



# CITY OF PORTLAND, TEXAS

Comprehensive Annual Financial Report

Year Ended September 30, 2011

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of possibilities.

**CITY OF PORTLAND, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2011**

**CITY COUNCIL**

David Krebs, Mayor

John Green, Mayor Pro Tem

Ron Jorgensen

David E. Lewis

Gary Moore, Sr.

Cathy Skurow

John Vilo

**CITY MANAGER**

Mike Tanner

**Prepared by**

Finance Department

Sandra Clarkson  
Finance Director

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**CITY OF PORTLAND, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2011**

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## **INTRODUCTORY SECTION**

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March 21, 2012

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, 2011, is hereby submitted. This report is provided to the City Council, City Manager, City staff, our citizens, our bond holders 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 designed to fairly present 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. Later in the Financial Section, we have presented 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, 2011 financial statements is the first item in the Financial Section of this document.

### **COMMUNITY PROFILE AND LOCAL ECONOMY**

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

The City of Portland is served by 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. The school district is classified at level 4-A for all interscholastic competitions.

The economic outlook within the city limits of Portland is very favorable for retail, casual dining, medical services offices, and financial establishments. As the choice location in this region for families, Portland has

experienced continued, if slow, residential growth. Related to the increase in residents, two new national chain restaurants opened in Portland during fiscal 2011, and 2012 is slated to bring at least two additional establishments.

The regional economy has been somewhat more stable than the larger national economy in recent years, as well. In August 2011, the Chinese-owned firm Tianjin Pipe Corporation broke ground on the \$1 billion plant planned just seven miles northeast of Portland, but construction is progressing very slowly. The large property which formerly housed Naval Station Ingleside (closed in 2009) has yet to be fully reactivated. A deep-water pier in one portion of the property was sold to Koch Industries in 2011 and other portions of the facility have attracted a number of possible buyers. Likewise, the Port Corpus Christi's La Quinta Terminal, to be located just east of Portland's Northshore Golf Club, is still lacking a financing partner and a clearly defined mission. All of these possible industrial developments give this region continued hope of major growth.

### **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. For well over a decade, ambulance services and solid waste/brush collection have been outsourced with great success and considerable savings. In the third quarter of 2011, new construction plan review and inspections were privatized, resulting in speedier turnaround and reduced operating costs.

As discussed in the notes to the Financial Statements, the Portland Community Center Complex Development Corporation (PCCDC) is considered to be a blended component unit of the City. A seven-member board of directors, of which four members must be active 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 in late May or early June, 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 the immediate goals for the upcoming fiscal year are lined out for incorporation 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. With the general slow-down of the economy, the City has not proposed any new buildings or park improvements in the immediate planning horizon. The focus of the capital program currently is to maintain and reconstruct major infrastructure pieces that are reaching the end of their useful lives.

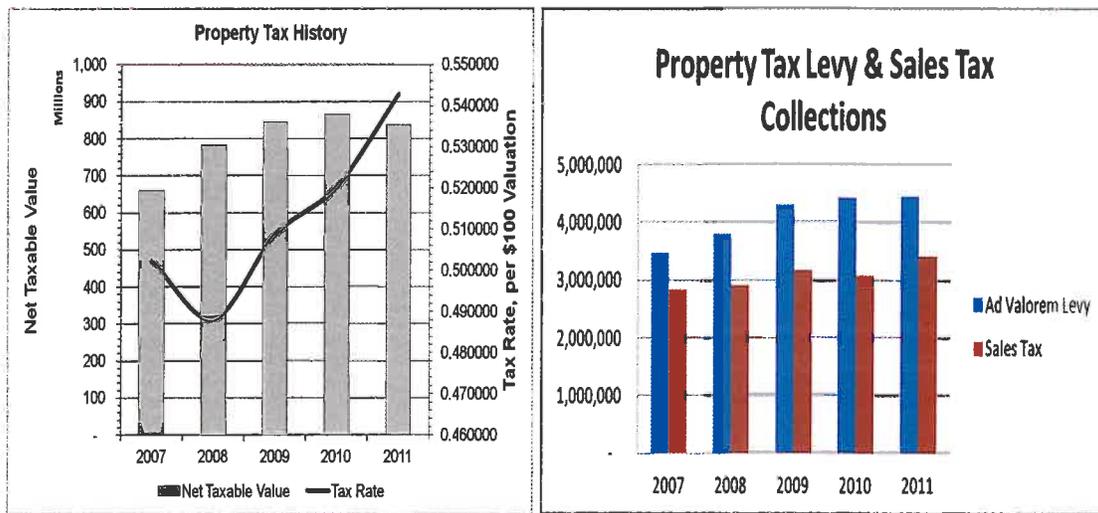
**ACCOUNTING AND INTERNAL CONTROLS**

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, but not all. Property values in the City declined from fiscal year 2010 to 2011 by 3.03% (a much smaller percentage than has been seen around the country since the financial crisis of 2008). So, the City has had to raise the tax rate (by about 4%) just to keep the same ad valorem tax revenue. Sales tax collections, on the other hand, increased by 10.7% from the previous year due to greater consumer confidence and activity related to the Eagle Ford Shale project. In addition, the weather provided the City with a boom in building permit fees (a January windstorm exploded the demand for roofing permits) and a record draught throughout the state left the City awash in water sales.



## STAFFING AND EMPLOYEE BENEFITS

The City of Portland operates with a very limited number of employees. In 2010-11, the budget provided for only 104 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. Employees wishing to make additional retirement deposits can avail themselves of the City's deferred compensation plan through ICMA.

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 44 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, 2010. 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. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

## ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of 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,



Sandra Clarkson, CPA, CGFO  
Finance Director

**CITY OF PORTLAND, TEXAS**

**CITY COUNCIL**

David Krebs, Mayor

John Green, Mayor Pro Tem

Ron Jorgensen

David E. Lewis

Gary Moore, Sr.

Cathy Skurow

John Vilo

**CITY MANAGER**

Mike Tanner

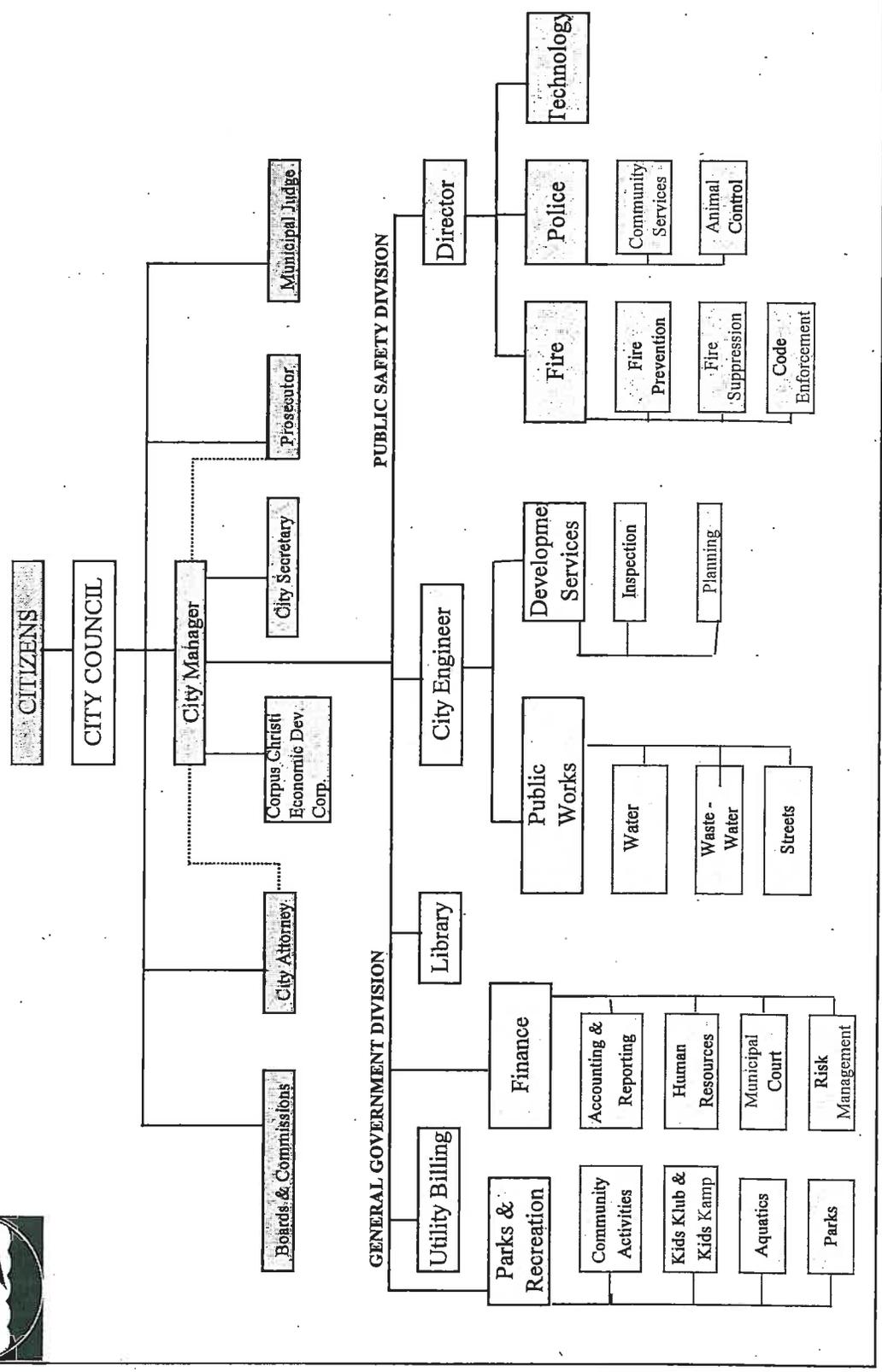
**FINANCE DIRECTOR**

Sandra Clarkson, CPA

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# CITY OF PORTLAND ORGANIZATION BY FUNCTION



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# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Dawson*

President

*Jeffrey R. Emmer*

Executive Director

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## **FINANCIAL SECTION**

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# Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

418 Peoples Street, Suite 308 tele 361-884-8897  
Corpus Christi, TX 78401 fax 361-884-3457

## Independent Auditor's Report

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

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, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Portland management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2012, 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 the internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 49 through 52 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.

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 nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements, individual fund budgetary comparison schedules, the capital asset schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

*Lovvorn + Kieschnick, LLP*

Lovvorn & Kieschnick, LLP  
March 21, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**City of Portland, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2011**  
**(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, 2011. 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 of the City of Portland exceeded its liabilities at the close of 2011 by \$47,250,741 (net assets). Of this amount, \$9,577,851 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,861,889 in 2011.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,222,465, an increase of 2% in comparison with the prior year. Of that amount, just under 2% was non-spendable (made up of inventory and prepaid items), 30% was legally restricted to specific purposes because of the source of the funds, 10% was committed to various specific purposes, and 10% (about \$947,342) was assigned to Cultural and Recreational purposes.
- The remainder of the governmental fund balances, \$4,368,149 or 48%, 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 assets of \$14,253,666. This represents an 8% increase over the prior year. Most significant is a \$486,978 increase of unrestricted net assets to \$2,924,384 in this fund.
- The City's total long-term debt decreased by \$1,266,010 (5%) during the current fiscal year through normal defeasance and issuing \$2,240,000 in Utility System Revenue Refunding Bonds, Series 2010.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 new Drainage Utility System.

The government-wide financial statements can be found on pages 13-15 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 two categories: governmental funds and proprietary 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.

In 2011, the City of Portland implemented the Governmental Accounting Standards Board Statement 54 which addresses the classification of fund balance reserves. This mandated identifying the types of fund balances by the degree of constraint from other purposes exists. Each of the governmental funds now has fund balance classifications of non-spendable fund balance (representing resources that are totally non-cash resources such as inventory), restricted fund balance (representing resources that are legally required to be spent for a specific purpose, such as debt service), committed fund balance (resources set apart by the City Council for a specific purpose), assigned fund balance (resources derived from a special revenue source) and unassigned fund balance (the remainder of fund balance in the General Fund).

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

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

The basic governmental fund financial statements can be found on pages 16-21 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.

**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 26-48 to this report.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Portland, assets exceeded liabilities by \$47,250,741 at the close of the most recent fiscal year. By far the largest portion of the City's net assets, \$35,953,030 or 76.1%, 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 assets (\$1,719,860 or 3.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$9.58 million or 20%) 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 assets, both for the government as a whole, as well as for its separate governmental and business-type activities. These positive balances are indicative of the conservative fiscal practices of the City which combine careful budgeting procedures and moderate operating activities at all staff levels.

The City's net assets increased by \$1,861,889 (4%) during the current fiscal year. This positive result is a combination of a 1% increase of total assets and a 3% *decrease* in total liabilities compared to city-wide operations in 2010. This is typical of the conservative management style and conscientious operations of the City.

**Net Assets as of September 30, 2011**

**Compared to 2010**

Table 1

Assets	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	11,209,635	10,739,905	10,784,088	5,087,543	21,993,723	15,827,448
Capital Assets, net of accumulated depreciation	35,200,133	35,583,711	19,319,889	24,088,695	54,520,022	59,672,406
<b>Total Assets</b>	<b>46,409,768</b>	<b>46,323,616</b>	<b>30,103,977</b>	<b>29,176,238</b>	<b>76,513,745</b>	<b>75,499,854</b>
<b>Liabilities</b>						
Current & Due Within One Year	2,423,092	2,086,724	1,967,443	1,794,611	4,390,535	3,881,335
Due in More Than One Year	13,239,675	13,870,514	11,632,794	12,359,149	24,872,469	26,229,663
<b>Total Liabilities</b>	<b>15,662,767</b>	<b>15,957,238</b>	<b>13,600,237</b>	<b>14,153,760</b>	<b>29,263,004</b>	<b>30,110,998</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	22,977,675	23,330,540	12,975,355	12,368,731	35,953,030	35,699,271
Restricted for:						
Debt Service	765,884	625,125	205,288	193,564	971,172	818,689
Federal and State Programs	748,688	674,256	-	-	748,688	674,256
Unrestricted	6,254,754	5,736,453	3,323,097	2,460,183	9,577,851	8,196,636
<b>Total Net Assets</b>	<b>30,747,001</b>	<b>30,366,374</b>	<b>16,503,740</b>	<b>15,022,478</b>	<b>47,250,741</b>	<b>45,388,852</b>

**Governmental activities.** With the effects of the Great Recession beginning to diminish in our local area, the revenues for governmental activities grew a respectable 7.9%. Most significantly, general government program revenue saw an increase of 12.8% over 2010.

Revenues:

- For fiscal year 2011 the program revenues from governmental activities totaled \$2,114,398. These revenues consist primarily of fees, fines and charges for services (82.3%) and program-related grants and contributions.
- The single largest increase in fees for services was for building permits which increased a whopping 167% as a result of roof and fence replacements following a January windstorm event.
- Property tax collections totaled \$4,553,921, an increase of 2% from the prior year despite a very negative trend in taxable values and an increase in value subject to revenue freeze.
  - Assessed taxable values dropped \$26 million or 3% from the prior year. This is a reflection of the national downward trend in home values.
  - However, since the City adopted the effective tax rate, the levy was virtually the same as the previous year (the difference was \$39,700 or less than 1%).
  - With slight increase in local employment rates and the general economy, ad valorem tax collection rates were slightly higher in 2011 compared to 2010.
- Sales taxes rose 10%, as consumer confidence grew and new businesses moved into Portland. Since two of the City's special revenue funds are based on sales taxes – the 4B Economic Development Sales Tax and the Venue Sales Tax – increases in this revenue is very beneficial for our cultural and recreational functions that improve quality of life for our citizens.

**City of Portland's Changes in Net Assets  
At September 30, 2011  
Table 2**

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
<b>Program Revenues</b>						
Fees, Fines & Charges for Services	1,740,365	1,528,343	6,095,621	5,432,078	7,835,986	6,960,421
Operating Grants and Contributions	314,533	210,026	287,475	135,545	602,008	345,571
Capital Grants and Contributions	59,500	105,861	144,250	279,468	203,750	385,329
<b>Total Program Revenues</b>	<b>2,114,398</b>	<b>1,844,230</b>	<b>6,527,346</b>	<b>5,847,091</b>	<b>8,641,744</b>	<b>7,691,321</b>
<b>General Revenues</b>						
Property Taxes	4,553,921	4,463,514	-	-	4,553,921	4,463,514
Sales Taxes	3,404,064	3,074,103	-	-	3,404,064	3,074,103
Franchise Taxes	1,009,656	1,029,609	-	-	1,009,656	1,029,609
Hotel/Motel Taxes	267,274	228,199	-	-	267,274	228,199
Investment Earnings	95,830	50,045	35,594	31,426	131,424	81,471
Gain on Disposal of Assets	-	8,932	41,091	1,469	41,091	10,401
Miscellaneous	402,355	282,504	14,492	54,530	416,847	337,034
<b>Total Revenues</b>	<b>11,847,498</b>	<b>10,981,136</b>	<b>6,618,523</b>	<b>5,934,516</b>	<b>18,466,021</b>	<b>16,915,652</b>
<b>Expenses</b>						
General Government and Admin.	1,532,324	1,421,374	-	-	1,532,324	1,421,374
Cultural and Recreational	2,743,835	2,615,381	-	-	2,743,835	2,615,381
Public Safety	4,844,775	4,615,046	-	-	4,844,775	4,615,046
Public Works	1,756,566	1,717,427	-	-	1,756,566	1,717,427
Interest on Long Term Debt	614,090	546,654	-	-	614,090	546,654
Water and Sewer	-	-	4,952,414	4,364,772	4,952,414	4,364,772
Drainage	-	-	160,128	102,541	160,128	102,541
<b>Total Government Expenses</b>	<b>11,491,590</b>	<b>10,915,882</b>	<b>5,112,542</b>	<b>4,467,313</b>	<b>16,604,132</b>	<b>15,383,195</b>
<b>Change in Net Assets</b>						
Increase (Decrease) Before Transfers	355,908	65,254	1,505,981	1,467,203	1,861,889	1,532,457
Transfers	24,719	375,664	(24,719)	(375,664)	-	-
<b>Increase in Net Assets</b>	<b>380,627</b>	<b>440,918</b>	<b>1,481,262</b>	<b>1,091,539</b>	<b>1,861,889</b>	<b>1,532,457</b>
<b>Net Assets, Beginning of Year</b>	<b>30,366,374</b>	<b>29,925,456</b>	<b>15,022,478</b>	<b>13,930,939</b>	<b>45,388,852</b>	<b>43,856,395</b>
<b>Net Assets, End of Year</b>	<b>30,747,001</b>	<b>30,366,374</b>	<b>16,503,740</b>	<b>15,022,478</b>	<b>47,250,741</b>	<b>45,388,852</b>

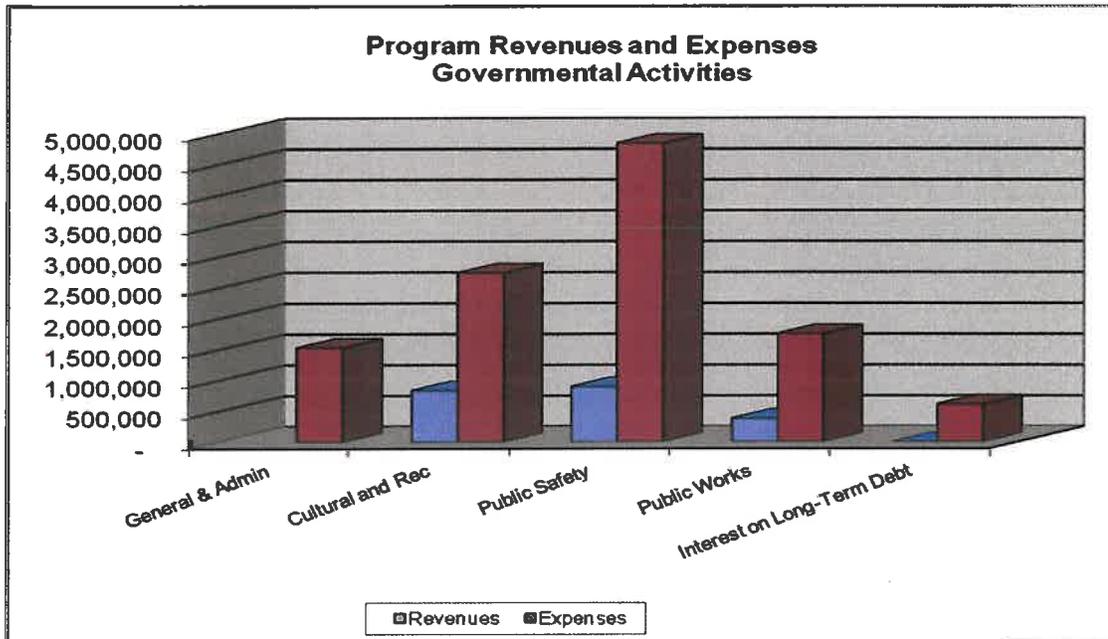
**Governmental Activities, continued**

Expenses:

- For fiscal year 2011 governmental expenses totaled \$11,491,590. This is a \$575,708 (5.3%) growth in expenditures in governmental activities from the prior year.
- All functional areas of general government saw increased operating expenditures in 2011, with the greatest increase recorded in the Public Safety area. Operations costs of Public Safety increased \$229,729, accounting for 39.9% of the total increase in governmental activities. This is attributable to capital outlay for regionally-operable communications equipment, vehicles and fire suppression equipment.

- General Government and Administration increased by 7.8% or \$110,950 over the prior year as a result of having a full year of economic development activity with the Corpus Christi Regional Economic Development Commission and initiating a strategic marketing and branding campaign.

**Program Revenues & Expenses – Governmental Activities**  
**Table 3**

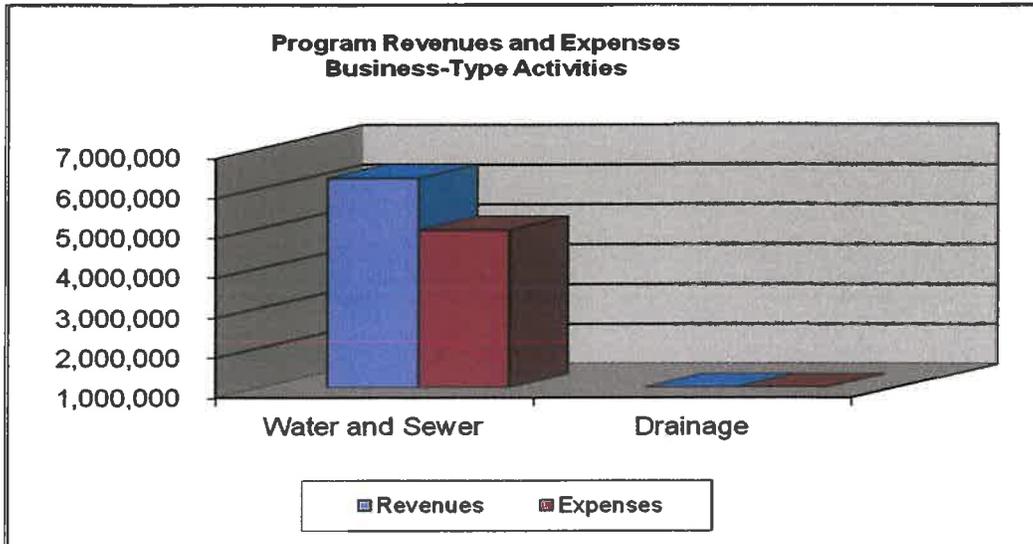


The chart above illustrates the deficit in program revenues for governmental activities as found in the Statement of Activities. Governmental activities, by their nature, cannot be funded through individual service fees. A well-run city government that provides a safe community with well maintained streets and recreation facilities contributes to a superior quality of life shared by all. Thus, these functions must be supported through revenue sources spread across the entire population. In 2011 revenues from taxes, investments and miscellaneous sources are used to offset this \$9.37 million deficit between expenditures and program revenues in the governmental activities.

On the other hand, the Table 4 on the next page illustrates a different picture for the City’s business-type activities. These functions provide services that are billed on an individual account basis 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 Statement of Activities, program revenues of the City’s business-like activities were \$6,527,346 for the fiscal year ended September 30, 2011 Expenses for those same activities totaled \$5,112,542 resulting in net revenues of \$1,414,804 from operations. After the non-program revenues and transfers out are added in, the total change in net assets for the business type activities was \$1,481,262. This is a substantial increase over 2010 (36% or \$389,000), due to the record draught that gripped the entire state of Texas throughout 2011.

**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. The City’s funds fall into two categories: governmental funds and proprietary funds

**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 \$9,222,465, an increase of 2% 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)	\$ 143,943
Restricted (constrained by external agreements)	2,864,713
Committed (purpose/use set by City Council)	898,320
Assigned (special revenues not otherwise designated)	947,342
Unassigned (remainder of General Fund balance)	<u>4,368,147</u>
Total Governmental Fund Balance	<u>\$9,222,465</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 \$4,368,149. This amount is equivalent to 188 days’ full-service operations (total 2011 operating costs of \$8,486,186 divided by 365 days, yields daily operating cost of \$23,250). 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 \$2,864,713 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. For example, some of the larger balances are the \$804,143 restricted for debt service on long-term debt, \$530,369 restricted for Hotel Occupancy Tax revenue purposes, \$141,323 restricted for law enforcement purposes and \$1,197,313 for capital improvements.

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

**Proprietary Funds.** The proprietary funds ended 2011 with combined net assets totaling \$16,584,228. The proprietary funds include the Water and Sewer System Fund, the Drainage Utility Fund, and the Insurance Fund. In this total, the net assets for each fund are: Water and Sewer Fund \$14,253,666, the Drainage Fund \$2,250,074 and the Insurance Fund \$80,488.

The Water and Sewer System Utility is key a function of 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 2011 the operations resulted in unreserved net assets of \$2,924,384, which will finance 233 days of operations if a catastrophic event were to occur that interrupted normal revenue streams. With only 90 days reserve required by City policy, the balance of that reserve amount is available for capital improvements.

Maintaining the integrity of this system now and for the future is a high priority for the City. We regularly invest in the improvement of aging infrastructure, insure that changes in population distribution do not degrade the quality of service by over-taxing area assets, and act proactively to provide services when there is clear indication of economic growth in undeveloped areas of (or near) the city. In 2009, the city issued \$6.5 million in revenue bonds to address the most pressing infrastructure repair and replacement needs – complete rehabilitation of the four water storage tanks, additions of manholes and lift stations to the sanitary sewer system in Old Town, and the addition of a redundant clarifier system at the Wastewater Treatment Plant. In 2011, the Texas Water Development Board approved \$2.4 million to fund a sewer system in the Doyle/Nueces Bay Subdivision (in the City's northwest ETJ). In 2012, \$5.2 million in additional revenue bonds will be sold to fund the next phase of system improvements to repair or replace water and sewer lines throughout 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 assets of \$2,250,074 at the end of 2011. Of this, 82.2% was in the form of capital assets (including the curb and gutter portion of the 2010 Street and Drainage project that is still under construction). In 2011, an engineering firm was engaged to develop a drainage improvements and impact fees related to a large undeveloped piece of commercial property northeast of Highway 181.

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, 2011 the net assets in this fund was \$80,488.

### **General Fund Budgetary Highlights**

During FY2010-11, the General Fund budget was amended at mid-year due to several better-than-expected revenue categories and to provide supplemental funding of the Phase 8 Street and Drainage Improvement Program. Although the net change in the budget was immaterial, the individual line items had significant adjustments. At the close of fiscal year 2011, less than 7% of the \$9,803,396 expenditure budget remained.

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 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 is 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, 2011 amounts to \$54,520,022 (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 as a modest \$1,927,277 or 3.7%. In these difficult economic times, this investment illustrates the City’s commitment to be careful stewards of the citizens’ money and property.

Although it would be easy to put off the high-dollar maintenance and replacement of infrastructure, Portland continues to make the capital investments necessary to maintain and improve our infrastructure. Thus, the following capital asset events occurred in 2011:

- The Water Storage Tank Rehabilitation project concluded in April 2011 when the Highway 181 500,000-gallon elevated storage tank was completed (total project: \$700,342).
- Bids were awarded and construction began on the sewer system reconstruction and improvement projects for the Old Town neighborhoods on the east (\$347,320 to date) and west (\$189,593 to date) sides of Highway 181.
- Design and surveying continued on the Wastewater Treatment Plant Improvements (\$212,519 to date).
- Construction began in July on the city-wide Streets and Drainage Improvement Program (Drainage costs to date: \$1.01 million; Street costs to date: \$979,502).
- The old City Hall on Moore Avenue was sold for \$113,796, with the proceeds being distributed between General Fund and the Water and Sewer System Fund.

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 Accumulated Depreciation**

Table 5

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	4,412,524	4,467,524	101,832	101,832	4,514,356	4,569,356
Buildings	15,829,448	16,306,311	516,189	531,862	16,345,637	16,838,173
Vehicles	979,527	998,327	-	-	979,527	998,327
Equipment	1,664,782	1,868,535	868,463	577,192	2,533,245	2,445,727
Infrastructure	11,307,891	11,766,689	15,566,795	14,793,050	26,874,686	26,559,739
Intangibles	26,459	47,627	367,177	367,177	393,636	414,804
Construction in Progress	979,502	128,694	1,899,433	637,925	2,878,935	766,619
<b>Total</b>	<u>35,200,133</u>	<u>35,583,707</u>	<u>19,319,889</u>	<u>17,009,038</u>	<u>54,520,022</u>	<u>52,592,745</u>

**Long-Term Debt.** The City's only activity related to debt issuance in 2011 was the Utility System Revenue Refunding Bonds, Series 2010. This transaction refinanced all of the Series 2000 and the majority of Series 2002 Revenue Bonds. This transaction reduced the Utility System annual debt service requirements and gave the System a net savings of \$253,000 over the remaining 12-year life span.

Since 2010, Standard & Poor's has rated on the Combined Tax and Limited Pledge Revenue Certificates of Obligation as "AA-" with stable outlook. The City's Utility System Revenue bonds are rated by Standard & Poor's at "A+" with stable outlook. 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 Note 4 of the Notes to the Basic Financial Statements on pages 36-39 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The City of Portland's economic outlook is guardedly optimistic. Although 2011 saw a slight decrease in the number of new home permits, the total value of the permits was a good deal higher than in the previous year. During 2011, a 24-hour emergency medical center opened, one restaurant was completed and construction on another started, and several small retail businesses opened their doors. To date in 2012, the City is enjoying an increase in both housing and retail business construction and continues to receive inquiries from potential retail and industrial developers.

The City's population appears to have bounced back to pre-2009 levels. Besides an increase in the number of new housing permits, the inventory of existing homes for sale has dropped and apartment complex occupation levels are up. The most sensitive and timely indicator of economic health - sales and use tax collections - continue to outperform the previous year with double digit increases each month.

The 2012 Budget includes several measures to prepare City operations to meet increased demands in all areas. In the utility departments, major reconstruction projects are underway to improve infrastructure in the older section of town which is enjoying modest re-development. In conjunction with the Texas Water Development Board, the City is leading a \$2.4 million dollar project to bring sewer service to residents in the City's northwest extra territorial jurisdiction. To further facilitate business development in the city's northeast growth corridor, the 2012 Budget provides funding for a Drainage Impact Fee study of the Broadway/Northshore Outfall Area.

In the general government area, the City is undertaking a comprehensive facility maintenance and improvement study to identify and prioritize repairs in all City buildings, athletic fields and sports complexes. In addition, 2012 will see the completion of the Street and Drainage Improvement Program that was started in July 2011 and the complete revamping of the Comprehensive Plan and the Unified Development Ordinance.

## **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.

## **BASIC FINANCIAL STATEMENTS**

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**portland**  
of possibilities.

CITY OF PORTLAND, TEXAS  
 GOVERNMENT - WIDE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2011

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	8,870,171	2,845,495	11,715,666
Receivables, Net of Allowance for Uncollectible:			
Delinquent Taxes	167,890	-	167,890
Accounts	620,201	713,273	1,333,474
Other	7,276	44	7,320
Due From Other Governments	355,614	-	355,614
Inventory	21,415	111,335	132,750
Prepaid Items	122,528	15,894	138,422
Escrow Funds	147,607	-	147,607
Internal Balances	63,710	(63,710)	-
Capitalized Bond and Other Debt Issuance Costs	465,271	352,406	817,677
Restricted Assets:			
Cash and Cash Equivalents	367,952	6,809,351	7,177,303
Capital Assets:			
Land	4,412,524	101,832	4,514,356
Intangibles	105,838	367,177	473,015
Buildings and Improvements	21,703,487	686,429	22,389,916
Vehicles	2,116,447	-	2,116,447
Furniture and Equipment	2,665,608	1,138,664	3,804,272
Water and Sewer System Infrastructure	-	20,983,430	20,983,430
Construction in Progress	39,113,818	1,635,425	40,749,243
Accumulated Depreciation	979,502	1,899,433	2,878,935
	<u>(35,897,091)</u>	<u>(7,492,501)</u>	<u>(43,389,592)</u>
<b>TOTAL ASSETS</b>	<u>46,409,768</u>	<u>30,103,977</u>	<u>76,513,745</u>
<b>LIABILITIES</b>			
Accounts Payable	725,377	738,423	1,463,800
Accrued Interest	68,360	40,311	108,671
Accrued Liabilities	137,492	18,909	156,401
Escrow	230,189	-	230,189
Deposits	179,643	379,899	559,542
Noncurrent Liabilities:			
Due within one year	1,082,031	789,901	1,871,932
Due in more than one year	13,239,675	11,632,794	24,872,469
<b>TOTAL LIABILITIES</b>	<u>15,662,767</u>	<u>13,600,237</u>	<u>29,263,004</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of Related Debt	22,977,675	12,975,355	35,953,030
Restricted for:			
Debt Service	765,884	205,288	971,172
Federal and State Programs	748,688	-	748,688
Unrestricted	6,254,754	3,323,097	9,577,851
<b>TOTAL NET ASSETS</b>	<u>30,747,001</u>	<u>16,503,740</u>	<u>47,250,741</u>

See accompanying notes to basic financial statements.

**CITY OF PORTLAND, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government and Administration	1,532,324	-	-	-
Cultural and Recreational	2,743,835	821,521	13,402	-
Public Safety	4,844,775	597,250	301,131	-
Public Works	1,756,566	321,594	-	59,500
Interest on Long Term Debt & Other Fiscal Charges	614,090	-	-	-
<b>Total Governmental Activities</b>	<u>11,491,590</u>	<u>1,740,365</u>	<u>314,533</u>	<u>59,500</u>
<b>Business-Type Activities:</b>				
Water and Sewer	4,952,414	5,821,151	287,475	144,250
Drainage	160,128	274,470	-	-
<b>Total Business-Type Activities</b>	<u>5,112,542</u>	<u>6,095,621</u>	<u>287,475</u>	<u>144,250</u>
<b>Total Government</b>	<u>16,604,132</u>	<u>7,835,986</u>	<u>602,008</u>	<u>203,750</u>

**General Revenues:**

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

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

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
(1,532,324)	-	(1,532,324)
(1,908,912)	-	(1,908,912)
(3,946,394)	-	(3,946,394)
(1,375,472)	-	(1,375,472)
(614,090)	-	(614,090)
<u>(9,377,192)</u>	<u>-</u>	<u>(9,377,192)</u>
-	1,300,462	1,300,462
-	114,342	114,342
-	1,414,804	1,414,804
<u>(9,377,192)</u>	<u>1,414,804</u>	<u>(7,962,388)</u>
4,553,921	-	4,553,921
3,404,064	-	3,404,064
1,009,656	-	1,009,656
267,274	-	267,274
95,830	35,594	131,424
402,355	14,492	416,847
-	41,091	41,091
24,719	(24,719)	-
<u>9,757,819</u>	<u>66,458</u>	<u>9,824,277</u>
380,627	1,481,262	1,861,889
30,366,374	15,022,478	45,388,852
<u>30,747,001</u>	<u>16,503,740</u>	<u>47,250,741</u>

CITY OF PORTLAND, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011

	<u>General</u>
ASSETS	
Cash and Cash Equivalents	4,916,594
Receivables, Net of Allowance for Uncollectible:	
Accounts	591,328
Ad Valorem Taxes	138,608
Other	-
Due from Other Funds	149,508
Due from Other Governments	-
Inventory	21,415
Prepaid Items	70,360
Escrow Funds	147,607
Restricted Assets	
Cash and Cash Equivalents	-
TOTAL ASSETS	<u>6,035,420</u>
LIABILITIES AND FUND BALANCE	
Accounts Payable	354,979
Accrued Interest Payable	-
Accrued Liabilities	134,759
Deposits	179,643
Escrow	-
Due to Other Funds	218,382
Deferred Revenue	138,608
TOTAL LIABILITIES	<u>1,026,371</u>
FUND BALANCE	
Non-Spendable	
Inventory	21,415
Prepaid Items	70,360
Restricted for:	
Law Enforcement	141,323
Debt Service	-
Federal and State Programs	-
Municipal Technology Fees	-
Building Security Fund	-
Hotel Occupancy Tax Reserve	-
Capital Improvements	-
Committed to:	
Windstorm Insurance	50,000
EMS	36,264
Fire Department	74,518
Public Safety Capital	204,468
Indian Point Pier	12,044
Old Town Development	2,199
Parks	28,274
Environmental Education	35
Capital Improvements	-
Assigned:	
Cultural and Recreational	-
Unassigned	4,368,149
TOTAL FUND BALANCE	<u>5,009,049</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>6,035,420</u>

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

Other Governmental Funds	Total Governmental Funds
3,867,495	8,784,089
28,873	620,201
29,282	167,890
7,276	7,276
158,155	307,663
355,614	355,614
-	21,415
52,168	122,528
-	147,607
<u>367,952</u>	<u>367,952</u>
<u>4,866,815</u>	<u>10,902,235</u>
291,083	646,062
819	819
2,733	137,492
-	179,643
230,189	230,189
99,293	317,675
<u>29,282</u>	<u>167,890</u>
<u>653,399</u>	<u>1,679,770</u>
-	21,415
52,168	122,528
-	141,323
804,143	804,143
129,596	129,596
9,675	9,675
52,294	52,294
530,369	530,369
1,197,313	1,197,313
-	50,000
-	36,264
-	74,518
-	204,468
-	12,044
-	2,199
-	28,274
-	35
490,516	490,516
947,342	947,342
-	4,368,149
<u>4,213,416</u>	<u>9,222,465</u>
<u>4,866,815</u>	<u>10,902,235</u>

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**CITY OF PORTLAND, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2011**

Exhibit 3-R

Total fund balance - total governmental funds	9,222,465
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	35,200,134
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	167,890
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	80,488
Other long-term liabilities which are not due in the current period are not reported in the funds	(763,241)
Payables for bond principal which are not due in the current period are not reported in the funds.	(13,359,540)
Premiums on issuance of bonds to be amortized over life of debt.	(198,925)
Payables for bond interest which are not due in the current period are not reported in the funds.	(67,541)
Bond issuance cost to be amortized over the life of the debt	465,271
Net assets of governmental activities - statement of net assets	<u><u>30,747,001</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, 2011**

	<u>General</u>
<b>REVENUES</b>	
Taxes	6,328,767
Licenses and Permits	309,303
Intergovernmental	26,576
Charges for Services	994,011
Fines and Forfeitures	191,816
Investment Income	67,230
Contributions	104,688
Oil Leases and Royalties	18,257
Other	<u>354,604</u>
Total Revenues	<u>8,395,252</u>
<b>EXPENDITURES</b>	
Current:	
General Government	1,387,969
Public Safety	4,367,063
Public Works	1,020,607
Cultural and Recreational	1,678,359
Debt Service:	
Principal Retirement	27,920
Interest and Fiscal Charges	<u>4,268</u>
Total Expenditures	<u>8,486,186</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b> <b>OVER EXPENDITURES</b>	<b>(90,934)</b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Sale of Capital Assets	75,864
Transfers In	904,684
Transfers Out	<u>(639,325)</u>
Total Other Financing Sources (Uses)	<u>341,223</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>250,289</b>
<b>FUND BALANCES, beginning of year</b>	<u>4,758,760</u>
<b>FUND BALANCES, end of year</b>	<u><u>5,009,049</u></u>

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

Exhibit 4

Other Governmental Funds	Total Governmental Funds
2,912,061	9,240,828
—	309,303
300,531	327,107
145,006	1,139,017
—	191,816
28,600	95,830
—	104,688
—	18,257
12,461	367,065
<u>3,398,659</u>	<u>11,793,911</u>
2,908	1,390,877
148,545	4,515,608
1,018,469	2,039,076
646,302	2,324,661
832,079	859,999
570,745	575,013
<u>3,219,048</u>	<u>11,705,234</u>
179,611	88,677
—	75,864
564,965	1,469,649
<u>(805,605)</u>	<u>(1,444,930)</u>
<u>(240,640)</u>	<u>100,583</u>
(61,029)	189,260
<u>4,274,445</u>	<u>9,033,205</u>
<u><u>4,213,416</u></u>	<u><u>9,222,465</u></u>

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**CITY OF PORTLAND, TEXAS**  
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2011*

Net change in fund balance - total governmental funds	189,260
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.	1,072,182
Capital contributions are not reported in the funds	(1,434,215)
Cost of capital assets sold are reported in the SOA, but do not appear in the funds.	59,500
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(81,041)
Repayment of bond and capital lease principal is an expenditure in the funds but is not an expense in the SOA.	(5,913)
Amortization of bond premium is an expense in the SOA but not in the funds	859,999
The net revenue (expense) of internal service funds is reported with governmental activities.	13,997
Amortization of bond issuance costs is an expense in the SOA but not in the funds.	(8,756)
Amortization of deferred amount is an expense reduction in the SOA but not in the funds.	(36,482)
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.	(20,149)
Change in OPEB obligations	(202,842)
Change in accrued interest payable	3,558
Change in compensated absences	(28,471)
Change in net assets of governmental activities - statement of activities	<u>380,627</u>

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

**CITY OF PORTLAND, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2011**

Exhibit 5  
page 1 of 2

	<u>Business Type Activities - Enterprise Funds</u>			<u>Governmental Activities- Internal Service Fund</u>
	<u>Water and Sewer</u>	<u>Drainage Fund</u>	<u>Total</u>	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	2,286,749	558,746	2,845,495	86,082
Accounts Receivable	690,240	27,285	717,525	--
Less Allowance for Uncollectible Accounts	(4,252)	--	(4,252)	--
Interest Receivable	--	44	44	--
Bond Issue Cost	318,050	78,712	396,762	--
Less Allowance for Amortization	(39,436)	(4,920)	(44,356)	--
Inventory	111,335	--	111,335	--
Prepaid Items	15,894	--	15,894	--
Due from General Fund	624	--	624	59,603
Due from Street Improvements Fund	--	--	--	--
Due from Restricted Use Fund	--	--	--	398
Due from Venue Tax Fund	--	--	--	1,151
Due from Water and Sewer Fund	--	--	--	12,570
<b>Total Current Assets</b>	<b>3,379,204</b>	<b>659,867</b>	<b>4,039,071</b>	<b>159,804</b>
<b>Non-Current Assets:</b>				
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	5,885,889	923,462	6,809,351	--
<b>Total Restricted Assets</b>	<b>5,885,889</b>	<b>923,462</b>	<b>6,809,351</b>	<b>--</b>
<b>Capital Assets:</b>				
Land	101,832	--	101,832	--
Intangible Assets	--	367,177	367,177	--
Buildings	686,429	--	686,429	--
Water System	8,756,949	--	8,756,949	--
Sewer System	12,226,481	--	12,226,481	--
Equipment	991,417	147,247	1,138,664	--
Infrastructure	--	1,635,425	1,635,425	--
Construction in Progress	888,605	1,010,828	1,899,433	--
<b>Total Capital Assets</b>	<b>23,651,713</b>	<b>3,160,677</b>	<b>26,812,390</b>	<b>--</b>
Less Accumulated Depreciation	(7,174,671)	(317,830)	(7,492,501)	--
<b>Net Capital Assets</b>	<b>16,477,042</b>	<b>2,842,847</b>	<b>19,319,889</b>	<b>--</b>
<b>Total Noncurrent Assets</b>	<b>22,362,931</b>	<b>3,766,309</b>	<b>26,129,240</b>	<b>--</b>
<b>TOTAL ASSETS</b>	<b>25,742,135</b>	<b>4,426,176</b>	<b>30,168,311</b>	<b>159,804</b>

**CITY OF PORTLAND, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2011**

Exhibit 5  
page 2 of 2

	<u>Business Type Activities - Enterprise Funds</u>			<u>Governmental Activities- Internal Service Fund</u>
	<u>Water and Sewer</u>	<u>Drainage Fund</u>	<u>Total</u>	
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	487,599	250,824	738,423	71,127
Flexible Spending Accounts	-	-	-	8,188
Accrued Liabilities	18,909	-	18,909	-
Accrued Vacation Leave	38,010	-	38,010	-
Due to General Fund	33,627	18,137	51,764	-
Due to Insurance Fund	12,570	-	12,570	-
Current Portion of Long-Term Debt-Bonds (Net of Bond Premium and Deferred Amount on Refundings)	591,646	160,245	751,891	-
Capital Lease Payable	-	-	-	-
Accrued Interest	31,828	8,483	40,311	-
Deposits	379,899	-	379,899	-
<b>Total Current Liabilities</b>	<b>1,594,088</b>	<b>437,689</b>	<b>2,031,777</b>	<b>79,315</b>
<b>Non-Current Liabilities:</b>				
Bonds Payable (Net of Bond Premium and Deferred Amount on Refundings)	9,750,533	1,738,413	11,488,946	-
Net OPEB Obligation	143,848	-	143,848	-
<b>Total Non-Current Liabilities</b>	<b>9,894,381</b>	<b>1,738,413</b>	<b>11,632,794</b>	<b>-</b>
<b>Total Liabilities</b>	<b>11,488,469</b>	<b>2,176,102</b>	<b>13,664,571</b>	<b>79,315</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	11,123,994	1,851,361	12,975,355	-
Restricted for:				
Debt Service	205,288	-	205,288	-
Unrestricted	2,924,384	398,713	3,323,097	80,488
<b>Net Assets</b>	<b>14,253,666</b>	<b>2,250,074</b>	<b>16,503,740</b>	<b>80,488</b>

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 ASSETS**  
**PROPRIETARY FUND TYPES**  
**YEAR ENDED SEPTEMBER 30, 2011**

Exhibit 6

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
<b>OPERATING REVENUES</b>				
Charges for Services	5,821,151	274,470	6,095,621	831,897
Miscellaneous	14,492	—	14,492	—
<b>Total Operating Revenues</b>	<b>5,835,643</b>	<b>274,470</b>	<b>6,110,113</b>	<b>831,897</b>
<b>OPERATING EXPENSES</b>				
Personnel Services	1,030,645	—	1,030,645	—
Maintenance	296,401	—	296,401	—
Purchase of Water	2,086,424	—	2,086,424	—
Contract Payments	108,208	947	109,155	833,327
Materials and Supplies	236,468	—	236,468	—
Utilities	307,562	—	307,562	—
Other Operating Expenses	—	—	—	7,381
Depreciation	489,393	84,612	574,005	—
Amortization	17,477	3,936	21,413	—
<b>Total Operating Expenses</b>	<b>4,572,578</b>	<b>89,495</b>	<b>4,662,073</b>	<b>840,708</b>
<b>Net Operating Income (Loss)</b>	<b>1,263,065</b>	<b>184,975</b>	<b>1,448,040</b>	<b>(8,811)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment Income	34,113	1,481	35,594	55
Intergovernmental Revenue	287,475	—	287,475	—
Gain on Sale of Capital Assets	41,091	—	41,091	—
Interest and Fiscal Charges	(379,836)	(70,633)	(450,469)	—
<b>Net Non-Operating Revenues (Expenses)</b>	<b>(17,157)</b>	<b>(69,152)</b>	<b>(86,309)</b>	<b>55</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>1,245,908</b>	<b>115,823</b>	<b>1,361,731</b>	<b>(8,756)</b>
Capital Contributions	144,250	—	144,250	—
Transfers In	—	289,138	289,138	—
Transfers Out	(313,857)	—	(313,857)	—
<b>Change in Net Assets</b>	<b>1,076,301</b>	<b>404,961</b>	<b>1,481,262</b>	<b>(8,756)</b>
<b>NET ASSETS BEGINNING OF YEAR</b>	<b>13,177,365</b>	<b>1,845,113</b>	<b>15,022,478</b>	<b>89,244</b>
<b>NET ASSETS END OF YEAR</b>	<b>14,253,666</b>	<b>2,250,074</b>	<b>16,503,740</b>	<b>80,488</b>

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, 2011**

Exhibit 7

	Business-Type Activities - Enterprise Funds			Governmental
	Water and Sewer	Drainage Fund	Total	Activities- Internal Service Fund
<b>Cash flow from operating activities:</b>				
Cash received from customers	5,745,959	271,165	6,017,124	843,180
Cash borrowed from other funds	—	(75,000)	(75,000)	—
Cash loaned to other funds	—	1,799,512	1,799,512	—
Cash payments to suppliers for goods and services	(2,921,924)	(903)	(2,922,827)	—
Cash payments to employees for services	(1,029,117)	—	(1,029,117)	—
Cash Payments for Loss Claims	—	—	—	(772,265)
Net cash provided by operating activities	<u>1,794,918</u>	<u>1,994,774</u>	<u>3,789,692</u>	<u>70,915</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds	—	289,138	289,138	—
Transfers to other funds	(313,857)	—	(313,857)	—
Net cash provided by noncapital financing activities	<u>(313,857)</u>	<u>289,138</u>	<u>(24,719)</u>	<u>—</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Cash received from other Governments	287,475	—	287,475	—
Principal Payment on bonds	(496,000)	(95,900)	(591,900)	—
Principal Payment on Capital Lease	—	(15,722)	(15,722)	—
Interest and Fiscal Charges Paid	(379,836)	(70,633)	(450,469)	—
Purchase of Capital Assets	(1,858,231)	(643,945)	(2,502,176)	—
Net Cash Used for Capital and Related Financing Activities	<u>(2,446,592)</u>	<u>(826,200)</u>	<u>(3,272,792)</u>	<u>—</u>
<b>Cash Flows from Investing Activities - Interest Income</b>	<u>34,113</u>	<u>1,437</u>	<u>35,550</u>	<u>55</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(931,418)	1,459,149	527,731	70,970
Cash and Cash Equivalents at Beginning of Year	<u>9,104,056</u>	<u>23,059</u>	<u>9,127,115</u>	<u>15,112</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>8,172,638</u></u>	<u><u>1,482,208</u></u>	<u><u>9,654,846</u></u>	<u><u>86,082</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating Income	1,263,065	184,975	1,448,040	(8,811)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>				
Depreciation	489,393	84,612	574,005	—
Amortization	17,477	3,936	21,413	—
<b>Change in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivable	(89,684)	(3,261)	(92,945)	—
(Increase) Decrease in Due from Other Funds	1,952	1,724,512	1,726,464	11,282
(Increase) Decrease in Inventory	(10,577)	—	(10,577)	—
(Increase) Decrease in Prepaid Expense	253,453	—	253,453	—
Increase (Decrease) in Accounts Payable	(193,416)	—	(193,416)	68,444
Increase (Decrease) in Accrued Liabilities	1,528	—	1,528	—
Increase (Decrease) in Due to Other Funds	29,647	—	29,647	—
Increase (Decrease) in Accrued Vacation Leave	620	—	620	—
Increase (Decrease) in Accrued Interest	(4,421)	—	(4,421)	—
Increase (Decrease) in Deposits	35,881	—	35,881	—
Net Cash Provided (Used) by Operating Activities	<u>1,794,918</u>	<u>1,994,774</u>	<u>3,789,692</u>	<u>70,915</u>

**Noncash Investing, Capital, and Financing Activities:**

During this past year, the Enterprise Funds received \$144,250 noncash capital contributions from developers consisting of water and sewer infrastructure.

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, 2011**

**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 City complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**B. Basis of Presentation**

The government-wide financial statements (the statement of net assets 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.

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The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements:**

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

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

**General Fund-**

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

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 Assets. The City has presented the following major proprietary funds:

**Water and Sewer System Fund-**

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

**Drainage Fund-**

The Drainage Fund is used to finance drainage system permits, studies, plans, 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.

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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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. Measurement Focus/Basis of Accounting**

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

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

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

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

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D. Encumbrances

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

E. Investments

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

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

F. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded 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 fund balance reserve which indicates that it does not constitute "available spendable resources" even though it is a component of net current assets. The inventories in the Proprietary Funds consist of supplies and are recorded at the lower of average cost or market.

H. Interfund Receivables and Payables

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

I. Transactions between Funds

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

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

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**J. Capital Assets**

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

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

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

**K. Compensated Absences**

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

**L. Net Assets and Fund Equity**

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

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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** – represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

**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.

**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. New Pronouncements**

For the year ending September 30, 2011, the City implemented the following statement of financial accounting standards issued by the Governmental Accounting Standards Board:

*GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*

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GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

## **2. CASH AND INVESTMENTS**

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

### **Legal and Contractual Provisions Governing Deposits and Investments**

The Public Funds Investment Act (Texas Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

### **Interlocal Governmental Investment Pools**

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

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

**CITY OF PORTLAND, TEXAS**  
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A. Cash Deposits:

At September 30, 2011, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,058,209 and the bank balance was \$8,026,506. The City's cash deposits at September 30, 2011 and during the period ended September 30, 2010, 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, 2011, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 2	2 to 3
Investment Pools:				
Investment in TexPool	10,982,367	10,982,367	-	-
Total Fair Value	<u>10,982,367</u>	<u>10,982,367</u>	<u>-</u>	<u>-</u>

Interest Rate Risk – In accordance with state law and City policy, the City does not purchase any investments with maturities greater than 10 years.

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.

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**3. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	4,467,524	-	(55,000)	4,412,524
Construction in Progress	128,694	850,808	-	979,502
Total capital assets, not being depreciated	4,596,218	850,808	(55,000)	5,392,026
Capital assets, being depreciated				
Building and Improvements	21,988,929	-	(285,442)	21,703,487
Vehicles	2,018,741	127,724	(30,018)	2,116,447
Equipment and Furniture	2,578,630	93,650	(6,672)	2,665,608
Infrastructure	39,054,318	59,500	-	39,113,818
Intangibles	105,838	-	-	105,838
Total capital assets, being depreciated	65,746,456	280,874	(322,132)	65,705,198
Less accumulated depreciation for:				
Buildings and Improvements	(5,576,780)	(556,821)	259,562	(5,874,039)
Vehicles	(1,020,414)	(146,524)	30,018	(1,136,920)
Equipment and Furniture	(815,933)	(191,404)	6,511	(1,000,826)
Infrastructure	(27,287,629)	(518,298)	-	(27,805,927)
Intangibles	(58,211)	(21,168)	-	(79,379)
Total accumulated depreciation	(34,758,967)	(1,434,215)	296,091	(35,897,091)
Total capital assets, being depreciated, net	30,987,489	(1,153,341)	(26,041)	29,808,107
Governmental activities capital assets, net	35,583,707	(302,533)	(81,041)	35,200,133
<b>Business-type Activities:</b>				
Capital assets, not being depreciated				
Land	101,832	-	-	101,832
Intangibles	367,177	-	-	367,177
Construction in Progress	637,925	1,529,407	(267,899)	1,899,433
Total capital assets, not being depreciated	1,106,934	1,529,407	(267,899)	2,368,442
Capital assets, being depreciated				
Buildings	686,429	-	-	686,429
Water System	7,931,442	825,507	-	8,756,949
Sewer System	11,792,183	434,298	-	12,226,481
Equipment	820,184	363,543	(45,063)	1,138,664
Infrastructure	1,635,425	-	-	1,635,425
Total capital assets, being depreciated	22,865,663	1,623,348	(45,063)	24,443,948
Less accumulated depreciation for:				
Buildings	(154,567)	(15,673)	-	(170,240)
Water System	(2,623,759)	(141,084)	-	(2,764,843)
Sewer System	(3,753,689)	(279,072)	-	(4,032,761)
Equipment	(242,992)	(72,272)	45,063	(270,201)
Infrastructure	(188,552)	(65,904)	-	(254,456)
Total accumulated depreciation	(6,963,559)	(574,005)	45,063	(7,492,501)
Total capital assets, being depreciated, net	15,902,104	1,049,343	-	16,951,447
Business-type activities capital assets, net	17,009,038	2,578,750	(267,899)	19,319,889

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

Governmental activities:	
General government and administration	113,367
Public Safety	348,746
Public Works	543,897
Cultural and recreational	<u>428,205</u>
Total depreciation expense - Governmental activities	<u><u>1,434,215</u></u>
Business-type activities:	
Water and Sewer	489,394
Drainage	<u>84,611</u>
Total Depreciation Expense - Business-type Activities	<u><u>574,005</u></u>

**CITY OF PORTLAND, TEXAS**  
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**4. LONG-TERM DEBT**

Refunding Bonds

On December 15, 2010, the City issued \$2,370,000 Utility System Revenue Refunding Bonds, Series 2010 with interest rates varying from 2.00% to 4.00%. The City issued the bonds to advance refund outstanding Utility System Revenue Bonds, Series 2000 and Series 2002, in the amount of \$1,190,000 and \$1,075,000, respectively, with interest rates varying from 3.950% 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 2000 and 2002 Series bonds. As a result, the 2000 and 2002 Series bonds are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds for Series 2000 and 2002 were redeemed December 22, 2010 and September 1, 2011, respectively.

The advance refunding reduced total debt service payments over the next 11 years by approximately \$122,891. This results in an economic gain (difference between the present values of the debt service payments of old and new debt) of \$103,078.

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2011.

	BALANCE OCTOBER 1	ADDITIONS	REDUCTIONS	BALANCE SEPTEMBER 30	DUE WITHIN ONE YEAR
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Bonds	9,243,640	-	459,100	8,784,540	476,765
Sales Tax Revenue Bonds	4,845,000	-	270,000	4,575,000	280,000
Bond Premium	212,922	-	13,997	198,925	13,997
Deferred Amount on Refunding	(283,171)	-	(20,149)	(263,022)	(20,149)
Total Bonds Payable	14,018,391	-	722,948	13,295,443	750,613
Capital Leases	225,596	-	130,899	94,697	94,697
Compensated Absences	326,610	342,575	314,104	355,081	236,721
OPEB Obligations	373,643	232,736	29,894	576,485	-
Total Governmental Activities	14,944,240	575,311	1,197,845	14,321,706	1,082,031
<b>BUSINESS-TYPE ACTIVITIES</b>					
Revenue Bonds	10,922,000	2,370,000	2,866,000	10,426,000	596,000
General Obligation Bonds	1,956,360	-	95,900	1,860,460	158,235
Bond Premium	40,209	47,971	3,811	84,369	4,409
Deferred Amount on Refunding	-	(135,057)	(5,065)	(129,992)	(6,753)
Capital Leases	15,722	-	15,722	-	-
Compensated Absences	37,390	38,010	37,390	38,010	38,010
OPEB Obligations	94,490	49,358	-	143,848	-
Total Business-Type Activities	13,066,171	2,370,282	3,013,758	12,422,695	789,901
Total Government	28,010,411	2,945,593	4,211,603	26,744,401	1,871,932

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**BONDED DEBT LIABILITIES**

At September 30, 2011, bonds payable consisted of the following individual issues:

	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>
Combination Tax and Revenue Certificates of Obligation, Series 1997, Maturing in Fiscal 2013 and Bearing Interest at 4.75% (Original Debt \$630,000)	120,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2003, Maturing in Fiscal 2022 and Bearing Interest at 3.75% to 5.25% (Original Debt \$670,000)	440,000	-
Sales Tax Revenue Bonds, Series 2003, Maturing in Fiscal 2023 and Bearing Interest at 2.625% to 4.60% (Original Debt \$3,420,000)	2,300,000	-
Utility System Revenue Bonds, Series 2004, Maturing in Fiscal 2025, and Bearing Interest at 3.70% to 4.60% (Original Debt \$2,580,000)	-	2,015,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006, Maturing in Fiscal 2026 and Bearing Interest at 4.10% to 5.00% (Original Debt \$3,170,000)	2,655,000	-
Sales Tax Revenue Refunding Bonds, Series 2007, Maturing in 2025 and Bearing Interest at 4.00% to 4.25% (Original Debt \$2,635,000)	2,275,000	-
Utility System Revenue Bonds, Series 2009, Maturing in Fiscal 2029 and Bearing Interest at 3.760% to 4.810% (Original Debt \$322,000)	-	311,000
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)	-	5,860,000
Combination Tax and Revenue Certificates of Obligation, Series 2010, Maturing in Fiscal 2030 and Bearing Interest at 2.00% to 4.00% (Original Debt \$4,080,000)	2,019,540	1,860,460
General Obligation Refunding Bonds, Series 2010, Maturing in 2024 and Bearing Interest at 2.00% to 4.00% (Original Debt \$3,620,000)	3,550,000	-
Utility System Revenue Bonds, Series 2010, Maturing in Fiscal 2022 and Bearing Interest at 2.00% to 4.00% (Original Debt \$2,370,000)	-	2,240,000
<b>Total Bonds Payable</b>	<u><u>13,359,540</u></u>	<u><u>12,286,460</u></u>

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The annual requirements for bonds for years subsequent to September 30, 2011, are as follows:

REVENUE BONDS

YEAR ENDING SEPTEMBER 30	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2012	280,000	186,990	466,990	596,000	381,934	977,934
2013	285,000	176,565	461,565	622,000	367,340	989,340
2014	300,000	165,565	465,565	642,000	351,191	993,191
2015	310,000	153,877	463,877	663,000	334,315	997,315
2016	315,000	141,648	456,648	688,000	315,874	1,003,874
2017-2021	1,830,000	496,739	2,326,739	3,598,000	1,198,046	4,796,046
2022-2026	1,255,000	100,320	1,355,320	2,440,000	554,662	2,994,662
2027-2029	-	-	-	1,177,000	106,200	1,283,200
<b>TOTAL</b>	<b>4,575,000</b>	<b>1,421,704</b>	<b>5,996,704</b>	<b>10,426,000</b>	<b>3,609,562</b>	<b>14,035,562</b>

GENERAL OBLIGATION BONDS

YEAR ENDING SEPTEMBER 30	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2012	476,765	350,843	827,608	158,235	67,867	226,102
2013	560,740	335,932	896,672	134,260	64,703	198,963
2014	542,318	315,707	858,025	112,682	60,675	173,357
2015	562,523	296,976	859,499	117,477	57,294	174,771
2016	582,523	277,435	859,958	117,477	53,770	171,247
2017-2021	3,007,425	1,011,720	4,019,145	407,575	209,392	616,967
2022-2026	2,622,834	374,307	2,997,141	417,166	131,521	548,687
2027-2030	429,412	44,810	474,222	395,588	41,278	436,866
<b>TOTAL</b>	<b>8,784,540</b>	<b>3,007,730</b>	<b>11,792,270</b>	<b>1,860,460</b>	<b>686,500</b>	<b>2,546,960</b>

**CITY OF PORTLAND, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

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, 2011.

The components of restricted cash and cash equivalents as of September 30, 2011 are as follows:

Revenue Bond Construction	5,268,327
Revenue Bond Reserve	25,852
Interest and Sinking Fund--Bonds	211,810
Customer Deposits	366,803
Other Deposits	<u>13,097</u>
Total Restricted Cash and Cash Equivalents	<u>5,885,889</u>

Defeased Bonds Outstanding-

At September 30, 2011 there was no principal of defeased bonds outstanding.

Authorized But Not Issued Debt-

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

CAPITAL LEASES

During 2005 the City entered into a lease agreement for the acquisition of a 2005 Aerial HD ladder truck at a cost of \$496,769. During 2007 the City acquired a tractor and reach mower for \$107,418 for the Drainage Utility Fund. During 2009 the City acquired a flatbed truck for \$30,500, an ambulance for \$126,472, and an emergency 911 system for \$88,643. The Drainage Utility Fund pays the debt on the tractor and reach mower. All other governmental fund capital lease debt is paid by the Debt Service Fund. The lease agreements qualify as capital leases for accounting purposes, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. Future minimum lease payments are as follows:

**CITY OF PORTLAND, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

<u>FISCAL YEAR ENDING SEPTEMBER 30</u>	<u>GOVERNMENTAL ACTIVITIES</u>
2012	98,391
Thereafter	-
<b>TOTAL</b>	<u>98,391</u>
Less amount representing interest (Rate 4.05% - 5.63%)	<u>(3,694)</u>
Present value of future minimum lease payments	<u>94,697</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, 2011 were as follows:

<u>TRANSFERS OUT</u>	<u>TRANSFERS IN</u>			<u>TOTAL</u>
	<u>GENERAL FUND</u>	<u>NON MAJOR GOVERNMENTAL</u>	<u>DRAINAGE FUND</u>	
Nonmajor Governmental	590,827	214,778	-	805,605
Water and Sewer System	313,857	-	-	313,857
General Fund	-	350,187	289,138	639,325
<b>TOTAL</b>	<u>904,684</u>	<u>564,965</u>	<u>289,138</u>	<u>1,758,787</u>

- The General Fund received transfers from the Water and Sewer System Fund and from nonmajor governmental funds to cover allocated amounts of administrative service charges and other expenditures. Transfers from the Water and Sewer System Fund are in compliance with Texas Water Code, Section 16.356.
- The transfers received by the nonmajor governmental funds were for debt service and to supplement fund revenues.
- Transfers to the Drainage Fund were to supplement the fund for drainageway improvements.

**CITY OF PORTLAND, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

Interfund receivables and payables at September 30, 2011 are as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
<b>GOVERNMENTAL FUNDS</b>		
General Fund	149,508	218,382
Nonmajor Governmental	158,155	99,293
Total Governmental	<u>307,663</u>	<u>317,675</u>
<b>ENTERPRISE FUNDS</b>		
Water and Sewer System	624	46,197
Drainage Fund	-	18,137
Total Enterprise	<u>624</u>	<u>64,334</u>
<b>INTERNAL SERVICE FUND</b>	<u>73,722</u>	-
<b>TOTAL</b>	<u><u>382,009</u></u>	<u><u>382,009</u></u>

The interfund balances at September 30, 2011 are generally short-term loans to cover temporary cash flows and reimbursements for various funds. All interfund balances are expected to be repaid in less than one year.

**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.

**8. PENSION PLAN**

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677. In addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

**CITY OF PORTLAND, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

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 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age / years of service)	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**Contributions**

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

Three-year trend information is as follows:

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
2009	\$554,595	\$554,595	100%	-0-
2010	\$652,144	\$652,144	100%	-0-
2011	\$728,100	\$728,100	100%	-0-

**CITY OF PORTLAND, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29 years; closed period	28 years; closed period	27.2 years; closed period
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
* Investment Rate of Return	7.5%	7.5%	7.0%
* Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2010	\$9,961,686	\$14,780,962	67.4%	\$4,819,276	\$4,948,722	97.4%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF PORTLAND, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 2011

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 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 four retirees on the plan and no dependents. Inasmuch as the plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued. Continuation of these benefits is dependent on periodic authorization by the City Council.

Funding Policy

The City may contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For 2011, the City made no contributions and instead elected to continue funding on a pay-as-you-go basis, which amounted to \$29,894 for 2011. In 2011 and prior years, the General Fund has been used to provide this funding.

Annual OPEB Cost and Net OPEB Obligation

For 2011, 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	281,257
Interest on net OPEB obligation	18,725
Adjustment to annual required contribution	<u>(17,888)</u>
Annual OPEB cost	282,094
Contributions or payments made	<u>(29,894)</u>
Increase in net OPEB obligation	252,200
Net OPEB obligation, beginning of year	<u>468,133</u>
Net OPEB obligation, end of year	<u><u>720,333</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, 2011**

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	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2011	4.00%	281,257	10.63%	720,331
2010	4.00%	281,000	15.87%	468,133
2009	4.00%	269,000	13.85%	231,744

**Funded Status and Funding Progress**

The funded status of the Plan as of October 1, 2011, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	(1)	2,595,642	
Actuarial value of assets	(2)	<u>-</u>	
Unfunded AAL (UAAL)	(3)	<u>2,595,642</u>	(1) - (2)
Funded ratio	(4)	<u>0.0%</u>	(2) / (1)
Covered payroll	(5)	<u>4,306,140</u>	
UAAL as % of covered payroll	(6)	<u>60.3%</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, 2011**

The latest actuarial valuation for the City was completed as of October 1, 2010. The significant assumptions underlying the actuarial calculations are as follows:

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

**B. Supplemental Death Benefits Fund**

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

**CITY OF PORTLAND, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

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.

	<u>Plan Year 2010</u>	<u>Plan Year 2011</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 2011, 2010 and 2009 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>
2009	0.25%	0.25%	100.00%
2010	0.22%	0.22%	100.00%
2011	0.22%	0.22%	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, 2011 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.

**CITY OF PORTLAND, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

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

**12. CONSTRUCTION COMMITMENTS**

The City has active construction projects as of September 30, 2011. At year end the construction commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
<b>General Government</b>		
Street Improvement Project, Phase 8	979,502	1,328,009
Total General Government	<u>979,502</u>	<u>1,328,009</u>
<b>Enterprise</b>		
Doyle Addition - Sewer - EDAP	347,320	2,793,000
Northshore Drainage Outfall Improvements	1,861	68,008
Old Town Lift Station	139,171	657,200
Memorial Parkway Force Main	189,593	189,777
Wastewater Treatment Plant Improvements	212,519	44,171
Curbs & Gutter Work, SIP 8	1,008,967	1,223,401
Total Enterprise	<u>1,899,431</u>	<u>4,975,557</u>
<b>TOTAL</b>	<u><u>2,878,933</u></u>	<u><u>6,303,566</u></u>

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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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## CITY OF PORTLAND, TEXAS

Exhibit A-1

## GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
 YEAR ENDED SEPTEMBER 30, 2011  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010

	2011			Variance With Final Budget Positive (Negative)	2010
	Budgeted Amounts		Actual (Budgetary Basis)		Actual (Budgetary Basis)
	Original	Final			
<b>REVENUES</b>					
Taxes	6,251,305	6,512,376	6,328,767	(183,609)	6,262,836
Licenses and Permits	192,560	311,040	309,303	(1,737)	153,993
Intergovernmental	95,300	112,542	26,576	(85,966)	37,794
Charges for Services	1,033,110	1,042,969	994,011	(48,958)	942,007
Fines and Forfeitures	249,200	335,316	191,816	(143,500)	194,155
Investment Income	32,000	30,250	67,230	36,980	37,768
Contributions	5,835	14,687	104,688	90,001	98,028
Oil Leases and Royalties	60,000	60,000	18,257	(41,743)	43,539
Other	16,500	152,752	354,604	201,852	204,602
<b>Total Revenues</b>	<b>7,935,810</b>	<b>8,571,932</b>	<b>8,395,252</b>	<b>(176,680)</b>	<b>7,974,722</b>
<b>EXPENDITURES</b>					
Current					
General Government	1,569,770	1,597,789	1,387,969	209,820	1,268,163
Public Safety	4,478,366	4,547,996	4,367,063	180,933	4,357,187
Public Works	1,048,281	1,106,264	1,020,607	85,657	1,034,464
Cultural and Recreational	1,843,667	1,880,373	1,678,359	202,014	1,668,845
Debt Service					
Principal Retirement	—	27,920	27,920	—	28,296
Interest and Fiscal Charges	—	4,268	4,268	—	3,892
<b>Total Expenditures</b>	<b>8,940,084</b>	<b>9,164,610</b>	<b>8,486,186</b>	<b>678,424</b>	<b>8,360,847</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,004,274)</b>	<b>(592,678)</b>	<b>(90,934)</b>	<b>501,744</b>	<b>(386,125)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Capital Assets	—	—	75,864	75,864	218,859
Transfers In	963,311	963,311	904,684	(58,627)	964,191
Transfers Out	—	(639,325)	(639,325)	—	(92,295)
<b>Total Other Financing Sources (Uses)</b>	<b>963,311</b>	<b>323,986</b>	<b>341,223</b>	<b>17,237</b>	<b>1,090,755</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(40,963)</b>	<b>(268,692)</b>	<b>250,289</b>	<b>518,981</b>	<b>704,630</b>
FUND BALANCE (BUDGETARY BASIS), beginning of year	4,758,760	4,758,760	4,758,760	—	4,054,130
FUND BALANCE (BUDGETARY BASIS), end of year	<u>4,717,797</u>	<u>4,490,068</u>	<u>5,009,049</u>	<u>518,981</u>	<u>4,758,760</u>
Plus Effect of Encumbrances			—		—
Less Effect of Capital Lease Purchases			—		—
<b>FUND BALANCE (GAAP BASIS)</b>			<u>5,009,049</u>		<u>4,758,760</u>

See accompanying notes to required supplementary information.

**CITY OF PORTLAND, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2011**

**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	250,289	5,009,049
Reserve for Encumbrances at 10-1-10	-	-
Reserve for Encumbrances at 9-30-11	-	-
Budgetary Basis	<u>250,289</u>	<u>5,009,049</u>

## CITY OF PORTLAND, TEXAS

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2008	6,386,094	10,605,048	60.2%	4,218,954	4,306,350	98.0%
12/31/2009	7,479,403	12,178,090	61.4%	4,698,687	4,573,350	102.7%
12/31/2010	9,961,686	14,780,962	67.4%	4,819,276	4,948,722	97.4%

## 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
2009	\$ -	\$2,124,000	0.0%	\$2,124,000	\$4,183,673	50.8%
2010	\$ -	\$2,359,000	0.0%	\$2,359,000	\$4,382,544	53.8%
2011	\$ -	\$2,595,642	0.0%	\$2,595,642	\$4,306,140	60.3%

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES AS  
SUPPLEMENTARY INFORMATION**

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## **GOVERNMENTAL FUNDS**

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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.

**CITY OF PORTLAND, TEXAS**  
**GENERAL FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

Exhibit B-1

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	4,916,594	4,729,527
Receivables:		
Delinquent Taxes	138,608	147,215
Accounts	591,328	568,184
Due from Other Governments	-	5,936
Due from Enterprise Fund	51,764	96,510
Due from Other Special Revenue Funds	85,752	5
Due from Other Capital Projects Funds	11,992	6,209
Inventory	21,415	27,343
Prepaid Items	70,360	68,662
Escrow Funds	147,607	147,419
	<u>6,035,420</u>	<u>5,797,010</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES AND FUND BALANCE</b>		
Accounts Payable	354,979	432,241
Accrued Liabilities	134,759	117,247
Deposits	179,643	161,775
Due to Enterprise Fund	624	2,644
Due to Insurance Fund	59,603	70,667
Due to Debt Service	-	-
Due to Special Revenue Fund	121,830	106,461
Due to Construction Fund	36,325	-
Deferred Revenue	138,608	147,215
<b>TOTAL LIABILITIES</b>	<u>1,026,371</u>	<u>1,038,250</u>
<b>FUND BALANCE</b>		
Non-Spendable:		
Inventory	21,415	27,343
Prepaid Items	70,360	68,662
Restricted for:		
Law Enforcement	141,323	26,754
Committed to:		
Windstorm Insurance	50,000	50,000
EMS	36,264	36,264
Fire Department	74,518	74,518
Public Safety Capital	204,468	204,468
Indian Point Pier	12,044	12,044
Old Town Development	2,199	2,199
Parks	28,274	21,774
Environmental Education	35	35
Unassigned	4,368,149	4,234,699
<b>TOTAL FUND BALANCE</b>	<u>5,009,049</u>	<u>4,758,760</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>6,035,420</u>	<u>5,797,010</u>

**CITY OF PORTLAND, TEXAS**  
**GENERAL FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2011. AND 2010**

Exhibit B-2

	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>		
Taxes	6,328,767	6,262,836
Licenses and Permits	309,303	153,993
Intergovernmental	26,576	37,794
Charges for Services	994,011	942,007
Fines and Forfeitures	191,816	194,155
Investment Income	67,230	37,768
Contributions	104,688	98,028
Oil Leases and Royalties	18,257	43,539
Other	354,604	204,602
Total Revenues	<u>8,395,252</u>	<u>7,974,722</u>
 <b>EXPENDITURES</b>		
Current		
General Government	1,387,969	1,268,163
Public Safety	4,367,063	4,357,187
Public Works	1,020,607	1,034,464
Cultural and Recreational	1,678,359	1,668,845
Debt Service		
Principal Retirement	27,920	28,296
Interest and Fiscal Charges	4,268	3,892
Total Expenditures	<u>8,486,186</u>	<u>8,360,847</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES</b> <b>OVER EXPENDITURES</b>	 (90,934)	 (386,125)
 <b>OTHER FINANCING SOURCES (USES)</b>		
Sale of Capital Assets	75,864	218,859
Capital Leases	-	-
Transfers In	904,684	964,191
Transfers Out	<u>(639,325)</u>	<u>(92,295)</u>
Total Other Financing Sources (Uses)	<u>341,223</u>	<u>1,090,755</u>
 <b>NET CHANGE IN FUND BALANCE</b>	 250,289	 704,630
 <b>FUND BALANCE, beginning of year</b>	 <u>4,758,760</u>	 <u>4,054,130</u>
<b>FUND BALANCE, end of year</b>	<u>5,009,049</u>	<u>4,758,760</u>

**CITY OF PORTLAND, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES BY DEPARTMENTS**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2011**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010**

Exhibit B-3

	2011			Variance with Final Budget Positive (Negative)	2010
	Budgeted Amounts		Actual (Budgetary Basis)		Actual (Budgetary Basis)
	Original	Final			
<b>Current Expenditures</b>					
<u>General Administration</u>					
Administration	1,085,682	1,086,100	886,351	199,749	817,214
Accounting	326,067	337,860	328,861	8,999	320,741
Information Technology	158,021	173,829	172,757	1,072	130,208
Total General Administration	<u>1,569,770</u>	<u>1,597,789</u>	<u>1,387,969</u>	<u>209,820</u>	<u>1,268,163</u>
<u>Public Safety</u>					
Police Administration	2,939,828	3,025,975	2,894,905	131,070	2,870,963
Fire Department	1,328,325	1,296,244	1,255,716	40,528	1,288,003
Animal Control	69,648	72,812	71,977	835	62,711
Municipal Court	140,565	152,965	144,465	8,500	135,510
Total Public Safety	<u>4,478,366</u>	<u>4,547,996</u>	<u>4,367,063</u>	<u>180,933</u>	<u>4,357,187</u>
<u>Public Works</u>					
General Services Department	59,130	90,009	61,506	28,503	54,676
Street Maintenance	546,684	569,945	547,254	22,691	519,605
Vehicle Maintenance	69,168	84,059	74,596	9,463	66,541
Community Development	373,299	362,251	337,251	25,000	393,642
Total Public Works	<u>1,048,281</u>	<u>1,106,264</u>	<u>1,020,607</u>	<u>85,657</u>	<u>1,034,464</u>
<u>Culture and Recreation</u>					
Park Maintenance	467,397	508,919	451,135	57,784	439,686
Community Center	651,265	635,609	565,708	69,901	562,592
Swimming Pool	—	—	—	—	—
Kidz Klub/Kidz Kamp	228,675	234,616	196,792	37,824	192,935
Latch Key Program	—	—	—	—	—
Senior Citizens Center	70,463	63,613	57,596	6,017	61,124
Skate Park	5,950	3,774	1,491	2,283	1,008
Library	419,917	433,842	405,637	28,205	411,500
Total Culture and Recreation	<u>1,843,667</u>	<u>1,880,373</u>	<u>1,678,359</u>	<u>202,014</u>	<u>1,668,845</u>
<b>Total Current Expenditures</b>	<u><b>8,940,084</b></u>	<u><b>9,132,422</b></u>	<u><b>8,453,998</b></u>	<u><b>678,424</b></u>	<u><b>8,328,659</b></u>

# 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.

## Debt Service Fund

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

## Capital Project Funds

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

Street Improvements Fund – to account for street improvements financed by general obligation bonds.

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

City Hall Construction Fund – established to account for the construction of a new City Hall financed by funding from the General Fund and the Water and Sewer System Fund.

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

CITY OF PORTLAND, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2011

	Special Revenue			
	Shoreline And Wetlands Fund	Portland Community Center Complex Development Fund	Restricted Use Fund	Venue Sales Tax Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	1,505	465,088	768,594	327,542
Receivables				
Accounts	-	-	26,678	-
Ad Valorem Taxes	-	-	-	-
Other	-	-	409	5,694
Due from Other Governments	-	83,025	-	83,025
Due from Other Funds	-	705	23,670	2,002
Prepaid Item	-	-	-	-
Prepaid Insurance	-	28,233	-	23,935
Restricted Assets				
Cash and Cash Equivalents	-	-	-	367,952
<b>TOTAL ASSETS</b>	<u>1,505</u>	<u>577,051</u>	<u>819,351</u>	<u>810,150</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Accounts Payable	-	-	13,796	5,238
Accrued Interest Payable	-	-	819	-
Accrued Wages Payable	-	-	-	2,733
Deferred Revenue - Ad Valorem Taxes	-	-	-	-
Escrow	-	-	212,000	-
Due to Other Funds	-	85,724	398	1,174
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>85,724</u>	<u>227,013</u>	<u>9,145</u>
<b>FUND BALANCE</b>				
Non-Spendable:				
Prepaid Items	-	28,233	-	23,935
Restricted For:				
Debt Service	-	-	-	294,327
Federal and State Programs	-	-	-	-
Municipal Technology Fees	-	-	9,675	-
Building Security Fund	-	-	52,294	-
Hotel Occupancy Tax Reserve	-	-	530,369	-
Capital Improvements	-	-	-	-
Committed to:				
Capital Improvements	-	-	-	-
Assigned				
Cultural and Recreational	1,505	463,094	-	482,743
<b>TOTAL FUND BALANCE</b>	<u>1,505</u>	<u>491,327</u>	<u>592,338</u>	<u>801,005</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>1,505</u>	<u>577,051</u>	<u>819,351</u>	<u>810,150</u>

Capital Projects									
Grants Administration Fund	Total Special Revenue Funds	Debt Service Fund	Capital Improvements Fund	Street Improvements Fund	Community Center Construction Fund	City Hall Construction Fund	Venue Sales Tax Construction Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
(52,169)	1,510,560	506,849	6,125	1,610,013	108,189	1,431	124,328	1,850,086	3,867,495
-	26,678	2,195	-	-	-	-	-	-	28,873
-	-	29,282	-	-	-	-	-	-	29,282
-	6,103	772	-	401	-	-	-	401	7,276
104,506	270,556	-	85,058	-	-	-	-	85,058	355,614
95,453	121,830	-	-	36,325	-	-	-	36,325	158,155
-	-	-	-	-	-	-	-	-	-
-	52,168	-	-	-	-	-	-	-	52,168
-	367,952	-	-	-	-	-	-	-	367,952
<u>147,790</u>	<u>2,355,847</u>	<u>539,098</u>	<u>91,183</u>	<u>1,646,739</u>	<u>108,189</u>	<u>1,431</u>	<u>124,328</u>	<u>1,971,870</u>	<u>4,866,815</u>
-	19,034	-	363	271,686	-	-	-	272,049	291,083
-	819	-	-	-	-	-	-	-	819
-	2,733	-	-	-	-	-	-	-	2,733
-	-	29,282	-	-	-	-	-	-	29,282
18,189	230,189	-	-	-	-	-	-	-	230,189
5	87,301	-	11,992	-	-	-	-	11,992	99,293
<u>18,194</u>	<u>340,076</u>	<u>29,282</u>	<u>12,355</u>	<u>271,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,041</u>	<u>653,399</u>
-	52,168	-	-	-	-	-	-	-	52,168
-	294,327	509,816	-	-	-	-	-	-	804,143
129,596	129,596	-	-	-	-	-	-	-	129,596
-	9,675	-	-	-	-	-	-	-	9,675
-	52,294	-	-	-	-	-	-	-	52,294
-	530,369	-	-	-	-	-	-	-	530,369
-	-	-	78,828	994,157	-	-	124,328	1,197,313	1,197,313
-	-	-	-	380,896	108,189	1,431	-	490,516	490,516
-	947,342	-	-	-	-	-	-	-	947,342
<u>129,596</u>	<u>2,015,771</u>	<u>509,816</u>	<u>78,828</u>	<u>1,375,053</u>	<u>108,189</u>	<u>1,431</u>	<u>124,328</u>	<u>1,687,829</u>	<u>4,213,416</u>
<u>147,790</u>	<u>2,355,847</u>	<u>539,098</u>	<u>91,183</u>	<u>1,646,739</u>	<u>108,189</u>	<u>1,431</u>	<u>124,328</u>	<u>1,971,870</u>	<u>4,866,815</u>

CITY OF PORTLAND, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED SEPTEMBER 30, 2011

Special Revenue

	Shoreline And Wetlands Fund	Portland Community Center Complex Development Fund	Restricted Use Fund	Venue Sales Tax Fund	Grants Administration Fund
<b>REVENUES</b>					
Taxes and Special Assessments	-	847,172	267,274	847,172	-
Intergovernmental	-	-	-	-	215,473
Investment Income	-	2,293	7,859	10,003	-
Aquatic Center Revenue	-	-	-	145,006	-
Other	-	193	12,268	-	-
<b>TOTAL REVENUES</b>	-	849,658	287,401	1,002,181	215,473
<b>EXPENDITURES</b>					
General Government	-	-	-	-	-
Cultural and Recreational	-	50,707	218,690	376,905	-
Public Safety	-	-	-	-	142,307
Public Works	-	-	-	-	67,445
Debt Service					
Principal Retirement	-	120,000	-	150,000	-
Interest and Fiscal Charges	-	96,909	-	101,493	-
<b>TOTAL EXPENDITURES</b>	-	267,616	218,690	628,398	209,752
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	582,042	68,711	373,783	5,721
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	-	-
Transfers Out	-	(533,172)	-	(253,680)	-
<b>NET CHANGE IN FUND BALANCES</b>	-	48,870	68,711	120,103	5,721
FUND BALANCE, beginning of year	1,505	442,457	523,627	680,902	123,875
FUND BALANCE, end of year	1,505	491,327	592,338	801,005	129,596

Capital Projects

Total Special Revenue Funds	Debt Service Fund	Capital Improvements Fund	Street Improvements Fund	Community Center Construction Fund	City Hall Construction Fund	Venue Sales Tax Construction Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
1,961,618	950,443	-	-	-	-	-	-	2,912,061
215,473	-	85,058	-	-	-	-	85,058	300,531
20,155	4,440	8	3,823	12	3	159	4,005	28,600
145,006	-	-	-	-	-	-	-	145,006
12,461	-	-	-	-	-	-	-	12,461
<u>2,354,713</u>	<u>954,883</u>	<u>85,066</u>	<u>3,823</u>	<u>12</u>	<u>3</u>	<u>159</u>	<u>89,063</u>	<u>3,398,659</u>
-	-	-	-	-	2,908	-	2,908	2,908
646,302	-	-	-	-	-	-	-	646,302
142,307	-	6,238	-	-	-	-	6,238	148,545
67,445	-	-	951,024	-	-	-	951,024	1,018,469
270,000	562,079	-	-	-	-	-	-	832,079
198,402	372,343	-	-	-	-	-	-	570,745
<u>1,324,456</u>	<u>934,422</u>	<u>6,238</u>	<u>951,024</u>	<u>-</u>	<u>2,908</u>	<u>-</u>	<u>960,170</u>	<u>3,219,048</u>
1,030,257	20,461	78,828	(947,201)	12	(2,905)	159	(671,107)	179,611
-	114,778	-	350,187	100,000	-	-	450,187	564,965
(786,852)	-	-	(18,753)	-	-	-	(18,753)	(805,605)
243,405	135,239	78,828	(615,767)	100,012	(2,905)	159	(439,673)	(61,029)
<u>1,772,366</u>	<u>374,577</u>	<u>-</u>	<u>1,990,820</u>	<u>8,177</u>	<u>4,336</u>	<u>124,169</u>	<u>2,127,502</u>	<u>4,274,445</u>
<u>2,015,771</u>	<u>509,816</u>	<u>78,828</u>	<u>1,375,053</u>	<u>108,189</u>	<u>1,431</u>	<u>124,328</u>	<u>1,687,829</u>	<u>4,213,416</u>

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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.

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**CITY OF PORTLAND, TEXAS**  
**SHORELINES AND WETLANDS FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

EXHIBIT D-1

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	<u>1,505</u>	<u>1,505</u>
<b>TOTAL ASSETS</b>	<u><u>1,505</u></u>	<u><u>1,505</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Current Liabilities:		
Accounts Payable	-	-
Fund Balance:		
Assigned:		
Cultural and Recreational	<u>1,505</u>	<u>1,505</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>1,505</u></u>	<u><u>1,505</u></u>

**CITY OF PORTLAND, TEXAS**  
**SHORELINE AND WETLANDS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2011 AND 2010**

Exhibit D-2

	<u>2011</u>	<u>2010</u>
	<u>Actual</u>	<u>Actual</u>
REVENUES		
Investment Income	--	--
Other	--	--
Total Revenues	<u>--</u>	<u>--</u>
EXPENDITURES		
Cultural and Recreational	--	5,445
Debt Service		
Principal Retirement	--	--
Interest and Fiscal Charges	--	--
Total Expenditures	<u>--</u>	<u>5,445</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	--	(5,445)
OTHER FINANCING SOURCES (USES)		
Transfers Out - General Fund	--	--
Transfers Out - Debt Service Fund	--	--
Total Other Financing Uses	<u>--</u>	<u>--</u>
NET CHANGE IN FUND BALANCE	--	(5,445)
FUND BALANCE, beginning of year	<u>1,505</u>	<u>6,950</u>
FUND BALANCE, end of year	<u><u>1,505</u></u>	<u><u>1,505</u></u>

**CITY OF PORTLAND, TEXAS**  
**PORTLAND COMMUNITY CENTER COMPLEX FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

EXHIBIT D-3

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	465,088	329,365
Accounts Receivable	-	-
Due from Other Governments	83,025	84,694
Due from General Fund	705	1,496
Prepaid Insurance	28,233	26,902
	<u>577,051</u>	<u>442,457</u>
<b>TOTAL ASSETS</b>		
	<u>577,051</u>	<u>442,457</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Current Liabilities:		
Accounts Payable	-	-
Due to Other Funds	85,724	-
	<u>85,724</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>85,724</u>	<u>-</u>
Fund Balance:		
Non-Spendable:		
Prepaid Items	28,233	26,902
Assigned:		
Cultural and Recreational	463,094	415,555
	<u>491,327</u>	<u>442,457</u>
<b>TOTAL FUND BALANCE</b>	<u>491,327</u>	<u>442,457</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>577,051</u>	<u>442,457</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, 2011  
 WITH COMPARATIVE TOTALS FOR, 2010

Exhibit D-4

	2011			Variance with Final Budget Positive (Negative)	2010
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Taxes and Special Assessments	775,000	891,250	847,172	(44,078)	765,336
Investment Income	1,300	1,983	2,293	310	1,219
Other	—	193	193	—	—
<b>Total Revenues</b>	<b>776,300</b>	<b>893,426</b>	<b>849,658</b>	<b>(43,768)</b>	<b>766,555</b>
<b>EXPENDITURES</b>					
Cultural and Recreational	144,308	60,237	50,707	9,530	136,621
Debt Service					
Principal Retirement	120,000	120,000	120,000	—	110,000
Interest and Fiscal Charges	97,488	97,038	96,909	129	101,763
Refunding Bond Issuance Cost	—	—	—	—	—
Advance Refunding Escrow	—	—	—	—	—
<b>Total Expenditures</b>	<b>361,796</b>	<b>277,275</b>	<b>267,616</b>	<b>9,659</b>	<b>348,384</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>414,504</b>	<b>616,151</b>	<b>582,042</b>	<b>(34,109)</b>	<b>418,171</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Refunding Bonds Issued	—	—	—	—	—
Transfers Out - General Fund	(318,394)	(318,394)	(318,394)	—	(361,058)
Transfers Out - Debt Service Fund	(114,778)	(114,778)	(114,778)	—	(113,277)
Transfers Out - Community Center Construction Fund	—	(100,000)	(100,000)	—	—
Payment to Bond Escrow Agent	—	—	—	—	—
<b>Total Other Financing Uses</b>	<b>(433,172)</b>	<b>(533,172)</b>	<b>(533,172)</b>	<b>—</b>	<b>(474,335)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(18,668)</b>	<b>82,979</b>	<b>48,870</b>	<b>(34,109)</b>	<b>(56,164)</b>
<b>FUND BALANCE, beginning of year</b>			<b>442,457</b>		<b>498,621</b>
<b>FUND BALANCE, end of year</b>			<b>491,327</b>		<b>442,457</b>

**CITY OF PORTLAND, TEXAS**  
**RESTRICTED USE FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

EXHIBIT D-5

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	768,594	596,564
Accounts Receivable	26,678	15,934
Interest Receivable	409	-
Due from General Fund	<u>23,670</u>	<u>9,826</u>
<b>TOTAL ASSETS</b>	<u><u>819,351</u></u>	<u><u>622,324</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Current Liabilities:		
Accounts Payable	13,796	5,697
Accrued Liabilities	819	-
Escrow	212,000	93,000
Due to Other Funds	<u>398</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><u>227,013</u></u>	<u><u>98,697</u></u>
Fund Balance:		
Restricted for:		
Municipal Technology Fees	9,675	9,597
Building Security Fund	52,294	48,383
Hotel Occupancy Tax Reserve	<u>530,369</u>	<u>465,647</u>
<b>TOTAL FUND BALANCE</b>	<u><u>592,338</u></u>	<u><u>523,627</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>819,351</u></u>	<u><u>622,324</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, 2011  
 WITH COMPARATIVE TOTALS FOR 2010

Exhibit D-6

	2011			Variance with Final Budget Positive (Negative)	2010
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Taxes and Special Assessments	230,600	248,200	267,274	19,074	228,199
Investment Income	815	2,675	7,859	5,184	998
Other	—	—	12,268	12,268	23,374
<b>Total Revenues</b>	<b>231,415</b>	<b>250,875</b>	<b>287,401</b>	<b>36,526</b>	<b>252,571</b>
<b>EXPENDITURES</b>					
Cultural and Recreational	175,652	236,625	218,690	17,935	158,546
Public Safety	17,082	10,683	—	10,683	—
<b>Total Expenditures</b>	<b>192,734</b>	<b>247,308</b>	<b>218,690</b>	<b>28,618</b>	<b>158,546</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>38,681</b>	<b>3,567</b>	<b>68,711</b>	<b>65,144</b>	<b>94,025</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	—	—	—	—	—
Transfers Out - General Fund	—	—	—	—	—
Transfers Out - City Hall Construction Fund	—	—	—	—	—
<b>Total Other Financing Uses</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>38,681</b>	<b>3,567</b>	<b>68,711</b>	<b>65,144</b>	<b>94,025</b>
<b>FUND BALANCE, beginning of year</b>			<b>523,627</b>		<b>429,602</b>
<b>FUND BALANCE, end of year</b>			<b>592,338</b>		<b>523,627</b>

**CITY OF PORTLAND, TEXAS**  
**VENUE SALES TAX FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

EXHIBIT D-7

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	327,542	241,289
Interest Receivable	5,694	1,300
Due from Other Governments	83,025	85,020
Due from General Fund	2,002	2,149
Prepaid Item	-	-
Prepaid Insurance	23,935	22,802
Restricted Assets		
Cash and Cash Equivalents	<u>367,952</u>	<u>337,625</u>
<b>TOTAL ASSETS</b>	<u><u>810,150</u></u>	<u><u>690,185</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Current Liabilities:		
Accounts Payable	5,238	6,060
Accrued Liabilities	2,733	2,065
Due to Other Funds	<u>1,174</u>	<u>1,160</u>
<b>TOTAL LIABILITIES</b>	<u>9,145</u>	<u>9,285</u>
Fund Balance:		
Non-Spendable:		
Prepaid Items	23,935	22,802
Restricted for:		
Debt Service	294,327	295,056
Assigned:		
Cultural and Recreational	<u>482,743</u>	<u>363,044</u>
<b>TOTAL FUND BALANCE</b>	<u>801,005</u>	<u>680,902</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>810,150</u></u>	<u><u>690,187</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, 2011  
 WITH COMPARATIVE TOTALS FOR 2010

Exhibit D-8

	2011			Variance with Final Budget Positive (Negative)	2010
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Taxes and Special Assesments	775,000	891,250	847,172	(44,078)	765,336
Charges for Services	135,100	142,583	145,006	2,423	132,370
Investment Income	7,550	4,050	10,003	5,953	6,802
Total Revenues	<u>917,650</u>	<u>1,037,883</u>	<u>1,002,181</u>	<u>(35,702)</u>	<u>904,508</u>
<b>EXPENDITURES</b>					
Cultural and Recreational	369,663	393,363	376,905	16,458	423,771
Debt Service:					
Principal Retirement	150,000	150,000	150,000		145,000
Interest and Fiscal Charges	101,753	101,494	101,493	1	106,103
Total Expenditures	<u>621,416</u>	<u>644,857</u>	<u>628,398</u>	<u>16,459</u>	<u>674,874</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>296,234</u>	<u>393,026</u>	<u>373,783</u>	<u>(19,243)</u>	<u>229,634</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out - General Fund	(253,680)	(253,680)	(253,680)	-	(227,469)
Transfers Out - Street Improvement Fund	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(253,680)</u>	<u>(253,680)</u>	<u>(253,680)</u>	<u>-</u>	<u>(227,469)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>42,554</u>	<u>139,346</u>	<u>120,103</u>	<u>(19,243)</u>	<u>2,165</u>
<b>FUND BALANCE, beginning of year</b>			<u>680,902</u>		<u>678,737</u>
<b>FUND BALANCE, end of year</b>			<u>801,005</u>		<u>680,902</u>

**CITY OF PORTLAND, TEXAS**  
**GRANTS ADMINISTRATION FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

EXHIBIT D-9

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash & Cash Equivalents	(52,169)	45,631
Accounts Receivable	-	2,432
Due from Other Governments	104,506	-
Due from General Fund	95,453	92,991
Prepaid Item	-	51,164
<b>TOTAL ASSETS</b>	<u>147,790</u>	<u>192,218</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Current Liabilities:		
Accounts Payable	-	51,164
Escrow	18,189	17,174
Due to Other Funds	5	5
<b>TOTAL LIABILITIES</b>	<u>18,194</u>	<u>68,343</u>
Fund Balance:		
Non-Spendable:		
Prepaid Items	-	51,164
Restricted for:		
Federal and State Programs	129,596	72,711
<b>Total Fund Balance</b>	<u>129,596</u>	<u>123,875</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>147,790</u>	<u>192,218</u>

**CITY OF PORTLAND, TEXAS**  
**GRANTS ADMINISTRATION FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2011 and 2010**

EXHIBIT D-10

	<u>2011</u>	<u>2010</u>
	<u>Actual</u>	<u>Actual</u>
REVENUES		
Grants	215,473	191,011
Contributions	-	-
Total Revenues	<u>215,473</u>	<u>191,011</u>
EXPENDITURES		
Public Safety	142,307	50,924
Public Works	67,445	108,507
Total Expenditures	<u>209,752</u>	<u>159,431</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,721	31,580
OTHER FINANCING SOURCES (USES)		
Transfers In - General Fund	-	92,295
Total Other Financing Sources (Uses)	<u>-</u>	<u>92,295</u>
NET CHANGE IN FUND BALANCE	5,721	123,875
FUND BALANCE, beginning of year	<u>123,875</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>129,596</u></u>	<u><u>123,875</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, 2011 AND 2010**

Exhibit E-1

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	506,849	380,942
Taxes Receivable	32,907	30,213
Allowance for Uncollectible Taxes	(3,625)	(3,625)
Accounts Receivable	2,195	1,233
Interest Receivable	772	-
Due from General Fund	-	-
	<u>539,098</u>	<u>408,763</u>
<b>TOTAL ASSETS</b>		
	<u><u>539,098</u></u>	<u><u>408,763</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Accrued Interest Payable	-	7,598
Deferred Tax Revenue	29,282	26,588
	<u>29,282</u>	<u>34,186</u>
<b>TOTAL LIABILITIES</b>	<b>29,282</b>	<b>34,186</b>
 <b>FUND BALANCE:</b>		
Restricted for:		
Debt Service	509,816	374,577
	<u>509,816</u>	<u>374,577</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>539,098</b>	<b>408,763</b>
	<u><u>539,098</u></u>	<u><u>408,763</u></u>

**CITY OF PORTLAND, TEXAS**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2011**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR 2010**

Exhibit E-2

	2011			Variance with Final Budget Positive (Negative)	2010
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Ad Valorem Taxes, Penalties and Interest	834,500	940,000	950,443	10,443	805,230
Investment Income	900	1,700	4,440	2,740	1,040
<b>Total Revenues</b>	<b>835,400</b>	<b>941,700</b>	<b>954,883</b>	<b>13,183</b>	<b>806,270</b>
<b>EXPENDITURES</b>					
Debt Service:					
Principal Retirement	562,089	562,200	562,079	121	546,737
Interest and Fiscal Charges	379,845	380,269	372,343	7,926	309,050
Bond Issuance Costs	-	-	-	-	69,918
<b>Total Expenditures</b>	<b>941,934</b>	<b>942,469</b>	<b>934,422</b>	<b>8,047</b>	<b>925,705</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(106,534)</b>	<b>(769)</b>	<b>20,461</b>	<b>21,230</b>	<b>(119,435)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds Issued	-	-	-	-	3,620,000
Bond Premium	-	-	-	-	138,254
Transfers In - PCCC Fund	114,778	114,778	114,778	-	113,278
Payments to Refunding Escrow Agent	-	-	-	-	(3,684,302)
<b>NET CHANGE IN FUND BALANCE</b>	<b>8,244</b>	<b>114,009</b>	<b>135,239</b>	<b>21,230</b>	<b>67,795</b>
FUND BALANCE, beginning of year			374,577		306,782
FUND BALANCE, end of year			<b>509,816</b>		<b>374,577</b>

## **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 tax anticipation notes.

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

City Hall Construction Fund – established to account for the construction of a new City Hall financed by funding from the General Fund and the Water and Sewer System Fund.

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

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**CITY OF PORTLAND, TEXAS**  
**CAPITAL IMPROVEMENTS FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

Exhibit F-1

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	6,125	6,118
Due From Other Governments	85,058	-
Prepaid Items	-	251
Escrow	-	-
Due From General Fund	-	-
<b>TOTAL ASSETS</b>	<u><u>91,183</u></u>	<u><u>6,369</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Accounts Payable	363	160
Due to General Fund	11,992	6,209
Due to Water/Wastewater Fund	-	-
<b>TOTAL LIABILITIES</b>	<u><u>12,355</u></u>	<u><u>6,369</u></u>
<b>FUND BALANCE:</b>		
Restricted for:		
Capital Improvements - Fire Station	6,125	-
Capital Improvements - Police Station	72,703	-
<b>TOTAL FUND BALANCE</b>	<u><u>78,828</u></u>	<u><u>-</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>91,183</u></u>	<u><u>6,369</u></u>

**CITY OF PORTLAND, TEXAS**  
**CAPITAL IMPROVEMENTS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2011 AND 2010**

Exhibit F-2

	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>		
Intergovernmental	85,058	--
Investment Income	8	22
<b>Total Revenues</b>	<u>85,066</u>	<u>22</u>
<b>EXPENDITURES</b>		
General Government	--	--
Public Safety	6,238	38,696
Public Works	--	--
Debt Service:		
Principal Retirement	--	--
Interest and Fiscal Charges	--	--
<b>Total Expenditures</b>	<u>6,238</u>	<u>38,696</u>
<b>EXCESS (DEFICIENCY) OF</b> <b>REVENUES OVER EXPENDITURES</b>	<u>78,828</u>	<u>(38,674)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In - General Fund	--	--
Transfers In - Portland Comm Center Complex Fund	--	--
Transfers Out - Street Improvements Fund	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>--</u>
<b>NET CHANGE IN FUND BALANCE</b>	78,828	(38,674)
<b>FUND BALANCE, beginning of year</b>	<u>--</u>	<u>38,674</u>
<b>FUND BALANCE, end of year</b>	<u><u>78,828</u></u>	<u><u>--</u></u>

**CITY OF PORTLAND, TEXAS**  
**STREET IMPROVEMENTS FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

Exhibit F-3

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	1,610,013	3,827,114
Interest Receivable	401	-
Due From General Fund	<u>36,325</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>1,646,739</u></u>	<u><u>3,827,114</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Accounts Payable	271,686	36,850
Due to Capital Improvements Fund	-	-
Due to Drainage Construction Fund	<u>-</u>	<u>1,799,444</u>
<b>TOTAL LIABILITIES</b>	<u><u>271,686</u></u>	<u><u>1,836,294</u></u>
<b>FUND BALANCE:</b>		
Restricted For:		
Capital Improvements - Streets	994,157	1,963,933
Committed To:		
Capital Improvements - Streets	<u>380,896</u>	<u>26,887</u>
<b>TOTAL FUND BALANCE</b>	<u><u>1,375,053</u></u>	<u><u>1,990,820</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>1,646,739</u></u>	<u><u>3,827,114</u></u>

**CITY OF PORTLAND, TEXAS**  
**STREET IMPROVEMENTS FUND**  
**COMPARATIVE STATEMENTS OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2011 AND 2010**

Exhibit F-4

	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>		
Intergovernmental	-	-
Investment Income	3,823	1,924
Other	-	-
Total Revenues	<u>3,823</u>	<u>1,924</u>
<b>EXPENDITURES</b>		
Current:		
Public Works	951,024	128,694
Debt Service:		
Bond Issuance Costs	-	76,895
Total Expenditures	<u>951,024</u>	<u>205,589</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(947,201)</u>	<u>(203,665)</u>
<b>OTHER FINANCING SOURCES</b>		
Bonds Issued	-	2,123,640
Bond Premiums	-	44,010
Transfers In-General Fund	350,187	-
Transfers In-Venue Sales Tax Fund	-	-
Transfers In-Capital Improvements Fund	-	-
Transfer Out-General Fund	(18,753)	-
Total Other Financing Sources	<u>331,434</u>	<u>2,167,650</u>
<b>NET CHANGE IN FUND BALANCE</b>	(615,767)	1,963,985
<b>FUND BALANCE, beginning of year</b>	<u>1,990,820</u>	<u>26,835</u>
<b>FUND BALANCE, end of year</b>	<u><u>1,375,053</u></u>	<u><u>1,990,820</u></u>

**CITY OF PORTLAND, TEXAS**  
**COMMUNITY CENTER CONSTRUCTION FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

Exhibit F-5

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	108,189	8,177
Due from Library Trust Fund	-	-
Prepaid Items	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>108,189</u></u>	<u><u>8,177</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Accounts Payable	-	-
Due to General Fund	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCE:</b>		
Committed To:		
Capital Improvements	<u>108,189</u>	<u>8,177</u>
<b>TOTAL FUND BALANCE</b>	<u>108,189</u>	<u>8,177</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>108,189</u></u>	<u><u>8,177</u></u>

**CITY OF PORTLAND, TEXAS**  
**COMMUNITY CENTER CONSTRUCTION FUND**  
**COMPARATIVE STATEMENTS OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2011 AND 2010**

Exhibit F-6

	<u>2011</u>	<u>2010</u>
REVENUES		
Investment Income	<u>12</u>	<u>16</u>
EXPENDITURES		
Cultural and Recreational	--	--
Interest and Fiscal Charges (Bond Issuance Costs)	<u>--</u>	<u>--</u>
Total Expenditures	<u>--</u>	<u>--</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12	16
OTHER FINANCING SOURCES		
Transfers In-Portland Community Center Complex	<u>100,000</u>	<u>--</u>
NET CHANGE IN FUND BALANCE	100,012	16
FUND BALANCE, beginning of year	<u>8,177</u>	<u>8,161</u>
FUND BALANCE, end of year	<u><u>108,189</u></u>	<u><u>8,177</u></u>

**CITY OF PORTLAND, TEXAS**  
**CITY HALL CONSTRUCTION FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

Exhibit F-7

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	1,431	4,336
Due from Frost Bank Escrow	-	-
Due From General Fund	-	-
Due From Restricted Use Fund	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>1,431</u></u>	<u><u>4,336</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Accounts Payable	-	-
Due to General Fund	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCE:</b>		
Committed To:		
Capital Improvements	<u>1,431</u>	<u>4,336</u>
<b>TOTAL FUND BALANCE</b>	<u>1,431</u>	<u>4,336</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>1,431</u></u>	<u><u>4,336</u></u>

**CITY OF PORTLAND, TEXAS**  
**CITY HALL CONSTRUCTION FUND**  
**COMPARATIVE STATEMENTS OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2011 AND 2010**

Exhibit F-8

	<u>2011</u>	<u>2010</u>
REVENUES		
Investment Income	<u>3</u>	<u>14</u>
EXPENDITURES		
General Government	<u>2,908</u>	<u>5,577</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,905)	(5,563)
OTHER FINANCING SOURCES		
Transfers In-General Fund	--	--
Transfers In-Restricted Use Fund	--	--
Total Other Financing Sources	<u>--</u>	<u>--</u>
NET CHANGE IN FUND BALANCE	(2,905)	(5,563)
FUND BALANCE, beginning of year	<u>4,336</u>	<u>9,899</u>
FUND BALANCE, end of year	<u><u>1,431</u></u>	<u><u>4,336</u></u>

**CITY OF PORTLAND, TEXAS**  
**VENUE SALES TAX CONSTRUCTION FUND**  
**COMPARATIVE BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

Exhibit F-9

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	124,328	124,169
Prepaid Items	-	-
Due from Portland Community Center Complex Fund	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>124,328</u></u>	<u><u>124,169</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Accounts Payable	-	-
Due to General Fund	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCE:</b>		
Restricted For :		
Capital Improvements	<u>124,328</u>	<u>124,169</u>
<b>TOTAL FUND BALANCE</b>	<u><u>124,328</u></u>	<u><u>124,169</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>124,328</u></u>	<u><u>124,169</u></u>

**CITY OF PORTLAND, TEXAS**  
**VENUE SALES TAX CONSTRUCTION FUND**  
**COMPARATIVE STATEMENTS OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2011 AND 2010**

Exhibit F-10

	<u>2011</u>	<u>2010</u>
REVENUES		
Interest	159	242
TOTAL REVENUES	<u>159</u>	<u>242</u>
EXPENDITURES		
Cultural and Recreation	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	159	242
OTHER FINANCING SOURCES		
Transfers In - Restricted Use Fund	-	-
Transfers In - PCCC Fund	-	-
Transfers Out - Venue Sales Tax Fund	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	159	242
FUND BALANCE, beginning of year	<u>124,169</u>	<u>123,927</u>
FUND BALANCE, end of year	<u><u>124,328</u></u>	<u><u>124,169</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 ASSETS**  
**WATER AND SEWER SYSTEM FUND**  
**SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	2,286,749	2,026,918
Accounts Receivable	690,240	598,422
Less Allowance for Uncollectible Accounts	(4,252)	(2,118)
Bond Issue Cost	318,050	361,090
Less Allowance for Amortization	(39,436)	(81,522)
Inventory	111,335	100,758
Prepaid Items	15,894	269,347
Due from General Fund	624	2,576
<b>Total Current Assets</b>	<u>3,379,204</u>	<u>3,275,471</u>
<b>Non-Current Assets:</b>		
<b>Restricted Assets:</b>		
Cash and Cash Equivalents	5,885,889	7,077,138
<b>Total Restricted Assets</b>	<u>5,885,889</u>	<u>7,077,138</u>
<b>Capital Assets:</b>		
Land	101,832	101,832
Buildings	686,429	686,428
Water System	8,756,949	7,931,442
Sewer System	12,226,481	11,792,182
Equipment	991,417	672,937
Construction in Progress	888,605	519,368
<b>Total Capital Assets</b>	<u>23,651,713</u>	<u>21,704,189</u>
<b>Less Accumulated Depreciation</b>	<u>(7,174,671)</u>	<u>(6,730,340)</u>
<b>Net Capital Assets</b>	<u>16,477,042</u>	<u>14,973,849</u>
<b>TOTAL ASSETS</b>	<u>25,742,135</u>	<u>25,326,458</u>

**CITY OF PORTLAND, TEXAS**  
**COMPARATIVE STATEMENTS OF NET ASSETS**  
**WATER AND SEWER SYSTEM FUND**  
**SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	487,599	681,015
Accrued Liabilities	18,909	17,381
Accrued Vacation Leave	38,010	37,390
Due to General Fund	33,627	3,373
Due to Insurance Fund	12,570	13,177
Current Portion of Long-Term Debt (Net of Bond Premium and Deferred Amount on Refundings)	591,646	556,000
Accrued Interest	31,828	36,249
Deposits	379,899	344,018
<b>Total Current Liabilities</b>	<u>1,594,088</u>	<u>1,688,603</u>
<b>Non-Current Liabilities:</b>		
Revenue Bonds (Net of Bond Premium and Deferred Amount on Refundings)	9,750,533	10,366,000
Net OPEB Obligation	143,848	94,490
<b>Total Non-Current Liabilities</b>	<u>9,894,381</u>	<u>10,460,490</u>
<b>Total Liabilities</b>	<u>11,488,469</u>	<u>12,149,093</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	11,123,994	10,546,391
Restricted for:		
Debt Service	205,288	193,564
Unrestricted	2,924,384	2,437,410
<b>Net Assets</b>	<u>14,253,666</u>	<u>13,177,365</u>

**CITY OF PORTLAND, TEXAS**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**WATER AND SEWER SYSTEM FUND**  
**YEAR ENDED SEPTEMBER 30, 2011 AND 2010**

Exhibit G-2

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Charges for Services:		
Water Sales	3,196,876	2,755,082
Water Connections	25,368	19,459
Sewer Sales	2,596,357	2,549,447
Sewer Connections	<u>2,550</u>	<u>3,955</u>
Total Charges for Services	5,821,151	5,327,943
Miscellaneous	<u>14,492</u>	<u>54,530</u>
 Total Operating Revenues	 <u>5,835,643</u>	 <u>5,382,473</u>
 <b>OPERATING EXPENSES</b>		
Personnel Services	1,030,645	1,011,047
Maintenance	296,401	253,250
Purchase of Water	2,086,424	1,636,809
Contract Payments	108,208	108,550
Materials and Supplies	236,468	168,160
Utilities	307,562	286,375
Depreciation	489,393	478,558
Amortization	<u>17,477</u>	<u>16,220</u>
 Total Operating Expenses	 <u>4,572,578</u>	 <u>3,958,969</u>
 Net Operating Income	 <u>1,263,065</u>	 <u>1,423,504</u>
 <b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income	34,113	31,293
Intergovernmental	287,475	7,545
Gain (Loss) on Disposal of Assets	41,091	1,469
Interest and Fiscal Charges	<u>(379,836)</u>	<u>(405,803)</u>
 Net Non-Operating Revenues (Expenses)	 <u>(17,157)</u>	 <u>(365,496)</u>
 Income (Loss) Before Contributions and Transfers	 1,245,908	 1,058,008
Capital Contributions	144,250	199,365
Transfers In	-	-
Transfers Out - General Fund	<u>(313,857)</u>	<u>(375,664)</u>
 Change in Net Assets	 1,076,301	 881,709
 NET ASSETS BEGINNING OF YEAR	 <u>13,177,365</u>	 <u>12,295,656</u>
 NET ASSETS END OF YEAR	 <u><u>14,253,666</u></u>	 <u><u>13,177,365</u></u>

**CITY OF PORTLAND, TEXAS**  
**WATER AND SEWER SYSTEM FUND**  
**SUMMARY BUDGET**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2011**

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		
<b>OPERATING REVENUES</b>				
Charges for Services	5,351,150	5,623,000	5,821,151	198,151
Miscellaneous	12,000	64,818	14,492	(50,326)
<b>Total Operating Revenues</b>	<u>5,363,150</u>	<u>5,687,818</u>	<u>5,835,643</u>	<u>147,825</u>
<b>OPERATING EXPENSES</b>				
Personnel Services	1,047,963	1,062,454	1,030,645	31,809
Maintenance	264,510	316,060	296,401	19,659
Purchase of Water	1,855,000	2,050,000	2,086,424	(36,424)
Contract Payments	110,347	109,593	108,208	1,385
Materials and Supplies	185,545	235,265	236,468	(1,203)
Utilities	263,675	273,875	307,562	(33,687)
Capital Outlay - Equipment	117,035	342,812	-	342,812
<b>Total Operating Expenses</b>	<u>3,844,075</u>	<u>4,390,059</u>	<u>4,065,708</u>	<u>324,351</u>
<b>Operating Income</b>	<u>1,519,075</u>	<u>1,297,759</u>	<u>1,769,935</u>	<u>472,176</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment Income	15,000	10,200	34,113	23,913
Intergovernmental	-	-	287,475	287,475
Gain (Loss) on Disposal of Assets	-	-	41,091	41,091
Interest, Principal and Fiscal Charges	(1,017,893)	(991,182)	(379,836)	611,346
<b>Net Non-Operating Revenues (Expenses)</b>	<u>(1,002,893)</u>	<u>(980,982)</u>	<u>(17,157)</u>	<u>963,825</u>
<b>Income (Loss) Before Transfers</b>	<u>516,182</u>	<u>316,777</u>	<u>1,752,778</u>	<u>1,436,001</u>
<b>Transfers Out - General Fund</b>	<u>(313,857)</u>	<u>(313,857)</u>	<u>(313,857)</u>	<u>-</u>
<b>NET INCOME (LOSS) (NON-GAAP BUDGETARY BASIS)</b>	<u>202,325</u>	<u>2,920</u>	<u>1,438,921</u>	<u>1,436,001</u>
<b>Adjustments</b>				
Depreciation Expense			(489,393)	
Amortization Expense			(17,477)	
Capital Assets Contributed by Developers			144,250	
<b>NET INCOME (LOSS) (GAAP BASIS)</b>			<u>1,076,301</u>	

**CITY OF PORTLAND, TEXAS**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**WATER AND SEWER SYSTEM FUND**  
**YEAR ENDED SEPTEMBER 30, 2011 AND 2010**

Exhibit G-4

	<u>2011</u>	<u>2010</u>
Cash flow from operating activities:		
Cash received from customers	5,745,959	5,428,462
Cash payments to suppliers for goods and services	(2,921,924)	(2,378,833)
Cash payments to employees for services	(1,029,117)	(1,006,239)
Net cash provided by operating activities	<u>1,794,918</u>	<u>2,043,390</u>
Cash flows from noncapital financing activities:		
Transfers to other funds	<u>(313,857)</u>	<u>(375,664)</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Long-term Debt	-	6,500,000
Cash Received from Other Governments	287,475	7,545
Principal Payment on bonds	(496,000)	(600,000)
Principal Payment on Capital Lease	-	-
Interest and Fiscal Charges Paid	(379,836)	(558,400)
Purchase of Capital Assets	(1,858,231)	(741,480)
Net Cash Used for Capital and Related Financing Activities	<u>(2,446,592)</u>	<u>4,607,665</u>
Cash Flows from Investing Activities - Interest Income	<u>34,113</u>	<u>31,293</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(931,418)</u>	<u>6,306,684</u>
Cash and Cash Equivalents at Beginning of Year	<u>9,104,056</u>	<u>2,797,372</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>8,172,638</u></u>	<u><u>9,104,056</u></u>
Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities		
Operating Income	1,263,065	1,423,504
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	489,393	478,558
Amortization	17,477	16,220
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(89,684)	45,989
(Increase) Decrease in Due from Other Funds	1,952	44,442
(Increase) Decrease in Inventory	(10,577)	3,333
(Increase) Decrease in Prepaid Expense	253,453	(254,200)
Increase (Decrease) in Accounts Payable	(193,416)	327,701
Increase (Decrease) in Accrued Liabilities	1,528	4,808
Increase (Decrease) in Due to Other Funds	29,647	(19,293)
Increase (Decrease) in Accrued Vacation Leave	620	1,238
Increase (Decrease) in Accrued Interest	(4,421)	17,642
Increase (Decrease) in Deposits	35,881	(46,552)
Net Cash Provided (Used) by Operating Activities	<u>1,794,918</u>	<u>2,043,390</u>
Noncash Investing, Capital, and Financing Activities:		
Capital Contributions from developers		
consisting of water and sewer system		
infrastructure - \$144,250 for 2011 and \$199,365 for 2010.		

**CITY OF PORTLAND, TEXAS**  
**COMPARATIVE STATEMENTS OF NET ASSETS**  
**DRAINAGE FUND**  
**SEPTEMBER 30, 2011 AND 2010**

Exhibit G-5

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	558,746	20,539
Drainage Fee Receivable	27,285	23,980
Interest Receivable	44	-
Bond Issue Cost	78,712	78,712
Less Allowance for Amortization	(4,920)	(984)
Due from General Fund	-	68
Due from Street Improvement Fund	-	1,799,444
Total Current Assets	<u>659,867</u>	<u>1,921,759</u>
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	923,462	2,520
Total Restricted Assets	<u>923,462</u>	<u>2,520</u>
Capital Assets		
Intangible Assets	367,177	367,177
Infrastructure	1,635,425	1,635,425
Equipment	147,247	147,247
Construction In Progress	1,010,828	118,557
Total Capital Assets	<u>3,160,677</u>	<u>2,268,406</u>
Less Accumulated Depreciation	(317,830)	(233,218)
Net Capital Assets	<u>2,842,847</u>	<u>2,035,188</u>
<b>TOTAL ASSETS</b>	<u>4,426,176</u>	<u>3,959,467</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	250,824	203
Due to General Fund	18,137	93,137
Accrued Interest Payable	8,483	8,723
Current Portion of Long-Term Debt-Bonds	158,235	95,900
Current Portion of Bond Premium	2,010	2,010
Capital Lease Payable	-	15,722
Total Current Liabilities	<u>437,689</u>	<u>215,695</u>
Non-Current Liabilities:		
Bonds Payable	1,702,225	1,860,460
Bond Premium	36,188	38,199
Total Non-Current Liabilities	<u>1,738,413</u>	<u>1,898,659</u>
<b>TOTAL LIABILITIES</b>	<u>2,176,102</u>	<u>2,114,354</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	1,851,361	1,822,340
Unrestricted	398,713	22,773
Net Assets	<u>2,250,074</u>	<u>1,845,113</u>

**CITY OF PORTLAND, TEXAS**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**DRAINAGE FUND**  
**YEAR ENDED SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Charges for Services:		
Drainage Fees	274,470	104,135
Miscellaneous	-	-
	<u>274,470</u>	<u>104,135</u>
Total Operating Revenues		
	<u>274,470</u>	<u>104,135</u>
<b>OPERATING EXPENSES</b>		
Maintenance	-	-
Contract Payments	947	10,460
Depreciation Expense	84,612	83,009
Amortization Expense	3,936	984
	<u>89,495</u>	<u>94,453</u>
Total Operating Expenses		
	<u>89,495</u>	<u>94,453</u>
Net Operating Income	<u>184,975</u>	<u>9,682</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income	1,481	133
Intergovernmental Revenue	-	128,000
Interest and Fiscal Charges	(70,633)	(8,088)
	<u>(69,152)</u>	<u>120,045</u>
Net Non-Operating Revenues (Expenses)		
	<u>(69,152)</u>	<u>120,045</u>
Income (Loss) Before Contributions and Transfers	115,823	129,727
Capital Contributions	-	80,103
Transfers In - General Fund	289,138	-
Transfers Out	-	-
	<u>404,961</u>	<u>209,830</u>
Change in Net Assets		
	<u>404,961</u>	<u>209,830</u>
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>1,845,113</u>	<u>1,635,283</u>
<b>NET ASSETS END OF YEAR</b>	<u><u>2,250,074</u></u>	<u><u>1,845,113</u></u>

CITY OF PORTLAND, TEXAS  
DRAINAGE FUND  
SUMMARY BUDGET  
SCHEDULE OF REVENUES AND EXPENSES  
YEAR ENDED SEPTEMBER 30, 2011

Exhibit G-7

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		
<b>OPERATING REVENUES</b>				
Charges for Services:				
Drainage Fees	262,548	270,000	274,470	4,470
Miscellaneous	-	-	-	-
<b>Total Operating Revenues</b>	<b>262,548</b>	<b>270,000</b>	<b>274,470</b>	<b>4,470</b>
<b>OPERATING EXPENSES</b>				
Maintenance	6,000	8,670	-	8,670
Contract Payments	50,700	50,700	947	49,753
Capital Outlay	16,500	37,064	-	37,064
<b>Total Operating Expenses</b>	<b>73,200</b>	<b>96,434</b>	<b>947</b>	<b>95,487</b>
<b>Net Operating Income (Loss)</b>	<b>189,348</b>	<b>173,566</b>	<b>273,523</b>	<b>99,957</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment Income	200	200	1,481	1,281
Intergovernmental Revenue	-	-	-	-
Interest and Fiscal Charges	(165,685)	(165,685)	(70,633)	95,052
<b>Net Non-Operating Revenues (Expenses)</b>	<b>(165,485)</b>	<b>(165,485)</b>	<b>(69,152)</b>	<b>96,333</b>
Income (Loss) Before Transfers	23,863	8,081	204,371	196,290
Transfers In - General Fund	-	-	289,138	289,138
Transfers Out - General Fund	-	-	-	-
<b>Total Transfers</b>	<b>-</b>	<b>-</b>	<b>289,138</b>	<b>289,138</b>
<b>Net Income (Loss) (Non-GAAP Budgetary Basis)</b>	<b>23,863</b>	<b>8,081</b>	<b>493,509</b>	<b>774,566</b>
<b>Adjustments</b>				
Depreciation Expense			(84,612)	
Amortization Expense			(3,936)	
Capital Assets Contributed by Developers			-	
<b>NET INCOME (LOSS) (GAAP BASIS)</b>			<b>404,961</b>	

CITY OF PORTLAND, TEXAS  
 COMPARATIVE STATEMENTS OF CASH FLOWS  
 DRAINAGE FUND  
 YEAR ENDED SEPTEMBER 30, 2011 AND 2010

Exhibit G-8

	<u>2011</u>	<u>2010</u>
Cash flow from operating activities:		
Cash received from customers	271,165	89,276
Cash borrowed from other funds	(75,000)	93,137
Cash loaned to other funds	1,799,512	(1,799,182)
Cash payments to suppliers for goods and services	(903)	(10,257)
Net cash provided by operating activities	<u>1,994,774</u>	<u>(1,627,026)</u>
Cash flow from non-capital financing activities:		
Transfers from other funds	289,138	-
Net cash provided by non-capital financing activities	<u>289,138</u>	<u>-</u>
Cash flow from capital and related financing activities:		
Cash received from other governments	-	128,000
Bonds Issued	-	1,956,360
Bond Premium	-	40,209
Principal Payment on Bonds	(95,900)	-
Principal Payment on Capital Lease	(15,722)	(23,172)
Interest and Fiscal Charges	(70,633)	(86,800)
Purchase of capital assets	(643,945)	(485,928)
Net cash provided by capital and related financing activities	<u>(826,200)</u>	<u>1,528,669</u>
Cash flow from investing activities:		
Interest on cash and cash equivalents	1,437	133
Net Increase (Decrease) in Cash and Cash Equivalents	1,459,149	(98,224)
Cash and Cash Equivalents at Beginning of Year	<u>23,059</u>	<u>121,283</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (DEFICIT)	<u>1,482,208</u>	<u>23,059</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	184,975	9,682
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	84,612	83,009
Amortization	3,936	984
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(3,261)	(14,859)
(Increase) Decrease in Due from Other Funds	1,724,512	(1,706,045)
(Increase) Decrease in Prepaid Expense	-	-
Increase (Decrease) in Accounts Payable	-	203
Increase (Decrease) in Accrued Liabilities	-	-
Net Cash Provided by Operating Activities	<u>1,994,774</u>	<u>(1,627,026)</u>
Noncash Investing, Capital, and Financing Activities:		
Capital Contributions from developers consisting of drainage system infrastructure - \$0 for 2011 and \$80,103 for 2010.		

## **INTERNAL SERVICE FUND**

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

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

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**CITY OF PORTLAND, TEXAS**  
**COMPARATIVE STATEMENTS OF NET ASSETS**  
**INSURANCE INTERNAL SERVICE FUND**  
**SEPTEMBER 30, 2011 AND 2010**

Exhibit H-1

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	86,082	15,112
Refund Receivable	—	—
Flexible Spending Advance	—	—
Due from Water and Sewer System Fund	12,570	13,177
Due from General Fund	59,603	70,667
Due from Restricted Use Fund	398	—
Due From Venue Tax Fund	1,151	1,160
Prepaid Items	—	—
<b>TOTAL ASSETS</b>	<u>159,804</u>	<u>100,116</u>
 <b>LIABILITIES</b>		
Accounts Payable	71,127	700
Flexible Spending Accounts	8,188	10,172
Accrued Liabilities	—	—
 <b>TOTAL LIABILITIES</b>	<u>79,315</u>	<u>10,872</u>
 <b>NET ASSETS</b>		
Unrestricted	<u>80,488</u>	<u>89,244</u>

**CITY OF PORTLAND, TEXAS**

Exhibit H-2

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
INSURANCE INTERNAL SERVICE FUND  
YEAR ENDED SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for Services	831,897	877,929
Miscellaneous	<u>          —</u>	<u>          —</u>
Total Operating Revenues	<u>831,897</u>	<u>877,929</u>
OPERATING EXPENSES		
Contract Payments	833,327	889,051
Other Operating Expenses	<u>7,381</u>	<u>5,590</u>
Total Operating Expenses	840,708	894,641
NET OPERATING INCOME (LOSS)	<u>(8,811)</u>	<u>(16,712)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	<u>55</u>	<u>24</u>
NET INCOME (LOSS)	(8,756)	(16,688)
NET ASSETS, beginning of year	<u>89,244</u>	<u>105,932</u>
NET ASSETS, end of year	<u><u>80,488</u></u>	<u><u>89,244</u></u>

**CITY OF PORTLAND, TEXAS**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**INSURANCE INTERNAL SERVICE FUND**  
**YEAR ENDED SEPTEMBER 30, 2011 AND 2010**

Exhibit H-3

	<u>2011</u>	<u>2010</u>
Cash flow from operating activities:		
Cash received from other funds for services	843,180	848,499
Cash payments for loss claims	<u>(772,265)</u>	<u>(842,844)</u>
Net cash provided by operating activities	<u>70,915</u>	<u>5,655</u>
Cash flow from investing activities:		
Interest on cash and cash equivalents	<u>55</u>	<u>24</u>
Net Increase (Decrease) in Cash and Cash Equivalents	70,970	5,679
Cash and Cash Equivalents at Beginning of Year	<u>15,112</u>	<u>9,433</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>86,082</u></u>	<u><u>15,112</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	(8,811)	(16,712)
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	11,282	(29,430)
(Increase) Decrease in Prepaid Expense	-	89,517
Increase (Decrease) in Accounts Payable	68,444	2,077
Increase (Decrease) in Accrued Liabilities	<u>-</u>	<u>(39,797)</u>
Net Cash Provided by Operating Activities	<u><u>70,915</u></u>	<u><u>5,655</u></u>

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

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**CITY OF PORTLAND, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULES - BY SOURCE**  
**SEPTEMBER 30, 2011 AND 2010**

Exhibit I-1

	<u>2011</u>	<u>2010</u>
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS</b>		
Land	4,412,524	4,467,524
Buildings and Improvements	21,703,487	21,988,929
Construction in Progress	979,502	128,694
Vehicles	2,116,448	2,018,741
Furniture and Equipment	2,665,608	2,578,630
Infrastructure	39,113,817	39,054,318
Intangibles	105,838	105,838
	<u>71,097,224</u>	<u>70,342,674</u>
<b>Total</b>		

**INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:**

Capital Projects Funds - General Obligation Bonds	47,743,729	47,233,363
General Fund Revenues	8,926,481	8,840,052
Contributed Capital	11,548,741	11,489,241
Intergovernmental	2,878,273	2,780,018
	<u>71,097,224</u>	<u>70,342,674</u>
<b>Total</b>		

**CITY OF PORTLAND, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2011**

EXHIBIT I-2

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	21,703,487	3,135,115	4,456,786	399,127	13,712,459
Vehicles	2,116,448	10,514	1,624,176	284,825	196,933
Furniture and Equipment	2,665,608	269,208	1,342,273	204,112	850,015
Infrastructure	39,113,817	-	-	39,113,817	-
Intangibles	105,838	-	105,838	-	-
Construction in Progress	979,502	-	-	979,502	-
<b>Total Governmental Funds Capital Assets</b>	<b><u>71,097,224</u></b>	<b><u>4,233,892</u></b>	<b><u>7,536,391</u></b>	<b><u>40,981,383</u></b>	<b><u>18,345,558</u></b>

**CITY OF PORTLAND, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**YEAR ENDED SEPTEMBER 30, 2011**

EXHIBIT I-3

Function And Activity	Balance 10/01/10	Additions	Deletions	Balance 09/30/11
General Government	4,574,335	-	340,443	4,233,892
Public Safety	7,389,917	173,154	26,680	7,536,391
Public Works	40,071,075	910,308	-	40,981,383
Cultural and Recreational	18,307,347	48,221	10,010	18,345,558
<b>Total Governmental Funds Capital Assets</b>	<b>70,342,674</b>	<b>1,131,683</b>	<b>377,133</b>	<b>71,097,224</b>

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# STATISTICAL SECTION

## (Unaudited)

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

### Contents

<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	<b>Tables 1-4</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the city's most significant local revenue sources: property and sales taxes.	<b>Tables 5-8</b>
<b>Debt Capacity</b> 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.	<b>Tables 9-10</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	<b>Tables 11-12</b>
<b>Operating Information</b> 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.	<b>Tables 13-17</b>
<b>Additional Information</b> This schedule presents trend information related to retirement plan funding.	<b>Table 18</b>

**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.

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

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities</b>								
Invested in capital assets, net of related debt	\$ 18,508,877	\$ 19,484,655	\$ 20,657,233	\$ 21,825,285	\$ 23,534,153	\$ 23,851,889	\$ 23,330,540	\$ 22,977,675
Restricted	799,210	822,780	797,375	862,053	866,321	562,386	1,299,381	1,514,572
Unrestricted	6,004,273	5,718,236	5,571,917	4,715,196	4,757,037	5,711,181	5,736,453	6,254,754
<b>Total governmental activities net assets</b>	<b>\$ 25,312,360</b>	<b>\$ 26,025,651</b>	<b>\$ 27,026,525</b>	<b>\$ 27,402,534</b>	<b>\$ 29,157,511</b>	<b>\$ 29,925,456</b>	<b>\$ 30,366,374</b>	<b>\$ 30,747,001</b>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$ 7,199,636	\$ 8,230,701	\$ 8,836,555	\$ 9,922,100	\$ 11,492,281	\$ 11,759,416	\$ 12,368,731	\$ 12,975,355
Restricted	186,965	359,588	437,407	515,684	568,657	145,023	193,564	205,288
Unrestricted	1,105,576	551,314	698,773	503,013	1,056,200	2,026,500	2,460,183	3,323,097
<b>Total business-type activities net assets</b>	<b>\$ 8,492,177</b>	<b>\$ 9,141,603</b>	<b>\$ 9,972,735</b>	<b>\$ 10,940,797</b>	<b>\$ 13,117,138</b>	<b>\$ 13,930,939</b>	<b>\$ 15,022,478</b>	<b>\$ 16,503,740</b>
<b>Primary government</b>								
Invested in capital assets, net of related debt	\$ 25,708,513	\$ 27,715,356	\$ 29,493,788	\$ 31,747,385	\$ 35,026,434	\$ 35,411,305	\$ 35,699,271	\$ 35,953,030
Restricted	966,175	1,182,348	1,234,782	1,377,737	1,434,978	707,409	1,482,945	1,719,860
Unrestricted	7,109,849	6,269,550	6,270,690	5,218,209	5,813,237	7,737,681	8,196,636	9,577,851
<b>Total primary government net assets</b>	<b>\$ 33,804,537</b>	<b>\$ 35,167,254</b>	<b>\$ 36,999,260</b>	<b>\$ 38,343,331</b>	<b>\$ 42,274,649</b>	<b>\$ 43,856,395</b>	<b>\$ 45,388,852</b>	<b>\$ 47,250,741</b>

Source: Comprehensive Annual Financial Reports

Note: The City implemented GASB Statement No. 34 in fiscal year 2004, thus 10 years of data is not available.

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

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>								
<b>Governmental activities:</b>								
General government and administration	\$ 803,768	969,014	1,784,890	1,064,503	\$ 1,051,690	\$ 1,256,885	\$ 1,421,374	\$ 1,532,324
Cultural and recreational	1,658,302	2,441,126	1,722,496	2,188,345	2,626,505	2,500,572	2,615,381	2,743,835
Public Safety	2,531,695	2,686,487	3,198,259	3,871,906	4,188,827	4,607,168	4,615,046	4,844,775
Public Works	2,502,311	2,064,566	2,167,166	2,286,120	1,404,282	1,548,127	1,717,427	1,756,566
Interest on long term debt	575,935	574,242	630,953	692,927	600,302	621,649	546,654	614,090
<b>Total Governmental Activities Expenses</b>	<b>8,072,011</b>	<b>8,735,435</b>	<b>9,503,764</b>	<b>10,103,801</b>	<b>9,871,606</b>	<b>10,534,401</b>	<b>10,915,882</b>	<b>11,491,590</b>
<b>Business-type activities:</b>								
Water and Sewer	3,071,697	3,429,001	3,751,993	3,575,458	3,951,147	4,619,688	4,364,772	4,952,414
Drainage Utility	15,332	2,818	12,232	22,253	67,999	124,773	102,541	160,128
<b>Total business-type activities expenses</b>	<b>3,087,029</b>	<b>3,431,819</b>	<b>3,764,225</b>	<b>3,597,711</b>	<b>4,019,146</b>	<b>4,744,461</b>	<b>4,467,313</b>	<b>5,112,542</b>
<b>Total Government Expenses</b>	<b>\$ 11,159,040</b>	<b>\$ 12,167,254</b>	<b>\$ 13,267,989</b>	<b>\$ 13,701,512</b>	<b>\$ 13,890,752</b>	<b>\$ 15,278,862</b>	<b>\$ 15,383,195</b>	<b>\$ 16,604,132</b>
<b>Program Revenues</b>								
<b>Governmental activities:</b>								
<b>Fees, Fines, and Charges for Services:</b>								
Administration	-	2,113	2,993	4,407	-	-	-	-
Cultural and recreational	460,553	532,068	531,613	576,940	643,824	606,943	764,954	821,521
Public Safety	329,065	365,373	611,231	599,436	638,366	667,966	592,575	597,250
Public Works	170,540	230,056	222,483	201,753	210,102	174,111	170,814	321,594
<b>Operating grants and contributions</b>								
Cultural and recreational	-	8,923	7,060	8,495	13,428	7,614	8,060	13,402
Public Safety	63,337	172,250	8,420	100,042	37,175	44,414	201,966	301,131
Public Works	-	14,864	-	-	-	-	-	-
<b>Capital grants and contributions</b>								
Cultural and recreational	251,100	-	-	-	-	-	-	-
Public Works	449,740	243,894	1,329,141	529,872	1,286,227	492,428	105,861	59,500
<b>Total Governmental Activities Program Revenues</b>	<b>\$ 1,724,335</b>	<b>\$ 1,569,541</b>	<b>\$ 2,712,941</b>	<b>\$ 2,020,945</b>	<b>\$ 2,829,122</b>	<b>\$ 1,993,476</b>	<b>\$ 1,844,230</b>	<b>\$ 2,114,398</b>
<b>Business-type Activities:</b>								
<b>Fees, Fines, and Charges for Services</b>								
Water and Sewer	3,076,128	3,491,531	3,725,707	3,870,278	4,404,844	5,294,058	5,327,943	5,821,151
Drainage Utility	6,622	78,158	82,107	86,021	87,632	88,013	104,135	274,470
<b>Operating grants and contributions</b>								
Water and Sewer	-	-	-	-	-	17,902	7,545	287,475
Drainage Utility	-	-	-	-	-	-	128,000	-
<b>Capital Grants and Contributions</b>								
Water and Sewer	371,013	349,372	779,649	617,756	1,169,376	289,698	199,365	144,250
Drainage Utility	-	-	80,000	163,255	698,696	124,157	80,103	-
<b>Total business-type activities program revenues</b>	<b>3,453,763</b>	<b>3,919,061</b>	<b>4,667,463</b>	<b>4,737,310</b>	<b>6,360,548</b>	<b>5,813,828</b>	<b>5,847,091</b>	<b>6,527,346</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 5,178,098</b>	<b>\$ 5,488,602</b>	<b>\$ 7,380,404</b>	<b>\$ 6,758,255</b>	<b>\$ 9,189,670</b>	<b>\$ 7,807,304</b>	<b>\$ 7,691,321</b>	<b>\$ 8,641,744</b>

(continued)

CITY OF PORTLAND, TEXAS  
 CHANGES IN NET ASSETS, LAST EIGHT FISCAL YEARS  
 (accrual basis of accounting)  
 (Unaudited)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Net (Expense) Revenue</b>								
Governmental Activities	\$ (6,347,676)	(7,165,894)	(6,790,823)	(8,082,856)	\$ (7,042,484)	\$ (8,540,925)	\$ (9,071,652)	\$ (9,377,192)
Business-type Activities	366,734	487,242	903,238	1,139,599	2,341,402	1,069,367	1,379,778	1,414,804
Total Primary government net expense	\$ (5,980,942)	\$ (6,678,652)	\$ (5,887,585)	\$ (6,943,257)	\$ (4,701,082)	\$ (7,471,558)	\$ (7,691,874)	\$ (7,962,388)
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental Activities:								
Taxes:								
Ad valorem	2,852,633	3,052,003	3,172,245	3,492,510	3,864,540	4,232,399	4,463,514	4,553,921
Sales	1,890,585	2,274,216	2,650,560	2,825,389	2,911,431	3,162,719	3,074,103	3,404,064
Franchise	824,222	941,290	988,127	1,051,431	1,087,961	1,051,320	1,029,609	1,009,656
Hotel/Motel	120,073	157,696	166,136	175,797	193,740	209,049	228,199	267,274
Investment earnings	136,267	235,792	373,134	491,896	283,538	73,430	50,045	95,830
Miscellaneous	126,742	159,667	133,331	112,381	215,935	270,728	282,504	-
Disposal of Capital Assets	-	(18,623)	-	-	-	-	8,932	402,355
Transfers	293,755	294,663	209,383	309,461	240,316	309,225	375,664	24,719
Total Governmental Activities	\$ 6,246,277	\$ 7,096,704	\$ 7,692,916	\$ 8,458,855	\$ 8,797,461	\$ 9,308,870	\$ 9,512,570	\$ 9,757,819
Business-type Activities:								
Investment earnings	35,450	104,454	124,788	131,931.0	60,802	25,148	31,426	35,594
Gain (Loss) on Disposal of Assets	-	-	-	(9,031.0)	-	-	1,469	41,091
Miscellaneous	8,373	9,432	12,489	15,024	14,453	28,511	54,530	14,492
Transfers	(293,755)	(294,663)	(209,383)	(309,461.0)	(240,316)	(309,225)	(375,664)	(24,719)
Total Business-type Activities	(249,932)	(180,777)	(72,106)	(171,537)	(165,061)	(255,566)	(288,239)	66,458
Total Primary Government	5,996,345	6,915,927	7,620,810	8,287,328	8,632,400	9,053,304	9,224,331	9,824,277
<b>Change in Net Assets</b>								
Governmental Activities	(101,399)	(69,190)	902,093	376,009	1,754,977	767,945	440,918	380,627
Business-type Activities	116,802	306,465	831,132	968,052	2,176,341	813,801	1,091,539	1,481,262
Total Primary Government	15,403	237,275	1,733,225	1,344,071	3,931,318	1,581,746	1,532,457	1,861,889

Source: Comprehensive Annual Financial Reports

(concluded)

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Nonspendable	\$ 87,078	\$ 75,405	\$ 82,653	\$ 103,016
Restricted	6,437	9,862	3,521	653
Committed	165,812	151,829	196,680	127,549
Unassigned	2,853,100	2,185,305	2,277,272	2,313,088
Total General Fund	<u>\$ 3,112,427</u>	<u>\$ 2,422,401</u>	<u>\$ 2,560,126</u>	<u>\$ 2,544,306</u>
All Other Governmental Funds				
Nonspendable	-	-	-	-
Restricted	575,001	537,241	1,315,278	680,014
Committed	4,379,661	7,266,928	127,071	1,369,336
Assigned	351,965	212,787	1,105,127	1,061,400
	<u>\$ 5,306,627</u>	<u>\$ 8,016,956</u>	<u>\$ 2,547,476</u>	<u>\$ 3,110,750</u>

Source: Comprehensive Financial Reports

Table 3

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 63,382	\$ 119,102	\$ 154,993	\$ 90,694	\$ 96,005	\$ 91,795
3,323	6,122	6,490	8,492	26,754	141,323
160,091	164,622	214,622	212,620	401,302	407,782
2,445,540	2,497,025	2,961,261	3,742,324	4,234,699	4,368,149
<u>\$ 2,672,336</u>	<u>\$ 2,786,871</u>	<u>\$ 3,337,366</u>	<u>\$ 4,054,130</u>	<u>\$ 4,758,760</u>	<u>\$ 5,009,049</u>
-	74,882	92,725	49,704	100,868	52,168
1,105,593	1,123,212	1,254,912	948,174	1,193,257	2,723,390
4,934,422	3,838,557	218,013	168,822	2,127,502	490,516
545,868	724,559	290,841	922,304	852,818	947,342
<u>\$ 6,585,883</u>	<u>\$ 5,761,210</u>	<u>\$ 1,856,491</u>	<u>\$ 2,089,004</u>	<u>\$ 4,274,445</u>	<u>\$ 4,213,416</u>

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

	Fiscal Year			
	2011	2010	2009	2008
<b>REVENUES:</b>				
Taxes	\$9,240,828	\$8,826,937	\$8,608,750	\$8,064,435
Licenses and Permits	309,303	153,993	154,351	223,796
Intergovernmental	327,107	228,805	182,624	58,498
Charges for Services	1,139,017	1,074,377	914,353	902,773
Fines and Forfeitures	191,816	194,155	272,979	260,610
Investment Income	95,830	50,045	73,430	283,538
Contributions	104,688	98,028	97,168	103,109
Oil Leases and Royalties	18,257	43,539	62,162	103,773
Other	367,065	227,976	200,144	106,271
<b>Total Revenues</b>	<b>11,793,911</b>	<b>10,897,855</b>	<b>10,565,961</b>	<b>10,106,803</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,390,877	1,273,740	1,156,038	993,840
Public Safety	4,515,608	4,446,807	5,857,300	6,235,187
Public Works	2,039,076	1,271,665	1,012,697	1,464,261
Cultural and Recreational	2,324,661	2,393,228	2,104,446	2,208,812
Debt Service:				
Principal	859,999	830,033	732,738	714,721
Interest and Finance Charges	575,013	520,808	589,900	581,399
Refunding Bond Issuance Cost	0	146,813	0	116,475
Advance Refunding Escrow	0	0	0	307,012
<b>Total Expenditures</b>	<b>11,705,234</b>	<b>10,883,094</b>	<b>11,453,119</b>	<b>12,621,707</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>88,677</b>	<b>14,761</b>	<b>(887,158)</b>	<b>(2,514,904)</b>
<b>OTHER FINANCE SOURCES (USES):</b>				
Sale of Capital Assets	75,864	218,859		
Bond Premium	0	182,264		
Bonds Issued	0	5,743,640		2,635,000
Capital Leases	0	0	245,615	114,532
Transfers In	1,469,649	1,169,764	954,190	1,216,623
Payments to Bond Escrow Agent	0	(3,684,302)		(2,508,899)
Transfers Out	(1,444,930)	(794,099)	(644,965)	(976,307)
<b>Total Other Financing Sources (Uses)</b>	<b>100,583</b>	<b>2,836,126</b>	<b>554,840</b>	<b>480,949</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$189,260</b>	<b>\$2,850,887</b>	<b>(\$332,318)</b>	<b>(\$2,033,955)</b>
Debt service as a percentage of noncapital expenditures	12.26%	12.41%	11.55%	10.27%

Source: Comprehensive Annual Financial Reports

Table 4

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$7,511,921	\$6,974,291	\$6,415,210	\$5,710,599	\$5,059,228	\$5,105,738
210,294	226,381	230,765	168,205	178,950	98,786
100,092	597,970	119,088	83,826	24,105	201,272
828,477	749,980	652,381	492,435	490,669	474,891
255,840	281,617	246,464	265,692	212,447	214,278
491,896	373,134	235,792	136,267	120,484	129,432
96,369	102,451	76,949	314,437	67,217	109,792
8,410	11,842	12,668	13,037	12,863	19,974
103,971	121,129	146,999	132,071	69,564	101,780
<u>9,607,270</u>	<u>9,438,795</u>	<u>8,136,316</u>	<u>7,316,569</u>	<u>6,235,527</u>	<u>6,455,943</u>
1,547,553	2,539,813	1,619,638	1,032,466	776,127	794,866
3,975,804	3,348,231	3,470,880	2,449,220	2,153,793	2,118,427
1,890,393	1,671,936	924,183	4,556,997	1,125,569	2,076,265
1,931,929	2,351,336	3,676,127	3,338,186	1,342,197	1,681,653
628,645	510,483	561,869	424,328	244,548	431,819
712,118	598,255	554,680	540,833	503,273	339,081
<u>10,686,442</u>	<u>11,020,054</u>	<u>10,807,377</u>	<u>12,342,030</u>	<u>6,145,507</u>	<u>7,442,111</u>
<u>(1,079,172)</u>	<u>(1,581,259)</u>	<u>(2,671,061)</u>	<u>(5,025,461)</u>	<u>90,020</u>	<u>(986,168)</u>
59,573	3,211,643	656,970	3,420,000	670,000	4,405,000
1,701,260	1,114,437	1,278,664	1,235,940	3,010,498	1,087,862
(1,391,799)	(905,054)	(984,001)	(942,185)	(1,638,154)	(240,000)
<u>369,034</u>	<u>3,421,026</u>	<u>951,633</u>	<u>3,713,755</u>	<u>2,042,344</u>	<u>4,363,639</u>
<u>(\$710,138)</u>	<u>\$1,839,767</u>	<u>(\$1,719,428)</u>	<u>(\$1,311,706)</u>	<u>\$2,132,364</u>	<u>\$3,377,471</u>
12.55%	10.06%	10.33%	7.82%	12.17%	10.36%

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

Fiscal Year	Total Market Value Real and Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Adjusted Levy	Collection of Current Year's Taxes During Period	Percent of Levy Collected in Fiscal Period	Percent of Total Collections
2002	522,453,663	37,166,420	485,287,243	0.5500	2,668,344	2,616,546	98.06%	101.19%
2003	553,312,241	42,395,567	510,916,674	0.5400	2,756,863	2,691,672	97.64%	100.00%
2004	586,727,557	44,147,203	542,580,354	0.5229	2,825,473	2,783,575	98.52%	102.16%
2005	636,593,920	61,513,782	575,080,138	0.5229	3,006,428	2,939,299	97.77%	100.20%
2006	652,711,347	28,690,039	624,021,308	0.4947	3,135,498	3,090,899	98.58%	100.41%
2007	702,725,396	43,294,524	659,430,872	0.5023	3,462,791	3,365,762	97.20%	99.17%
2008	910,094,071	127,661,969	782,432,102	0.4882	3,790,136	3,740,445	98.69%	101.81%
2009	918,148,422	112,391,111	845,738,413	0.5087	4,207,637	4,122,377	97.97%	99.48%
2010	963,862,360	100,072,725	863,789,635	0.5204	4,393,511	4,320,179	98.33%	102.31%
2011	943,653,396	106,021,474	837,631,922	0.5429	4,433,224	4,421,992	99.75%	103.47%

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, 2011

## Tax Rates (1)

Fiscal Year	City	School	County	Navigation District	Drainage District	Total	City's Percent of Total
2002	0.5500	1.7750	0.5350	None	0.0950	2.95500	19%
2003	0.5400	1.7750	0.5350	None	0.0952	2.94520	18%
2004	0.5229	1.7750	0.5350	None	0.0975	2.93040	18%
2005	0.5229	1.7750	0.5399	None	0.0986	2.91640	18%
2006	0.4947	1.6100	0.5399	None	0.0910	2.73565	18%
2007	0.5023	1.3600	0.5275	None	0.0819	2.47168	20%
2008	0.4882	1.3600	0.5275	None	0.0819	2.45758	20%
2009	0.5087	1.3600	0.5245	None	0.0793	2.47248	21%
2010	0.5204	1.3700	0.5245	None	0.0793	2.49130	21%
2011	0.5429	1.3700	0.5245	None	0.0764	2.51377	22%

## Tax Levies (1)

Fiscal Year	City	School	County	Navigation District	Drainage District	Total
2002	2,668,344	12,863,887	11,737,695	None	2,374,256	29,644,182
2003	2,756,863	13,217,178	12,508,788	None	2,589,933	31,072,762
2004	2,825,473	14,326,460	14,000,424	None	2,835,979	33,988,336
2005	3,006,428	13,058,855	14,001,075	None	3,061,885	33,128,243
2006	3,135,498	10,046,743	3,369,091	None	600,399	17,151,731
2007	3,312,321	8,968,260	3,478,498	None	539,929	16,299,008
2008	3,842,317	10,703,710	4,151,623	None	644,411	19,342,060
2009	3,989,691	14,376,901	20,493,083	None	3,092,386	41,952,061
2010	3,686,430	15,126,436	20,512,911	None	3,054,028	42,379,805
2011	4,433,224	15,019,370	21,361,735	None	3,052,972	43,867,301

(1) Per \$100 Assessed Valuation

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

		2011				2002	
Tax Payer	Type of Business	Taxable Assessed Valuation	Percentage of Total Assessed Value <sup>a</sup>	Tax Payer	Type of Business	Taxable Assessed Value	Percentage of Total Assessed Value <sup>b</sup>
Portland Townhomes LP	Apartments	\$8,839,784	1.055%	Portland Townhomes LP	Apartments/Townhomes	\$12,919,166	2.66%
Galileo Apollo II TX LP	Apartments	7,847,729	0.937%	H.E. Butt Grocery	Shopping Center	5,749,788	1.18%
Wal-Mart Real Estate Business Trust	Shopping Center	6,993,739	0.835%	Bass Enterprises Prod. Co.	Oil and Gas	5,565,141	1.15%
AEP Texas Central Company	Electric Utility	6,009,120	0.717%	Lands End Associates	Apartments	4,138,859	0.85%
Wal-Mart Stores Texas, LP	Grocery	5,295,038	0.632%	Goode, Keith and Carolyn	Condominium/Property Owners	3,299,066	0.68%
BOPCO LP	Oil & Gas Industry	5,253,780	0.627%	AEP Central Power & Light Co.	Electric Utility	3,290,290	0.68%
Safeguard Investments LTD	Apartments	4,261,803	0.509%	K-Mart Corporation	Shopping Center	2,637,884	0.54%
INDELA Partners III LP - Kmart	Shopping Center	3,789,230	0.452%	Royal Production Co. Inc.	Oil and Gas	2,599,520	0.54%
Lands End Limited	Apartments	3,747,291	0.447%	Verizon Southwest	Telecommunications	2,597,030	0.54%
Carriage Inn LP	Apartments	3,633,275	0.434%	Northshore Golf Partners	Golf Course	2,590,629	0.53%
		<u>\$55,670,789</u>	<u>6.646%</u>			<u>\$45,387,373</u>	<u>9.35%</u>

Data Source: Chief Appraiser, San Patricio County Appraisal District

Note:

<sup>a</sup>Total taxable value including real and personal property for tax year 2010 (fiscal year 2011) is \$ 837,631,922

<sup>b</sup>Total taxable value including real and personal property for tax year 2001 (fiscal year 2002) is \$ 485,297,243

CITY OF PORTLAND, TEXAS  
 SALES TAX HISTORY OF COLLECTING ENTITIES BY INDUSTRY  
 AS OF SEPTEMBER 30, 2011  
 Last Ten Fiscal Years  
 (Unaudited)

Year	Construction	Retail	Services	Transportation/ Communications	Wholesale	Financial Inst. & Real Estate	Manufacturing	Public Administration	Other	All Industries
2002	21	137	73	2	7	3	10	2	2	257
2003	18	140	77	3	5	3	11	2	2	261
2004	17	138	82	3	6	2	11	2	7	268
2005	15	128	75	3	5	2	10	2	42	282
2006	12	108	70	3	5	3	5	2	80	288
2007	27	184	172	9	11	18	20	2	7	450
2008	40	221	232	14	10	23	19	4	71	594
2009	34	175	174	10	13	17	22	2	19	466
2010	27	107	123	9	8	11	10	2	10	307
**2011	28	120	129	11	5	13	14	2	7	329

Source: Texas Comptroller of Public Accounts

\*\*Information provided for the 3rd quarter only.

CITY OF PORTLAND, TEXAS  
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE  
 Last Ten Fiscal Years  
 September 30, 2011

<b>Fiscal Year</b>	<b>Estimated Population</b>	<b>Assessed Value</b>	<b>Bonded Debt</b>	<b>Less Debt Service Funds</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2002	16,371	485,297,243	8,210,000	520,472	7,689,528	1.58%	470
2003	16,535	510,916,674	8,690,000	537,241	8,152,759	1.60%	493
2004	17,000	542,580,354	11,745,000	855,579	10,889,421	2.01%	641
2005	17,114	575,080,138	11,390,000	874,018	10,515,982	1.83%	614
2006	17,500	624,021,308	14,180,000	901,688	13,278,312	2.13%	759
2007	18,500	659,430,872	13,710,000	919,307	12,790,693	1.94%	691
2008	19,500	782,432,102	13,025,000	916,129	12,108,871	1.55%	621
2009	16,408	845,738,413	12,455,000	601,005	11,853,995	1.40%	722
2010	18,336	863,789,635	14,088,640	669,633	13,419,007	1.55%	732
2011	18,500	837,631,922	13,359,540	804,143	12,555,397	1.50%	679

CITY OF PORTLAND, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 September 30, 2011

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable *</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Gregory-Portland Independent School District	\$ 18,521,777	74.27%	\$ 13,756,124
San Patricio County	\$ 18,280,000	23.30%	\$ 4,259,240
<b>Other debt</b>			
Gregory-Portland Independent School District:			
Capital Leases	\$ 3,004,787	74.27%	\$ 2,231,655
Advalorem Property Tax Refund Settlement	\$ 586,176	74.27%	\$ 435,353
Subtotal, overlapping debt			\$ 20,682,372
<b>City of Portland (direct debt)</b>	<b>\$ 13,390,140</b>	<b>100.00%</b>	<b>\$ 13,390,140</b>
<b>Total direct and overlapping debt</b>			<b>\$ 34,072,512</b>
Average Debt Per Capita (18,500)			\$ 1,842

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

CITY OF PORTLAND, TEXAS  
 DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Estimated Population</b>	<b>San Patricio County Per Capita Income</b>	<b>Personal Income (thousands of dollars)</b>	<b>Average School Enrollment</b>	<b>San Patricio County Unemployment Rate</b>
2002	16,371	21,643	354,317,553	4,289	6.10%
2003	16,535	22,744	376,072,040	4,276	6.40%
2004	17,000	23,651	402,067,000	4,302	7.70%
2005	17,144	25,365	434,857,560	4,285	6.30%
2006	17,500	27,452	480,410,000	4,285	4.40%
2007	18,500	26,178	484,293,000	4,261	5.00%
2008	19,200	***	***	4,245	5.48%
2009	16,408	17,862	293,079,696	4,197	10.30%
2010	18,336	18,508	339,362,688	4,296	8.70%
2011	18,500	20,766	384,171,000	4,296	8.00%

\*\*\* Data not available at time of publication.

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

Employer	Business Description	Number of Employees	Percentage of Workforce
Corpus Christi I S D	School District	5,178	2.36%
CHRISTUS Spohn Health System	Hospitals & Clinics	5,144	2.35%
H. E. B.	Grocery Company	5,000	2.28%
City of Corpus Christi	City Government	3,171	1.45%
Naval Air Station Corpus Christi	Flight Training	2,822	1.29%
Bay, Ltd.	Heavy Fabrication	2,100	0.96%
Driscoll Children's Hospital	Hospital	1,800	0.82%
Del Mar College	Junior College	1,542	0.70%
Corpus Christi Medical Center	Hospital	1,300	0.59%
Nueces County	County Government	1,034	0.47%

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government and Administration	10	10	10	12.5	12.5	13	11.5	13.25	12.25	11.55
Public Safety	29	34	37.6	40.65	42.4	45.25	51	51.58	51.36	50.61
Building/Code Enforcement	4.5	4	4.5	4	3	3	5.3	5.3	5.3	4.7
Library	8	5.65	5.65	6	6	6	6	6	6	6
Water and Sewer	17	13.23	12.5	14	18	18.06	17.76	17.76	17.76	17.76
Vehicle Maintenance	1	1	1	1	1	1	1	1	1	1
Park Maintenance	9	8.23	7.75	7.67	7.51	7.51	7.51	7.5	7	7.5
Recreation/Community Center	49	21.74	19.52	21.08	22.69	24.86	27.65	27.99	25.64	25.12
Finance	2.5	2.5	2.9	3.38	3.38	3.75	4	4	4	4
Streets	6	5.23	5.96	5.97	5.96	5.96	5.96	5.96	5.46	5.56
Municipal Court	2.5	2.5	2.5	2.38	2.5	3	3	3	3	3
Total Full Time Equivalents	138.5	108.08	109.88	118.63	124.94	131.39	140.68	143.34	138.77	136.8

Source: City of Portland Budgets

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

Fiscal Year	Residential		Commercial		Total New Construction
	Construction Value	Permits Issued	Construction Value	Permits Issued	
***					
2002	\$ 7,386,267	**	\$ 441,000	1	\$ 7,827,267
2003	\$ 6,048,097	59	\$ 205,000	1	\$ 6,253,097
2004	\$ 7,678,203	82	\$ 8,034,000	6	\$ 15,712,203
2005	\$ 12,161,538	112	\$ 14,261,100	8	\$ 26,422,638
2006	\$ 16,695,276	126	\$ 5,864,373	6	\$ 22,559,649
2007	\$ 16,731,348	128	\$ 786,500	2	\$ 17,517,848
2008	\$ 17,465,785	87	\$ 8,060,572	4	\$ 25,526,357
2009	\$ 10,232,465	56	\$ 1,325,000	2	\$ 11,557,465
2010	\$ 9,917,977	56	\$ 960,000	2	\$ 10,877,977
2011	\$ 11,329,736	52	\$ 1,521,472	2	\$ 12,851,208

Source: City of Portland Buiding Department

\*\* The number of permits issued for new houses is unavailable for years prior to FY2003.

CITY OF PORTLAND, TEXAS  
 STATISTICAL DATA  
 YEAR ENDED SEPTEMBER 30, 2011

DATE OF INCORPORATION: May 28, 1949

DATE OF CITY CHARTER ADOPTION: August 8, 1967

FORM OF GOVERNMENT: Council - Manager

Area - Square Miles	11.5	Cultural and Recreational:	
		Parks - Number of Acres	740.04
Miles of Streets - Paved	71	Number of Lighted Fishing Piers	1
		Number of Playgrounds	13
Fire Protection		Number of Swimming Pools	2
Number of Stations	2	Number of Community Centers	1
Number of Employees:		Number of Senior Citizens Centers	1
Regular - Full-Time	15	Number of Public Libraries	1
Part-Time	1		
		Education:	
Police Protection		Number of Schools	7
Number of Stations	1	Number of School Teachers	261
Number of Employees:		Number of Students	4,296
Regular - Full-Time	31	Average Daily Attendance	4067.291
Part-Time	1		
		Municipal Water System:	
Total Employees - Full Time & Full-time Equivalents	137	Number of Customers	5307
		Daily Average Consumption	1,796,590
		Storage Capacity	3,000,000
		Number of Fire Hydrants	675
		Number of Street Lights	614

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public Safety					
Police					
# of Employees	31.75	34	34	32.25	32.25
# of Citations	3,682	3,840	3,218	3,152	3,138
Fire					
# of Employees	16	16	15	15	15
# of Fire Runs	332	321	429	428	428
# of Rescue Runs	894	884	990	944	950
Development Services					
Permits Issued	2,046	1,527	1,478	1,381	4,126
Cultural and Recreational					
Parks and Recreation					
Program Participants	67,750	82,325	90,183	88,588	106,847
# of Memberships Sold	1,390	755	1,528	1,726	1,172
Library					
Volumes in Circulation	64,200	99,091	111,422	120,710	114,847
Water and Sewer					
# of Bills Processed	45,351	62,305	63,347	63,399	64,391
# of System Customers	6,989	7,420	5,262	5,307	5,403
Millions of Gallons Billed	1,077	1,288	2,254	2,594	2,690

Source: City Departments

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

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Public Safety						
Police Stations	1	1	1	1	1	1
Police Patrol Units	9	11	14	15	17	14
Fire Stations	2	2	2	2	2	2
Development Services						
Streets Paved (miles)	52.05	52.05	57	58	58	70
# of Street Lights	581	581	601	607	607	587
Cultural and Recreational						
Parks (acres)	650	650	740.04	740.04	740.04	740.04
Playgrounds	11	11	12	12	12	13
Lighted Fishing Pier	1	1	1	1	1	1
Swimming Pools	1	1	1	2	2	2
Community Centers	1	1	1	1	1	1
Senior Centers	1	1	1	1	1	1
Skate Parks	1	1	1	1	1	1
Libraries	1	1	1	1	1	1
Water and Sewer						
Number of Customers	4,451	4,451	4,677	6,467	6,708	6,989
Number of Fire Hydrants	440	440	460	483	483	468

Source: City Departments

Note: N/A = data not available.

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Public Safety</b>				
Police Stations	1	1	1	1
Police Patrol Units	16	17	17	22
Fire Stations	2	2	2	2
<b>Development Services</b>				
Streets Paved (miles)	70	70	71	71
# of Street Lights	587	610	610	614
<b>Cultural and Recreational</b>				
Parks (acres)	740.04	740.04	740.04	740.04
Playgrounds	13	13	13	13
Lighted Fishing Pier	1	1	1	1
Swimming Pools	2	2	2	2
Community Centers	1	1	1	1
Senior Centers	1	1	1	1
Skate Parks	1	1	1	1
Libraries	1	1	1	1
<b>Water and Sewer</b>				
Number of Customers	7,420	5,262	5,307	5403
Number of Fire Hydrants	483	650	650	675

**Source:** City Departments

**Note:** N/A = data not available.

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 Liability	(5) Annual Covered Payroll	(6) UAAL as a Percentage of ACP (4/5)	(7) Total TMRS Required Contribution Rate
2001	\$ 3,119,928	\$ 4,567,759	68.3%	\$ 1,447,831	\$ 2,340,245	61.9%	10.35%
2002	\$ 3,592,427	\$ 5,148,427	69.8%	\$ 1,556,000	\$ 2,552,400	61.0%	11.50%
2003	\$ 4,028,044	\$ 6,043,260	66.7%	\$ 2,015,216	\$ 2,539,023	79.4%	10.59%
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%

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.

**SINGLE AUDIT SECTION**

the  
**portland**  
of possibilities.



# Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

418 Peoples Street, Suite 308 tele 361-884-8897  
Corpus Christi, TX 78401 fax 361-884-3457

## Independent Auditor's Report

### Report on Internal Control over Financial Reporting and on Compliance and over 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 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, Texas as of and for the year ended September 30, 2011, which collectively comprise the City of Portland's basic financial statements and have issued our report thereon dated March 21, 2012. 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.

#### Internal Control over Financial Reporting

In planning and performing our audit we considered the City of Portland's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Portland's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in

internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Portland's financial statements are free of 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*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lovvorn + Kieschnick, LLP*

Lovvorn & Kieschnick, LLP  
March 21, 2012



**Lovvorn & Kieschnick**

CERTIFIED PUBLIC ACCOUNTANTS

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## **Independent Auditor's Report**

### Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

#### Compliance

We have audited City of Portland's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of City of Portland's major federal programs for the year ended September 30, 2011. City of Portland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Portland's management. Our responsibility is to express an opinion on City of Portland's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Portland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Portland's compliance with those requirements.

In our opinion, City of Portland complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

### Internal Control Over Compliance

Management of City of Portland is responsible for establishing and maintaining effective internal control over compliance with the requirement of laws, regulations, contracts, can grants applicable to federal programs. In planning and performing our audit, we considered City of Portland's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Portland's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Lovvorn + Kieschnick, LLP*

Lovvorn & Kieschnick, LLP

March 21, 2012

CITY OF PORTLAND, TEXAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weakness(es) identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weakness(es) identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?  Yes  No

Identification of major programs:

CFDA Number(s)

10.864

Name of Federal Program or Cluster

Economically Disadvantaged Areas Program (Phase I)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF PORTLAND, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No Prior Findings		

CITY OF PORTLAND, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development - HUD</u>			
Passed Through Texas Department of Agriculture Texas Capital Funds - Texas Community Development Block Grant	14.228	729092	\$ 67,445
Passed Through Texas Department of Agriculture			<u>67,445</u>
Total U.S. Department of Housing and Urban Development - HUD			<u>67,445</u>
<u>U.S. Department of Justice</u>			
Passed Through State of Texas Office of the Governor - Criminal Justice Division Portland Parks Surveillance System	16.803	SU-09-A10-22632-01	13,788
Passed Through State of Texas Office of the Governor - Criminal Justice Division			<u>13,788</u>
Total U.S. Department of Justice			<u>13,788</u>
<u>U.S. Department of Agriculture</u>			
Passed Through Texas Water Development Board EDAP - Doyle Addition Phase 1	10.864	G090014	318,713
Passed Through Texas Water Development Board			<u>318,713</u>
Total U.S. Department of Agriculture			<u>318,713</u>
<u>Executive Office of the U.S. President</u>			
Texas Coastal Corridor Initiative	95.001	G10HN0016A	25,773
Total Executive Office of the U.S. President			<u>25,773</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through Texas Department of Public Safety Homeland Security Grant	97.073	2010-SS-T0-0008	128,519
Passed Through Texas Department of Public Safety			<u>128,519</u>
Total U.S. Department of Homeland Security			<u>128,519</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 554,238</u>

**CITY OF PORTLAND, TEXAS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Portland and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.