CITY OF PORTLAND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2012

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CITY OF PORTLAND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2012

CITY COUNCIL

David Krebs, Mayor

David E. Lewis, Mayor Pro Tem

Ron Jorgensen

Cathy Skurow

John Green

Gary Moore, Sr.

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, 2012

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INTRODUCTORY SECTION

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March 27, 2013

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, 2012, 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, 2012 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

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experienced continued, if slow, residential growth. Related to the increase in residents, two new national chain restaurants opened in Portland during fiscal 2012.

The regional economy is poised to see major increases in heavy industry operations, many of them literally at the City's northeast doorstep. The Tianjin Pipe Corporation, a Chinese manufacturing company, is located just 7 miles from the city limits. This project, which has been under construction since September 2011, is on schedule to open the first phase of the manufacturing facility in spring 2013. A little farther east, major expansion is planned, but not yet under construction, for the Cheniere Energy facility located on the Port of Corpus Christi's La Quinta Channel. The new facilities will provide three new trains for liquefaction of natural gas being extracted from the Eagle Ford Shale fields in south central Texas and then exported world wide. Located just east of the Portland boarder, voestalpine, the Austrian steel processing company, announced in March 2013 it will install and operate a direct reduction plant to produce high quality sponge iron from iron ore pellets. This project represents a $700 million investment and promises 150 fulltime permanent jobs when fully operational.

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. Among these privatized services, solid waste/brush collection and recycling are the functions utilized by every resident and business in the city every year. Because of the importance of this service, and in order to contain costs while maintaining high quality services, the City moved the solid waste and recycling collections to an automated system in 2012. With this new system, residential customers' monthly fees were actually reduced by 17.5%.

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

BUDGETING AND LONG RANGE PLANNING

Each year 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.

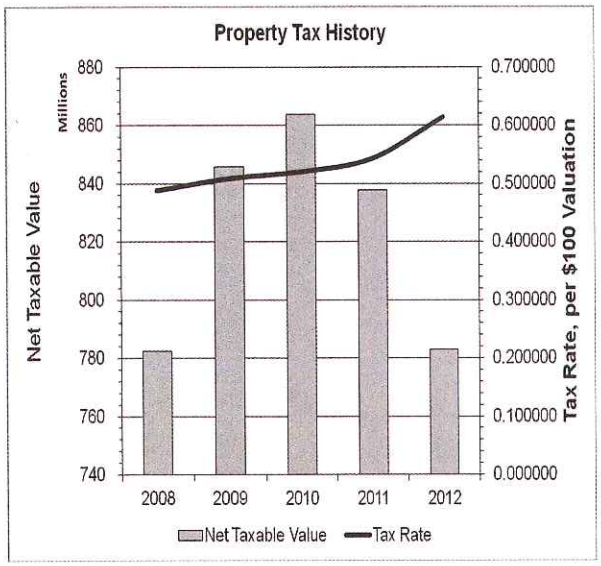
ACCOUNTING AND INTERNAL CONTROLS

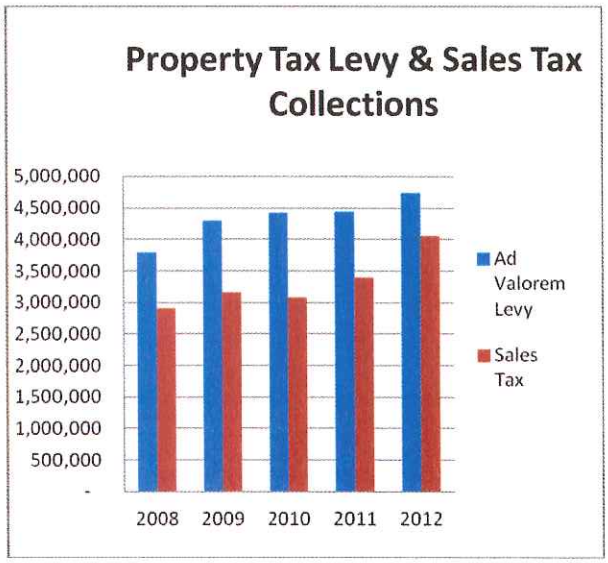
In order to provide accurate financial information for planning and decision making, all departments of the City participate in the accounting control system of financial transactions and assets. To this end, the City's accounting records for the general governmental operations are maintained on a modified 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 2011 to 2012 by 6.53% (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 just to provide the level of ad valorem tax revenue required to meet service demands. Sales tax collections, on the other hand, increased by 21% from the previous year due to greater consumer confidence and activity related to the Eagle Ford Shale project. In addition, an exceptionally busy housing market drove the revenue from licenses and permits up more than 10%.





STAFFING AND EMPLOYEE BENEFITS

The City of Portland operates with a very limited number of employees. In 2011 - 12, the budget provided for only 105 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, 2011. 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 Lorenzo Lara and the entire staff of the Finance Department and the cooperation of all operating departments of the City. We would also like to thank the members of the City Council, the City Manager and the City staff for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,

Sandra Clarkson

Sandra Clarkson, CPA, CGFO
Finance Director

CITY OF PORTLAND, TEXAS

CITY COUNCIL

David Krebs, Mayor

David E. Lewis, Mayor Pro Tem

Ron Jorgensen

Cathy Skurow

John Green

Gary Moore, Sr.

John Vilo

CITY MANAGER

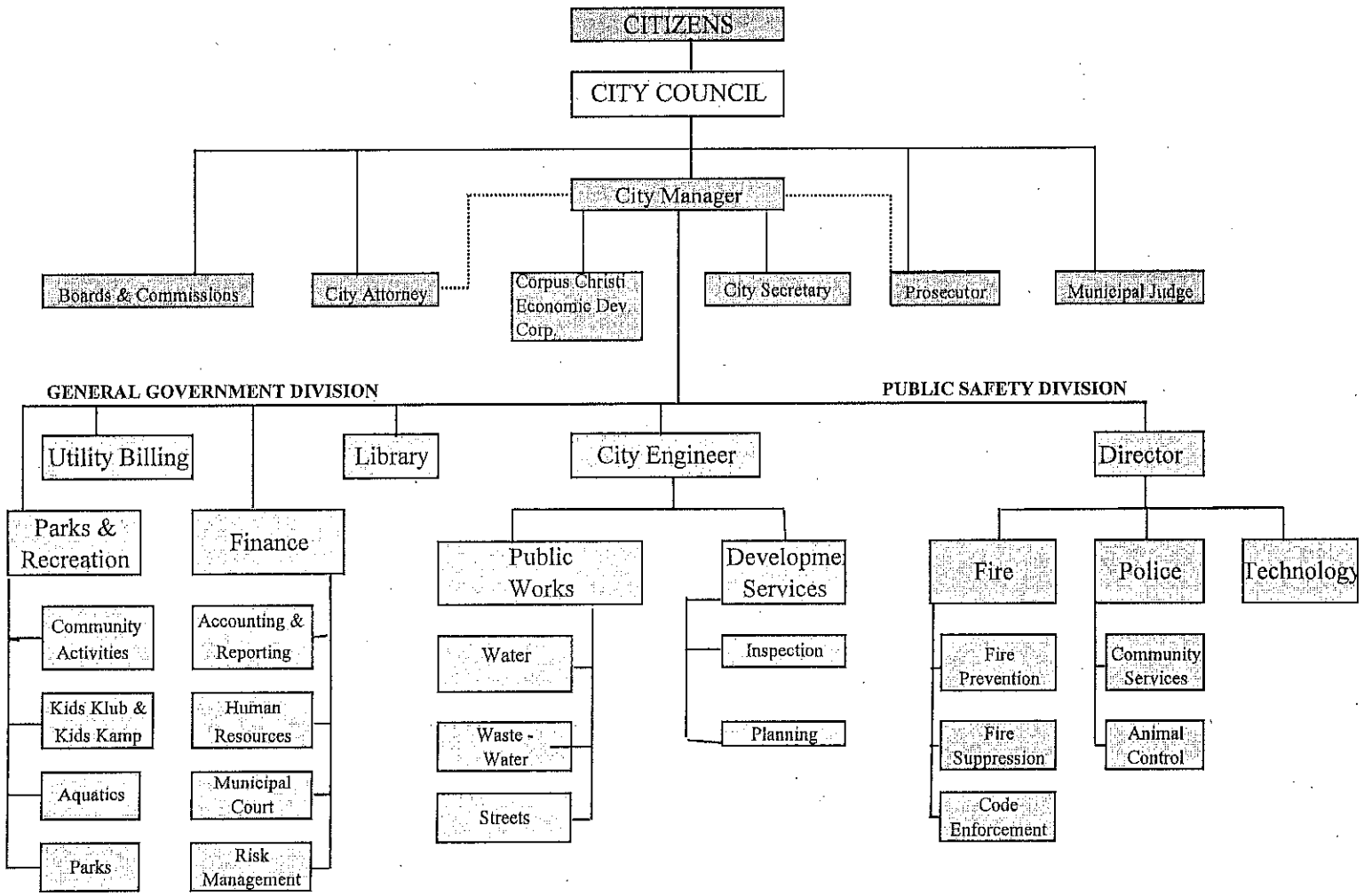
Mike Tanner

FINANCE DIRECTOR

Sandra Clarkson, CPA

CITY OF PORTLAND

ORGANIZATION BY FUNCTION



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, 2011

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.

President

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, 2012, 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, 2012, 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 26, 2013, 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 combining and individual fund financial statements, individual fund budgetary comparison schedules, and the capital asset schedules 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 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Portland, Texas
Management's Discussion and Analysis
September 30, 2012
(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, 2012. 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 2012 by $49,138,021 (net assets). Of this amount, $10,149,950 (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 $1,887,280 in 2012.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $9,103,757, a decrease of 1.2% in comparison with the prior year. Of that amount, just under 1.6% was non-spendable (made up of inventory and prepaid items), 24.7% was legally restricted to specific purposes because of the source of the funds, 6.9% was committed to various specific purposes, and 12.7% (about $1,152,954) was assigned to Cultural and Recreational purposes.
- The remainder of the governmental fund balances, $4,924,408 or 54%, 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 $14,921,549. This represents a 5% increase over the prior year. Most significant is a $620,348 increase of unrestricted net assets to $3,544,732 in this fund.
- The City's total long-term debt increased by $4,858,421 (18%) during the current fiscal year. The bulk of this increase occurred when the City issued $7,573,000 in revenue and refunding bonds to fund major improvements to the City's water and sewer system, provide state of the art technology to several departments and take advantage of near historic low interest rates to refinance the 2004 Revenue Bonds.

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

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

The basic governmental fund financial statements can be found on pages 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 $49,138,021 at the close of the most recent fiscal year. By far the largest portion of the City's net assets, $37,071,685 or 75.4%, 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 ($1,916,386 or 3.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($10.15 million or 21%) 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 $1,887,280 (4%) during the fiscal year (see Table 1). Approximately 60% of this positive movement is attributed to $1.12 million increase in the value of capital assets net of related debt. Such a result is illustrative of the City's on-going commitment to maintain and improve our infrastructure like streets, water and sewer system service lines and the sewage treatment plant.

Governmental activities The City saw significant growth in revenues in 2012 compared to 2011. The local economy started coming back a little faster than the rest of the country, and revenues from housing permits and sales taxes were evidence of that. A quick review of the changes in the City's net assets, as illustrated in Table 2 on the next page, is in order.

Net Assets as of September 30, 2012
Compared to 2011
Table 1

	Governmental Activities		Business-type Activities		Total Government	
Assets	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Current and Other Assets	$ 11,469,811	$ 11,209,635	$ 14,632,844	$ 10,784,088	$ 26,102,655	$ 21,993,723
Capital Assets, net of accumulated depreciation	36,415,682	35,200,133	22,005,617	19,319,889	58,421,299	54,520,022
Total Assets	47,885,493	46,409,768	36,638,461	30,103,977	84,523,954	76,513,745
Liabilities						
Current & Due Within One Year	3,063,691	2,423,092	3,015,070	1,967,443	6,078,761	4,390,535
Due in More Than One Year	12,967,031	13,239,675	16,340,141	11,632,794	29,307,172	24,872,469
Total Liabilities	16,030,722	15,662,767	19,355,211	13,600,237	35,385,933	29,263,004
Net Assets						
Invested in Capital Assets, Net of Related Debt	23,580,006	22,977,675	13,491,679	12,975,355	37,071,685	35,953,030
Restricted for:						
Debt Service	896,156	765,884	108,056	205,288	1,004,212	971,172
Federal and State Programs	912,174	748,688	-	-	912,174	748,688
Unrestricted	6,466,435	6,254,754	3,683,515	3,323,097	10,149,950	9,577,851
Total Net Assets	$ 31,854,771	$ 30,747,001	$ 17,283,250	$ 16,503,740	$ 49,138,021	$ 47,250,741

Governmental Activities, continued

Revenues:

- For fiscal year 2012 the program revenues from governmental activities totaled $2,268,837. General government program revenues consist primarily of fees, fines and charges for services. This group of revenues increased by 16% in 2012.
- The other governmental activity program revenues – grants and contributions – *declined* by more than 30% ($124,277) in 2012.
- Property tax collections totaled $4,733,902, an increase of 4% from the prior year despite a continuing negative trend in taxable values and an increase in value subject to revenue freeze.
    - Assessed taxable values dropped $54 million or 6.5% from the prior year. This is a reflection of the national downward trend in home values.
    - Effective and aggressive efforts to collect delinquent property taxes contributed to the increase in overall property tax collections.
- Other taxes collected by the City also rose, with Hotel Occupancy Tax having the most significant increase of 42% or $112,403 over the prior year. The most likely explanation of this is the Eagle Ford Shale natural gas mining operations that are lighting up the south central Texas region.

It is, perhaps, significant to point out that the rate of increase in governmental activity program revenues (7%) is the same as the rate of increase in governmental activity expenses (7%). Although the nature of governmental activity functions – police services, fire protection, EMS services, parks maintenance and government administration – preclude these functions from being "self supporting" in the way of business-type activities, the efforts by the City of Portland to operate in a business-like approach is evidenced in this item.

Expenses:

- For fiscal year 2012 governmental expenses totaled $12,242,562, an increase of $750,972 over the prior year. The bulk of this growth in governmental activities occurred in General Government and Administration ($378,566) and in Public Safety ($297,101).

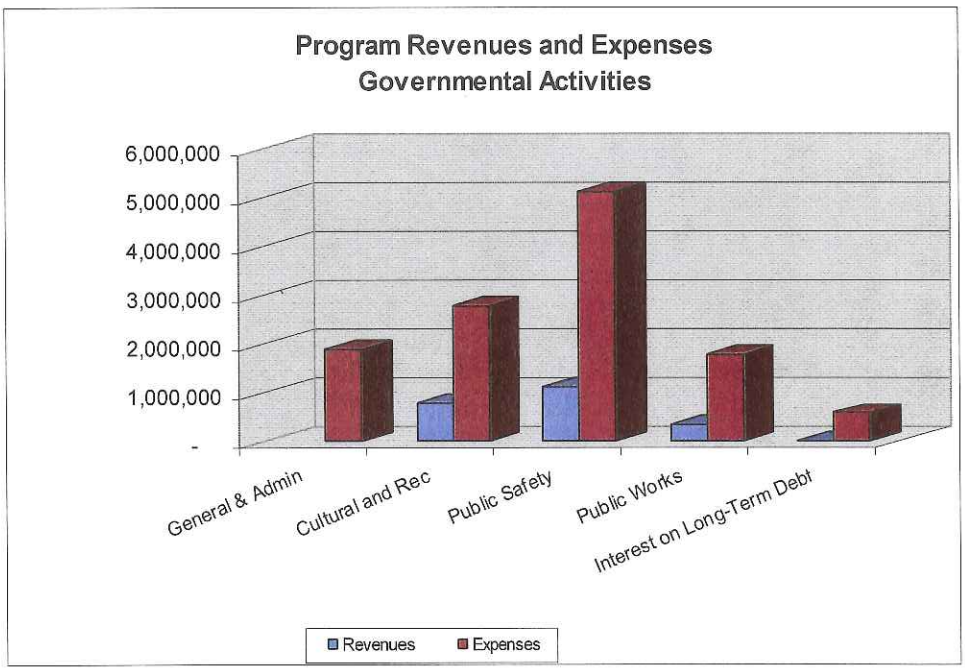
- The increased expenses in these functional areas are largely attributable to staffing increases, a complete re-write of the City's Comprehensive Plan and Uniform Development Ordinance, the completion and implementation of the Waters Consulting Compensation plan, purchase of Public Safety computer systems and an Impact Fee Study.

City of Portland's Changes in Net Assets
At September 30, 2012
Compared to September 2011
Table 2

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Program Revenues						
Fees, Fines & Charges for Services	$ 2,019,081	$ 1,740,365	$ 6,140,733	$ 6,095,621	$ 8,159,814	$ 7,835,986
Operating Grants and Contributions	249,756	314,533	-	287,475	249,756	602,008
Capital Grants and Contributions	-	59,500	222,196	144,250	222,196	203,750
Total Program Revenues	2,268,837	2,114,398	6,362,929	6,527,346	8,631,766	8,641,744
General Revenues						
Property Taxes	4,733,902	4,553,921	-	-	4,733,902	4,553,921
Sales Taxes	4,065,035	3,404,064	-	-	4,065,035	3,404,064
Franchise Taxes	1,033,907	1,009,656	-	-	1,033,907	1,009,656
Hotel/Motel Taxes	379,677	267,274	-	-	379,677	267,274
Investment Earnings	116,144	95,830	49,507	35,594	165,651	131,424
Gain on Disposal of Assets	325	-	-	41,091	325	41,091
Miscellaneous	243,119	402,355	16,611	14,492	259,730	416,847
Total Revenues	12,840,946	11,847,498	6,429,047	6,618,523	19,269,993	18,466,021
Expenses						
General Government and Admin.	1,910,890	1,532,324	-	-	1,910,890	1,532,324
Cultural and Recreational	2,805,939	2,743,835	-	-	2,805,939	2,743,835
Public Safety	5,141,876	4,844,775	-	-	5,141,876	4,844,775
Public Works	1,802,525	1,756,566	-	-	1,802,525	1,756,566
Interest on Long Term Debt	581,332	614,090	-	-	581,332	614,090
Water and Sewer	-	-	4,974,490	4,952,414	4,974,490	4,952,414
Drainage	-	-	165,661	160,128	165,661	160,128
Total Government Expenses	12,242,562	11,491,590	5,140,151	5,112,542	17,382,713	16,604,132
Change in Net Assets						
Increase (Decrease) Before Transfers	598,384	355,908	1,288,896	1,505,981	1,887,280	1,861,889
Transfers	509,386	24,719	(509,386)	(24,719)	-	-
Increase in Net Assets	1,107,770	380,627	779,510	1,481,262	1,887,280	1,861,889
Net Assets, Beginning of Year	30,747,001	30,366,374	16,503,740	15,022,478	47,250,741	45,388,852
Net Assets, End of Year	$ 31,854,771	$ 30,747,001	$ 17,283,250	$16,503,740	$ 49,138,021	$ 47,250,741

Below, Table 3 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 2012, revenues from taxes, investments and miscellaneous sources are used to offset this $9.97 million deficit between expenses and program revenues in the governmental activities.

Program Revenues & Expenses – Governmental Activities
Table 3

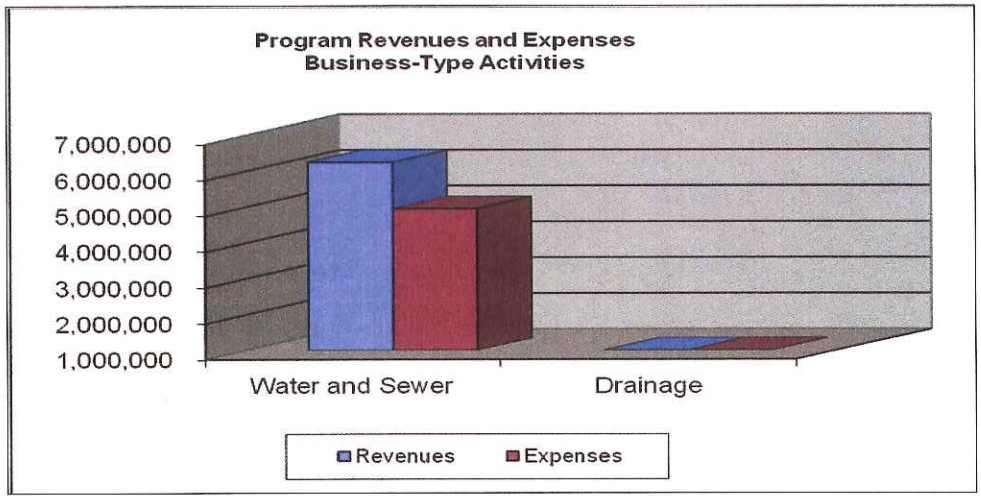


On the other hand, the Table 4 on the next page illustrates a different picture for the City's business-type activities. These functions provide services that are billed on an individual account basis and are operated in such a manner that the fees for services are established to provide for current operations, debt service payments, system improvements and capital projects for expansion as needed.

Business-type Activities. As shown in the Statement of Activities (pages 14 and 15), program revenues of the City's business-like activities were $6,362,979 for the fiscal year ended September 30, 2012. Expenses for those same activities totaled $5,140,151 resulting in net revenues of $1,222,778 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 $779,510. This represents a respectable, but modest, 4.7% change in net assets in the business-type activities.

Regarding the amount of unrestricted net assets available for the purpose of meeting immediate operating needs, it should be noted that the total business-type unrestricted net assets of $3,683,515 represents only 21% of total net assets in this area. With the City located on the Gulf of Mexico and subject to the effects of hurricanes, this level of unrestricted net assets provides assurance of the City's ability to continue operation in the event of a natural disaster.

Program Revenues & Expenses – Business – Type Activities
Table 4



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Portland uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. 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 $9,103,757, a decrease of 1.3% 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)	$ 146,633
Restricted (constrained by external agreements)	2,251,167
Committed (purpose/use set by City Council)	628,595
Assigned (special revenues not otherwise designated)	1,152,954
Unassigned (remainder of General Fund balance)	4,924,408
Total Governmental Fund Balance	$9,103,757

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 $4,924,408. This amount is equivalent to 178 days' full-service operations (total 2013 operating costs of $10,123,149 divided by 365 days, yields daily operating cost of $27,700). 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 $2,251,167 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, $624,477 restricted for Hotel Occupancy Tax revenue purposes, $185,132 restricted for law enforcement purposes and $383,602 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 2012 with combined net assets totaling $17,350,481. This class of funds includes 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 $14,921,549, the Drainage Fund $2,361,701 and the Insurance Fund $67,231.

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 2012 the operations resulted in unrestricted net assets of $3,544,732, which will finance 308 days of operations if a catastrophic event were to occur that interrupted normal revenue streams. With only 90 days reserve required by City policy, the balance of that reserve amount is available for capital improvements.

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

The Drainage Utility Fund accounts for drainage planning, maintenance and service to the residents and businesses of the City. This fund had total net assets of $2,361,701 at the end of 2012. Of this, 94.1% was in the form of capital assets. In 2012, an engineering firm conducted an impact fee study (including a series of public hearings to notify the public) to determine the cost of needed drainage improvements and assess costs to be shared by land owners. This project, the Broadway Boulevard Drainage Improvement Project, will be funded by a $700,000 loan from General Fund to the Drainage Utility Construction Fund. After the project is finished the impact fees assessed on the properties benefiting from the improved drainage will "payback" the General Fund.

The Insurance Fund is an internal service fund used to provide employee insurance benefits. It is funded through the contributions of the City and employees based on the individual employee plan. At September 30, 2012 the net assets in this fund was $67,231.

General Fund Budgetary Highlights

During FY2011-12, the General Fund budget was amended at mid-year due to several better-than-expected revenue categories and to provide funding for a number of major expenditures for necessary changes in operations. For example, an emergency repair for more than $60,000 to one of the City's large fire trucks required an amendment to provide the funding. In all, amendments to the General Fund Budget increased revenues by 9.4 % and increased to expenditures of 9.2%.

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, 2012 amounts to $58,421,299 (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 $3.9 million or 7.2%.

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 2012:

- Bids were awarded for installation of automatic radio-read water meters throughout the City ($1.1 million).
- The Water and Sewer Line Replacement Project ($3.8 million budgeted) is in the design stage.
- Construction began on the Wastewater Treatment Plant Improvements ($3.1 million total project).
- Construction was nearly completed on the city-wide Streets and Drainage Improvement Program ($4.48 million).
- Construction was completed on the Old Town Lift Station ($827,000) and the Memorial Parkway Force Main ($364,000).

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

Capital Assets
Net of Accumulated Depreciation
Table 5

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Land	$ 4,412,524	$ 4,412,524	$ 118,362	$ 101,832	$ 4,530,886	$ 4,514,356
Buildings	15,304,958	15,829,448	500,516	516,189	15,805,474	16,345,637
Vehicles	1,018,337	979,527	-	-	1,018,337	979,527
Equipment	1,612,885	1,664,782	775,826	868,463	2,388,711	2,533,245
Infrastructure	10,801,764	11,307,891	16,246,523	15,566,795	27,048,287	26,874,686
Intangibles	21,167	26,459	357,177	367,177	388,344	393,636
Construction in Progress	3,244,047	979,502	3,997,213	1,899,433	7,241,260	2,878,935
Total	$ 36,415,682	$ 35,200,133	$ 22,005,617	$ 19,319,889	$ 58,421,299	$ 54,520,022

Long-Term Debt. The City's only activity related to debt issuance in 2012 was on the Utility System. In February, the Series 2012 Revenue Bonds ($193,000) were sold to the Texas Water Development Board for Phase II of the Doyle Addition Sewer System project. In order the fund several improvements to the Water and Sewer System (listed in the Capital Assets section above), finance a number of computer systems throughout the City and to refinance the Series 2004 Revenue Bonds, the City sold $7.3 million in the 2012 Revenue and Refunding Bonds.

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 in Note 4 of the Notes to the Basic Financial Statements on pages 35-40 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City of Portland's economic outlook remains guardedly optimistic. Early fiscal year 2013 has not continued the exceptionally high rates of collections for sales taxes, motel occupancy taxes and permit fees that were enjoyed in 2012. Sales taxes in particular are showing signs of weakening and barely maintaining the 2012 level. But, a number of retail establishments that have moved into the City's major corridor on Highway 181 continue in business and appear to thrive. More small retailers and personal grooming/fitness businesses continue to locate in this high visibility area each quarter.

The inventory of existing homes for sale or rent is unusually low, but applications for new home permits are not coming in as well as 2012. Two subdivisions currently in development will add more that 100 lots when platted later in 2013. The Gregory Portland Independent School District has sold bonds and will soon begin construction of a new elementary school on the City's east side. It is expected these activities will bring many new residents to Portland and spur an increase in new home permit applications.

The 2013 Budget for the utility departments provides major projects to increase efficiency and effectiveness throughout the systems. An automatic meter reading system will be completed in 2013. This system will put a new meter on every account to provide more accurate measurement of the water usage and will provide the means to read the consumption automatically. Another major project will replace aging water and sewer lines throughout the system to reduce the number of breaks and leaks.

In the general government area, the City will enhance the access and availability of our beautiful shoreline parks by constructing a hike and bike trail to link Violet Andrews and Sunset Lake Parks. This project will provide enjoyment for residents and visitors alike. By focusing on our unique local assets and playing to our strengths – safe, clean, affordable city with high quality services – the City Council and management will continue to make Portland the most attractive place for families in the Coastal Bend.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

the portland
of possibilities.

CITY OF PORTLAND, TEXAS
GOVERNMENT - WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	8,307,211	4,298,196	12,605,407
Receivables, Net of Allowance for Uncollectible:			
Delinquent Taxes	140,773	-	140,773
Accounts	614,936	706,542	1,321,478
Other	1,781	196	1,977
Due From Other Governments	413,668	152,410	566,078
Inventory	18,166	20,666	38,832
Prepaid Items	128,467	16,510	144,977
Escrow Funds	147,775	-	147,775
Internal Balances	946,246	(946,246)	-
Capitalized Bond and Other Debt Issuance Costs	428,789	532,815	961,604
Restricted Assets:			
Cash and Cash Equivalents	321,999	9,851,758	10,173,757
Capital Assets:			
Land	4,412,524	118,362	4,530,886
Intangibles	105,838	367,177	473,015
Buildings and Improvements	21,703,487	686,429	22,389,916
Vehicles	2,321,622	-	2,321,622
Furniture and Equipment	2,809,959	1,144,414	3,954,373
Water and Sewer System	-	22,229,680	22,229,680
Infrastructure	39,128,818	1,635,425	40,764,243
Construction in Progress	3,244,047	3,997,212	7,241,259
Accumulated Depreciation	(37,310,613)	(8,173,085)	(45,483,698)
TOTAL ASSETS	47,885,493	36,638,461	84,523,954
LIABILITIES			
Accounts Payable	1,060,790	1,507,545	2,568,335
Accrued Interest	64,419	52,863	117,282
Accrued Liabilities	166,346	25,793	192,139
Escrow	331,000	-	331,000
Deposits	169,830	404,525	574,355
Noncurrent Liabilities:			
Due within one year	1,271,306	1,024,344	2,295,650
Due in more than one year	12,967,031	16,340,141	29,307,172
TOTAL LIABILITIES	16,030,722	19,355,211	35,385,933
NET ASSETS			
Invested in Capital Assets, net of Related Debt	23,580,006	13,491,679	37,071,685
Restricted for:			
Debt Service	896,156	108,056	1,004,212
Federal and State Programs	912,174	-	912,174
Unrestricted	6,466,435	3,683,515	10,149,950
TOTAL NET ASSETS	31,854,771	17,283,250	49,138,021

See accompanying notes to basic financial statements.

CITY OF PORTLAND, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

		Program Revenues		
Program Activites	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government and Administration	1,910,890	-	-	-
Cultural and Recreational	2,805,939	783,733	11,531	-
Public Safety	5,141,876	882,494	238,225	-
Public Works	1,802,525	352,854	-	-
Interest on Long Term Debt & Other Fiscal Charges	581,332	-	-	
Total Governmental Activites	12,242,562	2,019,081	249,756	-
Business-Type Activities:				
Water and Sewer	4,974,490	5,865,702	-	222,196
Drainage	165,661	275,031	-	-
Total Business-Type Activities	5,140,151	6,140,733	-	222,196
Total Government	17,382,713	8,159,814	249,756	222,196

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

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
(1,910,890)	-	(1,910,890)
(2,010,675)	-	(2,010,675)
(4,021,157)	-	(4,021,157)
(1,449,671)	-	(1,449,671)
(581,332)	-	(581,332)
(9,973,725)	-	(9,973,725)
-	1,113,408	1,113,408
-	109,370	109,370
-	1,222,778	1,222,778
(9,973,725)	1,222,778	(8,750,947)
4,733,902	-	4,733,902
4,065,035	-	4,065,035
1,033,907	-	1,033,907
379,677	-	379,677
116,144	49,507	165,651
243,119	16,611	259,730
325	-	325
509,386	(509,386)	-
11,081,495	(443,268)	10,638,227
1,107,770	779,510	1,887,280
30,747,001	16,503,740	47,250,741
31,854,771	17,283,250	49,138,021

CITY OF PORTLAND, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General
ASSETS	
Cash and Cash Equivalents	4,777,256
Receivables, Net of Allowance for Uncollectible:	
Accounts	580,469
Ad Valorem Taxes	116,163
Other	--
Due from Other Funds	1,317,456
Due from Other Governments	--
Inventory	18,166
Prepaid Items	73,724
Escrow Funds	147,775
Restricted Assets	
Cash and Cash Equivalents	--
TOTAL ASSETS	7,031,009
LIABILITIES AND FUND BALANCE	
Accounts Payable	377,727
Accrued Interest Payable	--
Accrued Liabilities	162,225
Deposits	169,830
Escrow	--
Due to Other Funds	774,514
Deferred Revenue	116,163
TOTAL LIABILITIES	1,600,459
FUND BALANCE	
Non-Spendable	
Inventory	18,166
Prepaid Items	73,724
Restricted for:	
Law Enforcement	--
Debt Service	--
Federal and State Programs	--
Municipal Technology Fees	--
Building Security Fund	--
Cable Franchise P.E.G.	--
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	34,724
Environmental Education	35
Capital Improvements	--
Assigned:	
Cultural and Recreational	--
Unassigned	4,924,408
TOTAL FUND BALANCE	5,430,550
TOTAL LIABILITIES AND FUND BALANCE	7,031,009

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

Exhibit 3

Other Governmental Funds	Total Governmental Funds
3,450,017	8,227,273
34,467	614,936
24,610	140,773
1,781	1,781
682,314	1,999,770
413,668	413,668
--	18,166
54,743	128,467
--	147,775
321,999	321,999
4,983,599	12,014,608
600,054	977,781
1,294	1,294
4,121	166,346
--	169,830
331,000	331,000
349,313	1,123,827
24,610	140,773
1,310,392	2,910,851
--	18,166
54,743	128,467
185,132	185,132
934,671	934,671
25,413	25,413
14,038	14,038
54,686	54,686
29,148	29,148
624,477	624,477
383,602	383,602
--	50,000
	36,264
--	74,518
--	204,468
--	12,044
--	2,199
--	34,724
--	35
214,343	214,343
1,152,954	1,152,954
--	4,924,408
3,673,207	9,103,757
4,983,599	12,014,608

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CITY OF PORTLAND, TEXAS Exhibit 3-R

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balance - total governmental funds	9,103,757
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.	36,415,682
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	140,773
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	67,231
Other long-term liabilities which are not due in the current period are not reported in the funds	(950,633)
Payables for bond principal which are not due in the current period are not reported in the funds.	(13,102,775)
Premiums on issuance of bonds to be amortized over life of debt.	(184,928)
Payables for bond interest which are not due in the current period are not reported in the funds.	(63,125)
Bond issuance cost to be amortized over the life of the debt	428,789
Net assets of governmental activities - statement of net assets	31,854,771

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, 2012

	General
REVENUES	
Taxes	6,924,516
Licenses and Permits	340,758
Intergovernmental	25,849
Charges for Services	931,739
Fines and Forfeitures	229,029
Investment Income	95,892
Contributions	103,305
Oil Leases and Royalties	15,634
Other	161,904
Total Revenues	8,828,626
EXPENDITURES	
Current:	
General Government	1,735,781
Public Safety	4,640,569
Public Works	1,244,497
Cultural and Recreational	1,602,211
Debt Service:	
Principal Retirement	23,583
Interest and Fiscal Charges	558
Total Expenditures	9,247,199
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(418,573)
OTHER FINANCING SOURCES (USES)	
Sale of Capital Assets	325
Bonds Issued	--
Payments to Bond Escrow Agent	--
Transfers In	1,074,802
Transfers Out	(235,053)
Total Other Financing Sources (Uses)	840,074
NET CHANGE IN FUND BALANCES	421,501
FUND BALANCES, beginning of year	5,009,049
FUND BALANCES, end of year	5,430,550

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

Other Governmental Funds	Total Governmental Funds
3,315,121	10,239,637
--	340,758
238,030	263,879
167,501	1,099,240
256,783	485,812
20,252	116,144
--	103,305
--	15,634
41,427	203,331
4,039,114	12,867,740
10,986	1,746,767
772,551	5,413,120
1,353,978	2,598,475
1,241,010	2,843,221
827,879	851,462
542,556	543,114
4,748,960	13,996,159
(709,846)	(1,128,419)
--	325
500,000	500,000
--	
830,827	1,905,629
(1,161,190)	(1,396,243)
169,637	1,009,711
(540,209)	(118,708)
4,213,416	9,222,465
3,673,207	9,103,757

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CITY OF PORTLAND, TEXAS Exhibit 4-R

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balance - total governmental funds	(118,708)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA (Statement of Activities).	2,629,071
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,413,522)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(27,117)
Proceeds from bonds issued do not provide revenue in the SOA, but are reported as current resources in the funds.	(500,000)
Repayment of bond and capital lease principal is an expenditure in the funds but is not an expense in the SOA.	851,462
Amortization of bond premium is an expense in the SOA but not in the funds	13,997
The net revenue (expense) of internal service funds is reported with governmental activities.	(13,257)
Amortization of bond issuance costs is an expense in the SOA but not in the funds.	(36,482)
Amortization of deferred amount is an expense reduction in the SOA but not in the funds.	(20,149)
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in OPEB obligations	(216,945)
Change in accrued interest payable	4,416
Change in compensated absences	(44,996)
Change in net assets of governmental activities - statement of activities	1,107,770

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, 2012

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	3,160,740	1,137,456	4,298,196	79,938
Accounts Receivable	684,410	27,177	711,587	--
Less Allowance for Uncollectible Accounts	(5,045)	--	(5,045)	--
Interest Receivable	--	196	196	--
Due From Other Governments	152,410	--	152,410	--
Bond Issue Cost	506,276	78,712	584,988	--
Less Allowance for Amortization	(43,318)	(8,855)	(52,173)	--
Inventory	20,666	--	20,666	--
Prepaid Items	16,510	--	16,510	--
Due from General Fund	82,806	801	83,607	58,716
Due from Street Improvements Fund	--	--	--	
Due from Restricted Use Fund	--	--	--	398
Due from Venue Tax Fund	--	--	--	1,151
Due from Water and Sewer Fund	--	--	--	10,038
Total Current Assets	4,575,455	1,235,487	5,810,942	150,241
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents	9,851,758	--	9,851,758	--
Total Restricted Assets	9,851,758	--	9,851,758	--
Capital Assets:				
Land	118,362	--	118,362	--
Intangible Assets	--	367,177	367,177	--
Buildings	686,429	--	686,429	--
Water System	8,792,734	--	8,792,734	--
Sewer System	13,436,946	--	13,436,946	--
Equipment	997,167	147,247	1,144,414	--
Infrastructure	--	1,635,425	1,635,425	
Construction in Progress	1,783,289	2,213,923	3,997,212	--
Total Capital Assets	25,814,927	4,363,772	30,178,699	--
Less Accumulated Depreciation	(7,770,644)	(402,441)	(8,173,085)	--
Net Capital Assets	18,044,283	3,961,331	22,005,614	--
Total Noncurrent Assets	27,896,041	3,961,331	31,857,372	--
TOTAL ASSETS	32,471,496	5,196,818	37,668,314	150,241

CITY OF PORTLAND, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,139,894	367,651	1,507,545	71,482
Flexible Spending Accounts	-	-	-	11,527
Accrued Liabilities	25,793	-	25,793	-
Accrued Vacation Leave	30,497	-	30,497	-
Escrow	-	-	-	-
Due to General Fund	298,850	720,965	1,019,815	-
Due to Insurance Fund	10,038	-	10,038	-
Current Portion of Long-Term Debt-Bonds				
(Net of Bond Premium and Deferred Amount on Refundings)	857,577	136,270	993,847	-
Accrued Interest	44,775	8,088	52,863	-
Deposits	404,525	-	404,525	-
Total Current Liabilities	2,811,949	1,232,974	4,044,923	83,009
Non-Current Liabilities:				
Bonds Payable				
(Net of Bond Premium and Deferred Amount on Refundings)	14,549,830	1,602,143	16,151,973	-
Net OPEB Obligation	188,168	-	188,168	-
Total Non-Current Liabilities	14,737,998	1,602,143	16,340,141	-
Total Liabilities	17,549,947	2,835,117	20,385,064	83,009
Net Assets:				
Invested in Capital Assets, Net of Related Debt	11,268,761	2,222,918	13,491,679	-
Restricted for:				
Debt Service	108,056	-	108,056	-
Unrestricted	3,544,732	138,783	3,683,515	67,231
Net Assets	14,921,549	2,361,701	17,283,250	67,231

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, 2012

Exhibit 6

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
OPERATING REVENUES				
Charges for Services	5,865,702	275,031	6,140,733	852,182
Miscellaneous	16,611	--	16,611	--
Total Operating Revenues	5,882,313	275,031	6,157,344	852,182
OPERATING EXPENSES				
Personnel Services	998,585	--	998,585	--
Maintenance	345,099	7,250	352,349	--
Purchase of Water	2,024,944	--	2,024,944	--
Contract Payments	109,810	2,120	111,930	861,923
Materials and Supplies	194,706	--	194,706	--
Utilities	273,389	--	273,389	--
Other Operating Expenses	--	--	--	3,595
Depreciation	595,973	84,612	680,585	--
Amortization	20,641	3,936	24,577	--
Total Operating Expenses	4,563,147	97,918	4,661,065	865,518
Net Operating Income (Loss)	1,319,166	177,113	1,496,279	(13,336)
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	47,250	2,257	49,507	79
Intergovernmental Revenue	152,410	--	152,410	--
Interest and Fiscal Charges	(411,343)	(67,743)	(479,086)	--
Net Non-Operating Revenues (Expenses)	(211,683)	(65,486)	(277,169)	79
Income (Loss) Before Contributions and Transfers	1,107,483	111,627	1,219,110	(13,257)
Capital Contributions	69,786	--	69,786	--
Transfers In	--	--	--	--
Transfers Out	(509,386)	--	(509,386)	--
Change in Net Assets	667,883	111,627	779,510	(13,257)
NET ASSETS BEGINNING OF YEAR	14,253,666	2,250,074	16,503,740	80,488
NET ASSETS END OF YEAR	14,921,549	2,361,701	17,283,250	67,231

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, 2012

Exhibit 7

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
Cash flow from operating activities:				
Cash received from customers	5,888,936	275,139	6,164,075	855,601
Cash borrowed from other funds	--	702,828	702,828	--
Cash loaned to other funds	--	(801)	(801)	--
Cash payments to suppliers for goods and services	(2,416,385)	(9,370)	(2,425,755)	--
Cash payments to employees for services	(991,701)	--	(991,701)	--
Cash Payments for Loss Claims	--	--	--	(861,824)
Net cash provided by operating activities	2,480,850	967,796	3,448,646	(6,223)
Cash flows from noncapital financing activities:				
Transfers from other funds	--	--	--	--
Transfers to other funds	(509,386)	--	(509,386)	--
Net cash provided by noncapital financing activities	(509,386)	--	(509,386)	--
Cash Flows from Capital and Related Financing Activities:				
Cash received from other Governments	--	--	--	--
Principal Payment on bonds	(602,000)	(158,235)	(760,235)	--
Principal Payment on Capital Lease	--	--	--	
Interest and Fiscal Charges Paid	(411,343)	(67,743)	(479,086)	--
Purchase of Capital Assets	(1,333,511)	(1,088,675)	(2,422,186)	--
Net Cash Used for Capital and Related Financing Activities	2,821,146	(1,314,653)	(3,661,507)	--
Cash Flows from Investing Activities - Interest Income	47,250	2,105	49,355	79
Net Increase (Decrease) in Cash and Cash Equivalents	4,839,860	(344,752)	(672,892)	(6,144)
Cash and Cash Equivalents at Beginning of Year	8,172,638	1,482,208	9,654,846	86,082
CASH AND CASH EQUIVALENTS AT END OF YEAR	13,012,498	1,137,456	8,981,954	79,938
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	1,319,166	177,113	1,496,279	(13,336)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	595,973	84,612	680,585	--
Amortization	20,641	3,936	24,577	--
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	6,623	108	6,731	--
(Increase) Decrease in Due from Other Funds	(82,182)	(801)	(82,983)	3,419
(Increase) Decrease in Inventory	90,669	--	90,669	--
(Increase) Decrease in Prepaid Expense	(616)	--	(616)	--
Increase (Decrease) in Accounts Payable	230,941	--	230,941	3,694
Increase (Decrease) in Accrued Liabilities	6,884	--	6,884	--
Increase (Decrease) in Due to Other Funds	262,691	702,828	965,519	--
Increase (Decrease) in Accrued Vacation Leave	(7,513)	--	(7,513)	--
Increase (Decrease) in Accrued Interest	12,947	--	12,947	--
Increase (Decrease) in Deposits	24,626	--	24,626	--
Net Cash Provided (Used) by Operating Activities	2,480,850	967,796	3,448,646	(6,223)

Noncash Investing, Capital, and Financing Activities:
During this past year, the Enterprise Funds received $69,786 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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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Blended Component Unit

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

Discretely Presented Component Unit

There are no component units required to be discretely presented.

The 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.

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.

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.

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.

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.

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 the City Manager, who is authorized to classify assigned fund balances. 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

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after June 15, 2012, improves financial reporting by enhancing guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The City intends to implement the new requirements for the fiscal year 2012-13 financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre -November 30, 1989, FASB and AICPA pronouncements*, effective for periods beginning after December 15, 2011, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinion, and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements. The City intends to implement the new requirements for the fiscal year 2012-13 financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The City intends to implement the new requirements for the fiscal year 2012-13 financial statements.

2. CASH AND INVESTMENTS

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

Legal and Contractual Provisions Governing Deposits and Investments

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

Interlocal Governmental Investment Pools

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

The City's investments in TexPool are reported at share value since they are 2a7-like. A 2a7-like pool is one that is not registered with the Securities and Exchange Commission (SEC) as an investment

company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

A. Cash Deposits:

At September 30, 2012, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $10,456,162 and the bank balance was $10,547,350. The City's cash deposits at September 30, 2012 and during the period ended September 30, 2012, 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, 2012, the City had the following investments and maturities:

		Investment Maturities (In Years)		
Investment Type	Fair Value	Less than 1	1 to 2	2 to 3
Investment Pools:				
Investment in TexPool	12,470,778	12,470,778	-	-
Total Fair Value	12,470,778	12,470,778	-	-

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 lease A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The City's investments in investment pools were rated AAA.

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

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

3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
Governmental Activities:				
Capital assets, not being depreciated				
Land	4,412,524	-	-	4,412,524
Construction in Progress	979,502	2,264,545	-	3,244,047
Total capital assets, not being depreciated	5,392,026	2,264,545	-	7,656,571
Capital assets, being depreciated				
Building and Improvements	21,703,487	-	-	21,703,487
Vehicles	2,116,447	205,175	-	2,321,622
Equipment and Furniture	2,665,608	144,351	-	2,809,959
Infrastructure	39,113,818	15,000	-	39,128,818
Intangibles	105,838	-	-	105,838
Total capital assets, being depreciated	65,705,198	364,526	-	66,069,724
Less accumulated depreciation for:				
Buildings and Improvements	(5,874,039)	(524,490)	-	(6,398,529)
Vehicles	(1,136,920)	(166,365)	-	(1,303,285)
Equipment and Furniture	(1,000,826)	(196,248)	-	(1,197,074)
Infrastructure	(27,805,927)	(521,127)	-	(28,327,054)
Intangibles	(79,379)	(5,292)	-	(84,671)
Total accumulated depreciation	(35,897,091)	(1,413,522)	-	(37,310,613)
Total capital assets, being depreciated, net	29,808,107	(1,048,996)	-	28,759,111
Governmental activities capital assets, net	35,200,133	1,215,549	-	36,415,682
Business-type Activities:				
Capital assets, not being depreciated				
Land	101,832	16,530	-	118,362
Intangibles	367,177	-	-	367,177
Construction in Progress	1,899,433	3,290,776	(1,192,996)	3,997,213
Total capital assets, not being depreciated	2,368,442	3,307,306	(1,192,996)	4,482,752
Capital assets, being depreciated				
Buildings	686,429	-	-	686,429
Water System	8,756,949	35,786	-	8,792,735
Sewer System	12,226,481	1,210,466	-	13,436,947
Equipment	1,138,664	5,750	-	1,144,414
Infrastructure	1,635,425	-	-	1,635,425
Total capital assets, being depreciated	24,443,948	1,252,002	-	25,695,950
Less accumulated depreciation for:				
Buildings	(170,240)	(15,673)	-	(185,913)
Water System	(2,764,843)	(213,753)	-	(2,978,596)
Sewer System	(4,032,761)	(286,867)	-	(4,319,628)
Equipment	(270,201)	(98,387)	-	(368,588)
Infrastructure	(254,456)	(65,904)	-	(320,360)
Total accumulated depreciation	(7,492,501)	(680,584)	-	(8,173,085)
Total capital assets, being depreciated, net	16,951,447	571,418	-	17,522,865
Business-type activities capital assets, net	19,319,889	3,878,724	(1,192,996)	22,005,617

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

Governmental activities:	
General government and administration	104,722
Public Safety	360,869
Public Works	549,702
Cultural and recreational	398,229
Total depreciation expense - Governmental activities	1,413,522
Business-type activities:	
Water and Sewer	595,973
Drainage	84,611
Total Depreciation Expense - Business-type Activities	680,584

4. LONG-TERM DEBT

Utility System Revenue and Refunding Bonds, Series 2012

On June 6, 2012, the City issued $7,380,000 Utility System Revenue and Refunding Bonds, Series 2012, with interest rates varying from 2.00% to 4.00%. The proceeds from the sale of the bonds will be used for the purpose of (1) acquiring, purchasing, constructing, improving, enlarging or equipping the City's Utility System (2) refunding a portion of the City's outstanding Utility System Revenue Bonds, Series 2004 and (3) purchasing approximately $500,000 computer systems hardware and software upgrades for public safety, code enforcement and administration. A three-year amortization of the $500,000 for computer systems will be supported by the General Obligation Fund in Fiscal Years Ending 2013, 2014 and 2015. The City advance refunded $1,905,000 outstanding Utility System Revenue Bonds, Series 2004, with interest rates varying from 3.70% to 4.60%. The City deposited $1,945,981 to an escrow fund to provide for all future debt service on the refunded Series 2004 Bonds. As a result, the 2004 Series Bonds are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds for Series 2004 were redeemed September 1, 2012.

The advance refunding reduced total debt service payments over the next 13 years by approximately $278,258. This results in an economic gain (difference between the present values of the debt service payments of old and new debt) of $234.780.

Utility System Revenue Bonds, Series 2012

On February 28, 2012, the City issued $193,000 Utility System Revenue Bonds, Series 2012 for the purpose of acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, or repairing the System. Interest rates vary from 0.080% to 3.680%, with interest payments due on March 1 and September 1 of each year. The final maturity stated in the issue is September 1, 2031.

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2012.

	BALANCE OCTOBER 1	ADDITIONS	REDUCTIONS	BALANCE SEPTEMBER 30	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	8,784,540	-	476,765	8,307,775	560,740
Sales Tax Revenue Bonds	4,575,000	-	280,000	4,295,000	285,000
Utility System Revenue Bonds	-	500,000	-	500,000	165,000
Bond Premium	198,925	-	13,997	184,928	13,997
Deferred Amount on Refunding	(263,022)	-	(20,149)	(242,873)	(20,149)
Total Bonds Payable	13,295,443	500,000	750,613	13,044,830	1,004,588
Capital Leases	94,697	-	94,697	-	-
Compensated Absences	355,081	371,606	326,610	400,077	266,718
OPEB Obligations	576,485	216,945	-	793,430	-
Total Governmental Activities	14,321,706	1,088,551	1,171,920	14,238,337	1,271,306
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds	10,426,000	7,073,000	2,507,000	14,992,000	839,000
General Obligation Bonds	1,860,460	-	158,235	1,702,225	134,260
Bond Premium	84,369	574,773	13,870	645,272	32,793
Deferred Amount on Refunding	(129,992)	(72,256)	(8,571)	(193,677)	(12,206)
Total Bonds Payable	12,240,837	7,575,517	2,670,534	17,145,820	993,847
Compensated Absences	38,010	29,877	37,390	30,497	30,497
OPEB Obligations	143,848	44,320	-	188,168	-
Total Business-Type Activities	12,422,695	7,649,714	2,707,924	17,364,485	1,024,344
Total Government	26,744,401	8,738,265	3,879,844	31,602,822	2,295,650

BONDED DEBT LIABILITIES

At September 30, 2012, bonds payable consisted of the following individual issues:

	GOVERNMENTAL	BUSINESS-TYPE
Combination Tax and Revenue Certificates of Obligation, Series 1997, Maturing in Fiscal 2013 and Bearing Interest at 4.75% (Original Debt $630,000)	60,000	-
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)	410,000	-
Sales Tax Revenue Bonds, Series 2003, Maturing in Fiscal 2023 and Bearing Interest at 2.625% to 4.60% (Original Debt $3,420,000)	2,145,000	-
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)	2,530,000	-
Sales Tax Revenue Refunding Bonds, Series 2007, Maturing in 2025 and Bearing Interest at 4.00% to 4.25% (Original Debt $2,635,000)	2,150,000	-
Utility System Revenue Bonds, Series 2009, Maturing in Fiscal 2029 and Bearing Interest at 3.760% to 4.810% (Original Debt $322,000)	-	300,000
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)	-	5,570,000
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)	1,847,775	1,702,225
General Obligation Refunding Bonds, Series 2010, Maturing in 2024 and Bearing Interest at 2.00% to 4.00% (Original Debt $3,620,000)	3,460,000	-
Utility System Revenue Refunding Bonds, Series 2010, Maturing in Fiscal 2022 and Bearing Interest at 2.00% to 4.00% (Original Debt $2,370,000)	-	2,055,000
Utility System Revenue Bonds, Series 2012, Maturing in Fiscal 2031 and Bearing Interest at 0.080% to 3.680% (Original Debt $193,000)	-	187,000
Utility System Revenue and Refunding Bonds, Series 2012, Maturing in Fiscal 2032, and Bearing Interest at 2.00% to 4.00% (Original Debt $7,380,000)	500,000	6,880,000
Total Bonds Payable	13,102,775	16,694,225

The annual requirements for bonds for years subsequent to September 30, 2012, are as follows:

REVENUE BONDS

YEAR ENDING	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
SEPTEMBER 30	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2013	450,000	180,869	630,869	839,000	532,995	1,371,995
2014	465,000	168,046	633,046	859,000	513,118	1,372,118
2015	480,000	155,203	635,203	885,000	492,090	1,377,090
2016	315,000	141,647	456,647	896,000	467,112	1,363,112
2017	335,000	128,773	463,773	927,000	441,045	1,368,045
2018-2022	1,915,000	418,677	2,333,677	4,547,000	1,738,646	6,285,646
2023-2027	835,000	49,609	884,609	3,569,000	940,787	4,509,787
2028-2032	-	-	-	2,470,000	257,862	2,727,862
TOTAL	4,795,000	1,242,824	6,037,824	14,992,000	5,383,655	20,375,655

GENERAL OBLIGATION BONDS

YEAR ENDING	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
SEPTEMBER 30	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
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	612,727	253,209	865,936	122,273	49,071	171,344
2018-2022	3,057,977	884,313	3,942,290	362,023	193,089	555,112
2023-2027	2,061,051	265,961	2,327,012	433,949	114,834	548,783
2028-2030	327,916	27,354	355,270	302,084	25,197	327,281
TOTAL	8,307,775	2,656,887	10,964,662	1,702,225	618,633	2,320,858

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

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

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

RESTRICTED CASH AND CASH EQUIVALENTS—UTILITY FUND

Revenue Bonds-

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

The Revenue Bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional Revenue Bonds unless the special funds noted above contain the required amounts. Management of the City believes that it is in compliance with all significant financial requirements as of September 30, 2012.

The components of restricted cash and cash equivalents as of September 30, 2012 are as follows:

Revenue Bond Construction	9,336,732
Revenue Bond Reserve	38,498
Interest and Sinking Fund--Bonds	114,333
Customer Deposits	349,084
Other Deposits	13,111
Total Restricted Cash and Cash Equivalents	9,851,758

Defeased Bonds Outstanding-

At September 30, 2012 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. The final lease payments for capital leases were made during fiscal year end 2012.

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, 2012 were as follows:

	TRANSFERS IN		
TRANSFERS OUT	GENERAL FUND	NON MAJOR GOVERNMENTAL	TOTAL
Nonmajor Governmental	565,416	595,774	1,161,190
Water and Sewer System	509,386	-	509,386
General Fund	-	235,053	235,053
TOTAL	1,074,802	830,827	1,905,629

- 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.

Interfund receivables and payables at September 30, 2012 are as follows:

	INTERFUND RECEIVABLE	INTERFUND PAYABLE
GOVERNMENTAL FUNDS		
General Fund	1,317,456	774,514
Nonmajor Governmental	682,314	349,313
Total Governmental	1,999,770	1,123,827
ENTERPRISE FUNDS		
Water and Sewer System	82,806	308,888
Drainage Fund	801	720,965
Total Enterprise	83,607	1,029,853
INTERNAL SERVICE FUND	70,303	-
TOTAL	2,153,680	2,153,680

The interfund balances at September 30, 2012 are generally short-term loans to cover temporary cash flows and reimbursements for various funds. Except for the following, all interfund balances are expected to be repaid in less than one year. At the end of fiscal year 2012, the City Council authorized an interfund loan of $700,000 from the General Fund to the Drainage Fund for the purpose of financing certain drainage improvement projects. The Drainage Fund will repay the General Fund the full amount of the loan, plus interest. The repayment schedule will be annually or as impact fees imposed are collected by the Drainage Fund. Beginning October 1, 2013, the Drainage Fund will pay the General Fund the interest accrued (interest rate determined by the TexPool Daily Interest Factor as of December 31, 2012) on the loan as of September 30, 2013, plus $20,000 of the principal.

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.

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

	Plan Year 2011	Plan Year 2012
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

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2010	$652,144	$652,144	100%	-0-
2011	$728,100	$728,100	100%	-0-
2012	$768,602	$768,602	100%	-0-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	12/31/2009	12/31/2010	12/31/2011
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	28 years; closed period	27.2 years; closed period	26.2 years; closed period
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.5%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2011, 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)
12/31/2011	$11,263,277	$16,057,833	70.1%	$4,794,556	$4,755,702	100.8%

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

9. POSTEMPLOYMENT BENEFITS

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

A. Healthcare Plan

Plan Description

The City of Portland offers its retirees medical and prescription drug 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 2012, the City made no contributions and instead elected to continue funding on a pay-as-you-go basis, which amounted to $25,891 for 2012. In 2012 and prior years, the General Fund has been used to provide this funding.

Annual OPEB Cost and Net OPEB Obligation

For 2012, 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	285,869
Interest on net OPEB obligation	28,813
Adjustment to annual required contribution	(27,526)
Annual OPEB cost	287,156
Contributions or payments made	(25,891)
Increase in net OPEB obligation	261,265
Net OPEB obligation, beginning of year	720,333
Net OPEB obligation, end of year	981,598

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

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

Years Ended September 30	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	4.00%	285,869	9.00%	981,598
2011	4.00%	281,257	10.63%	720,331
2010	4.00%	281,000	15.87%	468,133

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2012, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	(1)	2,151,469	
Actuarial value of assets	(2)	-	
Unfunded AAL (UAAL)	(3)	2,151,469	(1) - (2)
Funded ratio	(4)	0.0%	(2) / (1)
Covered payroll	(5)	5,509,380	
UAAL as % of covered payroll	(6)	39.1%	(3) / (5)

Actuarial Methods and Assumptions

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

The latest actuarial valuation for the City was completed as of October 1, 2011. The significant assumptions underlying the actuarial calculations are as follows:

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

B. Supplemental Death Benefits Fund

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

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

	Plan Year 2011	Plan Year 2012
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 2012, 2011 and 2010 were:

Schedule of Contribution Rates

(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2010	0.04%	0.04%	100.00%
2011	0.03%	0.03%	100.00%
2012	0.03%	0.03%	100.00%

10. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has utilized the purchase of commercial insurance to cover any potential losses. Except for minimal deductibles, the City has transferred risk of loss to commercial issuers. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the year ended September 30, 2012 or the three prior years.

11. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

12. CONSTRUCTION COMMITMENTS

The City has active construction projects as of September 30, 2012. At year end the construction commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
General Government		
Street Improvement Project, Phase 8	2,227,967	79,544
Community Center Re-roof and Exterior Improvements	477,352	54,648
Laserfiche Documents Management	9,047	23,692
Public Safety Computer Systems	442,215	71,312
Fire Department Computer Systems	22,496	25,358
Development Services Computer Systems	64,970	13,488
Total General Government	3,244,047	268,042
Enterprise		
Doyle Addition - Sewer - EDAP	956,002	2,184,318
Northshore Drainage Outfall Improvements	28,137	700,000
Wastewater Treatment Plant Improvements	572,844	2,923,556
Curbs & Gutter Work, SIP 8	2,185,786	46,582
Doyle Addition Hook-up Project - USDA	5,127	215,565
Automated Meter Reading Project	323	1,011,306
Water/Sewer Line Replacement, Phase 1	248,993	3,606,007
Total Enterprise	3,997,212	10,687,334
TOTAL	7,241,259	10,955,376

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

13. NEW FUNDS

During the year ended September 30, 2012, the City established the Law Enforcement Special Revenue Fund to account for State and Federal forfeiture funds.

14. DEFICIT FUND BALANCES

At September 30, 2012, the City Hall Construction Fund had a deficit fund balance of $508. This deficit will be liquidated in fiscal year end September 30, 2013.

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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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011

	2012				2011
	Budgeted Amounts		Actual	Variance With Final Budget Positive	Actual
	Original	Final	(Budgetary Basis)	(Negative)	(Budgetary Basis)
REVENUES					
Taxes	6,440,525	6,840,714	6,924,516	83,802	6,328,767
Licenses and Permits	196,140	376,600	340,758	(35,842)	309,303
Intergovernmental	100,400	100,300	25,849	(74,451)	26,576
Charges for Services	991,323	928,395	931,739	3,344	994,011
Fines and Forfeitures	323,000	243,200	229,029	(14,171)	191,816
Investment Income	30,250	12,750	95,892	83,142	67,230
Contributions	6,000	3,545	103,305	99,760	104,688
Oil Leases and Royalties	50,000	12,000	15,634	3,634	18,257
Other	48,250	42,040	161,904	119,864	354,604
Total Revenues	8,185,888	8,559,544	8,828,626	269,082	8,395,252
EXPENDITURES					
Current					
General Government	1,635,716	1,690,407	1,735,781	(45,374)	1,387,969
Public Safety	4,871,346	4,907,319	4,640,569	266,750	4,367,063
Public Works	1,341,571	1,406,466	1,244,497	161,969	1,020,607
Cultural and Recreational	1,732,890	1,720,606	1,602,211	118,395	1,678,359
Debt Service					
Principal Retirement	--	23,583	23,583	--	27,920
Interest and Fiscal Charges	--	558	558	--	4,268
Total Expenditures	9,581,523	9,748,939	9,247,199	501,740	8,486,186
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,395,635)	(1,189,395)	(418,573)	770,822	(90,934)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	--	--	325	325	75,864
Transfers In	1,095,767	1,095,767	1,074,802	(20,965)	904,684
Transfers Out	--	(841,323)	(235,053)	606,270	(639,325)
Total Other Financing Sources (Uses)	1,095,767	254,444	840,074	585,630	341,223
NET CHANGE IN FUND BALANCE	(299,868)	(934,951)	421,501	1,356,452	250,289
FUND BALANCE (BUDGETARY BASIS), beginning of year	5,009,049	5,009,049	5,009,049	--	4,758,760
FUND BALANCE (BUDGETARY BASIS), end of year	4,709,181	4,074,098	5,430,550	1,356,452	5,009,049
Plus Effect of Encumbrances			--		--
Less Effect of Capital Lease Purchases			--		--
FUND BALANCE (GAAP BASIS)			5,430,550		5,009,049

See accompanying notes to required supplementary information.

CITY OF PORTLAND, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2012

BUDGETARY DATA

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

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

2. Public hearings are conducted to obtain taxpayer comment.

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

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

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

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

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

BUDGETARY-GAAP REPORTING RECONCILIATION

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

	Net Change in Fund Balance	Fund Balance at End of Year
	General Fund	General Fund
GAAP Basis	421,501	5,430,550
Reserve for Encumbrances at 10-1-11	-	-
Reserve for Encumbrances at 9-30-12	-	-
Budgetary Basis	421,501	5,430,550

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)
12/31/2009	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%
12/31/2011	11,263,277	16,057,833	70.1%	4,794,556	4,755,702	100.8%

CITY OF PORTLAND, TEXAS

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

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	Funded Ratio (1) / (2)	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
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%
2012	$ -	$2,151,469	0.0%	$2,151,469	$5,509,380	39.1%

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.

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CITY OF PORTLAND, TEXAS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit B-1

	2012	2011
ASSETS		
Cash and Cash Equivalents	4,777,256	4,916,594
Receivables:		
Delinquent Taxes	116,163	138,608
Accounts	580,469	591,328
Due from Enterprise Funds	1,019,815	51,764
Due from Other Special Revenue Funds	275,544	85,752
Due from Other Capital Projects Funds	22,097	11,992
Inventory	18,166	21,415
Prepaid Items	73,724	70,360
Escrow Funds	147,775	147,607
TOTAL ASSETS	7,031,009	6,035,420
LIABILITIES AND FUND BALANCE		
Accounts Payable	377,727	354,979
Accrued Liabilities	162,225	134,759
Deposits	169,830	179,643
Due to Enterprise Funds	83,607	624
Due to Insurance Fund	58,716	59,603
Due to Debt Service Fund	11,599	--
Due to Special Revenue Funds	620,592	121,830
Due to Construction Fund	--	36,325
Deferred Revenue	116,163	138,608
TOTAL LIABILITIES	1,600,459	1,026,371
FUND BALANCE		
Non-Spendable:		
Inventory	18,166	21,415
Prepaid Items	73,724	70,360
Restricted for:		
Law Enforcement	--	141,323
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	34,724	28,274
Environmental Education	35	35
Unassigned	4,924,408	4,618,438
TOTAL FUND BALANCE	5,430,550	5,259,338
TOTAL LIABILITIES AND FUND BALANCE	7,031,009	6,285,709

CITY OF PORTLAND, TEXAS Exhibit B-2

GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012. AND 2011

	2012	2011
REVENUES		
Taxes	6,924,516	6,328,767
Licenses and Permits	340,758	309,303
Intergovernmental	25,849	26,576
Charges for Services	931,739	994,011
Fines and Forfeitures	229,029	191,816
Investment Income	95,892	67,230
Contributions	103,305	104,688
Oil Leases and Royalties	15,634	18,257
Other	161,904	354,604
Total Revenues	8,828,626	8,395,252
EXPENDITURES		
Current		
General Government	1,735,781	1,387,969
Public Safety	4,640,569	4,367,063
Public Works	1,244,497	1,020,607
Cultural and Recreational	1,602,211	1,678,359
Debt Service		
Principal Retirement	23,583	27,920
Interest and Fiscal Charges	558	4,268
Total Expenditures	9,247,199	8,486,186
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(418,573)	(90,934)
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	325	75,864
Transfers In	1,074,802	904,684
Transfers Out	(235,053)	(639,325)
Total Other Financing Sources (Uses)	840,074	341,223
NET CHANGE IN FUND BALANCE	421,501	250,289
FUND BALANCE, beginning of year	5,009,049	4,758,760
FUND BALANCE, end of year	5,430,550	5,009,049

CITY OF PORTLAND, TEXAS

Exhibit B-3

GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENTS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011

	2012				2011
	Budgeted Amounts		Actual	Variance with Final Budget Positive	Actual
	Original	Final	(Budgetary Basis)	(Negative)	(Budgetary Basis)
Current Expenditures					
General Administration					
Administration	1,073,577	1,098,101	1,168,709	(70,608)	886,351
Accounting	346,568	333,773	322,745	11,028	328,861
Information Technology	215,571	258,533	244,327	14,206	172,757
Total General Administration	1,635,716	1,690,407	1,735,781	(45,374)	1,387,969
Public Safety					
Police Administration	3,237,115	3,207,443	3,053,439	154,004	2,894,905
Fire Department	1,373,528	1,444,740	1,341,160	103,580	1,255,716
Animal Control	104,912	93,586	91,075	2,511	71,977
Municipal Court	155,791	161,550	154,895	6,655	144,465
Total Public Safety	4,871,346	4,907,319	4,640,569	266,750	4,367,063
Public Works					
General Services Department	125,703	124,573	122,685	1,888	61,506
Street Maintenance	867,541	871,879	767,060	104,819	547,254
Vehicle Maintenance	72,777	73,379	72,946	433	74,596
Community Development	275,550	336,635	281,806	54,829	337,251
Total Public Works	1,341,571	1,406,466	1,244,497	161,969	1,020,607
Culture and Recreation					
Park Maintenance	461,719	479,401	460,587	18,814	451,135
Community Center	525,928	494,863	459,367	35,496	565,708
Swimming Pool	--	--	--	--	--
Kidz Klub/Kidz Kamp	234,319	236,093	204,272	31,821	196,792
Latch Key Program	--	--	--	--	--
Senior Citizens Center	70,423	69,444	55,566	13,878	57,596
Skate Park	3,674	3,600	1,794	1,806	1,491
Library	436,827	437,205	420,625	16,580	405,637
Total Culture and Recreation	1,732,890	1,720,606	1,602,211	118,395	1,678,359
Total Current Expenditures	9,581,523	9,724,798	9,223,058	501,740	8,453,998

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

Debt Service Fund

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

Capital Project Funds

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

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, 2012

	Special Revenue			
	Shoreline And Wetlands Fund	Portland Community Center Complex Development Fund	Restricted Use Fund	Venue Sales Tax Fund
ASSETS				
Cash and Cash Equivalents	1,505	602,700	831,230	346,237
Receivables				
Accounts	-	-	34,023	-
Ad Valorem Taxes	-	-	-	-
Other	-	-	98	871
Due from Other Governments	-	87,517	-	87,517
Due from Other Funds	-	10,899	192,325	321,830
Prepaid Item	-	-	-	-
Prepaid Insurance	-	29,628	-	25,115
Restricted Assets				
Cash and Cash Equivalents	-	-	-	321,999
TOTAL ASSETS	1,505	730,744	1,057,676	1,103,569
LIABILITIES AND FUND BALANCE				
Accounts Payable	-	-	2,145	5,608
Accrued Interest Payable	-	-	1,294	-
Accrued Wages Payable	-	-	-	4,121
Deferred Revenue - Ad Valorem Taxes	-	-	-	-
Escrow	-	-	331,000	-
Due to Other Funds	-	161,242	888	162,894
TOTAL LIABILITIES	-	161,242	335,327	172,623
FUND BALANCE				
Non-Spendable:				
Prepaid Items	-	29,628	-	25,115
Restricted For:				
Debt Service	-	-	-	294,256
Federal and State Programs	-	-	-	-
Municipal Technology Fees	-	-	14,038	-
Building Security Fund	-	-	54,686	-
Cable Franchise P.E.G.	-	-	29,148	-
Hotel Occupancy Tax Reserve	-	-	624,477	-
Law Enforcement	-	-	-	-
Capital Improvements	-	-	-	-
Committed to:				
Capital Improvements	-	-	-	-
Assigned				
Cultural and Recreational	1,505	539,874	-	611,575
TOTAL FUND BALANCE	1,505	569,502	722,349	930,946
TOTAL LIABILITIES AND FUND BALANCE	1,505	730,744	1,057,676	1,103,569

				Capital Projects						
Grants Administration Fund	Law Enforcement 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
(44,590)	216,180	1,953,262	627,600	60,206	584,301	100,831	(652)	124,469	869,155	3,450,017
-	-	34,023	444	-	-	-	-	-	-	34,467
-	-	-	24,610	-	-	-	-	-	-	24,610
-	-	969	772		40				40	1,781
20,720	-	195,754	-	217,914	-	-	-	-	217,914	413,668
95,538	-	620,592	11,599	-	-	-	144	49,979	50,123	682,314
-	-	-		-		-	-	-	-	-
-	-	54,743	-	-	-	-	-	-	-	54,743
-	-	321,999	-	-	-	-	-	-	-	321,999
71,668	216,180	3,181,342	665,025	278,120	584,341	100,831	(508)	174,448	1,137,232	4,983,599
46,255	29,000	83,008	-	68,966	398,870	49,210	-	-	517,046	600,054
-	-	1,294	-	-		-	-	-	-	1,294
-	-	4,121	-	-	-	-	-	-	-	4,121
-	-	-	24,610	-	-	-	-	-	-	24,610
-	-	331,000	-	-	-	-	-	-	-	331,000
-	2,048	327,072	-	-	22,241	-	-	-	22,241	349,313
46,255	31,048	746,495	24,610	68,966	421,111	49,210	-	-	539,287	1,310,392
-	-	54,743	-	-	-	-	-	-	-	54,743
-	-	294,256	640,415	-	-	-	-	-	-	934,671
25,413	-	25,413	-	-	-	-	-	-	-	25,413
-	-	14,038	-	-	-	-	-	-	-	14,038
-	-	54,686	-	-	-	-	-	-	-	54,686
-	-	29,148	-	-	-	-	-	-	-	29,148
-	-	624,477	-	-	-	-	-	-	-	624,477
-	185,132	185,132	-	-	-	-	-	-	-	185,132
-	-	-	-	209,154	-	-	-	174,448	383,602	383,602
-	-	-	-	-	163,230	51,621	(508)	-	214,343	214,343
-	-	1,152,954	-	-	-	-	-	-	-	1,152,954
25,413	185,132	2,434,847	640,415	209,154	163,230	51,621	(508)	174,448	597,945	3,673,207
71,668	216,180	3,181,342	665,025	278,120	584,341	100,831	(508)	174,448	1,137,232	4,983,599

CITY OF PORTLAND, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue					
	Shoreline And Wetlands Fund	Portland Community Center Complex Development Fund	Restricted Use Fund	Venue Sales Tax Fund	Grants Administration Fund	Law Enforcement Fund
REVENUES						
Taxes and Special Assessments	-	1,012,285	379,677	1,012,285	-	-
Intergovernmental	-	-	-	-	238,030	-
Investment Income	-	660	9,064	3,147	-	94
Aquatic Center Revenue	-	-	-	167,501	-	-
Drug Forfeiture - Federal	-	-	-	-	-	256,783
Other	-	-	41,427	-	-	-
TOTAL REVENUES	-	1,012,945	430,168	1,182,933	238,030	256,877
EXPENDITURES						
General Government	-	-	-	-	-	-
Cultural and Recreational	-	44,285	206,577	429,441	75,017	-
Public Safety	-	-	-	-	263,696	213,068
Public Works	-	-	-	-	3,500	-
Debt Service						
Principal Retirement	-	125,000	-	155,000	-	-
Interest and Fiscal Charges	-	92,207	-	96,460	-	-
TOTAL EXPENDITURES	-	261,492	206,577	680,901	342,213	213,068
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	751,453	223,591	502,032	(104,183)	43,809
OTHER FINANCING SOURCES (USES)						
Bonds Issued	-	-	-	-	-	-
Transfers In	-	-	-	-	-	141,323
Transfers Out	-	(673,278)	(93,580)	(372,091)	-	-
NET CHANGE IN FUND BALANCES	-	78,175	130,011	129,941	(104,183)	185,132
FUND BALANCE, beginning of year	1,505	491,327	592,338	801,005	129,596	-
FUND BALANCE, end of year	1,505	569,502	722,349	930,946	25,413	185,132

		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
2,404,247	910,874	-	-	-	-	-	-	3,315,121
238,030	-	-	-	-	-	-	-	238,030
12,965	4,698	130	2,196	122	-	141	2,589	20,252
167,501	-	-	-	-	-	-	-	167,501
256,783	-	-	-	-	-	-	-	256,783
41,427	-	-	-	-	-	-	-	41,427
3,120,953	915,572	130	2,196	122	-	141	2,589	4,039,114
-	-	9,047	-	-	1,939	-	10,986	10,986
755,320	-	-	-	485,690	-	-	485,690	1,241,010
476,764	-	295,787	-	-	-	-	295,787	772,551
3,500	-	64,970	1,285,508	-	-	-	1,350,478	1,353,978
280,000	547,879	-	-	-	-	-	-	827,879
188,667	353,889	-	-	-	-	-	-	542,556
	-							
1,704,251	901,768	369,804	1,285,508	485,690	1,939	-	2,142,941	4,748,960
1,416,702	13,804	(369,674)	(1,283,312)	(485,568)	(1,939)	141	(2,140,352)	(709,846)
-	-	500,000	-	-	-	-	500,000	500,000
141,323	116,795	-	93,730	429,000	-	49,979	572,709	830,827
(1,138,949)	-	-	(22,241)	-	-	-	(22,241)	(1,161,190)
419,076	130,599	130,326	(1,211,823)	(56,568)	(1,939)	50,120	(1,089,884)	(540,209)
2,015,771	509,816	78,828	1,375,053	108,189	1,431	124,328	1,687,829	4,213,416
2,434,847	640,415	209,154	163,230	51,621	(508)	174,448	597,945	3,673,207

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SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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CITY OF PORTLAND, TEXAS
SHORELINES AND WETLANDS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

EXHIBIT D-1

	2012	2011
ASSETS		
Cash and Cash Equivalents	1,505	1,505
TOTAL ASSETS	1,505	1,505
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	-
Fund Balance:		
Assigned:		
Cultural and Recreational	1,505	1,505
TOTAL LIABILITIES AND FUND BALANCE	1,505	1,505

CITY OF PORTLAND, TEXAS Exhibit D-2

SHORELINE AND WETLANDS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
	Actual	Actual
REVENUES		
Investment Income	--	--
Other	--	--
Total Revenues	--	--
EXPENDITURES		
Cultural and Recreational	--	--
Debt Service		
Principal Retirement	--	--
Interest and Fiscal Charges	--	--
Total Expenditures	--	--
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	--	--
OTHER FINANCING SOURCES (USES)		
Transfers Out - General Fund	--	--
Transfers Out - Debt Service Fund	--	--
Total Other Financing Uses	--	--
NET CHANGE IN FUND BALANCE	--	--
FUND BALANCE, beginning of year	1,505	1,505
FUND BALANCE, end of year	1,505	1,505

CITY OF PORTLAND, TEXAS EXHIBIT D-3

PORTLAND COMMUNITY CENTER COMPLEX FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS		
Cash and Cash Equivalents	602,700	465,088
Accounts Receivable	-	-
Due from Other Governments	87,517	83,025
Due from General Fund	10,899	705
Prepaid Insurance	29,628	28,233
TOTAL ASSETS	730,744	577,051
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	-
Due to Other Funds	161,242	85,724
TOTAL LIABILITIES	161,242	85,724
Fund Balance:		
Non-Spendable:		
Prepaid Items	29,628	28,233
Assigned:		
Cultural and Recreational	539,874	463,094
TOTAL FUND BALANCE	569,502	491,327
TOTAL LIABILITIES AND FUND BALANCE	730,744	577,051

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, 2012
WITH COMPARATIVE TOTALS FOR, 2011

Exhibit D-4

	2012				2011
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Taxes and Special Assessments	812,500	975,000	1,012,285	37,285	847,172
Investment Income	3,000	3,000	660	(2,340)	2,293
Other	--	--	--	--	193
Total Revenues	815,500	978,000	1,012,945	34,945	849,658
EXPENDITURES					
Cultural and Recreational	45,865	54,273	44,285	9,988	50,707
Debt Service					
Principal Retirement	125,000	125,000	125,000	--	120,000
Interest and Fiscal Charges	92,207	92,207	92,207	--	96,909
Refunding Bond Issuance Cost	--	--	--	--	--
Advance Refunding Escrow	--	--	--	--	--
Total Expenditures	263,072	271,480	261,492	9,988	267,616
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	552,428	706,520	751,453	44,933	582,042
OTHER FINANCING SOURCES (USES)					
Refunding Bonds Issued	--	--	--	--	--
Transfers Out - General Fund	(322,483)	(322,483)	(322,483)	--	(318,394)
Transfers Out - Debt Service Fund	(116,795)	(116,795)	(116,795)	--	(114,778)
Transfers Out - Community Center Construction Fund	--	(234,000)	(234,000)	--	(100,000)
Payment to Bond Escrow Agent	--	--	--	--	--
Total Other Financing Uses	(439,278)	(673,278)	(673,278)	--	(533,172)
NET CHANGE IN FUND BALANCE	113,150	33,242	78,175	44,933	48,870
FUND BALANCE, beginning of year			491,327		442,457
FUND BALANCE, end of year			569,502		491,327

CITY OF PORTLAND, TEXAS
RESTRICTED USE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

EXHIBIT D-5

	2012	2011
ASSETS		
Cash and Cash Equivalents	831,230	768,594
Accounts Receivable	34,023	26,678
Interest Receivable	98	409
Due from General Fund	192,325	23,670
TOTAL ASSETS	1,057,676	819,351
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	2,145	13,796
Accrued Liabilities	1,294	819
Escrow	331,000	212,000
Due to Other Funds	888	398
TOTAL LIABILITIES	335,327	227,013
Fund Balance:		
Restricted for:		
Municipal Technology Fees	14,038	9,675
Building Security Fund	54,686	52,294
Cable Franchise P.E.G.	29,148	-
Hotel Occupancy Tax Reserve	624,477	530,369
TOTAL FUND BALANCE	722,349	592,338
TOTAL LIABILITIES AND FUND BALANCE	1,057,676	819,351

CITY OF PORTLAND, TEXAS
RESTRICTED USE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

Exhibit D-6

	2012				2011
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Taxes and Special Assessments	245,700	336,950	379,677	42,727	267,274
Investment Income	4,500	3,100	9,064	5,964	7,859
Other	--	--	41,427	41,427	12,268
Total Revenues	250,200	340,050	430,168	90,118	287,401
EXPENDITURES					
Cultural and Recreational	208,494	220,231	206,577	13,654	218,690
Public Safety	9,847	8,272	--	8,272	--
Total Expenditures	218,341	228,503	206,577	21,926	218,690
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	31,859	111,547	223,591	112,044	68,711
OTHER FINANCING SOURCES (USES)					
Transfers In	--	--	--	--	--
Transfers Out - General Fund	--	--	--	--	--
Transfers Out - City Hall Construction Fund	--	(93,580)	(93,580)	--	--
Total Other Financing Uses	--	(93,580)	(93,580)	--	--
NET CHANGE IN FUND BALANCE	31,859	17,967	130,011	112,044	68,711
FUND BALANCE, beginning of year			592,338		523,627
FUND BALANCE, end of year			722,349		592,338

CITY OF PORTLAND, TEXAS
VENUE SALES TAX FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

EXHIBIT D-7

	2012	2011
ASSETS		
Cash and Cash Equivalents	346,237	327,542
Interest Receivable	871	5,694
Due from Other Governments	87,517	83,025
Due from General Fund	321,830	2,002
Prepaid Item	-	-
Prepaid Insurance	25,115	23,935
Restricted Assets		
Cash and Cash Equivalents	321,999	367,952
TOTAL ASSETS	1,103,569	810,150
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	5,608	5,238
Accrued Liabilities	4,121	2,733
Due to Other Funds	162,894	1,174
TOTAL LIABILITIES	172,623	9,145
Fund Balance:		
Non-Spendable:		
Prepaid Items	25,115	23,935
Restricted for:		
Debt Service	294,256	294,327
Assigned:		
Cultural and Recreational	611,575	482,743
TOTAL FUND BALANCE	930,946	801,005
TOTAL LIABILITIES AND FUND BALANCE	1,103,569	810,150

CITY OF PORTLAND, TEXAS
VENUE SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

Exhibit D-8

	2012				2011
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Taxes and Special Assesments	900,000	975,000	1,012,285	37,285	847,172
Charges for Services	137,100	140,000	167,501	27,501	145,006
Investment Income	4,050	829	3,147	2,318	10,003
Total Revenues	1,041,150	1,115,829	1,182,933	67,104	1,002,181
EXPENDITURES					
Cultural and Recreational	429,261	441,321	429,441	11,880	376,905
Debt Service:					
Principal Retirement	155,000	155,000	155,000	-	150,000
Interest and Fiscal Charges	95,853	95,853	96,460	(607)	101,493
Total Expenditures	680,114	692,174	680,901	11,273	628,398
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	361,036	423,655	502,032	78,377	373,783
OTHER FINANCING SOURCES (USES)					
Transfers Out - General Fund	(220,692)	(220,692)	(220,692)	-	(253,680)
Transfers Out - Community Center Construction Fund	(101,420)	(101,420)	(101,420)		
Transfers Out - Venue Sales Tax Construction Fund	-	(49,979)	(49,979)	-	-
Total Other Financing Sources (Uses)	(322,112)	(372,091)	(372,091)	-	(253,680)
NET CHANGE IN FUND BALANCE	38,924	51,564	129,941	78,377	120,103
FUND BALANCE, beginning of year			801,005		680,902
FUND BALANCE, end of year			930,946		801,005

CITY OF PORTLAND, TEXAS
GRANTS ADMINISTRATION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

EXHIBIT D-9

	2012	2011
ASSETS		
Cash & Cash Equivalents	(44,590)	(52,169)
Accounts Receivable	-	-
Due from Other Governments	20,720	104,506
Due from General Fund	95,538	95,453
Prepaid Item	-	-
TOTAL ASSETS	71,668	147,790
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	46,255	-
Escrow	-	18,189
Due to Other Funds	-	5
TOTAL LIABILITIES	46,255	18,194
Fund Balance:		
Non-Spendable:		
Prepaid Items	-	-
Restricted for:		
Federal and State Programs	25,413	129,596
Total Fund Balance	25,413	129,596
TOTAL LIABILITIES AND FUND BALANCE	71,668	147,790

CITY OF PORTLAND, TEXAS EXHIBIT D-10

GRANTS ADMINISTRATION FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 and 2011

	2012	2011
	Actual	Actual
REVENUES		
Grants	238,030	215,473
Contributions	-	-
Total Revenues	238,030	215,473
EXPENDITURES		
Culture and Recreation	75,017	-
Public Safety	263,696	142,307
Public Works	3,500	67,445
Total Expenditures	342,213	209,752
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(104,183)	5,721
OTHER FINANCING SOURCES (USES)		
Transfers In - General Fund	-	-
Total Other Financing Sources (Uses)	-	-
NET CHANGE IN FUND BALANCE	(104,183)	5,721
FUND BALANCE, beginning of year	129,596	123,875
FUND BALANCE, end of year	25,413	129,596

CITY OF PORTLAND, TEXAS EXHIBIT D-11

LAW ENFORCEMENT FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS		
Cash & Cash Equivalents	216,180	-
Accounts Receivable	-	-
Due from Other Governments	-	-
Due from General Fund	-	-
Prepaid Item	-	-
TOTAL ASSETS	216,180	-
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	29,000	-
Escrow	-	-
Due to Other Funds	2,048	-
TOTAL LIABILITIES	31,048	-
Fund Balance:		
Non-Spendable:		
Prepaid Items	-	-
Restricted for:		
Local Forfeitures	477	
State Drug Forfeitures	5,110	
Federal Equitable Sharing	179,545	
Law Enforcement	-	
Unassigned	-	-
Total Fund Balance	185,132	-
TOTAL LIABILITIES AND FUND BALANCE	216,180	-

CITY OF PORTLAND, TEXAS

Exhibit D-12

LAW ENFORCEMENT FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 and 2011

	2012	2011
	Actual	Actual
REVENUES		
Drug Forfeiture - Federal	256,783	-
Charges for Services	-	-
Investment Income	94	-
Total Revenues	256,877	-
EXPENDITURES		
Public Safety	213,068	-
Debt Service:		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	213,068	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	43,809	-
OTHER FINANCING SOURCES (USES)		
Transfers In - General Fund	141,323	-
Transfers Out - Street Improvement Fund	-	-
Total Other Financing Sources (Uses)	141,323	-
NET CHANGE IN FUND BALANCE	185,132	-
FUND BALANCE, beginning of year	-	-
FUND BALANCE, end of year	185,132	-

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, 2012 AND 2011

Exhibit E-1

	2012	2011
ASSETS		
Cash and Cash Equivalents	627,600	506,849
Taxes Receivable	27,966	32,907
Allowance for Uncollectible Taxes	(3,356)	(3,625)
Accounts Receivable	444	2,195
Interest Receivable	772	772
Due from General Fund	11,599	--
TOTAL ASSETS	665,025	539,098
LIABILITIES AND FUND BALANCE		
Accrued Interest Payable	--	--
Deferred Tax Revenue	24,610	29,282
TOTAL LIABILITIES	24,610	29,282
FUND BALANCE:		
Restricted for:		
Debt Service	640,415	509,816
TOTAL LIABILITIES AND FUND BALANCE	665,025	539,098

CITY OF PORTLAND, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR 2011

Exhibit E-2

	2012				2011
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Ad Valorem Taxes, Penalties and Interest	794,500	927,500	910,874	(16,626)	950,443
Investment Income	2,950	2,500	4,698	2,198	4,440
Total Revenues	797,450	930,000	915,572	(14,428)	954,883
EXPENDITURES					
Debt Service:					
Principal Retirement	547,669	547,669	547,879	(210)	562,079
Interest and Fiscal Charges	353,969	353,969	353,889	80	372,343
Bond Issuance Costs	--	--	--	--	--
Total Expenditures	901,638	901,638	901,768	(130)	934,422
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(104,188)	28,362	13,804	(14,558)	20,461
OTHER FINANCING SOURCES (USES)					
Bonds Issued	--	--	--	--	--
Bond Premium	--	--	--	--	--
Transfers In - PCCC Fund	116,795	116,795	116,795	--	114,778
Payments to Refunding Escrow Agent	--	--	--	--	--
NET CHANGE IN FUND BALANCE	12,607	145,157	130,599	(14,558)	135,239
FUND BALANCE, beginning of year			509,816		374,577
FUND BALANCE, end of year			640,415		509,816

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, 2012 AND 2011

Exhibit F-1

	2012	2011
ASSETS		
Cash and Cash Equivalents	60,206	6,125
Due From Other Governments	217,914	85,058
Prepaid Items	-	-
Escrow	-	-
Due From General Fund	-	-
TOTAL ASSETS	278,120	91,183
LIABILITIES AND FUND BALANCE		
Accounts Payable	68,966	363
Due to General Fund	-	11,992
Due to Water/Wastewater Fund	-	-
TOTAL LIABILITIES	68,966	12,355
FUND BALANCE:		
Restricted for:		
Capital Improvements - Fire Station	6,132	6,125
Capital Improvements - Police Station	66,627	72,703
Capital Improvements - 2012 Technology Projects	136,395	-
TOTAL FUND BALANCE	209,154	78,828
TOTAL LIABILITIES AND FUND BALANCE	278,120	91,183

CITY OF PORTLAND, TEXAS

Exhibit F-2

CAPITAL IMPROVEMENTS FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
REVENUES		
Intergovernmental	--	85,058
Investment Income	130	8
Total Revenues	130	85,066
EXPENDITURES		
General Government	9,047	--
Public Safety	295,787	6,238
Public Works	64,970	--
Debt Service:		
Principal Retirement	--	--
Interest and Fiscal Charges	--	--
Total Expenditures	369,804	6,238
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(369,674)	78,828
OTHER FINANCING SOURCES (USES)		
Other Sources - Bonds Issued	500,000	--
Transfers In - General Fund	--	--
Transfers In - Portland Comm Center Complex Fund	--	--
Transfers Out - Street Improvements Fund	--	--
Total Other Financing Sources (Uses)	500,000	--
NET CHANGE IN FUND BALANCE	130,326	78,828
FUND BALANCE, beginning of year	78,828	--
FUND BALANCE, end of year	209,154	78,828

CITY OF PORTLAND, TEXAS
STREET IMPROVEMENTS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit F-3

	2012	2011
ASSETS		
Cash and Cash Equivalents	584,301	1,610,013
Interest Receivable	40	401
Due From General Fund	-	36,325
TOTAL ASSETS	584,341	1,646,739
LIABILITIES AND FUND BALANCE		
Accounts Payable	398,870	271,686
Due to General Fund	22,241	-
Due to Capital Improvements Fund	-	-
Due to Drainage Construction Fund	-	-
TOTAL LIABILITIES	421,111	271,686
FUND BALANCE:		
Restricted For:		
Capital Improvements - Streets	-	994,157
Committed To:		
Capital Improvements - Streets	163,230	380,896
TOTAL FUND BALANCE	163,230	1,375,053
TOTAL LIABILITIES AND FUND BALANCE	584,341	1,646,739

CITY OF PORTLAND, TEXAS
STREET IMPROVEMENTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

Exhibit F-4

	2012	2011
REVENUES		
Intergovernmental	--	--
Investment Income	2,196	3,823
Other	--	--
Total Revenues	2,196	3,823
EXPENDITURES		
Current:		
Public Works	1,285,508	951,024
Debt Service:		
Bond Issuance Costs	--	--
Total Expenditures	1,285,508	951,024
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,283,312)	(947,201)
OTHER FINANCING SOURCES		
Bonds Issued	--	--
Bond Premiums	--	--
Transfers In-General Fund	93,730	350,187
Transfers In-Venue Sales Tax Fund	--	--
Transfers In-Capital Improvements Fund	--	--
Transfer Out-General Fund	(22,241)	(18,753)
Total Other Financing Sources	71,489	331,434
NET CHANGE IN FUND BALANCE	(1,211,823)	(615,767)
FUND BALANCE, beginning of year	1,375,053	1,990,820
FUND BALANCE, end of year	163,230	1,375,053

CITY OF PORTLAND, TEXAS
COMMUNITY CENTER CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit F-5

	2012	2011
ASSETS		
Cash and Cash Equivalents	100,831	108,189
Due from Library Trust Fund	-	-
Prepaid Items	-	-
TOTAL ASSETS	100,831	108,189
LIABILITIES AND FUND BALANCE		
Accounts Payable	49,210	-
Due to General Fund	-	-
TOTAL LIABILITIES	49,210	-
FUND BALANCE:		
Committed To:		
Capital Improvements	51,621	108,189
TOTAL FUND BALANCE	51,621	108,189
TOTAL LIABILITIES AND FUND BALANCE	100,831	108,189

CITY OF PORTLAND, TEXAS

Exhibit F-6

COMMUNITY CENTER CONSTRUCTION FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
REVENUES		
Investment Income	122	12
EXPENDITURES		
Cultural and Recreational	485,690	--
Interest and Fiscal Charges (Bond Issuance Costs)	--	--
Total Expenditures	485,690	--
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(485,568)	12
OTHER FINANCING SOURCES		
Transfers In-Portland Community Center Complex	429,000	100,000
NET CHANGE IN FUND BALANCE	(56,568)	100,012
FUND BALANCE, beginning of year	108,189	8,177
FUND BALANCE, end of year	51,621	108,189

CITY OF PORTLAND, TEXAS
CITY HALL CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit F-7

	2012	2011
ASSETS		
Cash and Cash Equivalents	(652)	1,431
Due from Frost Bank Escrow	-	-
Due From General Fund	144	-
Due From Restricted Use Fund	-	-
TOTAL ASSETS	(508)	1,431
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	-
Due to General Fund	-	-
TOTAL LIABILITIES	-	-
FUND BALANCE:		
Committed To:		
Capital Improvements	(508)	1,431
TOTAL FUND BALANCE	(508)	1,431
TOTAL LIABILITIES AND FUND BALANCE	(508)	1,431

CITY OF PORTLAND, TEXAS

Exhibit F-8

CITY HALL CONSTRUCTION FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
REVENUES		
Investment Income	--	3
EXPENDITURES		
General Government	1,939	2,908
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,939)	(2,905)
OTHER FINANCING SOURCES		
Transfers In-General Fund	--	--
Transfers In-Restricted Use Fund	--	--
Total Other Financing Sources	--	--
NET CHANGE IN FUND BALANCE	(1,939)	(2,905)
FUND BALANCE, beginning of year	1,431	4,336
FUND BALANCE, end of year	(508)	1,431

CITY OF PORTLAND, TEXAS
VENUE SALES TAX CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

Exhibit F-9

	2012	2011
ASSETS		
Cash and Cash Equivalents	124,469	124,328
Prepaid Items	-	-
Due from Venue Sales Tax Fund	49,979	-
TOTAL ASSETS	174,448	124,328
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	-
Due to General Fund	-	-
TOTAL LIABILITIES	-	-
FUND BALANCE:		
Restricted For :		
Capital Improvements	174,448	124,328
TOTAL FUND BALANCE	174,448	124,328
TOTAL LIABILITIES AND FUND BALANCE	174,448	124,328

CITY OF PORTLAND, TEXAS
VENUE SALES TAX CONSTRUCTION FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

Exhibit F-10

	2012	2011
REVENUES		
Interest	141	159
TOTAL REVENUES	141	159
EXPENDITURES		
Cultural and Recreation	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	141	159
OTHER FINANCING SOURCES		
Transfers In - Restricted Use Fund	-	-
Transfers In - Venue Sales Tax Fund	49,979	-
Transfers Out - Venue Sales Tax Fund	-	-
NET CHANGE IN FUND BALANCE	50,120	159
FUND BALANCE, beginning of year	124,328	124,169
FUND BALANCE, end of year	174,448	124,328

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, 2012 AND 2011

	2012	2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents	3,160,740	2,286,749
Accounts Receivable	684,410	690,240
Less Allowance for Uncollectible Accounts	(5,045)	(4,252)
Bond Issue Cost	506,276	318,050
Less Allowance for Amortization	(43,318)	(39,436)
Due From Other Governments	152,410	--
Inventory	20,666	111,335
Prepaid Items	16,510	15,894
Due from General Fund	82,806	624
Total Current Assets	4,575,455	3,379,204
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	9,851,758	5,885,889
Total Restricted Assets	9,851,758	5,885,889
Capital Assets:		
Land	118,362	101,832
Buildings	686,429	686,429
Water System	8,792,734	8,756,949
Sewer System	13,436,946	12,226,481
Equipment	997,167	991,417
Construction in Progress	1,783,289	888,605
Total Capital Assets	25,814,927	23,651,713
Less Accumulated Depreciation	(7,770,644)	(7,174,671)
Net Capital Assets	18,044,283	16,477,042
TOTAL ASSETS	32,471,496	25,742,135

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF NET ASSETS
WATER AND SEWER SYSTEM FUND
SEPTEMBER 30, 2012 AND 2011

	2012	2011
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,139,894	487,599
Accrued Liabilities	25,793	18,909
Accrued Vacation Leave	30,497	38,010
Due to General Fund	298,850	33,627
Due to Insurance Fund	10,038	12,570
Current Portion of Long-Term Debt		
(Net of Bond Premium and Deferred Amount on Refundings)	857,577	591,646
Accrued Interest	44,775	31,828
Deposits	404,525	379,899
Total Current Liabilities	2,811,949	1,594,088
Non-Current Liabilities:		
Revenue Bonds		
(Net of Bond Premium and Deferred Amount on Refundings)	14,549,830	9,750,533
Net OPEB Obligation	188,168	143,848
Total Non-Current Liabilities	14,737,998	9,894,381
Total Liabilities	17,549,947	11,488,469
Net Assets:		
Invested in Capital Assets, Net of Related Debt	11,268,761	11,123,994
Restricted for:		
Debt Service	108,056	205,288
Unrestricted	3,544,732	2,924,384
Net Assets	14,921,549	14,253,666

CITY OF PORTLAND, TEXAS

Exhibit G-2

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
WATER AND SEWER SYSTEM FUND
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Charges for Services:		
Water Sales	3,159,406	3,196,876
Water Connections	15,521	25,368
Sewer Sales	2,688,292	2,596,357
Sewer Connections	2,483	2,550
Total Charges for Services	5,865,702	5,821,151
Miscellaneous	16,611	14,492
Total Operating Revenues	5,882,313	5,835,643
OPERATING EXPENSES		
Personnel Services	998,585	1,030,645
Maintenance	345,099	296,401
Purchase of Water	2,024,944	2,086,424
Contract Payments	109,810	108,208
Materials and Supplies	194,706	236,468
Utilities	273,389	307,562
Depreciation	595,973	489,393
Amortization	20,641	17,477
Total Operating Expenses	4,563,147	4,572,578
Net Operating Income	1,319,166	1,263,065
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	47,250	34,113
Intergovernmental	152,410	287,475
Gain (Loss) on Disposal of Assets	--	41,091
Interest and Fiscal Charges	(411,343)	(379,836)
Net Non-Operating Revenues (Expenses)	(211,683)	(17,157)
Income (Loss) Before Contributions and Transfers	1,107,483	1,245,908
Capital Contributions	69,786	144,250
Transfers In	--	--
Transfers Out - General Fund	(509,386)	(313,857)
Change in Net Assets	667,883	1,076,301
NET ASSETS BEGINNING OF YEAR	14,253,666	13,177,365
NET ASSETS END OF YEAR	14,921,549	14,253,666

CITY OF PORTLAND, TEXAS
WATER AND SEWER SYSTEM FUND
SUMMARY BUDGET
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2012

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	Variance with Final Budget Positive
	Original	Final	Budgetary Basis	(Negative)
OPERATING REVENUES				
Charges for Services	5,380,000	5,723,150	5,865,702	142,552
Miscellaneous	12,000	10,100	16,611	6,511
Total Operating Revenues	5,392,000	5,733,250	5,882,313	149,063
OPERATING EXPENSES				
Personnel Services	1,108,895	1,055,347	998,585	56,762
Maintenance	326,859	350,115	345,099	5,016
Purchase of Water	1,870,000	1,875,000	2,024,944	(149,944)
Contract Payments	113,216	134,832	109,810	25,022
Materials and Supplies	231,730	237,241	194,706	42,535
Utilities	285,675	286,675	273,389	13,286
Capital Outlay - Equipment	204,320	192,070	-	192,070
Total Operating Expenses	4,140,695	4,131,280	3,946,533	184,747
Operating Income	1,251,305	1,601,970	1,935,780	333,810
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	13,000	9,887	47,250	37,363
Intergovernmental	-	-	152,410	152,410
Gain (Loss) on Disposal of Assets	-	-	-	-
Interest, Principal and Fiscal Charges	977,934	(1,013,951)	(411,343)	602,608
Net Non-Operating Revenues (Expenses	990,934	(1,004,064)	(211,683)	792,381
Income (Loss) Before Transfers	2,242,239	597,906	1,724,097	1,126,191
Transfers Out - General Fund	(476,499)	(476,499)	(509,386)	(32,887)
NET INCOME (LOSS) (NON-GAAP BUDGETARY BASIS)	1,765,740	121,407	1,214,711	1,093,304
Adjustments				
Depreciation Expense			(595,973)	
Amortization Expense			(20,641)	
Capital Assets Contributed by Developers			69,786	
NET INCOME (LOSS) (GAAP BASIS)			667,883	

CITY OF PORTLAND, TEXAS

Exhibit G-4

COMPARATIVE STATEMENTS OF CASH FLOWS
WATER AND SEWER SYSTEM FUND
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Cash flow from operating activities:		
Cash received from customers	5,888,936	5,745,959
Cash payments to suppliers for goods and services	(2,416,385)	(2,921,924)
Cash payments to employees for services	(991,701)	(1,029,117)
Net cash provided by operating activities	2,480,850	1,794,918
Cash flows from noncapital financing activities:		
Transfers to other funds	(509,386)	(313,857)
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Long-term Debt	5,168,000	--
Cash Received from Other Governments	--	287,475
Principal Payment on bonds	(602,000)	(496,000)
Principal Payment on Capital Lease	--	--
Interest and Fiscal Charges Paid	(411,343)	(379,836)
Purchase of Capital Assets	(1,333,511)	(1,858,231)
Net Cash Used for Capital and Related Financing Activities	2,821,146	(2,446,592)
Cash Flows from Investing Activities - Interest Income	47,250	34,113
Net Increase (Decrease) in Cash and Cash Equivalents	4,839,860	(931,418)
Cash and Cash Equivalents at Beginning of Year	8,172,638	9,104,056
CASH AND CASH EQUIVALENTS AT END OF YEAR	13,012,498	8,172,638
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	1,319,166	1,263,065
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	595,973	489,393
Amortization	20,641	17,477
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	6,623	(89,684)
(Increase) Decrease in Due from Other Funds	(82,182)	1,952
(Increase) Decrease in Inventory	90,669	(10,577)
(Increase) Decrease in Prepaid Expense	(616)	253,453
Increase (Decrease) in Accounts Payable	230,941	(193,416)
Increase (Decrease) in Accrued Liabilities	6,884	1,528
Increase (Decrease) in Due to Other Funds	262,691	29,647
Increase (Decrease) in Accrued Vacation Leave	(7,513)	620
Increase (Decrease) in Accrued Interest	12,947	(4,421)
Increase (Decrease) in Deposits	24,626	35,881
Net Cash Provided (Used) by Operating Activities	2,480,850	1,794,918

Noncash Investing, Capital, and Financing Activities:
Capital Contributions from developers
consisting of water and sewer system
infrastructure - $69,786 for 2012 and $144,250 for 2011.

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF NET ASSETS
DRAINAGE FUND
SEPTEMBER 30, 2012 AND 2011

Exhibit G-5

	2012	2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents	1,137,456	558,746
Drainage Fee Receivable	27,177	27,285
Interest Receivable	196	44
Bond Issue Cost	78,712	78,712
Less Allowance for Amortization	(8,855)	(4,920)
Due from General Fund	801	-
Total Current Assets	1,235,487	659,867
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	-	923,462
Total Restricted Assets	-	923,462
Capital Asets		
Intangible Assets	367,177	367,177
Infrastructure	1,635,425	1,635,425
Equipment	147,247	147,247
Construction In Progress	2,213,923	1,010,828
Total Capital Assets	4,363,772	3,160,677
Less Accumulated Depreciation	(402,441)	(317,830)
Net Capital Assets	3,961,331	2,842,847
TOTAL ASSETS	5,196,818	4,426,176
LIABILITIES		
Current Liabilities:		
Accounts Payable	367,651	250,824
Due to General Fund	720,965	18,137
Accrued Interest Payable	8,088	8,483
Current Portion of Long-Term Debt-Bonds	134,260	158,235
Current Portion of Bond Premium	2,010	2,010
Total Current Liabilities	1,232,974	437,689
Non-Current Liabilities:		
Bonds Payable	1,567,965	1,702,225
Bond Premium	34,178	36,188
Total Non-Current Liabilities	1,602,143	1,738,413
TOTAL LIABILITIES	2,835,117	2,176,102
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	2,222,918	1,851,361
Unrestricted	138,783	398,713
Net Assets	2,361,701	2,250,074

CITY OF PORTLAND, TEXAS Exhibit G-6

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
DRAINAGE FUND
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Charges for Services:		
Drainage Fees	275,031	274,470
Miscellaneous	-	-
Total Operating Revenues	275,031	274,470
OPERATING EXPENSES		
Maintenance	7,250	-
Contract Payments	2,120	947
Depreciation Expense	84,612	84,612
Amortization Expense	3,936	3,936
Total Operating Expenses	97,918	89,495
Net Operating Income	177,113	184,975
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	2,257	1,481
Intergovernmental Revenue	-	-
Interest and Fiscal Charges	(67,743)	(70,633)
Net Non-Operating Revenues (Expenses)	(65,486)	(69,152)
Income (Loss) Before Contributions and Transfers	111,627	115,823
Capital Contributions	-	-
Transfers In - General Fund	-	289,138
Transfers Out	-	-
Change in Net Assets	111,627	404,961
NET ASSETS BEGINNING OF YEAR	2,250,074	1,845,113
NET ASSETS END OF YEAR	2,361,701	2,250,074

CITY OF PORTLAND, TEXAS
DRAINAGE FUND
SUMMARY BUDGET
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2012

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	Variance with Final Budget Positive
	Original	Final	Budgetary Basis	(Negative)
OPERATING REVENUES				
Charges for Services:				
Drainage Fees	270,000	272,000	275,031	3,031
Miscellaneous	100	100	-	(100)
Total Operating Revenues	270,100	272,100	275,031	2,931
OPERATING EXPENSES				
Maintenance	6,800	6,800	7,250	(450)
Contract Payments	20,837	21,212	2,120	19,092
Capital Outlay	-	-	-	-
Total Operating Expenses	27,637	28,012	9,370	18,642
Net Operating Income (Loss)	242,463	244,088	265,661	21,573
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	-	-	2,257	2,257
Intergovernmental Revenue	-	-	-	-
Interest and Fiscal Charges	(67,868)	(68,059)	(67,743)	316
Net Non-Operating Revenues (Expenses)	(67,868)	(68,059)	(65,486)	2,573
Income (Loss) Before Transfers	174,595	176,029	200,175	24,146
Transfers In - GeneralFund	-	-	-	-
Transfers Out - General Fund	-	-	-	-
Total Transfers	-	-	-	-
Net Income (Loss) (Non-GAAP Budgetary Basis)	174,595	176,029	200,175	24,146
Adjustments				
Depreciation Expense			(84,612)	
Amortization Expense			(3,936)	
Capital Assets Contributed by Developers			-	
NET INCOME (LOSS) (GAAP BASIS)			111,627	

CITY OF PORTLAND, TEXAS Exhibit G-8

COMPARATIVE STATEMENTS OF CASH FLOWS
DRAINAGE FUND
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Cash flow from operating activities:		
Cash received from customers	275,139	271,165
Cash borrowed from other funds	702,828	(75,000)
Cash loaned to other funds	(801)	1,799,512
Cash payments to suppliers for goods and services	(9,370)	(903)
Net cash provided by operating activities	967,796	1,994,774
Cash flow from non-capital financing activities:		
Transfers from other funds	-	289,138
Net cash provided by non-capital financing activities	-	289,138
Cash flow from capital and related financing activities:		
Cash received from other governments	-	-
Bonds Issued	-	-
Bond Premium	-	-
Principal Payment on Bonds	(158,235)	(95,900)
Principal Payment on Capital Lease	-	(15,722)
Interest and Fiscal Charges	(67,743)	(70,633)
Purchase of capital assets	(1,088,675)	(643,945)
Net cash provided by capital and related financing activities	(1,314,653)	(826,200)
Cash flow from investing activities:		
Interest on cash and cash equivalents	2,105	1,437
Net Increase (Decrease) in Cash and Cash Equivalents	(344,752)	1,459,149
Cash and Cash Equivalents at Beginning of Year	1,482,208	23,059
CASH AND CASH EQUIVALENTS AT END OF YEAR (DEFICIT)	1,137,456	1,482,208

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	177,113	184,975
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	84,612	84,612
Amortization	3,936	3,936
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	108	(3,261)
(Increase) Decrease in Due from Other Funds	(801)	1,724,512
(Increase) Decrease in Prepaid Expense	-	-
Increase (Decrease) in Accounts Payable	-	-
Increase (Decrease) in Accrued Liabilities	-	-
Increase (Decrease) in Due to Other Funds	702,828	-
Net Cash Provided by Operating Activities	967,796	1,994,774

Noncash Investing, Capital, and Financing Activities:
Capital Contributions from developers
consisting of drainage system
infrastructure - $0 for 2012 and $0 for 2011.

INTERNAL SERVICE FUND

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

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

CITY OF PORTLAND, TEXAS

Exhibit H-1

COMPARATIVE STATEMENTS OF NET ASSETS
INSURANCE INTERNAL SERVICE FUND
SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS		
Cash and Cash Equivalents	79,938	86,082
Refund Receivable	--	--
Flexible Spending Advance	--	--
Due from Water and Sewer System Fund	10,038	12,570
Due from General Fund	58,716	59,603
Due from Restricted Use Fund	398	398
Due From Venue Tax Fund	1,151	1,151
Prepaid Items	--	--
TOTAL ASSETS	150,241	159,804
LIABILITIES		
Accounts Payable	71,482	71,127
Flexible Spending Accounts	11,527	8,188
Accrued Liabilities	--	--
TOTAL LIABILITIES	83,009	79,315
NET ASSETS		
Unrestricted	67,231	80,488

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, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Charges for Services	852,182	831,897
Miscellaneous	--	--
Total Operating Revenues	852,182	831,897
OPERATING EXPENSES		
Contract Payments	861,923	833,327
Other Operating Expenses	3,595	7,381
Total Operating Expenses	865,518	840,708
NET OPERATING INCOME (LOSS)	(13,336)	(8,811)
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	79	55
NET INCOME (LOSS)	(13,257)	(8,756)
NET ASSETS, beginning of year	80,488	89,244
NET ASSETS, end of year	67,231	80,488

CITY OF PORTLAND, TEXAS

Exhibit H-3

COMPARATIVE STATEMENTS OF CASH FLOWS
INSURANCE INTERNAL SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Cash flow from operating activities:		
Cash received from other funds for services	855,601	848,130
Cash payments for loss claims	(861,824)	(772,265)
Net cash provided by operating activities	(6,223)	70,915
Cash flow from investing activities:		
Interest on cash and cash equivalents	79	55
Net Increase (Decrease) in Cash and Cash Equivalents	(6,144)	70,970
Cash and Cash Equivalents at Beginning of Year	86,082	15,112
CASH AND CASH EQUIVALENTS AT END OF YEAR	79,938	86,082
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	(13,336)	(8,811)
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	3,419	11,282
(Increase) Decrease in Prepaid Expense	--	--
Increase (Decrease) in Accounts Payable	3,694	68,444
Increase (Decrease) in Accrued Liabilities	--	--
Net Cash Provided by Operating Activities	(6,223)	70,915

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

CITY OF PORTLAND, TEXAS

Exhibit I-1

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES - BY SOURCE
SEPTEMBER 30, 2012 AND 2011

	2012	2011
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land	4,412,524	4,412,524
Buildings and Improvements	21,703,488	21,703,487
Construction in Progress	3,244,047	979,502
Vehicles	2,321,623	2,116,448
Furniture and Equipment	2,809,958	2,665,608
Infrastructure	39,128,817	39,113,817
Intangibles	105,838	105,838
Total	73,726,295	71,097,224
INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:		
Capital Projects Funds - General Obligation Bonds	50,008,274	47,743,729
General Fund Revenues	9,098,122	8,926,481
Contributed Capital	11,563,741	11,548,741
Intergovernmental	3,056,158	2,878,273
Total	73,726,295	71,097,224

CITY OF PORTLAND, TEXAS

EXHIBIT I-2

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2012

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	21,703,488	3,135,116	4,456,786	399,127	13,712,459
Vehicles	2,321,623	10,514	1,802,061	312,115	196,933
Furniture and Equipment	2,809,958	269,208	1,470,332	220,403	850,015
Infrastructure	39,128,817	--	--	39,128,817	--
Intangibles	105,838	--	105,838	--	--
Construction in Progress	3,244,047	9,047	464,711	2,292,937	477,352
Total Governmental Funds Capital Assets	73,726,295	4,242,940	8,307,046	42,353,399	18,822,910

CITY OF PORTLAND, TEXAS

EXHIBIT I-3

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
YEAR ENDED SEPTEMBER 30, 2012

Function And Activity	Balance 10/01/11	Additions	Deletions	Balance 09/30/12
General Government	4,233,892	9,048	--	4,242,940
Public Safety	7,536,391	770,655	--	8,307,046
Public Works	40,981,383	1,372,016	--	42,353,399
Cultural and Recreational	18,345,558	477,352	--	18,822,910
Total Governmental Funds Capital Assets	71,097,224	2,629,071	--	73,726,295

STATISTICAL SECTION
(Unaudited)

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

Contents

Financial Trends — **Tables 1-4**

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

Revenue Capacity — **Tables 5-8**

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

Debt Capacity — **Tables 9-10**

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

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

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

Operating Information — **Tables 13-17**

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

Additional Information — **Table 18**

This schedule presents trend information related to retirement plan funding.

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

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

	Fiscal Year			
	2004	**2005**	**2006**	**2007**
Governmental Activities				
Invested in capital assets, net of related debt	$18,508,877	$19,484,655	$20,657,233	$21,825,285
Restricted	799,210	822,760	797,375	862,053
Unrestricted	6,004,273	5,718,236	5,571,917	4,715,196
Total governmental activities net assets	$25,312,360	$26,025,651	$27,026,525	$27,402,534
Business-type activities				
Invested in capital assets, net of related debt	$ 7,199,636	$ 8,230,701	$ 8,836,555	$ 9,922,100
Restricted	186,965	359,588	437,407	515,684
Unrestricted	1,105,576	551,314	698,773	503,013
Total business-type activities net assets	$ 8,492,177	$ 9,141,603	$ 9,972,735	$10,940,797
Primary government				
Invested in capital assets, net of related debt	$25,708,513	$27,715,356	$29,493,788	31,747,385
Restricted	986,175	1,182,348	1,234,782	1,377,737
Unrestricted	7,109,849	6,269,550	6,270,690	5,218,209
Total primary government net assets	$33,804,537	$35,167,254	$36,999,260	$38,343,331

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.

Fiscal Year				
2008	**2009**	**2010**	**2011**	**2012**
$23,534,153	$23,651,889	$23,330,540	$22,977,675	$23,580,006
866,321	562,386	625,125	1,437,050	1,808,330
4,757,037	5,711,181	6,410,709	6,332,276	6,466,435
$29,157,511	$29,925,456	$30,366,374	$30,747,001	$31,854,771
$11,492,281	$11,759,416	$12,368,731	$12,975,355	$13,491,679
568,657	145,023	193,564	205,288	108,056
1,056,200	2,026,500	2,460,183	3,323,097	3,683,515
$13,117,138	$13,930,939	$15,022,478	$16,503,740	$17,283,250
$35,026,434	$35,411,305	$35,699,271	$35,953,030	$37,071,685
1,434,978	707,409	818,689	1,642,338	1,916,386
5,813,237	7,737,681	8,870,892	9,655,373	10,149,950
$42,274,649	$43,856,395	$45,388,852	$47,250,741	$49,138,021

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

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government and administration	$ 803,768	969,014	1,784,890	1,064,503
Cultural and recreational	1,658,302	2,441,126	1,722,496	2,188,345
Public Safety	2,531,695	2,686,487	3,198,259	3,871,906
Public Works	2,502,311	2,064,566	2,167,166	2,286,120
Interest on long term debt	575,935	574,242	630,953	692,927
Total Governmental Activities Expenses	8,072,011	8,735,435	9,503,764	10,103,801
Business-type activities:				
Water and Sewer	3,071,697	3,429,001	3,751,993	3,575,458
Drainage Utility	15,332	2,818	12,232	22,253
Total business-type activities expenses	3,087,029	3,431,819	3,764,225	3,597,711
Total Government Expenses	$11,159,040	$12,167,254	$13,267,989	$13,701,512
Program Revenues				
Governmental activities:				
Fees, Fines,and Charges for Services:				
Administration	-	2,113	2,993	4,407
Cultural and recreational	460,553	532,068	531,613	576,940
Public Safety	329,065	365,373	611,231	599,436
Public Works	170,540	230,056	222,483	201,753
Operating grants and contributions				
Cultural and recreational	-	8,923	7,060	8,495
Public Safety	63,337	172,250	8,420	100,042
Public Works	-	14,864	-	-
Capital grants and contributions				
Cultural and recreational	251,100	-		-
Public Works	449,740	243,894	1,329,141	529,872
Total Governmental Activities Program Revenues	$ 1,724,335	$ 1,569,541	$ 2,712,941	$ 2,020,945
Business-type Activities:				
Fees, Fines,and Charges for Services				
Water and Sewer	3,076,128	3,491,531	3,725,707	3,870,278
Drainage Utility	6,622	78,158	82,107	86,021
Operating grants and contributions				
Water and Sewer	-	-	-	-
Capital Grants and Contributions				
Water and Sewer	371,013	349,372	779,649	617,756
Drainage Utility	-		80,000	163,255
Total business-type activities program revenues	3,453,763	3,919,061	4,667,463	4,737,310
Total Primary Government Program Revenues	$ 5,178,098	$ 5,488,602	$ 7,380,404	$ 6,758,255

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.

Fiscal Year				
2008	2009	2010	2011	2012
$ 1,051,690	$ 1,256,885	$ 1,421,374	$ 1,532,324	$ 1,910,890
2,626,505	2,500,572	2,615,381	2,743,835	2,805,939
4,188,827	4,607,168	4,615,046	4,844,775	5,141,876
1,404,282	1,548,127	1,717,427	1,756,566	1,802,525
600,302	621,649	546,654	614,090	581,332
9,871,606	10,534,401	10,915,882	11,491,590	12,242,562
3,951,147	4,619,688	4,364,772	4,952,414	4,974,490
67,999	124,773	102,541	160,128	165,661
4,019,146	4,744,461	4,467,313	5,112,542	5,140,151
$13,890,752	$15,278,862	$15,383,195	$16,604,132	$17,382,713
-	-	-	-	-
643,824	606,943	764,954	821,521	783,733
638,366	667,966	592,575	597,250	882,494
210,102	174,111	170,814	321,594	352,854
13,428	7,614	8,060	13,402	11,531
37,175	44,414	201,966	301,131	238,225
-	-	-	-	-
-	-	-	-	-
1,286,227	492,428	105,861	59,500	-
$ 2,829,122	$ 1,993,476	$ 1,844,230	$ 2,114,398	$ 2,268,837
4,404,844	5,294,058	5,327,943	5,821,151	5,865,702
87,632	88,013	104,135	274,470	275,031
-	17,902	7,545	287,475	-
1,169,376	289,698	199,365	144,250	222,196
698,696	124,157	208,103	-	-
6,360,548	5,813,828	5,847,091	6,527,346	6,362,929
$ 9,189,670	$ 7,807,304	$ 7,691,321	$ 8,641,744	$ 8,631,766

(continued)

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

	Fiscal Year			
	2004	**2005**	**2006**	**2007**
Net (Expense) Revenue				
Governmental Activities	$ (6,347,676)	(7,165,894)	(6,790,823)	(8,082,856)
Business-type Activities	366,734	487,242	903,238	1,139,599
Total Primary government net expense	$ (5,980,942)	$ (6,678,652)	$ (5,887,585)	$ (6,943,257)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Ad valorem	2,852,633	3,052,003	3,172,245	3,492,510
Sales	1,890,585	2,274,216	2,650,560	2,825,389
Franchise	824,222	941,290	988,127	1,051,431
Hotel/Motel	120,073	157,696	166,136	175,797
Investment earnings	136,267	235,792	373,134	491,896
Miscellaneous	128,742	159,667	133,331	112,381
Disposal of Capital Assets	-	(18,623)	-	-
Transfers	293,755	294,663	209,383	309,461
Total Governmental Activities	$ 6,246,277	$ 7,096,704	$ 7,692,916	$ 8,458,865
Business-type Activities:				
Investment earnings	35,450	104,454	124,788	131,931.0
Gain (Loss) on Disposal of Assets	-	-	-	(9,031.0)
Miscellaneous	8,373	9,432	12,489	15,024
Transfers	(293,755)	(294,663)	(209,383)	(309,461.0)
Total Business-type Activities	(249,932)	(180,777)	(72,106)	(171,537)
Total Primary Government	5,996,345	6,915,927	7,620,810	8,287,328
Change in Net Assets				
Governmental Activities	(101,399)	(69,190)	902,093	376,009
Business-type Activities	116,802	306,465	831,132	968,062
Total Primary Government	$ 15,403	$ 237,275	$ 1,733,225	$ 1,344,071

Fiscal Year				
2008	2009	2010	2011	2012
$ (7,042,484)	$ (8,540,925)	$ (9,071,652)	$ (9,377,192)	$ (9,973,725)
2,341,402	1,069,367	1,379,778	1,414,804	1,222,778
$ (4,701,082)	$ (7,471,558)	$ (7,691,874)	$ (7,962,388)	$ (8,750,947)
3,864,540	4,232,399	4,463,514	4,553,921	4,733,902
2,911,431	3,162,719	3,074,103	3,404,064	4,065,035
1,087,961	1,051,320	1,029,609	1,009,656	1,033,907
193,740	209,049	228,199	267,274	379,677
283,538	73,430	50,045	95,830	116,144
215,935	270,728	282,504	402,355	243,119
-	-	8,932	-	325
240,316	309,225	375,664	24,719	509,386
$ 8,797,461	$ 9,308,870	$ 9,512,570	$ 9,757,819	$11,081,495
60,802	25,148	31,426	35,594	49,506
-	-	1,469	41,091	-
14,453	28,511	54,530	14,492	16,612
(240,316)	(309,225)	(375,664)	(24,719)	(509,386)
(165,061)	(255,566)	(288,239)	66,458	(443,268)
8,632,400	9,053,304	9,224,331	9,824,277	10,638,227
1,754,977	767,945	440,918	380,627	1,107,770
2,176,341	813,801	1,091,539	1,481,262	779,510
3,931,318	1,581,746	1,532,457	1,861,889	1,887,280

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

	2003	2004	2005	2006
General Fund				
Unspendable	$ 75,405	$ 82,653	$ 103,016	$ 63,382
Restricted	9,862	3,521	653	3,323
Committed	151,829	196,680	127,549	160,091
Unassigned	2,185,305	2,277,272	2,313,088	2,445,540
Total General Fund	$ 2,422,401	$ 2,560,126	$ 2,544,306	$ 2,672,336
All Other Governmental Funds				
Unspendable	-	-	-	-
Restricted	537,241	1,315,278	680,014	1,105,593
Committed	7,266,928	127,071	1,369,336	4,934,422
Assigned	212,787	1,105,127	1,061,400	545,868
	$ 8,016,956	$ 2,547,476	$ 3,110,750	$ 6,585,883

Table 3

	2007	2008	2009	2010	2011	2012
General Fund						
Unspendable	$ 119,102	$ 154,993	$ 90,694	$ 96,005	$ 91,795	$ 91,890
Restricted	6,122	6,490	8,492	26,754	141,323	-
Committed	164,622	214,622	212,620	401,302	407,782	414,252
Unassigned	2,497,025	2,961,261	3,742,324	4,234,699	4,368,149	4,924,408
Total General Fund	$ 2,786,871	$ 3,337,366	$ 4,054,130	$ 4,758,760	$ 5,009,049	$ 5,430,550
All Other Governmental Funds						
Unspendable	74,882	92,725	49,704	100,868	52,168	54,743
Restricted	1,123,212	1,254,912	948,174	1,193,257	2,723,390	2,251,167
Committed	3,838,557	218,013	168,822	2,127,502	490,516	214,343
Assigned	724,559	290,841	922,304	852,818	947,342	1,152,954
	$ 5,761,210	$ 1,856,491	$ 2,089,004	$ 4,274,445	$ 4,213,416	$ 3,673,207

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

	Fiscal Year			
	2012	2011	2010	2009
REVENUES:				
Taxes	$10,239,637	$9,240,828	$8,826,937	$8,608,750
Licenses and Permits	340,758	309,303	153,993	154,351
Intergovernmental	263,879	327,107	228,805	182,624
Charges for Services	1,099,240	1,139,017	1,074,377	914,353
Fines and Forfeitures	485,812	191,816	194,155	272,979
Investment Income	116,144	95,830	50,045	73,430
Contributions	103,305	104,688	98,028	97,168
Oil Leases and Royalties	15,634	18,257	43,539	62,162
Other	203,331	367,065	227,976	200,144
Total Revenues	12,867,740	11,793,911	10,897,855	10,565,961
EXPENDITURES:				
Current:				
General Government	1,746,767	1,390,877	1,273,740	1,156,038
Public Safety	5,413,120	4,515,608	4,446,807	5,857,300
Public Works	2,598,475	2,039,076	1,271,665	1,012,697
Cultural and Recreational	2,843,221	2,324,661	2,393,228	2,104,446
Debt Service:				
Principal	851,462	859,999	830,033	732,738
Interest and Finance Charges	543,114	575,013	520,808	589,900
Refunding Bond Issuance Cost		0	146,813	0
Advance Refunding Escrow	0	0	0	0
Total Expenditures	13,996,159	11,705,234	10,883,094	11,453,119
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,128,419)	88,677	14,761	(887,158)
OTHER FINANCE SOURCES (USES):				
Sale of Capital Assets	325	75,864	218,859	
Bond Premium		0	182,264	
Bonds Issued	500,000	0	5,743,640	
Capital Leases		0	0	245,615
Transfers In	1,905,629	1,469,649	1,169,764	954,190
Payments to Bond Escrow Agent	0	0	(3,684,302)	
Transfers Out	(1,396,243)	(1,444,930)	(794,099)	(644,965)
Total Other Financing Sources (Uses)	1,009,711	100,583	2,836,126	554,840
NET CHANGE IN FUND BALANCES	($118,708)	$189,260	$2,850,887	($332,318)
Debt service as a percentage of noncapital expenditures	12.27%	13.50%	12.41%	11.55%

Source: Comprehensive Annual Financial Reports

Table 4

Fiscal Year					
2008	2007	2006	2005	2004	2003
$8,064,435	$7,511,921	$6,974,291	$6,415,210	$5,710,599	$5,059,228
223,796	210,294	226,381	230,765	168,205	178,950
58,498	100,092	597,970	119,088	83,826	24,105
902,773	828,477	749,980	652,381	492,435	490,669
260,610	255,840	281,617	246,464	265,692	212,447
283,538	491,896	373,134	235,792	136,267	120,484
103,109	96,369	102,451	76,949	314,437	67,217
103,773	8,410	11,842	12,668	13,037	12,863
106,271	103,971	121,129	146,999	132,071	69,564
10,106,803	9,607,270	9,438,795	8,136,316	7,316,569	6,235,527
993,840	1,547,553	2,539,813	1,619,638	1,032,466	776,127
6,235,187	3,975,804	3,348,231	3,470,880	2,449,220	2,153,793
1,464,261	1,890,393	1,671,936	924,183	4,556,997	1,125,569
2,208,812	1,931,929	2,351,336	3,676,127	3,338,186	1,342,197
714,721	628,645	510,483	561,869	424,328	244,548
581,399	712,118	598,255	554,680	540,833	503,273
116,475					
307,012					
12,621,707	10,686,442	11,020,054	10,807,377	12,342,030	6,145,507
(2,514,904)	(1,079,172)	(1,581,259)	(2,671,061)	(5,025,461)	90,020
2,635,000		3,211,643		3,420,000	670,000
114,532	59,573		656,970		
1,216,623	1,701,260	1,114,437	1,278,664	1,235,940	3,010,498
(2,508,899)					
(976,307)	(1,391,799)	(905,054)	(984,001)	(942,185)	(1,638,154)
480,949	369,034	3,421,026	951,633	3,713,755	2,042,344
($2,033,955)	($710,138)	$1,839,767	($1,719,428)	($1,311,706)	$2,132,364
10.27%	12.55%	10.06%	10.33%	7.82%	12.17%

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	2,756,863	2,691,672	97.6%	63,438	2,755,110	99.9%
2004	2,825,473	2,783,575	98.5%	39,841	2,823,416	99.9%
2005	3,006,428	2,939,299	97.8%	62,701	3,002,000	99.9%
2006	3,135,498	3,090,899	98.6%	41,168	3,132,067	99.9%
2007	3,462,791	3,365,762	97.2%	91,128	3,456,890	99.8%
2008	3,790,136	3,740,445	98.7%	41,775	3,782,220	99.8%
2009	4,207,637	4,122,377	98.0%	74,775	4,197,152	99.8%
2010	4,393,511	4,320,179	98.3%	57,317	4,377,496	99.6%
2011	4,503,929	4,419,631	98.1%	59,247	4,478,878	99.4%
2012	4,702,251	4,629,944	98.5%	-	4,629,944	98.5%

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, 2012

Tax Rates (1)

Fiscal Year	City General Fund	City Debt Service	City Total	School	County	Navigation District	Drainage District	Total	City's Percent of Total
2003	0.4804	0.0596	**0.5400**	**1.7750**	**0.5350**	**None**	**0.0952**	**2.94520**	**18%**
2004	0.4699	0.0530	**0.5229**	**1.7750**	**0.5350**	**None**	**0.0975**	**2.93040**	**18%**
2005	0.4725	0.0504	**0.5229**	**1.7750**	**0.5399**	**None**	**0.0986**	**2.91640**	**18%**
2006	0.4458	0.0489	**0.4947**	**1.6100**	**0.5399**	**None**	**0.0910**	**2.73565**	**18%**
2007	0.4224	0.0799	**0.5023**	**1.3600**	**0.5275**	**None**	**0.0819**	**2.47168**	**20%**
2008	0.4141	0.0741	**0.4882**	**1.3600**	**0.5275**	**None**	**0.0819**	**2.45758**	**20%**
2009	0.4254	0.0833	**0.5087**	**1.3600**	**0.5245**	**None**	**0.0793**	**2.47248**	**21%**
2010	0.4268	0.0936	**0.5204**	**1.3700**	**0.5245**	**None**	**0.0793**	**2.49130**	**21%**
2011	0.4291	0.1138	**0.5429**	**1.3700**	**0.5245**	**None**	**0.0764**	**2.51377**	**22%**
2012	0.4967	0.1174	**0.6141**	**1.3700**	**0.5093**	**None**	**0.0718**	**2.56519**	**24%**

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

Tax Levies (1)

Fiscal Year	City	School	County	Navigation District	Drainage District	Total
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	4,503,929	15,019,370	21,361,735	None	3,052,972	43,938,006
2012	4,702,251	14,318,121	19,878,381	None	2,895,367	41,794,120

(1) Per $100 Assessed Valuation

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

		2012				2003	
Tax Payer	Type of Business	Taxable Assessed Valuation	Percentage of Total Assessed Value[a]	Tax Payer	Type of Business	Taxable Assessed Value	Percentage of Total Assessed Value[b]
Galileo Apollo II TX LP	Apartments	8,238,523	1.052%	Portland Townhomes LP	Apartments/Townhomes	$13,432,056	2.63%
Wal-Mart Real Estate Business	Shopping Center	7,699,255	0.983%	H E Butt Grocery	Shopping Center	5,570,994	1.09%
Portland Townhomes LP	Apartments	6,668,818	0.852%	EIG Northshore Plaza	Shopping Center	5,144,013	1.01%
Northshore Pavilions	Apartments	6,573,516	0.840%	Indela Partners III LP - Kmart	Shopping Center	4,809,956	0.94%
Wal-Mart Stores Texas LP	Grocery	5,778,837	0.738%	Northshore Landing LTD	Apartments	4,659,756	0.91%
Northshore Landing LTD	Apartments	4,367,575	0.558%	Land's End Associates	Apartments	4,281,713	0.84%
Esplanade At Northshore LLC	Apartments	3,967,883	0.507%	Verizon Southwest	Telecommunications	3,997,220	0.78%
Safeguard Investments LTD	Real Estate	3,671,635	0.469%	AEP Central Power and Light	Electric Utility	3,650,830	0.71%
Indela Partners III LP-Kmart	Shopping Center	3,593,857	0.459%	Goode, Keith and Carolyn	Condominium / Property Owners	3,299,066	0.65%
Al Willeford Chevrolet	Auto Sales	3,266,590	0.417%	Royal Production Co. Inc.	Oil and Gas	2,920,130	0.57%
		$ 53,826,489	6.875%			$ 51,765,734	10.13%

Data Source: Chief Appraiser, San Patricio County Appraisal District

Note:

[a]Total taxable value including real and personal property for tax year 2011 (fiscal year 2012) is $ 782,962,612

[b]Total taxable value including real and personal property for tax year 2002 (fiscal year 2003) is $ 510,916,674

CITY OF PORTLAND, TEXAS
SALES TAX HISTORY OF COLLECTING ENTITIES BY INDUSTRY
AS OF SEPTEMBER 30, 2012
Last Ten Fiscal Years
(Unaudited)

Year	Construction	Retail	Services	Transportation/ Communications	Wholesale	Financial Inst. & Real Estate	Manufacturing	Public Administration	Other	All Industries
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
**2012	29	119	124	7	3	13	18	2	10	325

Source: Texas Comptroller of Public Accounts
**Information provided for the 2nd quarter only.

CITY OF PORTLAND, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
Last Ten Fiscal Years
September 30, 2012

Fiscal Year	Estimated Population	Assessed Value	Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
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
2012	15,099	782,962,612	13,102,775	934,671	12,168,104	1.55%	806

CITY OF PORTLAND, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
September 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable *	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Gregory-Portland Independent School District	$ 17,065,000	82.89%	$ 14,144,622
San Patricio County	$ 17,900,000	23.02%	$ 4,120,580
Other debt			
Gregory-Portland Independent School District: Public Property Finance Contract	$ 2,864,000	82.89%	$ 2,373,876
Ad Valorem Property Tax Refund Settlement	195,392	82.89%	161,954
Subtotal, overlapping debt			$ 20,801,032
City of Portland (direct debt)	$ 13,102,775	100.00%	$ 13,102,775
Total direct and overlapping debt			$ 33,903,807
Average Debt Per Capita (15,099)			$ 2,245

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

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

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

CITY OF PORTLAND, TEXAS
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Estimated Population	San Patricio County Per Capita Income	Personal Income (thousands of dollars)	Average School Enrollment	San Patricio County Unemployment Rate
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%
2012	15,099	27,580	416,430,420	4,441	7.00%

*** Data not available at time of publication.

2012 Per Capita Income for City of Portland

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

Employer	Business Description	Number of Employees	Percentage of Workforce
Corpus Christi Army Depot	Helicopter Repair	5,800	2.67%
Corpus Christi ISD	School District	5,178	2.38%
CHRISTUS Spohn Health Systems	Hospital	5,144	2.37%
H.E.B	Grocery Co.	5,000	2.30%
City of Corpus Christi	City Government	3,171	1.46%
Corpus Christi Naval Air Station	Flight Training	2,827	1.30%
Kiewit Offshore Services	Offshore Rig Manufacturing	2,200	1.01%
Bay, LTD	Industrial Construction	2,100	0.97%
Driscoll Children's Hospital	Hospital	1,800	0.83%
Del Mar College	Two-Year College	1,542	0.71%

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government and Administration	10	10	12.5	12.5	13	11.5	13.25	12.25	11.55	12.55
Public Safety	34	37.6	40.65	42.4	45.25	51	51.58	51.36	50.61	55.86
Building/Code Enforcement	4	4.5	4	3	3	5.3	5.3	5.3	4.7	3
Library	5.65	5.65	6	6	6	6	6	6	6	6.06
Water and Sewer	13.23	12.5	14	18	18.06	17.76	17.76	17.76	17.76	17.96
Vehicle Maintenance	1	1	1	1	1	1	1	1	1	1
Park Maintenance	8.23	7.75	7.67	7.51	7.51	7.51	7.5	7	7.5	8.5
Recreation/Community Center	21.74	19.52	21.08	22.69	24.86	27.65	27.99	25.64	25.12	25.04
Finance	2.5	2.9	3.38	3.38	3.75	4	4	4	4	4
Streets	5.23	5.96	5.97	5.96	5.96	5.96	5.96	5.46	5.56	7.06
Municipal Court	2.5	2.5	2.38	2.5	3	3	3	3	3	3.05
Total Full Time Equivalents	108.08	109.88	118.63	124.94	131.39	140.68	143.34	138.77	136.8	144.08

Source: City of Portland Budgets

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

Fiscal Year	Residential Construction Value	Residential Permits Issued	Commercial Construction Value	Commercial Permits Issued	Total New Construction
***					
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	$ 2,236,472	3	$ 13,566,208
2012	$ 14,325,166	76	$ 763,935	2	$ 15,089,101

Source: City of Portland Buiding Department

CITY OF PORTLAND, TEXAS
STATISTICAL DATA
YEAR ENDED SEPTEMBER 30, 2012

DATE OF INCORPORATION: May 28, 1949

DATE OF CITY CHARTER ADOPTION: August 8, 1967

FORM OF GOVERNMENT: Council - Manager

Area - Square Miles	11.5
Miles of Streets - Paved	71
Fire Protection	
Number of Stations	2
Number of Employees:	
Regular - Full-Time	15
Part-Time	1
Police Protection	
Number of Stations	1
Number of Employees:	
Regular - Full-Time	35
Part-Time	11
Total Employees - Full Time & Full-time Equivalents	144

Cultural and Recreational:	
Parks - Number of Acres	740.04
Number of Lighted Fishing Piers	1
Number of Playgrounds	13
Number of Swimming Pools	2
Number of Community Centers	1
Number of Senior Citizens Centers	1
Number of Public Libraries	1
Education:	
Number of Schools	7
Number of School Teachers	261
Number of Students	4,441
Average Daily Attendance	4191.946
Municipal Water System:	
Number of Customers	5500
Daily Average Consumption	2,014,741
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

Function/Program	2008	2009	2010	2011	2012
Public Safety					
Police					
# of Employees	34	34	32.25	32.25	35.5
# of Citations	3,840	3,218	3,152	3,138	3,214
Fire					
# of Employees	16	15	15	15	15
# of Fire Runs	321	429	428	428	437
# of Rescue Runs	884	990	944	950	870
Development Services					
Permits Issued	1,527	1,478	1,381	4,126	1392
Cultural and Recreational					
Parks and Recreation					
Program Participants	82,325	90,183	88,588	106,847	95,648
# of Memberships Sold	755	1,528	1,726	1,172	1,582
Library					
Volumes in Circulation	99,091	111,422	120,710	114,847	184,288
Water and Sewer					
# of Bills Processed	62,305	63,347	63,399	64,391	65,427
# of System Customers	7,420	5,262	5,307	5,403	5,500
Millions of Gallons Billed	1,288	2,254	2,594	2,690	1,296

Source: City Departments

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

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

Source: City Departments

Table 17

Function/Program	2007	2008	2009	2010	2011	2012
Public Safety						
Police Stations	1	1	1	1	1	1
Police Patrol Units	14	16	17	17	15	15
Fire Stations	2	2	2	2	2	2
Development Services						
Streets Paved (miles)	70	70	70	71	71	71
# of Street Lights	587	587	610	610	614	614
Cultural and Recreational						
Parks (acres)	740.04	740.04	740.04	740.04	740.04	740.04
Playgrounds	13	13	13	13	13	13
Lighted Fishing Pier	1	1	1	1	1	1
Swimming Pools	2	2	2	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	6,989	7,420	5,262	5,307	5403	5500
Number of Fire Hydrants	468	483	650	650	675	675

Source: City Departments

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

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1/2)	(4) Unfunded Actuarial Accrued Liability	(5) Annual Covered Payroll	(6) UAAL as a Percentage of ACP (4/5)	(7) Total TMRS Required Contribution Rate
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%
2011	$ 11,263,277	$ 16,057,833	70.1%	$ 4,794,556	$ 4,755,702	100.8%	15.05%

Source: Texas Municipal Retirement System

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

GOVERNMENTAL AUDIT COMPLIANCE SECTION

the portland
of possibilities.

Lovvorn & Kieschnick
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2012, which collectively comprise the City of Portland's basic financial statements and have issued our report thereon dated March 26, 2013. 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

Management of the City of Portland is responsible for establishing and maintaining effective 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 26, 2013