

CITY of PORTLAND, TEXAS

CITY OF PORTLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2010



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YEAR ENDED SEPTEMBER 30, 2010

CITY COUNCIL

David Krebs, Mayor

Ron Jorgensen, Mayor Pro Tem

John Green

David E. Lewis

Gary Moore, Sr.

Cathy Skurow

John Vilo

CITY MANAGER

Mike Tanner

Prepared by

Finance Department

Sandra Clarkson
Finance Director

**CITY OF PORTLAND, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2010**

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INTRODUCTORY SECTION





**CITY OF
PORTLAND
TEXAS**

March 8, 2011

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, 2010, 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 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, 2010 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 Gem City of the Coastal Bend. We are located on two beautiful bays that provide endless recreational, sport and aesthetic opportunities to our city. To our east, the City rests on Corpus Christi Bay. We have four major recreation assets that sit on this bay, Bayview Park, Violet Andrews Park, Sunset Lake and Indian Point Pier. Then, on the City's southwest, Nueces Bay provides the citizens with outstanding sunsets and fishing opportunities.

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 School District attend three elementary schools, one intermediate school, a junior high and high school. The school district is classified as 4-A level for all interscholastic competitions.

The economic outlook within the city limits of Portland is very favorable for retail, casual dining, medical services offices, and financial establishments. As the choice location in this region for families, Portland has experienced continued residential growth. Unfortunately, however, the city has felt some impact of the national economic downturn. This has been most evident in the reduction of new housing starts as well as the number of existing houses that have been put on the market for sale or have been foreclosed by the mortgager.

The area economy is beginning to turn around, but we still have a job-deficit created by the closure of Naval Station Ingleside in 2009. Although the property which formerly housed NSI is currently under contract for redevelopment by Canyon Supply and Logistics of Houston, Texas, it is too early in the process to feel assured all of the jobs lost by the Base closure will be replaced with this project. The Chinese-owned firm of Tianjin Pipe Corporation has yet to break ground on the \$1 billion plant planned just seven miles north east of Portland, but hope remains as plans continue to evolve. Likewise, the La Quinta container terminal planned to be located just east of Portland's Northshore Golf Club is still lacking a financing partner. So, as the world economy continues in the doldrums, no major boost in the Portland economy is seen on the near horizon.

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. A private firm provides solid waste collection and disposal services. In addition, 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.

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 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.

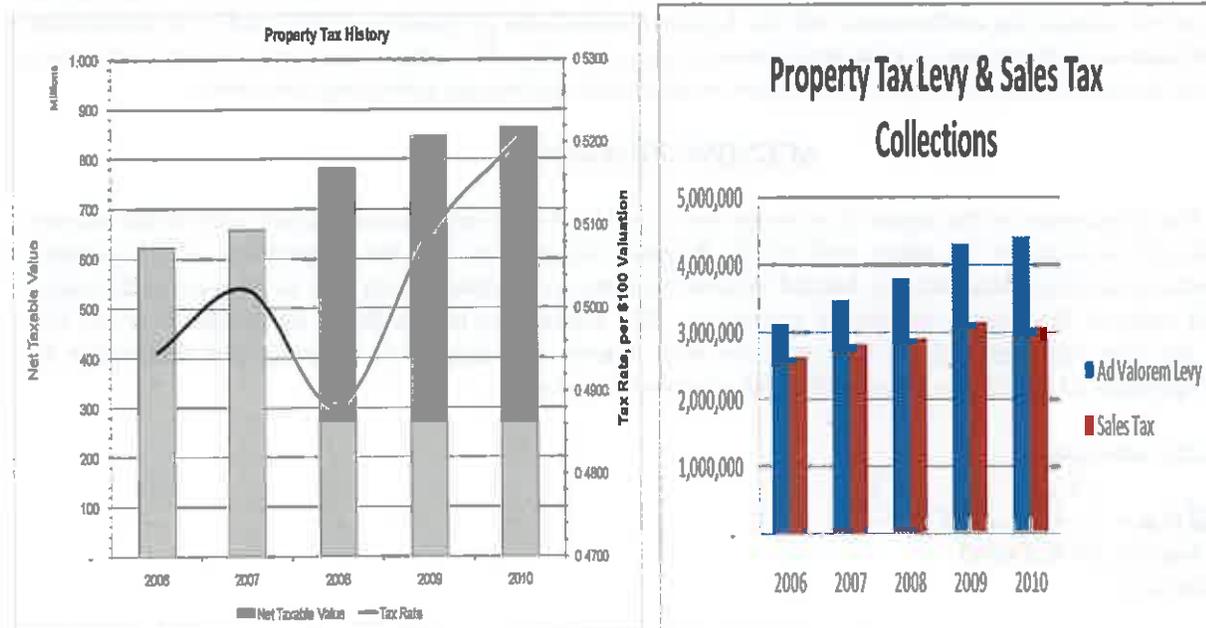
ACCOUNTING AND INTERNAL CONTROLS

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 system adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

GENERAL REVENUE TRENDS

With the recent uncertainty in the economy, the City has been forced to raise ad valorem taxes as a means of insuring the revenues necessary to meet service demands. Depending on sales tax revenue has proved to be highly risky and not prudent for providing basic general governmental services. In addition, the 2007 freeze on residential taxes paid by taxpayers who are over 65 years of age or disabled has limited the revenue that can be generated on related property. As a result, the tax rate has had to increase at a slightly greater rate than the net taxable value of all properties.



STAFFING AND EMPLOYEE BENEFITS

The City of Portland operates with a very limited number of employees. In 2009 - 10, the budget provided for only 101 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 43 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, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government. The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and the cooperation of all operating departments of the City. Most notably, Michel Weaver has been an exceptional resource in completing this report and in all areas of the finance department operations. We would also like to thank the members of the City Council, the City Manager and the City staff for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,



Sandra Clarkson, CPA, CGFO
Finance Director

CITY OF PORTLAND, TEXAS

CITY COUNCIL

David Krebs, Mayor

Ron Jorgensen, Mayor Pro Tem

David E. Lewis

Cathy Skurow

John Green

Gary Moore, Sr.

John Vilo

CITY MANAGER

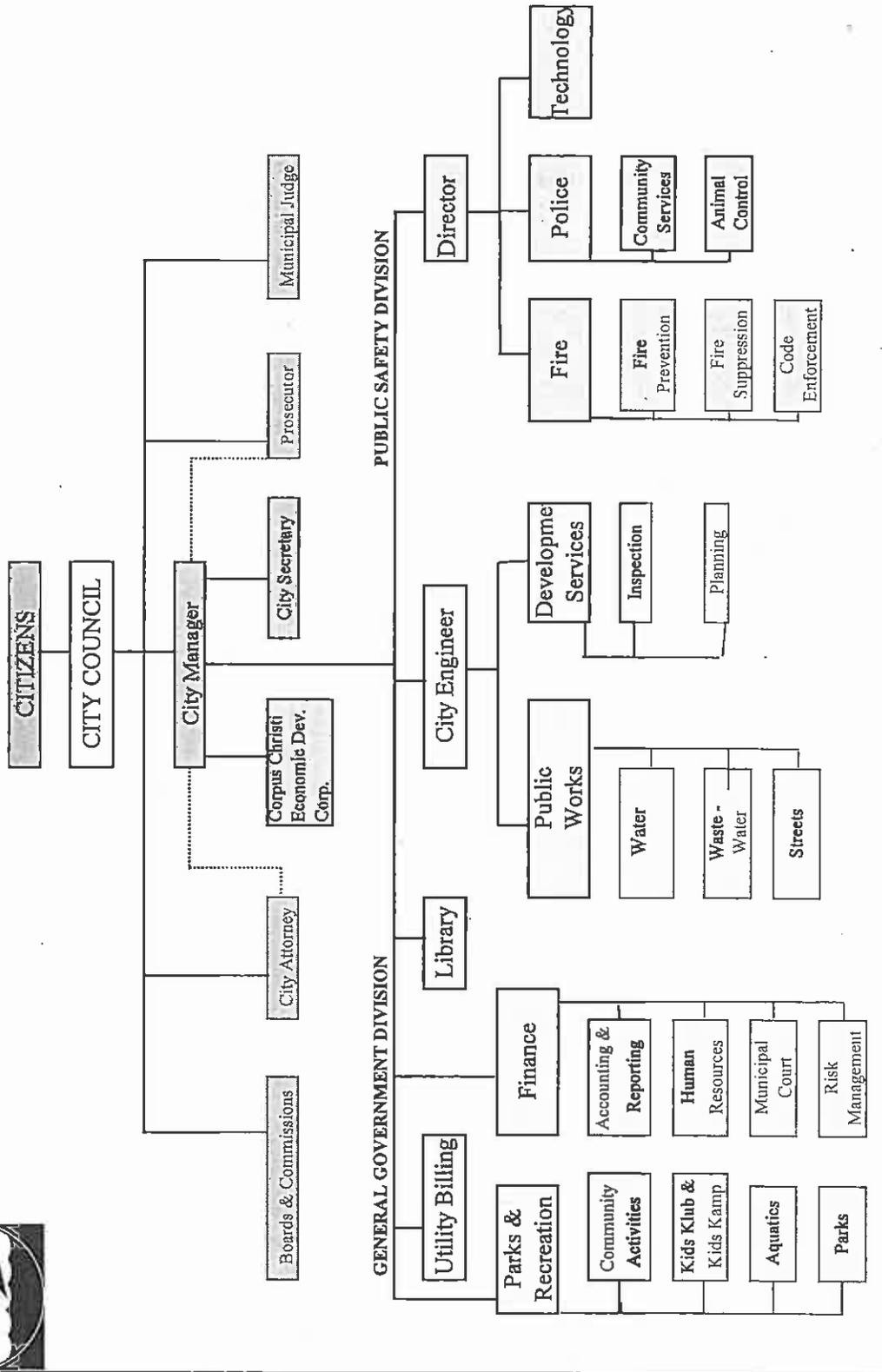
Mike Tanner

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, 2009

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



FINANCIAL SECTION



LOVVORN & KIESCHNICK, LLP
418 Peoples Street, Suite 308
Corpus Christi, Texas 78401

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, 2010, 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, 2010, 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 8, 2011, 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 it.

Lovvorn + Kieschnick, LLP

Lovvorn & Kieschnick, LLP
March 8, 2011

City of Portland, Texas
Management Discussion and Analysis
September 30, 2010
(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, 2010. 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 2010 by \$45,388,852 (net assets). Of this amount, \$8,870,892 (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 \$1,532,457 in 2010.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,033,205, an increase of 46% in comparison with the prior year. Approximately \$5,087,514 (56%) of this total amount is unreserved and available for spending at the government's discretion (unreserved fund balance).
- The General Fund reported an unreserved fund balance of \$4,234,699, or 50.6% of total general fund expenditures.
- The City's major utility, the Water & Sewer Fund, reported total net assets of \$13,177,365. This represents a 7.2% increase over the prior year. Most significant is a 27.9% increase of unrestricted net assets to \$2,437,410 in this fund.
- The City's total long-term debt increased by \$9,497,062 (51.3%) during the current fiscal year as a result of issuance of \$6.5 million in new Revenue Bonds and \$3.1million in new Certificates of Deposit.

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.

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

The City maintains twelve individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Capital Improvements Fund, both of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining 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 \$45,388,852 at the close of the most recent fiscal year. By far the largest portion of the City's net assets, \$35,699,271 or 81%, 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 (\$818,689 or 1.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8.9 million or 18%) may be used to meet the government's ongoing obligations to citizens and creditors. It has been the practice of the City to finance major maintenance and rehabilitation of infrastructure or invest in new capital assets by cautious and conservative draws on these unrestricted net assets. It is anticipated that this will continue to be our practice -- whenever possible - in the future.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net 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 \$1,532,457 during the current fiscal year. Most of this increase represents capital contributions from third parties, significant increases in water service charges due to the severe drought, and relatively smaller increases in operating costs.

**City of Portland's Net Assets
At September 30, 2010
Table 1**

**Management Discussion and Analysis
Comparative Data
Table 1**

Government-wide Comparative Financial Data

Net Assets

	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$ 10,739,905	\$ 7,693,736	\$ 5,087,543	\$ 3,844,003	\$ 15,827,448	\$ 11,537,739
Capital Assets, net of accumulated depreciation	35,583,711	36,449,979	24,088,695	16,014,176	59,672,406	52,464,155
Total Assets	46,323,616	44,143,715	29,176,238	19,858,179	75,499,854	64,001,894
Liabilities						
Current & Due Within One Year	2,086,724	1,856,468	1,794,611	1,088,664	3,881,335	2,945,132
Due in More Than One Year	13,870,514	12,361,791	12,359,149	4,838,576	26,229,663	17,200,367
Total Liabilities	15,957,238	14,218,259	14,153,760	5,927,240	30,110,998	20,145,499
Net Assets						
Invested in Capital Assets, Net of Related Debt	23,330,540	23,651,889	12,368,731	11,759,416	35,699,271	35,411,305
Restricted for:						
Debt Service	625,125	562,386	193,564	145,023	818,689	707,409
Unrestricted	6,410,709	5,711,181	2,460,183	2,026,500	8,870,892	7,737,681
Total Net Assets	\$ 30,366,374	\$ 29,925,456	\$ 15,022,478	\$ 13,930,939	\$ 45,388,852	\$ 43,856,395

Governmental activities. With the general down-turn in the economy, this area of operations was particularly vulnerable to the effects of the recession. The general government program revenue dropped as did several classes of general revenues. In 2010, the slow-down of new housing starts continued and few new businesses were developed. As a result, only 4.2% or \$65,254 of the increase in net assets was the result of governmental activities.

Revenues:

- For fiscal year 2010, the program revenues from governmental activities totaled \$1,844,230. These revenues consist primarily of fees, fines and charges for services (82.9%) and operating grants and contributions (11.4%). The balance of \$105,861 was from capital grants and contributions. Fiscal year 2010's program revenues fell short of the previous year by approximately \$149,246. All of this reduction came from the recession-driven loss of \$386,567 in contributed capital from developers.
- Property tax collections totaled \$4,463,514, an increase of 5% from the prior year.
 - Assessed taxable values rose \$18 million or 2.13% from the prior year. New property and improvements added \$16 million to the tax rolls, with the remainder of the increase due to changes in the values of existing properties.
 - The ad valorem tax rate for fiscal year 2010 was \$0.520374 per \$100 of assessed valuation. The tax rate increased \$0.011684 or 2% from the prior year.

- Sales taxes fell slightly, following the general economy's recessionary trends. Collections totaled \$3,074,103 for fiscal year 2010, or a decrease of 3% over the prior year.
- Franchise tax collections reflected the general economic conditions with a 2% loss compared to 2009. With total of collections of only \$1,029,609, the City felt the impact of houses that were vacant and not consuming electricity, natural gas, telephones and cable television services.

**City of Portland's Changes in Net Assets
At September 30, 2010
Table 2**

Changes in Net Assets

Table 2

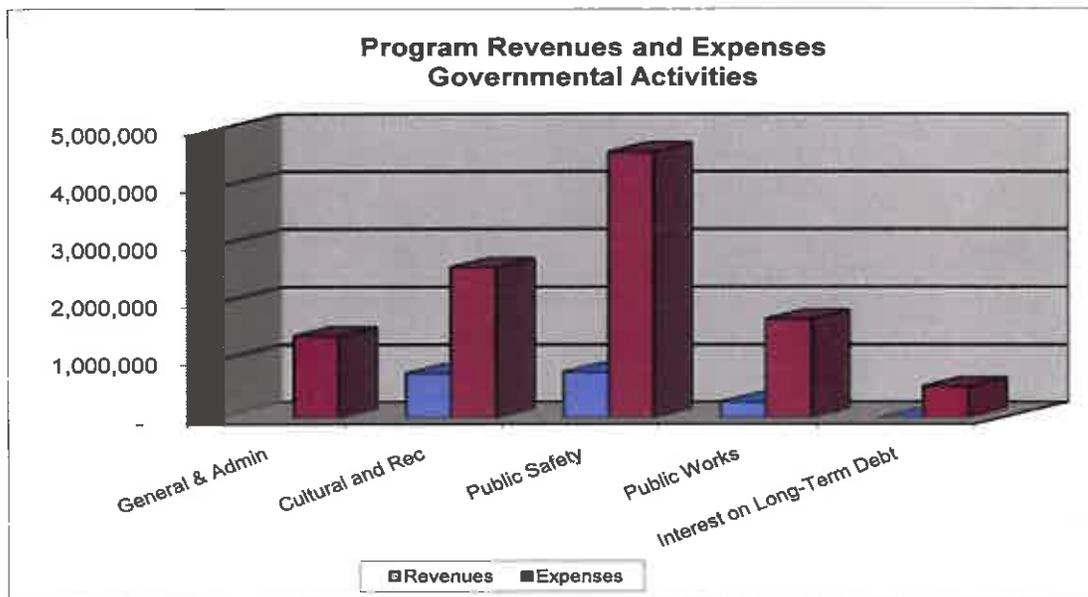
	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Program Revenues						
Fees, Fines & Charges for Services	1,528,343	1,449,020	5,432,078	5,382,071	6,960,421	6,831,091
Operating Grants and Contributions	210,026	52,028	7,545	17,902	217,571	69,930
Capital Grants and Contributions	105,861	492,428	407,468	413,855	513,329	906,283
Total Program Revenues	1,844,230	1,993,476	5,847,091	5,813,828	7,691,321	7,807,304
General Revenues						
Property Taxes	4,463,514	4,232,399			4,463,514	4,232,399
Sales Taxes	3,074,103	3,162,719			3,074,103	3,162,719
Franchise Taxes	1,029,609	1,051,320			1,029,609	1,051,320
Hotel/Motel Taxes	228,199	209,049			228,199	209,049
Investment Earnings	50,045	73,430	31,426	25,148	81,471	98,578
Gain on Disposal of Assets	8,932	0	1,469		10,401	
Miscellaneous	282,504	270,728	54,530	28,511	337,034	299,239
Total Revenues	10,981,136	10,993,121	5,934,516	5,867,487	16,915,652	16,860,608
Expenses						
General Government and Admin.	1,421,374	1,256,885			1,421,374	1,256,885
Cultural and Recreational	2,615,381	2,500,572			2,615,381	2,500,572
Public Safety	4,615,046	4,607,168			4,615,046	4,607,168
Public Works	1,717,427	1,548,127			1,717,427	1,548,127
Interest on Long Term Debt	546,654	621,649			546,654	621,649
Water and Sewer	0	0	4,364,772	4,619,688	4,364,772	4,619,688
Drainage	0	0	102,541	124,773	102,541	124,773
Total Government Expenses	10,915,882	10,534,401	4,467,313	4,744,461	15,383,195	15,278,862
Change in Net Assets						
Increase (Decrease) Before Transfers	65,254	458,720	1,467,203	1,123,026	1,532,457	1,581,746
Transfers	375,664	309,225	(375,664)	(309,225)	-	-
Increase in Net Assets	440,918	767,945	1,091,539	813,801	1,532,457	1,581,746
Net Assets, Beginning of Year	29,925,456	29,157,511	13,930,939	13,117,138	43,856,395	42,274,649
Net Assets, End of Year	30,366,374	29,925,456	15,022,478	13,930,939	45,388,852	43,856,395

Governmental Activities, continued

Expenses:

- For fiscal year 2010, governmental expenses totaled \$10,915,882. This represented a \$381,481 increase over the prior year, due primarily to a 5% cost of living increase given to all full-time employees on October 1, 2009.
- All functional areas of general government saw increased operating expenditures in 2010, with the greatest increase recorded in the Public Works area. The City began the design phase of the latest street improvement program to reconstruct and rehabilitate a number of streets throughout the City.
- General Government and Administration increased by 13.1% over the prior year as the City began to actively pursue economic development.
- Interest on long term debt in 2010 was \$546,654, which is \$74,995 less than the previous year.

Program Revenues & Expenses – Governmental Activities
Table 3

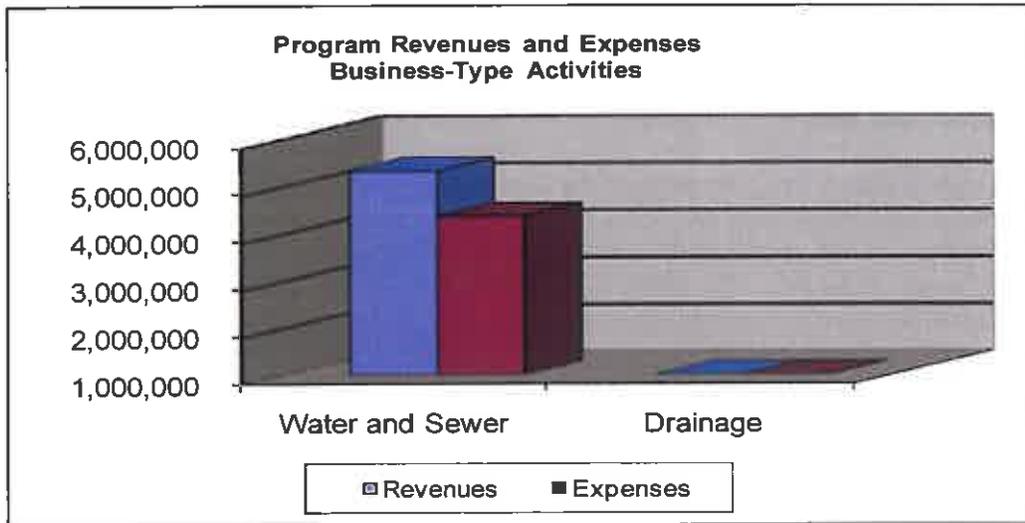


The chart above illustrates the deficit in program revenues for governmental activities as found in the Statement of Activities. Governmental activities, by their nature, cannot be funded through individual service fees. A well-run city government that provides a safe community with well maintained streets and recreation facilities contributes to a superior quality of life shared by all. Thus, these functions must be supported through revenue sources spread across the entire population. In 2010 revenues from taxes, investments and miscellaneous sources are used to offset this \$9,071,652 deficit between expenditures and program revenues in the governmental activities.

On the other hand, the chart 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.

Program Revenues & Expenses – Business – Type Activities
Table 4



Business-type Activities. As shown in the Statement of Activities, program revenues of the City’s business-like activities were \$5,847,091 for the fiscal year ended September 30, 2010. Expenses for those same activities totaled \$4,467,313 resulting in net revenues of \$1,379,778 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 \$1,091,539. This is a substantial increase over 2009, primarily as a result of a moderately dry year, which increased water and sewer sales.

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, unreserved 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 \$9,033,205 an increase of \$2,850,887 compared to the prior year. This increase in spendable resources is primarily the result of the sale of bonds to fund street improvements.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,234,699. This unreserved fund balance is the amount available without constraints from outside of the City to fund the City’s normal operations. For 2010, the daily cost of operations in the General Fund was \$22,906 (total current expenditures of \$8,360,847 divided by 365 days in the year). Thus, the City’s unreserved General Fund balance would be able to sustain 184.9 days in the event of disaster that interrupted normal revenue generation. City financial policies require a minimum of 90 days operating reserve on hand at all times.

The Street Improvement Fund finished the year with a fund balance of \$1,990,820, which reflects the bond proceeds which will be used to finance the current Street Improvement Program. This fund accounts for the major street construction projects, while the drainage portion of those projects will be accounted for in the Drainage Utility, which is a proprietary fund.

Proprietary funds. The proprietary funds ended 2010 with combined net assets totaling \$15,111,722. The proprietary funds include the Water and Sewer System Fund, the Drainage Utility Fund, and the Insurance Fund. In this total, the net assets for each fund are: Water and Sewer Fund \$13,177,365, the Drainage Fund \$1,845,113 and the Insurance Fund \$89,244.

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 2010, the operations resulted in unreserved net assets of \$2,437, 410, which will finance 225 days of operations if a catastrophic event were to occur that interrupted normal revenue streams.

As do most cities, Portland has a certain degree of aging infrastructure constantly in need of repair or replacement. In 2010, the Series 2009A Revenue Bonds were sold to fund \$6.3 million in reconstruction of sewer lines and lift stations in the Old Town neighborhood, add an additional lift station on Memorial Parkway, rehabilitate all four of the City's water storage tanks and provide a much-needed redundancy in the clarifying system at the Wastewater Treatment Plant. As the Portland expands north and westward with new growth, these improvements to the older portions of the system will encourage redevelopment in the older areas of the city.

The Drainage Fund and the Insurance Fund have very limited activity. The net assets in each of these funds are not at risk in the event of a natural disaster as neither fund has payroll or substantial on-going expenditure requirements.

General Fund Budgetary Highlights

During FY2009-10, the General Fund budget was amended because of major changes in the local economy during the year. In the end, the final General Fund revenues were \$148,519 (1.8%) higher than the final budget and the expenditures were \$402,264 (4.5%) less than the final budget. These narrow variance margins are the result of constant review and adjustment in operation that are geared to protect the City's financial position.

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, 2010 amounts to \$52,613,913 (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 the investment in capital assets for the current fiscal year was as a very modest \$149,755 or 0.3%.

While the general economy continues to recover slowly, the Portland city council has pledged to be careful stewards of the citizens' money and property. Therefore, we will only make capital investments to maintain and improve our infrastructure. In addition, any surplus facilities will be sold to remove them from our inventory. Thus, the following capital asset events occurred in 2010:

- Three of four water storage tanks were under rehabilitation to prolong their economic lives and to improve the integrity of the system (\$209,914)
- The sewer system reconstruction and improvement projects for the Old Town neighborhood and the Wastewater Treatment Plant were in the design phase (\$211,770)
- The city-wide Streets and Drainage Improvement Program was in the design phase (Streets \$128, 694; Drainage \$118,557).
- The old Police Station on Moore Avenue was sold for \$204,468. The building is now being used by a successful day care facility.

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

Capital Assets						
Net of Capital Accumulated Depreciation						
Table Five						
	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Land	\$ 4,467,524	\$ 4,467,524	\$ 101,832	\$ 101,832	\$ 4,569,356	\$ 4,569,356
Buildings	16,306,311	16,973,120	531,862	547,535	16,838,173	17,520,655
Vehicles	998,327	1,031,421			998,327	1,031,421
Equipment	1,868,535	1,668,124	577,192	648,073	2,445,727	2,316,197
Infrastructure	11,766,689	12,170,446	14,793,050	14,648,311	26,559,739	26,818,757
Intangibles	47,627	-	367,177	-	414,804	-
Construction in Progress	128,694	139,344	637,925	68,428	766,619	207,772
Total	\$ 35,583,707	\$ 36,449,979	\$ 17,009,038	\$ 16,014,179	\$ 52,592,745	\$ 52,464,158

Long-Term Debt. As noted earlier, the City issued two series new debt in 2010 and refinanced the outstanding 2002 Certificates of Obligation. As the world's financial markets continue to offer little investment incentive, the cost of borrowing money in the bond market remained historically low. The City's new debt (\$6.5 million in Utility Revenue Bonds and \$4 million Certificates of Obligation) received very favorable average coupon rate of 3.936% and 3.905%. By refinancing the 2002 Series, the city lowered the interest rate on the outstanding bonds by approximately 1% over the remaining life of the bonds.

In 2010, Standard & Poor's upgraded the rating on the Combined Tax and Limited Pledge Revenue Certificates of Obligation to "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 34 – 39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The population of the north shore of Corpus Christi Bay has declined somewhat since the closing of Naval Station Ingleside in 2009. This has held true for Portland as well. However, we have seen a number of indications that our reputation as a preferred place to raise families continues. For that reason, we are hopeful that moderate increases in retail businesses and restaurants will continue.

The 2011 Budget does not include a pay increase for employees, new projects or initiatives for expanded service or any plans for major facility maintenance. The revenue stream in the general government areas is anticipated to increase to some degree, but do not warrant any expansion in that area. Wherever possible, the City prefers to let user fees fund the activity in this area.

The Water and Sewer fund will see major maintenance and improvement projects that will begin construction and will require 2 or more years to complete. The basic rates to all customers of the systems were raised in July 2009 in anticipation of the need to fund the annual debt service of the 20-year \$6.5 million bonds that will provide for these improvements. As a result, increases in the rates are not anticipated at this time.

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



CITY OF PORTLAND, TEXAS
 GOVERNMENT - WIDE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2010

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	10,309,849	2,047,457	12,357,306
Receivables, Net of Allowance for Uncollectible:			
Delinquent Taxes	173,803	-	173,803
Accounts	587,783	620,284	1,208,067
Other	1,300	-	1,300
Due From Other Governments	175,650	-	175,650
Inventory	27,343	100,758	128,101
Prepaid Items	169,781	269,347	439,128
Escrow Funds	147,419	-	147,419
Internal Balances	(1,692,401)	1,692,401	-
Capitalized Bond and Other Debt Issuance Costs	501,753	357,296	859,049
Restricted Assets:			
Cash and Cash Equivalents	337,625	7,079,658	7,417,283
Capital Assets:			
Land	4,467,524	101,832	4,569,356
Intangibles	105,838	367,177	473,015
Buildings and Improvements	21,883,091	686,428	22,569,519
Vehicles	2,018,741	-	2,018,741
Furniture and Equipment	2,684,468	820,184	3,504,652
Water and Sewer System	-	19,723,624	19,723,624
Infrastructure	39,054,318	1,635,425	40,689,743
Construction in Progress	128,694	637,925	766,619
Accumulated Depreciation	(34,758,967)	(6,963,558)	(41,722,525)
TOTAL ASSETS	46,323,612	29,176,238	75,499,850
LIABILITIES			
Accounts Payable	543,043	681,218	1,224,261
Accrued Interest	78,694	44,972	123,666
Accrued Liabilities	119,312	17,381	136,693
Escrow	110,174	-	110,174
Deposits	161,775	344,018	505,793
Noncurrent Liabilities:			
Due within one year	1,073,726	707,022	1,780,748
Due in more than one year	13,870,514	12,359,149	26,229,663
TOTAL LIABILITIES	15,957,238	14,153,760	30,110,998
NET ASSETS			
Invested in Capital Assets, net of Related Debt	23,330,540	12,368,731	35,699,271
Restricted for:			
Debt Service	625,125	193,564	818,689
Unrestricted	6,410,709	2,460,183	8,870,892
TOTAL NET ASSETS	30,366,374	15,022,478	45,388,852

See accompanying notes to basic financial statements.

CITY OF PORTLAND, TEXAS
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government and Administration	1,421,374			
Cultural and Recreational	2,615,381	764,954	8,060	
Public Safety	4,615,046	592,575	201,966	
Public Works	1,717,427	170,814		105,861
Interest on Long Term Debt & Other Fiscal Charges	546,654			
Total Governmental Activities	<u>10,915,882</u>	<u>1,528,343</u>	<u>210,026</u>	<u>105,861</u>
Business-Type Activities:				
Water and Sewer	4,364,772	5,327,943	7,545	199,365
Drainage	102,541	104,135		208,103
Total Business-Type Activities	<u>4,467,313</u>	<u>5,432,078</u>	<u>7,545</u>	<u>407,468</u>
Total Government	<u>15,383,195</u>	<u>6,960,421</u>	<u>217,571</u>	<u>513,329</u>

General Revenues:
 Taxes
 Property
 Sales
 Franchise
 Hotel/Motel
 Investment Earnings
 Gain on Disposal of Assets
 Miscellaneous
 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
(1,421,374)	-	(1,421,374)
(1,842,367)	-	(1,842,367)
(3,820,505)	-	(3,820,505)
(1,440,752)	-	(1,440,752)
<u>(546,654)</u>	<u>-</u>	<u>(546,654)</u>
<u>(9,071,652)</u>	<u>-</u>	<u>(9,071,652)</u>
-	1,170,081	1,170,081
-	209,697	209,697
-	<u>1,379,778</u>	<u>1,379,778</u>
<u>(9,071,652)</u>	<u>1,379,778</u>	<u>(7,691,874)</u>
4,463,514	-	4,463,514
3,074,103	-	3,074,103
1,029,609	-	1,029,609
228,199	-	228,199
50,045	31,426	81,471
8,932	1,469	10,401
282,504	54,530	337,034
375,664	(375,664)	-
<u>9,512,570</u>	<u>(288,239)</u>	<u>9,224,331</u>
440,918	1,091,539	1,532,457
<u>29,925,456</u>	<u>13,930,939</u>	<u>43,856,395</u>
<u>30,366,374</u>	<u>15,022,478</u>	<u>45,388,852</u>

CITY OF PORTLAND, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	<u>General</u>
ASSETS	
Cash and Cash Equivalents	4,729,527
Receivables, Net of Allowance for Uncollectible:	
Accounts	568,184
Ad Valorem Taxes	147,215
Other	-
Due from Other Funds	102,724
Due from Other Governments	5,936
Inventory	27,343
Prepaid Items	68,662
Escrow Funds	147,419
Restricted Assets	
Cash and Cash Equivalents	-
TOTAL ASSETS	<u><u>5,797,010</u></u>
LIABILITIES AND FUND BALANCE	
Accounts Payable	432,241
Accrued Interest Payable	-
Accrued Liabilities	117,247
Deposits	161,775
Escrow	-
Due to Other Funds	179,772
Deferred Revenue	147,215
TOTAL LIABILITIES	<u><u>1,038,250</u></u>
FUND BALANCE	
Reserve for Inventory	27,343
Reserve for Windstorm Insurance	50,000
Reserve for Prepaid Items	68,662
Reserve for EMS	36,264
Reserve for Fire Department	74,518
Reserve for Indian Point Pier	12,044
Reserve for Old Town Development	2,199
Reserve for Law Enforcement	26,754
Reserve for Public Safety Capital	204,488
Reserve for Parks	21,774
Reserve for Environmental Education	35
Reserve for Municipal Technology Fees	-
Reserve for Building Security Fund	-
Reserve for Hotel Occupancy Tax Reserve	-
Reserve for Capital Improvements	-
Reserve for Street Improvements	-
Reserve for Debt Service	-
Unreserved:	
Undesignated, Reported in:	
General Fund	4,234,699
Special Revenue Funds	-
TOTAL FUND BALANCE	<u><u>4,758,760</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>5,797,010</u></u>

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

Street Improvements Fund	Other Governmental Funds	Total Governmental Funds
3,827,114	1,738,096	10,294,737
-	19,599	587,783
-	26,588	173,803
-	1,300	1,300
-	106,462	209,186
-	169,714	175,650
-	-	27,343
-	101,119	169,781
-	-	147,419
-	337,625	337,625
<u>3,827,114</u>	<u>2,500,503</u>	<u>12,124,627</u>
36,850	63,081	532,172
-	7,598	7,598
-	2,065	119,312
-	-	161,775
-	110,174	110,174
1,799,444	7,374	1,986,590
-	26,588	173,803
<u>1,836,294</u>	<u>216,880</u>	<u>3,091,424</u>
-	-	27,343
-	-	50,000
-	100,868	169,530
-	-	36,264
-	-	74,518
-	-	12,044
-	-	2,199
-	-	26,754
-	-	204,468
-	-	21,774
-	-	35
-	9,597	9,597
-	48,383	48,383
-	465,647	465,647
-	136,682	136,682
1,990,820	-	1,990,820
-	669,633	669,633
-	-	4,234,699
-	852,815	852,815
<u>1,990,820</u>	<u>2,283,625</u>	<u>9,033,205</u>
<u>3,827,114</u>	<u>2,500,505</u>	<u>12,124,629</u>



CITY OF PORTLAND, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Exhibit 3-R

Total fund balance - total governmental funds	9,033,205
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	35,583,705
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	173,803
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	89,244
Other long-term liabilities which are not due in the current period are not reported in the funds	(642,678)
Payables for bond principal which are not due in the current period are not reported in the funds.	(14,088,640)
Premiums on issuance of bonds to be amortized over life of debt.	(212,922)
Payables for bond interest which are not due in the current period are not reported in the funds.	(71,096)
Bond issuance cost to be amortized over the life of the debt	501,753
Net assets of governmental activities - statement of net assets	<u><u>30,366,374</u></u>

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

CITY OF PORTLAND, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	<u>General</u>
REVENUES	
Taxes	6,262,836
Licenses and Permits	153,993
Intergovernmental	37,794
Charges for Services	942,007
Fines and Forfeitures	194,155
Investment Income	37,768
Contributions	98,028
Oil Leases and Royalties	43,539
Other	<u>204,602</u>
Total Revenues	<u>7,974,722</u>
EXPENDITURES	
Current:	
General Government	1,268,163
Public Safety	4,357,187
Public Works	1,034,464
Cultural and Recreational	1,668,845
Debt Service:	
Principal Retirement	28,296
Interest and Fiscal Charges	<u>3,892</u>
Total Expenditures	<u>8,360,847</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(386,125)
OTHER FINANCING SOURCES (USES)	
Sale of Capital Assets	218,859
Bonds Issued	-
Bond Premium	-
Payments to Bond Escrow Agent	-
Transfers In	964,191
Transfers Out	<u>(92,295)</u>
Total Other Financing Sources (Uses)	<u>1,090,755</u>
NET CHANGE IN FUND BALANCES	704,630
FUND BALANCES, beginning of year	<u>4,054,130</u>
FUND BALANCES, end of year	<u><u>4,758,760</u></u>

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

Street Improvements Fund	Other Governmental Funds	Total Governmental Funds
-	2,564,101	8,826,937
-	-	153,993
-	191,011	228,805
-	132,370	1,074,377
-	-	194,155
1,924	10,353	50,045
-	-	98,028
-	-	43,539
-	23,374	227,976
<u>1,924</u>	<u>2,921,209</u>	<u>10,897,855</u>
-	5,577	1,273,740
-	89,620	4,446,807
128,694	108,507	1,271,665
-	724,383	2,393,228
-	801,737	830,033
76,895	586,834	667,621
<u>205,589</u>	<u>2,316,658</u>	<u>10,883,094</u>
(203,665)	604,551	14,761
-	-	218,859
2,123,640	3,620,000	5,743,640
44,010	138,254	182,264
-	(3,684,302)	(3,684,302)
-	205,573	1,169,764
-	(701,804)	(794,099)
<u>2,167,650</u>	<u>(422,279)</u>	<u>2,836,126</u>
1,963,985	182,272	2,850,887
<u>26,835</u>	<u>2,101,353</u>	<u>6,182,318</u>
<u>1,990,820</u>	<u>2,283,625</u>	<u>9,033,205</u>



CITY OF PORTLAND, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010

Exhibit 4-R

Net change in fund balance - total governmental funds	2,850,887
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA (Statement of Activities). The depreciation of capital assets used in governmental activities is not reported in the funds.	667,392
Capital contributions are not reported in the funds	(1,433,874)
Cost of capital assets sold are reported in the SOA, but do not appear in the funds.	105,861
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(209,927)
Proceeds from the sale of bonds are reported as other financing sources in the Fund Statements, but not in the Government-wide statements	(31,512)
Bond Premiums are reported in the funds but not in the SOA.	(5,743,640)
Repayment of bond and capital lease principal is an expenditure in the funds but is not an expense in the SOA.	(182,264)
Payments to an escrow agent on refunding bonds are not reported as an other financing use on the statement of activities	830,033
Amortization of bond premium is an expense in the SOA but not in the funds	3,684,302
The net revenue (expense) of internal service funds is reported with governmental activities.	4,046
Amortization of bond issuance costs is an expense in the SOA but not in the funds.	(16,688)
Amortization of deferred amount is an expense reduction in the SOA but not in the funds.	(29,015)
Bond issuance costs and similar items are amortized in the SOA but not in the funds	(6,072)
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.	149,739
Change in OPEB obligations	(188,113)
Change in accrued interest payable	2,269
Change in compensated absences	(12,506)
Change in net assets of governmental activities - statement of activities	<u>440,918</u>

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

CITY OF PORTLAND, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

Exhibit 5
page 1 of 2

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	2,026,918	20,539	2,047,457	15,112
Accounts Receivable	598,422	23,980	622,402	-
Less Allowance for Uncollectible Accounts	(2,118)	-	(2,118)	-
Bond Issue Cost	361,090	78,712	439,802	-
Less Allowance for Amortization	(81,522)	(984)	(82,506)	-
Inventory	100,758	-	100,758	-
Prepaid Items	269,347	-	269,347	-
Due from General Fund	2,576	68	2,644	70,667
Due from Street Improvements Fund	-	1,799,444	1,799,444	-
Due from Venue Tax Fund	-	-	-	1,160
Due from Water and Sewer Fund	-	-	-	13,177
Total Current Assets	<u>3,275,471</u>	<u>1,921,759</u>	<u>5,197,230</u>	<u>100,116</u>
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents	7,077,138	2,520	7,079,658	-
Total Restricted Assets	<u>7,077,138</u>	<u>2,520</u>	<u>7,079,658</u>	<u>-</u>
Capital Assets:				
Land	101,832	-	101,832	-
Intangible Assets	-	367,177	367,177	-
Buildings	686,428	-	686,428	-
Water System	7,931,442	-	7,931,442	-
Sewer System	11,792,182	-	11,792,182	-
Equipment	672,937	147,247	820,184	-
Infrastructure	-	1,635,425	1,635,425	-
Construction in Progress	519,368	118,557	637,925	-
Total Capital Assets	<u>21,704,189</u>	<u>2,268,406</u>	<u>23,972,595</u>	<u>-</u>
Less Accumulated Depreciation	(6,730,340)	(233,218)	(6,963,558)	-
Net Capital Assets	<u>14,973,849</u>	<u>2,035,188</u>	<u>17,009,037</u>	<u>-</u>
Total Noncurrent Assets	<u>22,050,987</u>	<u>2,037,708</u>	<u>24,088,695</u>	<u>-</u>
TOTAL ASSETS	<u>25,326,458</u>	<u>3,959,467</u>	<u>29,285,925</u>	<u>100,116</u>

CITY OF PORTLAND, TEXAS
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2010

Exhibit 5
 page 2 of 2

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	681,015	203	681,218	700
Flexible Spending Accounts	-	-	-	10,172
Accrued Liabilities	17,381	-	17,381	-
Accrued Vacation Leave	37,390	-	37,390	-
Due to General Fund	3,373	93,137	96,510	-
Due to Insurance Fund	13,177	-	13,177	-
Current Portion of Long-Term Debt-Bonds	556,000	95,900	651,900	-
Current Portion of Bond Premium	-	2,010	2,010	-
Capital Lease Payable	-	15,722	15,722	-
Accrued Interest	36,249	8,723	44,972	-
Deposits	344,018	-	344,018	-
Total Current Liabilities	1,688,603	215,695	1,904,298	10,872
Non-Current Liabilities:				
Bonds Payable	10,366,000	1,860,460	12,226,460	-
Bond Premium	-	38,199	38,199	-
Net OPEB Obligation	94,490	-	94,490	-
Total Non-Current Liabilities	10,460,490	1,898,659	12,359,149	-
Total Liabilities	12,149,093	2,114,354	14,263,447	10,872
Net Assets:				
Invested in Capital Assets, Net of Related Debt	10,546,391	1,822,340	12,368,731	-
Restricted for:				
Debt Service	193,564	-	193,564	-
Unrestricted	2,437,410	22,773	2,460,183	89,244
Net Assets	13,177,365	1,845,113	15,022,478	89,244

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, 2010

Exhibit 6

	Business-Type Activities - Enterprise Funds			Governmental
	Water and Sewer	Drainage Fund	Total	Activities- Internal Service Fund
OPERATING REVENUES				
Charges for Services	5,327,943	104,135	5,432,078	877,929
Miscellaneous	54,530	-	54,530	-
Total Operating Revenues	5,382,473	104,135	5,486,608	877,929
OPERATING EXPENSES				
Personnel Services	1,011,047	-	1,011,047	-
Maintenance	253,250	-	253,250	-
Purchase of Water	1,636,809	-	1,636,809	-
Contract Payments	108,550	10,460	119,010	823,930
Materials and Supplies	168,160	-	168,160	-
Utilities	286,375	-	286,375	-
Self-Insurance Claims	-	-	-	65,121
Other Operating Expenses	-	-	-	5,590
Depreciation	478,558	83,009	561,567	-
Amortization	16,220	984	17,204	-
Total Operating Expenses	3,958,969	94,453	4,053,422	894,641
Net Operating Income (Loss)	1,423,504	9,682	1,433,186	(16,712)
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	31,293	133	31,426	24
Intergovernmental Revenue	7,545	128,000	135,545	-
Interest and Fiscal Charges	(405,803)	(8,088)	(413,891)	-
Net Non-Operating Revenues (Expenses)	(365,496)	120,045	(245,451)	24
Income (Loss) Before Contributions and Transfers	1,058,008	129,727	1,187,735	(16,688)
Capital Contributions	199,365	80,103	279,468	-
Transfers In	-	-	-	-
Transfers Out	(375,664)	-	(375,664)	-
Change in Net Assets	881,709	209,830	1,091,539	(16,688)
NET ASSETS BEGINNING OF YEAR	12,295,656	1,635,283	13,930,939	105,932
NET ASSETS END OF YEAR	13,177,365	1,845,113	15,022,478	89,244

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, 2010

Exhibit 7

	Business-Type Activities - Enterprise Funds			Governmental
	Water and Sewer	Drainage Fund	Total	Activities- Internal Service Fund
Cash flow from operating activities:				
Cash received from customers	5,428,462	89,276	5,517,738	848,499
Cash borrowed from other funds	—	93,137	93,137	—
Cash loaned to other funds	—	(1,799,182)	(1,799,182)	—
Cash payments to suppliers for goods and services	(2,378,833)	(10,257)	(2,389,090)	—
Cash payments to employees for services	(1,006,239)	—	(1,006,239)	—
Cash Payments for Loss Claims	—	—	—	(842,844)
Net cash provided by operating activities	<u>2,043,390</u>	<u>(1,627,026)</u>	<u>416,364</u>	<u>5,655</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	—	—	—	—
Transfers to other funds	(375,664)	—	(375,664)	—
Net cash provided by noncapital financing activities	<u>(375,664)</u>	<u>—</u>	<u>(375,664)</u>	<u>—</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Issuance of Long-term Debt	6,500,000	—	6,500,000	—
Cash received from other Governments	7,545	128,000	135,545	—
Bonds issued	—	1,956,360	1,956,360	—
Bond Premium	—	40,209	40,209	—
Principal Payment on bonds	(600,000)	—	(600,000)	—
Principal Payment on Capital Lease	—	(23,172)	(23,172)	—
Interest and Fiscal Charges Paid	(558,400)	(86,800)	(645,200)	—
Purchase of Capital Assets	(741,480)	(485,928)	(1,227,408)	—
Net Cash Used for Capital and Related Financing Activities	<u>4,607,665</u>	<u>1,528,669</u>	<u>(363,666)</u>	<u>—</u>
Cash Flows from Investing Activities - Interest Income	<u>31,293</u>	<u>133</u>	<u>31,426</u>	<u>24</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,306,684	(98,224)	(291,540)	5,679
Cash and Cash Equivalents at Beginning of Year	<u>2,797,372</u>	<u>121,283</u>	<u>2,918,655</u>	<u>9,433</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>9,104,056</u></u>	<u><u>23,059</u></u>	<u><u>2,627,115</u></u>	<u><u>15,112</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	1,423,504	9,682	1,433,186	(16,712)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	478,558	83,008	561,567	—
Amortization	16,220	984	17,204	—
Change In Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	45,989	(14,859)	31,130	—
(Increase) Decrease in Flexible Spending Advance	—	—	—	—
(Increase) Decrease in Due from Other Funds	44,442	(1,706,045)	(1,661,603)	(29,430)
(Increase) Decrease in Inventory	3,333	—	3,333	—
(Increase) Decrease In Prepaid Expense	(254,200)	—	(254,200)	89,517
Increase (Decrease) in Accounts Payable	327,701	203	327,904	2,077
Increase (Decrease) In Accrued Liabilities	4,808	—	4,808	(39,797)
Increase (Decrease) In Due to Other Funds	(19,293)	—	(19,293)	—
Increase (Decrease) in Accrued Vacation Leave	1,238	—	1,238	—
Increase (Decrease) in Accrued Interest	17,642	—	17,642	—
Increase (Decrease) in Deposits	(46,552)	—	(46,552)	—
Net Cash Provided (Used) by Operating Activities	<u>2,043,390</u>	<u>(1,627,026)</u>	<u>416,364</u>	<u>5,655</u>

Noncash Investing, Capital, and Financing Activities:

During this past year, the Enterprise Funds received \$279,468 noncash capital contributions from developers consisting of water and sewer and drainage infrastructure.

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



CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Blended Component Unit

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

Discretely Presented Component Unit

There are no component units required to be discretely presented.

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

B. Basis of Presentation

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

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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

Fund Financial Statements:

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

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

General Fund-

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

Street Improvements Construction Fund-

The Street Improvements Construction Fund was established to account for street improvements financed by general obligation bonds.

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,

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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.

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2010

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, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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

Three statements from the Governmental Accounting Standards Board (GASB) were effective for the City in the fiscal year ending September 30, 2010:

GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This Statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. See Note 3, "CAPITAL ASSETS," for the reporting of the City's intangible assets.

GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The requirements of this new Statement are effective for financial statements for periods beginning after June 15, 2009. There was no current effect on the financial statements as a result of implementing this Statement.

GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies." This Statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. There was no current effect on the financial statements as a result of implementing this Statement.

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.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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, 2010, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,903,485 and the bank balance was \$3,878,439. The City's cash deposits at September 30, 2010 and during the period ended September 30, 2009, 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, 2010, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 2	2 to 3
Investment Pools:				
Investment in TexPool	16,018,523	16,018,523	-	-
Total Fair Value	16,018,523	16,018,523	-	-

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

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

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

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

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
Governmental Activities:				
Capital assets, not being depreciated				
Land	4,467,524	-	-	4,467,524
Construction in Progress	139,344	128,694	(139,344)	128,694
Total capital assets, not being depreciated	4,606,868	128,694	(139,344)	4,596,218
Capital assets, being depreciated				
Building and Improvements	22,218,130	146,000	(481,039)	21,883,091
Vehicles	1,981,666	121,349	(84,274)	2,018,741
Equipment and Furniture	2,350,029	410,695	(76,256)	2,684,468
Infrastructure	38,944,183	110,135	-	39,054,318
Intangibles	105,838	-	-	105,838
Total capital assets, being depreciated	65,599,846	788,179	(641,569)	65,746,456
Less accumulated depreciation for:				
Buildings and Improvements	(5,313,805)	(543,627)	280,652	(5,576,780)
Vehicles	(950,245)	(144,999)	74,830	(1,020,414)
Equipment and Furniture	(681,905)	(210,188)	76,160	(815,933)
Infrastructure	(26,773,737)	(513,892)	-	(27,287,629)
Intangibles	(37,043)	(21,168)	-	(58,211)
Total accumulated depreciation	(33,756,735)	(1,433,874)	431,642	(34,758,967)
Total capital assets, being depreciated, net	31,843,111	(645,695)	(209,927)	30,987,489
Governmental activities capital assets, net	36,449,979	(517,001)	(349,271)	35,583,707
Business-type Activities:				
Capital assets, not being depreciated				
Land	101,832	-	-	101,832
Intangibles	-	367,177	-	367,177
Construction in Progress	68,428	582,630	(13,133)	637,925
Total capital assets, not being depreciated	170,260	949,807	(13,133)	1,106,934
Capital assets, being depreciated				
Buildings	686,429	-	-	686,429
Water System	7,524,652	406,790	-	7,931,442
Sewer System	11,659,324	132,859	-	11,792,183
Equipment	853,808	-	(33,624)	820,184
Infrastructure	1,555,322	80,103	-	1,635,425
Total capital assets, being depreciated	22,279,535	619,752	(33,624)	22,865,663
Less accumulated depreciation for:				
Buildings	(138,894)	(15,673)	-	(154,567)
Water System	(2,488,062)	(135,697)	-	(2,623,759)
Sewer System	(3,478,675)	(275,014)	-	(3,753,689)
Equipment	(205,735)	(70,881)	33,624	(242,992)
Infrastructure	(124,250)	(64,302)	-	(188,552)
Total accumulated depreciation	(6,435,616)	(561,567)	33,624	(6,963,559)
Total capital assets, being depreciated, net	15,843,919	58,185	-	15,902,104
Business-type activities capital assets, net	16,014,179	1,007,992	(13,133)	17,009,038

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government and administration	120,197
Public Safety	338,988
Public Works	547,220
Cultural and recreational	427,469
Total depreciation expense - Governmental activities	<u>1,433,874</u>
Business-type activities:	
Water and Sewer	478,558
Drainage	83,009
Total Depreciation Expense - Business-type Activities	<u>561,567</u>

4. LONG-TERM DEBT

Revenue Bonds

On December 16, 2009, the City issued Utility System Revenue Bonds, Series 2009-A, in the amount of \$6,500,000 with interest rates varying from 2.000% to 4.500%. The Bonds were issued for the purpose of acquiring, purchasing, constructing, improving, enlarging, or equipping the City's utility system. The Bonds are payable from and equally and ratably secured together with the currently outstanding Prior Lien Obligations, solely from a first lien on and pledge of the Pledged Revenues derived from the operation of the City's combined utility system. Interest on the Bonds is payable on March 1 and September 1 annually, with a Bond maturity date of September 1, 2029.

Combination Tax and Revenue Certificates of Obligation

On July 14, 2010, the City issued \$4,080,000 City of Portland Combination Tax and Revenue Certificates of Obligation, Series 2010 in part as current interest serial bonds and part as current interest term bonds with interest rates varying from 2.00% to 4.00%. Interest on the Certificates is payable on February 15 and August 15 annually, with a Certificate maturity date of August 15, 2030. Proceeds from the sale of the Certificates will be used to acquire, construct and equip various street and drainage improvements and pay professional services related thereto, and to pay the costs of issuance and expenses relating to the Certificates.

The Certificates constitute direct and general obligations of the City payable from ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law. Additionally, the Certificates also are secured by a pledge of the "Surplus Revenues" of the City's Waterworks and Sewer System.

The Issuer reserves the right to redeem Certificates maturing on or after August 15, 2020, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2019, or any date thereafter at the redemption price of par plus accrued interest. The Bonds maturing on August 15 in each of the years 2024, 2026, 2028 and 2030 are also subject to mandatory sinking fund redemption prior to stated maturity.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

Refunding Bonds

On July 14, 2010, the City issued \$3,620,000 General Obligation Refunding Bonds, Series 2010 with interest rates varying from 2.00% to 4.00%. The City issued the bonds to advance refund \$3,445,000 of outstanding Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2002 with interest rates varying from 4.450% to 5.000%. The City used the net proceeds along with resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portions of the 2002 series certificates. As a result, that portion of the 2002 series certificates are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$3,445,000 at September 30, 2010.

The advance refunding reduced total debt service payments over the next 14 years by approximately \$169,235. This results in an economic gain (difference between the present values of the debt service payments of old and new debt) of \$154,013.

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2010.

	BALANCE OCTOBER 1	ADDITIONS	REDUCTIONS	BALANCE SEPTEMBER 30	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	7,355,000	5,743,640	3,855,000	9,243,640	459,100
Sales Tax Revenue Bonds	5,100,000	-	255,000	4,845,000	270,000
Bond Premium	34,704	182,264	4,046	212,922	13,997
Deferred Amount on Refunding	(49,941)	(239,302)	(6,072)	(283,171)	(20,149)
Total Bonds Payable	12,439,763	5,686,602	4,107,974	14,018,391	722,948
Capital Leases	390,895	-	165,299	225,596	133,038
Compensated Absences	314,104	258,516	246,010	326,610	217,740
Health Claims Liability	39,797	-	39,797	-	-
OPEB Obligations	185,530	232,724	44,611	373,643	-
Total Governmental Activities	13,370,089	6,177,842	4,603,691	14,944,240	1,073,726
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds	5,022,000	6,500,000	600,000	10,922,000	556,000
General Obligation Bonds	-	1,956,360	-	1,956,360	95,900
Bond Premium	-	40,544	335	40,209	2,010
Capital Leases	38,894	-	23,172	15,722	15,722
Compensated Absences	36,152	37,390	36,152	37,390	37,390
OPEB Obligations	46,214	48,276	-	94,490	-
Total Business-Type Activities	5,143,260	8,582,570	659,659	13,066,171	707,022
Total Government	18,513,349	14,760,412	5,263,350	28,010,411	1,780,748

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

BONDED DEBT LIABILITIES

At September 30, 2010, bonds payable consisted of the following individual issues:

	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>
Combination Tax and Revenue Certificates of Obligation, Series 1997, Maturing in Fiscal 2013 and Bearing Interest at 4.75% (Original Debt \$630,000)	175,000	-
Utility System Revenue Bonds, Series 2000, Maturing in Fiscal 2021 and Bearing Interest at 3.75% to 4.60% (Original Debt \$1,775,000)	-	1,190,000
Waterworks and Sewer System Revenue Bonds, Series 2002, Maturing in Fiscal 2022 and Bearing Interest at 4.45% to 5.00% (Original Debt \$1,580,000)	-	1,145,000
Combination Tax and Revenue Certificates of Obligation, Series 2002, Maturing in Fiscal 2024 and Bearing Interest at 4.25% to 5.50% (Original Debt \$4,165,000)	150,000	-
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)	470,000	-
Sales Tax Revenue Bonds, Series 2003, Maturing in Fiscal 2023 and Bearing Interest at 2.625% to 4.60% (Original Debt \$3,420,000)	2,450,000	-
Utility System Revenue Bonds, Series 2004, Maturing in Fiscal 2025, and Bearing Interest at 3.70% to 4.60% (Original Debt \$2,580,000)	-	2,120,000
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)	2,775,000	-
Sales Tax Revenue Refunding Bonds, Series 2007, Maturing in 2025 and Bearing Interest at 4.00% to 4.25% (Original Debt \$2,635,000)	2,395,000	-
Utility System Revenue Bonds, Series 2009, Maturing in Fiscal 2029 and Bearing Interest at 3.760% to 4.810% (Original Debt \$322,000)	-	322,000
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)	-	6,145,000
Combination Tax and Revenue Certificates of Obligation, Series 2010, Maturing in Fiscal 2030 and Bearing Interest at 2.00% to 4.00% (Original Debt \$4,080,000)	2,123,640	1,956,360
General Obligation Refunding Bonds, Series 2010, Maturing in 2024 and Bearing Interest at 2.00% to 4.00% (Original Debt \$3,620,000)	3,550,000	-
Total Bonds Payable	<u>14,088,640</u>	<u>12,878,360</u>

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2010

The annual requirements for bonds for years subsequent to September 30, 2010, are as follows:

REVENUE BONDS

YEAR ENDING SEPTEMBER 30	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2011	270,000	196,915	466,915	556,000	434,983	990,983
2012	280,000	186,990	466,990	571,000	414,787	985,787
2013	285,000	176,565	461,565	602,000	397,113	999,113
2014	300,000	165,565	465,565	627,000	377,388	1,004,388
2015	310,000	153,877	463,877	653,000	356,422	1,009,422
2016-2020	1,745,000	570,144	2,315,144	3,584,000	1,387,355	4,971,355
2021-2025	1,655,000	168,563	1,823,563	2,795,000	677,107	3,472,107
2026-2029	-	-	-	1,534,000	173,290	1,707,290
TOTAL	4,845,000	1,618,619	6,463,619	10,922,000	4,218,445	15,140,445

GENERAL OBLIGATION BONDS

YEAR ENDING SEPTEMBER 30	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2011	459,100	369,458	828,558	95,900	69,785	165,685
2012	476,765	350,843	827,608	158,235	67,867	226,102
2013	560,740	335,932	896,672	134,260	64,703	198,963
2014	542,318	315,707	858,025	112,682	60,675	173,357
2015	562,523	296,976	859,499	117,477	57,294	174,771
2016-2020	2,951,668	1,137,132	4,088,800	448,332	227,325	675,657
2021-2025	2,924,822	494,522	3,419,344	405,178	147,728	552,906
2026-2030	765,704	76,617	842,321	484,296	60,908	545,204
TOTAL	9,243,640	3,377,187	12,620,827	1,956,360	756,285	2,712,645

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2010

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, 2010.

The components of restricted cash and cash equivalents as of September 30, 2010 are as follows:

Revenue Bond Construction	6,503,306
Revenue Bond Reserve	25,823
Interest and Sinking Fund--Bonds	203,990
Customer Deposits	330,939
Other Deposits	<u>13,080</u>
Total Restricted Cash and Cash Equivalents	<u>7,077,138</u>

Defeased Bonds Outstanding-

At September 30, 2010 outstanding principal of defeased bonds was \$3,445,000.

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 van for the Senior Citizens Center for \$59,573 and also acquired a tractor and reach mower for \$107,418 for the Drainage Utility Fund. During 2008 a mower and backhoe were acquired by the City under a lease agreement for \$114,532, and in fiscal year 2009 the City acquired a flatbed truck for \$30,500, an ambulance for \$126,472, and an emergency 911 system for \$88,643. The Drainage Utility Fund pays the debt on the tractor and reach mower. All other governmental fund capital lease debt is paid by the Debt Service Fund. The lease agreements qualify as capital leases for accounting purposes, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. Future minimum lease payments are as follows:

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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FISCAL YEAR ENDING SEPTEMBER 30	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
2011	142,765	16,461
2012	96,146	-
TOTAL	238,911	16,461
Less amount representing interest (Rate 4.05% - 5.63%)	(13,315)	(739)
Present value of future minimum lease payments	225,596	15,722

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, 2010 were as follows:

TRANSFERS OUT	TRANSFERS IN		
	GENERAL FUND	NON MAJOR GOVERNMENTAL	TOTAL
Nonmajor Governmental	588,527	113,278	701,805
Water and Sewer System	375,664	-	375,664
General Fund	-	92,295	92,295
TOTAL	964,191	205,573	1,169,764

- 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.
- The transfers received by the nonmajor governmental funds were for debt service and to supplement fund revenues.

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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Interfund receivables and payables at September 30, 2010 are as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
GOVERNMENTAL FUNDS		
General Fund	102,724	179,772
Street Improvements Fund	-	1,799,444
Nonmajor Governmental	106,462	7,374
Total Governmental	<u>209,186</u>	<u>1,986,590</u>
ENTERPRISE FUNDS		
Water and Sewer System	2,576	16,550
Drainage Fund	1,799,512	93,138
Total Enterprise	<u>1,802,088</u>	<u>109,688</u>
INTERNAL SERVICE FUND	<u>85,004</u>	<u>-</u>
TOTAL	<u><u>2,096,278</u></u>	<u><u>2,096,278</u></u>

The interfund balances at September 30, 2010 are generally short-term loans to cover temporary cash flows and reimbursements for various funds. All interfund balances are expected to be repaid in less than one year.

7. PROPERTY TAXES

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

The San Patricio County Appraisal District establishes appraised values. Responsibility for the billing and collection of the City's taxes has been transferred to San Patricio County Appraisal District 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

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2010

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 2009	Plan Year 2010
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)
2008	\$ 483,497	\$ 483,497	100%	-0-
2009	\$ 554,595	\$ 554,595	100%	-0-
2010	\$ 652,144	\$ 652,144	100%	-0-

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2010

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Valuation Date	12/31/2007	12/31/2008	12/31/2009
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	30 years; closed period	29 years; closed period	28 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.5%	7.5%
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, 2009, 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)
12/31/2009	\$7,479,403	\$12,178,090	61.4%	\$4,698,687	\$4,573,350	102.7%

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 2010, the City made no contributions and instead elected to continue funding on a pay-as-you-go basis, which amounted to \$44,611 for 2010.

Annual OPEB Cost and Net OPEB Obligation

For 2010, the components of the City's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation to the Plan were as follows:

Annual required contribution	281,000
Interest on net OPEB obligation	9,270
Adjustment to annual required contribution	<u>(9,270)</u>
Annual OPEB cost	281,000
Contributions or payments made	<u>(44,611)</u>
Increase in net OPEB obligation	236,389
Net OPEB obligation, beginning of year	<u>231,744</u>
Net OPEB obligation, end of year	<u><u>468,133</u></u>

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

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2010

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
2010	4.00%	281,000	15.87%	468,133
2009	4.00%	269,000	13.85%	231,744
2008	N/A	N/A	N/A	N/A

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2010, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	(1)	2,359,000	
Actuarial value of assets	(2)	-	
Unfunded AAL (UAAL)	(3)	<u>2,359,000</u>	(1) - (2)
Funded ratio	(4)	<u>0.0%</u>	(2) / (1)
Covered payroll	(5)	<u>4,382,544</u>	
UAAL as % of covered payroll	(6)	<u>53.8%</u>	(3) / (5)

Actuarial Methods and Assumptions

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

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2010

The latest actuarial valuation for the City was completed as of October 1, 2009. The significant assumptions underlying the actuarial calculations are as follows:

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

B. Supplemental Death Benefits Fund

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

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2010

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

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>
The City offers supplemental death benefits to:		
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

Contributions

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

The City's contributions to the TMRS SDBF for the years ended 2010, 2009 and 2008 were:

Schedule of Contribution Rates

(RETIREE-only portion of the rate)

<u>Plan/ Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2008	0.25%	0.25%	100.00%
2009	0.22%	0.22%	100.00%
2010	0.22%	0.22%	100.00%

10. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has utilized the purchase of commercial insurance to cover any potential losses. Except for minimal deductibles, the City has transferred risk of loss to commercial issuers. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the year ended September 30, 2010 or the three prior years.

In addition to the above, the City has operated a Self-Insurance Internal Service Fund for a self-funded health program for its employees and eligible dependents. The program was administered by a third party administrator. During the year ended September 30, 2010, the self-funded health program was terminated and replaced with a health plan utilizing the purchase of commercial insurance to cover health insurance claims.

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2010

For the self-funded health program, there were no unpaid claims at the end of the year, as reported below.

Changes in the balances of claims liabilities during the past two years are:

	Year Ended 09/30/10	Year Ended 09/30/09
Unpaid claims, beginning of year	39,797	73,693
Current year claims and changes in estimate	-	827,022
Claim payments	(39,797)	(860,918)
Unpaid claims, end of year	<u>-</u>	<u>39,797</u>

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, 2010. At year end the construction commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
General Government		
Street Improvement Project, Phase 8	128,694	1,990,326
Total General Government	<u>128,694</u>	<u>1,990,326</u>
Enterprise		
Doyle Addition - Sewer - EDAP	124,597	2,175,403
Chlorine/Ammonia Inject Project	29,786	37,098
Water Storage Tank Rehab	209,914	429,934
Old Town Lift Station	68,317	70,525
Memorial Parkway Force Main	31,830	9,020
Old Town Manhole & Sewer Lines	28,199	4,501
Wastewater Treatment Plant Improvements	26,725	227,675
Curbs & Gutter Work, SIP 8	118,556	92,424
Total Enterprise	<u>637,924</u>	<u>3,046,580</u>
TOTAL	<u>766,618</u>	<u>5,036,906</u>

The fuel station replacement is funded by general obligation bonds. Water and sewer construction projects are primarily funded by revenue bonds and some Federal grant funding.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

13. CHANGE IN FUNDS

During the year, the City converted the "Self-Insurance Internal Service Fund" to the "Health Insurance Internal Service Fund." The self-insurance health plan was terminated and replaced with the purchase of commercial insurance to cover subsequent health insurance claims. (See Note 10.)

14. SUBSEQUENT EVENT

On December 15, 2010 the City issued \$2,370,000 City of Portland, Texas Utility System Refunding Bonds, Series 2010 for the purpose of refunding Utility System Revenue Bonds, Series 2000 and Series 2002 in the amounts of \$1,190,000 and \$1,075,000 respectfully.



REQUIRED SUPPLEMENTARY INFORMATION

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, 2010
 WITH COMPARATIVE ACTUAL AMOUNTS FOR 2009

	2010			Variance With Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual (Budgetary Basis)		Actual (Budgetary Basis)
	Original	Final			
REVENUES					
Taxes	6,475,100	6,195,590	6,262,836	67,246	6,139,871
Licenses and Permits	174,650	192,624	153,993	(38,631)	154,351
Intergovernmental	88,400	106,858	37,794	(69,064)	45,978
Charges for Services	796,800	947,600	942,007	(5,593)	768,225
Fines and Forfeitures	347,500	236,387	194,155	(42,232)	272,979
Investment Income	50,000	24,006	37,768	13,762	45,661
Contributions	5,532	8,560	98,028	89,468	97,168
Oil Leases and Royalties	66,000	59,400	43,539	(15,861)	62,162
Other	13,600	55,178	204,602	149,424	173,271
Total Revenues	8,017,582	7,826,203	7,974,722	148,519	7,759,666
EXPENDITURES					
Current					
General Government	1,541,089	1,410,260	1,268,163	142,097	1,153,193
Public Safety	4,647,982	4,484,298	4,357,187	127,111	4,217,387
Public Works	1,064,560	1,088,432	1,034,464	53,968	972,507
Cultural and Recreational	1,717,107	1,747,933	1,668,845	79,088	1,488,416
Debt Service					
Principal Retirement	—	28,296	28,296	—	52,406
Interest and Fiscal Charges	—	3,892	3,892	—	1,218
Total Expenditures	8,970,738	8,763,111	8,360,847	402,264	7,885,127
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(953,156)	(936,908)	(386,125)	550,783	(125,461)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	—	218,859	218,859	—	—
Transfers In	1,004,191	1,004,191	964,191	(40,000)	842,225
Transfers Out	(92,000)	(92,000)	(92,295)	(295)	—
Total Other Financing Sources (Uses)	912,191	1,131,050	1,090,755	(40,295)	842,225
NET CHANGE IN FUND BALANCE	(40,965)	194,142	704,630	510,488	716,764
FUND BALANCE (BUDGETARY BASIS), beginning of year	4,054,130	4,054,130	4,054,130	—	3,337,366
FUND BALANCE (BUDGETARY BASIS), end of year	<u>4,013,165</u>	<u>4,248,272</u>	<u>4,758,760</u>	<u>510,488</u>	<u>4,054,130</u>
Plus Effect of Encumbrances			—		—
Less Effect of Capital Lease Purchases			—		—
FUND BALANCE (GAAP BASIS)			<u>4,758,760</u>		<u>4,054,130</u>

See accompanying notes to required supplementary information.

CITY OF PORTLAND, TEXAS
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED SEPTEMBER 30, 2010

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	704,630	4,758,760
Reserve for Encumbrances at 10-1-09	-	-
Reserve for Encumbrances at 9-30-10	-	-
Budgetary Basis	<u>704,630</u>	<u>4,758,760</u>

CITY OF PORTLAND, TEXAS

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2007	5,579,277	9,810,011	56.9%	4,230,734	3,809,116	111.1%
12/31/2008	6,386,094	10,605,048	60.2%	4,218,954	4,306,350	98.0%
12/31/2009	7,479,403	12,178,090	61.4%	4,698,687	4,573,350	102.7%

CITY OF PORTLAND, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
 POSTEMPLOYMENT HEALTHCARE PLAN
 SCHEDULE OF FUNDING PROGRESS
 (UNAUDITED)

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	Funded Ratio (1) / (2)	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
2009	\$ -	\$2,124,000	0.0%	\$2,124,000	\$4,183,673	50.8%
2010	\$ -	\$2,359,000	0.0%	\$2,359,000	\$4,382,544	53.8%



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



GOVERNMENTAL FUNDS



GENERAL FUND

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

CITY OF PORTLAND, TEXAS
 GENERAL FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2010 AND 2009

Exhibit B-1

	2010	2009
ASSETS		
Cash and Cash Equivalents	4,729,527	4,080,450
Receivables:		
Delinquent Taxes	147,215	175,107
Accounts	568,184	505,707
Due from Other Governments	5,936	2,256
Due from Enterprise Fund	96,510	27,501
Due from Other Special Revenue Funds	5	21,128
Due from Other Capital Projects Funds	6,209	-
Inventory	27,343	13,488
Prepaid Items	68,662	77,206
Escrow Funds	147,419	147,131
TOTAL ASSETS	<u>5,797,010</u>	<u>5,049,974</u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	432,241	434,826
Accrued Liabilities	117,247	114,414
Deposits	161,775	161,655
Due to Enterprise Fund	2,644	46,948
Due to Insurance Fund	70,667	46,220
Due to Debt Service	-	1,773
Due to Special Revenue Fund	106,461	14,427
Due to Construction Fund	-	-
Deferred Revenue	147,215	175,581
TOTAL LIABILITIES	<u>1,038,250</u>	<u>995,844</u>
FUND BALANCE		
Reserve for Inventory	27,343	13,488
Reserve for Windstorm Insurance	50,000	50,000
Reserve for Prepaid Items	68,662	77,206
Reserve for EMS	36,264	36,264
Reserve for Fire Department	74,518	74,518
Reserve for Indian Point Pier	12,044	12,044
Reserve for Old Town Development	2,199	35,265
Reserve for Law Enforcement	26,754	8,492
Reserve for Public Safety Capital	204,468	-
Reserve for Parks	21,774	19,064
Reserve for Environmental Education	35	35
Unreserved:		
Undesignated	4,234,699	3,726,836
TOTAL FUND BALANCE	<u>4,758,760</u>	<u>4,053,212</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>5,797,010</u>	<u>5,049,056</u>

CITY OF PORTLAND, TEXAS
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2010. AND 2009

Exhibit B-2

	<u>2010</u>	<u>2009</u>
REVENUES		
Taxes	6,262,836	6,139,871
Licenses and Permits	153,993	154,351
Intergovernmental	37,794	45,978
Charges for Services	942,007	768,225
Fines and Forfeitures	194,155	272,979
Investment Income	37,768	45,661
Contributions	98,028	97,168
Oil Leases and Royalties	43,539	62,162
Other	<u>204,602</u>	<u>173,271</u>
Total Revenues	<u>7,974,722</u>	<u>7,759,666</u>
EXPENDITURES		
Current		
General Government	1,268,163	1,153,193
Public Safety	4,357,187	4,432,502
Public Works	1,034,464	1,003,007
Cultural and Recreational	1,668,845	1,488,416
Debt Service		
Principal Retirement	28,296	52,406
Interest and Fiscal Charges	<u>3,892</u>	<u>1,218</u>
Total Expenditures	<u>8,360,847</u>	<u>8,130,742</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(386,125)	(371,076)
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	218,859	-
Capital Leases	-	245,615
Transfers In	964,191	842,225
Transfers Out	<u>(92,295)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,090,755</u>	<u>1,087,840</u>
NET CHANGE IN FUND BALANCE	704,630	716,764
FUND BALANCE, beginning of year	<u>4,054,130</u>	<u>3,337,366</u>
FUND BALANCE, end of year	<u><u>4,758,760</u></u>	<u><u>4,054,130</u></u>

CITY OF PORTLAND, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENTS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR 2009

Exhibit B-3

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual (Budgetary Basis)		Actual (Budgetary Basis)
	Original	Final			
Current Expenditures					
General Administration					
Administration	1,219,939	925,721	817,214	108,507	860,668
Accounting	321,150	328,780	320,741	8,039	292,525
Information Technology	—	155,759	130,208	25,551	—
Total General Administration	<u>1,541,089</u>	<u>1,410,260</u>	<u>1,268,163</u>	<u>142,097</u>	<u>1,153,193</u>
Public Safety					
Police Administration	3,092,584	2,938,025	2,870,963	67,062	2,733,966
Fire Department	1,341,005	1,334,637	1,288,003	46,634	1,289,985
Animal Control	66,195	66,178	62,711	3,467	57,849
Municipal Court	148,198	145,458	135,510	9,948	135,587
Total Public Safety	<u>4,647,982</u>	<u>4,484,298</u>	<u>4,357,187</u>	<u>127,111</u>	<u>4,217,387</u>
Public Works					
General Services Department	63,519	57,716	54,676	3,040	48,110
Street Maintenance	550,911	554,278	519,605	34,673	508,025
Vehicle Maintenance	72,037	69,119	66,541	2,578	70,913
Community Development	378,093	407,319	393,642	13,677	345,459
Total Public Works	<u>1,064,560</u>	<u>1,088,432</u>	<u>1,034,464</u>	<u>53,968</u>	<u>972,507</u>
Culture and Recreation					
Park Maintenance	464,841	456,434	439,686	16,748	367,875
Community Center	534,054	571,156	562,592	8,564	474,306
Swimming Pool	—	—	—	—	881
Kidz Klub/Kidz Kamp	224,667	226,405	192,935	33,470	182,526
Latch Key Program	—	—	—	—	—
Senior Citizens Center	74,617	69,513	61,124	8,389	60,137
Skate Park	4,549	1,350	1,008	342	2,200
Library	414,379	423,075	411,500	11,575	400,491
Total Culture and Recreation	<u>1,717,107</u>	<u>1,747,933</u>	<u>1,668,845</u>	<u>79,088</u>	<u>1,488,416</u>
Total Current Expenditures	<u>8,970,738</u>	<u>8,730,923</u>	<u>8,328,659</u>	<u>402,264</u>	<u>7,831,503</u>

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

Debt Service Fund

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

Capital Project Funds

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

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, 2010

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	329,365	596,564	241,289
Receivables				
Accounts	-	-	15,934	-
Ad Valorem Taxes	-	-	-	-
Other	-	-	-	1,300
Due from Other Governments	-	84,694	-	85,020
Due from Other Funds	-	1,496	9,826	2,149
Prepaid Item	-	-	-	-
Prepaid Insurance	-	26,902	-	22,802
Restricted Assets				
Cash and Cash Equivalents	-	-	-	337,625
TOTAL ASSETS	1,505	442,457	622,324	690,185
LIABILITIES AND FUND BALANCE				
Accounts Payable	-	-	5,697	6,060
Accrued Interest Payable	-	-	-	-
Accrued Wages Payable	-	-	-	2,065
Deferred Revenue - Ad Valorem Taxes	-	-	-	-
Escrow	-	-	93,000	-
Due to Other Funds	-	-	-	1,160
TOTAL LIABILITIES	-	-	98,697	9,285
FUND BALANCE				
Reserve for Prepaid Items	-	26,902	-	22,802
Reserve for Debt Service	-	-	-	295,056
Reserve for Municipal Technology Fees	-	-	9,597	-
Reserve for Building Security Fund	-	-	48,383	-
Reserve for Hotel Occupancy Tax Reserve	-	-	465,647	-
Reserve for Capital Improvements	-	-	-	-
Unreserved				
Undesignated	1,505	415,555	-	363,044
TOTAL FUND BALANCE	1,505	442,457	523,627	660,902
TOTAL LIABILITIES AND FUND BALANCE	1,505	442,457	622,324	690,187

Capital Projects

Grants Administration Fund	Total Special Revenue Funds	Debt Service Fund	Capital Improvements Fund	Community Center Construction Fund	City Hall Construction Fund	Venue Sales Tax Construction Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
45,631	1,214,354	380,942	6,118	8,177	4,336	124,169	142,800	1,738,096
2,432	18,366	1,233	-	-	-	-	-	19,599
-	-	26,588	-	-	-	-	-	26,588
-	1,300	-	-	-	-	-	-	1,300
-	169,714	-	-	-	-	-	-	169,714
92,991	106,462	-	-	-	-	-	-	106,462
51,164	51,164	-	251	-	-	-	251	51,415
-	49,704	-	-	-	-	-	-	49,704
-	337,625	-	-	-	-	-	-	337,625
<u>192,218</u>	<u>1,948,689</u>	<u>408,763</u>	<u>6,369</u>	<u>8,177</u>	<u>4,336</u>	<u>124,169</u>	<u>143,051</u>	<u>2,500,503</u>
51,164	62,921	-	160	-	-	-	160	63,081
-	-	7,598	-	-	-	-	-	7,598
-	2,065	-	-	-	-	-	-	2,065
-	-	26,588	-	-	-	-	-	26,588
17,174	110,174	-	-	-	-	-	-	110,174
5	1,165	-	6,209	-	-	-	6,209	7,374
<u>68,343</u>	<u>176,325</u>	<u>34,186</u>	<u>6,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,369</u>	<u>216,880</u>
51,164	100,868	-	-	-	-	-	-	100,868
-	295,056	374,577	-	-	-	-	-	669,633
-	9,597	-	-	-	-	-	-	9,597
-	48,383	-	-	-	-	-	-	48,383
-	465,647	-	-	-	-	-	-	465,647
-	-	-	-	8,177	4,336	124,169	136,682	136,682
<u>72,711</u>	<u>852,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>852,815</u>
<u>123,875</u>	<u>1,772,366</u>	<u>374,577</u>	<u>-</u>	<u>8,177</u>	<u>4,336</u>	<u>124,169</u>	<u>136,682</u>	<u>2,283,625</u>
<u>192,218</u>	<u>1,948,691</u>	<u>408,763</u>	<u>6,369</u>	<u>8,177</u>	<u>4,336</u>	<u>124,169</u>	<u>143,051</u>	<u>2,500,505</u>

CITY OF PORTLAND, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue				
	Shoreline And Wetlands Fund	Portland Community Center Complex Development Fund	Restricted Use Fund	Venue Sales Tax Fund	Grants Administration Fund
REVENUES					
Taxes and Special Assessments	-	765,336	228,199	765,336	-
Intergovernmental	-	-	-	-	191,011
Investment Income	-	1,219	998	6,802	-
Aquatic Center Revenue	-	-	-	132,370	-
Other	-	-	23,374	-	-
TOTAL REVENUES	-	766,555	252,571	904,508	191,011
EXPENDITURES					
General Government	-	-	-	-	-
Cultural and Recreational	5,445	136,621	158,546	423,771	-
Public Safety	-	-	-	-	50,924
Public Works	-	-	-	-	108,507
Debt Service					
Principal Retirement	-	110,000	-	145,000	-
Interest and Fiscal Charges	-	101,763	-	106,103	-
TOTAL EXPENDITURES	5,445	348,384	158,546	674,874	159,431
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,445)	418,171	94,025	229,634	31,580
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	-	-	-	-
Bond Premium	-	-	-	-	-
Payment to Bond Escrow Agent	-	-	-	-	-
Transfers In	-	-	-	-	92,295
Transfers Out	-	(474,335)	-	(227,469)	-
NET CHANGE IN FUND BALANCES	(5,445)	(56,164)	94,025	2,165	123,875
FUND BALANCE, beginning of year	6,950	498,621	429,602	678,737	-
FUND BALANCE, end of year	1,505	442,457	523,627	680,902	123,875

Capital Projects

Total Special Revenue Funds	Debt Service Fund	Capital Improvements Fund	Community Center Construction Fund	City Hall Construction Fund	Venue Sales Tax Construction Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
1,758,871	805,230	-	-	-	-	-	2,564,101
191,011	-	-	-	-	-	-	191,011
9,019	1,040	22	16	14	242	294	10,353
132,370	-	-	-	-	-	-	132,370
23,374	-	-	-	-	-	-	23,374
<u>2,114,645</u>	<u>806,270</u>	<u>22</u>	<u>16</u>	<u>14</u>	<u>242</u>	<u>294</u>	<u>2,921,209</u>
-	-	-	-	5,577	-	5,577	5,577
724,383	-	-	-	-	-	-	724,383
50,924	-	38,696	-	-	-	38,696	89,620
108,507	-	-	-	-	-	-	108,507
255,000	546,737	-	-	-	-	-	801,737
207,866	378,968	-	-	-	-	-	586,834
<u>1,346,680</u>	<u>925,705</u>	<u>38,696</u>	<u>-</u>	<u>5,577</u>	<u>-</u>	<u>44,273</u>	<u>2,316,658</u>
767,965	(119,435)	(38,674)	16	(5,563)	242	(43,979)	604,551
-	3,620,000	-	-	-	-	-	3,620,000
-	138,254	-	-	-	-	-	138,254
-	(3,684,302)	-	-	-	-	-	(3,684,302)
92,295	113,278	-	-	-	-	-	205,573
(701,804)	-	-	-	-	-	-	(701,804)
158,456	67,795	(38,674)	16	(5,563)	242	(43,979)	182,272
<u>1,613,910</u>	<u>306,782</u>	<u>38,674</u>	<u>8,161</u>	<u>9,899</u>	<u>123,927</u>	<u>180,661</u>	<u>2,101,353</u>
<u>1,772,366</u>	<u>374,577</u>	<u>-</u>	<u>8,177</u>	<u>4,336</u>	<u>124,169</u>	<u>136,682</u>	<u>2,283,625</u>



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.

CITY OF PORTLAND, TEXAS
SHORELINES AND WETLANDS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009

EXHIBIT D-1

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	<u>1,505</u>	<u>6,950</u>
TOTAL ASSETS	<u><u>1,505</u></u>	<u><u>6,950</u></u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	-
Fund Balance:		
Unreserved Fund Balance:		
Undesignated	<u>1,505</u>	<u>6,950</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>1,505</u></u>	<u><u>6,950</u></u>

CITY OF PORTLAND, TEXAS
SHORELINE AND WETLANDS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2010 AND 2009

Exhibit D-2

	<u>2010</u>	<u>2009</u>
	<u>Actual</u>	<u>Actual</u>
REVENUES		
Investment Income	--	--
Other	--	--
Total Revenues	<u> --</u>	<u> --</u>
EXPENDITURES		
Cultural and Recreational	5,445	550
Debt Service		
Principal Retirement	--	--
Interest and Fiscal Charges	--	--
Total Expenditures	<u>5,445</u>	<u>550</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,445)	(550)
OTHER FINANCING SOURCES (USES)		
Transfers Out - General Fund	--	--
Transfers Out - Debt Service Fund	--	--
Total Other Financing Uses	<u> --</u>	<u> --</u>
NET CHANGE IN FUND BALANCE	(5,445)	(550)
FUND BALANCE, beginning of year	<u>6,950</u>	<u>7,500</u>
FUND BALANCE, end of year	<u><u>1,505</u></u>	<u><u>6,950</u></u>

CITY OF PORTLAND, TEXAS
PORTLAND COMMUNITY CENTER COMPLEX FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009

EXHIBIT D-3

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	329,365	414,560
Accounts Receivable	-	-
Due from Other Governments	84,694	56,447
Due from General Fund	1,496	712
Prepaid Insurance	26,902	26,902
	<u>442,457</u>	<u>498,621</u>
TOTAL ASSETS		
	<u><u>442,457</u></u>	<u><u>498,621</u></u>
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	-
Due to Other Funds	-	-
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
Fund Balance:		
Reserve for Prepaid Items	26,902	26,902
Unreserved Fund Balance:		
Undesignated	415,555	471,719
	<u>415,555</u>	<u>471,719</u>
TOTAL FUND BALANCE	<u>442,457</u>	<u>498,621</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>442,457</u></u>	<u><u>498,621</u></u>

CITY OF PORTLAND, TEXAS
 PORTLAND COMMUNITY CENTER COMPLEX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED SEPTEMBER 30, 2010
 WITH COMPARATIVE TOTALS FOR, 2009

Exhibit D-4

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes and Special Assessments	877,500	750,000	765,336	15,336	787,733
Investment Income	3,360	1,170	1,219	49	3,056
Other	--	--	--	--	--
Total Revenues	880,860	751,170	766,555	15,385	790,789
EXPENDITURES					
Cultural and Recreational	190,750	136,921	136,621	300	33,217
Debt Service					
Principal Retirement	110,000	110,000	110,000	--	105,000
Interest and Fiscal Charges	102,088	102,088	101,763	325	105,854
Refunding Bond Issuance Cost	--	--	--	--	--
Advance Refunding Escrow	--	--	--	--	--
Total Expenditures	402,838	349,009	348,384	625	244,071
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	478,022	402,161	418,171	16,010	546,718
OTHER FINANCING SOURCES (USES)					
Refunding Bonds Issued	--	--	--	--	--
Transfers Out - General Fund	(361,058)	(361,058)	(361,058)	--	(308,000)
Transfers Out - Debt Service Fund	(113,278)	(113,278)	(113,277)	1	(111,965)
Transfers Out - Capital Improvements Fund	--	--	--	--	--
Payment to Bond Escrow Agent	--	--	--	--	--
Total Other Financing Uses	(474,336)	(474,336)	(474,335)	1	(419,965)
NET CHANGE IN FUND BALANCE	3,686	(72,175)	(56,164)	16,011	126,753
FUND BALANCE, beginning of year			498,621		371,668
FUND BALANCE, end of year			442,457		498,621

CITY OF PORTLAND, TEXAS
RESTRICTED USE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009

EXHIBIT D-5

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	596,564	410,729
Accounts Receivable	15,934	33,836
Due from General Fund	<u>9,826</u>	<u>10,294</u>
TOTAL ASSETS	<u><u>622,324</u></u>	<u><u>454,859</u></u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	5697	257
Escrow	93,000	25,000
Due to Other Funds	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>98,697</u>	<u>25,257</u>
Fund Balance:		
Reserve for Municipal Technology Fees	9,597	8,415
Reserve for Building Security Fund	48,383	45,377
Reserve for Hotel Occupancy Tax Reserve	465,647	375,810
Unreserved Fund Balance:		
Undesignated	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u>523,627</u>	<u>429,602</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>622,324</u></u>	<u><u>454,859</u></u>

CITY OF PORTLAND, TEXAS
 RESTRICTED USE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED SEPTEMBER 30, 2010
 WITH COMPARATIVE TOTALS FOR 2009

Exhibit D-6

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes and Special Assessments	217,550	230,200	228,199	(2,001)	209,049
Investment Income	3,025	815	998	183	2,768
Other	—	12,041	23,374	11,333	17,183
Total Revenues	220,575	243,056	252,571	9,515	229,000
EXPENDITURES					
Cultural and Recreational	202,300	178,896	158,546	20,350	138,181
Public Safety	13,275	9,491	—	9,491	—
Total Expenditures	215,575	188,387	158,546	29,841	138,181
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,000	54,669	94,025	39,356	90,819
OTHER FINANCING SOURCES (USES)					
Transfers In	—	—	—	—	—
Transfers Out - General Fund	—	—	—	—	—
Transfers Out - City Hall Construction Fund	—	—	—	—	—
Total Other Financing Uses	—	—	—	—	—
NET CHANGE IN FUND BALANCE	5,000	54,669	94,025	39,356	90,819
FUND BALANCE, beginning of year			429,602		338,783
FUND BALANCE, end of year			523,627		429,602

CITY OF PORTLAND, TEXAS
 VENUE SALES TAX FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2010 AND 2009

EXHIBIT D-7

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	241,289	319,712
Interest Receivable	1,300	1,209
Due from Other Governments	85,020	56,447
Due from General Fund	2,149	3,420
Prepaid Item	-	-
Prepaid Insurance	22,802	22,802
Restricted Assets		
Cash and Cash Equivalents	<u>337,625</u>	<u>305,674</u>
TOTAL ASSETS	<u><u>690,185</u></u>	<u><u>709,264</u></u>
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	6,060	27,066
Accrued Liabilities	2,065	2,049
Due to Other Funds	<u>1,160</u>	<u>1,412</u>
TOTAL LIABILITIES	<u>9,285</u>	<u>30,527</u>
Fund Balance:		
Reserve for Prepaid Items	22,802	22,802
Reserve for Debt Service	295,056	294,223
Unreserved Fund Balance:		
Designated for Subsequent Year's Budget	-	-
Undesignated	<u>363,044</u>	<u>361,712</u>
TOTAL FUND BALANCE	<u>680,902</u>	<u>678,737</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>690,187</u></u>	<u><u>709,264</u></u>

CITY OF PORTLAND, TEXAS
 VENUE SALES TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED SEPTEMBER 30, 2010
 WITH COMPARATIVE TOTALS FOR 2009

Exhibit D-8

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes and Special Assessments	877,500	750,000	765,336	15,336	787,733
Charges for Services	134,100	135,411	132,370	(3,041)	146,128
Investment Income	6,500	7,489	6,802	(687)	10,181
Total Revenues	<u>1,018,100</u>	<u>892,900</u>	<u>904,508</u>	<u>11,608</u>	<u>944,042</u>
EXPENDITURES					
Cultural and Recreational	448,986	427,568	423,771	3,797	395,982
Debt Service:					
Principal Retirement	145,000	145,000	145,000	-	140,000
Interest and Fiscal Charges	105,928	106,103	106,103	-	109,569
Total Expenditures	<u>699,914</u>	<u>678,671</u>	<u>674,874</u>	<u>3,797</u>	<u>645,551</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>318,186</u>	<u>214,229</u>	<u>229,634</u>	<u>15,405</u>	<u>298,491</u>
OTHER FINANCING SOURCES (USES)					
Transfers Out - General Fund	(227,469)	(227,469)	(227,469)	-	(225,000)
Transfers Out - Street Improvement Fund	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(227,469)</u>	<u>(227,469)</u>	<u>(227,469)</u>	<u>-</u>	<u>(225,000)</u>
NET CHANGE IN FUND BALANCE	<u>90,717</u>	<u>(13,240)</u>	<u>2,165</u>	<u>15,405</u>	<u>73,491</u>
FUND BALANCE, beginning of year			<u>678,737</u>		<u>605,246</u>
FUND BALANCE, end of year			<u>680,902</u>		<u>678,737</u>

CITY OF PORTLAND, TEXAS
GRANTS ADMINISTRATION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009

EXHIBIT D-9

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash & Cash Equivalents	45,631	22,766
Accounts Receivable	2,432	510
Due from General Fund	92,991	-
Prepaid Item	51,164	-
TOTAL ASSETS	<u><u>192,218</u></u>	<u><u>23,276</u></u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	51,164	2,148
Escrow	17,174	-
Due to Other Funds	<u>5</u>	<u>21,128</u>
TOTAL LIABILITIES	<u>68,343</u>	<u>23,276</u>
Fund Balance:		
Reserve for Prepaid Items	51,164	-
Unreserved Fund Balance:		
Undesignated	<u>72,711</u>	<u>-</u>
Total Fund Balance	<u>123,875</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>192,218</u></u>	<u><u>23,276</u></u>

CITY OF PORTLAND, TEXAS
GRANTS ADMINISTRATION FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2010 and 2009

EXHIBIT D-10

	<u>2010</u>	<u>2009</u>
	<u>Actual</u>	<u>Actual</u>
REVENUES		
Grants	191,011	24,640
Contributions	-	-
Total Revenues	<u>191,011</u>	<u>24,640</u>
EXPENDITURES		
Public Safety	50,924	24,640
Public Works	108,507	-
Total Expenditures	<u>159,431</u>	<u>24,640</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	31,580	-
OTHER FINANCING SOURCES (USES)		
Transfers In - General Fund	<u>92,295</u>	-
Total Other Financing Sources (Uses)	92,295	-
NET CHANGE IN FUND BALANCE	123,875	-
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>123,875</u></u>	<u><u>-</u></u>



DEBT SERVICE FUND

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

CITY OF PORTLAND, TEXAS
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009

Exhibit E-1

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	380,942	304,574
Taxes Receivable	30,213	34,327
Allowance for Uncollectible Taxes	(3,625)	(4,119)
Accounts Receivable	1,233	435
Due from General Fund	—	1,773
	<u>408,763</u>	<u>336,990</u>
TOTAL ASSETS		
	<u>408,763</u>	<u>336,990</u>
 LIABILITIES AND FUND BALANCE		
Accrued Interest Payable	7,598	—
Deferred Tax Revenue	26,588	30,208
	<u>34,186</u>	<u>30,208</u>
TOTAL LIABILITIES		
	<u>34,186</u>	<u>30,208</u>
 FUND BALANCE:		
Reserved for Debt Service	374,577	306,782
	<u>374,577</u>	<u>306,782</u>
TOTAL LIABILITIES AND FUND BALANCE		
	<u>408,763</u>	<u>336,990</u>

CITY OF PORTLAND, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR 2009

Exhibit E-2

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Ad Valorem Taxes, Penalties and Interest	717,000	798,000	805,230	7,230	684,364
Investment Income	4,400	900	1,040	140	3,963
Total Revenues	721,400	798,900	806,270	7,370	688,327
EXPENDITURES					
Debt Service:					
Principal Retirement	476,870	546,870	546,737	133	435,332
Interest and Fiscal Charges	357,728	308,994	309,050	(56)	373,259
Bond Issuance Costs	-	69,918	69,918	-	-
Total Expenditures	834,598	925,782	925,705	77	808,591
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(113,198)	(126,882)	(119,435)	7,447	(120,264)
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	3,620,000	3,620,000	-	-
Bond Premium	-	138,254	138,254	-	-
Transfers In - PCCC Fund	113,278	113,278	113,278	-	111,965
Payments to Refunding Escrow Agent	-	(3,684,302)	(3,684,302)	-	-
NET CHANGE IN FUND BALANCE	80	60,348	67,795	7,447	(8,299)
FUND BALANCE, beginning of year			306,782		315,081
FUND BALANCE, end of year			374,577		306,782



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 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
 CAPITAL IMPROVEMENTS FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2010 AND 2009

Exhibit F-1

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	6,118	38,674
Prepaid Items	251	-
Escrow	-	-
Due From General Fund	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>6,369</u>	<u>38,674</u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	160	-
Due to General Fund	6,209	-
Due to Water/Wastewater Fund	-	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>6,369</u>	<u> </u>
FUND BALANCE:		
Reserve for Firestation	-	6,106
Reserve for Street Improvements	-	-
Reserve for Police Station	-	32,568
	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u> </u>	<u>38,674</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>6,369</u>	<u>38,674</u>

CITY OF PORTLAND, TEXAS
CAPITAL IMPROVEMENTS FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2010 AND 2009

Exhibit F-2

	<u>2010</u>	<u>2009</u>
REVENUES		
Intergovernmental	-	112,516
Investment Income	22	6,047
Total Revenues	<u>22</u>	<u>118,563</u>
EXPENDITURES		
General Government	-	-
Public Safety	38,696	1,400,158
Public Works	-	-
Debt Service:		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	<u>38,696</u>	<u>1,400,158</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(38,674)</u>	<u>(1,281,595)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In - General Fund	-	-
Transfers In - Portland Comm Center Complex Fund	-	-
Transfers Out - Street Improvements Fund	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(38,674)	(1,281,595)
FUND BALANCE, beginning of year	<u>38,674</u>	<u>1,320,269</u>
FUND BALANCE, end of year	<u><u>-</u></u>	<u><u>38,674</u></u>

CITY OF PORTLAND, TEXAS
 STREET IMPROVEMENTS FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2010 AND 2009

Exhibit F-3

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	3,827,114	26,835
Due from Drainage District	-	-
Due from Developer	-	-
TOTAL ASSETS	<u><u>3,827,114</u></u>	<u><u>26,835</u></u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	36,850	-
Due to Capital Improvements Fund	-	-
Due to Drainage Construction Fund	<u>1,799,444</u>	-
TOTAL LIABILITIES	<u>1,836,294</u>	-
FUND BALANCE:		
Reserve for Street Improvements	<u>1,990,820</u>	<u>26,835</u>
TOTAL FUND BALANCE	<u>1,990,820</u>	<u>26,835</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>3,827,114</u></u>	<u><u>26,835</u></u>

CITY OF PORTLAND, TEXAS
STREET IMPROVEMENTS FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2010 AND 2009

Exhibit F-4

	<u>2010</u>	<u>2009</u>
REVENUES		
Intergovernmental	-	-
Investment Income	1,924	208
Other	-	9,690
Total Revenues	<u>1,924</u>	<u>9,898</u>
EXPENDITURES		
Current:		
Public Works	128,694	9,690
Debt Service:		
Bond Issuance Costs	76,895	
Total Expenditures	<u>205,589</u>	<u>9,690</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(203,665)</u>	<u>208</u>
OTHER FINANCING SOURCES		
Bonds Issued	2,123,640	-
Bond Premiums	44,010	-
Transfers In-General Fund	-	-
Transfers In-Venue Sales Tax Fund	-	-
Transfers In-Capital Improvements Fund	-	-
Total Other Financing Sources	<u>2,167,650</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,963,985	208
FUND BALANCE, beginning of year	<u>26,835</u>	<u>26,627</u>
FUND BALANCE, end of year	<u><u>1,990,820</u></u>	<u><u>26,835</u></u>

CITY OF PORTLAND, TEXAS
 COMMUNITY CENTER CONSTRUCTION FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2010 AND 2009

Exhibit F-5

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	8,177	8,161
Due from Library Trust Fund	-	-
Prepaid Items	-	-
TOTAL ASSETS	<u><u>8,177</u></u>	<u><u>8,161</u></u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	-
Due to General Fund	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCE:		
Reserve for Capital Improvements	<u>8,177</u>	<u>8,161</u>
TOTAL FUND BALANCE	<u>8,177</u>	<u>8,161</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>8,177</u></u>	<u><u>8,161</u></u>

CITY OF PORTLAND, TEXAS
COMMUNITY CENTER CONSTRUCTION FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2010 AND 2009

Exhibit F-6

	<u>2010</u>	<u>2009</u>
REVENUES		
Investment Income	<u>16</u>	<u>93</u>
EXPENDITURES		
Cultural and Recreational	-	3,600
Interest and Fiscal Charges (Bond Issuance Costs)	-	-
Total Expenditures	<u>-</u>	<u>3,600</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16	(3,507)
OTHER FINANCING SOURCES		
Transfers In-Portland Community Center Complex	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	16	(3,507)
FUND BALANCE, beginning of year	<u>8,161</u>	<u>11,668</u>
FUND BALANCE, end of year	<u><u>8,177</u></u>	<u><u>8,161</u></u>

CITY OF PORTLAND, TEXAS
 CITY HALL CONSTRUCTION FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2010 AND 2009

Exhibit F-7

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	4,336	12,557
Due from Frost Bank Escrow	-	-
Due From General Fund	-	-
Due From Restricted Use Fund	-	-
TOTAL ASSETS	<u>4,336</u>	<u>12,557</u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	2,658
Due to General Fund	-	-
TOTAL LIABILITIES	<u>-</u>	<u>2,658</u>
FUND BALANCE:		
Reserve for Capital Improvements	<u>4,336</u>	<u>9,899</u>
TOTAL FUND BALANCE	<u>4,336</u>	<u>9,899</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>4,336</u>	<u>12,557</u>

CITY OF PORTLAND, TEXAS
CITY HALL CONSTRUCTION FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2010 AND 2009

Exhibit F-8

	<u>2010</u>	<u>2009</u>
REVENUES		
Investment Income	<u>14</u>	<u>103</u>
EXPENDITURES		
General Government	<u>5,577</u>	<u>2,845</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,563)	(2,742)
OTHER FINANCING SOURCES		
Transfers In-General Fund	--	--
Transfers In-Restricted Use Fund	<u>--</u>	<u>--</u>
Total Other Financing Sources	--	--
NET CHANGE IN FUND BALANCE	(5,563)	(2,742)
FUND BALANCE, beginning of year	<u>9,899</u>	<u>12,641</u>
FUND BALANCE, end of year	<u><u>4,336</u></u>	<u><u>9,899</u></u>

CITY OF PORTLAND, TEXAS
 VENUE SALES TAX CONSTRUCTION FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2010 AND 2009

Exhibit F-9

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	124,169	123,927
Prepaid Items	-	-
Due from Portland Community Center Complex Fund	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>124,169</u></u>	<u><u>123,927</u></u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	-
Due to General Fund	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCE:		
Reserve for Capital Improvements	<u>124,169</u>	<u>123,927</u>
TOTAL FUND BALANCE	<u>124,169</u>	<u>123,927</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>124,169</u></u>	<u><u>123,927</u></u>

CITY OF PORTLAND, TEXAS
VENUE SALES TAX CONSTRUCTION FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2010 AND 2009

Exhibit F-10

	<u>2010</u>	<u>2009</u>
REVENUES		
Interest	242	1,350
TOTAL REVENUES	<u>242</u>	<u>1,350</u>
EXPENDITURES		
Cultural and Recreation	<u>-</u>	<u>44,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	242	(43,150)
OTHER FINANCING SOURCES		
Transfers In - Restricted Use Fund	-	-
Transfers In - PCCC Fund	-	-
Transfers Out - Venue Sales Tax Fund	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	242	(43,150)
FUND BALANCE, beginning of year	<u>123,927</u>	<u>167,077</u>
FUND BALANCE, end of year	<u><u>124,169</u></u>	<u><u>123,927</u></u>



PROPRIETARY FUNDS



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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	2,026,918	1,489,332
Accounts Receivable	598,422	646,129
Less Allowance for Uncollectible Accounts	(2,118)	(3,836)
Bond Issue Cost	361,090	208,493
Less Allowance for Amortization	(81,522)	(65,302)
Inventory	100,758	104,091
Prepaid Items	269,347	15,147
Due from General Fund	2,576	46,618
Due from Venue Tax Fund	--	400
Total Current Assets	<u>3,275,471</u>	<u>2,441,072</u>
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	7,077,138	1,308,040
Total Restricted Assets	<u>7,077,138</u>	<u>1,308,040</u>
Capital Assets:		
Land	101,832	101,832
Buildings	686,428	686,428
Water System	7,931,442	7,524,651
Sewer System	11,792,182	11,659,322
Equipment	672,937	706,561
Construction in Progress	519,368	68,428
Total Capital Assets	<u>21,704,189</u>	<u>20,747,222</u>
Less Accumulated Depreciation	(6,730,340)	(6,285,406)
Net Capital Assets	<u>14,973,849</u>	<u>14,461,816</u>
TOTAL ASSETS	<u>25,326,458</u>	<u>18,210,928</u>

CITY OF PORTLAND, TEXAS
 COMPARATIVE STATEMENTS OF NET ASSETS
 WATER AND SEWER SYSTEM FUND
 SEPTEMBER 30, 2010 AND 2009

LIABILITIES	<u>2010</u>	<u>2009</u>
Current Liabilities:		
Accounts Payable	681,015	353,314
Accrued Liabilities	17,381	12,573
Accrued Vacation Leave	37,390	36,152
Due to General Fund	3,373	27,501
Due to Insurance Fund	13,177	8,342
Current Portion of Long-Term Debt	556,000	245,000
Accrued Interest	36,249	18,607
Deposits	344,018	390,570
Total Current Liabilities	<u>1,688,603</u>	<u>1,092,059</u>
Non-Current Liabilities:		
Revenue Bonds	10,366,000	4,777,000
Net OPEB Obligation	94,490	46,214
Total Non-Current Liabilities	<u>10,460,490</u>	<u>4,823,214</u>
Total Liabilities	<u>12,149,093</u>	<u>5,915,273</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	10,546,391	10,245,950
Restricted for:		
Debt Service	193,564	145,023
Unrestricted	2,437,410	1,904,682
Net Assets	<u>13,177,365</u>	<u>12,295,655</u>

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
WATER AND SEWER SYSTEM FUND
YEAR ENDED SEPTEMBER 30, 2010 AND 2009

Exhibit G-2

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Charges for Services:		
Water Sales	2,755,082	3,219,622
Water Connections	19,459	29,807
Sewer Sales	2,549,447	2,035,179
Sewer Connections	3,955	9,450
Total Charges for Services	<u>5,327,943</u>	<u>5,294,058</u>
Miscellaneous	54,530	28,511
Total Operating Revenues	<u>5,382,473</u>	<u>5,322,569</u>
OPERATING EXPENSES		
Personnel Services	1,011,047	971,546
Maintenance	253,250	222,889
Purchase of Water	1,636,809	2,225,706
Contract Payments	108,550	98,646
Materials and Supplies	168,160	132,851
Utilities	286,375	257,298
Depreciation	478,558	482,992
Amortization	16,220	8,949
Total Operating Expenses	<u>3,958,969</u>	<u>4,400,877</u>
Net Operating Income	<u>1,423,504</u>	<u>921,692</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	31,293	24,149
Intergovernmental	7,545	17,902
Gain (Loss) on Disposal of Assets	1,469	-
Interest and Fiscal Charges	<u>(405,803)</u>	<u>(218,811)</u>
Net Non-Operating Revenues (Expenses)	<u>(365,496)</u>	<u>(176,760)</u>
Income (Loss) Before Contributions and Transfers	1,058,008	744,932
Capital Contributions	199,365	289,698
Transfers In	-	-
Transfers Out - General Fund	<u>(375,664)</u>	<u>(309,225)</u>
Change in Net Assets	881,709	725,405
NET ASSETS BEGINNING OF YEAR	<u>12,295,656</u>	<u>11,570,251</u>
NET ASSETS END OF YEAR	<u>13,177,365</u>	<u>12,295,656</u>

CITY OF PORTLAND, TEXAS
WATER AND SEWER SYSTEM FUND
SUMMARY BUDGET
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2010

Exhibit G-3

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

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for Services	5,167,142	5,382,305	5,327,943	(54,362)
Miscellaneous	12,000	16,444	54,530	38,086
Total Operating Revenues	<u>5,179,142</u>	<u>5,398,749</u>	<u>5,382,473</u>	<u>(16,276)</u>
OPERATING EXPENSES				
Personnel Services	988,195	1,025,902	1,011,047	14,855
Maintenance	212,032	257,860	253,250	4,610
Purchase of Water	2,070,000	1,675,000	1,636,809	38,191
Contract Payments	104,250	103,865	108,550	(4,685)
Materials and Supplies	143,920	170,544	168,160	2,384
Utilities	246,890	262,140	286,375	(24,235)
Capital Outlay - Equipment	298,285	21,073	-	21,073
Total Operating Expenses	<u>4,063,572</u>	<u>3,516,384</u>	<u>3,464,191</u>	<u>52,193</u>
Operating Income	<u>1,115,570</u>	<u>1,882,365</u>	<u>1,918,282</u>	<u>35,917</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	13,000	17,100	31,293	14,193
Intergovernmental	-	-	7,545	7,545
Interest, Principal and Fiscal Charges	(497,503)	(1,024,856)	(405,803)	619,053
Net Non-Operating Revenues (Expenses)	<u>(484,503)</u>	<u>(1,007,756)</u>	<u>(366,965)</u>	<u>640,791</u>
Income (Loss) Before Transfers	<u>631,067</u>	<u>874,609</u>	<u>1,551,317</u>	<u>676,708</u>
Transfers Out - General Fund	<u>(375,664)</u>	<u>(375,644)</u>	<u>(375,664)</u>	<u>(20)</u>
NET INCOME (LOSS) (NON-GAAP BUDGETARY BASIS)	<u>255,403</u>	<u>498,965</u>	<u>1,175,653</u>	<u>676,688</u>
Adjustments				
Depreciation Expense			(478,558)	
Amortization Expense			(16,220)	
Capital Assets Contributed by Developers			199,365	
NET INCOME (LOSS) (GAAP BASIS)			<u>881,709</u>	

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
WATER AND SEWER SYSTEM FUND
YEAR ENDED SEPTEMBER 30, 2010 AND 2009

Exhibit G-4

	<u>2010</u>	<u>2009</u>
Cash flow from operating activities:		
Cash received from customers	5,428,462	5,150,147
Cash payments to suppliers for goods and services	(2,378,833)	(2,917,222)
Cash payments to employees for services	(1,006,239)	(970,419)
Net cash provided by operating activities	<u>2,043,390</u>	<u>1,262,506</u>
Cash flows from noncapital financing activities:		
Transfers to other funds	<u>(375,664)</u>	<u>(309,225)</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Long-term Debt	6,500,000	322,000
Cash Received from Other Governments	7,545	17,902
Principal Payment on bonds	(600,000)	(235,000)
Principal Payment on Capital Lease	-	(22,132)
Interest and Fiscal Charges Paid	(558,400)	(218,811)
Purchase of Capital Assets	<u>(741,480)</u>	<u>(93,015)</u>
Net Cash Used for Capital and Related Financing Activities	4,607,665	(229,056)
Cash Flows from Investing Activities - Interest Income	<u>31,293</u>	<u>24,149</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,306,684	748,374
Cash and Cash Equivalents at Beginning of Year	<u>2,797,372</u>	<u>2,048,998</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>9,104,056</u></u>	<u><u>2,797,372</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	1,423,504	921,692
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	478,558	482,992
Amortization	16,220	8,949
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	45,989	(172,422)
(Increase) Decrease in Due from Other Funds	44,442	(47,018)
(Increase) Decrease in Inventory	3,333	(10,982)
(Increase) Decrease in Prepaid Expense	(254,200)	931
Increase (Decrease) in Accounts Payable	327,701	53,245
Increase (Decrease) in Accrued Liabilities	4,808	1,127
Increase (Decrease) in Due to Other Funds	(19,293)	7,954
Increase (Decrease) in Accrued Vacation Leave	1,238	9,243
Increase (Decrease) in Accrued Interest	17,642	344
Increase (Decrease) in Deposits	<u>(46,552)</u>	<u>6,451</u>
Net Cash Provided (Used) by Operating Activities	<u><u>2,043,390</u></u>	<u><u>1,262,506</u></u>
Noncash Investing, Capital, and Financing Activities:		
Capital Contributions from developers consisting of water and sewer system infrastructure - \$199,365		

CITY OF PORTLAND, TEXAS
 COMPARATIVE STATEMENTS OF NET ASSETS
 DRAINAGE FUND
 SEPTEMBER 30, 2010 AND 2009

Exhibit G-5

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	20,539	121,283
Drainage Fee Receivable	23,980	9,121
Bond Issue Cost	78,712	-
Less Allowance for Amortization	(984)	-
Due from General Fund	68	330
Due from Street Improvement Fund	<u>1,799,444</u>	<u>-</u>
Total Current Assets	<u>1,921,759</u>	<u>130,734</u>
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	<u>2,520</u>	<u>-</u>
Total Restricted Assets	<u>2,520</u>	<u>-</u>
Capital Assets		
Intangible Assets	367,177	-
Infrastructure	1,835,425	1,555,322
Equipment	147,247	147,247
Construction In Progress	<u>118,557</u>	<u>-</u>
Total Capital Assets	<u>2,268,406</u>	<u>1,702,569</u>
Less Accumulated Depreciation	<u>(233,218)</u>	<u>(150,209)</u>
Net Capital Assets	<u>2,035,188</u>	<u>1,552,360</u>
TOTAL ASSETS	<u>3,959,467</u>	<u>1,683,094</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	203	8,916
Due to General Fund	93,137	-
Accrued Interest Payable	8,723	-
Current Portion of Long-Term Debt-Bonds	95,900	-
Current Portion of Bond Premium	2,010	-
Capital Lease Payable	<u>15,722</u>	<u>23,172</u>
Total Current Liabilities	<u>215,695</u>	<u>32,088</u>
Non-Current Liabilities:		
Bonds Payable	1,860,460	-
Bond Premium	38,199	-
Capital Leases	<u>-</u>	<u>15,722</u>
Total Non-Current Liabilities	<u>1,898,659</u>	<u>15,722</u>
TOTAL LIABILITIES	<u>2,114,354</u>	<u>47,810</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,822,340	1,513,466
Unrestricted	<u>22,773</u>	<u>121,818</u>
Net Assets	<u>1,845,113</u>	<u>1,635,284</u>

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
DRAINAGE FUND
YEAR ENDED SEPTEMBER 30, 2010 AND 2009

Exhibit G-6

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Charges for Services:		
Drainage Fees	104,135	88,013
Miscellaneous	-	-
	<u> </u>	<u> </u>
Total Operating Revenues	<u>104,135</u>	<u>88,013</u>
OPERATING EXPENSES		
Maintenance	-	1,532
Contract Payments	10,460	46,985
Depreciation Expense	83,009	73,388
Amortization Expense	984	-
	<u> </u>	<u> </u>
Total Operating Expenses	<u>94,453</u>	<u>121,905</u>
Net Operating Income	<u>9,682</u>	<u>(33,892)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	133	999
Intergovernmental Revenue	128,000	-
Interest and Fiscal Charges	(8,088)	(2,868)
	<u> </u>	<u> </u>
Net Non-Operating Revenues (Expenses)	<u>120,045</u>	<u>(1,869)</u>
Income (Loss) Before Contributions and Transfers	129,727	(35,761)
Capital Contributions	80,103	124,157
Transfers In	-	-
Transfers Out	-	-
	<u> </u>	<u> </u>
Change in Net Assets	209,830	88,396
NET ASSETS BEGINNING OF YEAR	<u>1,635,283</u>	<u>1,546,887</u>
NET ASSETS END OF YEAR	<u><u>1,845,113</u></u>	<u><u>1,635,283</u></u>

CITY OF PORTLAND, TEXAS
DRAINAGE FUND
SUMMARY BUDGET
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2010

Exhibit G-7

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

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for Services:				
Drainage Fees	88,000	90,000	104,135	14,135
Miscellaneous	-	-	-	-
Total Operating Revenues	<u>88,000</u>	<u>90,000</u>	<u>104,135</u>	<u>14,135</u>
OPERATING EXPENSES				
Maintenance	6,000	310	-	310
Contract Payments	5,200	35,650	10,460	25,190
Capital Outlay	25,000	1,828	-	1,828
Total Operating Expenses	<u>36,200</u>	<u>37,788</u>	<u>10,460</u>	<u>27,328</u>
Net Operating Income (Loss)	<u>51,800</u>	<u>52,212</u>	<u>93,675</u>	<u>41,463</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	1,000	150	133	(17)
Intergovernmental Revenue	-	128,000	128,000	-
Interest and Fiscal Charges	-	-	(8,088)	(8,088)
Net Non-Operating Revenues (Expenses)	<u>1,000</u>	<u>128,150</u>	<u>120,045</u>	<u>(8,105)</u>
Income (Loss) Before Transfers	52,800	180,362	213,720	33,358
Transfers In - Capital Improvements Fund	-	-	-	-
Transfers Out - General Fund	-	-	-	-
Total Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss) (Non-GAAP Budgetary Basis)	<u>52,800</u>	<u>180,362</u>	<u>213,720</u>	<u>33,358</u>
Adjustments				
Depreciation Expense			(83,009)	
Amortization Expense			(984)	
Capital Assets Contributed by Developers			80,103	
NET INCOME (LOSS) (GAAP BASIS)			<u>209,830</u>	

CITY OF PORTLAND, TEXAS
 COMPARATIVE STATEMENTS OF CASH FLOWS
 DRAINAGE FUND
 YEAR ENDED SEPTEMBER 30, 2010 AND 2009

Exhibit G-8

	<u>2010</u>	<u>2009</u>
Cash flow from operating activities:		
Cash received from customers	89,276	87,582
Cash borrowed from other funds	93,137	-
Cash loaned to other funds	(1,799,182)	-
Cash payments to suppliers for goods and services	(10,257)	(39,601)
Net cash provided by operating activities	<u>(1,627,026)</u>	<u>47,981</u>
Cash flow from non-capital financing activities:		
Transfers to other funds	-	-
Net cash provided by non-capital financing activities	<u>-</u>	<u>-</u>
Cash flow from capital and related financing activities:		
Cash received from other governments	128,000	-
Bonds Issued	1,956,360	-
Bond Premium	40,209	-
Principal Payment on Capital Lease	(23,172)	(22,132)
Interest and Fiscal Charges	(86,800)	(2,868)
Purchase of capital assets	(485,928)	(25,138)
Net cash provided by capital and related financing activities	<u>1,528,669</u>	<u>(50,138)</u>
Cash flow from investing activities:		
Interest on cash and cash equivalents	133	999
Net Increase (Decrease) in Cash and Cash Equivalents	(98,224)	(1,158)
Cash and Cash Equivalents at Beginning of Year	<u>121,283</u>	<u>122,441</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (DEFICIT)	<u><u>23,059</u></u>	<u><u>121,283</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	9,682	(33,892)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	83,009	73,388
Amortization	984	-
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(14,859)	(101)
(Increase) Decrease in Due from Other Funds	(1,706,045)	(330)
(Increase) Decrease in Prepaid Expense	-	-
Increase (Decrease) in Accounts Payable	203	8,916
Increase (Decrease) in Accrued Liabilities	-	-
Net Cash Provided by Operating Activities	<u>(1,627,026)</u>	<u>47,981</u>
Noncash Investing, Capital, and Financing Activities:		
Capital Contributions from developers consisting of drainage system infrastructure - \$80,103		

INTERNAL SERVICE FUND

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

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

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF NET ASSETS
INSURANCE INTERNAL SERVICE FUND
SEPTEMBER 30, 2010 AND 2009

Exhibit H-1

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	15,112	9,433
Refund Receivable	—	—
Flexible Spending Advance	—	—
Due from Water and Sewer System Fund	13,177	8,342
Due from General Fund	70,667	46,220
Due From Venue Tax Fund	1,160	1,012
Prepaid Items	—	89,517
	<u>100,116</u>	<u>154,524</u>
TOTAL ASSETS		
LIABILITIES		
Accounts Payable	700	—
Flexible Spending Accounts	10,172	8,795
Accrued Liabilities	—	39,797
	<u>10,872</u>	<u>48,592</u>
TOTAL LIABILITIES		
NET ASSETS		
Unrestricted	<u>89,244</u>	<u>105,932</u>

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INSURANCE INTERNAL SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2010 AND 2009

Exhibit H-2

OPERATING REVENUES	<u>2010</u>	<u>2009</u>
Charges for Services	877,929	967,448
Miscellaneous	—	—
Total Operating Revenues	<u>877,929</u>	<u>967,448</u>
OPERATING EXPENSES		
Contract Payments	823,930	201,505
Self-Insurance Claims	65,121	774,971
Other Operating Expenses	<u>5,590</u>	<u>6,193</u>
Total Operating Expenses	894,641	982,669
NET OPERATING INCOME (LOSS)	<u>(16,712)</u>	<u>(15,221)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	<u>24</u>	<u>266</u>
NET INCOME (LOSS)	(16,688)	(14,955)
NET ASSETS, beginning of year	<u>105,932</u>	<u>120,887</u>
NET ASSETS, end of year	<u><u>89,244</u></u>	<u><u>105,932</u></u>

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
INSURANCE INTERNAL SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2010 AND 2009

Exhibit H-3

	<u>2010</u>	<u>2009</u>
Cash flow from operating activities:		
Cash received from other funds for services	848,499	979,194
Cash payments for loss claims	<u>(842,844)</u>	<u>(1,088,631)</u>
Net cash provided by operating activities	<u>5,655</u>	<u>(109,437)</u>
Cash flow from investing activities:		
Interest on cash and cash equivalents	<u>24</u>	<u>266</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,679	(109,171)
Cash and Cash Equivalents at Beginning of Year	<u>9,433</u>	<u>118,604</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>15,112</u></u>	<u><u>9,433</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	(16,712)	(15,221)
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	-	1,577
(Increase) Decrease in Due from Other Funds	(29,430)	10,169
(Increase) Decrease in Prepaid Expense	89,517	(74,525)
Increase (Decrease) in Accounts Payable	2,077	2,459
Increase (Decrease) in Accrued Liabilities	<u>(39,797)</u>	<u>(33,896)</u>
Net Cash Provided by Operating Activities	<u><u>5,655</u></u>	<u><u>(109,437)</u></u>

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

CITY OF PORTLAND, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES - BY SOURCE
SEPTEMBER 30, 2010 AND 2009

Exhibit I-1

	<u>2010</u>	<u>2009</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land	4,467,524	4,467,524
Buildings and Improvements	21,883,091	22,323,968
Construction in Progress	128,694	139,344
Vehicles	2,018,741	1,981,666
Furniture and Equipment	2,684,468	2,350,029
Infrastructure	39,054,318	38,944,183
Intangibles	105,838	-
	<u>70,342,674</u>	<u>70,206,714</u>
Total		

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

Capital Projects Funds - General Obligation Bonds	47,233,363	46,958,669
Revenue Sharing	-	88,713
General Fund Revenues	8,840,052	9,000,203
Contributed Capital	11,489,241	11,379,111
Intergovernmental	2,780,018	2,780,018
	<u>70,342,674</u>	<u>70,206,714</u>
Total		

CITY OF PORTLAND, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2010

EXHIBIT I-2

Function and Activity	Total	General Government	Public Safety	Public Works	Cultural and Recreational
Land	4,467,524	874,055	7,318	—	3,586,151
Buildings and Improvements	21,883,091	3,420,558	4,350,948	399,127	13,712,459
Vehicles	2,018,741	10,514	1,571,680	277,824	158,723
Furniture and Equipment	2,684,468	303,615	1,326,565	204,112	850,175
Infrastructure	39,054,318	—	—	39,054,318	—
Intangibles	105,838	—	105,838	—	—
Construction in Progress	128,694	—	—	128,694	—
Total Governmental Funds Capital Assets	<u>70,342,674</u>	<u>4,608,742</u>	<u>7,362,349</u>	<u>40,064,075</u>	<u>18,307,508</u>

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, 2010.

Function And Activity	Balance 10/01/09	Additions	Deletions	Balance 09/30/10
General Government	4,462,742	146,000	—	4,608,742
Public Safety	7,761,479	284,498	683,628	7,362,349
Public Works	39,853,744	238,829	28,498	40,064,075
Cultural and Recreational	18,128,749	247,546	68,787	18,307,508
Total Governmental Funds Capital Assets	<u>70,206,714</u>	<u>916,873</u>	<u>780,913</u>	<u>70,342,674</u>

STATISTICAL SECTION

(Unaudited)

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

Contents

Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	Tables 1-4
Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue sources: property and sales taxes.	Tables 5-8
Debt Capacity 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.	Tables 9-10
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	Table 11
Operating Information 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.	Tables 12-16
Additional Information This schedule presents trend information related to retirement plan funding.	Table 17

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 Seven Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Governmental Activities							
Invested in capital assets, net of related debt	\$ 18,508,877	\$ 19,484,655	\$ 20,657,233	\$ 21,825,285	\$ 23,534,153	\$ 23,651,889	\$ 23,330,540
Restricted	799,210	822,760	797,375	862,053	866,321	562,386	625,125
Unrestricted	6,004,273	5,718,236	5,571,917	4,715,196	4,757,037	5,711,181	6,410,709
Total governmental activities net assets	\$ 25,312,360	\$ 26,025,651	\$ 27,026,525	\$ 27,402,534	\$ 29,157,511	\$ 29,925,456	\$ 30,366,374
Business-type activities							
Invested in capital assets, net of related debt	\$ 7,199,636	\$ 8,230,701	\$ 8,836,555	\$ 8,922,100	\$ 11,492,281	\$ 11,759,416	\$ 12,368,731
Restricted	186,965	359,588	437,407	515,684	588,657	145,023	193,564
Unrestricted	1,105,576	551,314	698,773	503,013	1,056,200	2,026,500	2,460,183
Total business-type activities net assets	\$ 8,492,177	\$ 9,141,603	\$ 9,972,735	\$ 10,940,797	\$ 13,117,138	\$ 13,930,939	\$ 15,022,478
Primary government							
Invested in capital assets, net of related debt	\$ 25,708,513	\$ 27,715,356	\$ 29,493,788	\$ 31,747,385	\$ 35,026,434	\$ 35,411,305	\$ 35,699,271
Restricted	886,175	1,182,348	1,234,782	1,377,757	1,434,978	707,409	818,689
Unrestricted	7,109,849	6,269,550	6,270,690	5,218,209	5,813,237	7,737,681	8,870,892
Total primary government net assets	\$ 33,604,537	\$ 35,167,254	\$ 36,999,260	\$ 38,343,331	\$ 42,274,649	\$ 43,856,395	\$ 45,388,852

Source: Comprehensive Annual Financial Reports

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

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

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental activities:							
General government and administration	\$ 803,768	\$ 969,014	\$ 1,784,890	1,064,503	\$ 1,051,890	\$ 1,256,885	\$ 1,421,374
Cultural and recreational	1,658,302	2,441,128	1,722,486	2,188,345	2,626,505	2,500,572	2,615,381
Public Safety	2,531,895	2,888,487	3,198,259	3,871,906	4,188,827	4,607,188	4,615,046
Public Works	2,502,311	2,064,566	2,167,166	2,288,120	1,404,282	1,548,127	1,717,427
Interest on long term debt	575,935	574,242	630,953	692,927	600,302	621,649	546,654
Total Governmental Activities Expenses	8,072,011	8,735,435	9,503,764	10,103,801	9,871,606	10,534,401	10,915,882
Business-type activities:							
Water and Sewer	3,071,697	3,429,001	3,751,993	3,575,458	3,951,147	4,619,688	4,364,772
Drainage Utility	15,332	2,818	12,232	22,253	67,999	124,773	102,541
Total business-type activities expenses	3,087,029	3,431,819	3,764,225	3,597,711	4,019,146	4,744,461	4,467,313
Total Government Expenses	\$ 11,159,040	\$ 12,167,254	\$ 13,267,989	\$ 13,701,512	\$ 13,890,752	\$ 15,278,862	\$ 15,383,195
Program Revenues							
Governmental activities:							
Fees, Fines, and Charges for Services:							
Administration	-	2,113	2,993	4,407	-	-	-
Cultural and recreational	460,553	532,065	531,613	576,840	643,824	806,943	784,954
Public Safety	328,085	385,373	611,231	599,436	838,368	867,868	582,575
Public Works	170,540	230,058	222,483	201,753	210,102	174,111	170,814
Operating grants and contributions							
Cultural and recreational	-	8,923	7,060	8,495	13,428	7,814	8,060
Public Safety	63,337	172,250	8,420	100,042	37,175	44,414	201,966
Public Works	-	14,864	-	-	-	-	-
Capital grants and contributions							
Cultural and recreational	251,100	-	-	-	-	-	-
Public Works	449,740	243,894	1,328,141	529,872	1,288,227	492,428	105,861
Total Governmental Activities Program Revenues	\$ 1,724,335	\$ 1,569,541	\$ 2,712,941	\$ 2,020,945	\$ 2,829,122	\$ 1,993,478	\$ 1,844,230
Business-type Activities:							
Fees, Fines, and Charges for Services							
Water and Sewer	3,078,128	3,491,531	3,725,707	3,870,278	4,404,844	5,284,058	5,327,943
Drainage Utility	6,622	78,158	82,107	86,021	87,632	88,013	104,135
Operating grants and contributions							
Water and Sewer	-	-	-	-	-	17,902	7,545
Capital Grants and Contributions							
Water and Sewer	371,013	348,372	779,649	817,756	1,189,378	289,698	199,365
Drainage Utility	-	-	80,000	183,255	688,698	124,157	208,103
Total business-type activities program revenues	3,453,763	3,919,061	4,667,463	4,737,310	6,360,548	5,813,828	5,847,091
Total Primary Government Program Revenues	\$ 5,178,098	\$ 5,488,602	\$ 7,380,404	\$ 6,758,255	\$ 9,189,670	\$ 7,807,304	\$ 7,691,321

(continued)

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

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Net (Expense) Revenue							
Governmental Activities	\$ (6,347,676)	\$ (7,165,894)	\$ (6,790,823)	\$ (8,082,856)	\$ (7,042,484)	\$ (8,540,925)	\$ (9,071,652)
Business-type Activities	355,734	467,242	903,238	1,139,599	2,341,402	1,069,367	1,379,778
Total Primary government net expense	\$ (5,992,942)	\$ (6,698,652)	\$ (5,887,585)	\$ (6,943,257)	\$ (4,701,082)	\$ (7,471,558)	\$ (7,691,874)
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	3,864,540	4,232,399	4,463,514
Sales	1,890,585	2,274,216	2,650,560	2,825,389	2,811,431	3,162,719	3,074,103
Franchise	824,222	941,290	986,127	1,051,431	1,087,961	1,051,320	1,029,609
Hotels/Motel	120,073	157,696	166,136	175,797	193,740	209,049	228,199
Investment earnings	136,267	235,792	373,134	491,896	283,538	73,430	50,045
Miscellaneous	128,742	159,667	133,331	112,361	215,935	270,728	262,504
Disposal of Capital Assets	-	(18,823)	-	-	-	-	8,932
Transfers	293,755	294,663	209,383	309,461	240,316	309,225	375,664
Total Governmental Activities	\$ 6,248,277	\$ 7,096,704	\$ 7,692,916	\$ 8,458,665	\$ 8,797,461	\$ 9,308,870	\$ 9,512,570
Business-type Activities:							
Investment earnings	35,450	104,454	124,788	131,931.0	60,802	25,148	31,426
Gain (Loss) on Disposal of Assets	-	-	-	(9,031.0)	-	-	1,469
Miscellaneous	8,373	9,432	12,489	15,024	14,453	28,511	54,530
Transfers	(293,755)	(294,663)	(209,383)	(309,461.0)	(240,316)	(309,225)	(375,664)
Total Business-type Activities	(249,932)	(180,777)	(72,106)	(171,537)	(165,061)	(255,566)	(288,239)
Total Primary Government	5,998,345	6,915,927	7,620,810	8,287,328	8,632,400	9,053,304	9,224,331
Change In Net Assets							
Governmental Activities	(101,399)	(69,190)	902,093	378,009	1,754,977	787,945	440,918
Business-type Activities	116,802	306,465	831,132	968,062	2,176,341	813,801	1,091,539
Total Primary Government	\$ 15,403	\$ 237,275	\$ 1,733,225	\$ 1,344,071	\$ 3,931,318	\$ 1,581,746	\$ 1,532,457

Source: Comprehensive Annual Financial Reports

(concluded)

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

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund					
Reserved for other *	379,968	259,327	237,096	282,854	231,218
Unreserved	2,961,080	2,853,100	2,185,305	2,277,272	2,313,088
Total General Fund	3,341,048	3,112,427	2,422,401	2,560,126	2,544,306
All Other Governmental Funds					
Reserved for :					
Debt service	516,956	520,472	537,241	561,308	602,450
Subsequent Year's Budget	90,283	168,926	168,554	145,050	-
Statutorily Restricted Purposes	12,824	54,259		753,970	77,564
Designated Capital Improvements	739,705	4,379,661	7,266,928	127,071	1,369,336
Unreserved, reported in:					
Special revenue funds	340,851	183,039	44,233	960,077	1,061,400
Capital funds					
Total All Other Governmental Funds	1,700,619	5,306,357	8,016,956	2,547,476	3,110,750

Note: * Includes encumbrances and prepaid items.
 Source: Comprehensive Financial Reports

	2006	2007	2008	2009	2010
General Fund					
Reserved for other *	226,796	289,846	376,105	311,806	524,061
Unreserved	2,445,540	2,497,025	2,961,261	3,742,324	4,234,699
Total General Fund	2,672,336	2,786,871	3,337,366	4,054,130	4,758,760
All Other Governmental Funds					
Reserved for :					
Debt service	901,688	919,307	916,129	601,005	669,633
Subsequent Year's Budget		74,882	92,725	49,704	-
Statutorily Restricted Purposes	203,905	203,905	338,783	347,169	624,492
Designated Capital Improvements	4,934,422	3,838,557	218,013	168,822	2,127,502
Unreserved, reported in:					
Special revenue funds	545,868	724,559	290,841	922,304	852,818
Capital funds	-	-	-	-	-
Total All Other Governmental Funds	6,585,883	5,761,210	1,856,491	2,089,004	4,274,445

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

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
REVENUES:						
Taxes	\$8,826,937	\$8,606,750	\$8,064,435	\$7,511,921	\$6,974,291	\$6,415,210
Licenses and Permits	153,993	154,351	223,796	210,294	226,381	230,765
Intergovernmental	228,805	183,134	58,498	100,092	597,970	119,088
Charges for Services	1,074,377	914,353	902,773	828,477	749,980	652,381
Fines and Forfeitures	194,155	272,979	260,610	255,840	281,617	246,464
Investment Income	50,045	73,430	283,538	491,896	373,134	235,792
Contributions	98,028	97,168	103,109	96,369	102,451	76,949
Oil Leases and Royalties	43,539	62,162	103,773	8,410	11,842	12,668
Other	227,976	200,144	106,271	103,971	121,129	146,999
Total Revenues	10,897,855	10,566,471	10,106,803	9,607,270	9,438,795	8,136,316
EXPENDITURES:						
Current:						
General Government	1,273,740	1,156,038	993,840	1,547,553	2,539,813	1,619,638
Public Safety	4,446,807	5,857,300	6,235,187	3,975,804	3,348,231	3,470,880
Public Works	1,271,665	1,012,697	1,464,261	1,890,393	1,671,936	924,183
Cultural and Recreational	2,393,228	2,104,446	2,208,812	1,931,929	2,351,336	3,676,127
Debt Service:						
Principal	830,033	732,738	714,721	628,645	510,483	561,869
Interest and Finance Charges	520,808	589,900	581,399	712,118	598,255	554,680
Bond Issuance Cost	146,813		116,475			
Advance Refunding Escrow			307,012			
Total Expenditures	10,883,094	11,453,119	12,821,707	10,686,442	11,020,054	10,807,377
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,761	(886,648)	(2,514,904)	(1,079,172)	(1,581,259)	(2,671,061)
OTHER FINANCE SOURCES (USES):						
Sale of Capital Assets	218,859					
Bond Premium	182,264					
Bonds Issued	5,743,640		2,635,000		3,211,643	
Capital Leases		245,615	114,532	59,573		656,970
Transfers In	1,169,764	954,190	1,216,623	1,701,260	1,114,437	1,278,664
Payments to Bond Escrow Agent	(3,684,302)		(2,508,899)			
Transfers Out	(794,099)	(644,965)	(976,307)	(1,391,799)	(905,054)	(984,001)
Total Other Financing Sources (Uses)	2,836,126	554,840	480,949	369,034	3,421,026	951,633
NET CHANGE IN FUND BALANCES	\$2,850,887	(\$331,808)	(\$2,033,955)	(\$710,138)	\$1,839,767	(\$1,719,428)
Debt service as a percentage of noncapital expenditures	17.18%	15.95%	21.97%	17.95%	16.05%	17.78%

Source: Comprehensive Annual Financial Reports

N/A - The City implemented GASB Statement No. 34 in fiscal year 2004, thus 10 years of data is not available for expenditures capitalized on an accrual basis at the government-wide statement of net assets.

Table 4

Fiscal Year			
2004	2003	2002	2001
\$5,710,599	\$5,059,228	\$5,105,738	\$4,845,565
168,205	178,950	98,786	137,877
83,826	24,105	201,272	15,664
492,435	490,669	474,891	459,127
265,692	212,447	214,278	192,161
136,267	120,484	129,432	272,554
314,437	67,217	109,792	84,065
13,037	12,863	19,974	70,413
132,071	69,554	101,780	46,897
<u>7,316,569</u>	<u>6,235,527</u>	<u>6,455,943</u>	<u>6,124,323</u>
1,032,466	776,127	794,866	680,833
2,449,220	2,153,793	2,118,427	1,947,004
4,556,997	1,125,569	2,076,265	1,265,529
3,338,186	1,342,197	1,681,653	1,507,876
424,328	244,548	431,819	451,454
540,833	503,273	339,081	269,407
<u>12,342,030</u>	<u>6,145,507</u>	<u>7,442,111</u>	<u>6,122,213</u>
<u>(5,025,461)</u>	<u>90,020</u>	<u>(986,168)</u>	<u>2,110</u>
3,420,000	670,000	4,405,000	
1,235,940	3,010,498	1,087,862	1,558,668
(942,185)	(1,638,154)	(240,000)	(1,434,116)
<u>3,713,755</u>	<u>2,042,344</u>	<u>4,363,639</u>	<u>124,552</u>
<u>(\$1,311,706)</u>	<u>\$2,132,364</u>	<u>\$3,377,471</u>	<u>\$126,662</u>
16.26%	N/A	N/A	N/A

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

Fiscal Year	Total Market Value Real and Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Adjusted Levy	Collection of Current Year's Taxes During Period	Percent of Levy Collected in Fiscal Period	Percent of Total Collections
2001	496,794,724	48,431,524	448,363,200	0.5700	2,555,465	2,513,867	98.37%	103.30%
2002	522,453,663	37,166,420	485,287,243	0.5500	2,668,344	2,616,546	98.06%	101.19%
2003	553,312,241	42,395,567	510,916,674	0.5400	2,756,863	2,691,672	97.64%	100.00%
2004	586,727,557	44,147,203	542,580,354	0.5229	2,825,473	2,783,575	98.52%	102.16%
2005	636,593,920	61,513,782	575,080,138	0.5229	3,006,428	2,939,299	97.77%	100.20%
2006	652,711,347	28,690,039	624,021,308	0.4947	3,135,498	3,090,899	98.58%	100.41%
2007	702,725,396	43,294,524	659,430,872	0.5023	3,462,791	3,365,762	97.20%	99.17%
2008	910,094,071	127,661,969	782,432,102	0.4882	3,790,136	3,740,445	98.69%	101.81%
2009	918,148,422	112,391,111	845,738,413	0.5087	4,207,637	4,122,377	97.97%	99.48%
2010	963,862,360	100,072,725	863,789,635	0.5204	4,393,511	4,320,179	98.33%	102.31%

Source: San Patricio County Appraisal District

CITY OF PORTLAND, TEXAS
 PROPERTY TAX RATES AND TAX LEVIES-
 ALL OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years
 September 30, 2010

Tax Rates (1)

Fiscal Year	City	School	County	Navigation District	Drainage District	Total	City's Percent of Total
2001	0.5700	1.6391	0.5350	0.03680	0.0935	2.87440	20%
2002	0.5500	1.7750	0.5350	None	0.0950	2.95500	19%
2003	0.5400	1.7750	0.5350	None	0.0952	2.94520	18%
2004	0.5229	1.7750	0.5350	None	0.0975	2.93040	18%
2005	0.5229	1.7750	0.5399	None	0.0986	2.91640	18%
2006	0.4947	1.6100	0.5399	None	0.0910	2.73565	18%
2007	0.5023	1.3600	0.5275	None	0.0819	2.47168	20%
2008	0.4882	1.3600	0.5275	None	0.0819	2.45758	20%
2009	0.5087	1.3600	0.5245	None	0.0793	2.47248	21%
2010	0.5204	1.3700	0.5245	None	0.0764	2.49130	21%

Tax Levies (1)

Fiscal Year	City	School	County	Navigation District	Drainage District	Total
2001	2,555,465	12,490,016	12,779,513	89,082	2,314,015	30,228,091
2002	2,668,344	12,863,887	11,737,695	None	2,374,256	29,644,182
2003	2,756,863	13,217,178	12,508,788	None	2,589,933	31,072,762
2004	2,825,473	14,326,460	14,000,424	None	2,835,979	33,988,336
2005	3,006,428	13,058,855	14,001,075	None	3,061,885	33,128,243
2006	3,135,498	10,046,743	3,369,091	None	600,399	17,151,731
2007	3,312,321	8,968,260	3,478,498	None	539,929	16,299,008
2008	3,842,317	10,703,710	4,151,623	None	644,411	19,342,060
2009	3,989,691	14,376,901	20,493,083	None	3,092,386	41,952,061
2010	3,686,430	15,126,436	20,512,911	None	3,054,028	42,379,805

(1) Per \$100 Assessed Valuation

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

		2010				2001	
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
BOPCO LP	Oil & Gas Industry	\$14,376,460	1.664%	Portland Townhomes LP	Apartments/Townhomes	\$12,215,312	2.724%
Portland Townhomes LP	Apartments	10,504,895	1.216%	Lands End Associates	Apartments	4,079,767	0.910%
Galileo Apollo II TX LP	Apartments	8,527,071	0.987%	H E Butt Grocery	Shopping Center	3,489,834	0.778%
Northshore Pavilions	Apartments	8,470,100	0.981%	Goode, Keith and Carolyn	Condominium/Property Owners	3,318,297	0.740%
Wal-Mart Stores Texas, LP	Shopping Center	8,248,879	0.955%	Central Power & Light Co.	Electric Utility	3,275,420	0.731%
Northshore Landing LTD	Apartments	6,875,998	0.796%	GTE Southwest, Inc.	Telephone Utility	3,055,330	0.681%
AEP Texas Central Company	Electric Utility	5,943,150	0.688%	K-Mart Corporation	Shopping Center	2,605,687	0.581%
Wal-Mart Stores Texas, LP	Grocery	5,675,640	0.657%	Northshore Golf Partners	Golf Course	2,590,629	0.578%
Baypoint at Northshore H.O.A.	Homeowners Association	5,146,555	0.596%	Indela Partners III, LP	Shopping Center Property	2,567,723	0.573%
Lands End Limited	Apartments	4,088,066	0.473%	Al Willeford Chevrolet, Inc.	Automobile Dealership	2,168,707	0.484%
		<u>\$77,856,814</u>	<u>9.013%</u>			<u>\$39,366,706</u>	<u>8.780%</u>

Data Source: Chief Appraiser, San Patricio County Appraisal District

Note:

^aTotal taxable value including real and personal property for tax year 2009 (fiscal year 2010) is \$863,789,635

^bTotal taxable value including real and personal property for tax year 2000 (fiscal year 2001) is \$448,363,200

CITY OF PORTLAND, TEXAS
 SALES TAX HISTORY OF COLLECTING ENTITIES BY INDUSTRY
 AS OF SEPTEMBER 30, 2010
 Last Ten Fiscal Years
 (Unaudited)

Year	Construction	Retail	Services	Transportation/ Communications	Wholesale	Financial Inst. & Real Estate	Manufacturing	Public Administration	Other	All Industries
2001	15	126	63	2	5	3	9	1	1	225
2002	21	137	73	2	7	3	10	2	2	257
2003	18	140	77	3	5	3	11	2	2	261
2004	17	138	82	3	6	2	11	2	7	268
2005	15	128	75	3	5	2	10	2	42	282
2006	12	108	70	3	5	3	5	2	80	288
2007	27	184	172	9	11	18	20	2	7	450
2008	40	221	232	14	10	23	19	4	71	594
2009	34	175	174	10	13	17	22	2	19	466
**2010	27	107	123	9	8	11	10	2	10	307

Source: Texas Comptroller of Public Accounts

**Information provided for the 1st and 2nd quarters only.

CITY OF PORTLAND, TEXAS
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
 Last Ten Fiscal Years
 September 30, 2010

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
2001	16,150	448,363,200	4,425,000	516,956	3,908,044	0.87%	242
2002	16,371	485,297,243	8,210,000	520,472	7,689,528	1.58%	470
2003	16,535	510,916,674	8,690,000	537,241	8,152,759	1.60%	493
2004	17,000	542,580,354	11,745,000	855,579	10,889,421	2.01%	641
2005	17,114	575,080,138	11,390,000	874,018	10,515,982	1.83%	614
2006	17,500	624,021,308	14,180,000	901,688	13,278,312	2.13%	759
2007	18,500	659,430,872	13,710,000	919,307	12,790,693	1.94%	691
2008	19,500	782,432,102	13,025,000	916,129	12,108,871	1.55%	621
2009	16,408	845,738,413	12,455,000	601,005	11,853,995	1.40%	722
2010	18,336	863,789,635	14,088,640	669,633	13,419,007	1.55%	732

CITY OF PORTLAND, TEXAS
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 September 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Gregory-Portland Independent School District	\$ 20,148,910	74.27%	\$ 14,964,595
San Patricio County	<u>\$ 18,645,000</u>	20.51%	\$ 3,824,090
Other debt			
Gregory-Portland Independent School District Capital Leases	\$ 3,253,736	74.27%	<u>\$ 2,416,550</u>
Subtotal, overlapping debt			\$ 21,205,235
City of Portland (direct debt)	\$ 14,243,987	100.00%	<u>\$ 14,243,987</u>
Total direct and overlapping debt			\$ 35,449,222
Average Debt Per Capita (18,336)			\$ 1,933

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
2001	16,150	20,324	328,232,600	4,365	5.63%
2002	16,371	21,643	354,317,553	4,289	6.10%
2003	16,535	22,744	376,072,040	4,276	6.40%
2004	17,000	23,651	402,067,000	4,302	7.70%
2005	17,144	25,365	434,857,560	4,285	6.30%
2006	17,500	27,452	480,410,000	4,285	4.40%
2007	18,500	26,178	484,293,000	4,261	5.00%
2008	19,200	***	***	4,245	5.48%
2009	16,408	17,862	293,079,696	4,197	10.30%
2010	18,336	18,508	339,362,688	4,296	8.70%

*** Data not available at time of publication.

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

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government and Administration	10	10	10	10	12.5	12.5	13	11.5	13.25	12.25
Public Safety	30	29	34	37.6	40.65	42.4	45.25	51	51.58	51.36
Building/Code Enforcement	4.5	4.5	4	4.5	4	3	3	5.3	5.3	5.3
Library	8	8	5.65	5.65	6	6	6	6	6	6
Water and Sewer	18.75	17	13.23	12.5	14	18	18.06	17.76	17.76	17.76
Vehicle Maintenance	1	1	1	1	1	1	1	1	1	1
Park Maintenance	10	9	8.23	7.75	7.67	7.51	7.51	7.51	7.5	7
Recreation/Community Center	51	49	21.74	19.52	21.08	22.69	24.86	27.65	27.99	25.64
Finance	2.5	2.5	2.5	2.9	3.38	3.38	3.75	4	4	4
Streets	7	6	5.23	5.96	5.97	5.96	5.96	5.96	5.96	5.46
Municipal Court	2.5	2.5	2.5	2.5	2.38	2.5	3	3	3	3
Total Full Time Equivalents	145.25	138.5	108.08	109.88	118.63	124.94	131.39	140.68	143.34	138.77

Source: City of Portland Budgets

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

Fiscal Year	Residential		Commercial		Total New Construction
	Construction Value	Permits Issued	Construction Value	Permits Issued	

2002	\$ 7,386,267	**	\$ 441,000	1	\$ 7,827,267
2003	\$ 6,048,097	59	\$ 205,000	1	\$ 6,253,097
2004	\$ 7,678,203	82	\$ 8,034,000	6	\$ 15,712,203
2005	\$ 12,161,538	112	\$ 14,261,100	8	\$ 26,422,638
2006	\$ 16,695,276	126	\$ 5,864,373	6	\$ 22,559,649
2007	\$ 16,731,348	128	\$ 786,500	2	\$ 17,517,848
2008	\$ 17,465,785	87	\$ 8,060,572	4	\$ 25,526,357
2009	\$ 9,916,665	56	\$ 830,555	2	\$ 10,747,220
2010	\$ 9,917,977	56	\$ 960,000	2	\$ 10,877,977

Source: City of Portland Building Department

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

*** The City's records system did not retain information on building permits prior to FY2002.

CITY OF PORTLAND, TEXAS
 STATISTICAL DATA
 YEAR ENDED SEPTEMBER 30, 2010

DATE OF INCORPORATION: May 28, 1949

DATE OF CITY CHARTER ADOPTION: August 8, 1967

FORM OF GOVERNMENT: Council - Manager

Area - Square Miles	11.5	Cultural and Recreational:	
Miles of Streets - Paved	98	Parks - Number of Acres	740.04
Fire Protection		Number of Lighted Fishing Piers	1
Number of Stations	2	Number of Playgrounds	13
Number of Employees:		Number of Swimming Pools	2
Regular - Full-Time	15	Number of Community Centers	1
Part-Time	1	Number of Senior Citizens Centers	1
Police Protection		Number of Public Libraries	1
Number of Stations	1	Education:	
Number of Employees:		Number of Schools	7
Regular - Full-Time	31	Number of School Teachers	261
Part-Time	1	Number of Students	4,958
Total Employees - Full Time & Full-time Equivalents	137	Average Daily Attendance	4059
		Municipal Water System:	
		Number of Customers	5307
		Daily Average Consumption	1,796,590
		Storage Capacity	3,000,000
		Number of Fire Hydrants	650
		Number of Street Lights	610



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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety					
Police					
# of Employees	31.75	31.75	34	34	32.25
# of Citations	4,765	3,682	3,840	3,218	3,152
Fire					
# of Employees	12.50	16	16	15	15
# of Fire Runs	257	332	321	429	428
# of Rescue Runs	842	894	884	990	944
Development Services					
Permits Issued	1,665	2,046	1,527	1,478	1,381
Cultural and Recreational					
Parks and Recreation					
Program Participants	40,538	67,750	82,325	90,183	88,588
# of Memberships Sold	830	1,390	755	1,528	1,726
Library					
Volumes in Circulation	62,509	64,200	99,091	111,422	120,710
Water and Sewer					
# of Bills Processed	43,884	45,351	62,305	63,347	63,399
# of System Customers	6,708	6,989	7,420	5,262	5,307
Millions of Gallons Billed	1,166	1,077	1,288	2,254	2,594

Source: City Departments

Notes: N/A=Data not available or measurement technique changed
 Data not available prior to 2004. Performance measures not tracked using same measures prior to 2004.

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

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Public Safety				
Police Stations	1	1	1	1
Police Patrol Units	7	9	11	14
Fire Stations	2	2	2	2
Development Services				
Streets Paved (miles)	52.05	52.05	52.05	57
# of Street Lights	581	581	581	601
Cultural and Recreational				
Parks (acres)	650	650	650	740.04
Playgrounds	11	11	11	12
Lighted Fishing Pier	1	1	1	1
Swimming Pools	1	1	1	1
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	4,451	4,451	4,677
Number of Fire Hydrants	440	440	440	460

Source: City Departments

Note: N/A = data not available.

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety						
Police Stations	1	1	1	1	1	1
Police Patrol Units	15	17	14	16	17	17
Fire Stations	2	2	2	2	2	2
Development Services						
Streets Paved (miles)	58	58	70	70	70	98
# of Street Lights	607	607	587	587	610	610
Cultural and Recreational						
Parks (acres)	740.04	740.04	740.04	740.04	740.04	740.04
Playgrounds	12	12	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	6,467	6,708	6,989	7,420	5,262	5,307
Number of Fire Hydrants	483	483	468	483	650	650

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

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1/2)	(4) Unfunded Actuarial Liability	(5) Annual Covered Payroll	(6) UAAL as a Percentage of ACP (4/5)	(7) Total TMRS Required Contribution Rate
2000	\$ 2,704,144	\$ 4,111,261	65.8%	\$ 1,407,117	\$ 2,066,340	68.1%	5.65%
2001	\$ 3,119,928	\$ 4,567,759	68.3%	\$ 1,447,831	\$ 2,340,245	61.9%	10.35%
2002	\$ 3,592,427	\$ 5,148,427	69.8%	\$ 1,556,000	\$ 2,552,400	61.0%	11.50%
2003	\$ 4,028,044	\$ 6,043,260	66.7%	\$ 2,015,216	\$ 2,539,023	79.4%	10.59%
2004	\$ 4,317,678	\$ 6,137,416	70.4%	\$ 1,819,738	\$ 2,818,368	64.6%	10.53%
2005	\$ 4,538,570	\$ 7,057,488	64.3%	\$ 2,518,918	\$ 3,350,769	75.2%	11.62%
2006	\$ 5,059,806	\$ 7,770,175	65.1%	\$ 2,710,369	\$ 3,682,799	73.6%	11.66%
2007*	\$ 5,579,277	\$ 9,810,011	56.9%	\$ 4,230,734	\$ 3,809,116	111.1%	13.00%
2008	\$ 6,386,094	\$ 10,605,048	60.2%	\$ 4,218,954	\$ 4,306,350	98.0%	13.00%
2009	\$ 7,479,403	\$ 12,178,090	61.4%	\$ 4,698,687	\$ 4,573,830	102.7%	14.17%

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



LOVVORN & KIESCHNICK, LLP
418 Peoples Street, Suite 308
Corpus Christi, TX 78401

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, 2010, which collectively comprise the City of Portland's basic financial statements and have issued our report thereon dated March 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Portland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Lovvorn + Kieschnick, LLP

Lovvorn & Kieschnick, LLP
March 8, 2011