0.5229	1.7750	0.5399	None	0.0986	2.91640	18%
2006	0.4458	0.0489	0.4947	1.6100	0.5399	None	0.0910	2.73565	18%
2007	0.4224	0.0799	0.5023	1.3600	0.5275	None	0.0819	2.47168	20%
2008	0.4141	0.0741	0.4882	1.3600	0.5275	None	0.0819	2.45758	20%
2009	0.4254	0.0833	0.5087	1.3600	0.5245	None	0.0793	2.47248	21%
2010	0.4268	0.0936	0.5204	1.3700	0.5245	None	0.0793	2.49130	21%
2011	0.4291	0.1138	0.5429	1.3700	0.5245	None	0.0764	2.51377	22%
2012	0.4967	0.1174	0.6141	1.3700	0.5093	None	0.0718	2.56519	24%
2013	0.4506	0.1312	0.5818	1.3500	0.5500	None	0.0669	2.54875	23%
2014	0.4406	0.1322	0.5728	1.3500	0.5200	None	0.0601	2.50295	23%

Components of the total direct rate for other Taxing Entities were unavailable.

Tax Levies (1)

Fiscal Year	City	School	County	Navigation District	Drainage District	Total
2005	3,006,428	13,058,855	14,001,075	None	3,061,885	33,128,243
2006	3,135,498	14,119,128	3,369,091	None	600,399	21,224,116
2007	3,312,321	14,454,054	3,478,498	None	539,929	21,784,802
2008	3,842,317	13,796,567	4,151,623	None	644,411	19,342,060
2009	3,989,691	14,803,546	20,493,083	None	3,092,386	41,952,061
2010	3,686,430	15,109,246	20,512,911	None	3,054,028	42,379,805
2011	4,433,224	15,131,139	21,361,735	None	3,052,972	43,979,070
2012	4,682,217	15,463,629	19,878,381	None	2,895,367	42,919,594
2013	4,574,658	14,652,131	22,287,545	None	2,909,946	44,424,280
2014	4,670,009	16,846,506	23,959,902	None	2,976,020	48,452,437

(1) Per $100 Assessed Valuation

CITY OF PORTLAND, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Prior

		2014				2005	
Tax Payer	Type of Business	Taxable Assessed Valuation	Percentage of Total Assessed Value[a]	Tax Payer	Type of Business	Taxable Assessed Value	Percentage of Total Assessed Value[b]
Northshore Pavilions Owner LP	Apartments	14,070,954	1.637%	Portland Townhomes LP	Apartments/Townhomes	$14,732,004	2.56%
Wal-Mart Real Estate Business	Shopping Center	11,389,732	1.325%	Northshore Landing LTD	Apartments	6,686,157	1.16%
Portland Townhomes LP	Apartments	9,650,000	1.123%	H K New Plan Northshore Plaza	Real Estate	5,838,272	1.02%
Galileo Apollo II TX LP	Apartments	6,991,791	0.813%	Land's End Associates	Apartments	4,461,445	0.76%
Wal-Mart Stores Texas LP	Grocery	5,511,712	0.641%	AEP Central Power and Light	Electric Utility	4,261,940	0.74%
Esplanade at North Shore LLC	Apartments	4,672,693	0.544%	Indela Partner's III LP - Kmart	Shopping Center	4,127,928	0.72%
Academy Sports & Outdoors #197	Sporting Good Store	4,343,087	0.505%	Verizon Southwest	Telecommunications	3,962,450	0.69%
Al Williford Chevrolet Inc	Automotive Sales	4,091,746	0.476%	Goode, Keith and Carolyn	Condominium / Property Owners	3,673,459	0.64%
Northshore Cinema 8 CO LLC	Entertainment	4,064,995	0.473%	Carriage Inn - Northshore LP	Apartments/Retirement Center	3,394,869	0.59%
Lands End Limited	Apartments	3,941,487	0.459%	Bass Enterprises	Oil & Gas	3,327,741	0.58%
		$ 68,728,197	7.994%			$ 54,466,265	9.46%

Data Source: Chief Appraiser, San Patricio County Appraisal District

Note:

[a]Total taxable value including real and personal property for tax year 2013 (fiscal year 2014) is $ 838,251,529

[b]Total taxable value including real and personal property for tax year 2004 (fiscal year 2005) is $ 575,080,138

CITY OF PORTLAND, TEXAS
SALES TAX HISTORY OF COLLECTING ENTITIES BY INDUSTRY
AS OF SEPTEMBER 30, 2014
Last Ten Fiscal Years
(Unaudited)

Year	Construction	Retail	Services	Transportation/ Communications	Wholesale	Financial Inst. & Real Estate	Manufacturing	Public Administration	Other	All Industries
2005	15	128	75	3	5	2	10	2	42	282
2006	12	108	70	3	5	3	5	2	80	288
2007	27	184	172	9	11	18	20	2	7	450
2008	24	114	138	7	8	13	13	2	6	325
2009	34	175	174	10	13	17	22	2	19	466
2010	32	180	169	13	14	11	20	3	17	459
2011	33	195	163	15	11	14	26	3	16	476
2012	40	194	178	7	13	13	31	3	15	494
2013	29	124	121	5	8	11	20	2	17	337
2014	24	120	134	5	7	11	20	2	22	345

Source: Texas Comptroller of Public Accounts

CITY OF PORTLAND, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
Last Ten Fiscal Years
September 30, 2014

Fiscal Year	Estimated Population	Assessed Value	Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2005	17,114	575,080,138	11,390,000	874,018	10,515,982	1.83%	614
2006	17,500	624,021,308	14,180,000	901,688	13,278,312	2.13%	759
2007	18,500	659,430,872	13,710,000	919,307	12,790,693	1.94%	691
2008	19,500	782,432,102	13,025,000	916,129	12,108,871	1.55%	621
2009	16,408	845,738,413	12,455,000	601,005	11,853,995	1.40%	722
2010	18,336	863,789,635	14,088,640	669,633	13,419,007	1.55%	732
2011	18,500	837,631,922	13,359,540	804,143	12,555,397	1.50%	679
2012	15,099	782,962,612	13,102,775	934,671	12,168,104	1.55%	806
2013	15,684	804,454,769	12,087,035	997,435	11,089,600	1.38%	707
2014	19,400	838,251,529	15,969,718	1,076,420	14,893,298	1.78%	768

CITY OF PORTLAND, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
September 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable *	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Gregory-Portland Independent School District	$ 47,165,647	82.29%	$ 38,812,611
San Patricio County	$ 17,095,000	27.78%	$ 4,749,563
Other debt			
Gregory-Portland Independent School District: Capital Leases	$ 117,229	82.29%	$ 96,468
Subtotal, overlapping debt			$ 43,658,642
City of Portland (direct debt)	$ 15,969,718	100.00%	$ 15,969,718
Total direct and overlapping debt			$ 59,628,360
Average Debt Per Capita (19,400)			3,073.63

* Allocation of Applicable Debt based on relavent City of Portland population proportion of related taxing entity.

Applicable Debt for Gregory-Portland Independent School District calculated by dividing the number of students residing in Portland by the total number of students in the District based on figures provided by the District's administration office.

Applicable Debt for San Patricio County calculated by dividing Portland population by the County population based on most recent U.S. Census data.

CITY OF PORTLAND, TEXAS
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Estimated Population	San Patricio County Per Capita Income	Personal Income (thousands of dollars)	Average School Enrollment	San Patricio County Unemployment Rate
2005	17,144	25,365	434,857,560	4,285	6.30%
2006	17,500	27,452	480,410,000	4,285	4.40%
2007	18,500	26,178	484,293,000	4,261	5.00%
2008	19,200	***	***	4,245	5.48%
2009	16,408	17,862	293,079,696	4,197	10.30%
2010	18,336	18,508	339,362,688	4,296	8.70%
2011	18,500	20,766	384,171,000	4,296	8.00%
2012	15,099	27,580	416,430,420	4,441	7.00%
2013	15,684	27,907	437,693,388	4,495	7.90%
2014	19,400	23,373	453,436,200	4,279	5.80%

*** Data not available at time of publication.

2012 and 2013 Per Capita Income for City of Portland

CITY OF PORTLAND, TEXAS
Top Ten Employers
Corpus Christi MSA
(Unaudited)

Employer	Business Description	Number of Employees	Percentage of Workforce
Corpus Christi Army Depot	Helicopter Repair	6,500	3.10%
Corpus Christi ISD	School District	5,178	2.47%
CHRISTUS Spohn Health Systems	Hospital	5,144	2.45%
H.E.B	Grocery Company	5,000	2.38%
City of Corpus Christi	City Government	3,171	1.51%
Corpus Christi Naval Air Station	Flight Training	2,827	1.35%
Kiewit Offshore Services	Offshore Rig Manufacturing	2,200	1.05%
Bay, LTD	Industrial Construction	2,100	1.00%
Driscoll Children's Hospital	Hospital	1,800	0.86%
Del Mar College	Junior College	1,542	0.74%

CITY OF PORTLAND, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government and Administration	12.5	12.5	13	11.5	13.25	12.25	11.55	12.55	13.55	13.55
Public Safety	40.65	42.4	45.25	51	51.58	51.36	50.61	55.86	57.21	60.21
Building/Code Enforcement	4	3	3	5.3	5.3	5.3	4.7	3	3	3
Library	6	6	6	6	6	6	6	6.06	6.06	6.06
Water and Sewer	14	18	18.06	17.76	17.76	17.76	17.76	17.96	17.96	17.96
Vehicle Maintenance	1	1	1	1	1	1	1	1	1	1
Park Maintenance	7.67	7.51	7.51	7.51	7.5	7	7.5	8.5	8.5	8.5
Recreation/Community Center	21.08	22.69	24.86	27.65	27.99	25.64	25.12	25.04	25.04	25.04
Finance	3.38	3.38	3.75	4	4	4	4	4	4	4
Streets	5.97	5.96	5.96	5.96	5.96	5.46	5.56	7.06	7.06	7.06
Municipal Court	2.38	2.5	3	3	3	3	3	3.05	3.05	3.05
Total Full Time Equivalents	118.63	124.94	131.39	140.68	143.34	138.77	136.8	144.08	146.43	149.43

Source: City of Portland Budgets

CITY OF PORTLAND, TEXAS
HISTORY OF BUILDING PERMITS ISSUED
RESIDENTIAL AND COMMERCIAL
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Residential Construction Value	Residential Permits Issued	Commercial Construction Value	Commercial Permits Issued	Total New Construction
***					
2005	$ 12,161,538	112	$ 14,261,100	8	$ 26,422,638
2006	$ 16,695,276	126	$ 5,864,373	6	$ 22,559,649
2007	$ 16,731,348	128	$ 786,500	2	$ 17,517,848
2008	$ 17,465,785	87	$ 8,060,572	4	$ 25,526,357
2009	$ 10,232,465	56	$ 1,325,000	2	$ 11,557,465
2010	$ 9,917,977	56	$ 960,000	2	$ 10,877,977
2011	$ 11,329,736	52	$ 2,236,472	3	$ 13,566,208
2012	$ 14,325,166	76	$ 763,935	2	$ 15,089,101
2013	$ 17,156,773	74	$ 5,197,725	1	$ 22,354,498
2014	$ 18,569,237	72	$ 34,940,301	8	$ 53,509,538

Source: City of Portland Buiding Department

CITY OF PORTLAND, TEXAS
STATISTICAL DATA
YEAR ENDED SEPTEMBER 30, 2014

DATE OF INCORPORATION: May 28, 1949

DATE OF CITY CHARTER ADOPTION: August 8, 1967

FORM OF GOVERNMENT: Council - Manager

Area - Square Miles	10
Miles of Streets - Paved	77
Fire Protection	
Number of Stations	2
Number of Employees:	
Regular - Full-Time	15
Part-Time	1
Police Protection	
Number of Stations	1
Number of Employees:	
Regular - Full-Time	37
Part-Time	11
Total Employees - Full Time & Full-time Equivalents	149

Cultural and Recreational:	
Parks - Number of Acres	740.04
Number of Lighted Fishing Piers	1
Number of Playgrounds	13
Number of Swimming Pools	2
Number of Community Centers	1
Number of Senior Citizens Centers	1
Number of Public Libraries	1
Education:	
Number of Schools	7
Number of School Teachers	269
Number of Students	4,518
Average Daily Attendance	4,279
Municipal Water System:	
Number of Customers	5750
Daily Average Consumption	1,811,800
Storage Capacity	3,000,000
Number of Fire Hydrants	650
Number of Street Lights	610

CITY OF PORTLAND, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Five Years

Function/Program	2010	2011	2012	2013	2014
Public Safety					
Police					
# of Employees	32.25	32.25	35.5	36.85	39.85
# of Citations	3,152	3,138	3,214	3,346	4133
Fire					
# of Employees	15	15	15	15	15
# of Fire Runs	428	428	437	447	493
# of Rescue Runs	944	950	870	896	864
Development Services					
Permits Issued	1,381	4,126	1392	2,277	2203
Cultural and Recreational					
Parks and Recreation					
Program Participants	88,588	106,847	95,648	99,037	100,000
# of Memberships Sold	1,726	1,172	1,582	1,005	1,197
Library					
Volumes in Circulation	120,710	114,847	184,288	250,517	248,561
Water and Sewer					
# of Bills Processed	63,399	64,391	65,427	66,485	67359
# of System Customers	5,307	5,403	5,500	5,588	5750
Millions of Gallons Billed	2,594	2,690	1,296	1,249	1,196

Source: City Departments

CITY OF PORTLAND, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008
Public Safety				
Police Stations	1	1	1	1
Police Patrol Units	15	17	14	16
Fire Stations	2	2	2	2
Development Services				
Streets Paved (miles)	58	58	70	70
# of Street Lights	607	607	587	587
Cultural and Recreational				
Parks (acres)	740.04	740.04	740.04	740.04
Playgrounds	12	12	13	13
Lighted Fishing Pier	1	1	1	1
Swimming Pools	2	2	2	2
Community Centers	1	1	1	1
Senior Centers	1	1	1	1
Skate Parks	1	1	1	1
Libraries	1	1	1	1
Water and Sewer				
Number of Customers	6,467	6,708	6,989	7,420
Number of Fire Hydrants	483	483	468	483

Source: City Departments

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
17	17	15	15	16	15
2	2	2	2	2	2
70	71	71	71	77	77
610	610	614	614	610	610
740.04	740.04	740.04	740.04	740.04	740.04
13	13	13	13	13	13
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
5,262	5,307	5403	5500	5588	5750
650	650	675	675	650	650

CITY OF PORTLAND, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS AND CONTRIBUTION RATES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1/2)	(4) Unfunded Actuarial Accrued Liability	(5) Annual Covered Payroll	(6) UAAL as a Percentage of ACP (4/5)	(7) Total TMRS Required Contribution Rate
2004	$ 4,317,678	$ 6,137,416	70.4%	$ 1,819,738	$ 2,818,368	64.6%	10.53%
2005	$ 4,538,570	$ 7,057,488	64.3%	$ 2,518,918	$ 3,350,769	75.2%	11.62%
2006	$ 5,059,806	$ 7,770,175	65.1%	$ 2,710,369	$ 3,682,799	73.6%	11.66%
2007*	$ 5,579,277	$ 9,810,011	56.9%	$ 4,230,734	$ 3,809,116	111.1%	13.00%
2008	$ 6,386,094	$ 10,605,048	60.2%	$ 4,218,954	$ 4,306,350	98.0%	13.00%
2009	$ 7,479,403	$ 12,178,090	61.4%	$ 4,698,687	$ 4,573,830	102.7%	14.17%
2010	$ 9,961,686	$ 14,780,962	67.4%	$ 4,819,276	$ 4,948,722	97.4%	15.22%
2011	$ 11,263,277	$ 16,057,833	70.1%	$ 4,794,556	$ 4,755,702	100.8%	15.05%
2012	$ 12,698,606	$ 17,498,897	72.6%	$ 4,800,291	$ 5,255,875	91.3%	15.05%
2013	$ 14,285,079	$ 20,272,857	70.5%	$ 5,987,778	$ 5,553,642	107.8%	14.89%

Source: Texas Municipal Retirement System

* New actuarial cost method and assumptions were adopted by the TMRS Board of Trustees at their December 2007 meeting, to be effective for the 12/31/2007 valuation.

GOVERNMENTAL AUDIT COMPLIANCE SECTION

the portland
of possibilities.

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Corpus Christi, TX 78401 fax 361-884-3457

Lovvorn & Kieschnick, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor,
Members of City Council
City of Portland, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portland, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Portland's basic financial statements, and have issued our report thereon dated March 26, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Portland'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.

Respectfully submitted,

Lovvorn + Kieschnick, LLP

Lovvorn & Kieschnick, LLP
Corpus Christi, TX

March 26, 2015