

CITY OF PORTLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2015



CITY OF PORTLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2015

CITY COUNCIL

David Krebs, Mayor

Ron Jorgensen, Mayor Pro Tem

John Green

Cathy Skurow

Nathan R. Taggart

Gary Moore, Sr.

Bill T. Wilson, II

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, 2015**

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INTRODUCTORY SECTION

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April 7, 2016

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, 2015, 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, 2015 financial statements is the first item in the Financial Section of this document.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

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 2016-2017 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.

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 an increase in both residential and commercial growth in the past year. Eleven newly developing subdivisions will accommodate the influx of new residents as industry and business moves within the region. The City welcomed two new hotels, two strip centers, and a couple of new eateries to the business corridor in 2015. There were hundred and four new single family residences built and construction began on three-hundred ninety apartment units.

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 first six months of 2016. 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 150 fulltime permanent jobs when fully operational. The planned Cheniere Energy facility located on the Port of Corpus Christi's La Quinta Channel has completing licensing and began construction in 2015. During construction Cheniere will bring in over 3,500 construction workers and approximately 350 full-time permanent jobs when completed. 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 (PCCDC) 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 PCCDC 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 estimates for the current year and actual data for the preceding year. The City's budgeted funds include the 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.

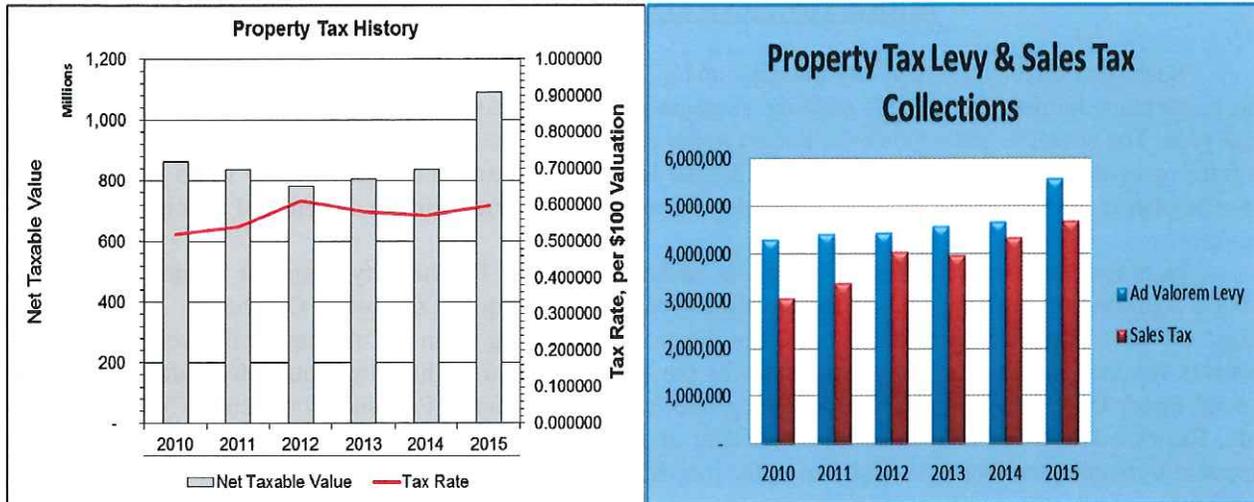
ACCOUNTING AND INTERNAL CONTROLS

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 2014 to 2015 by 14.98%. The City did raise the tax rate by \$0.05 to pay for additional services. Sales tax collections increased by 7.96% from the previous year. This increase is primarily due to 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 2014 - 15, the budget provided for 117 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 50 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, 2014. This was the sixth 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,

A handwritten signature in black ink, appearing to read "Michel Sorrell". The signature is written in a cursive, flowing style.

Michel Sorrell, CPA, CPM
Director of Finance

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CITY OF PORTLAND, TEXAS

CITY COUNCIL

David Krebs, Mayor

Ron Jorgensen, Mayor Pro Tem

John Green

Cathy Skurow

Nathan R. Taggart

Gary Moore, Sr.

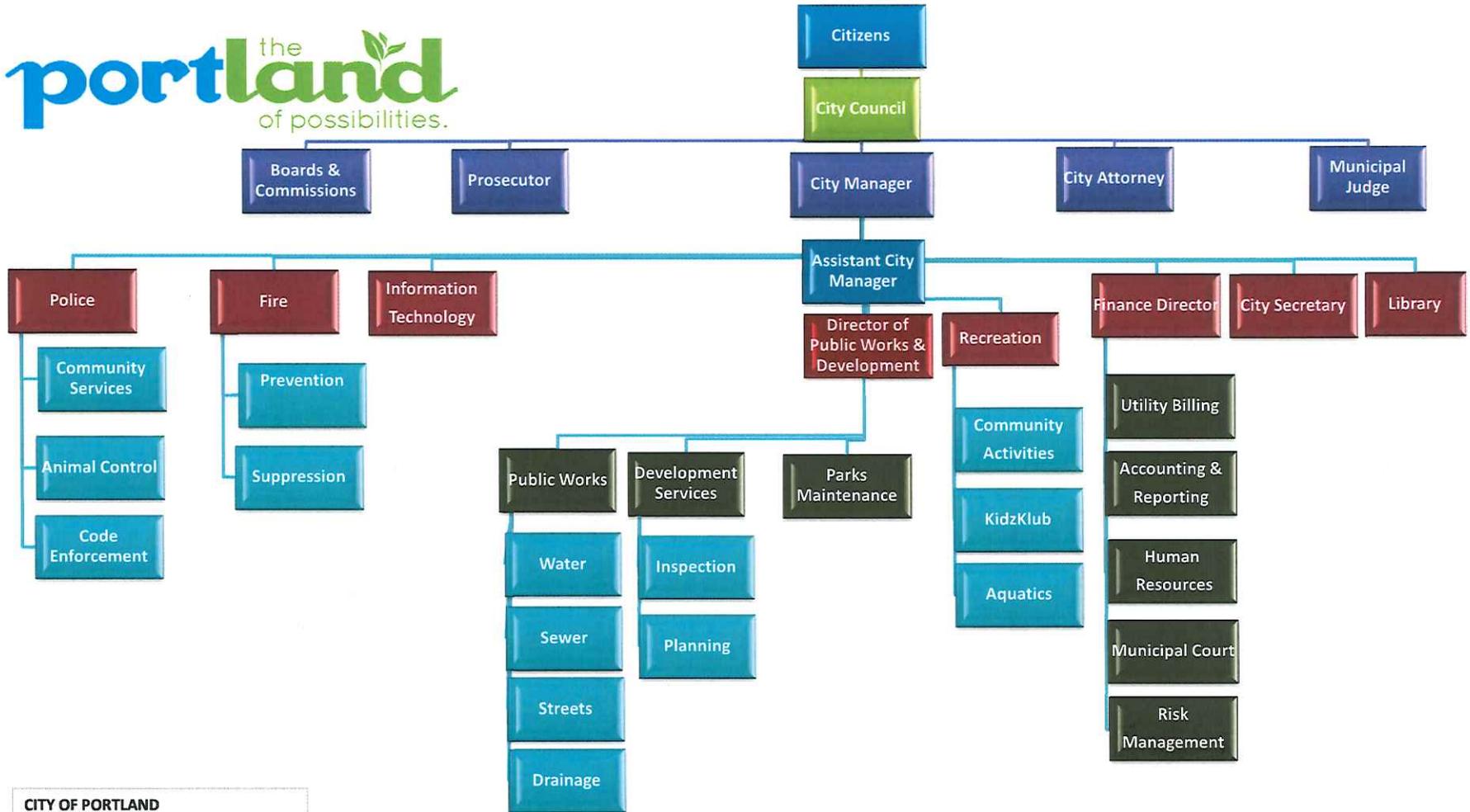
Bill T. Wilson, II

CITY MANAGER

Randy Wright

FINANCE DIRECTOR

Michel Sorrell, CPA



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**CITY OF PORTLAND
ORGANIZATION CHART FY 14-15**



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, 2014

Executive Director/CEO

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FINANCIAL SECTION

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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, 2015, 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015 the City of Portland adopted new accounting guidance. Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. 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, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of contributions, and postemployment health care plan schedule of funding progress on pages 4 through 14 and 56 through 60 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules 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 April 6, 2016 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
Corpus Christi, TX

April 6, 2016

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MANAGEMENT'S DISCUSSION & ANALYSIS

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City of Portland, Texas
Management's Discussion and Analysis
September 30, 2015
(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, 2015. 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, and deferred inflows at the close of 2015 by \$54,020,204 (net position). Of this amount, \$5,823,533 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$1,828,756 in 2015.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,227,112, an increase of 38.6% in comparison with the prior year. Of that amount, just under 1.36% was non-spendable (made up of inventory and prepaid items), 48.13% was legally restricted to specific purposes because of the source of the funds, 8.18% was committed to various specific purposes, and 13.46% (about \$2,856,740) was assigned to Cultural and Recreational purposes.
- The remainder of the governmental fund balances, \$6,129,162 or 28.87%, 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 \$19,600,548. This represents a 4.22 increase over the prior year. Most significant is a \$1,265,503 decrease in unrestricted net assets to \$2,171,068 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 \$4,353,899 (11%) during the current fiscal year. The City issued \$2,340,000 in tax notes, Series 2014, for the purpose of purchasing capital equipment and completing certain capital projects. The City also issued sales tax revenue bonds, Series 2015, to fund improvements to the sports complexes. The City also issued general obligation refunding bonds, Series 2015, to refinance older debt at a lower interest rate.

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. 68. For the year ended September 30, 2015 the City adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The implementation of these standards resulted in a prior period adjustment to the net position of \$579,050 to the Water and Sewer System Fund and \$3,986,039 to the Governmental Activities at the beginning of the measurement period ending December 31, 2014, and the deferred outflows of resources related to the City's contributions after beginning of the measurement period through December 31, 2014.

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 14-16 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 fourteen 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, the Street Improvement Fund, Debt Service Fund, and Venue Sales Tax Construction Fund, which are considered major funds. Data from the other ten 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 28-55 of 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 and deferred inflows by \$54,020,204 at the close of the most recent fiscal year. By far the largest portion of the City's net position, \$45,457,186 or 84.15%, 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 (\$2,739,485 or 5.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance, or unrestricted net position, of \$5,823,533, or 11%, 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 overall net position however decreased by \$1,828,756 (3.27%) from the prior fiscal year (see Table 1). The decrease can be attributed to the restatement of beginning net positions in order to implement GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

Management Discussion and Analysis
Comparative Data
Table 1

Government-wide Comparative Financial Data

Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014*	2015	2014*	2015	2014*
Assets						
Current and Other Assets	22,810,015	17,169,726	7,322,736	7,303,557	30,132,751	24,473,283
Capital Assets, net of accumulated depreciation	36,413,477	36,531,904	32,720,200	31,455,563	69,133,677	67,987,467
Total Assets	59,223,492	53,701,630	40,042,936	38,759,120	99,266,428	92,460,750
Deferred Outflows of Resources	882,043	154,743	255,662	169,265	1,137,705	324,008
Liabilities						
Current & Due Within One Year	4,031,601	3,426,827	2,998,156	2,183,743	7,029,757	5,610,570
Due in More Than One Year	25,059,658	16,760,636	14,291,308	14,564,592	39,350,966	31,325,228
Total Liabilities	29,091,259	20,187,463	17,289,464	16,748,335	46,380,723	36,935,798
Deferred Inflows of Resources						
Deferred Inflow Related to Pensions	2,799	-	407	-	3,206	-
Net Position						
Net Investment in Capital Assets	25,334,125	25,004,733	20,123,061	18,111,884	45,457,186	43,116,617
Restricted for:						
Debt Service	1,117,159	971,410	113,165	112,137	1,230,324	1,083,547
Federal and State Programs	1,509,161	1,445,000	-	-	1,509,161	1,445,000
Unrestricted	3,051,032	6,247,767	2,772,501	3,956,029	5,823,533	10,203,796
Total Net Position	31,011,477	33,668,910	23,008,727	22,180,050	54,020,204	55,848,960

*As permitted by GASB Statement No. 68, prior fiscal year was not restated.

Governmental Activities

Revenues:

- For fiscal year 2015, the program revenues from governmental activities totaled \$2,278,588, an increase of 6.08% from the prior year. General government program revenues consist primarily of fees, fines and charges for services.
- The other governmental activity program revenues – grants and contributions – *increased* by 20.24% (\$63,440) in 2015.
- Property tax collections totaled \$5,721,228, an increase of 11.1% 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 \$67,805,871 or 8.72% 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 \$608,313 or 10.35%, 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, 2015 governmental expenses totaled \$14,138,802, an increase of \$1,918,678 over the prior year. Public safety grew by \$213,395, an increase of 3.72%. This is due to the addition of three new firefighters that started late in 2015. The growth of the City has put more demands on public safety and public works. Public works reduced increased expenses by (\$708,466). The increase in public works is due to the addition of a new maintenance position and the emergency repair of major equipment and line breaks from aging infrastructure. The remainder of a 2012 revenue bond issues is being used as well as fund reserves to build up the infrastructure.

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

CITY OF PORTLAND, CHANGE IN NET POSITION

As of September 30, 2015

Compared to September 30, 2014

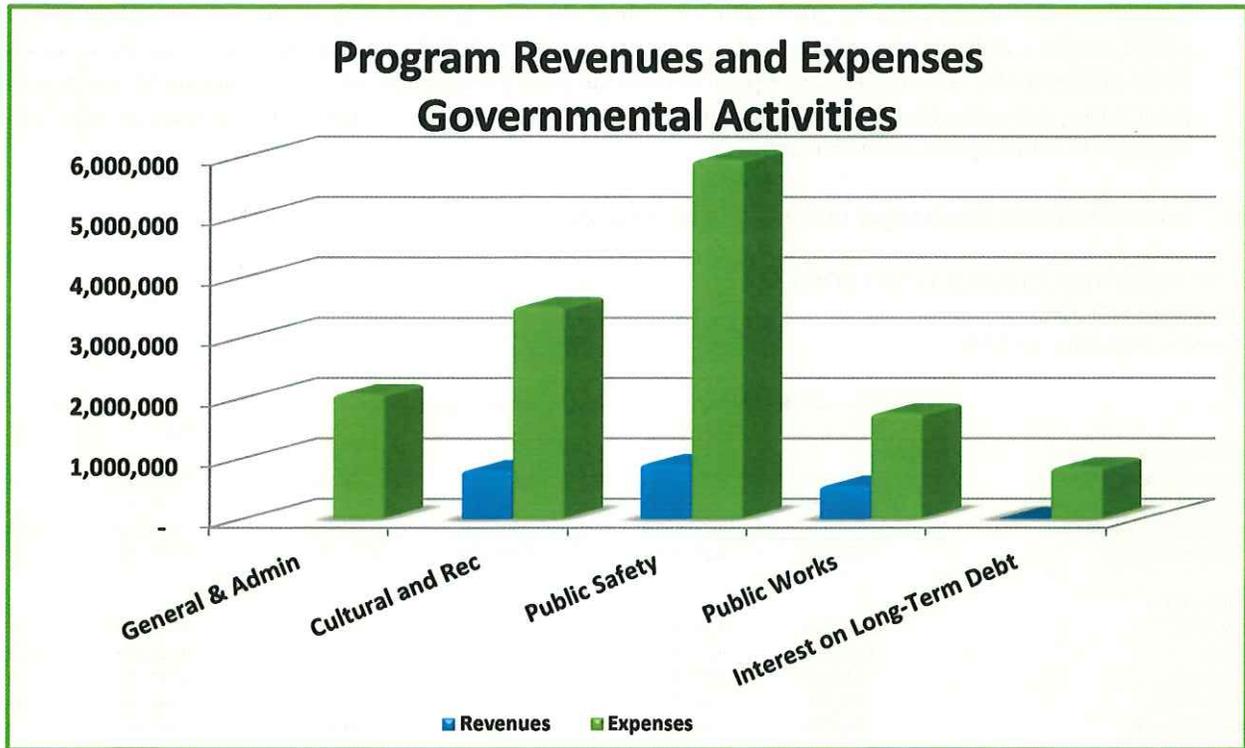
Table 2

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014*	2015	2014*	2015	2014*
Program Revenues						
Fees, Fines & Charges for Services	1,998,193	1,931,016	6,456,924	6,518,152	8,455,117	8,449,168
Operating Grants and Contributions	280,395	216,955	-	-	280,395	216,955
Capital Grants and Contributions	-	-	901,376	1,984,406	901,376	1,984,406
Total Program Revenues	2,278,588	2,147,971	7,358,300	8,502,558	9,636,888	10,650,529
General Revenues						
Property Taxes	5,721,228	5,149,614	-	-	5,721,228	5,149,614
Sales Taxes	4,726,405	4,372,082	-	-	4,726,405	4,372,082
Franchise Taxes	1,157,227	1,068,690	-	-	1,157,227	1,068,690
Hotel/Motel Taxes	603,203	437,750	-	-	603,203	437,750
Investment Earnings	206,788	132,393	76,975	101,894	283,763	234,287
Gain on Disposal of Assets	-	61,000	707	1,617	707	62,617
Miscellaneous	361,800	337,948	71,320	15,107	433,120	353,055
Total Revenues	15,055,239	13,707,448	7,507,302	8,621,176	22,562,541	22,328,624
Expenses						
General Government and Admin.	2,068,183	1,825,146	-	-	2,068,183	1,825,146
Cultural and Recreational	3,516,557	2,977,241	-	-	3,516,557	2,977,241
Public Safety	5,949,711	5,736,316	-	-	5,949,711	5,736,316
Public Works	1,748,853	1,040,387	-	-	1,748,853	1,040,387
Interest on Long Term Debt	855,498	641,034	-	-	855,498	641,034
Water and Sewer	-	-	5,421,202	5,208,439	5,421,202	5,208,439
Drainage	-	-	266,203	246,619	266,203	246,619
Total Government Expenses	14,138,802	12,220,124	5,687,405	5,455,058	19,826,207	17,675,182
Change in Net Position						
Increase (Decrease) Before Transfers	916,437	1,487,324	1,819,897	3,166,118	2,736,334	4,653,442
Transfers	412,169	373,993	(412,169)	(373,993)	-	-
Change in Net Position	1,328,606	1,861,317	1,407,728	2,792,125	2,736,334	4,653,442
Net Position, Beginning of Year	29,682,871	31,807,593	21,600,999	19,387,925	51,283,870	51,195,518
Net Position, End of Year	31,011,477	33,668,910	23,008,727	22,180,050	54,020,204	55,848,960

*As permitted by GASB Statement No. 68, prior fiscal year was not restated.

The table 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 2015, revenues from taxes, investments and miscellaneous sources are used to offset this \$11.8 million deficit between expenses and program revenues in the governmental activities. Table 3 below illustrates a comparison of governmental activity revenues and expenses.

Program Revenues & Expenses – Governmental Activities
Table 3

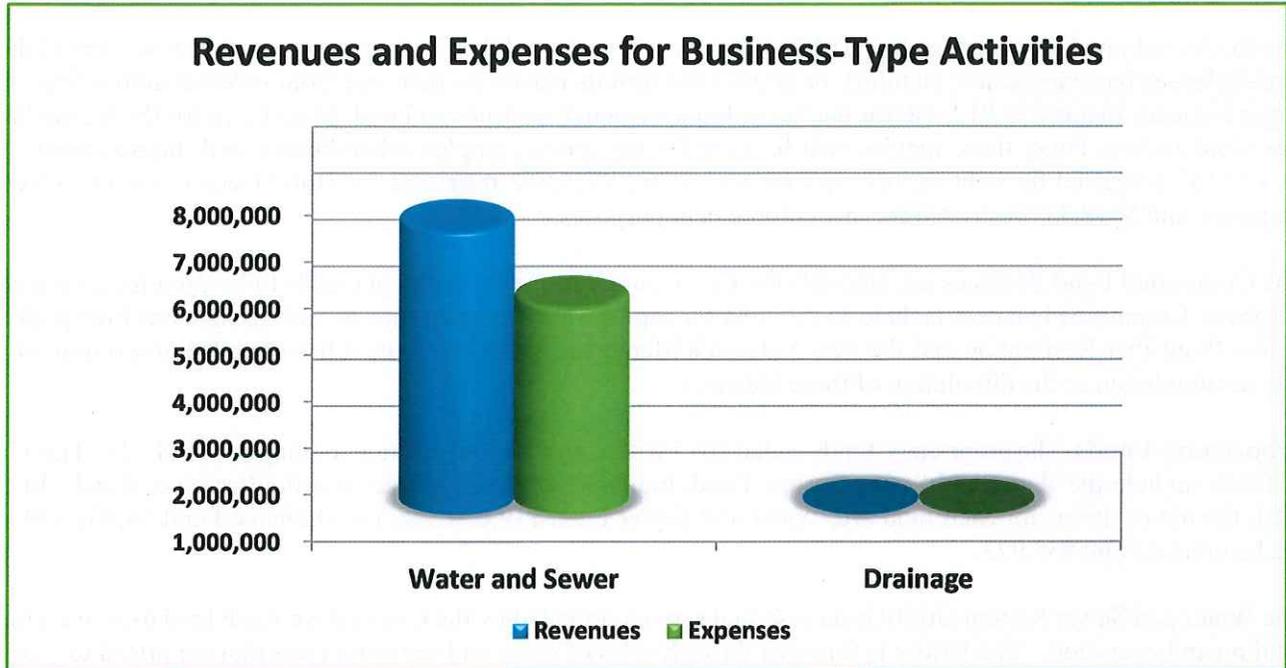


A look at the City’s business-type activities, as seen in Table 4 below, shows a different revenue and expense picture. Business-type activities provide services for a fee, or charge, and are operated in such a manner that the fees for services are established to provide for current operations, debt 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 \$7,358,300 for the fiscal year ended September 30, 2015. Expenses for those same activities totaled \$5,687,405 resulting in net revenues of \$1,670,895 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 \$1,407,728. This is an increase of 6.52% in net position in the business-type activities.

The amount of unrestricted net assets available for the purpose of meeting immediate operating needs is \$2,772,501. The total business-type unrestricted net position represents only 11% 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 \$21,227,112, an increase of 38.61% 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)	\$ 288,045
Restricted (constrained by external agreements)	10,217,600
Committed (purpose/use set by City Council)	1,735,565
Assigned (special revenues not otherwise designated)	2,856,740
Unassigned (remainder of General Fund balance)	<u>6,129,162</u>
Total Governmental Fund Balance	<u>\$21,227,112</u>

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 \$6,129,162. This amount is equivalent to 204 days’ full-service operations (total budgeted 2015-2016 operating costs of \$10,962,840 divided by 365 days, yields daily operating cost of \$30,035). 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 \$10,217,600 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 \$3,912,766 for the Street Improvement Construction Fund, \$3,621,516 for the Venue Sales Tax Construction Fund, these monies will be used for the sports complex rehabilitation and improvement, the \$1,174,157 restricted for debt service on long-term debt, \$826,902 restricted for Hotel Occupancy Tax revenue purposes, and \$338,337 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 \$1,635,563 for capital improvements such as various hike and bike projects, Indian Point Pier Restoration and the new Veteran's Memorial. The City Council has complete discretion on the use, accumulation or the dissolution of these balances.

Proprietary Funds. The proprietary funds ended 2015 with combined net position totaling \$23,008,727. 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 \$19,600,548, the Drainage Fund \$3,408,179 and the Insurance Fund \$55,973.

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 2015, the operations resulted in unrestricted net position of \$2,171,068, which will finance 105 days of operations if a catastrophic event were to occur that interrupted normal revenue streams.

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 \$3,408,179 at the end of 2015. 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 2015. 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, 2015, the net position in this fund was \$55,973.

General Fund Budgetary Highlights

During FY2014-15, the budget was amended at mid-year to reflect new and updated information, as well as material changes in operations. The mid-year adjustment reflected salary savings from several high level positions that had been vacant. Adjustments were also made to fund capital projects like the Veteran's Memorial, Violet Andrews R.O.W. Hike and Bike Trail, Sports Complex Rehabilitation and Improvement, Indian Point Preservation and Akins Hike and Bike Trail. These projects are being funded by fund reserves so there is an offsetting revenue to the expenditure.

Final budget compared to actual results. The total revenue variance of \$430,049, or 4.50%, this increase consisted of an increase in taxes, mostly sales tax, licenses and permits, due to the City's growth, charges for services and drawdowns on fund reserves for capital projects and equipment purchases..

The variance in expenditures is an increase by \$536,086, or 5.34%. This increase is attributed capital projects mentioned previously.

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, 2015 amounts to \$69,133,682 (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 \$1.17 million or 1.72%.

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 2015:

- Installation and completion of Sewer Line Replacements (\$1 million budgeted).
- Expansion of the City's SCADA (supervisory control and data acquisition) system substantially completed (\$600,000).
- Phase 9A (Rehab & Overlays) of the Street Improvement Project began. (\$4 million budgeted).
- Construction completed on the Fire Station No. 2 Expansion (\$569,250).
- Sports Complexes Improvements (\$3.5 million budgeted). This project has now become a General Obligation Bond Election in May 2016. The cost of the total project is \$25.2 million and includes the renovation and addition to the Community Center.\
- Violet Andrews R.O.W. Bridge Hike and Bike Trail and Akins Hike and Bike Trails in design phase (\$825,500 budgeted).
- Veteran's Memorial design phase completed and construction beginning 2016 (\$966,300 budgeted).
- Indian Point Pier Preservation and Restoration project completed (\$300,000).

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	
	2015	2014	2015	2014	2015	2014
Land	4,412,524	4,412,524	118,362	118,362	4,530,886	4,530,886
Buildings	15,023,171	14,692,792	459,271	475,095	15,482,442	15,167,887
Vehicles	1,348,908	1,476,248	-	-	1,348,908	1,476,248
Equipment	977,527	1,344,606	1,986,213	697,377	2,963,740	2,041,983
Infrastructure	12,771,314	13,175,870	25,619,384	25,496,636	38,390,698	38,672,506
Intangibles	386,724	446,548	367,177	367,177	753,901	813,725
Construction in Progress	1,493,309	983,316	4,169,798	4,278,596	5,663,107	5,261,912
Total	<u>36,413,477</u>	<u>36,531,904</u>	<u>32,720,205</u>	<u>31,433,243</u>	<u>69,133,682</u>	<u>67,965,147</u>

Long-Term Debt. In December of 2014, the City issued Tax Note, Series 2014 (\$2,340,000). The City issued the bonds to fund the purchase of capital equipment and certain capital projects. In July of 2015, the City issued \$3,420,000 in Sales Tax Revenue Bonds, Series 2015. The proceeds are to be used to construct and equip improvements to the City's parks and recreation system. In September of 2015, the City issued \$2,250,000 in General Obligation Refunding Bonds, Series 2015. This issuance was to defease 2003 and a portion of 2006 series bonds. The advance refunding reduced total debt service payments of the next 11 years by approximately \$199,888. This results in an economic gain of \$181,925, the difference between the present values of the old and new debt.

The City's rating on Combined Tax and Limited Pledge Revenue Certificates of Obligation is a "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 38-44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City of Portland's economic outlook is positive, however, the City always takes a cautious approach when preparing the budget. The same approach was taken in preparing the FY 2015-2016 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 received its final permit and began construction of its facility in mid-2015. Tianjin Pipe Company (TPCO) is still in phase two of construction of its steel pipe plant. Voestalpine, Texas a high quality steel production plant is under construction with startup in mid-2016. Due to unusual amounts of rain, the construction was delayed. 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 2017-2018 -- 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 2015, Portland two hotels, two shopping centers and a Discount Tire store. There were 104 single-family residences built and construction began on 390 apartment units. It is clear that business has recognized the opportunity for investment and placed Portland in its crosshairs.

In late 2015, the national unemployment was 5.0% 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 2015 was 19,650. 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. Currently there are 11 subdivisions in various stages of development. Building permits for new homes that has historically hovered around 70 per year reached over 100 in 2015 and could possibly hit 200 or more in 2016.

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 100 parcels in 2015. Revenues from sales tax will continue to climb slowly as additional retail spaces open.

The FY 2015-2016 budget for the utility departments includes major projects to expand infrastructure and to increase efficiency and effectiveness throughout the systems. The City replaced aging sewer lines this year. 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 2015-2016. This project is now a May 2016 General Obligation Bond election and includes the expansion and renovation of the Portland Community Center, the bond election is for \$25.2 million. 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, 2015

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	20,125,334	3,711,131	23,836,465
Receivables, Net of Allowance for Uncollectible:			
Delinquent Taxes	162,247	-	162,247
Accounts	678,906	652,076	1,330,982
Due From Other Governments	198,431	-	198,431
Inventory	10,704	176,265	186,969
Prepaid Items	277,341	27,153	304,494
Escrow Funds	148,041	-	148,041
Internal Balances	385,385	(385,385)	-
Restricted Assets:			
Cash and Cash Equivalents	823,626	3,141,496	3,965,122
Capital Assets:			
Land	4,412,524	118,362	4,530,886
Intangibles	534,971	367,177	902,148
Buildings and Improvements	22,749,595	692,505	23,442,100
Vehicles	2,952,230	-	2,952,230
Furniture and Equipment	2,862,019	2,530,291	5,392,310
Water and Sewer System	-	30,910,267	30,910,267
Infrastructure	42,995,559	4,587,076	47,582,635
Construction in Progress	1,493,309	4,169,798	5,663,107
Accumulated Depreciation	<u>(41,586,730)</u>	<u>(10,655,276)</u>	<u>(52,242,006)</u>
TOTAL ASSETS	<u>59,223,492</u>	<u>40,042,936</u>	<u>99,266,428</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	203,282	157,059	360,341
Deferred Outflow Related to Pensions	678,761	98,603	777,364
Total Deferred Outflows of Resources	<u>882,043</u>	<u>255,662</u>	<u>1,137,705</u>
LIABILITIES			
Accounts Payable	716,118	1,150,039	1,866,157
Accrued Interest	95,540	45,647	141,187
Accrued Liabilities	16,466	1,906	18,372
Escrow	456,000	-	456,000
Deposits	174,923	717,928	892,851
Noncurrent Liabilities:			
Due within one year:			
Long-Term Debt	2,300,109	1,046,271	3,346,380
Compensated Absences	272,445	36,365	308,810
Due in more than one year:			
Long-Term Debt	18,421,281	13,247,426	31,668,707
Compensated Absences	136,222	-	136,222
OPEB Obligations	1,878,352	372,185	2,250,537
Net Pension Liability	4,623,803	671,697	5,295,500
TOTAL LIABILITIES	<u>29,091,259</u>	<u>17,289,464</u>	<u>46,380,723</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pensions	2,799	407	3,206
NET POSITION			
Net Investment in Capital Assets	25,334,125	20,123,061	45,457,186
Restricted for:			
Debt Service	1,117,159	113,165	1,230,324
Federal and State Programs	1,509,161	-	1,509,161
Unrestricted	3,051,032	2,772,501	5,823,533
TOTAL NET POSITION	<u>31,011,477</u>	<u>23,008,727</u>	<u>54,020,204</u>

See accompanying notes to basic financial statements.

CITY OF PORTLAND, TEXAS
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government and Administration	2,068,183	-	-	-
Cultural and Recreational	3,516,557	738,276	73,236	-
Public Safety	5,949,711	705,949	207,159	-
Public Works	1,748,853	553,968	-	-
Interest on Long Term Debt & Other Fiscal Charges	855,498	-	-	-
Total Governmental Activities	<u>14,138,802</u>	<u>1,998,193</u>	<u>280,395</u>	<u>-</u>
Business-Type Activities:				
Water and Sewer	5,421,202	6,175,578	-	888,681
Drainage	266,203	281,346	-	12,695
Total Business-Type Activities	<u>5,687,405</u>	<u>6,456,924</u>	<u>-</u>	<u>901,376</u>
Total Government	<u>19,826,207</u>	<u>8,455,117</u>	<u>280,395</u>	<u>901,376</u>

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
(2,068,183)	-	(2,068,183)
(2,705,045)	-	(2,705,045)
(5,036,603)	-	(5,036,603)
(1,194,885)	-	(1,194,885)
(855,498)	-	(855,498)
<u>(11,860,214)</u>	<u>-</u>	<u>(11,860,214)</u>
-	1,643,057	1,643,057
-	27,838	27,838
-	1,670,895	1,670,895
<u>(11,860,214)</u>	<u>1,670,895</u>	<u>(10,189,319)</u>
5,721,228	-	5,721,228
4,726,405	-	4,726,405
1,157,227	-	1,157,227
603,203	-	603,203
206,788	76,975	283,763
361,800	71,320	433,120
-	707	707
412,169	(412,169)	-
<u>13,188,820</u>	<u>(263,167)</u>	<u>12,925,653</u>
1,328,606	1,407,728	2,736,334
29,682,871	21,600,999	51,283,870
<u>31,011,477</u>	<u>23,008,727</u>	<u>54,020,204</u>

CITY OF PORTLAND, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

Exhibit 3

	General	Street Improvements Fund	Debt Service Fund	Venue Sales Tax Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	5,845,128	3,918,611	812,321	3,627,367	5,860,323	20,063,750
Receivables, Net of Allowance for Uncollectible:						
Accounts	601,044	-	530	-	77,332	678,906
Ad Valorem Taxes	124,881	-	37,366	-	-	162,247
Due from Other Funds	433,462	-	28,440	78,813	171,962	712,677
Due from Other Governments	-	-	-	-	198,431	198,431
Inventory	10,704	-	-	-	-	10,704
Prepaid Items	171,364	-	-	-	105,977	277,341
Escrow Funds	148,041	-	-	-	-	148,041
Restricted Assets						
Cash and Cash Equivalents	-	-	-	-	823,626	823,626
TOTAL ASSETS	7,334,624	3,918,611	878,657	3,706,180	7,237,651	23,075,723
LIABILITIES						
Accounts Payable	476,006	5,845	28,440	62,503	43,296	616,090
Accrued Interest Payable	-	-	397	-	779	1,176
Accrued Liabilities	16,311	-	-	-	155	16,466
Deposits	174,923	-	-	-	-	174,923
Escrow	-	-	-	-	456,000	456,000
Due to Other Funds	132,271	-	60,000	-	229,437	421,708
TOTAL LIABILITIES	799,511	5,845	88,837	62,503	729,667	1,686,363
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	124,881	-	37,366	-	-	162,247
Total Deferred Inflows of Resources	124,881	-	37,366	-	-	162,247
FUND BALANCES						
Non-Spendable						
Inventory	10,704	-	-	-	-	10,704
Prepaid Items	171,364	-	-	-	105,977	277,341
Restricted for:						
Law Enforcement	-	-	-	-	338,337	338,337
Debt Service	-	-	752,454	-	421,703	1,174,157
Federal and State Programs	-	-	-	-	32,131	32,131
Municipal Technology Fees	-	-	-	-	15,019	15,019
Building Security Fund	-	-	-	-	62,293	62,293
Cable Franchise P.E.G.	-	-	-	-	87,423	87,423
Hotel Occupancy Tax Reserve	-	-	-	-	826,902	826,902
Capital Improvements	-	3,912,766	-	3,621,516	147,056	7,681,338
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	-	-	-	22,161	1,614,402	1,636,563
Assigned:						
Cultural and Recreational	-	-	-	-	2,856,740	2,856,740
Unassigned	6,129,162	-	-	-	-	6,129,162
TOTAL FUND BALANCES	6,410,232	3,912,766	752,454	3,643,677	6,507,983	21,227,112
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	7,334,624	3,918,611	878,657	3,706,180	7,237,650	23,075,722

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

CITY OF PORTLAND, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Exhibit 3-R

Total fund balance - total governmental funds	21,227,112
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.	36,413,477
Property taxes receivable unavailable to pay for current period expenditures are unearned in the funds.	162,247
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	55,973
Other long-term liabilities which are not due in the current period are not reported in the funds. These liabilities consist of:	
Capital leases payable	(339,474)
Bonds payable	(19,652,196)
Bond premiums	(729,720)
Accrued interest on bonds	(94,364)
Deferred inflow related to pensions	(2,799)
Deferred charge for refunding	203,282
Deferred outflow related to pensions	678,761
Compensated absences	(408,667)
OPEB obligations	(1,878,352)
Net pension liability	(4,623,803)
Net position of governmental activities - statement of net position	<u><u>31,011,477</u></u>

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, 2015

Exhibit 4

	General	Street Improvements Fund	Debt Service Fund	Venue Sales Tax Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	7,572,684	-	1,651,062	-	2,949,233	12,172,979
Licenses and Permits	497,907	-	-	-	-	497,907
Intergovernmental	29,278	-	-	-	206,819	236,097
Charges for Services	1,094,136	-	-	-	-	1,094,136
Fines and Forfeitures	201,126	-	-	-	84,418	285,544
Investment Income	124,908	2,108	13,267	628	65,877	206,788
Contributions	168,567	-	-	-	-	168,567
Oil Leases and Royalties	10,943	-	-	-	-	10,943
Other	287,800	-	-	-	59,393	347,193
Total Revenues	9,987,349	2,108	1,664,329	628	3,365,740	15,020,154
EXPENDITURES						
Current:						
General Government	1,856,787	-	-	-	-	1,856,787
Public Safety	5,053,285	-	-	-	274,086	5,327,371
Public Works	1,140,400	770,765	-	-	70,015	1,981,180
Cultural and Recreational	1,992,556	-	-	103,515	1,193,500	3,289,571
Debt Service:						
Principal Retirement	-	-	1,876,603	-	320,000	2,196,603
Interest and Fiscal Charges	-	-	620,966	115,308	170,048	906,322
Total Expenditures	10,043,028	770,765	2,497,569	218,823	2,027,649	15,557,834
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(55,679)	(768,657)	(833,240)	(218,195)	1,338,091	(537,680)
OTHER FINANCING SOURCES (USES)						
Bonds Issued	-	-	2,250,000	3,420,000	2,340,000	8,010,000
Bond Premium	-	-	191,931	196,371	-	388,302
Payments to Bond Escrow Agent	-	-	(2,360,429)	-	-	(2,360,429)
Transfers In	1,123,581	-	779,428	119,825	478,900	2,501,734
Transfers Out	-	-	-	-	(2,089,565)	(2,089,565)
Total Other Financing Sources (Uses)	1,123,581	-	860,930	3,736,196	729,335	6,450,042
NET CHANGE IN FUND BALANCES	1,067,902	(768,657)	27,690	3,518,001	2,067,426	5,912,362
FUND BALANCES, beginning of year	5,342,330	4,681,423	724,764	125,676	4,440,557	15,314,750
FUND BALANCES, end of year	6,410,232	3,912,766	752,454	3,643,677	6,507,983	21,227,112

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, 2015

Net change in fund balance - total governmental funds	5,912,362
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). The depreciation of capital assets used in governmental activities is not reported in the funds.	1,455,063 (1,573,164)
Trade in or disposal of capital assets decrease net position in the SOA but not in the funds.	(326)
Certain property tax revenues are unearned in the funds. This is the change in these amounts this year.	35,084
Proceeds from bonds issued do not provide revenue in the SOA, but are reported as current resources in the funds.	(8,010,000)
Proceeds from bond premiums	(388,302)
Payments to an escrow agent on refunding bonds are not reported as another financing use on the SOA.	2,360,429
Repayment of bond and capital lease principal is an expenditure in the funds but is not an expense in the SOA.	2,196,603
Amortization of bond premium is an expense in the SOA but not in the funds	29,834
Amortization of deferred amount is an expense reduction in the SOA but not in the funds	(14,521)
Proceeds from capital leases are reported as other financing sources in the fund statements, but not in the SOA.	
The net revenue (expense) of internal service funds is reported with governmental activities.	(66,372)
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 pension expense	38,198
Change in OPEB obligations	(641,314)
Change in accrued interest payable	35,511
Change in compensated absences	(40,479)
Change in net position of governmental activities - statement of activities	<u>1,328,606</u>

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, 2015

Exhibit 5
page 1 of 2

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	3,488,450	222,681	3,711,131	61,584
Accounts Receivable	626,639	25,437	652,076	-
Inventory	176,265	-	176,265	-
Prepaid Items	27,153	-	27,153	-
Due from Other Funds	-	-	-	95,039
Total Current Assets	4,318,507	248,118	4,566,625	156,623
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents	3,117,078	24,418	3,141,496	-
Total Restricted Assets	3,117,078	24,418	3,141,496	-
Capital Assets:				
Land	118,362	-	118,362	-
Intangible Assets	-	367,177	367,177	-
Buildings	692,505	-	692,505	-
Water System	10,208,124	-	10,208,124	-
Sewer System	20,702,143	-	20,702,143	-
Equipment	2,383,044	147,247	2,530,291	-
Infrastructure	-	4,587,076	4,587,076	-
Construction in Progress	3,426,653	743,145	4,169,798	-
Total Capital Assets	37,530,831	5,844,645	43,375,476	-
Less Accumulated Depreciation	(9,728,482)	(926,794)	(10,655,276)	-
Net Capital Assets	27,802,349	4,917,851	32,720,200	-
Total Noncurrent Assets	30,919,427	4,942,269	35,861,696	-
TOTAL ASSETS	35,237,934	5,190,387	40,428,321	156,623

CITY OF PORTLAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

Exhibit 5
page 2 of 2

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge for Refunding	157,059	-	157,059	-
Deferred Outflow Related to Pensions	98,603	-	98,603	-
Total Deferred Outflows of Resources	<u>255,662</u>	<u>-</u>	<u>255,662</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,115,351	34,687	1,150,038	93,479
Flexible Spending Accounts	-	-	-	6,547
Accrued Liabilities	38,271	-	38,271	-
Due to Other Funds	12,546	372,839	385,385	623
Current Portion of Long-Term Debt-Bonds (Net of Bond Premium)	926,783	119,488	1,046,271	-
Accrued Interest	38,926	6,721	45,647	-
Deposits	717,928	-	717,928	-
Total Current Liabilities	<u>2,849,805</u>	<u>533,735</u>	<u>3,383,540</u>	<u>100,649</u>
Non-Current Liabilities:				
Bonds Payable (Net of Bond Premium)	11,998,954	1,248,473	13,247,427	-
Net OPEB Obligation	372,185	-	372,185	-
Net Pension Liability	671,697	-	671,697	-
Total Non-Current Liabilities	<u>13,042,836</u>	<u>1,248,473</u>	<u>14,291,309</u>	<u>-</u>
Total Liabilities	<u>15,892,641</u>	<u>1,782,208</u>	<u>17,674,849</u>	<u>100,649</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow Related to Pensions	407	-	407	-
Net Position:				
Net Investment in Capital Assets	17,316,315	2,806,746	20,123,061	-
Restricted for:				
Debt Service	113,165	-	113,165	-
Unrestricted	2,171,068	601,433	2,772,501	55,973
Net Position	<u>19,600,548</u>	<u>3,408,179</u>	<u>23,008,727</u>	<u>55,973</u>

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

CITY OF PORTLAND, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
YEAR ENDED SEPTEMBER 30, 2015

Exhibit 6

	Business-Type Activities - Enterprise Funds			Governmental
	Water and Sewer	Drainage Fund	Total	Activities- Internal Service Fund
OPERATING REVENUES				
Charges for Services	6,175,578	281,346	6,456,924	1,047,254
Miscellaneous	57,294	14,026	71,320	4,871
Total Operating Revenues	6,232,872	295,372	6,528,244	1,052,125
OPERATING EXPENSES				
Personnel Services	1,111,504	-	1,111,504	-
Maintenance	384,231	24,122	408,353	-
Purchase of Water	1,973,077	-	1,973,077	-
Contract Payments	227,941	4,684	232,625	1,116,403
Materials and Supplies	192,781	-	192,781	-
Utilities	347,522	-	347,522	-
Other Operating Expenses	-	-	-	2,121
Depreciation	712,817	179,662	892,479	-
Total Operating Expenses	4,949,873	208,468	5,158,341	1,118,524
Net Operating Income (Loss)	1,282,999	86,904	1,369,903	(66,399)
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	76,841	134	76,975	27
Gain on Sale of Capital Assets	707	-	707	-
Interest and Fiscal Charges	(471,328)	(57,735)	(529,063)	-
Net Non-Operating Revenues (Expenses)	(393,780)	(57,601)	(451,381)	27
Income (Loss) Before Contributions and Transfers	889,219	29,303	918,522	(66,372)
Capital Contributions	888,681	12,695	901,376	-
Transfers In	112,800	-	112,800	-
Transfers Out	(517,470)	(7,500)	(524,970)	-
Change in Net Position	1,373,230	34,498	1,407,728	(66,372)
NET POSITION BEGINNING OF YEAR	18,227,318	3,373,681	21,600,999	122,345
NET POSITION END OF YEAR	19,600,548	3,408,179	23,008,727	55,973

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, 2015

Exhibit 7

	Business-Type Activities - Enterprise Funds			Governmental
	Water and Sewer	Drainage Fund	Total	Activities- Internal Service Fund
Cash flow from operating activities:				
Cash received from customers	6,186,707	296,581	6,483,288	-
Receipts from interfund services provided	-	-	-	957,191
Cash borrowed from other funds	-	(20,000)	(20,000)	-
Cash payments to suppliers for goods and services	(2,262,596)	(29,244)	(2,291,840)	-
Cash payments to employees for services	(1,132,993)	-	(1,132,993)	-
Cash Payments for Loss Claims	-	-	-	(1,028,935)
Net cash provided by operating activities	<u>2,791,118</u>	<u>247,337</u>	<u>3,038,455</u>	<u>(71,744)</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	112,800	-	112,800	-
Transfers to other funds	(517,470)	(7,500)	(524,970)	-
Net cash provided by noncapital financing activities	<u>(404,670)</u>	<u>(7,500)</u>	<u>(412,170)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Cash received from other Governments - Grants	-	-	-	-
Principal Payment on bonds	(1,002,478)	(119,489)	(1,121,967)	-
Interest and Fiscal Charges Paid	(471,328)	(57,735)	(529,063)	-
Purchase of Capital Assets	(1,060,388)	-	(1,060,388)	-
Net Cash Used for Capital and Related Financing Activities	<u>(2,534,194)</u>	<u>(177,224)</u>	<u>(2,711,418)</u>	<u>-</u>
Cash Flows from Investing Activities - Interest Income	<u>76,841</u>	<u>134</u>	<u>76,975</u>	<u>27</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(70,905)	62,747	(8,158)	(71,717)
Cash and Cash Equivalents at Beginning of Year	<u>6,676,433</u>	<u>184,352</u>	<u>6,860,785</u>	<u>133,302</u>
* CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>6,605,528</u>	<u>247,099</u>	<u>6,852,627</u>	<u>61,585</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	1,282,999	86,904	1,369,903	(66,399)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	712,817	179,662	892,479	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(46,165)	1,209	(44,956)	-
(Increase) Decrease in Due from Other Funds	-	-	-	(94,934)
(Increase) Decrease in Inventory	32,805	-	32,805	-
(Increase) Decrease in Prepaid Expense	(7,627)	-	(7,627)	-
Increase (Decrease) in Accounts Payable	555,368	3	555,371	89,486
Increase (Decrease) in Accrued Liabilities	(21,489)	(441)	(21,930)	103
Increase (Decrease) in Due to Other Funds	12,441	(20,000)	(7,559)	-
Increase (Decrease) in Accrued Interest	(2,192)	-	(2,192)	-
Increase (Decrease) in Deposits	272,161	-	272,161	-
Net Cash Provided (Used) by Operating Activities	<u>2,791,118</u>	<u>247,337</u>	<u>3,038,455</u>	<u>(71,744)</u>

Noncash Investing, Capital, and Financing Activities:

During this past year, the Enterprise Funds received \$901,376 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
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015

EXHIBIT 8

	Private-purpose Trust Fund Police Explorers Fund
ASSETS	
Cash and Cash Equivalents	1,185
Investments	<u>-</u>
Total Assets	<u><u>1,185</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	-
Internal Accounts Payable	<u>-</u>
Total Liabilities	<u>-</u>
NET POSITION	
Held In Trust	<u>1,185</u>
Total Net Position	<u><u>1,185</u></u>

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

CITY OF PORTLAND, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT 9

	Private Purpose Trust Fund Police Explorers Fund
	<u>2015</u>
ADDITIONS	
Contributions	1,010
Interest on Investments	-
Total Additions	<u>1,010</u>
DEDUCTIONS	
Other Expenses	<u>456</u>
Change in Net Position	554
Total Net Position, Beginning	<u>631</u>
Total Net Position, Ending	<u><u>1,185</u></u>

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

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CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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 (PCCDC) 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 PCCDC, 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

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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.

Debt Service Fund-

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

Street Improvements Fund-

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

Venue Sales Tax Construction Fund-

The Venue Sales Tax Construction Fund accounts 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.

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:

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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, maintenance 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.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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 (consumption method), 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.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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 – The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by Council ordinance or resolution no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

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.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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 fiscal year 2015, the City adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*
- Statement No. 69, *Government Combinations and Disposals of Governmental Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

- a. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. 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).

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

- b. Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operation. The term “government combinations” is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. There was no impact on the City’s financial statements as a result of the implementation of Statement No. 69.
- c. Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. There was no impact on the City’s financial statements as a result of the implementation of Statement No. 70.

- d. Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the City’s final year-end, the effects from the City’s reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position.

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)

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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.

Texas CLASS, (the Trust), was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. Texas CLASS invests solely in securities which are permitted pursuant to the Public Funds Investment Act. In addition, such securities must also be permitted by Rule 2a-7 even though Rule 2a-7 is not applicable to the Trust. The intent of the Trust is to maintain a net asset value of \$1.00; however, due to risk of market price fluctuation there is no guarantee that a net asset value of \$1.00 can be maintained.

A. Cash Deposits

At September 30, 2015, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$575,699 and the bank balance was \$782,164. The City's cash deposits at September 30, 2015 and during the period ended September 30, 2015, 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, 2015, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Investment Pools:					
Investment in TexPool	18,321,767	18,321,767	-	-	-
Investment in Texas CLASS	350,256	350,256	-	-	-
Certificates of Deposit	8,555,050	171,133	7,187,447	957,799	238,671
Total Fair Value	27,227,073	18,843,156	7,187,447	957,799	238,671

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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 least 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, 2015, 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	983,316	1,378,748	(868,755)	1,493,309
Total capital assets, not being depreciated	5,395,840	1,378,748	(868,755)	5,905,833
Capital assets, being depreciated				
Building and Improvements	22,180,839	568,756	-	22,749,595
Vehicles	2,903,180	68,623	(19,573)	2,952,230
Equipment and Furniture	3,061,558	74,139	(273,678)	2,862,019
Infrastructure	42,762,007	233,552	-	42,995,559
Intangibles	534,971	-	-	534,971
Total capital assets, being depreciated	71,442,555	945,070	(293,251)	72,094,374
Less accumulated depreciation for:				
Buildings and Improvements	(7,488,047)	(512,055)	273,678	(7,726,424)
Vehicles	(1,426,932)	(195,637)	19,247	(1,603,322)
Equipment and Furniture	(1,716,952)	(167,540)	-	(1,884,492)
Infrastructure	(29,586,137)	(638,108)	-	(30,224,245)
Intangibles	(88,423)	(59,824)	-	(148,247)
Total accumulated depreciation	(40,306,491)	(1,573,164)	292,925	(41,586,730)
Total capital assets, being depreciated, net	31,136,064	(628,094)	(326)	30,507,644
Governmental activities capital assets, net	36,531,904	750,654	(869,081)	36,413,477

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

Business-type Activities:

Capital assets, not being depreciated				
Land	118,362	-	-	118,362
Intangibles	367,177	-	-	367,177
Construction in Progress	4,278,596	1,169,848	(1,278,646)	4,169,798
Total capital assets, not being depreciated	<u>4,764,135</u>	<u>1,169,848</u>	<u>(1,278,646)</u>	<u>4,655,337</u>
Capital assets, being depreciated				
Buildings	692,506	-	-	692,506
Water System	9,388,459	819,664	-	10,208,123
Sewer System	20,633,126	69,018	-	20,702,144
Equipment	1,143,429	1,386,863	-	2,530,292
Infrastructure	4,574,382	12,694	-	4,587,076
Total capital assets, being depreciated	<u>36,431,902</u>	<u>2,288,239</u>	<u>-</u>	<u>38,720,141</u>
Less accumulated depreciation for:				
Buildings	(217,411)	(15,824)	-	(233,235)
Water System	(3,417,494)	(230,671)	-	(3,648,165)
Sewer System	(5,054,201)	(379,037)	-	(5,433,238)
Equipment	(446,052)	(98,027)	-	(544,079)
Infrastructure	(627,636)	(168,920)	-	(796,556)
Total accumulated depreciation	<u>(9,762,794)</u>	<u>(892,479)</u>	<u>-</u>	<u>(10,655,273)</u>
Total capital assets, being depreciated, net	<u>26,669,108</u>	<u>1,395,760</u>	<u>-</u>	<u>28,064,868</u>
Business-type activities capital assets, net	<u>31,433,243</u>	<u>2,565,608</u>	<u>(1,278,646)</u>	<u>32,720,205</u>

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

Governmental activities:	
General government and administration	99,709
Public Safety	375,803
Public Works	700,135
Cultural and recreational	397,518
Total depreciation expense - Governmental activities	<u>1,573,165</u>
Business-type activities:	
Water and Sewer	712,817
Drainage	179,662
Total Depreciation Expense - Business-type Activities	<u>892,479</u>

4. LONG-TERM DEBT

Tax Note, Series 2014

On December 17, 2014, the City issued \$2,340,000 Tax Note, Series 2014. The Note is payable from and secured by the levy and collection of a direct ad valorem tax, within the limits by law, on all taxable property within the City. Proceeds will be used for the purchase of capital equipment and certain capital projects. The Note is payable in three annual installments, with the first installment due September 1, 2015 and the final installment due September 1, 2017. The Note carries an interest rate of 1.180% on September 1, 2016 and on any interest payment date thereafter. The principal installments of the Note may be redeemed prior to their scheduled payment dates.

CITY OF PORTLAND, TEXAS
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Sales Tax Revenue Bonds, Series 2015

On July 15, 2015, the City issued \$3,420,000 Sales Tax Revenue Bonds, Series 2015. The Bonds are secured by and payable from a first lien on and pledge of the pledged revenues from the receipts from a ½ of 1% sales tax levied within the City. Serial bonds issued amounted to \$880,000 and term bonds amounted to \$2,540,000. The serial bonds carry interest rates of 3.00% to 4.00% and mature between August 15, 2016 and August 15, 2020 and then final principal payment on August 15, 2035. The term bonds carry interest rates of 3.00% to 4.00% and mature between August 15, 2021 and August 15, 2034. The City has reserved the right to redeem Bonds maturing on or after August 15, 2026 in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 15, 2024, or any date thereafter. Proceeds from the sale of the Bonds will be used to construct and equip improvements to the City's parks and recreation system, including but not limited to the rehabilitation and expansion of existing sports fields and construction of new sports fields and related public facilities.

General Obligation Refunding Bonds, Series 2015

On September 17, 2015, the City issued \$2,250,000 General Obligation Refunding Bonds, Series 2015 with interest rates ranging from 2.000% and 3.500%. The City issued the bonds to advance refund \$305,000 of the outstanding Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2003 with interest rates ranging from 4.500% to 5.000% and also to advance refund \$1,970,000 Certificates of Obligation, Series 2006 with interest rates varying from 4.100% to 5.000%. The City used the net proceeds to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded Series 2003 bonds and the refunded portion of the series 2006 bonds. As a result, the 2003 series bonds and that portion of the 2006 series bonds are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$2,275,000 at September 30, 2015.

The advance refunding reduced total debt service payments of the next 11 years approximately \$199,888. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$181,925.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2015.

	Balance October 1	Additions	Reductions	Balance September 30	Due Within One Year
Governmental Activities					
Long-term Debt:					
General Obligation Bonds	12,109,718	2,250,000	3,062,522	11,297,196	882,522
Sales Tax Revenue Bonds	3,690,000	3,420,000	320,000	6,790,000	435,000
Utility System Revenue Bonds	170,000	-	170,000	-	-
Tax Notes	-	2,340,000	775,000	1,565,000	780,000
Bond Premium	393,620	388,302	52,202	729,720	55,059
Capital Leases	483,555	-	144,081	339,474	147,528
Total Long-term Debt	16,846,893	8,398,302	4,523,805	20,721,390	2,300,109
Compensated Absences	368,189	389,057	348,579	408,667	272,445
OPEB Obligations	1,237,038	641,314	-	1,878,352	-
Net Pension Liability	3,986,039	637,764	-	4,623,803	-
Total Governmental Activities Long-term Liabilities	22,438,159	10,066,437	4,872,384	27,632,212	2,572,554
Business-Type Activities					
Long-term Debt:					
Revenue Bonds	13,294,000	-	885,000	12,409,000	896,000
General Obligation Bonds	1,455,282	-	117,478	1,337,804	117,478
Bond Premium	579,686	-	32,793	546,893	32,793
Total Long-term Debt	15,328,968	-	1,035,271	14,293,697	1,046,271
Compensated Absences	35,187	37,230	36,052	36,365	36,365
OPEB Obligations	270,893	101,292	-	372,185	-
Net Pension Liability	579,050	92,647	-	671,697	-
Total Business-Type Activities Long-term Liabilities	16,214,098	231,169	1,071,323	15,373,944	1,082,636
Total Government	38,652,257	10,297,606	5,943,707	43,006,156	3,655,190

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

A. Bonded Debt Liabilities

At September 30, 2015, bonds and notes payable consisted of the following individual issues:

	<u>Governmental</u>	<u>Business-Type</u>
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)	150,000	-
Sales Tax Revenue Refunding Bonds, Series 2007, Maturing in 2025 and Bearing Interest at 4.00% to 4.25% (Original Debt \$2,635,000)	1,750,000	-
Utility System Revenue Bonds, Series 2009, Maturing in Fiscal 2029 and Bearing Interest at 3.760% to 4.810% (Original Debt \$322,000)	-	263,000
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)	-	4,620,000
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)	1,452,196	1,337,804
General Obligation Refunding Bonds, Series 2010, Maturing in 2024 and Bearing Interest at 2.00% to 4.00% (Original Debt \$3,620,000)	2,765,000	-
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)	-	1,475,000
Utility System Revenue Bonds, Series 2012, Maturing in Fiscal 2031 and Bearing Interest at 0.080% to 3.680% (Original Debt \$193,000)	-	166,000
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)	-	5,885,000
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)	1,620,000	-
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)	4,680,000	-
Tax Note, Series 2014, Maturing in Fiscal 2017 and Bearing Interest at 1.180% (Original Debt \$2,340,000)	1,565,000	-
Sales Tax Revenue Bonds, Series 2015, Maturing in Fiscal 2035 and Bearing Interest at 3.00% to 4.00% (Original Debt \$3,420,000)	3,420,000	-
General Obligation Refunding Bonds, Series 2015, Maturing in Fiscal 2026 and Bearing Interest at 2.000% to 3.500% (Original Debt \$2,250,000)	2,250,000	-
Total Bonds and Notes Payable	<u>19,652,196</u>	<u>13,746,804</u>

CITY OF PORTLAND, TEXAS
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The annual requirements for bonds and notes for years subsequent to September 30, 2015, are as follows:

B. Revenue Bonds

Year Ending September 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	435,000	257,427	692,427	896,000	467,112	1,363,112
2017	465,000	228,912	693,912	927,000	441,045	1,368,045
2018	480,000	215,008	695,008	953,000	413,107	1,366,107
2019	495,000	200,107	695,107	990,000	382,617	1,372,617
2020	515,000	183,657	698,657	885,000	347,618	1,232,618
2021-2025	2,370,000	633,750	3,003,750	3,975,000	1,249,369	5,224,369
2026-2030	920,000	335,400	1,255,400	3,085,000	502,706	3,587,706
2031-2035	1,110,000	136,600	1,246,600	698,000	41,878	739,878
Total	6,790,000	2,190,861	8,980,861	12,409,000	3,845,452	16,254,452

C. General Obligation Bonds And Notes

Year Ending September 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	1,662,523	415,186	2,077,709	117,477	53,770	171,247
2017	1,697,727	379,790	2,077,517	122,273	49,071	171,344
2018	862,870	341,117	1,203,987	67,130	44,180	111,310
2019	892,870	311,703	1,204,573	67,130	41,495	108,625
2020	925,677	281,239	1,206,916	74,323	38,809	113,132
2021-2025	3,954,822	929,784	4,884,606	405,178	147,728	552,906
2026-2030	1,845,707	382,666	2,228,373	484,293	60,909	545,202
2031-2035	1,020,000	97,920	1,117,920	-	-	-
Total	12,862,196	3,139,405	16,001,601	1,337,804	435,962	1,773,766

For the Governmental Activities, General Obligation Bonds and Tax Notes 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.

CITY OF PORTLAND, TEXAS
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D. 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, 2015.

The components of restricted cash and cash equivalents as of September 30, 2015 are as follows:

Revenue Bond Construction	2,287,687
Revenue Bond Reserve	38,498
Interest and Sinking Fund--Bonds	113,593
Customer Deposits	414,125
Escrow Deposit	250,040
Other Deposits	<u>13,135</u>
Total Restricted Cash and Cash Equivalents	<u><u>3,117,078</u></u>

Defeased Bonds Outstanding-

At September 30, 2015 the City had \$2,275,000 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.

E. 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

CITY OF PORTLAND, TEXAS
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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
2016	155,768
2017	155,768
2018	41,985
Total	353,521
Less amount representing interest (Rates 2.29% to 2.68%)	(14,047)
Present value of future minimum lease payments	<u>339,474</u>

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, 2015 were as follows:

Transfers Out	Transfers In					Total
	General Fund	Debt Service Fund	Venue Sales Tax Construction Fund	Non-Major Governmental Funds	Water and Sewer System Fund	
Non-major Governmental	695,050	682,990	119,825	478,900	112,800	2,089,565
Water and Sewer System	428,532	88,938	-	-	-	517,470
Drainage	-	7,500	-	-	-	7,500
Total	<u>1,123,582</u>	<u>779,428</u>	<u>119,825</u>	<u>478,900</u>	<u>112,800</u>	<u>2,614,535</u>

- The General Fund received transfers from the Water and Sewer System Fund and from Non-major 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 Debt Service Fund from Non-major Governmental Funds and Enterprise Funds were to supplement debt payments allocated to those funds.
- The transfers received by the Venue Sales Tax Construction Fund from Non-major Governmental Funds was to supplement construction costs.

CITY OF PORTLAND, TEXAS
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- The transfers received by the Water and Sewer System Fund from Non-major Governmental Funds were to supplement Capital Outlay acquisitions.
- The transfers received by the Non-major Governmental Funds were for debt service and to supplement construction and maintenance projects.

Interfund receivables and payables at September 30, 2015 are as follows:

	Interfund Receivable	Interfund Payable
Governmental Funds		
General Fund	433,462	132,271
Debt Service Fund	28,440	60,000
Venue Sales Tax Construction Fund	78,813	-
Non-Major Governmental	171,962	229,437
Total Governmental	<u>712,677</u>	<u>421,708</u>
Enterprise Funds		
Water and Sewer System	-	12,546
Drainage Fund	-	372,839
Total Enterprise	<u>-</u>	<u>385,385</u>
Internal Service Fund	95,039	623
Total	<u>807,716</u>	<u>807,716</u>

The interfund balances at September 30, 2015 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 \$198,113 to construction funds for construction projects. 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, 2015 was \$372,839.

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 been transferred to San Patricio County Tax Assessor/Collector as a cost-cutting measure in consolidation government functions. Allowances for uncollectible accounts within the General and Debt Service Funds are based upon historical experience in property tax collections.

CITY OF PORTLAND, TEXAS
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8. PENSION PLAN

A. Plan Description

The City of Portland participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan Provisions-

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:

	<u>Plan Year 2015</u>
Employee deposit rate	6.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age / years of service)	60/10,0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

Employees covered by benefit terms-

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

CITY OF PORTLAND, TEXAS
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Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	68
Active employees	<u>113</u>
	<u><u>232</u></u>

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Portland were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Portland were 14.89% and 14.72% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$844,392, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions-

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal

CITY OF PORTLAND, TEXAS
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(EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
<u>Total</u>	<u>100.0%</u>	

Discount Rate-

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Changes in the Net Pension Liability-

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2013	20,272,857	15,100,621	5,172,236
Changes for the year:			
Service cost	711,985	-	711,985
Interest	1,419,892	-	1,419,892
Change of benefit terms	-	-	-
Difference between expected and actual experience	(4,129)	-	(4,129)
Changes of assumptions	-	-	-
Contributions - employer	-	816,810	(816,810)
Contributions - employee	-	333,393	(333,393)
Net investment income	-	864,042	(864,042)
Benefit payments, including refunds of employee contributions	(689,364)	(689,364)	-
Administrative expense	-	(9,019)	9,019
Other changes	-	(742)	742
Net changes	1,438,384	1,315,120	123,264
Balance at 12/31/2014	21,711,241	16,415,741	5,295,500

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$8,639,140	\$5,295,500	\$2,595,973

Pension Plan Fiduciary Net Position-

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF PORTLAND, TEXAS
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E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$790,725.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	-	3,206
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	154,401	-
Contributions subsequent to the measurement date	622,963	-
Total	777,364	3,206

\$622,963 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2016	\$37,677
2017	\$37,677
2018	\$37,677
2019	\$38,164
2020	-
Thereafter	-

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

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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 2015, the City made no contributions and instead elected to continue funding on a pay-as-you-go basis, which amounted to \$71,239 for 2015. In 2015 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 2015, 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	812,291
Interest on net OPEB obligation	60,317
Adjustment to annual required contribution	<u>(58,763)</u>
Annual OPEB cost	813,845
Contributions or payments made	<u>(71,239)</u>
Increase in net OPEB obligation	742,606
Net OPEB obligation, beginning of year	<u>1,507,931</u>
Net OPEB obligation, end of year	<u><u>2,250,537</u></u>

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.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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
2015	813,291	8.75%	2,250,537
2014	300,946	10.29%	1,507,931
2013	280,852	8.72%	1,237,947

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)	3,864,068	
Actuarial value of assets	(2)	-	
Unfunded AAL (UAAL)	(3)	<u>3,864,068</u>	(1) - (2)
Funded ratio	(4)	<u>0.0%</u>	(2) / (1)
Covered payroll	(5)	<u>5,672,036</u>	
UAAL as % of covered payroll	(6)	<u>68.1%</u>	(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.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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 Cost
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
Health Care Cost Trend	7.00% for FY2015 grading to 5.00% in FY2018 and later. Dental trend is assumed to be a level 3.25% per year.
Discount Rate for Valuing Liabilities	4.0%
Salary Scale	3.0%
Mortality Rates	RP-2000 Combined Table M/F Proj AA 2015
Withdrawal Rates	Based on years of service/gender
Retirement Rates	Rates vary by age, with an average retirement age of 60
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 preceding the month of death). Retired employees are insured for \$7,500. This coverage is an "other postemployment benefit," or OPEB.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

	<u>Plan Year 2014</u>	<u>Plan Year 2015</u>
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 2015, 2014 and 2013 were:

Schedule of Contribution Rates

(RETIREE-only portion of the rate)

<u>Plan/ Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2013	0.03%	0.03%	100.00%
2014	0.03%	0.03%	100.00%
2015	0.04%	0.04%	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, 2015 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.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

12. CONSTRUCTION COMMITMENTS

The City has active construction projects as of September 30, 2015. At year end the construction commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
General Government		
Community Center Complex Design & Veterans Memorial	73,183	26,817
Street Improvement Project - Phase 9A(Rehab & Overlays)	444,188	3,785,805
Violet Andrews Row Bridge	69,413	179,601
Sports Complex Improvement	103,515	3,516,310
Aikens Hike & Bike	4,697	114,603
Total General Government	694,996	7,623,136
Enterprise		
Northshore Drainage Outfall Improvements	743,145	34,687
SCADA	647,290	7,199
Doyle Addition Hook-up Project - USDA	30,167	185,398
Water/Sewer Line Replacement, Phase 1	2,740,569	1,114,431
WWTP UV	8,625	11,375
Total Enterprise	4,169,796	1,353,090
TOTAL	4,864,792	8,976,226

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, 2015 the City did not have any encumbrances outstanding.

14. RESTATEMENT OF NET POSITIONS

Beginning net positions as of October 1, 2014, have been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.*

	Fund Level	Government-Wide Level		
	Water and Sewer System Fund	Governmental Activities	Business-Type Activities	Total
Beginning net position, as originally stated	18,806,368	33,668,910	22,180,049	55,848,959
Prior period adjustment-implementation of GASB 68	(579,050)	(3,986,039)	(579,050)	(4,565,089)
Beginning net position, as restated	18,227,318	29,682,871	21,600,999	51,283,870

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR 2014

	2015			Variance With Final Budget Positive (Negative)	2014
	Budgeted Amounts		Actual (Budgetary Basis)		Actual (Budgetary Basis)
	Original	Final			
REVENUES					
Taxes	7,376,613	7,384,239	7,572,684	188,445	7,224,385
Licenses and Permits	402,050	452,650	497,907	45,257	470,320
Intergovernmental	127,528	125,364	29,278	(96,086)	35,571
Charges for Services	976,803	1,021,250	1,094,136	72,886	1,023,159
Fines and Forfeitures	277,000	227,000	201,126	(25,874)	236,947
Investment Income	37,210	132,744	124,908	(7,836)	96,330
Contributions	4,500	39,464	168,567	129,103	98,253
Oil Leases and Royalties	15,000	15,000	10,943	(4,057)	14,655
Other	49,500	159,589	287,800	128,211	151,120
Total Revenues	9,266,204	9,557,300	9,987,349	430,049	9,350,740
EXPENDITURES					
Current					
General Government	1,818,282	1,878,769	1,856,787	21,982	1,731,165
Public Safety	5,612,179	5,376,915	5,053,285	323,630	5,238,968
Public Works	1,200,026	1,205,040	1,140,400	64,640	1,170,896
Cultural and Recreational	2,006,941	2,118,390	1,992,556	(125,834)	1,720,842
Total Expenditures	10,637,428	10,579,114	10,043,028	536,086	9,861,871
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,371,224)	(1,021,814)	(55,679)	966,135	(511,131)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	-	-	-	-	61,000
Transfers In	1,189,030	1,123,582	1,123,581	(1)	991,113
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	1,189,030	1,123,582	1,123,581	(1)	1,052,113
NET CHANGE IN FUND BALANCE	(182,194)	101,768	1,067,902	966,134	540,982
FUND BALANCE (BUDGETARY BASIS), beginning of year	4,546,390	4,073,682	5,342,330	1,268,648	4,801,348
FUND BALANCE (BUDGETARY BASIS), end of year	4,364,196	4,175,450	6,410,232	2,234,782	5,342,330
Plus Effect of Encumbrances			-	-	-
Less Effect of Capital Lease Purchases			-	-	-
FUND BALANCE (GAAP BASIS)			6,410,232		5,342,330

See accompanying notes to required supplementary information.

CITY OF PORTLAND, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2015

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:

	<u>Net Change in Fund Balance</u>	<u>Fund Balance at End of Year</u>
	<u>General Fund</u>	<u>General Fund</u>
GAAP Basis	1,087,716	6,430,046
Reserve for Encumbrances at 10-1-14	-	-
Reserve for Encumbrances at 9-30-15	-	-
Budgetary Basis	<u>1,087,716</u>	<u>6,430,046</u>

CITY OF PORTLAND, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2015

	<u>2014</u>
Total Pension Liability	
Service cost	711,985
Interest (on the total pension liability)	1,419,892
Changes of benefit terms	-
Difference between expected and actual experience	(4,129)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(689,364)</u>
Net Change in Total Pension Liability	<u>1,438,384</u>
Total Pension Liability - Beginning	<u>20,272,857</u>
Total Pension Liability - Ending (a)	<u><u>21,711,241</u></u>
 Plan Fiduciary Net Position	
Contributions - employer	816,810
Contributions - employee	333,393
Net investment income	864,042
Benefit payments, including refunds of employee contributions	(689,364)
Administrative expense	(9,019)
Other	<u>(742)</u>
Net Change in Plan Fiduciary Net Position	<u>1,315,120</u>
Plan Fiduciary Net Position - Beginning	<u>15,100,621</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>16,415,741</u></u>
 Net Pension Liability - Ending (a) - (b)	<u><u>5,295,500</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.61%
 Covered Employee Payroll	5,556,555
 Net Pension Liability as a Percentage of Covered Employee Payroll	95.30%

CITY OF PORTLAND, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2015

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	844,392	816,810
Contributions in relation to actuarially determined contribution	<u>(844,392)</u>	<u>(816,810)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Covered employee payroll	5,719,186	5,556,555
Contributions as a percentage of covered employee payroll	14.76%	14.70%

Notes to Schedule of Contributions

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

There were no benefit changes during the year.

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
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%
2015	\$ -	\$3,864,068	0.0%	\$3,864,068	\$5,672,036	68.1%

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**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.

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.

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.

Tax Note Construction Fund – established to account for the tax note proceeds to acquire, construct and equip a new Veterans' Memorial Complex; to construct, repair, improve and rehabilitate existing public works within the City, including, but not limited to, rehabilitating the Community Center, Indian Point Pier and other recreational facilities and infrastructure; and to purchase certain equipment and technology improvements for use by various departments of the City.

CITY OF PORTLAND, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

	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	1,587	1,573,547	1,574,878	699,655	27,250	338,487	4,215,404
Receivables							
Accounts	-	-	75,590	1,742	-	-	77,332
Due from Other Governments	-	97,610	-	95,940	4,881	-	198,431
Due from Other Funds	-	806	1,050	806	-	-	2,662
Prepaid Insurance	-	63,898	-	42,079	-	-	105,977
Restricted Assets							
Cash and Cash Equivalents	-	-	-	823,626	-	-	823,626
TOTAL ASSETS	1,587	1,735,861	1,651,518	1,663,848	32,131	338,487	5,423,432
LIABILITIES							
Accounts Payable	-	-	3,547	15,278	-	150	18,975
Accrued Interest Payable	-	-	779	-	-	-	779
Accrued Wages Payable	-	-	-	155	-	-	155
Escrow	-	-	456,000	-	-	-	456,000
Due to Other Funds	-	-	199,555	1,442	-	-	200,997
TOTAL LIABILITIES	-	-	659,881	16,875	-	150	676,906
FUND BALANCES							
Non-Spendable:							
Prepaid Items	-	63,898	-	42,079	-	-	105,977
Restricted For:							
Debt Service	-	-	-	421,703	-	-	421,703
Federal and State Programs	-	-	-	-	32,131	-	32,131
Municipal Technology Fees	-	-	15,019	-	-	-	15,019
Building Security Fund	-	-	62,293	-	-	-	62,293
Cable Franchise P.E.G.	-	-	87,423	-	-	-	87,423
Hotel Occupancy Tax Reserve	-	-	826,902	-	-	-	826,902
Law Enforcement	-	-	-	-	-	338,337	338,337
Capital Improvements	-	-	-	-	-	-	-
Committed to:							
Capital Improvements	-	-	-	-	-	-	-
Assigned							
Cultural and Recreational	1,587	1,671,962	-	1,183,191	-	-	2,856,740
TOTAL FUND BALANCES	1,587	1,735,860	991,637	1,646,973	32,131	338,337	4,746,525
TOTAL LIABILITIES AND FUND BALANCES	1,587	1,735,860	1,651,518	1,663,848	32,131	338,487	5,423,431

Capital Projects

Capital Improvements Fund	Community Center Construction Fund	Restricted HOT Construction Fund	Tax Note Construction Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
73,127	10	52,077	1,519,705	1,644,919	5,860,323
-	-	-	-	-	77,332
-	-	-	-	-	198,431
50,000	-	119,300	-	169,300	171,962
-	-	-	-	-	105,977
-	-	-	-	-	823,626
<u>123,127</u>	<u>10</u>	<u>171,377</u>	<u>1,519,705</u>	<u>1,814,219</u>	<u>7,237,651</u>
-	-	24,321	-	24,321	43,296
-	-	-	-	-	779
-	-	-	-	-	155
-	-	-	-	-	456,000
-	-	-	28,440	28,440	229,437
-	-	24,321	28,440	52,761	729,667
-	-	-	-	-	105,977
-	-	-	-	-	421,703
-	-	-	-	-	32,131
-	-	-	-	-	15,019
-	-	-	-	-	62,293
-	-	-	-	-	87,423
-	-	-	-	-	826,902
-	-	-	-	-	338,337
-	-	147,056	-	147,056	147,056
123,127	10	-	1,491,265	1,614,402	1,614,402
-	-	-	-	-	2,856,740
<u>123,127</u>	<u>10</u>	<u>147,056</u>	<u>1,491,265</u>	<u>1,761,458</u>	<u>6,507,983</u>
<u>123,127</u>	<u>10</u>	<u>171,377</u>	<u>1,519,705</u>	<u>1,814,219</u>	<u>7,237,650</u>

CITY OF PORTLAND, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED SEPTEMBER 30, 2015

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	-	1,173,015	603,203	1,173,015	-	-	2,949,233
Intergovernmental	-	-	-	166,654	40,165	-	206,819
Investment Income	32	51,496	9,099	4,027	-	154	64,808
Aquatic Center Revenue	-	-	-	-	-	-	-
Drug Forfeiture - Federal	-	-	-	-	-	82,471	82,471
Drug Forfeiture - Local	-	-	-	-	-	-	-
Drug Forfeiture - State	-	-	-	-	-	1,947	1,947
Other	28,800	-	30,593	-	-	-	59,393
TOTAL REVENUES	28,832	1,224,511	642,895	1,343,696	40,165	84,572	3,364,671
EXPENDITURES							
General Government	-	-	-	-	-	-	-
Cultural and Recreational	341,451	37,948	182,830	429,328	39,752	-	1,031,309
Public Safety	-	-	-	-	-	78,823	78,823
Public Works	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Principal Retirement	-	140,000	-	180,000	-	-	320,000
Interest and Fiscal Charges	-	87,180	-	46,368	-	-	133,548
TOTAL EXPENDITURES	341,451	265,128	182,830	655,696	39,752	78,823	1,563,680
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(312,619)	959,383	460,065	688,000	413	5,749	1,800,991
OTHER FINANCING SOURCES (USES)							
Bonds Issued	-	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-	-
Payment to Bond Escrow Agent	-	-	-	-	-	-	-
Transfers In	150,000	-	150,000	9,600	-	-	309,600
Transfers Out	-	(438,001)	(589,125)	(349,166)	-	-	(1,376,292)
NET CHANGE IN FUND BALANCES	(162,619)	521,382	20,940	348,434	413	5,749	734,299
FUND BALANCE, beginning of year	164,206	1,214,478	970,697	1,298,539	31,718	332,588	4,012,226
FUND BALANCE, end of year	1,587	1,735,860	991,637	1,646,973	32,131	338,337	4,746,525

Capital Projects

Capital Improvements Fund	Community Center Construction Fund	Restricted HOT Construction Fund	Tax Note Construction Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
-	-	-	-	-	2,949,233
-	-	-	-	-	208,819
70	-	48	951	1,069	65,877
-	-	-	-	-	-
-	-	-	-	-	82,471
-	-	-	-	-	-
-	-	-	-	-	1,947
-	-	-	-	-	59,393
<u>70</u>	<u>-</u>	<u>48</u>	<u>951</u>	<u>1,069</u>	<u>3,365,740</u>
-	-	-	-	-	-
-	-	132,293	29,898	162,191	1,193,500
195,263	-	-	-	195,263	274,086
-	-	-	70,015	70,015	70,015
-	-	-	-	-	-
-	-	-	-	-	320,000
-	-	-	36,500	36,500	170,048
<u>195,263</u>	<u>-</u>	<u>132,293</u>	<u>136,413</u>	<u>463,969</u>	<u>2,027,649</u>
(195,193)	-	(132,245)	(135,462)	(462,900)	1,338,091
-	-	-	2,340,000	2,340,000	2,340,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	169,300	-	169,300	478,900
-	-	-	(713,273)	(713,273)	(2,089,565)
(195,193)	-	37,055	1,491,265	1,333,127	2,067,426
<u>318,320</u>	<u>10</u>	<u>110,001</u>	<u>-</u>	<u>428,331</u>	<u>4,440,557</u>
<u>123,127</u>	<u>10</u>	<u>147,056</u>	<u>1,491,265</u>	<u>1,761,458</u>	<u>6,507,983</u>

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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, 2015 AND 2014

Exhibit C-1

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	5,845,128	4,972,978
Receivables:		
Delinquent Taxes	124,881	102,298
Accounts	601,044	570,870
Due from Enterprise Funds	372,839	392,839
Due from Insurance Fund	623	520
Due from Debt Service Fund	60,000	-
Inventory	10,704	27,331
Prepaid Items	171,364	85,669
Escrow Funds	148,041	147,965
TOTAL ASSETS	<u><u>7,334,624</u></u>	<u><u>6,300,470</u></u>
LIABILITIES		
Accounts Payable	476,006	442,260
Accrued Liabilities	16,311	187,696
Deposits	174,923	175,886
Due to Insurance Fund	79,609	-
Due to Restricted Use Fund	1,050	-
Due to Venue Sales Tax Fund	806	-
Due to Venue Sales Tax Construction Fund	806	-
Due to Construction Fund	50,000	50,000
TOTAL LIABILITIES	<u><u>799,511</u></u>	<u><u>855,842</u></u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	124,881	102,298
Total Deferred Inflows of Resources	<u><u>124,881</u></u>	<u><u>102,298</u></u>
FUND BALANCE		
Non-Spendable:		
Inventory	10,704	27,331
Prepaid Items	171,364	85,669
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	6,129,162	5,130,328
TOTAL FUND BALANCE	<u><u>6,410,232</u></u>	<u><u>5,342,330</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u><u>7,334,624</u></u>	<u><u>6,300,470</u></u>

CITY OF PORTLAND, TEXAS

Exhibit C-2

GENERAL FUND

*COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE*

YEAR ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
REVENUES		
Taxes	7,572,684	7,224,385
Licenses and Permits	497,907	470,320
Intergovernmental	29,278	35,571
Charges for Services	1,094,136	1,023,159
Fines and Forfeitures	201,126	236,947
Investment Income	124,908	96,330
Contributions	168,567	98,253
Oil Leases and Royalties	10,943	14,655
Other	287,800	151,120
	<u>9,987,349</u>	<u>9,350,740</u>
Total Revenues		
 EXPENDITURES		
Current		
General Government	1,856,787	1,742,140
Public Safety	5,053,285	5,238,968
Public Works	1,140,400	1,373,161
Cultural and Recreational	1,992,556	1,720,842
	<u>10,043,028</u>	<u>10,075,111</u>
Total Expenditures		
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (55,679)	 (724,371)
 OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	-	61,000
Capital Leases	-	202,265
Transfers In	1,123,581	991,113
	<u>1,123,581</u>	<u>991,113</u>
Total Other Financing Sources (Uses)		
 NET CHANGE IN FUND BALANCE	 1,067,902	 530,007
 FUND BALANCE, beginning of year	 <u>5,342,330</u>	 <u>4,812,323</u>
 FUND BALANCE, end of year	 <u><u>6,410,232</u></u>	 <u><u>5,342,330</u></u>

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, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR 2014

	2015			Variance with Final Budget Positive (Negative)	2014
	Budgeted Amounts		Actual (Budgetary Basis)		Actual (Budgetary Basis)
	Original	Final			
Current Expenditures					
<u>General Administration</u>					
Administration	1,092,516	1,096,762	1,089,539	7,223	999,647
Accounting	363,182	397,964	395,998	1,966	382,152
Information Technology	362,584	384,043	371,250	12,793	349,366
Total General Administration	1,818,282	1,878,769	1,856,787	21,982	1,731,165
<u>Public Safety</u>					
Police Administration	3,724,757	3,565,197	3,383,893	181,304	3,527,676
Fire Department	1,565,017	1,494,849	1,372,034	122,815	1,395,595
Animal Control	135,226	137,706	124,227	13,479	155,089
Municipal Court	187,179	179,163	173,131	6,032	160,608
Total Public Safety	5,612,179	5,376,915	5,053,285	323,630	5,238,968
<u>Public Works</u>					
General Services Department	159,277	133,046	127,886	5,160	132,766
Street Maintenance	627,696	635,688	584,031	51,657	586,164
Vehicle Maintenance	81,858	82,938	73,406	9,532	78,938
Community Development	331,195	353,368	355,077	(1,709)	373,028
Total Public Works	1,200,026	1,205,040	1,140,400	64,640	1,170,896
<u>Culture and Recreation</u>					
Park Maintenance	557,918	563,882	532,454	31,428	458,052
Community Center	568,429	584,676	558,853	25,823	479,021
Swimming Pool	-	-	-	-	-
Kidz Klub/Kidz Kamp	287,053	284,883	266,275	18,608	253,279
Latch Key Program	-	-	-	-	-
Senior Citizens Center	97,933	99,028	86,582	12,446	69,763
Skate Park	5,300	5,300	1,505	3,795	711
Library	490,308	580,621	546,887	33,734	460,016
Total Culture and Recreation	2,006,941	2,118,390	1,992,556	125,834	1,720,842
Total Current Expenditures	10,637,428	10,579,114	10,043,028	536,086	9,861,871

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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
SHORELINES AND WETLANDS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014

EXHIBIT D-1

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	1,587	164,206
Due from Other Funds	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>1,587</u></u>	<u><u>164,206</u></u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	-
Fund Balance:		
Assigned:		
Cultural and Recreational	<u>1,587</u>	<u>164,206</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>1,587</u></u>	<u><u>164,206</u></u>

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
	<u>Actual</u>	<u>Actual</u>
REVENUES		
Investment Income	32	51
Other	<u>28,800</u>	<u>11,050</u>
Total Revenues	<u>28,832</u>	<u>11,101</u>
EXPENDITURES		
Cultural and Recreational	341,451	-
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	<u>-</u>	<u>-</u>
Total Expenditures	<u>341,451</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(312,619)	11,101
OTHER FINANCING SOURCES (USES)		
Transfers In - Restricted Use Fund	150,000	-
Transfers Out - Debt Service Fund	<u>-</u>	<u>-</u>
Total Other Financing Uses	<u>150,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(162,619)	11,101
FUND BALANCE, beginning of year	<u>164,206</u>	<u>153,105</u>
FUND BALANCE, end of year	<u><u>1,587</u></u>	<u><u>164,206</u></u>

CITY OF PORTLAND, TEXAS
PORTLAND COMMUNITY CENTER COMPLEX FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014

EXHIBIT D-3

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	1,573,547	1,095,549
Accounts Receivable	-	-
Due from Other Governments	97,610	86,168
Due from General Fund	806	-
Prepaid Insurance	63,898	32,761
TOTAL ASSETS	<u>1,735,861</u>	<u>1,214,478</u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	-
Due to Other Funds	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
Fund Balance:		
Non-Spendable:		
Prepaid Items	63,898	32,761
Assigned:		
Cultural and Recreational	1,671,962	1,181,717
TOTAL FUND BALANCE	<u>1,735,860</u>	<u>1,214,478</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>1,735,860</u>	<u>1,214,478</u>

CITY OF PORTLAND, TEXAS
PORTLAND COMMUNITY CENTER COMPLEX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2015
WITH COMPARATIVE TOTALS FOR, 2014

Exhibit D-4

	2015			Variance with Final Budget Positive (Negative)	2014
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes and Special Assessments	1,112,500	1,112,500	1,173,015	60,515	1,086,547
Investment Income	5,700	4,375	51,496	47,121	5,417
Other	-	-	-	-	-
Total Revenues	1,118,200	1,116,875	1,224,511	107,636	1,091,964
EXPENDITURES					
Cultural and Recreational	632,797	42,713	37,948	4,765	71,010
Debt Service					
Principal Retirement	140,000	140,000	140,000		135,000
Interest and Fiscal Charges	76,162	87,179	87,180	(1)	81,888
Total Expenditures	848,959	269,892	265,128	4,764	287,898
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	269,241	846,983	959,383	112,400	804,066
OTHER FINANCING SOURCES (USES)					
Transfers Out - General Fund	(363,429)	(386,846)	(386,846)		(344,016)
Transfers Out - Debt Service Fund	(51,155)	(51,155)	(51,155)		(52,643)
Transfers Out - Community Center Construction Fund	-	-	-		(16,900)
Total Other Financing Uses	(414,584)	(438,001)	(438,001)		(413,559)
NET CHANGE IN FUND BALANCE	(145,343)	408,982	521,382	112,400	390,507
FUND BALANCE, beginning of year			1,214,478		823,971
FUND BALANCE, end of year			1,735,860		1,214,478

CITY OF PORTLAND, TEXAS
RESTRICTED USE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014

EXHIBIT D-5

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	1,574,878	1,409,683
Accounts Receivable	75,590	44,475
Interest Receivable	-	-
Due from General Fund	<u>1,050</u>	<u>-</u>
TOTAL ASSETS	<u><u>1,651,518</u></u>	<u><u>1,454,158</u></u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	3,547	1,972
Accrued Liabilities	779	489
Escrow	456,000	456,000
Due to Restricted (HOT) Construction Fund	119,300	25,000
Due to Venue Tax Construction Fund	78,813	-
Due to Insurance Fund	<u>1,442</u>	<u>-</u>
TOTAL LIABILITIES	<u>659,881</u>	<u>483,461</u>
Fund Balance:		
Restricted for:		
Municipal Technology Fees	15,019	12,622
Building Security Fund	62,293	60,285
Cable Franchise P.E.G.	87,423	69,375
Hotel Occupancy Tax Reserve	<u>826,902</u>	<u>828,415</u>
TOTAL FUND BALANCE	<u>991,637</u>	<u>970,697</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>1,651,518</u></u>	<u><u>1,454,158</u></u>

CITY OF PORTLAND, TEXAS
 RESTRICTED USE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED SEPTEMBER 30, 2015
 WITH COMPARATIVE TOTALS FOR 2014

Exhibit D-6

	2015			Variance with Final Budget Positive (Negative)	2014
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes and Special Assessments	410,000	465,000	603,203	138,203	437,750
Investment Income	4,600	4,790	9,099	4,309	12,240
Other	28,500	28,100	30,593	2,493	36,703
Total Revenues	443,100	497,890	642,895	145,005	486,693
EXPENDITURES					
Cultural and Recreational	154,297	318,525	182,830	135,695	96,253
Public Safety	9,292	10,325	-	10,325	-
Total Expenditures	163,589	328,850	182,830	146,020	96,253
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	279,511	169,040	460,065	291,025	390,440
OTHER FINANCING SOURCES (USES)					
Transfers In - Tax Note Construction Fund	-	150,000	150,000	-	-
Transfers Out - Shoreline and Wetlands Fund	(150,000)	(150,000)	(150,000)	-	-
Transfers Out - Debt Service Fund	-	(150,000)	(150,000)	-	-
Transfers Out - Community Construction Fund	-	-	-	-	-
Transfers Out - Venue Sales Tax Construction Fund	(250,000)	(85,000)	(119,825)	(34,825)	-
Transfers Out - Restricted HOT Construction Fund	(75,000)	(25,000)	(169,300)	(144,300)	(125,000)
Total Other Financing Uses	(475,000)	(260,000)	(439,125)	(179,125)	(125,000)
NET CHANGE IN FUND BALANCE	(195,489)	(90,960)	20,940	111,900	265,440
FUND BALANCE, beginning of year			970,697		705,257
FUND BALANCE, end of year			991,637		970,697

CITY OF PORTLAND, TEXAS
VENUE SALES TAX FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014

EXHIBIT D-7

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	699,655	411,125
Interest Receivable	1,742	1,742
Due from Other Governments	95,940	85,125
Due from General Fund	806	-
Prepaid Item	-	-
Prepaid Insurance	42,079	27,104
Restricted Assets		
Cash and Cash Equivalents	<u>823,626</u>	<u>794,045</u>
TOTAL ASSETS	<u><u>1,663,848</u></u>	<u><u>1,319,141</u></u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	15,278	15,739
Accrued Liabilities	155	4,863
Due to Other Funds	<u>1,442</u>	<u>-</u>
TOTAL LIABILITIES	<u>16,875</u>	<u>20,602</u>
Fund Balance:		
Non-Spendable:		
Prepaid Items	42,079	27,104
Restricted for:		
Debt Service	421,703	351,656
Assigned:		
Cultural and Recreational	<u>1,183,191</u>	<u>919,779</u>
TOTAL FUND BALANCE	<u><u>1,646,973</u></u>	<u><u>1,298,539</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>1,663,848</u></u>	<u><u>1,319,141</u></u>

CITY OF PORTLAND, TEXAS
 VENUE SALES TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED SEPTEMBER 30, 2015
 WITH COMPARATIVE TOTALS FOR 2014

Exhibit D-8

	2015			Variance with Final Budget Positive (Negative)	2014
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes and Special Assessments	1,112,500	1,112,500	1,173,015	60,515	1,086,547
Charges for Services	160,000	160,000	166,654	6,654	169,111
Investment Income	3,000	2,850	4,027	1,177	4,619
Other	-	-	-	-	-
Total Revenues	<u>1,275,500</u>	<u>1,275,350</u>	<u>1,343,696</u>	<u>68,346</u>	<u>1,260,277</u>
EXPENDITURES					
Cultural and Recreational	500,031	487,571	429,328	58,243	553,253
Debt Service:					
Principal Retirement	330,000	180,000	180,000	-	180,000
Interest and Fiscal Charges	48,750	48,750	46,368	2,382	51,700
Bond Issuance Costs	-	-	-	-	-
Total Expenditures	<u>878,781</u>	<u>716,321</u>	<u>655,696</u>	<u>60,625</u>	<u>784,953</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>396,719</u>	<u>559,029</u>	<u>688,000</u>	<u>128,971</u>	<u>475,324</u>
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	-	-	-	-
Premium on Bonds Issued	-	-	-	-	-
Paid to Escrow Agent	-	-	-	-	-
Transfers In - Tax Note Construction Fund	-	14,600	9,600	(5,000)	-
Transfers Out - General Fund	(205,206)	(308,204)	(308,204)	-	(241,590)
Transfers Out - Debt Service Fund	-	(14,600)	(9,600)	5,000	-
Transfers Out - Community Center Construction Fund	(300,000)	-	-	-	-
Transfers Out - Water and Sewer System Fund	(31,362)	(31,362)	(31,362)	-	(46,514)
Total Other Financing Sources (Uses)	<u>(536,568)</u>	<u>(339,566)</u>	<u>(339,566)</u>	<u>-</u>	<u>(288,104)</u>
NET CHANGE IN FUND BALANCE	<u>(139,849)</u>	<u>219,463</u>	<u>348,434</u>	<u>128,971</u>	<u>187,220</u>
FUND BALANCE, beginning of year			<u>1,298,539</u>		<u>1,111,319</u>
FUND BALANCE, end of year			<u>1,646,973</u>		<u>1,298,539</u>

CITY OF PORTLAND, TEXAS
GRANTS ADMINISTRATION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014

EXHIBIT D-9

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash & Cash Equivalents	27,250	25,787
Accounts Receivable	-	-
Due from Other Governments	4,881	5,931
Due from General Fund	-	-
Prepaid Item	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>32,131</u></u>	<u><u>31,718</u></u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	-
Due to Other Funds	-	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u> </u>	<u> </u>
Fund Balance:		
Non-Spendable:		
Prepaid Items	-	-
Restricted for:		
Federal and State Programs	32,131	31,718
Total Fund Balance	<u><u>32,131</u></u>	<u><u>31,718</u></u>
 TOTAL LIABILITIES AND FUND BALANCE	<u><u>32,131</u></u>	<u><u>31,718</u></u>

CITY OF PORTLAND, TEXAS

EXHIBIT D-10

*GRANTS ADMINISTRATION FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2015 and 2014*

	<u>2015</u>	<u>2014</u>
	<u>Actual</u>	<u>Actual</u>
REVENUES		
Grants	40,165	35,070
Contributions	<u>-</u>	<u>-</u>
Total Revenues	<u>40,165</u>	<u>35,070</u>
EXPENDITURES		
Culture and Recreation	39,752	46,282
Public Safety	-	-
Public Works	<u>-</u>	<u>-</u>
Total Expenditures	<u>39,752</u>	<u>46,282</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	413	(11,212)
OTHER FINANCING SOURCES (USES)		
Transfers In - General Fund	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	413	(11,212)
FUND BALANCE, beginning of year	<u>31,718</u>	<u>42,930</u>
FUND BALANCE, end of year	<u><u>32,131</u></u>	<u><u>31,718</u></u>

CITY OF PORTLAND, TEXAS
LAW ENFORCEMENT FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014

EXHIBIT D-11

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash & Cash Equivalents	338,487	332,588
Accounts Receivable	-	-
Due from Other Governments	-	-
Due from General Fund	-	-
Prepaid Item	-	-
TOTAL ASSETS	<u><u>338,487</u></u>	<u><u>332,588</u></u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	150	-
Due to Other Funds	-	-
TOTAL LIABILITIES	<u>150</u>	<u>-</u>
Fund Balance:		
Non-Spendable:		
Prepaid Items	-	-
Restricted for:		
Local Forfeitures	1,330	1,330
State Drug Forfeitures	9,498	7,548
Federal Equitable Sharing	327,509	323,710
Total Fund Balance	<u>338,337</u>	<u>332,588</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>338,487</u></u>	<u><u>332,588</u></u>

CITY OF PORTLAND, TEXAS

LAW ENFORCEMENT FUND

*COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE*

YEAR ENDED SEPTEMBER 30, 2015 and 2014

Exhibit D-12

	<u>2015</u>	<u>2014</u>
	<u>Actual</u>	<u>Actual</u>
REVENUES		
Drug Forfeiture - Federal	82,471	87,176
Drug Forfeiture - Local	-	400
Drug Forfeiture - State	1,947	-
Charges for Services	-	-
Investment Income	154	93
Total Revenues	<u>84,572</u>	<u>87,669</u>
EXPENDITURES		
Public Safety	<u>78,823</u>	<u>20,677</u>
Total Expenditures	<u>78,823</u>	<u>20,677</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,749</u>	<u>66,992</u>
OTHER FINANCING SOURCES (USES)		
Transfers In - General Fund	-	-
Transfers Out - Street Improvement Fund	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	5,749	66,992
FUND BALANCE, beginning of year	<u>332,588</u>	<u>265,596</u>
FUND BALANCE, end of year	<u><u>338,337</u></u>	<u><u>332,588</u></u>

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, 2015 AND 2014

Exhibit E-1

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	812,321	734,079
Taxes Receivable	42,462	28,255
Allowance for Uncollectible Taxes	(5,096)	(3,390)
Accounts Receivable	530	905
Due from Tax Note Construction Fund	28,440	-
	<u>878,657</u>	<u>759,849</u>
TOTAL ASSETS		
LIABILITIES		
Accounts Payable	28,440	-
Accrued Interest Payable	397	10,220
Due to General Fund	60,000	-
Other	-	-
	<u>88,837</u>	<u>10,220</u>
TOTAL LIABILITIES		
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	37,366	24,865
Total Deferred Inflows of Resources	<u>37,366</u>	<u>24,865</u>
FUND BALANCE		
Restricted for:		
Debt Service	<u>748,308</u>	<u>724,764</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>874,511</u>	<u>759,849</u>

CITY OF PORTLAND, TEXAS

Exhibit E-2

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2015

WITH COMPARATIVE ACTUAL AMOUNTS FOR 2014

	2015			Variance with Final Budget Positive (Negative)	2014
	Budgeted Amounts		Actual (Budgetary Basis)		Actual (Budgetary Basis)
	Original	Final			
REVENUES					
Ad Valorem Taxes, Penalties and Interest	1,690,449	1,690,449	1,651,062	(39,387)	1,185,187
Investment Income	4,200	4,550	13,267	8,717	12,802
Total Revenues	1,694,649	1,694,999	1,664,329	(30,670)	1,197,989
EXPENDITURES					
Debt Service:					
Principal Retirement	1,214,334	1,989,334	1,876,603	112,731	857,200
Interest and Fiscal Charges	538,389	557,871	543,610	14,261	329,147
Total Expenditures	1,752,723	2,547,205	2,420,213	126,992	1,186,347
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(58,074)	(852,206)	(755,884)	96,322	11,642
OTHER FINANCING SOURCES (USES)					
Transfers In - PCCC Fund	51,155	51,155	51,155	-	52,643
Transfers In - Restricted Use Fund	-	150,000	150,000	-	-
Transfers In - Venue Sales Tax Fund	-	14,600	9,600	(5,000)	-
Transfers In - Tax Note Constuction Fund	-	412,735	472,235	59,500	-
Transfers In - Utility Fund	7,500	154,500	88,938	(65,562)	15,000
Transfers In - Drainage Fund	7,500	82,500	7,500	(75,000)	-
NET CHANGE IN FUND BALANCE (BUDGETARY BASIS)	8,081	13,284	23,544	10,260	79,285
FUND BALANCE (BUDGETARY BASIS), beginning of year			724,764		645,479
FUND BALANCE (BUDGETARY BASIS), end of year			748,308		724,764
ADD (DEDUCT) Other Reconciling Items to Adjust from Budgetary Basis to GAAP Basis:					
Bond Issuance Costs			(77,356)		-
Bonds Issued			2,250,000		-
Bond Premium			191,931		-
Payments to Refunding Escrow Agent			(2,360,429)		-
FUND BALANCE (GAAP BASIS)			752,454		724,764

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 and equip improvements to the City's parks and recreation system, including, but not limited to, the rehabilitation and expansion of existing sports fields and construction of new sports fields and related public facilities.

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.

Tax Note Construction Fund – established to account for the tax note proceeds to acquire, construct and equip a new Veterans' Memorial Complex; to construct, repair, improve and rehabilitate existing public works within the City, including, but not limited to, rehabilitating the Community Center, Indian Point Pier and other recreational facilities and infrastructure; and to purchase certain equipment and technology improvements for use by various departments of the City.

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CITY OF PORTLAND, TEXAS
CAPITAL IMPROVEMENTS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014

Exhibit F-1

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	73,127	301,734
Prepaid Items	-	-
Due From General Fund	<u>50,000</u>	<u>50,000</u>
TOTAL ASSETS	<u><u>123,127</u></u>	<u><u>351,734</u></u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	33,414
Due to General Fund	-	-
Due to Water/Wastewater Fund	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>33,414</u>
FUND BALANCE:		
Committed for:		
Technology	13	-
Capital Improvements - Fire Station	6,768	97,644
Capital Improvements - Police Station	66,346	170,676
Capital Improvements - City Hall Litigation	<u>50,000</u>	<u>50,000</u>
TOTAL FUND BALANCE	<u>123,127</u>	<u>318,320</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>123,127</u></u>	<u><u>351,734</u></u>

CITY OF PORTLAND, TEXAS
CAPITAL IMPROVEMENTS FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2015 AND 2014

Exhibit F-2

	<u>2015</u>	<u>2014</u>
REVENUES		
Intergovernmental	-	-
Investment Income	70	78
Other	-	116,382
Total Revenues	<u>70</u>	<u>116,460</u>
EXPENDITURES		
General Government	-	-
Public Safety	195,263	438,784
Public Works	-	-
Total Expenditures	<u>195,263</u>	<u>438,784</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(195,193)</u>	<u>(322,324)</u>
OTHER FINANCING SOURCES (USES)		
Other Sources - Bonds Issued	-	-
Transfers In - General Fund	-	-
Transfers In - Portland Comm Center Complex Fund	-	-
Transfers Out - Street Improvements Fund	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(195,193)	(322,324)
FUND BALANCE, beginning of year	<u>318,320</u>	<u>640,644</u>
FUND BALANCE, end of year	<u><u>123,127</u></u>	<u><u>318,320</u></u>

CITY OF PORTLAND, TEXAS
STREET IMPROVEMENTS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014

Exhibit F-3

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	3,918,611	4,947,811
Interest Receivable	-	-
Due From General Fund	-	-
TOTAL ASSETS	<u><u>3,918,611</u></u>	<u><u>4,947,811</u></u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	5,845	266,387
Due to General Fund	-	-
Due to Drainage Construction Fund	-	-
TOTAL LIABILITIES	<u><u>5,845</u></u>	<u><u>266,387</u></u>
FUND BALANCE:		
Restricted For:		
Capital Improvements - Streets	3,912,766	4,681,423
Committed To:		
Capital Improvements - Streets	-	-
TOTAL FUND BALANCE	<u><u>3,912,766</u></u>	<u><u>4,681,423</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>3,918,611</u></u>	<u><u>4,947,810</u></u>

CITY OF PORTLAND, TEXAS
STREET IMPROVEMENTS FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2015 AND 2014

Exhibit F-4

	<u>2015</u>	<u>2014</u>
REVENUES		
Intergovernmental	-	-
Investment Income	2,108	711
Total Revenues	<u>2,108</u>	<u>711</u>
EXPENDITURES		
Current:		
Public Works	770,765	545,508
Debt Service:		
Bond Issuance Costs	-	112,721
Total Expenditures	<u>770,765</u>	<u>658,229</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(768,657)</u>	<u>(657,518)</u>
OTHER FINANCING SOURCES		
Bonds Issued	-	4,905,000
Bond Premiums	-	210,971
Transfers In-General Fund	-	-
Transfer Out-General Fund	-	-
Total Other Financing Sources	<u>-</u>	<u>5,115,971</u>
NET CHANGE IN FUND BALANCE	(768,657)	4,458,453
FUND BALANCE, beginning of year	<u>4,681,423</u>	<u>222,970</u>
FUND BALANCE, end of year	<u><u>3,912,766</u></u>	<u><u>4,681,423</u></u>

CITY OF PORTLAND, TEXAS
COMMUNITY CENTER CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014

Exhibit F-5

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	10	10
Prepaid Items	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>10</u></u>	<u><u>10</u></u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	-
Due to General Fund	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCE:		
Committed To:		
Capital Improvements	<u>10</u>	<u>10</u>
TOTAL FUND BALANCE	<u>10</u>	<u>10</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>10</u></u>	<u><u>10</u></u>

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, 2015 AND 2014*

	<u>2015</u>	<u>2014</u>
REVENUES		
Investment Income	-	9
EXPENDITURES		
Cultural and Recreational	-	68,577
Interest and Fiscal Charges (Bond Issuance Costs)	-	-
Total Expenditures	<u>-</u>	<u>68,577</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(68,568)
OTHER FINANCING SOURCES		
Transfers In-Portland Community Center Complex	-	16,900
NET CHANGE IN FUND BALANCE	-	(51,668)
FUND BALANCE, beginning of year	<u>10</u>	<u>51,678</u>
FUND BALANCE, end of year	<u><u>10</u></u>	<u><u>10</u></u>

CITY OF PORTLAND, TEXAS
VENUE SALES TAX CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014

Exhibit F-7

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	3,627,367	125,676
Prepaid Items	-	-
Due from Restricted Use Fund	<u>78,813</u>	<u>-</u>
TOTAL ASSETS	<u><u>3,706,180</u></u>	<u><u>125,676</u></u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	62,503	-
Due to General Fund	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>62,503</u></u>	<u><u>-</u></u>
FUND BALANCE:		
Restricted For:		
Capital Improvements	3,621,516	-
Committed For :		
Capital Improvements	<u>22,161</u>	<u>125,676</u>
TOTAL FUND BALANCE	<u><u>3,643,677</u></u>	<u><u>125,676</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>3,706,180</u></u>	<u><u>125,676</u></u>

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, 2015 AND 2014*

	<u>2015</u>	<u>2014</u>
REVENUES		
Interest	628	42
TOTAL REVENUES	<u>628</u>	<u>42</u>
EXPENDITURES		
Current:		
Cultural and Recreation	103,515	-
Debt Service:		
Bond Issuance Costs	115,308	-
Total Expenditures	<u>218,823</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(218,195)	42
OTHER FINANCING SOURCES		
Bonds Issued	3,420,000	-
Bond Premiums	196,371	-
Transfers In - Restricted Use Fund	119,825	-
Transfers In - Venue Sales Tax Fund	-	-
Transfers Out - Venue Sales Tax Fund	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	3,518,001	42
FUND BALANCE, beginning of year	<u>125,676</u>	<u>125,634</u>
FUND BALANCE, end of year	<u><u>3,643,677</u></u>	<u><u>125,676</u></u>

CITY OF PORTLAND, TEXAS
RESTRICTED (HOT) CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014

Exhibit F-9

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	52,077	85,001
Prepaid Items	-	-
Due from Restricted Use Fund	<u>119,300</u>	<u>25,000</u>
TOTAL ASSETS	<u><u>171,377</u></u>	<u><u>110,001</u></u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	24,321	-
Due to General Fund	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>24,321</u></u>	<u><u>-</u></u>
FUND BALANCE:		
Restricted For :		
Capital Improvements	<u>147,056</u>	<u>110,001</u>
TOTAL FUND BALANCE	<u><u>147,056</u></u>	<u><u>110,001</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>171,377</u></u>	<u><u>110,001</u></u>

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, 2015 AND 2014*

	<u>2015</u>	<u>2014</u>
REVENUES		
Interest	48	1
TOTAL REVENUES	<u>48</u>	<u>1</u>
EXPENDITURES		
Cultural and Recreation	<u>132,293</u>	<u>15,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(132,245)	(14,999)
OTHER FINANCING SOURCES		
Transfers In - Restricted Use Fund	169,300	125,000
Transfers In - Venue Sales Tax Fund	-	-
Transfers Out - Venue Sales Tax Fund	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	37,055	110,001
FUND BALANCE, beginning of year	<u>110,001</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>147,056</u></u>	<u><u>110,001</u></u>

CITY OF PORTLAND, TEXAS
TAX NOTE CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014

Exhibit F-11

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	1,519,705	-
Prepaid Items	-	-
Due from Restricted Use Fund	-	-
	<u>1,519,705</u>	<u>-</u>
TOTAL ASSETS	<u>1,519,705</u>	<u>-</u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	-
Due to Debt Service Fund	28,440	-
	<u>28,440</u>	<u>-</u>
TOTAL LIABILITIES	<u>28,440</u>	<u>-</u>
FUND BALANCE:		
Committed To:		
Capital Improvements	1,491,265	-
	<u>1,491,265</u>	<u>-</u>
TOTAL FUND BALANCE	<u>1,491,265</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>1,519,705</u>	<u>-</u>

CITY OF PORTLAND, TEXAS

Exhibit F-12

*TAX NOTE CONSTRUCTION FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2015 AND 2014*

	<u>2015</u>	<u>2014</u>
REVENUES		
Interest	951	-
TOTAL REVENUES	<u>951</u>	<u>-</u>
EXPENDITURES		
Cultural and Recreation	29,898	-
Public Works	70,015	-
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	36,500	-
Total Expenditures	<u>136,413</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(135,462)	-
OTHER FINANCING SOURCES		
Tax Note Issued	2,340,000	-
Transfers Out - Venue Sales Tax Fund	(9,600)	-
Transfers Out - Debt Service Fund	(472,235)	-
Transfers Out - Restricted (HOT) Fund	(150,000)	-
Transfers Out - Water & Sewer System Fund	<u>(81,438)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,491,265	-
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>1,491,265</u></u>	<u><u>-</u></u>

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	3,488,450	3,210,746
Accounts Receivable	626,639	558,005
Less Allowance for Uncollectible Accounts	-	22,469
Inventory	176,265	209,070
Prepaid Items	27,153	19,526
Due from General Fund	-	-
Total Current Assets	<u>4,318,507</u>	<u>4,019,816</u>
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	<u>3,117,078</u>	<u>3,465,687</u>
Total Restricted Assets	<u>3,117,078</u>	<u>3,465,687</u>
Capital Assets:		
Land	118,362	118,362
Buildings	692,505	692,505
Water System	10,208,124	9,388,458
Sewer System	20,702,143	20,633,125
Equipment	2,383,044	1,018,509
Construction in Progress	<u>3,426,653</u>	<u>3,535,451</u>
Total Capital Assets	<u>37,530,831</u>	<u>35,386,410</u>
Less Accumulated Depreciation	<u>(9,728,482)</u>	<u>(9,015,665)</u>
Net Capital Assets	<u>27,802,349</u>	<u>26,370,745</u>
TOTAL ASSETS	<u>35,237,934</u>	<u>33,856,248</u>

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
WATER AND SEWER SYSTEM FUND
SEPTEMBER 30, 2015 AND 2014

Exhibit G-1
Page 2 of 2

	<u>2015</u>	<u>2014</u>
Deferred Outflows of Resources		
Deferred Charge for Refunding	157,059	169,265
Deferred Outflows Related to Pensions	98,603	-
Total Deferred Outflows of Resources	<u>255,662</u>	<u>169,265</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,115,351	559,983
Accrued Liabilities	38,271	59,760
Due to Insurance Fund	12,546	105
Current Portion of Long-Term Debt (Net of Bond Premium)	926,783	915,782
Accrued Interest	38,926	41,118
Deposits	717,928	445,767
Total Current Liabilities	<u>2,849,805</u>	<u>2,022,515</u>
Non-Current Liabilities:		
Revenue Bonds (Net of Bond Premium)	11,998,954	12,925,737
Net OPEB Obligation	372,185	270,893
Net Pension Liability	671,697	-
Total Non-Current Liabilities	<u>13,042,836</u>	<u>13,196,630</u>
Total Liabilities	<u>15,892,641</u>	<u>15,219,145</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	<u>407</u>	<u>-</u>
Net Position:		
Net Investment in Capital Assets	17,316,315	15,257,660
Restricted for:		
Debt Service	113,165	112,137
Unrestricted	<u>2,171,068</u>	<u>3,436,571</u>
Net Position	<u>19,600,548</u>	<u>18,806,368</u>

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
WATER AND SEWER SYSTEM FUND
YEAR ENDED SEPTEMBER 30, 2015 AND 2014

Exhibit G-2

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Charges for Services:		
Water Sales	3,164,725	3,180,809
Water Connections	105,870	113,305
Sewer Sales	2,840,501	2,729,790
Sewer Connections	64,482	67,460
Total Charges for Services	<u>6,175,578</u>	<u>6,091,364</u>
Miscellaneous	57,294	15,107
 Total Operating Revenues	 <u>6,232,872</u>	 <u>6,106,471</u>
 OPERATING EXPENSES		
Personnel Services	1,111,504	1,089,069
Maintenance	384,231	283,432
Purchase of Water	1,973,077	2,018,116
Contract Payments	227,941	164,864
Materials and Supplies	192,781	122,392
Utilities	347,522	302,988
Depreciation	712,817	734,874
 Total Operating Expenses	 <u>4,949,873</u>	 <u>4,715,735</u>
 Net Operating Income	 <u>1,282,999</u>	 <u>1,390,736</u>
 NON-OPERATING REVENUES (EXPENSES)		
Investment Income	76,841	102,144
Gain (Loss) on Disposal of Assets	707	1,617
Interest and Fiscal Charges	(471,328)	(492,704)
 Net Non-Operating Revenues (Expenses)	 <u>(393,780)</u>	 <u>(388,943)</u>
 Income (Loss) Before Contributions and Transfers	 889,219	 1,001,793
 Capital Contributions From Federal Grants	 -	 460,406
Capital Contributions From Developers	888,681	983,550
Transfers In - Venue Sales Tax Fund	31,362	46,514
Transfers In - Tax Note Construction Fund	81,438	-
Transfers Out - Debt Service Fund	(88,938)	(7,500)
Transfers Out - General Fund	(428,532)	(405,508)
 Change in Net Position	 1,373,230	 2,079,255
 NET POSITION BEGINNING OF YEAR	 <u>18,227,318</u>	 <u>16,727,113</u>
 NET POSITION END OF YEAR	 <u>19,600,548</u>	 <u>18,806,368</u>

CITY OF PORTLAND, TEXAS
WATER AND SEWER SYSTEM FUND
SUMMARY BUDGET
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2015

Exhibit G-3

A summary budget is adopted for the Water and Sewer System 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 Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for Services	5,965,300	5,810,013	6,175,578	365,565
Miscellaneous	9,000	9,832	57,294	47,462
Total Operating Revenues	<u>5,974,300</u>	<u>5,819,845</u>	<u>6,232,872</u>	<u>413,027</u>
OPERATING EXPENSES				
Personnel Services	1,139,079	1,136,242	1,111,504	24,738
Maintenance	346,055	420,527	384,231	36,296
Purchase of Water	1,912,500	1,980,000	1,973,077	6,923
Contract Payments	97,987	115,693	227,941	(112,248)
Materials and Supplies	282,650	389,452	192,781	196,671
Utilities	318,057	292,583	347,522	(54,939)
Capital Outlay - Equipment	418,000	106,911	-	106,911
Total Operating Expenses	<u>4,514,328</u>	<u>4,441,408</u>	<u>4,237,056</u>	<u>204,352</u>
Operating Income	<u>1,459,972</u>	<u>1,378,437</u>	<u>1,995,816</u>	<u>617,379</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	19,550	84,199	76,841	(7,358)
Intergovernmental Grant Revenue	-	-	-	-
Gain (Loss) on Disposal of Assets	-	707	707	-
Interest, Principal and Fiscal Charges	<u>(1,385,313)</u>	<u>(1,402,278)</u>	<u>(471,328)</u>	<u>930,950</u>
Net Non-Operating Revenues (Expenses)	<u>(1,365,763)</u>	<u>(1,317,372)</u>	<u>(393,780)</u>	<u>923,592</u>
Income (Loss) Before Transfers	<u>94,209</u>	<u>61,065</u>	<u>1,602,036</u>	<u>1,540,971</u>
Transfer In Venue Sales Tax Fund	31,362	31,362	31,362	-
Transfer In Tax Note Construction Fund	-	81,438	81,438	-
Transfers Out - General Fund	(539,655)	(428,532)	(428,532)	-
Transfers Out -Debt Service Fund	-	(7,500)	(88,938)	(81,438)
NET INCOME (LOSS) (NON-GAAP BUDGETARY BASIS)	<u>(414,084)</u>	<u>(262,167)</u>	<u>1,197,366</u>	<u>1,459,533</u>
Adjustments				
Depreciation Expense			(712,817)	
Capital Assets Contributed by Developers/Grants			888,681	
NET INCOME (LOSS) (GAAP BASIS)			<u>1,373,230</u>	

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
WATER AND SEWER SYSTEM FUND
YEAR ENDED SEPTEMBER 30, 2015 AND 2014

Exhibit G-4

	<u>2015</u>	<u>2014</u>
Cash flow from operating activities:		
Cash received from customers	6,186,707	6,061,555
Cash payments to suppliers for goods and services	(2,262,596)	(3,069,024)
Cash payments to employees for services	<u>(1,132,993)</u>	<u>(1,104,609)</u>
Net cash provided by operating activities	<u>2,791,118</u>	<u>1,887,922</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	112,800	46,514
Transfers to other funds	<u>(517,470)</u>	<u>(413,008)</u>
Net Cash Used for Noncapital Financing Activities:	<u>(404,670)</u>	<u>(366,494)</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Long-term Debt	-	-
Cash Received from Other Governments - Grants	-	-
Principal Payment on bonds	(1,002,478)	(971,683)
Principal Payment on Capital Lease	-	-
Interest and Fiscal Charges Paid	(471,328)	(492,704)
Purchase of Capital Assets	<u>(1,060,388)</u>	<u>(1,843,032)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(2,534,194)</u>	<u>(3,307,419)</u>
Cash Flows from Investing Activities - Interest Income	<u>76,841</u>	<u>102,144</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(70,905)	(1,683,847)
Cash and Cash Equivalents at Beginning of Year	<u>6,676,433</u>	<u>8,360,280</u>
*CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>6,605,528</u></u>	<u><u>6,676,433</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	1,282,999	1,390,736
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	712,817	734,874
Amortization	-	-
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(46,165)	(44,916)
(Increase) Decrease in Due from Other Funds	-	2,314
(Increase) Decrease in Inventory	32,805	(13,138)
(Increase) Decrease in Prepaid Expense	(7,627)	(1,516)
Increase (Decrease) in Accounts Payable	555,368	(118,687)
Increase (Decrease) in Accrued Liabilities	(21,489)	(15,540)
Increase (Decrease) in Due to Other Funds	12,441	(68,862)
Increase (Decrease) in Accrued Vacation Leave	-	-
Increase (Decrease) in Accrued Interest	(2,192)	(1,849)
Increase (Decrease) in Deposits	<u>272,161</u>	<u>24,506</u>
Net Cash Provided (Used) by Operating Activities	<u><u>2,791,118</u></u>	<u><u>1,887,922</u></u>
Noncash Investing, Capital, and Financing Activities:		
Capital Contributions from developers consisting of water and sewer system infrastructure - \$888,681 for 2015 and \$983,550 for 2014.		

* Includes restricted cash and cash equivalents.

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
DRAINAGE FUND
SEPTEMBER 30, 2015 AND 2014

Exhibit G-5

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	222,681	184,352
Drainage Fee Receivable	<u>25,437</u>	<u>26,646</u>
Total Current Assets	<u>248,118</u>	<u>210,998</u>
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	<u>24,418</u>	<u>-</u>
Total Restricted Assets	<u>24,418</u>	<u>-</u>
Capital Assets		
Intangible Assets	367,177	367,177
Infrastructure	4,587,076	4,574,381
Equipment	147,247	147,247
Construction In Progress	<u>743,145</u>	<u>743,145</u>
Total Capital Assets	<u>5,844,645</u>	<u>5,831,950</u>
Less Accumulated Depreciation	<u>(926,794)</u>	<u>(747,132)</u>
Net Capital Assets	<u>4,917,851</u>	<u>5,084,818</u>
TOTAL ASSETS	<u>5,190,387</u>	<u>5,295,816</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	34,687	34,684
Due to General Fund	372,839	392,839
Accrued Interest Payable	6,721	7,162
Current Portion of Long-Term Debt-Bonds	117,478	117,478
Current Portion of Bond Premium	<u>2,010</u>	<u>2,010</u>
Total Current Liabilities	<u>533,735</u>	<u>554,173</u>
Non-Current Liabilities:		
Bonds Payable	1,218,316	1,337,805
Bond Premium	<u>30,157</u>	<u>30,157</u>
Total Non-Current Liabilities	<u>1,248,473</u>	<u>1,367,962</u>
TOTAL LIABILITIES	<u>1,782,208</u>	<u>1,922,135</u>
NET POSITION		
Net Investment in Capital Assets	2,806,746	2,854,224
Unrestricted	<u>601,433</u>	<u>519,457</u>
Net Position	<u>3,408,179</u>	<u>3,373,681</u>

CITY OF PORTLAND, TEXAS

Exhibit G-6

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
DRAINAGE FUND
YEAR ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Charges for Services:		
Drainage Fees	281,346	426,788
Miscellaneous	<u>14,026</u>	<u>-</u>
Total Operating Revenues	<u>295,372</u>	<u>426,788</u>
OPERATING EXPENSES		
Maintenance	24,122	-
Contract Payments	4,684	1,184
Depreciation Expense	<u>179,662</u>	<u>184,310</u>
Total Operating Expenses	<u>208,468</u>	<u>185,494</u>
Net Operating Income	<u>86,904</u>	<u>241,294</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	134	(250)
Intergovernmental Revenue	-	-
Interest and Fiscal Charges	<u>(57,735)</u>	<u>(61,125)</u>
Net Non-Operating Revenues (Expenses)	<u>(57,601)</u>	<u>(61,375)</u>
Income (Loss) Before Contributions and Transfers	29,303	179,919
Capital Contributions	12,695	540,450
Transfers In - General Fund	-	-
Transfers Out - Debt Service Fund	<u>(7,500)</u>	<u>(7,500)</u>
Change in Net Position	34,498	712,869
NET POSITION BEGINNING OF YEAR	<u>3,373,681</u>	<u>2,660,812</u>
NET POSITION END OF YEAR	<u><u>3,408,179</u></u>	<u><u>3,373,681</u></u>

CITY OF PORTLAND, TEXAS
DRAINAGE FUND
SUMMARY BUDGET
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2015

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 Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for Services:				
Drainage Fees	277,500	280,000	281,346	1,346
Miscellaneous	35	75	14,026	13,951
Total Operating Revenues	<u>277,535</u>	<u>280,075</u>	<u>295,372</u>	<u>15,297</u>
OPERATING EXPENSES				
Maintenance	10,625	24,137	24,122	15
Contract Payments	700	25,000	4,684	20,316
Capital Outlay	75,000	25,000	-	25,000
Total Operating Expenses	<u>86,325</u>	<u>74,137</u>	<u>28,806</u>	<u>45,331</u>
Net Operating Income (Loss)	<u>191,210</u>	<u>205,938</u>	<u>266,566</u>	<u>60,628</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	-	-	134	134
Intergovernmental Revenue	-	-	-	-
Interest and Fiscal Charges	<u>(177,082)</u>	<u>(177,272)</u>	<u>(57,735)</u>	<u>119,537</u>
Net Non-Operating Revenues (Expenses)	<u>(177,082)</u>	<u>(177,272)</u>	<u>(57,601)</u>	<u>119,671</u>
Income (Loss) Before Transfers	14,128	28,666	208,965	180,299
Transfers In - General Fund	-	-	-	-
Transfers Out - Debt Service Fund	<u>(7,500)</u>	<u>(82,500)</u>	<u>(7,500)</u>	<u>75,000</u>
Total Transfers	<u>(7,500)</u>	<u>(82,500)</u>	<u>(7,500)</u>	<u>75,000</u>
Net Income (Loss) (Non-GAAP Budgetary Basis)	<u>6,628</u>	<u>(53,834)</u>	201,465	<u>330,299</u>
Adjustments				
Depreciation Expense			(179,662)	
Capital Assets Contributed by Developers			12,695	
NET INCOME (LOSS) (GAAP BASIS)			<u>34,498</u>	

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
DRAINAGE FUND
YEAR ENDED SEPTEMBER 30, 2015 AND 2014

Exhibit G-8

	<u>2015</u>	<u>2014</u>
Cash flow from operating activities:		
Cash received from customers	296,581	425,939
Cash borrowed from other funds	(20,000)	(171,410)
Cash loaned to other funds	-	-
Cash payments to suppliers for goods and services	<u>(29,244)</u>	<u>(67,414)</u>
Net cash provided by operating activities	<u>247,337</u>	<u>187,115</u>
Cash flow from non-capital financing activities:		
Transfers from other funds	-	-
Transfers to other funds	<u>(7,500)</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>(7,500)</u>	<u>-</u>
Cash flow from capital and related financing activities:		
Cash received from other governments	-	-
Bonds Issued	-	-
Bond Premium	-	-
Principal Payment on Bonds	(119,489)	(112,382)
Principal Payment on Capital Lease	-	-
Interest and Fiscal Charges	(57,735)	(61,125)
Purchase of capital assets	<u>-</u>	<u>(476,636)</u>
Net cash provided by capital and related financing activities	<u>(177,224)</u>	<u>(650,143)</u>
Cash flow from investing activities:		
Interest on cash and cash equivalents	<u>134</u>	<u>(250)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	62,747	(463,278)
Cash and Cash Equivalents at Beginning of Year	<u>184,352</u>	<u>647,630</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>247,099</u>	<u>184,352</u>

Reconciliation of Operating Income to Net Cash Provided by
Operating Activities

Adjustments to Reconcile Operating Income to Net Cash
Provided by Operating Activities:

Operating Income	86,904	241,294
Depreciation	179,662	184,310
Amortization	-	-
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	1,209	(653)
(Increase) Decrease in Due from Other Funds	-	-
(Increase) Decrease in Prepaid Expense	-	-
Increase (Decrease) in Accounts Payable	3	(66,004)
Increase (Decrease) in Accrued Liabilities	(441)	(422)
Increase (Decrease) in Due to Other Funds	<u>(20,000)</u>	<u>(171,410)</u>
Net Cash Provided by Operating Activities	<u>247,337</u>	<u>187,115</u>

Noncash Investing, Capital, and Financing Activities:

Capital Contributions from developers
consisting of drainage system
infrastructure - \$12,695 for 2015 and \$540,450 for 2014.

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.

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
INSURANCE INTERNAL SERVICE FUND
SEPTEMBER 30, 2015 AND 2014

Exhibit H-1

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	61,584	133,302
Refund Receivable	-	-
Flexible Spending Advance	-	-
Due from Water and Sewer System Fund	12,546	105
Due from General Fund	79,609	-
Due from Restricted Use Fund	1,442	-
Due From Venue Tax Fund	1,442	-
Prepaid Items	-	-
	<hr/>	<hr/>
TOTAL ASSETS	<u>156,623</u>	<u>133,407</u>
LIABILITIES		
Accounts Payable	93,479	-
Flexible Spending Accounts	6,547	10,540
Accrued Liabilities	-	-
Due to General Fund	623	520
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>100,649</u>	<u>11,060</u>
NET POSITION		
Unrestricted	<u>55,973</u>	<u>122,345</u>

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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Charges for Services	1,047,254	897,365
Miscellaneous	4,871	-
Total Operating Revenues	<u>1,052,125</u>	<u>897,365</u>
OPERATING EXPENSES		
Contract Payments	1,116,403	831,297
Other Operating Expenses	2,121	4,038
Total Operating Expenses	<u>1,118,524</u>	<u>835,335</u>
NET OPERATING INCOME (LOSS)	<u>(66,399)</u>	<u>62,030</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	<u>27</u>	<u>18</u>
NET INCOME (LOSS)	(66,372)	62,048
NET POSITION, beginning of year	<u>122,345</u>	<u>60,297</u>
NET POSITION, end of year	<u><u>55,973</u></u>	<u><u>122,345</u></u>

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
INSURANCE INTERNAL SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2015 AND 2014

Exhibit H-3

	<u>2015</u>	<u>2014</u>
Cash flow from operating activities:		
Receipts from interfund services provided	957,191	898,591
Cash payments for loss claims	<u>(1,028,935)</u>	<u>(833,120)</u>
Net cash provided by operating activities	<u>(71,744)</u>	<u>65,471</u>
Cash flow from investing activities:		
Interest on cash and cash equivalents	<u>27</u>	<u>18</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(71,717)	65,489
Cash and Cash Equivalents at Beginning of Year	<u>133,302</u>	<u>67,813</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>61,585</u></u>	<u><u>133,302</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	(66,399)	62,030
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	(94,934)	1,224
(Increase) Decrease in Prepaid Expense	-	-
Increase (Decrease) in Accounts Payable	89,486	1,694
Increase (Decrease) in Due to Other Funds	<u>103</u>	<u>520</u>
Net Cash Provided by Operating Activities	<u><u>(71,744)</u></u>	<u><u>65,468</u></u>

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
COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
POLICE EXPLORERS FUND
SEPTEMBER 30, 2015 AND 2014

EXHIBIT I-1

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	1,185	631
Investments	<u>-</u>	<u>-</u>
Total Assets	<u><u>1,185</u></u>	<u><u>631</u></u>
LIABILITIES		
Accounts Payable	-	-
Internal Accounts Payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
NET POSITION		
Net Position Held in Trust for Police Explorers Activities	<u><u>1,185</u></u>	<u><u>631</u></u>

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, 2015 AND 2014*

	Private Purpose Trust Fund	
	<u>2015</u>	<u>2014</u>
ADDITIONS		
Contributions	1,010	881
Interest on Investments	-	-
Total Additions	<u>1,010</u>	<u>881</u>
DEDUCTIONS		
Other Expenses	<u>456</u>	<u>250</u>
Change in Net Position	554	631
Total Net Position, Beginning	<u>631</u>	-
Total Net Position, Ending	<u><u>1,185</u></u>	<u><u>631</u></u>

**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

CITY OF PORTLAND, TEXAS

Exhibit J-1

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES - BY SOURCE
SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land	4,412,524	4,412,524
Buildings and Improvements	22,749,595	22,180,839
Construction in Progress	1,493,309	983,316
Vehicles	2,952,230	2,903,180
Furniture and Equipment	2,862,019	3,061,558
Infrastructure	42,995,559	42,762,007
Intangibles	<u>534,971</u>	<u>534,971</u>
Total	<u>78,000,207</u>	<u>76,838,395</u>

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

Capital Projects Funds - General Obligation Bonds	51,908,447	50,772,321
General Fund Revenues	9,744,017	10,020,507
Contributed Capital	13,066,988	12,833,435
Intergovernmental	3,246,099	3,177,476
Venue Tax Fund Revenue	<u>34,656</u>	<u>34,656</u>
Total	<u>78,000,207</u>	<u>76,838,395</u>

CITY OF PORTLAND, TEXAS

EXHIBIT J-2

*CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2015*

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	22,749,595	3,135,116	5,025,542	399,127	14,189,810
Vehicles	2,952,230	48,489	2,331,583	387,225	184,933
Furniture and Equipment	2,862,018	324,282	1,354,718	242,660	940,358
Infrastructure	42,995,560	-	-	42,995,560	-
Intangibles	534,971	32,753	438,950	63,268	-
Construction in Progress	<u>1,493,309</u>	<u>177,625</u>	<u>-</u>	<u>1,242,501</u>	<u>73,183</u>
 Total Governmental Funds Capital Assets	 <u><u>78,000,207</u></u>	 <u><u>4,537,320</u></u>	 <u><u>9,158,111</u></u>	 <u><u>45,330,341</u></u>	 <u><u>18,974,435</u></u>

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, 2015*

Function And Activity	Balance 10/01/14	Additions	Deletions	Balance 09/30/15
General Government	4,353,074	184,246	-	4,537,320
Public Safety	9,281,666	738,452	862,007	9,158,111
Public Works	44,338,340	992,001		45,330,341
Cultural and Recreational	18,865,315	409,119	299,999	18,974,435
 Total Governmental Funds Capital Assets	 <u>76,838,395</u>	 <u>2,323,818</u>	 <u>1,162,006</u>	 <u>78,000,207</u>

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			
	2006	2007	2008	2009
Governmental Activities				
Net investment in capital assets	\$ 20,657,233	\$ 21,825,285	\$ 23,534,153	\$ 23,651,889
Restricted	797,375	862,053	866,321	562,386
Unrestricted	5,571,917	4,715,196	4,757,037	5,711,181
Total governmental activities net position	\$ 27,026,525	\$ 27,402,534	\$ 29,157,511	\$ 29,925,456
Business-type activities				
Net investment in capital assets	\$ 8,836,555	\$ 9,922,100	\$ 11,492,281	\$ 11,759,416
Restricted	437,407	515,684	568,657	145,023
Unrestricted	698,773	503,013	1,056,200	2,026,500
Total business-type activities net position	\$ 9,972,735	\$ 10,940,797	\$ 13,117,138	\$ 13,930,939
Primary government				
Invested in capital assets, net of related debt	\$ 29,493,788	31,747,385	\$ 35,026,434	\$ 35,411,305
Restricted	1,234,782	1,377,737	1,434,978	707,409
Unrestricted	6,270,690	5,218,209	5,813,237	7,737,681
Total primary government net position	\$ 36,999,260	\$ 38,343,331	\$ 42,274,649	\$ 43,856,395

Source: Comprehensive Annual Financial Reports

		Fiscal Year							
		2011	2012	2013	2014	2015			
\$	22,977,675	\$	23,580,006	\$	23,895,496	\$	25,004,733	\$	25,334,125
	1,437,050		1,808,330		1,976,983		2,416,410		2,626,320
	6,332,276		6,466,435		6,338,808		6,247,767		3,051,032
\$	30,747,001	\$	31,854,771	\$	32,211,287	\$	33,668,910	\$	31,011,477
\$	12,975,355	\$	13,491,679	\$	15,407,610	\$	18,111,884	\$	20,123,061
	205,288		108,056		109,875		112,137		113,165
	3,323,097		3,683,515		4,370,948		3,956,029		2,772,501
\$	16,503,740	\$	17,283,250	\$	19,888,433	\$	22,180,050	\$	23,008,727
\$	35,953,030	\$	37,071,685	\$	39,303,106	\$	43,116,617	\$	45,457,186
	1,642,338		1,916,386		2,086,858		2,528,547		2,739,485
	9,655,373		10,149,950		10,709,756		10,203,796		5,823,533
\$	47,250,741	\$	49,138,021	\$	52,099,720	\$	55,848,960	\$	54,020,204

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

	Fiscal Year			
	2006	2007	2008	2009
Expenses				
Governmental activities:				
General government and administration	1,784,890	1,064,503	\$ 1,051,690	\$ 1,256,885
Cultural and recreational	1,722,496	2,188,345	2,626,505	2,500,572
Public Safety	3,198,259	3,871,906	4,188,827	4,607,168
Public Works	2,167,166	2,286,120	1,404,282	1,548,127
Interest on long term debt	630,953	692,927	600,302	621,649
Total Governmental Activities Expenses	9,503,764	10,103,801	9,871,606	10,534,401
Business-type activities:				
Water and Sewer	3,751,993	3,575,458	3,951,147	4,619,688
Drainage Utility	12,232	22,253	67,999	124,773
Total business-type activities expenses	3,764,225	3,597,711	4,019,146	4,744,461
Total Government Expenses	\$ 13,267,989	\$ 13,701,512	\$ 13,890,752	\$ 15,278,862
Program Revenues				
Governmental activities:				
Fees, Fines, and Charges for Services:				
Administration	2,993	4,407	-	-
Cultural and recreational	531,613	576,940	643,824	606,943
Public Safety	611,231	599,436	638,366	667,966
Public Works	222,483	201,753	210,102	174,111
Operating grants and contributions				
Cultural and recreational	7,060	8,495	13,428	7,614
Public Safety	8,420	100,042	37,175	44,414
Public Works	-	-	-	-
Capital grants and contributions				
Cultural and recreational	-	-	-	-
Public Works	1,329,141	529,872	1,286,227	492,428
Total Governmental Activities Program Revenues	\$ 2,712,941	\$ 2,020,945	\$ 2,829,122	\$ 1,993,476
Business-type Activities:				
Fees, Fines, and Charges for Services				
Water and Sewer	3,725,707	3,870,278	4,404,844	5,294,058
Drainage Utility	82,107	86,021	87,632	88,013
Operating grants and contributions				
Water and Sewer	-	-	-	17,902
Capital Grants and Contributions				
Water and Sewer	779,649	617,756	1,169,376	289,698
Drainage Utility	80,000	163,255	698,696	124,157
Total business-type activities program revenues	4,667,463	4,737,310	6,360,548	5,813,828
Total Primary Government Program Revenues	\$ 7,380,404	\$ 6,758,255	\$ 9,189,670	\$ 7,807,304

Fiscal Year						
2010	2011	2012	2013	2014	2015	
\$ 1,421,374	\$ 1,532,324	\$ 1,910,890	\$ 1,946,383	\$ 1,825,146	\$ 2,068,183	
2,615,381	2,743,835	2,805,939	2,908,389	2,977,241	3,516,557	
4,615,046	4,844,775	5,141,876	5,662,410	5,736,316	5,949,711	
1,717,427	1,756,566	1,802,525	1,288,634	1,040,387	1,748,853	
546,654	614,090	581,332	674,048	641,034	855,498	
10,915,882	11,491,590	12,242,562	12,479,864	12,220,124	14,138,802	
4,364,772	4,952,414	4,974,490	4,804,592	5,208,439	5,421,202	
102,541	160,128	165,661	251,472	246,619	266,203	
4,467,313	5,112,542	5,140,151	5,056,064	5,455,058	5,687,405	
\$ 15,383,195	\$ 16,604,132	\$ 17,382,713	\$ 17,535,928	\$ 17,675,182	\$ 19,826,207	
-	-	-	-	-	-	
764,954	821,521	783,733	818,687	656,221	738,276	
592,575	597,250	882,494	826,844	740,629	705,949	
170,814	321,594	352,854	346,454	534,166	553,968	
8,060	13,402	11,531	17,622	4,500	73,236	
201,966	301,131	238,225	206,058	212,455	207,159	
-	-	-	-	-	-	
-	-	-	-	-	-	
105,861	59,500	-	-	-	-	
\$ 1,844,230	\$ 2,114,398	\$ 2,268,837	\$ 2,215,665	\$ 2,147,971	\$ 2,278,588	
5,327,943	5,821,151	5,865,702	5,807,955	6,091,364	6,175,578	
104,135	274,470	275,031	414,804	426,788	281,346	
7,545	287,475	-	-	-	-	
199,365	144,250	222,196	1,795,646	1,443,956	888,681	
208,103	-	-	197,250	540,450	12,695	
5,847,091	6,527,346	6,362,929	8,215,655	8,502,558	7,358,300	
\$ 7,691,321	\$ 8,641,744	\$ 8,631,766	\$ 10,431,320	\$ 10,650,529	\$ 9,636,888	

(continued)

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

	Fiscal Year			
	2006	2007	2008	2009
Net (Expense) Revenue				
Governmental Activities	(6,790,823)	(8,082,856) \$	(7,042,484) \$	(8,540,925)
Business-type Activities	903,238	1,139,599	2,341,402	1,069,367
Total Primary government net expense	\$ (5,887,585) \$	(6,943,257) \$	(4,701,082) \$	(7,471,558)
General Revenues				
and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Ad valorem	3,172,245	3,492,510	3,864,540	4,232,399
Sales	2,650,560	2,825,389	2,911,431	3,162,719
Franchise	988,127	1,051,431	1,087,961	1,051,320
Hotel/Motel	166,136	175,797	193,740	209,049
Investment earnings	373,134	491,896	283,538	73,430
Miscellaneous	133,331	112,381	215,935	270,728
Disposal of Capital Assets	-	-	-	-
Transfers	209,383	309,461	240,316	309,225
Total Governmental Activities	\$ 7,692,916 \$	8,458,865 \$	8,797,461 \$	9,308,870
Business-type Activities:				
Investment earnings	124,788	131,931.0	60,802	25,148
Gain (Loss) on Disposal of Assets	-	(9,031.0)	-	-
Miscellaneous	12,489	15,024	14,453	28,511
Transfers	(209,383)	(309,461.0)	(240,316)	(309,225)
Total Business-type Activities	(72,106)	(171,537)	(165,061)	(255,566)
Total Primary Government	7,620,810	8,287,328	8,632,400	9,053,304
Change in Net Position				
Governmental Activities	902,093	376,009	1,754,977	767,945
Business-type Activities	831,132	968,062	2,176,341	813,801
Total Primary Government	\$ 1,733,225 \$	1,344,071	3,931,318	1,581,746

Source: Comprehensive Annual Financial Reports

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ (9,071,652)	\$ (9,377,192)	\$ (9,973,725)	\$ (10,264,199)	\$ (10,072,153)	\$ (11,860,214)
1,379,778	1,414,804	1,222,778	3,159,591	3,047,500	1,670,895
\$ (7,691,874)	\$ (7,962,388)	\$ (8,750,947)	\$ (7,104,608)	\$ (7,024,653)	\$ (10,189,319)
4,463,514	4,553,921	4,733,902	4,732,212	5,149,614	5,721,228
3,074,103	3,404,064	4,065,035	3,985,513	4,372,082	4,726,405
1,029,609	1,009,656	1,033,907	1,014,730	1,068,690	1,157,227
228,199	267,274	379,677	377,288	437,750	603,203
50,045	95,830	116,144	(113,095)	132,393	206,788
282,504	402,355	243,119	241,036	337,948	361,800
8,932	-	325	10,138	61,000	-
375,664	24,719	509,386	586,830	373,993	412,169
\$ 9,512,570	\$ 9,757,819	\$ 11,081,495	\$ 10,834,652	\$ 11,933,470	\$ 13,188,820
31,426	35,594	49,506	(60,427)	101,894	76,975
1,469	41,091	-	3,982	1,617	707
54,530	14,492	16,612	14,632	15,107	71,320
(375,664)	(24,719)	(509,386)	(586,830)	(373,993)	(412,169)
(288,239)	66,458	(443,268)	(628,643)	(255,375)	(263,167)
9,224,331	9,824,277	10,638,227	10,206,009	11,678,095	12,925,653
440,918	380,627	1,107,770	570,453	1,861,317	1,328,606
1,091,539	1,481,262	779,510	2,530,948	2,792,125	1,407,728
1,532,457	1,861,889	1,887,280	3,101,401	4,653,442	2,736,334

(concluded)

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund				
Non-spendable	\$ 63,382	\$ 119,102	\$ 154,993	\$ 90,694
Restricted	3,323	6,122	6,490	8,492
Committed	160,091	164,622	214,622	212,620
Unassigned	2,445,540	2,497,025	2,961,261	3,742,324
Total General Fund	<u>\$ 2,672,336</u>	<u>\$ 2,786,871</u>	<u>\$ 3,337,366</u>	<u>\$ 4,054,130</u>
All Other Governmental Funds				
Non-spendable	-	74,882	92,725	49,704
Restricted	1,105,593	1,123,212	1,254,912	948,174
Committed	4,934,422	3,838,557	218,013	168,822
Assigned	545,868	724,559	290,841	922,304
	<u>\$ 6,585,883</u>	<u>\$ 5,761,210</u>	<u>\$ 1,856,491</u>	<u>\$ 2,089,004</u>

Table 3

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 96,005	\$ 91,795	\$ 91,890	\$ 98,277	\$ 113,000	\$ 182,068
26,754	141,323	-	-	-	-
401,302	407,782	414,252	99,002	99,002	99,002
4,234,699	4,368,149	4,924,408	4,615,044	5,130,328	6,129,162
<u>\$ 4,758,760</u>	<u>\$ 5,009,049</u>	<u>\$ 5,430,550</u>	<u>\$ 4,812,323</u>	<u>\$ 5,342,330</u>	<u>\$ 6,410,232</u>
100,868	52,168	54,743	31,221	59,865	105,977
1,193,257	2,723,390	2,251,167	1,680,558	7,202,847	10,217,600
2,127,502	490,516	214,343	1,019,630	444,006	1,636,563
852,818	947,342	1,152,954	945,855	2,265,702	2,856,740
<u>\$ 4,274,445</u>	<u>\$ 4,213,416</u>	<u>\$ 3,673,207</u>	<u>\$ 3,677,264</u>	<u>\$ 9,972,420</u>	<u>\$ 14,816,880</u>

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

	Fiscal Year			
	2015	2014	2013	2012
REVENUES:				
Taxes	\$12,172,979	\$11,020,416	\$10,131,074	\$10,239,637
Licenses and Permits	497,907	470,320	323,040	340,758
Intergovernmental	236,097	239,752	233,193	263,879
Charges for Services	1,094,136	1,023,159	1,150,642	1,099,240
Fines and Forfeitures	285,544	324,523	419,060	485,812
Investment Income	206,788	132,393	(113,095)	116,144
Contributions	168,567	98,253	112,910	103,305
Oil Leases and Royalties	10,943	14,655	16,092	15,634
Other	347,193	315,255	201,764	203,331
Total Revenues	15,020,154	13,638,726	12,474,680	12,867,740
EXPENDITURES:				
Current:				
General Government	1,856,787	1,742,140	1,892,070	1,746,767
Public Safety	5,327,371	5,698,429	5,948,725	5,413,120
Public Works	1,981,180	1,918,669	1,103,004	2,598,475
Cultural and Recreational	3,289,571	2,571,217	2,466,892	2,843,221
Debt Service:				
Principal	2,196,603	1,172,200	1,110,740	851,462
Interest and Finance Charges	906,322	462,735	520,295	543,114
Bond Issuance Cost		112,721	75,567	-
Advance Refunding Escrow		-	-	-
Total Expenditures	15,557,834	13,678,111	13,117,293	13,996,159
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(537,680)	(39,385)	(642,613)	(1,128,419)
OTHER FINANCE SOURCES (USES):				
Sale of Capital Assets		61,000	20,953	325
Bond Premium	388,302	210,971	33,932	-
Bonds Issued	8,010,000	4,905,000	1,980,000	500,000
Capital Leases		202,265	531,173	-
Transfers In	2,501,734	1,200,656	2,126,415	1,905,629
Payments to Bond Escrow Agent	(2,360,429)	-	(1,995,814)	-
Transfers Out	(2,089,565)	(826,663)	(1,539,585)	(1,396,243)
Total Other Financing Sources (Uses)	6,450,042	5,753,229	1,157,074	1,009,711
NET CHANGE IN FUND BALANCES	\$5,912,362	\$5,713,844	\$514,461	(\$118,708)
Debt service as a percentage of noncapital expenditures	22.00%	15.39%	14.54%	12.27%

Source: Comprehensive Annual Financial Reports

Table 4

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$9,240,828	\$8,826,937	\$8,608,750	\$8,064,435	\$7,511,921	\$6,974,291
309,303	153,993	154,351	223,796	210,294	226,381
327,107	228,805	182,624	58,498	100,092	597,970
1,139,017	1,074,377	914,353	902,773	828,477	749,980
191,816	194,155	272,979	260,610	255,840	281,617
95,830	50,045	73,430	283,538	491,896	373,134
104,688	98,028	97,168	103,109	96,369	102,451
18,257	43,539	62,162	103,773	8,410	11,842
367,065	227,976	200,144	106,271	103,971	121,129
<u>11,793,911</u>	<u>10,897,855</u>	<u>10,565,961</u>	<u>10,106,803</u>	<u>9,607,270</u>	<u>9,438,795</u>
1,390,877	1,273,740	1,156,038	993,840	1,547,553	2,539,813
4,515,608	4,446,807	5,857,300	6,235,187	3,975,804	3,348,231
2,039,076	1,271,665	1,012,697	1,464,261	1,890,393	1,671,936
2,324,661	2,393,228	2,104,446	2,208,812	1,931,929	2,351,336
859,999	830,033	732,738	714,721	628,645	510,483
575,013	520,808	589,900	581,399	712,118	598,255
-	146,813	-	116,475	-	-
-	-	-	307,012	-	-
<u>11,705,234</u>	<u>10,883,094</u>	<u>11,453,119</u>	<u>12,621,707</u>	<u>10,686,442</u>	<u>11,020,054</u>
88,677	14,761	(887,158)	(2,514,904)	(1,079,172)	(1,581,259)
75,864	218,859	-	-	-	-
-	182,264	-	-	-	-
-	5,743,640	-	2,635,000	-	3,211,643
-	-	245,615	114,532	59,573	-
1,469,649	1,169,764	954,190	1,216,623	1,701,260	1,114,437
-	(3,684,302)	-	(2,508,899)	-	-
<u>(1,444,930)</u>	<u>(794,099)</u>	<u>(644,965)</u>	<u>(976,307)</u>	<u>(1,391,799)</u>	<u>(905,054)</u>
100,583	2,836,126	554,840	480,949	369,034	3,421,026
<u>\$189,260</u>	<u>\$2,850,887</u>	<u>(\$332,318)</u>	<u>(\$2,033,955)</u>	<u>(\$710,138)</u>	<u>\$1,839,767</u>
13.50%	12.41%	11.55%	10.27%	12.55%	10.06%

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

Table 5

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
2006	3,135,498	3,090,899	98.6%	41,814	3,132,713	99.9%
2007	3,462,791	3,365,762	97.2%	92,460	3,458,222	99.9%
2008	3,790,136	3,740,445	98.7%	43,393	3,783,838	99.8%
2009	4,207,637	4,122,377	98.0%	78,377	4,200,754	99.8%
2010	4,393,511	4,320,179	98.3%	64,465	4,384,644	99.8%
2011	4,503,929	4,419,631	98.1%	75,157	4,494,788	99.8%
2012	4,702,251	4,629,944	98.5%	60,715	4,690,659	99.8%
2013	4,665,607	4,611,650	98.8%	41,084	4,652,734	99.7%
2014	5,102,632	5,044,103	98.9%	34,468	5,078,571	99.5%
2015	5,676,817	5,597,088	98.6%	-	5,597,088	98.6%

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, 2015

Table 6

Tax Rates (1)

Fiscal Year	City			School	County	Navigation District	Drainage District	Total	City's Percent of Total
	General Fund	Debt Service	Total						
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%
2015	0.4258	0.1748	0.6006	1.3500	0.5100	None	0.0600	2.52065	24%

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
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	14,780,999	22,287,545	None	2,912,662	44,555,864
2014	4,670,009	15,719,653	23,959,902	None	2,909,945	47,259,509
2015	5,676,816	18,191,554	25,762,432	None	3,090,161	52,720,963

(1) Per \$100 Assessed Valuation

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

		2015				2006	
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	\$12,967,696	2.078%
Wal-Mart Real Estate Business	Shopping Center	11,389,732	1.325%	HK New Plan Northshore Plaza	Real Estate	6,229,859	0.998%
Portland Townhomes LP	Apartments	9,650,000	1.123%	Northshore Landing, Ltd	Apartments	4,739,344	0.759%
Galileo Apollo II TX LP	Apartments	6,991,791	0.813%	AEP Texas Central Company	Utilities	4,508,680	0.722%
Wal-Mart Stores Texas LP	Grocery	5,511,712	0.641%	Wal-Mart Stores Texas, LP	Shopping Center	4,341,339	0.696%
Esplanade at North Shore LLC	Apartments	4,672,693	0.544%	Safeguard Investments, Ltd	Real Estate	4,241,840	0.680%
Academy Sports & Outdoors #197	Sporting Good Store	4,343,087	0.505%	Lands End Limited and Land End	Apartments	3,631,123	0.582%
Al Williford Chevrolet Inc	Automotive Sales	4,091,746	0.476%	Carriage Inn Limited Partnership	Apartments/Retirement Center	3,420,274	0.548%
Northshore Cinema 8 CO LLC	Entertainment	4,064,995	0.473%	Verizon Southwest	Utilities	3,298,370	0.529%
Lands End Limited	Apartments	3,941,487	0.459%	Goode Keith & Carolyn	Property Owners	3,207,737	0.514%
		<u>\$ 68,728,197</u>	<u>7.994%</u>			<u>\$ 50,584,262</u>	<u>8.106%</u>

Data Source: Chief Appraiser, San Patricio County Appraisal District

Note:

^aTotal taxable value including real and personal property for tax year 2014 (fiscal year 2015) is \$ 983,867,818

^bTotal taxable value including real and personal property for tax year 2005 (fiscal year 2006) is \$ 624,021,308

CITY OF PORTLAND, TEXAS
 SALES TAX HISTORY OF COLLECTING ENTITIES BY INDUSTRY
 AS OF SEPTEMBER 30, 2015
 Last Ten Fiscal Years
 (Unaudited)

Table 8

Year	Construction	Retail	Services	Transportation/ Communications	Wholesale	Financial Inst. & Real Estate	Manufacturing	Public Administration	Other	All Industries
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
2015	28	155	135	3	8	14	16	2	29	390

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, 2015

Table 9

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
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	12,291,898	997,435	11,294,463	1.40%	720
2014	19,400	838,251,529	16,363,338	1,076,420	15,286,918	1.82%	788
2015	19,420	963,867,818	20,381,916	1,174,157	19,207,759	1.99%	989

CITY OF PORTLAND, TEXAS
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 September 30, 2015

Table 10

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable *</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Gregory-Portland Independent School District	\$ 54,256,000	82.30%	\$ 44,652,688
San Patricio County	\$ 16,665,000	28.80%	\$ 4,799,813
Other debt			
Gregory-Portland Independent School District: Capital Leases	\$ 117,229	82.30%	\$ 96,479
Subtotal, overlapping debt			\$ 49,548,980
City of Portland (direct debt)	\$ 20,721,390	100.00%	\$ 20,721,390
Total direct and overlapping debt			\$ 70,270,370
Average Debt Per Capita (19,420)			3,618.45

* Allocation of Applicable Debt based on relevant 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 Bureau web site estimate.

Fiscal Year	Estimated Population	San Patricio County Per Capita Income	Personal Income (thousands of dollars)	Average School Enrollment	San Patricio County Unemployment Rate
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%
2015	19,420	23,741	461,050,220	4,588	6.10%

*** 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)

Table 12

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)

Table 13

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government and Administration	12.5	13	11.5	13.25	12.25	11.55	12.55	13.55	13.55	12.55
Public Safety	42.4	45.25	51	51.58	51.36	50.61	55.86	57.21	60.21	61.39
Building/Code Enforcement	3	3	5.3	5.3	5.3	4.7	3	3	3	3
Library	6	6	6	6	6	6	6.06	6.06	6.06	6.06
Water and Sewer	18	18.06	17.76	17.76	17.76	17.76	17.96	17.96	17.96	18.56
Vehicle Maintenance	1	1	1	1	1	1	1	1	1	1
Park Maintenance	7.51	7.51	7.51	7.5	7	7.5	8.5	8.5	8.5	8.5
Recreation/Community Center	22.69	24.86	27.65	27.99	25.64	25.12	25.04	25.04	25.04	24.19
Finance	3.38	3.75	4	4	4	4	4	4	4	4.5
Streets	5.96	5.96	5.96	5.96	5.46	5.56	7.06	7.06	7.06	6.96
Municipal Court	2.5	3	3	3	3	3	3.05	3.05	3.05	3.05
Total Full Time Equivalents	124.9	131.4	140.7	143.3	138.8	136.8	144.1	146.4	149.4	149.8

Source: City of Portland Budgets

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

Table 14

<u>Fiscal</u>	<u>Residential</u>		<u>Commercial</u>		<u>Total New</u>
	<u>Construction</u>	<u>Permits</u>	<u>Construction</u>	<u>Permits</u>	

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
2015	\$ 25,871,619	104	\$ 7,270,020	7	\$ 33,141,639

Source: City of Portland Buiding Department

DATE OF INCORPORATION: May 28, 1949

DATE OF CITY CHARTER ADOPTION: August 8, 1967

FORM OF GOVERNMENT: Council - Manager

Area - Square Miles	15.1	Cultural and Recreational:	
Miles of Streets - Paved	93	Parks - Number of Acres	740.04
Fire Protection		Number of Lighted Fishing Piers	1
Number of Stations	2	Number of Playgrounds	13
Number of Employees:		Number of Swimming Pools	2
Regular - Full-Time	18	Number of Community Centers	1
Part-Time	1	Number of Senior Citizens Centers	1
		Number of Public Libraries	1
Police Protection		Education:	
Number of Stations	1	Number of Schools	7
Number of Employees:		Number of School Teachers	279
Regular - Full-Time	41	Number of Students	4,588
Part-Time	11	Average Daily Attendance	4,382
Total Employees - Full Time & Full-time Equivalents	150	Municipal Water System:	
		Number of Customers	5,764
		Daily Average Consumption	1,653,990
		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

Table 16

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public Safety					
Police					
# of Employees	32.25	35.5	36.85	39.85	40.28
# of Citations	3,138	3,214	3,346	4,133	2,876
Fire					
# of Employees	15	15	15	15	15.36
# of Fire Runs	428	437	447	493	541
# of Rescue Runs	950	870	896	864	1052
Development Services					
Permits Issued	4,126	1,392	2,277	2,203	2,610
Cultural and Recreational					
Parks and Recreation					
Program Participants	106,847	95,648	99,037	100,000	101,000
# of Memberships Sold	1,172	1,582	1,005	1,197	1,106
Library					
Volumes in Circulation	114,847	184,288	250,517	248,561	255,500
Water and Sewer					
# of Bills Processed	64,391	65,427	66,485	67,359	68,537
# of System Customers	5,403	5,500	5,588	5,642	5,764
Millions of Gallons Billed	2,690	1,296	1,249	1,196	1,123

Source: City Departments

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public Safety				
Police Stations				
Police Patrol Units	1	1	1	1
Fire Stations	17	14	16	17
	2	2	2	2
Development Services				
Streets Paved (miles)				
# of Street Lights	58	70	70	70
	607	587	587	610
Cultural and Recreational				
Parks (acres)				
Playgrounds	740.04	740.04	740.04	740.04
Lighted Fishing Pier	12	13	13	13
Swimming Pools	1	1	1	1
Community Centers	2	2	2	2
Senior Centers	1	1	1	1
Skate Parks	1	1	1	1
Libraries	1	1	1	1
	1	1	1	1
Water and Sewer				
Number of Customers				
Number of Fire Hydrants	6,708	6,989	7,420	5,262
	483	468	483	650

Source: City Departments

Table 17

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1	1	1	1	1	1
17	15	15	16	15	17
2	2	2	2	2	2
71	71	71	77	77	77
610	614	614	610	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
5,307	5403	5500	5588	5750	5,764
650	675	675	650	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%
2014	\$16,415,741	\$21,711,241	75.6%	\$ 5,295,500	\$ 5,672,036	93.4%	14.72%

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

portland the  **land**
of possibilities.



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, 2015, 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 April 6, 2016.

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
Corpus Christi, TX

April 6, 2016