



CITY OF PORTLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013

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CITY OF PORTLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013

CITY COUNCIL

David Krebs, Mayor

Cathy Skurow, Mayor Pro Tem

John Green

Ron Jorgensen

David E. Lewis

Gary Moore, Sr.

John Vilo

CITY MANAGER

Randy Wright

Prepared by

Finance Department

Michel Sorrell
Finance Director

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**CITY OF PORTLAND, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2013**

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INTRODUCTORY SECTION

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April 25, 2014

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

The Comprehensive Annual Financial Report of the City of Portland, Texas for the year ended September 30, 2013, is hereby submitted. This report is provided to the City Council, City Manager, City staff, our citizens, our bondholders and other interested parties to give detailed information concerning the financial condition and activities of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Finance Department of the City.

We are confident that the enclosed data is accurate in all material respects, all disclosures required to obtain maximum understanding are present and the report is organized in a manner 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. The Financial Section presents detailed information on specific funds and fund groups that help the reader see our operations in detail.

The Charter of the City of Portland requires that the City Council appoint certified public accountants, who will be responsible to the Council, to perform an independent audit of all funds and group of accounts of the City on an annual basis. Lovvorn & Kieschnick, LLP, is the firm hired by the City Council to meet this requirement. The auditors' unqualified opinion of the City's September 30, 2013 financial statements is the first item in the Financial Section of this document.

COMMUNITY PROFILE AND LOCAL ECONOMY

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

The City of Portland benefits from a school system that consistently receives statewide recognition in its academic, artistic and athletics programs. In the City of Portland, the students in the Gregory-Portland Independent School District attend three elementary schools, one intermediate school, a junior high and high school. The school district is classified at level 4-A for all interscholastic competitions.

The economic outlook within the city limits of Portland continues to be favorable for retail, casual dining, medical services offices, lodging, and financial establishments. Portland has experienced continued slow and

steady residential growth. Three newly developing subdivisions will accommodate the influx of new residents as industry and business moves within the region. The City welcomed an Academy, a national sporting goods store, to the business corridor in 2013.

The local region is in position to see major increases in heavy industry operations, some of those are not just on the horizon, they are underway. Located just east of the Portland border, Voestalpine, an Austrian steel processing company, will be breaking ground April 2014 and completing construction at the end of 2015. Voestalpine will operate a direct reduction plant to produce high quality sponge iron from iron ore pellets. This project represents a \$750 million investment and promises 1000 construction jobs and 150 fulltime permanent jobs when fully operational. The planned Cheniere Energy facility located on the Port of Corpus Christi's La Quinta Channel is completing licensing and will tentatively begin construction the first quarter of 2015. The new facilities will provide three new trains for liquefaction of natural gas extracted from the Eagle Ford Shale fields in south central Texas and the exportation of liquefied gas worldwide. The Tianjin Pipe Corporation, a Chinese manufacturing company, is located just 7 miles from the city limits. This project will begin the second phase of the manufacturing facility in spring 2014.

CITY SERVICES

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

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

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

BUDGETING AND LONG RANGE PLANNING

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

In accordance with the City Charter, on or before August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means for financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. The City's budgeted funds include the General Fund; Debt Service Fund; the following Special Revenue Funds: Portland Community Center Complex

Fund, Restricted Use Fund, and Venue Tax Fund; and all enterprise funds. For more detail on performance compared to budget, the reader should turn to the individual fund statements in the financial reports section of this document.

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

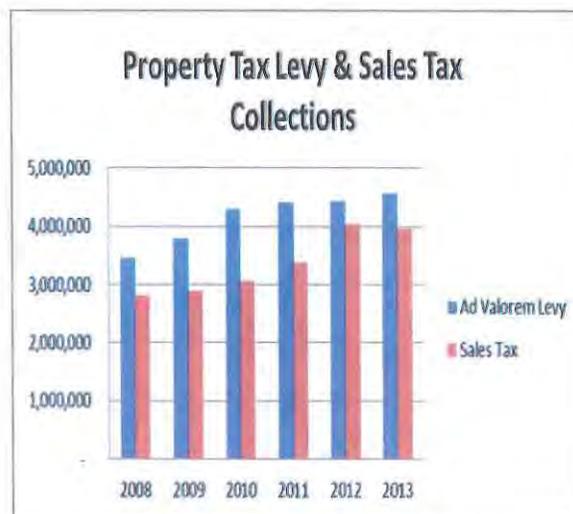
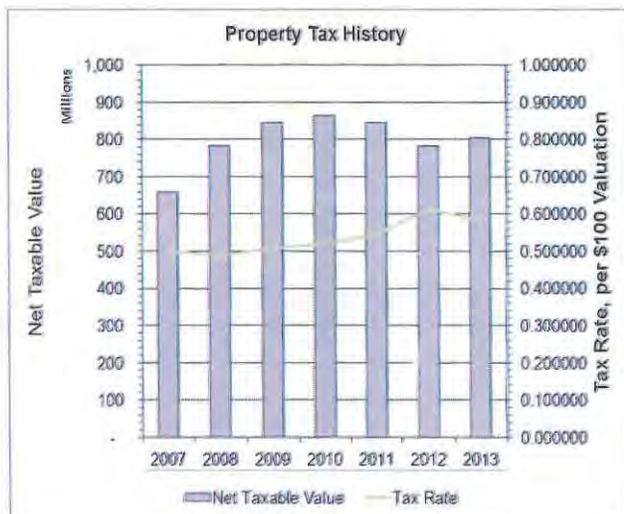
ACCOUNTING AND INTERNAL CONTROLS

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

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

GENERAL REVENUE TRENDS

The general trend of revenues has been positive in most areas, but not all. Property values in the City increased from fiscal year 2012 to 2013 by 2.73%. The City did raise the tax rate by \$0.01 to pay for additional services. Sales tax collections, on the other hand, decreased by 2.05% from the previous year, due to consumer caution regarding the economy and decreased activity from Eagle Ford Shale as infrastructure is completed.



STAFFING AND EMPLOYEE BENEFITS

The City of Portland operates with a very limited number of employees. In 2012-13, the budget provided for only 111 full time employees. The City Council has invested in the human capital represented by our employees so that we may attract and retain competent, multi-talented employees. In addition, Portland's benefits are equal to or superior to most cities in the state. However, like many employers across the country, the City of Portland has had to take measures to contain the cost of our health benefits plan. To assist our employees in this area, the City offers a Section 125 Plan that allows employees to pay for insurance premiums, health related expenses and dependent care with pretax dollars and thereby reduce their income tax liability. The retirement plan (through the Texas Municipal Retirement System) requires a 6% contribution from the employee and a 2-to-1 matching contribution by the City. The City has a deferred compensation plan through ICMA for employees wishing to make additional retirement deposits.

Starting in fiscal year 2009, the City of Portland was required to measure and report liability for Other Post Employment Benefits (OPEB). The Governmental Accounting Standards Board (GASB), the entity charged with establishing accounting principles for state and local governments, has issued Statement 45 which requires the disclosure of the total liability being incurred by governments on the benefits (other than pensions) that are offered to retirees. The City of Portland offers very limited access to continued health benefits to employees who qualify. We have complied with the reporting requirements, but are not currently planning to fund this liability on other than a pay-as-you-go basis. For a more detailed discussion of our OPEB liability, see Note 9 on page 46 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, 2012. The Certificate of Achievement is a prestigious national award - recognizing conformance with the highest standards for preparation of state and local government. The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

ACKNOWLEDGMENTS

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

Respectfully submitted,



Michel Sorrell, CPA, CPM
Finance Director

CITY OF PORTLAND, TEXAS

CITY COUNCIL

David Krebs, Mayor

Cathy Skurow, Mayor Pro Tem

John Green

Ron Jorgensen

David E. Lewis

Gary Moore, Sr.

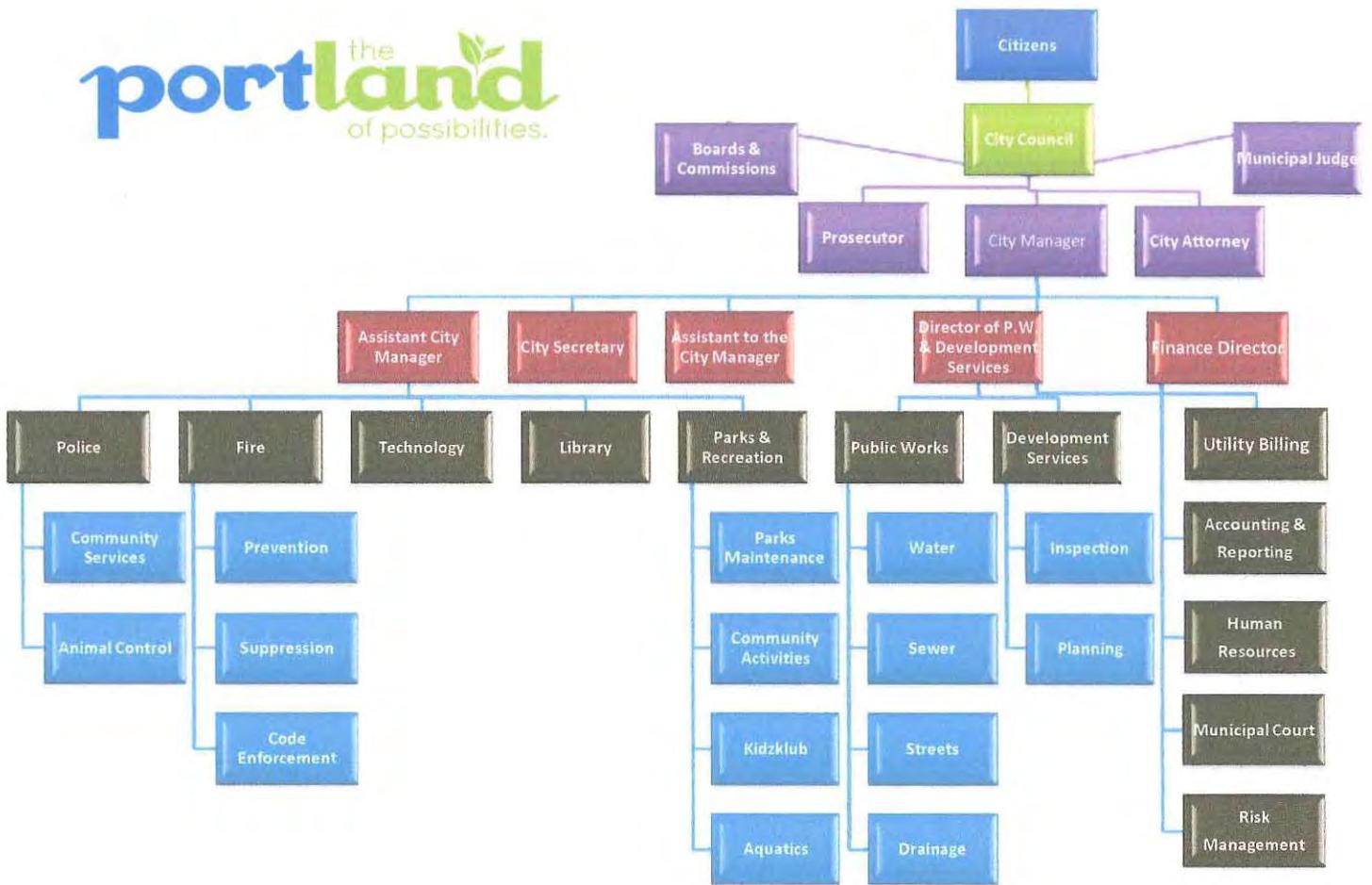
John Vilo

CITY MANAGER

Randy Wright

FINANCE DIRECTOR

Michel Sorrell, CPA





Government Finance Officers Association

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**City of Portland
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

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FINANCIAL SECTION

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Lovvorn & Kieschnick, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portland ("the City") as of an for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portland as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013 the City of Portland adopted a new accounting guidance. Government Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA pronouncements*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 52 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2014 on our consideration of the City of Portland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Portland's internal control over financial reporting and compliance.

Respectfully submitted,



Lovvorn & Kieschnick, LLP
Corpus Christi, TX

April 25, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Portland, Texas
Management's Discussion and Analysis
September 30, 2013
(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, 2013. 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 2013 by \$52,099,720 (net position). Of this amount, \$10,709,756 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,101,401 in 2013.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,600,906, an increase of 5.5% in comparison with the prior year. Of that amount, just under 1.63% was non-spendable (made up of inventory and prepaid items), 21.2% was legally restricted to specific purposes because of the source of the funds, 11.7% was committed to various specific purposes, and 17.49% (about \$1,678,945) was assigned to Cultural and Recreational purposes.
- The remainder of the governmental fund balances, \$4,615,044 or 48.1%, was the General Fund unassigned fund balance, which is available for any of the City's obligations.
- The City's major utility, the Water & Sewer Fund, reported a total net position of \$17,161,700. This represents a 14.44% increase over the prior year. Most significant is a \$684,479 increase of unrestricted net position to \$4,303,446 in this fund.
- The City's total long-term debt decreased by \$1,272,108 (4%) during the current fiscal year. The City issued \$1,980,000 in sales tax revenue refunding bonds Series 2013 to advance refund the outstanding 2003 series sales tax revenue bonds. The advance refunding reduced total debt service payments over the next 10 years.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The financial statements, as well as this management discussion and analysis, reflect the new GASB Statement No. 63, net position. GASB Statement No. 63 identifies *net position* as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 14-16 of this report.

Fund Financial Statements

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 17-22 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 23-26 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 27-51 to this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position 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 \$52,099,720 at the close of the most recent fiscal year. By far the largest portion of the City's net position, \$39,303,106 or 75.44%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire these assets, which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$2,086,858 or 4.01%) represents resources that are subject to external restrictions on how they may be used. The remaining balance, or unrestricted net position, of \$10,709,756, or 20%, may be used to meet the government's ongoing obligations to citizens and creditors. It has been the practice of the City to finance major maintenance and rehabilitation of infrastructure or invest in new capital assets by cautious and conservative draws on this unrestricted net position. It is anticipated that this will continue to be our practice – whenever possible - in the future.

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

The City's net position increased by \$3,101,401 (6.3%) during the fiscal year (see Table 1). Approximately 72% of this positive movement is attributed to a \$2.43 million increase in the value of capital assets net of related debt. Such a result is illustrative of the City's on-going commitment to maintain and improve our infrastructure like streets, water and sewer system service lines and the sewage treatment plant.

Management Discussion and Analysis

Comparative Data

Table 1

Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	11,532,794	11,469,811	9,686,520	14,711,030	21,219,314	26,180,841
Capital Assets, net of accumulated depreciation	35,996,833	36,219,057	27,907,410	22,005,617	63,904,243	58,224,674
Total Assets	47,529,627	47,688,868	37,593,930	36,716,647	85,123,557	84,405,515
Liabilities						
Current & Due Within One Year	2,767,694	3,081,003	2,318,741	3,019,021	5,086,435	6,100,024
Due in More Than One Year	12,550,646	12,967,031	15,386,756	16,340,141	27,937,402	29,307,172
Total Liabilities	15,318,340	16,048,034	17,705,497	19,359,162	33,023,837	35,407,196
Net Position						
Invested in Capital Assets, Net of Related Debt	23,895,496	23,383,381	15,407,610	13,491,679	39,303,106	36,875,060
Restricted for:						
Debt Service	963,200	896,156	109,875	108,056	1,073,075	1,004,212
Federal and State Programs	1,013,783	912,174	-	-	1,013,783	912,174
Unrestricted	6,338,808	6,449,123	4,370,948	3,757,750	10,709,756	10,206,873
Total Net Position	32,211,287	31,640,834	19,888,433	17,357,485	52,099,720	48,998,319

Governmental Activities

Revenues:

- For fiscal year 2013, the program revenues from governmental activities totaled \$2,215,665. General government program revenues consist primarily of fees, fines and charges for services. This group of revenues decreased by 2.4% in 2013.
- The other governmental activity program revenues – grants and contributions – *declined* by more than 10% (\$26,076) in 2013.
- Property tax collections totaled \$4,732,212, a decrease of less than 1% from the prior year reflecting both a slight increase in taxable values offset by an increase in value subject to revenue freeze.
 - Assessed taxable values went up by \$21 million or 2.7% from the prior year. This is the first increase in home values since 2010 and a reflection of some of the new growth in the City.
 - Effective and aggressive efforts continue in order to collect delinquent property taxes.
- Other taxes collected by the City also declined by \$101,088 or 2%, these include Sales Tax, Hotel Occupancy Tax and Franchise Tax, another indication that consumers are being cautious as the economy stabilizes.

Expenses:

- For fiscal year, 2013 governmental expenses totaled \$12,479,864, an increase of \$219,990 over the prior year. There was growth and contraction in different segments of governmental activities. There was growth in Public Safety (\$503,222) while there was contraction in Public Works (\$513,891). Public Safety increased personnel and related vehicles and equipment. Public Works reduced the number of projects during the year as compared to the previous year. Public Works also began the installation of radio read meters allowing the reduction in meter reader staff. As other positions within Public Works came open, the meter reader staff was absorbed, all except one who uses the laptop to read the radio read meters.

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

CITY OF PORTLAND, CHANGE IN NET POSITION

As of September 30, 2013

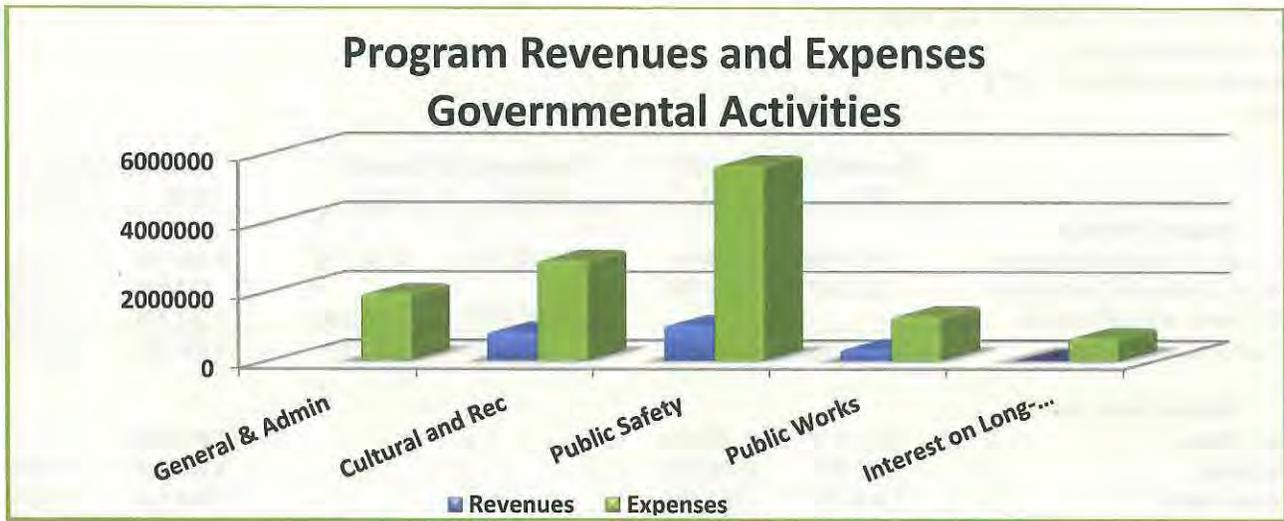
Compared to September 30, 2012

Table 2

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Program Revenues						
Fees, Fines & Charges for Services	1,991,985	2,019,081	6,222,759	6,140,733	8,214,744	8,159,814
Operating Grants and Contributions	223,680	249,756	-	-	223,680	249,756
Capital Grants and Contributions	-	-	1,992,896	222,196	1,992,896	222,196
Total Program Revenues	2,215,665	2,268,837	8,215,655	6,362,929	10,431,320	8,631,766
General Revenues						
Property Taxes	4,732,212	4,733,902	-	-	4,732,212	4,733,902
Sales Taxes	3,985,513	4,065,035	-	-	3,985,513	4,065,035
Franchise Taxes	1,014,730	1,033,907	-	-	1,014,730	1,033,907
Hotel/Motel Taxes	377,288	379,677	-	-	377,288	379,677
Investment Earnings	(113,095)	116,144	(60,427)	49,507	(173,522)	165,651
Gain on Disposal of Assets	10,138	325	3,982	-	14,120	325
Miscellaneous	241,036	243,119	14,632	16,611	255,668	259,730
Total Revenues	12,463,487	12,840,946	8,173,842	6,429,047	20,637,329	19,269,993
Expenses						
General Government and Admin.	1,946,383	1,910,890	-	-	1,946,383	1,910,890
Cultural and Recreational	2,908,389	2,805,939	-	-	2,908,389	2,805,939
Public Safety	5,662,410	5,159,188	-	-	5,662,410	5,159,188
Public Works	1,288,634	1,802,525	-	-	1,288,634	1,802,525
Interest on Long Term Debt	674,048	581,332	-	-	674,048	581,332
Water and Sewer	-	-	4,804,592	4,900,255	4,804,592	4,900,255
Drainage	-	-	251,472	165,661	251,472	165,661
Total Government Expenses	12,479,864	12,259,874	5,056,064	5,065,916	17,535,928	17,325,790
Change in Net Position						
Increase (Decrease) Before Transfers	(16,377)	581,072	3,117,778	1,363,131	3,101,401	1,944,203
Transfers	586,830	509,386	(586,830)	(509,386)	-	-
Change in Net Position	570,453	1,090,458	2,530,948	853,745	3,101,401	1,944,203
Net Position, Beginning of Year	31,640,834	30,550,376	17,357,485	16,503,740	48,998,319	47,054,116
Net Position, End of Year	32,211,287	31,640,834	19,888,433	17,357,485	52,099,720	48,998,319

The table on the next page illustrates governmental activities, both revenues and expenses, as found in the Government-Wide Statement of Activities, Exhibit 2, on pages 15-16. Governmental activities are supported through revenue sources that are spread across the population such as property tax and sales tax. Governmental activities, unlike business-type activities, are not funded through individual service fees. A properly managed city government will provide a safe community, maintained infrastructure, and cultural and recreation facilities. All of these amenities are provided through government activities. In 2013, revenues from taxes, investments and miscellaneous sources are used to offset this \$10.26 million deficit between expenses and program revenues in the governmental activities.

Program Revenues & Expenses – Governmental Activities
Table 3

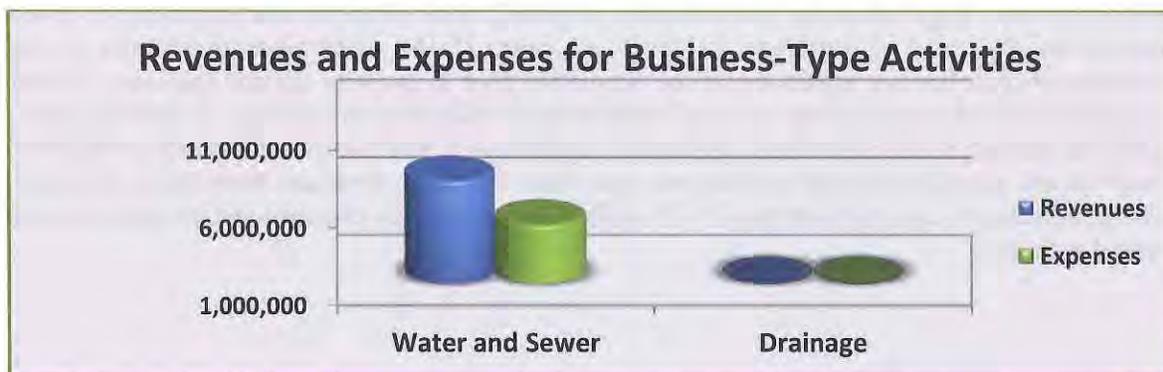


A look at the City’s business-type activities, as seen in Table 4 below, shows a different revenue and expense picture. Business-type activities provide services for a fee, or charge, and are operated in such a manner that the fees for services are established to provide for current operations, debt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

Business-type Activities. As shown in the Government-Wide Statement of Activities, Exhibit 2, on pages 15-16, program revenues of the City’s business-like activities were \$8,215,655 for the fiscal year ended September 30, 2013. Expenses for those same activities totaled \$5,056,564 resulting in net revenues of \$3,159,591 from operations. After the non-program revenues and transfers out are added in, the total change in net position for the business type activities was \$2,530,948. This is an increase of 15.3% in net position in the business-type activities. The majority of this increase can be attributed to a large grant provided by the Texas Water Development Board. The grant is dedicated to the installation of a sanitary sewer system in the Doyle Addition, which is in the City’s ETJ.

The amount of unrestricted net position available for the purpose of meeting immediate operating needs is \$4,370,948. The total business-type unrestricted net position represents only 22% of total net position in this area. The City is located on the Gulf of Mexico and subject to the effects of hurricanes; this level of unrestricted net position provides assurance of the City’s ability to continue operation in the event of a natural disaster.

Program Revenues & Expenses – Business–Type Activities
Table 4



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Portland uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. The City's funds fall into two categories: governmental funds and proprietary funds.

Governmental Funds. The focus of the City governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending balances of \$9,600,906, an increase of 5.5% compared to the prior year. Of this total, using the new GASB 54 classifications to rank the balances from most constrained to most available, this total breaks down:

Non-Spendable (inventory and pre-paid expenses)	\$ 155,772
Restricted (constrained by external agreements)	2,032,512
Committed (purpose/use set by City Council)	1,118,632
Assigned (special revenues not otherwise designated)	1,678,945
Unassigned (remainder of General Fund balance)	<u>4,615,044</u>
Total Governmental Fund Balance	<u>\$9,600,906</u>

The General Fund is the chief operating fund of the City. As shown, the unassigned (and therefore available-for-any-governmental-purpose) fund balance of the General Fund is \$4,615,044. This amount is equivalent to 162 days' full-service operations (total budgeted 2014 operating costs of \$10,420,613 divided by 365 days, yields daily operating cost of \$28,500). City financial policies require a minimum of 90 days operating reserve on hand at all times to sustain operations in the event of a disaster. Since Portland sits on the Texas Gulf Coast, we are constantly aware of the possibility of devastating hurricanes.

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

The Restricted Fund Balances totaling \$2,032,512 are in a variety of the City's governmental funds. Each of these fund balances has contractual, statutory or grantor constraints placed on their use from external authorities. For example, some of the larger balances are the \$997,435 restricted for debt service on long-term debt, \$584,253 restricted for Hotel Occupancy Tax revenue purposes, and \$265,596 restricted for law enforcement purposes.

The Committed Fund Balances are amounts the City Council has specifically put aside to be used for a variety of purposes. Committed balances include \$1,040,925 for capital improvements. The City Council has complete discretion on the use, accumulation or the dissolution of these balances.

Proprietary Funds. The proprietary funds ended 2013 with a combined net position totaling \$19,888,433. This class of funds includes the Water and Sewer System Fund, the Drainage Utility Fund, and the Insurance Fund. In this total, the net position for each fund is: Water and Sewer Fund \$17,161,700, the Drainage Fund \$2,726,733 and the Insurance Fund \$60,297.

The Water and Sewer System Utility is an essential service provided by the City and we work hard to ensure 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 2013, the operations resulted in an unreserved net position of \$4,303,436, which will finance 260 days of operations if a catastrophic event were to occur that interrupted normal revenue streams. With only 90 days reserve required by City policy, the balance of that reserve amount is available for capital improvements.

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

The Drainage Utility Fund accounts for drainage planning, maintenance and service to the residents and businesses of the City. This fund had a total net position of \$2,726,733 at the end of 2013. Of this, 98% was in the form of capital assets. In 2012, an engineering firm conducted an impact fee study (including a series of public hearings to notify the public) to determine the cost of needed drainage improvements and assess costs to be shared by landowners. This project, the Broadway Boulevard Drainage Improvement Project, was funded by a \$700,000 loan from General Fund to the Drainage Utility Construction Fund. The project began in 2013 and approximately \$140,000 in impact fees was recovered for commercial projects built that benefit from the drainage project. The impact fees assessed are used to “payback” the General Fund.

The Insurance Fund is an internal service fund used to provide employee insurance benefits. It is funded through the contributions of the City and employees based on the individual employee plan. At September 30, 2013 the net position in this fund was \$60,297.

General Fund Budgetary Highlights

During FY 2012-13, there was no formal amendment to the General Fund budget. However, mid-year adjustments were necessary due to slower revenues. Actions taken include freezing open positions, eliminating the budgeted cost of living increase, and delaying capital projects until the next year. The conservative nature of the City and constant analysis of the City’s financial position permits the City to make internal adjustments when budget realignment is necessary.

To fully account for the cost of all City services, each of the funds is charged with the “cost” of the services provided by the other funds. For example, the Water and Sewer fund provides services to all of the General Fund departments. Likewise, several departments in General Fund provide administrative, financial, information technology and supervisory services to the Water and Sewer fund, the 4B Economic Development fund and the Venue Tax Fund. Since it is inefficient for the City to write checks back and forth between funds every month, this allocation of costs 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, 2013 amounts to \$63,904,250 (net of accumulated depreciation). This investment in capital assets includes, land, buildings and improvements, vehicles, furniture and equipment, infrastructure and construction in progress. The total increase in capital assets for the current fiscal year was \$5.68 million or 9.8%.

The City of Portland continues to make necessary capital investments to maintain and improve our infrastructure. Maintenance and replacement of infrastructure can be costly and often cities will cut these items from their budget when faced with a shortfall. When maintenance is delayed, what ultimately ends up happening is the infrastructure degrades and becomes a much more expensive undertaking to repair. The following is a list of capital assets and projects occurring in 2013:

- Installation of automatic radio-read water meters began throughout the City (\$1.1 million).
- Implementation and installation of Water and Sewer Line Replacement began (\$3.8 million budgeted).
- The Wastewater Treatment Plant Improvements were completed (\$3.1 million total project).
- Construction began on the Sanitary Sewer System in Doyle Addition (\$2.3 million).
- A comprehensive street study was initiated to determine street, sidewalk, and curb and gutter needs for the Phase 9A and 9B Street Improvement Project.

- Construction of the Northshore Area Drainage Improvement Project continued (\$700,000).
- Design, bid and began the Fire Station No. 2 Expansion (\$569,250).

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

Capital Assets

Net of Capital Accumulated Depreciation

Table 5

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Land	4,412,524	4,412,524	118,362	118,362	4,530,886	4,530,886
Buildings	15,218,742	15,257,456	484,843	500,516	15,703,585	15,757,972
Vehicles	1,456,237	1,018,337	-	-	1,456,237	1,018,337
Equipment	1,445,286	1,484,929	677,180	775,826	2,122,466	2,260,755
Infrastructure	12,889,272	10,801,764	21,823,073	16,246,523	34,712,345	27,048,287
Intangibles	506,372	-	367,177	367,177	873,549	367,177
Construction in Progress	68,400	3,244,047	4,436,782	3,997,213	4,505,182	7,241,260
Total	35,996,833	36,219,057	27,907,417	22,005,617	63,904,250	58,224,674

Long-Term Debt. The City's only activity related to debt issuance in 2013 was a sales tax refunding issue. In August, the Series 2013 Sales Tax Refunding Bonds were issued (\$1,980,000). The City issued the bonds to advance refund the outstanding series 2003 sales tax revenue bonds and ultimately saving the City over \$200,000 in interest. The City also entered into a lease agreement for the acquisition of a fire truck. The total equipment purchased totals \$531,173.

Since 2010, Standard & Poor's has rated on the Combined Tax and Limited Pledge Revenue Certificates of Obligation as "AA-" with stable outlook. The City's Utility System Revenue bonds are rated by Standard & Poor's at "A+" with stable outlook. For both general obligation debt and utility revenue system debt, the City purchases insurance to enhance the rating on each issue to "AAA" for increased marketability.

Extensive discussion of the City's Long-term debt can be found in Note 4 of the Notes to the Basic Financial Statements on pages 37-42 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City of Portland's economic outlook is positive; however, caution is still necessary in preparing the upcoming FY 2013-2014 budget. The City is beginning to see the early stages of industry expansion in the surrounding area. This will bring new residents in the future as well as additional commercial and retail institutions. At the beginning of FY 2013-2014, a new retail business opened in Portland, bringing increased sales tax revenue. The upcoming budget will be watchful regarding collections for sales taxes, motel occupancy taxes and permit fees. Sales taxes in particular are showing signs of strengthening and beginning to mirror the volume seen in 2012. Retail establishments in the City's major corridor on Highway 181 continue in business and appear to thrive. Hotel/Motel Occupancy Tax continues to improve from year to year. There are two additional hotels in the works and coming within the next fiscal year. Hotel/Motel monies are restricted and limited to projects that put "heads in beds." These restrictions present particular budget issues and required planning.

The inventory of existing homes for sale or rent continues to be unusually low. Applications for new home permits at the end of 2013 equaled 2012. The beginning of FY 2013-2014 has shown little improvement in the number of housing permits issued. There are three subdivisions currently in development, which will add more than 200 lots. Construction has been slow, however, due to some much-needed rain. The Gregory Portland Independent School District did sell bonds to construct a new elementary school on the City's east side; the

design phase has been started and construction will begin later this year. It is expected these activities will bring many new residents to Portland and spur an increase in new home permit applications.

The FY 2013-2014 budget for the utility departments includes major projects to expand infrastructure and to increase efficiency and effectiveness throughout the systems. The automatic meter reading system is substantially complete. A new meter was installed at every residence and business, which remotely reads usage and provides readings that are more accurate. Another major project that is in progress is replacing aging water and sewer lines throughout the system to reduce the number of breaks and leaks.

In the general government area, the City will enhance the accessibility and availability of our beautiful shoreline parks by constructing a hike and bike trail to link Violet Andrews and Sunset Lake Parks. The shoreline preservation project at Indian Point Pier should begin this year as well. Additionally, the City will begin the Sports Complex Improvement Project, which will rehabilitate ball fields, add parking, and other park amenities. These projects will provide enjoyment for residents and visitors alike. By focusing on our unique local assets and playing to our strengths – safe, clean, affordable city with high quality services – the City Council and management will continue to make Portland the most attractive place for families in the Coastal Bend.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

the
portland
of possibilities.

CITY OF PORTLAND, TEXAS
 GOVERNMENT - WIDE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2013

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	8,733,188	3,696,435	12,429,623
Receivables, Net of Allowance for Uncollectible:			
Delinquent Taxes	119,440	-	119,440
Accounts	565,504	561,355	1,126,859
Other	-	-	-
Due From Other Governments	167,329	33,031	200,360
Inventory	17,129	195,932	213,061
Prepaid Items	138,642	18,010	156,652
Escrow Funds	147,916	-	147,916
Internal Balances	630,226	(630,226)	-
Capitalized Bond and Other Debt Issuance Costs	403,694	500,508	904,202
Restricted Assets:			
Cash and Cash Equivalents	609,726	5,311,475	5,921,201
Capital Assets:			
Land	4,412,524	118,362	4,530,886
Intangibles	534,971	367,177	902,148
Buildings and Improvements	22,180,839	686,429	22,867,268
Vehicles	2,723,962	-	2,723,962
Furniture and Equipment	2,941,480	1,044,233	3,985,713
Water and Sewer System	-	26,083,322	26,083,322
Infrastructure	41,824,413	4,033,931	45,858,344
Construction in Progress	68,400	4,436,782	4,505,182
Accumulated Depreciation	(38,689,756)	(8,862,826)	(47,552,582)
TOTAL ASSETS	47,529,627	37,593,930	85,123,557
LIABILITIES			
Accounts Payable	486,985	779,359	1,266,344
Accrued Interest	58,082	50,551	108,633
Accrued Liabilities	228,259	75,300	303,559
Escrow	456,000	-	456,000
Deposits	175,735	421,261	596,996
Noncurrent Liabilities:			
Due within one year	1,362,633	992,270	2,354,903
Due in more than one year	12,550,646	15,386,756	27,937,402
TOTAL LIABILITIES	15,318,340	17,705,497	33,023,837
NET POSITION			
Invested in Capital Assets, net of Related Debt	23,895,496	15,407,610	39,303,106
Restricted for:			
Debt Service	963,200	109,875	1,073,075
Federal and State Programs	1,013,783	-	1,013,783
Unrestricted	6,338,808	4,370,948	10,709,756
TOTAL NET POSITION	32,211,287	19,888,433	52,099,720

See accompanying notes to basic financial statements.

CITY OF PORTLAND, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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	1,946,383	-	-	-
Cultural and Recreational	2,908,389	818,687	17,622	-
Public Safety	5,662,410	826,844	206,058	-
Public Works	1,288,634	346,454	-	-
Interest on Long Term Debt & Other Fiscal Charges	674,048	-	-	-
Total Governmental Activities	<u>12,479,864</u>	<u>1,991,985</u>	<u>223,680</u>	<u>-</u>
Business-Type Activities:				
Water and Sewer	4,804,592	5,807,955	-	1,795,646
Drainage	251,472	414,804	-	197,250
Total Business-Type Activities	<u>5,056,064</u>	<u>6,222,759</u>	<u>-</u>	<u>1,992,896</u>
Total Government	<u>17,535,928</u>	<u>8,214,744</u>	<u>223,680</u>	<u>1,992,896</u>
General Revenues:				
Taxes				
Property				
Sales				
Franchise				
Hotel/Motel				
Investment Earnings (Losses)				
Miscellaneous				
Gain on Disposal of Assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

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

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
(1,946,383)	-	(1,946,383)
(2,072,080)	-	(2,072,080)
(4,629,508)	-	(4,629,508)
(942,180)	-	(942,180)
(674,048)	-	(674,048)
(10,264,199)	-	(10,264,199)
-	2,799,009	2,799,009
-	360,582	360,582
-	3,159,591	3,159,591
(10,264,199)	3,159,591	(7,104,608)
4,732,212	-	4,732,212
3,985,513	-	3,985,513
1,014,730	-	1,014,730
377,288	-	377,288
(113,095)	(60,427)	(173,522)
241,036	14,632	255,668
10,138	3,982	14,120
586,830	(586,830)	-
10,834,652	(628,643)	10,206,009
570,453	2,530,948	3,101,401
31,640,834	17,357,485	48,998,319
32,211,287	19,888,433	52,099,720

CITY OF PORTLAND, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<u>General</u>
ASSETS	
Cash and Cash Equivalents	4,949,344
Receivables, Net of Allowance for Uncollectible:	
Accounts	523,667
Ad Valorem Taxes	97,070
Other	--
Due from Other Funds	639,561
Due from Other Governments	--
Inventory	17,129
Prepaid Items	81,148
Escrow Funds	147,916
Restricted Assets	
Cash and Cash Equivalents	--
TOTAL ASSETS	<u><u>6,455,835</u></u>
LIABILITIES AND FUND BALANCE	
Accounts Payable	414,924
Accrued Interest Payable	--
Accrued Liabilities	224,345
Deposits	175,735
Escrow	--
Due to Other Funds	731,437
Unearned Revenue	97,071
TOTAL LIABILITIES	<u>1,643,512</u>
FUND BALANCE	
Non-Spendable	
Inventory	17,129
Prepaid items	81,148
Restricted for:	
Law Enforcement	--
Debt Service	--
Federal and State Programs	--
Municipal Technology Fees	--
Building Security Fund	--
Cable Franchise P.E.G.	--
Hotel Occupancy Tax Reserve	--
Capital Improvements	--
Committed to:	
Windstorm Insurance	50,000
Indian Point Pier	12,044
Old Town Development	2,199
Parks	34,724
Environmental Education	35
Capital Improvements	--
Assigned:	
Cultural and Recreational	--
Unassigned	4,615,044
TOTAL FUND BALANCE	<u><u>4,812,323</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>6,455,835</u></u>

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

Venue Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
407,225	3,308,806	8,665,375
--	41,837	565,504
--	22,370	119,440
--	--	--
1,430	876,363	1,517,354
78,274	89,055	167,329
--	--	17,129
26,273	31,221	138,642
--	--	147,916
<u>609,726</u>	<u>--</u>	<u>609,726</u>
<u>1,122,928</u>	<u>4,369,652</u>	<u>11,948,415</u>
7,695	55,521	478,140
--	1,477	1,477
3,914	--	228,259
--	--	175,735
--	456,000	456,000
--	157,020	888,457
--	22,370	119,441
<u>11,609</u>	<u>692,388</u>	<u>2,347,509</u>
--	--	17,129
26,273	31,221	138,642
--	265,596	265,596
351,956	645,479	997,435
--	42,930	42,930
--	15,661	15,661
--	57,383	57,383
--	47,959	47,959
--	584,254	584,254
--	21,296	21,296
--	--	50,000
--	--	12,044
--	--	2,199
--	--	34,724
--	--	35
--	1,019,630	1,019,630
--	--	--
733,090	945,855	1,678,945
--	--	4,615,044
<u>1,111,319</u>	<u>3,677,264</u>	<u>9,600,906</u>
<u>1,122,928</u>	<u>4,369,652</u>	<u>11,948,415</u>

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CITY OF PORTLAND, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Exhibit 3-R

Total fund balance - total governmental funds	9,600,906
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the funds.	35,996,834
Property taxes receivable unavailable to pay for current period expenditures are unearned in the funds.	119,440
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	60,297
Payables for capital leases which are not due in the current period are not reported in the funds.	(431,173)
Other long-term liabilities which are not due in the current period are not reported in the funds	(1,190,208)
Payables for bond principal which are not due in the current period are not reported in the funds.	(12,087,035)
Premiums on issuance of bonds to be amortized over life of debt.	(204,863)
Payables for bond interest which are not due in the current period are not reported in the funds.	(56,605)
Bond issuance cost to be amortized over the life of the debt	403,694
Net position of governmental activities - statement of net position	<u>32,211,287</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, 2013

	<u>General</u>
REVENUES	
Taxes	6,702,430
Licenses and Permits	323,040
Intergovernmental	29,835
Charges for Services	972,775
Fines and Forfeitures	223,888
Investment Income	(59,913)
Contributions	112,910
Oil Leases and Royalties	16,092
Other	165,954
	<u>8,487,011</u>
Total Revenues	8,487,011
EXPENDITURES	
Current:	
General Government	1,883,742
Public Safety	5,520,020
Public Works	1,039,331
Cultural and Recreational	1,616,920
Debt Service:	
Principal Retirement	--
Interest and Fiscal Charges	--
Bond Issuance Cost	--
	<u>10,060,013</u>
Total Expenditures	10,060,013
EXCESS (DEFICIENCY) OF REVENUES	
OVER EXPENDITURES	(1,573,002)
OTHER FINANCING SOURCES (USES)	
Sale of Capital Assets	20,953
Bonds Issued	--
Capital Lease Proceeds	531,173
Bond Premium	--
Payments to Bond Escrow Agent	--
Transfers In	1,139,712
Transfers Out	(719,758)
	<u>972,080</u>
Total Other Financing Sources (Uses)	972,080
NET CHANGE IN FUND BALANCES	(600,922)
FUND BALANCES, beginning of year	5,413,245
FUND BALANCES, end of year	4,812,323

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

Venue Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
991,707	2,436,937	10,131,074
--	--	323,040
--	203,358	233,193
177,867	--	1,150,642
--	195,172	419,060
3,968	(57,150)	(113,095)
--	--	112,910
--	--	16,092
--	35,810	201,764
<u>1,173,542</u>	<u>2,814,127</u>	<u>12,474,680</u>
--	8,328	1,892,070
--	428,705	5,948,725
--	63,673	1,103,004
427,356	422,616	2,466,892
160,000	950,740	1,110,740
91,035	429,260	520,295
75,567	--	75,567
<u>753,958</u>	<u>2,303,322</u>	<u>13,117,293</u>
419,584	510,805	(642,613)
--	--	20,953
1,980,000	--	1,980,000
33,932	--	531,173
(1,995,814)	--	33,932
--	986,703	(1,995,814)
(257,329)	(562,498)	2,126,415
<u>(239,211)</u>	<u>424,205</u>	<u>(1,539,585)</u>
180,373	935,010	1,157,074
930,946	2,742,254	514,461
<u>1,111,319</u>	<u>3,677,264</u>	<u>9,086,445</u>
<u>1,111,319</u>	<u>3,677,264</u>	<u>9,600,906</u>

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CITY OF PORTLAND, TEXAS

Exhibit 4-R

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013*

Net change in fund balance - total governmental funds	514,461
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA (Statement of Activities). The depreciation of capital assets used in governmental activities is not reported in the funds.	1,377,210 (1,531,911)
Trade in or disposal of capital assets decrease net position in the SOA but not in the funds.	(78,339)
Certain property tax revenues are unearned in the funds. This is the change in these amounts this year.	(21,332)
Proceeds from bonds issued do not provide revenue in the SOA, but are reported as current resources in the funds.	(1,980,000)
Bond Premiums	(33,932)
Payments to an escrow agent on refunding bonds are not reported as another financing use on the SOA.	1,995,814
Repayment of bond and capital lease principal is an expenditure in the funds but is not an expense in the SOA.	1,110,740
Amortization of bond premium is an expense in the SOA but not in the funds	13,997
Proceeds from capital leases are reported as other financing sources in the fund statements, but not in the SOA.	(531,173)
The net revenue (expense) of internal service funds is reported with governmental activities.	(6,934)
Amortization of bond issuance costs is an expense in the SOA but not in the funds.	(25,095)
Amortization of deferred amount is an expense reduction in the SOA but not in the funds.	(73,608)
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in OPEB obligations	(217,464)
Change in accrued interest payable	6,520
Change in compensated absences	51,499
Change in net position of governmental activities - statement of activities	<u>570,453</u>

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

CITY OF PORTLAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

Exhibit 5
page 1 of 2

	Business Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	3,048,805	647,630	3,696,435	67,813
Accounts Receivable	535,558	25,797	561,355	--
Less Allowance for Uncollectible Accounts	--	--	--	--
Interest Receivable	--	--	--	--
Due From Other Governments	33,031	--	33,031	--
Bond Issue Cost	506,275	78,712	584,987	--
Less Allowance for Amortization	(71,688)	(12,791)	(84,479)	--
Inventory	195,932	--	195,932	--
Prepaid Items	18,010	--	18,010	--
Due from General Fund	2,314	--	2,314	1,329
Due from Street Improvements Fund	--	675	675	--
Due from Restricted Use Fund	--	--	--	--
Due from Venue Tax Fund	--	--	--	--
Due from Water and Sewer Fund	--	--	--	--
Total Current Assets	4,268,237	740,023	5,008,260	69,142
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents	5,311,475	--	5,311,475	--
Total Restricted Assets	5,311,475	--	5,311,475	--
Capital Assets:				
Land	118,362	--	118,362	--
Intangible Assets	--	367,177	367,177	--
Buildings	686,429	--	686,429	--
Water System	8,961,234	--	8,961,234	--
Sewer System	17,122,088	--	17,122,088	--
Equipment	896,986	147,247	1,044,233	--
Infrastructure	--	4,033,931	4,033,931	--
Construction in Progress	4,160,942	275,840	4,436,782	--
Total Capital Assets	31,946,041	4,824,195	36,770,236	--
Less Accumulated Depreciation	(8,300,004)	(562,822)	(8,862,826)	--
Net Capital Assets	23,646,037	4,261,373	27,907,410	--
Total Noncurrent Assets	28,957,512	4,261,373	33,218,885	--
TOTAL ASSETS	33,225,749	5,001,396	38,227,145	69,142

CITY OF PORTLAND, TEXAS
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2013

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	678,670	100,688	779,358	-
Flexible Spending Accounts	-	-	-	8,845
Accrued Liabilities	75,300	-	75,300	-
Due to General Fund	68,967	564,249	633,216	-
Current Portion of Long-Term Debt-Bonds (Net of Bond Premium and Deferred Amount on Refundings)	875,651	116,619	992,270	-
Accrued Interest	42,967	7,584	50,551	-
Deposits	421,261	-	421,261	-
Total Current Liabilities	2,162,816	789,140	2,951,956	8,845
Non-Current Liabilities:				
Bonds Payable (Net of Bond Premium and Deferred Amount on Refundings)	13,674,180	1,485,523	15,159,703	-
Net OPEB Obligation	227,053	-	227,053	-
Total Non-Current Liabilities	13,901,233	1,485,523	15,386,756	-
Total Liabilities	16,064,049	2,274,663	18,338,712	8,845
Net Position:				
Invested in Capital Assets, Net of Related Debt	12,748,379	2,659,231	15,407,610	-
Restricted for:				
Debt Service	109,875	-	109,875	-
Unrestricted	4,303,446	67,502	4,370,948	60,297
Net Position	17,161,700	2,726,733	19,888,433	60,297

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

CITY OF PORTLAND, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
YEAR ENDED SEPTEMBER 30, 2013

Exhibit 6

	Business-Type Activities - Enterprise Funds			Governmental
	Water and Sewer	Drainage Fund	Total	Activities- Internal Service Fund
OPERATING REVENUES				
Charges for Services	5,807,955	414,804	6,222,759	876,220
Miscellaneous	14,632	--	14,632	--
Total Operating Revenues	5,822,587	414,804	6,237,391	876,220
OPERATING EXPENSES				
Personnel Services	1,044,671	--	1,044,671	--
Maintenance	103,388	18,178	121,566	--
Purchase of Water	1,923,576	--	1,923,576	--
Contract Payments	113,832	4,439	118,271	879,655
Materials and Supplies	147,711	--	147,711	--
Utilities	300,869	--	300,869	--
Other Operating Expenses	--	--	--	3,556
Depreciation	629,538	160,380	789,918	--
Amortization	28,369	3,936	32,305	--
Total Operating Expenses	4,291,954	186,933	4,478,887	883,211
Net Operating Income (Loss)	1,530,633	227,871	1,758,504	(6,991)
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	(64,877)	4,450	(60,427)	57
Intergovernmental Grant Revenue	1,495,546	--	1,495,546	--
Gain on Sale of Capital Assets	3,982	--	3,982	--
Interest and Fiscal Charges	(512,638)	(64,539)	(577,177)	--
Net Non-Operating Revenues (Expenses)	922,013	(60,089)	861,924	57
Income (Loss) Before Contributions and Transfers	2,452,646	167,782	2,620,428	(6,934)
Capital Contributions	300,100	197,250	497,350	--
Transfers In	--	--	--	--
Transfers Out	(586,830)	--	(586,830)	--
Change in Net Position	2,165,916	365,032	2,530,948	(6,934)
NET POSITION BEGINNING OF YEAR	14,995,784	2,361,701	17,357,485	67,231
NET POSITION END OF YEAR	17,161,700	2,726,733	19,888,433	60,297

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, 2013

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	5,966,394	416,184	6,382,578	945,193
Cash borrowed from other funds	--	(156,716)	(156,716)	--
Cash payments to suppliers for goods and services	(3,328,129)	(289,762)	(3,617,891)	--
Cash payments to employees for services	(995,164)	--	(995,164)	--
Cash Payments for Loss Claims	--	--	--	(957,375)
Net cash provided by operating activities	1,643,101	(30,294)	1,612,807	(12,182)
Cash flows from noncapital financing activities:				
Transfers from other funds	--	--	--	--
Transfers to other funds	(586,830)	--	(586,830)	--
Net cash provided by noncapital financing activities	(586,830)	--	(586,830)	--
Cash Flows from Capital and Related Financing Activities:				
Cash received from other Governments - Grants	1,495,546	--	1,495,546	--
Principal Payment on bonds	(973,260)	(134,560)	(1,107,820)	--
Interest and Fiscal Charges Paid	(512,638)	(64,539)	(577,177)	--
Purchase of Capital Assets	(5,653,260)	(265,079)	(5,918,339)	--
Net Cash Used for Capital and Related Financing Activities	(5,643,612)	(464,178)	(6,107,790)	--
Cash Flows from Investing Activities - Interest Income	(64,877)	4,646	(60,231)	57
Net Increase (Decrease) in Cash and Cash Equivalents	(4,652,218)	(489,826)	(5,142,044)	(12,125)
Cash and Cash Equivalents at Beginning of Year	13,012,498	1,137,456	14,149,954	79,938
* CASH AND CASH EQUIVALENTS AT END OF YEAR	8,360,280	647,630	9,007,910	67,813
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	1,530,633	227,871	1,758,504	(6,991)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	629,538	160,380	789,918	--
Amortization	28,369	3,936	32,305	--
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	143,807	1,576	145,383	--
(Increase) Decrease in Due from Other Funds	80,492	126	80,618	68,974
(Increase) Decrease in Inventory	(97,080)	--	(97,080)	--
(Increase) Decrease in Prepaid Expense	(1,500)	--	(1,500)	--
Increase (Decrease) in Accounts Payable	(461,224)	(266,963)	(728,187)	(74,165)
Increase (Decrease) in Accrued Liabilities	49,507	(504)	49,003	--
Increase (Decrease) in Due to Other Funds	(239,921)	(156,716)	(396,637)	--
Increase (Decrease) in Accrued Vacation Leave	(34,448)	--	(34,448)	--
Increase (Decrease) in Accrued Interest	(1,808)	--	(1,808)	--
Increase (Decrease) in Deposits	16,736	--	16,736	--
Net Cash Provided (Used) by Operating Activities	1,643,101	(30,294)	1,612,807	(12,182)

Noncash Investing, Capital, and Financing Activities:

During this past year, the Enterprise Funds received \$497,350 noncash capital contributions from developers consisting of water and sewer infrastructure and drainage infrastructure.

* Includes restricted cash and cash equivalents.

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Blended Component Unit

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

Discretely Presented Component Unit

There are no component units required to be discretely presented.

The City complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989. The City has elected not to follow Financial Accounting Standards Board guidance after November 30, 1989.

B. Basis of Presentation

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

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

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.

Venue Sales Tax Fund-

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

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

Water and Sewer System Fund-

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

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Drainage Fund-

The Drainage Fund is used to finance drainage system permits, studies, plans, maintenance and improvements. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for drainage system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Additionally, the City reports the following fund types:

Internal Service Fund-

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

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

C. Measurement Focus/Basis of Accounting

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

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

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

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the

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state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

D. Encumbrances

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

E. Investments

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

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

F. Prepaid Items

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

G. Inventories

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

H. Interfund Receivables and Payables

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

I. Transactions between Funds

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

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

J. Capital Assets

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

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

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

K. Compensated Absences

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

L. Net Position and Fund Equity

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

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

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

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

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

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

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

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

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

M. Use of Estimates

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

N. Deferred Outflows and Inflows of Resources

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

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

O. Recently Issued and Adopted Accounting Pronouncements

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after June 15, 2012, improves financial reporting by enhancing guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The City has implemented the new requirements for the fiscal year ended September 30, 2013 financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA pronouncements*, effective for periods beginning after December 15, 2011, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinion, and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements. The City has implemented the new requirements for the fiscal year ended September 30, 2013 financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The City has implemented the new requirements for the fiscal year ended September 30, 2013 financial statements.

Recently Issued Accounting Pronouncements

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful

CITY OF PORTLAND, TEXAS
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information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

2. CASH AND INVESTMENTS

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

Legal and Contractual Provisions Governing Deposits and Investments

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

Interlocal Governmental Investment Pools

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

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

CITY OF PORTLAND, TEXAS
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YEAR ENDED SEPTEMBER 30, 2013

A. Cash Deposits:

At September 30, 2013, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$483,923 and the bank balance was \$755,663. The City's cash deposits at September 30, 2013 and during the period ended September 30, 2013, 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, 2013, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Investment Pools:					
Investment in TexPool	5,365,411	5,365,411	-	-	-
Certificates of Deposit	12,642,674	814,693	8,143,201	2,774,274	910,506
Total Fair Value	18,008,085	6,180,104	8,143,201	2,774,274	910,506

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

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

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

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

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
Governmental Activities:				
Capital assets, not being depreciated				
Land	4,412,524	-	-	4,412,524
Construction in Progress	3,244,047	353,227	(3,528,874)	68,400
Total capital assets, not being depreciated	<u>7,656,571</u>	<u>353,227</u>	<u>(3,528,874)</u>	<u>4,480,924</u>
Capital assets, being depreciated				
Building and Improvements	21,703,487	477,352	-	22,180,839
Vehicles	2,321,622	682,756	(280,416)	2,723,962
Equipment and Furniture	2,809,959	162,183	(30,662)	2,941,480
Infrastructure	39,128,818	2,695,595	-	41,824,413
Intangibles	105,838	534,971	(105,838)	534,971
Total capital assets, being depreciated	<u>66,069,724</u>	<u>4,552,857</u>	<u>(416,916)</u>	<u>70,205,665</u>
Less accumulated depreciation for:				
Buildings and Improvements	(6,446,031)	(516,066)	-	(6,962,097)
Vehicles	(1,303,285)	(177,333)	212,893	(1,267,725)
Equipment and Furniture	(1,325,030)	(201,826)	30,662	(1,496,194)
Infrastructure	(28,327,054)	(608,087)	-	(28,935,141)
Intangibles	(105,838)	(28,599)	105,838	(28,599)
Total accumulated depreciation	<u>(37,507,238)</u>	<u>(1,531,911)</u>	<u>349,393</u>	<u>(38,689,756)</u>
Total capital assets, being depreciated, net	<u>28,562,486</u>	<u>3,020,946</u>	<u>(67,523)</u>	<u>31,515,909</u>
Governmental activities capital assets, net	<u>36,219,057</u>	<u>3,374,173</u>	<u>(3,596,397)</u>	<u>35,996,833</u>
Business-type Activities:				
Capital assets, not being depreciated				
Land	118,362	-	-	118,362
Intangibles	367,177	-	-	367,177
Construction in Progress	3,997,213	6,194,368	(5,754,799)	4,436,782
Total capital assets, not being depreciated	<u>4,482,752</u>	<u>6,194,368</u>	<u>(5,754,799)</u>	<u>4,922,321</u>
Capital assets, being depreciated				
Buildings	686,429	-	-	686,429
Water System	8,792,735	168,500	-	8,961,235
Sewer System	13,436,947	3,685,142	-	17,122,089
Equipment	1,144,414	-	(100,181)	1,044,233
Infrastructure	1,635,425	2,398,507	-	4,033,932
Total capital assets, being depreciated	<u>25,695,950</u>	<u>6,252,149</u>	<u>(100,181)</u>	<u>31,847,918</u>
Less accumulated depreciation for:				
Buildings	(185,913)	(15,673)	-	(201,586)
Water System	(2,978,596)	(215,872)	-	(3,194,468)
Sewer System	(4,319,628)	(318,054)	-	(4,637,682)
Equipment	(368,588)	(98,646)	100,181	(367,053)
Infrastructure	(320,360)	(141,673)	-	(462,033)
Total accumulated depreciation	<u>(8,173,085)</u>	<u>(789,918)</u>	<u>100,181</u>	<u>(8,862,822)</u>
Total capital assets, being depreciated, net	<u>17,522,865</u>	<u>5,462,231</u>	<u>-</u>	<u>22,985,096</u>
Business-type activities capital assets, net	<u>22,005,617</u>	<u>11,656,599</u>	<u>(5,754,799)</u>	<u>27,907,417</u>

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	92,499
Public Safety	404,882
Public Works	646,303
Cultural and recreational	388,227
Total depreciation expense - Governmental activities	<u>1,531,911</u>
Business-type activities:	
Water and Sewer	629,538
Drainage	160,380
Total Depreciation Expense - Business-type Activities	<u>789,918</u>

4. LONG-TERM DEBT

Sales Tax Revenue Refunding Bonds, Series 2013

On August 28, 2013, the City issued \$1,980,000 in sales tax revenue refunding bonds with interest rates ranging between 2.00% and 4.00%. The City issued the bonds to advance refund \$1,985,000 of the outstanding series 2003 sales tax revenue bonds with interest rates ranging from 3.75% to 4.60%. The City used the net proceeds along with other 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 2003 series bonds. As a result, the 2003 series bonds are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$1,980,000 at September 30, 2013.

The advance refunding reduced total debt service payments over the next 10 years by approximately \$200,784. This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$93,033.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2013.

	BALANCE OCTOBER 1	ADDITIONS	REDUCTIONS	BALANCE SEPTEMBER 30	DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	8,307,775	-	560,740	7,747,035	542,317
Sales Tax Revenue Bonds	4,295,000	1,980,000	2,270,000	4,005,000	315,000
Utility System Revenue Bonds	500,000	-	165,000	335,000	165,000
Bond Premium	184,928	33,932	13,997	204,863	17,569
Deferred Amount on Refunding	(242,873)	-	(73,608)	(169,265)	(14,522)
Total Bonds Payable	13,044,830	2,013,932	2,936,129	12,122,633	1,025,364
Capital Leases	-	531,173	100,000	431,173	104,883
Compensated Absences	400,077	303,583	355,081	348,579	232,386
OPEB Obligations	793,430	217,464	-	1,010,894	-
Total Governmental Activities	14,238,337	3,066,152	3,391,210	13,913,279	1,362,633
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds	14,992,000	-	839,000	14,153,000	859,000
General Obligation Bonds	1,702,225	-	134,260	1,567,965	112,683
Bond Premium	645,272	-	32,793	612,479	32,793
Deferred Amount on Refunding	(193,677)	-	(12,206)	(181,471)	(12,206)
Total Bonds Payable	17,145,820	-	993,847	16,151,973	992,270
Compensated Absences	30,497	45,922	38,010	38,409	38,409
OPEB Obligations	188,168	38,885	-	227,053	-
Total Business-Type Activities	17,364,485	84,807	1,031,857	16,417,435	1,030,679
Total Government	31,602,822	3,150,959	4,423,067	30,330,714	2,393,312

CITY OF PORTLAND, TEXAS
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 YEAR ENDED SEPTEMBER 30, 2013

BONDED DEBT LIABILITIES

At September 30, 2013, bonds payable consisted of the following individual issues:

	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>
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)	375,000	-
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)	2,400,000	-
Sales Tax Revenue Refunding Bonds, Series 2007, Maturing in 2025 and Bearing Interest at 4.00% to 4.25% (Original Debt \$2,635,000)	2,025,000	-
Utility System Revenue Bonds, Series 2009, Maturing in Fiscal 2029 and Bearing Interest at 3.760% to 4.810% (Original Debt \$322,000)	-	288,000
Utility System Revenue Bonds, Series 2009-A, Maturing in Fiscal 2029 and Bearing Interest at 2.000% to 4.500% (Original Debt \$6,500,000)	-	5,265,000
Combination Tax and Revenue Certificates of Obligation, Series 2010, Maturing in Fiscal 2030 and Bearing Interest at 2.00% to 4.00% (Original Debt \$4,080,000)	1,702,035	1,567,965
General Obligation Refunding Bonds, Series 2010, Maturing in 2024 and Bearing Interest at 2.00% to 4.00% (Original Debt \$3,620,000)	3,270,000	-
Utility System Revenue Refunding Bonds, Series 2010, Maturing in Fiscal 2022 and Bearing Interest at 2.00% to 4.00% (Original Debt \$2,370,000)	-	1,865,000
Utility System Revenue Bonds, Series 2012, Maturing in Fiscal 2031 and Bearing Interest at 0.080% to 3.680% (Original Debt \$193,000)	-	180,000
Utility System Revenue and Refunding Bonds, Series 2012, Maturing in Fiscal 2032, and Bearing Interest at 2.00% to 4.00% (Original Debt \$7,380,000)	335,000	6,555,000
Sales Tax Revenue Refunding Bonds, Series 2013, Maturing in Fiscal 2023 and Bearing Interest at 2.000% to 4.000% (Original Debt \$1,980,000)	1,980,000	-
Total Bonds Payable	<u>12,087,035</u>	<u>15,720,965</u>

CITY OF PORTLAND, TEXAS
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The annual requirements for bonds for years subsequent to September 30, 2013, are as follows:

REVENUE BONDS

YEAR ENDING SEPTEMBER 30	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2014	480,000	135,119	615,119	859,000	513,118	1,372,118
2015	490,000	124,863	614,863	885,000	492,090	1,377,090
2016	325,000	114,287	439,287	896,000	467,112	1,363,112
2017	340,000	104,663	444,663	927,000	441,045	1,368,045
2018	350,000	94,507	444,507	953,000	413,107	1,366,107
2019-2023	1,950,000	277,345	2,227,345	4,318,000	1,572,852	5,890,852
2024-2028	405,000	17,319	422,319	3,551,000	795,764	4,346,764
2029-2032	-	-	-	1,764,000	155,572	1,919,572
TOTAL	4,340,000	868,103	5,208,103	14,153,000	4,850,660	19,003,660

GENERAL OBLIGATION BONDS

YEAR ENDING SEPTEMBER 30	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2014	542,318	315,707	858,025	112,682	60,675	173,357
2015	562,523	296,976	859,499	117,477	57,294	174,771
2016	582,523	277,435	859,958	117,477	53,770	171,247
2017	612,727	253,209	865,936	122,273	49,071	171,344
2018	557,870	226,860	784,730	67,130	44,180	111,310
2019-2023	3,138,592	756,025	3,894,617	376,408	178,608	555,016
2024-2028	1,526,666	180,786	1,707,452	448,334	97,476	545,810
2029-2032	223,816	13,957	237,773	206,184	12,856	219,040
TOTAL	7,747,035	2,320,955	10,067,990	1,567,965	553,930	2,121,895

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

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

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

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

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, 2013.

The components of restricted cash and cash equivalents as of September 30, 2013 are as follows:

Revenue Bond Construction	4,779,696
Revenue Bond Reserve	38,498
Interest and Sinking Fund--Bonds	114,343
Customer Deposits	365,814
Other Deposits	<u>13,124</u>
Total Restricted Cash and Cash Equivalents	<u>5,311,475</u>

Defeased Bonds Outstanding-

At September 30, 2013 outstanding principal of defeased bonds was \$1,980,000.

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

The City has entered into a lease agreement for financing the acquisition of a fire truck. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been reported at the present value of its future minimum lease payments as of the inception date. The equipment purchased under capital leases totals \$531,173 and is included in the capital assets of the City. The amortization of this equipment has been included in the City's depreciation expense. The Debt Service Fund pays the debt for the fire truck. Future minimum lease payments are as follows:

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

<u>FISCAL YEAR ENDING SEPTEMBER 30</u>	<u>GOVERNMENTAL ACTIVITIES</u>
2014	113,783
2015	113,783
2016	113,782
2017	113,782
TOTAL	455,130
Less amount representing interest (Rate 2.29%)	(23,957)
Present value of future minimum lease payments	431,173

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, 2013 were as follows:

<u>TRANSFERS OUT</u>	<u>TRANSFERS IN</u>		
	<u>GENERAL FUND</u>	<u>NON MAJOR GOVERNMENTAL</u>	<u>TOTAL</u>
General Fund	-	719,758	719,758
Venue Sales Tax Fund	257,329	-	257,329
Nonmajor Governmental	295,553	266,945	562,498
Water and Sewer System	586,830	-	586,830
TOTAL	1,139,712	986,703	2,126,415

- The General Fund received transfers from the Venue Sales Tax Fund, the Water and Sewer System Fund and from nonmajor governmental funds to cover allocated amounts of administrative service charges and other expenditures. Transfers from the Water and Sewer System Fund are in compliance with Texas Water Code, Section 16.356.
- The transfers received by the nonmajor governmental funds were for debt service and to supplement construction and maintenance projects.

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

Interfund receivables and payables at September 30, 2013 are as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
GOVERNMENTAL FUNDS		
General Fund	639,561	731,436
Venue Sales Tax	1,430	-
Nonmajor Governmental	876,363	157,020
Total Governmental	<u>1,517,354</u>	<u>888,456</u>
ENTERPRISE FUNDS		
Water and Sewer System	2,314	68,967
Drainage Fund	675	564,249
Total Enterprise	<u>2,989</u>	<u>633,216</u>
INTERNAL SERVICE FUND	<u>1,329</u>	-
TOTAL	<u><u>1,521,672</u></u>	<u><u>1,521,672</u></u>

The interfund balances at September 30, 2013 are generally short-term loans to cover temporary cash flows and reimbursements for various funds. Included in General Fund interfund payables is \$719,250 to construction funds for construction projects. Also for Nonmajor Governmental Funds, interfund payables include \$100,000 for a shoreline improvement project. Except for the following, the other interfund balances are expected to be repaid in less than one year. At the end of fiscal year 2012, the City Council authorized an interfund loan of \$700,000 from the General Fund to the Drainage Fund for the purpose of financing certain drainage improvement projects. The Drainage Fund will repay the General Fund the full amount of the loan, plus interest. The repayment schedule will be annually or as impact fees imposed are collected by the Drainage Fund. Beginning October 1, 2013, the Drainage Fund will pay the General Fund the interest accrued (interest rate determined by the TexPool Daily Interest Factor as of December 31, 2012) on the loan as of September 30, 2013, plus \$20,000 of the principal. The balance of this interfund loan at September 30, 2013 was \$564,249.

7. PROPERTY TAXES

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

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

8. PENSION PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

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

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

	Plan Year 2012	Plan Year 2013
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)
2011	\$728,100	\$728,100	100%	-0-
2012	\$768,602	\$768,602	100%	-0-
2013	\$833,209	\$833,209	100%	-0-

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
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	27.2 years; closed period	26.2 years; closed period	25.2 years; closed period
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market

Actuarial Assumptions:

Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2012, 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)
12/31/2012	\$12,698,606	\$17,498,897	72.6%	\$4,800,291	\$5,255,875	91.3%

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

CITY OF PORTLAND, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2013

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 2013, the City made no contributions and instead elected to continue funding on a pay-as-you-go basis, which amounted to \$24,503 for 2013. In 2013 and prior years, the General Fund has been used to provide this funding.

Annual OPEB Cost and Net OPEB Obligation

For 2013, 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	279,097
Interest on net OPEB obligation	39,264
Adjustment to annual required contribution	<u>(37,509)</u>
Annual OPEB cost	280,852
Contributions or payments made	<u>(24,503)</u>
Increase in net OPEB obligation	256,349
Net OPEB obligation, beginning of year	<u>981,598</u>
Net OPEB obligation, end of year	<u><u>1,237,947</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, 2013

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

Years Ended September 30	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	280,852	8.72%	1,237,947
2012	287,156	9.01%	981,598
2011	281,257	10.63%	720,331

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2013, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	(1)	2,380,777	
Actuarial value of assets	(2)	-	
Unfunded AAL (UAAL)	(3)	<u>2,380,777</u>	(1) - (2)
Funded ratio	(4)	<u>0.0%</u>	(2) / (1)
Covered payroll	(5)	<u>5,674,661</u>	
UAAL as % of covered payroll	(6)	<u>42.0%</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, 2013

The latest actuarial valuation for the City was completed as of October 1, 2013. The significant assumptions underlying the actuarial calculations are as follows:

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

B. Supplemental Death Benefits Fund

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

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

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

	<u>Plan Year 2012</u>	<u>Plan Year 2013</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 2013, 2012 and 2011 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>
2011	0.03%	0.03%	100.00%
2012	0.03%	0.03%	100.00%
2013	0.03%	0.03%	100.00%

10. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has utilized the purchase of commercial insurance to cover any potential losses. Except for minimal deductibles, the City has transferred risk of loss to commercial issuers. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the year ended September 30, 2013 or the three prior years.

11. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

12. CONSTRUCTION COMMITMENTS

The City has active construction projects as of September 30, 2013. At year end the construction commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
General Government		
Community Center Exterior Improvements	-	51,621
Northshore Drainage Outfall Improvements	6,490	-
Fire Station #2 Remodeling Project	42,706	526,545
Comp Plan for Streets, Parking Lots & Trails	19,204	80,796
Total General Government	<u>68,400</u>	<u>658,962</u>
Enterprise		
Doyle Addition - Sewer - EDAP	2,483,186	657,134
Northshore Drainage Outfall Improvements	275,840	424,160
SCADA	12,986	587,014
Doyle Addition Hook-up Project - USDA	25,447	195,245
Automated Meter Reading Project	1,185,026	279,974
Water/Sewer Line Replacement, Phase 1	454,297	3,400,703
Total Enterprise	<u>4,436,782</u>	<u>5,544,230</u>
TOTAL	<u><u>4,505,182</u></u>	<u><u>6,203,192</u></u>

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

13. RESTATEMENT OF FUND EQUITIES AND NET POSITION

During the year, management determined that in the prior year, accumulated depreciation of the Governmental Activities had been understated. Also, in certain funds, management determined that in the prior year, accrued liabilities and inventory had been understated. Restatements are as follows:

	General Fund	Other Governmental Funds	Water and Sewer Fund	Governmental Activities	Business- Type Activities
Beginning Fund Equity/ Net Position, as Originally Stated	5,430,550	3,673,207	14,921,549	31,854,771	17,283,250
Restatements for:					
Accumulated Depreciation	-	-	-	(196,625)	-
Accrued Liabilities	(17,305)	(7)	(3,951)	(17,312)	(3,951)
Inventory	-	-	78,186	-	78,186
Beginning Fund Equity/ Net Position, as Restated	<u>5,413,245</u>	<u>3,673,200</u>	<u>14,995,784</u>	<u>31,640,834</u>	<u>17,357,485</u>

CITY OF PORTLAND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

14. SUBSEQUENT EVENT—ISSUANCE OF BONDS

On April 1, 2014 the City sold \$5,000,000 Certificates of Obligation, Series 2014. Proceeds from the Bonds will be used for street projects. The Bonds bear a fixed interest rate of 3.21% and mature in Fiscal Year 2034. The Bonds are secured by ad valorem taxes.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF PORTLAND, TEXAS

Exhibit A-1

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 YEAR ENDED SEPTEMBER 30, 2013
 WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012

	2013			Variance With Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual (Budgetary Basis)		Actual (Budgetary Basis)
	Original	Final			
REVENUES					
Taxes	7,085,700	6,675,000	6,702,430	27,430	6,924,516
Licenses and Permits	386,900	322,882	323,040	158	340,758
Intergovernmental	105,000	106,578	29,835	(76,743)	25,849
Charges for Services	978,480	917,039	972,775	55,736	931,739
Fines and Forfeitures	378,200	249,000	223,888	(25,112)	229,029
Investment Income	10,000	46,377	(59,913)	(106,290)	95,892
Contributions	4,500	14,772	112,910	98,138	103,305
Oil Leases and Royalties	17,500	17,500	16,092	(1,408)	15,634
Other	40,500	82,555	165,954	83,399	161,904
Total Revenues	9,006,780	8,431,703	8,487,011	55,308	8,828,626
EXPENDITURES					
Current					
General Government	1,989,517	1,869,163	1,894,717	(25,554)	1,735,781
Public Safety	5,200,852	5,114,180	4,988,847	125,333	4,657,874
Public Works	1,104,366	1,082,180	1,039,331	42,849	1,244,497
Cultural and Recreational	1,828,414	1,735,787	1,616,920	118,867	1,602,211
Debt Service					
Principal Retirement	--	--	--	--	23,583
Interest and Fiscal Charges	--	--	--	--	558
Total Expenditures	10,123,149	9,801,310	9,539,815	261,495	9,264,504
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,116,369)	(1,369,607)	(1,052,804)	316,803	(435,878)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	--	20,953	20,953	--	325
Transfers In	1,167,543	1,139,712	1,139,712	--	1,074,802
Transfers Out	(669,250)	(719,250)	(719,758)	(508)	(235,053)
Total Other Financing Sources (Uses)	498,293	441,415	440,907	(508)	840,074
NET CHANGE IN FUND BALANCE	(618,076)	(928,192)	(611,897)	316,295	404,196
FUND BALANCE (BUDGETARY BASIS), beginning of year	4,709,181	4,074,098	5,413,245	1,339,147	5,009,049
FUND BALANCE (BUDGETARY BASIS), end of year	4,091,105	3,145,906	4,801,348	1,655,442	5,413,245
Plus Effect of Encumbrances			10,975		--
Less Effect of Capital Lease Purchases			--		--
FUND BALANCE (GAAP BASIS)			4,812,323		5,413,245

See accompanying notes to required supplementary information.

CITY OF PORTLAND, TEXAS
 VENUE SALES TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED SEPTEMBER 30, 2013
 WITH COMPARATIVE TOTALS FOR 2012

Exhibit A-2

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes and Special Assessments	1,050,000	950,000	991,707	41,707	1,012,285
Charges for Services	143,700	150,000	177,867	27,867	167,501
Investment Income	650	3,350	3,968	618	3,147
Other	-	3,058	-	(3,058)	-
Total Revenues	<u>1,194,350</u>	<u>1,106,408</u>	<u>1,173,542</u>	<u>67,134</u>	<u>1,182,933</u>
EXPENDITURES					
Cultural and Recreational	400,549	434,672	427,356	7,316	429,441
Debt Service:					
Principal Retirement	160,000	160,000	160,000	-	155,000
Interest and Fiscal Charges	91,078	91,078	91,035	43	96,460
Bond Issuance Costs	-	75,945	75,567	378	-
Total Expenditures	<u>651,627</u>	<u>761,695</u>	<u>753,958</u>	<u>7,359</u>	<u>680,901</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>542,723</u>	<u>344,713</u>	<u>419,584</u>	<u>74,493</u>	<u>502,032</u>
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	1,980,000	1,980,000	-	-
Premium on Bonds Issued	-	33,932	33,932	-	-
Paid to Escrow Agent	-	(1,995,814)	(1,995,814)	-	-
Transfers Out - General Fund	(255,953)	(257,329)	(257,329)	-	(220,692)
Transfers Out - Community Center Construction Fund	-	-	-	-	(101,420)
Transfers Out - Venue Sales Tax Construction Fund	-	-	-	-	(49,979)
Total Other Financing Sources (Uses)	<u>(255,953)</u>	<u>(239,211)</u>	<u>(239,211)</u>	<u>-</u>	<u>(372,091)</u>
NET CHANGE IN FUND BALANCE	<u>286,770</u>	<u>105,502</u>	<u>180,373</u>	<u>74,493</u>	<u>129,941</u>
FUND BALANCE, beginning of year			<u>930,946</u>		<u>801,005</u>
FUND BALANCE, end of year			<u>1,111,319</u>		<u>930,946</u>

CITY OF PORTLAND, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2013

BUDGETARY DATA

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

1. In accordance with the City Charter, on or before August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. The City Charter requires the budget be submitted in summary form. More detailed line item budgets are included for administrative control. At any time during the fiscal year the City Manager may transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency; and, upon written request by the City Manager, the City Council may by ordinance transfer part or all of any unencumbered appropriation balance from one department, office or agency to another. The level of control for the detailed budgets is at the function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. On or before September 15, the budget is legally enacted through passage of an ordinance. Should the Council take no action on or prior to such day, the budget as submitted by the City Manager shall be deemed to have been adopted by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund, and the following Special Revenue Funds: Portland Community Center Complex Fund, Restricted Use Fund, and the Venue Sales Tax Fund.
5. Budgets for the General and Special Revenue Funds are adopted on a budgetary basis rather than in conformity with generally accepted accounting principles (GAAP). Under the budgetary basis, differences from GAAP consist of timing differences related to capital outlay encumbrances, which are treated as expenditures for budgetary purposes and capitalized leases, for which only principal and interest payments are budgeted.
6. The City Charter requires the adoption of a summary budget for proprietary funds.
7. Except for capital outlay encumbrances, appropriations lapse at the end of each fiscal year.

BUDGETARY-GAAP REPORTING RECONCILIATION

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

	<u>Net Change in Fund Balance</u>	<u>Fund Balance at End of Year</u>
	<u>General Fund</u>	<u>General Fund</u>
GAAP Basis	(600,922)	4,812,323
Reserve for Encumbrances at 10-1-12	-	-
Reserve for Encumbrances at 9-30-13	(10,975)	(10,975)
Budgetary Basis	<u>(611,897)</u>	<u>4,801,348</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)
12/31/2010	9,961,686	14,780,962	67.4%	4,819,276	4,948,722	97.4%
12/31/2011	11,263,277	16,057,833	70.1%	4,794,556	4,755,702	100.8%
12/31/2012	12,698,606	17,498,897	72.6%	4,800,291	5,255,875	91.3%

CITY OF PORTLAND, TEXAS

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

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	Funded Ratio (1) / (2)	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
2011	\$ -	\$2,595,642	0.0%	\$2,595,642	\$4,306,140	60.3%
2012	\$ -	\$2,151,469	0.0%	\$2,151,469	\$5,509,380	39.1%
2013	\$ -	\$2,380,777	0.0%	\$2,380,777	\$5,674,661	42.0%

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

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GOVERNMENTAL FUNDS

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

Debt Service Fund

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

Capital Project Funds

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

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

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

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

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

CITY OF PORTLAND, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	Special Revenue				
	Shoreline And Wetlands Fund	Portland Community Center Complex Development Fund	Restricted Use Fund	Grants Administration Fund	Law Enforcement Fund
ASSETS					
Cash and Cash Equivalents	3,105	712,149	1,324,967	35,257	267,879
Receivables					
Accounts	-	-	40,136	-	-
Ad Valorem Taxes	-	-	-	-	-
Due from Other Governments	-	79,706	-	9,349	-
Due from Other Funds	150,000	1,430	1,018	3,028	-
Prepaid Insurance	-	31,221	-	-	-
TOTAL ASSETS	153,105	824,506	1,366,121	47,634	267,879
LIABILITIES AND FUND BALANCE					
Accounts Payable	-	535	53,194	1,116	-
Accrued Interest Payable	-	-	1,477	-	-
Unearned Revenue - Ad Valorem Taxes	-	-	-	-	-
Escrow	-	-	456,000	-	-
Due to Other Funds	-	-	150,193	3,588	2,283
TOTAL LIABILITIES	-	535	660,864	4,704	2,283
FUND BALANCE					
Non-Spendable:					
Prepaid Items	-	31,221	-	-	-
Restricted For:					
Debt Service	-	-	-	-	-
Federal and State Programs	-	-	-	42,930	-
Municipal Technology Fees	-	-	15,661	-	-
Building Security Fund	-	-	57,383	-	-
Cable Franchise P.E.G.	-	-	47,959	-	-
Hotel Occupancy Tax Reserve	-	-	584,254	-	-
Law Enforcement	-	-	-	-	265,596
Capital Improvements	-	-	-	-	-
Committed to:					
Capital Improvements	-	-	-	-	-
Assigned					
Cultural and Recreational	153,105	792,750	-	-	-
TOTAL FUND BALANCE	153,105	823,971	705,257	42,930	265,596
TOTAL LIABILITIES AND FUND BALANCE	153,105	824,506	1,366,121	47,634	267,879

Capital Projects

Total Special Revenue Funds	Debt Service Fund	Capital Improvements Fund	Street Improvements Fund	Community Center Construction Fund	City Hall Construction Fund	Venue Sales Tax Construction Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
2,343,357	642,141	21,604	124,392	51,678	-	125,634	323,308	3,308,806
40,136	1,701	-	-	-	-	-	-	41,837
-	22,370	-	-	-	-	-	-	22,370
89,055	-	-	-	-	-	-	-	89,055
155,476	1,637	619,250	100,000	-	-	-	719,250	876,363
31,221	-	-	-	-	-	-	-	31,221
<u>2,659,245</u>	<u>667,849</u>	<u>640,854</u>	<u>224,392</u>	<u>51,678</u>	<u>-</u>	<u>125,634</u>	<u>1,042,558</u>	<u>4,369,652</u>
54,845	-	210	466	-	-	-	676	55,521
1,477	-	-	-	-	-	-	-	1,477
-	22,370	-	-	-	-	-	-	22,370
456,000	-	-	-	-	-	-	-	456,000
156,064	-	-	956	-	-	-	956	157,020
<u>668,386</u>	<u>22,370</u>	<u>210</u>	<u>1,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,632</u>	<u>692,388</u>
31,221	-	-	-	-	-	-	-	31,221
-	645,479	-	-	-	-	-	-	645,479
42,930	-	-	-	-	-	-	-	42,930
15,661	-	-	-	-	-	-	-	15,661
57,383	-	-	-	-	-	-	-	57,383
47,959	-	-	-	-	-	-	-	47,959
584,254	-	-	-	-	-	-	-	584,254
265,596	-	-	-	-	-	-	-	265,596
-	-	21,296	-	-	-	-	21,296	21,296
-	-	619,348	222,970	51,678	-	125,634	1,019,630	1,019,630
<u>945,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>945,855</u>
<u>1,990,859</u>	<u>645,479</u>	<u>640,644</u>	<u>222,970</u>	<u>51,678</u>	<u>-</u>	<u>125,634</u>	<u>1,040,926</u>	<u>3,677,264</u>
<u>2,659,245</u>	<u>667,849</u>	<u>640,854</u>	<u>224,392</u>	<u>51,678</u>	<u>-</u>	<u>125,634</u>	<u>1,042,558</u>	<u>4,369,652</u>

CITY OF PORTLAND, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue				
	Shoreline And Wetlands Fund	Portland Community Center Complex Development Fund	Restricted Use Fund	Grants Administration Fund	Law Enforcement Fund
REVENUES					
Taxes and Special Assessments	-	991,698	377,288	-	-
Intergovernmental	-	-	-	203,358	-
Investment Income	-	(44,828)	(3,311)	-	190
Drug Forfeiture - Federal	-	-	-	-	192,290
Drug Forfeiture - Local	-	-	-	-	452
Drug Forfeiture - State	-	-	-	-	2,430
Other	1,600	-	34,210	-	-
TOTAL REVENUES	1,600	946,870	408,187	203,358	195,362
EXPENDITURES					
General Government	-	-	-	-	-
Cultural and Recreational	-	68,314	275,272	30,097	-
Public Safety	-	-	-	152,244	114,898
Public Works	-	-	-	3,500	-
Debt Service					
Principal Retirement	-	125,000	-	-	-
Interest and Fiscal Charges	-	86,870	-	-	-
TOTAL EXPENDITURES	-	280,184	275,272	185,841	114,898
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,600	666,686	132,915	17,517	80,464
OTHER FINANCING SOURCES (USES)					
Transfers In	150,000	-	-	-	-
Transfers Out	-	(412,217)	(150,000)	-	-
NET CHANGE IN FUND BALANCES	151,600	254,469	(17,085)	17,517	80,464
FUND BALANCE, beginning of year	1,505	569,502	722,342	25,413	185,132
FUND BALANCE, end of year	153,105	823,971	705,257	42,930	265,596

Capital Projects

Total Special Revenue Funds	Debt Service Fund	Capital Improvements Fund	Street Improvements Fund	Community Center Construction Fund	City Hall Construction Fund	Venue Sales Tax Construction Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
1,368,986	1,067,951	-	-	-	-	-	-	2,436,937
203,358	-	-	-	-	-	-	-	203,358
(47,949)	(11,702)	98	2,227	57	-	119	2,501	(57,150)
192,290	-	-	-	-	-	-	-	192,290
452	-	-	-	-	-	-	-	452
2,430	-	-	-	-	-	-	-	2,430
35,810	-	-	-	-	-	-	-	35,810
<u>1,755,377</u>	<u>1,056,249</u>	<u>98</u>	<u>2,227</u>	<u>57</u>	<u>-</u>	<u>119</u>	<u>2,501</u>	<u>2,814,127</u>
-	-	8,328	-	-	-	-	8,328	8,328
373,683	-	-	-	-	-	48,933	48,933	422,616
267,142	-	161,563	-	-	-	-	161,563	428,705
3,500	-	17,967	42,206	-	-	-	60,173	63,673
125,000	825,740	-	-	-	-	-	-	950,740
86,870	342,390	-	-	-	-	-	-	429,260
-	-	-	-	-	-	-	-	-
<u>856,195</u>	<u>1,168,130</u>	<u>187,858</u>	<u>42,206</u>	<u>-</u>	<u>-</u>	<u>48,933</u>	<u>278,997</u>	<u>2,303,322</u>
899,182	(111,881)	(187,760)	(39,979)	57	-	(48,814)	(276,496)	510,805
150,000	116,945	619,250	100,000	-	508	-	719,758	986,703
(562,217)	-	-	(281)	-	-	-	(281)	(562,498)
486,965	5,064	431,490	59,740	57	508	(48,814)	442,981	935,010
<u>1,503,894</u>	<u>640,415</u>	<u>209,154</u>	<u>163,230</u>	<u>51,621</u>	<u>(508)</u>	<u>174,448</u>	<u>597,945</u>	<u>2,742,254</u>
<u>1,990,859</u>	<u>645,479</u>	<u>640,644</u>	<u>222,970</u>	<u>51,678</u>	<u>-</u>	<u>125,634</u>	<u>1,040,926</u>	<u>3,677,264</u>

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GENERAL FUND

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

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CITY OF PORTLAND, TEXAS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

Exhibit C-1

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	4,949,344	4,777,256
Receivables:		
Delinquent Taxes	97,070	116,163
Accounts	523,667	580,469
Due from Enterprise Funds	633,216	1,019,815
Due from Other Special Revenue Funds	6,064	275,544
Due from Other Capital Projects Funds	281	22,097
Inventory	17,129	18,166
Prepaid Items	81,148	73,724
Escrow Funds	147,916	147,775
	<u>6,455,835</u>	<u>7,031,009</u>
TOTAL ASSETS		
LIABILITIES AND FUND BALANCE		
Accounts Payable	414,924	377,727
Accrued Liabilities	224,345	179,530
Deposits	175,735	169,830
Due to Enterprise Funds	2,314	83,607
Due to Insurance Fund	1,329	58,716
Due to Debt Service Fund	1,637	11,599
Due to Special Revenue Funds	6,907	620,592
Due to Construction Fund	719,250	--
Deferred Revenue	97,071	116,163
TOTAL LIABILITIES	<u>1,643,512</u>	<u>1,617,764</u>
FUND BALANCE		
Non-Spendable:		
Inventory	17,129	18,166
Prepaid Items	81,148	73,724
Committed to:		
Windstorm Insurance	50,000	50,000
EMS	--	36,264
Fire Department	--	74,518
Public Safety Capital	--	204,468
Indian Point Pier	12,044	12,044
Old Town Development	2,199	2,199
Parks	34,724	34,724
Environmental Education	35	35
Unassigned	4,615,044	4,907,103
TOTAL FUND BALANCE	<u>4,812,323</u>	<u>5,413,245</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>6,455,835</u>	<u>7,031,009</u>

CITY OF PORTLAND, TEXAS

Exhibit C-2

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2013. AND 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Taxes	6,702,430	6,924,516
Licenses and Permits	323,040	340,758
Intergovernmental	29,835	25,849
Charges for Services	972,775	931,739
Fines and Forfeitures	223,888	229,029
Investment Income	(59,913)	95,892
Contributions	112,910	103,305
Oil Leases and Royalties	16,092	15,634
Other	<u>165,954</u>	<u>161,904</u>
Total Revenues	<u>8,487,011</u>	<u>8,828,626</u>
EXPENDITURES		
Current		
General Government	1,883,742	1,735,781
Public Safety	5,520,020	4,657,874
Public Works	1,039,331	1,244,497
Cultural and Recreational	1,616,920	1,602,211
Debt Service		
Principal Retirement	-	23,583
Interest and Fiscal Charges	<u>-</u>	<u>558</u>
Total Expenditures	<u>10,060,013</u>	<u>9,264,504</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,573,002)	(435,878)
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	20,953	325
Capital Leases	531,173	-
Transfers In	1,139,712	1,074,802
Transfers Out	<u>(719,758)</u>	<u>(235,053)</u>
Total Other Financing Sources (Uses)	<u>972,080</u>	<u>840,074</u>
NET CHANGE IN FUND BALANCE	(600,922)	404,196
FUND BALANCE, beginning of year	<u>5,413,245</u>	<u>5,009,049</u>
FUND BALANCE, end of year	<u>4,812,323</u>	<u>5,413,245</u>

CITY OF PORTLAND, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENTS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012

Exhibit C-3

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual (Budgetary Basis)		Actual (Budgetary Basis)
	Original	Final			
Current Expenditures					
General Administration					
Administration	1,313,772	1,178,031	1,207,825	(29,794)	1,168,709
Accounting	365,865	367,368	362,802	4,566	322,745
Information Technology	309,880	323,764	324,090	(326)	244,327
Total General Administration	1,989,517	1,869,163	1,894,717	(25,554)	1,735,781
Public Safety					
Police Administration	3,253,739	3,276,106	3,208,961	67,145	3,065,033
Fire Department	1,622,682	1,533,088	1,477,867	55,221	1,346,871
Animal Control	163,713	146,198	144,897	1,301	91,075
Municipal Court	160,718	158,788	157,122	1,666	154,895
Total Public Safety	5,200,852	5,114,180	4,988,847	125,333	4,657,874
Public Works					
General Services Department	129,094	130,071	121,558	8,513	122,685
Street Maintenance	572,881	561,565	534,084	27,481	767,060
Vehicle Maintenance	75,535	75,635	73,072	2,563	72,946
Community Development	326,856	314,909	310,617	4,292	281,806
Total Public Works	1,104,366	1,082,180	1,039,331	42,849	1,244,497
Culture and Recreation					
Park Maintenance	534,258	447,194	428,472	18,722	460,587
Community Center	524,854	522,183	472,973	49,210	459,367
Swimming Pool	--	--	--	--	--
Kidz Klub/Kidz Kamp	259,023	258,033	239,906	18,127	204,272
Latch Key Program	--	--	--	--	--
Senior Citizens Center	65,402	64,839	49,763	15,076	55,566
Skate Park	3,600	4,500	2,084	2,416	1,794
Library	441,277	439,038	423,722	15,316	420,625
Total Culture and Recreation	1,828,414	1,735,787	1,616,920	118,867	1,602,211
Total Current Expenditures	10,123,149	9,801,310	9,539,815	261,495	9,240,363

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SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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CITY OF PORTLAND, TEXAS
SHORELINES AND WETLANDS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

EXHIBIT D-1

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	3,105	1,505
Due from Other Funds	150,000	-
TOTAL ASSETS	<u>153,105</u>	<u>1,505</u>
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	-
Fund Balance:		
Assigned:		
Cultural and Recreational	153,105	1,505
TOTAL LIABILITIES AND FUND BALANCE	<u>153,105</u>	<u>1,505</u>

CITY OF PORTLAND, TEXAS
SHORELINE AND WETLANDS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2013 AND 2012

Exhibit D-2

	<u>2013</u>	<u>2012</u>
	<u>Actual</u>	<u>Actual</u>
REVENUES		
Investment Income	--	--
Other	1,600	--
Total Revenues	<u>1,600</u>	<u>--</u>
EXPENDITURES		
Cultural and Recreational	--	--
Debt Service		
Principal Retirement	--	--
Interest and Fiscal Charges	--	--
Total Expenditures	<u>--</u>	<u>--</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,600	--
OTHER FINANCING SOURCES (USES)		
Transfers In - Restricted Use Fund	150,000	--
Transfers Out - Debt Service Fund	--	--
Total Other Financing Uses	<u>150,000</u>	<u>--</u>
NET CHANGE IN FUND BALANCE	151,600	--
FUND BALANCE, beginning of year	<u>1,505</u>	<u>1,505</u>
FUND BALANCE, end of year	<u>153,105</u>	<u>1,505</u>

CITY OF PORTLAND, TEXAS
PORTLAND COMMUNITY CENTER COMPLEX FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

EXHIBIT D-3

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	712,149	602,700
Accounts Receivable	-	-
Due from Other Governments	79,706	87,517
Due from General Fund	1,430	10,899
Prepaid Insurance	31,221	29,628
	<hr/>	<hr/>
TOTAL ASSETS	<u><u>824,506</u></u>	<u><u>730,744</u></u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	535	-
Due to Other Funds	-	161,242
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>535</u>	<u>161,242</u>
Fund Balance:		
Non-Spendable:		
Prepaid Items	31,221	29,628
Assigned:		
Cultural and Recreational	792,750	539,874
	<hr/>	<hr/>
TOTAL FUND BALANCE	<u>823,971</u>	<u>569,502</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>824,506</u></u>	<u><u>730,744</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, 2013
 WITH COMPARATIVE TOTALS FOR, 2012

Exhibit D-4

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes and Special Assessments	1,050,000	950,000	991,698	41,698	1,012,285
Investment Income	400	500	(44,828)	(45,328)	660
Other	--	--	--	--	--
Total Revenues	1,050,400	950,500	946,870	(3,630)	1,012,945
EXPENDITURES					
Cultural and Recreational	54,900	70,112	68,314	1,798	44,285
Debt Service					
Principal Retirement	125,000	125,000	125,000	--	125,000
Interest and Fiscal Charges	86,138	86,859	86,870	(11)	92,207
Refunding Bond Issuance Cost	--	--	--	--	--
Advance Refunding Escrow	--	--	--	--	--
Total Expenditures	266,038	281,971	280,184	1,787	261,492
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	784,362	668,529	666,686	(1,843)	751,453
OTHER FINANCING SOURCES (USES)					
Refunding Bonds Issued	--	--	--	--	--
Transfers Out - General Fund	(313,284)	(295,272)	(295,272)	--	(322,483)
Transfers Out - Debt Service Fund	(116,945)	(116,945)	(116,945)	--	(116,795)
Transfers Out - Community Center Construction Fund	--	--	--	--	(234,000)
Payment to Bond Escrow Agent	--	--	--	--	--
Total Other Financing Uses	(430,229)	(412,217)	(412,217)	--	(673,278)
NET CHANGE IN FUND BALANCE	354,133	256,312	254,469	(1,843)	78,175
FUND BALANCE, beginning of year			569,502		491,327
FUND BALANCE, end of year			823,971		569,502

CITY OF PORTLAND, TEXAS
RESTRICTED USE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

EXHIBIT D-5

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	1,324,967	831,230
Accounts Receivable	40,136	34,023
Interest Receivable	-	98
Due from General Fund	1,018	192,325
TOTAL ASSETS	<u>1,366,121</u>	<u>1,057,676</u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	53,194	2,145
Accrued Liabilities	1,477	1,294
Escrow	456,000	331,000
Due to Other Funds	150,193	888
TOTAL LIABILITIES	<u>660,864</u>	<u>335,327</u>
Fund Balance:		
Restricted for:		
Municipal Technology Fees	15,661	14,038
Building Security Fund	57,383	54,686
Cable Franchise P.E.G.	47,959	29,148
Hotel Occupancy Tax Reserve	584,254	624,477
TOTAL FUND BALANCE	<u>705,257</u>	<u>722,349</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>1,366,121</u>	<u>1,057,676</u>

CITY OF PORTLAND, TEXAS
 RESTRICTED USE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED SEPTEMBER 30, 2013
 WITH COMPARATIVE TOTALS FOR 2012

Exhibit D-6

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes and Special Assessments	300,000	380,000	377,288	(2,712)	379,677
Investment Income	4,600	4,350	(3,311)	(7,661)	9,064
Other	12,600	27,000	34,210	7,210	41,427
Total Revenues	317,200	411,350	408,187	(3,163)	430,168
EXPENDITURES					
Cultural and Recreational	239,490	272,449	275,272	(2,823)	206,584
Public Safety	7,879	11,380	--	11,380	--
Total Expenditures	247,369	283,829	275,272	8,557	206,577
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	69,831	127,521	132,915	5,394	223,584
OTHER FINANCING SOURCES (USES)					
Transfers In	--	--	--	--	--
Transfers Out - Shoreline and Wetlands Fund	(150,000)	(150,000)	(150,000)	--	--
Transfers Out - City Hall Construction Fund	--	--	--	--	(93,580)
Transfers Out - Venue Sales Tax Construction Fund	(168,000)	--	--	--	--
Total Other Financing Uses	(318,000)	(150,000)	(150,000)	--	(93,580)
NET CHANGE IN FUND BALANCE	(248,169)	(22,479)	(17,085)	5,394	130,004
FUND BALANCE, beginning of year			722,342		592,338
FUND BALANCE, end of year			705,257		722,342

CITY OF PORTLAND, TEXAS
VENUE SALES TAX FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

EXHIBIT D-7

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	407,225	346,237
Interest Receivable	-	871
Due from Other Governments	78,274	87,517
Due from General Fund	1,430	321,830
Prepaid Item	-	-
Prepaid Insurance	26,273	25,115
Restricted Assets		
Cash and Cash Equivalents	<u>609,726</u>	<u>321,999</u>
TOTAL ASSETS	<u><u>1,122,928</u></u>	<u><u>1,103,569</u></u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	7,695	5,608
Accrued Liabilities	3,914	4,121
Due to Other Funds	<u>-</u>	<u>162,894</u>
TOTAL LIABILITIES	<u>11,609</u>	<u>172,623</u>
Fund Balance:		
Non-Spendable:		
Prepaid Items	26,273	25,115
Restricted for:		
Debt Service	351,956	294,256
Assigned:		
Cultural and Recreational	<u>733,090</u>	<u>611,575</u>
TOTAL FUND BALANCE	<u><u>1,111,319</u></u>	<u><u>930,946</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>1,122,928</u></u>	<u><u>1,103,569</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, 2013
 WITH COMPARATIVE TOTALS FOR 2012

Exhibit D-8

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes and Special Assesments	1,050,000	950,000	991,707	41,707	1,012,285
Charges for Services	143,700	150,000	177,867	27,867	167,501
Investment Income	650	3,350	3,968	618	3,147
Other	-	3,058	-	(3,058)	-
Total Revenues	<u>1,194,350</u>	<u>1,106,408</u>	<u>1,173,542</u>	<u>67,134</u>	<u>1,182,933</u>
EXPENDITURES					
Cultural and Recreational	400,549	434,672	427,356	7,316	429,441
Debt Service:					
Principal Retirement	160,000	160,000	160,000	-	155,000
Interest and Fiscal Charges	91,078	91,078	91,035	43	96,460
Bond Issuance Costs	-	75,945	75,567	378	-
Total Expenditures	<u>651,627</u>	<u>761,695</u>	<u>753,958</u>	<u>7,739</u>	<u>680,901</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>542,723</u>	<u>344,713</u>	<u>419,584</u>	<u>74,493</u>	<u>502,032</u>
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	1,980,000	1,980,000	-	-
Premium on Bonds Issued	-	33,932	33,932	-	-
Paid to Escrow Agent	-	(1,995,814)	(1,995,814)	-	-
Transfers Out - General Fund	(255,953)	(257,329)	(257,329)	-	(220,692)
Transfers Out - Community Center Construction Fund	-	-	-	-	(101,420)
Transfers Out - Venue Sales Tax Construction Fund	-	-	-	-	(49,979)
Total Other Financing Sources (Uses)	<u>(255,953)</u>	<u>(239,211)</u>	<u>(239,211)</u>		<u>(372,091)</u>
NET CHANGE IN FUND BALANCE	<u>286,770</u>	<u>105,502</u>	<u>180,373</u>	<u>74,493</u>	<u>129,941</u>
FUND BALANCE, beginning of year			<u>930,946</u>		<u>801,005</u>
FUND BALANCE, end of year			<u>1,111,319</u>		<u>930,946</u>

CITY OF PORTLAND, TEXAS
GRANTS ADMINISTRATION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

EXHIBIT D-9

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash & Cash Equivalents	35,257	(44,590)
Accounts Receivable	-	-
Due from Other Governments	9,349	20,720
Due from General Fund	3,028	95,538
Prepaid Item	-	-
TOTAL ASSETS	<u>47,634</u>	<u>71,668</u>
 LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	1,116	46,255
Escrow	-	-
Due to Other Funds	3,588	-
TOTAL LIABILITIES	<u>4,704</u>	<u>46,255</u>
Fund Balance:		
Non-Spendable:		
Prepaid Items	-	-
Restricted for:		
Federal and State Programs	42,930	25,413
Total Fund Balance	<u>42,930</u>	<u>25,413</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>47,634</u>	<u>71,668</u>

CITY OF PORTLAND, TEXAS
GRANTS ADMINISTRATION FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2013 and 2012

EXHIBIT D-10

	<u>2013</u>	<u>2012</u>
	<u>Actual</u>	<u>Actual</u>
REVENUES		
Grants	203,358	238,030
Contributions	-	-
Total Revenues	<u>203,358</u>	<u>238,030</u>
EXPENDITURES		
Culture and Recreation	30,097	75,017
Public Safety	152,244	263,696
Public Works	3,500	3,500
Total Expenditures	<u>185,841</u>	<u>342,213</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,517	(104,183)
OTHER FINANCING SOURCES (USES)		
Transfers In - General Fund	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	17,517	(104,183)
FUND BALANCE, beginning of year	<u>25,413</u>	<u>129,596</u>
FUND BALANCE, end of year	<u><u>42,930</u></u>	<u><u>25,413</u></u>

CITY OF PORTLAND, TEXAS
 LAW ENFORCEMENT FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2013 AND 2012

EXHIBIT D-11

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash & Cash Equivalents	267,879	216,180
Accounts Receivable	-	-
Due from Other Governments	-	-
Due from General Fund	-	-
Prepaid Item	-	-
	<u>267,879</u>	<u>216,180</u>
TOTAL ASSETS		
	<u>267,879</u>	<u>216,180</u>
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	-	29,000
Escrow	-	-
Due to Other Funds	2,283	2,048
	<u>2,283</u>	<u>31,048</u>
TOTAL LIABILITIES		
	<u>2,283</u>	<u>31,048</u>
Fund Balance:		
Non-Spendable:		
Prepaid Items	-	-
Restricted for:		
Local Forfeitures	930	477
State Drug Forfeitures	7,545	5,110
Federal Equitable Sharing	257,121	179,545
Law Enforcement	-	-
Unassigned	-	-
Total Fund Balance	<u>265,596</u>	<u>185,132</u>
TOTAL LIABILITIES AND FUND BALANCE		
	<u>267,879</u>	<u>216,180</u>

CITY OF PORTLAND, TEXAS
LAW ENFORCEMENT FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2013 and 2012

Exhibit D-12

	<u>2013</u>	<u>2012</u>
	<u>Actual</u>	<u>Actual</u>
REVENUES		
Drug Forfeiture - Federal	192,290	256,783
Drug Forfeiture - Local	452	-
Drug Forfeiture - State	2,430	-
Charges for Services	-	-
Investment Income	190	94
Total Revenues	<u>195,362</u>	<u>256,877</u>
EXPENDITURES		
Public Safety	114,898	213,068
Debt Service:		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	<u>114,898</u>	<u>213,068</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>80,464</u>	<u>43,809</u>
OTHER FINANCING SOURCES (USES)		
Transfers In - General Fund	-	141,323
Transfers Out - Street Improvement Fund	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>141,323</u>
NET CHANGE IN FUND BALANCE	80,464	185,132
FUND BALANCE, beginning of year	<u>185,132</u>	<u>-</u>
FUND BALANCE, end of year	<u>265,596</u>	<u>185,132</u>

DEBT SERVICE FUND

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

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CITY OF PORTLAND, TEXAS
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

Exhibit E-1

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	642,141	627,600
Taxes Receivable	25,420	27,966
Allowance for Uncollectible Taxes	(3,050)	(3,356)
Accounts Receivable	1,701	444
Interest Receivable	--	772
Due from General Fund	<u>1,637</u>	<u>11,599</u>
TOTAL ASSETS	<u><u>667,849</u></u>	<u><u>665,025</u></u>
 LIABILITIES AND FUND BALANCE		
Accrued Interest Payable	--	--
Unearned Tax Revenue	<u>22,370</u>	<u>24,610</u>
TOTAL LIABILITIES	22,370	24,610
 FUND BALANCE:		
Restricted for:		
Debt Service	<u>645,479</u>	<u>640,415</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>667,849</u></u>	<u><u>665,025</u></u>

CITY OF PORTLAND, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012

Exhibit E-2

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Ad Valorem Taxes, Penalties and Interest	950,000	1,073,000	1,067,951	(5,049)	910,874
Investment Income	3,000	3,100	(11,702)	(14,802)	4,698
Other	--	3,034	--	(3,034)	--
Total Revenues	953,000	1,079,134	1,056,249	(22,885)	915,572
EXPENDITURES					
Debt Service:					
Principal Retirement	725,740	825,740	825,740	--	547,879
Interest and Fiscal Charges	342,236	342,436	342,390	46	353,889
Bond Issuance Costs	--	--	--	--	--
Total Expenditures	1,067,976	1,168,176	1,168,130	46	901,768
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(114,976)	(89,042)	(111,881)	(22,839)	13,804
OTHER FINANCING SOURCES (USES)					
Bonds Issued	--	--	--	--	--
Bond Premium	--	--	--	--	--
Transfers In - PCCC Fund	116,945	116,945	116,945	--	116,795
Payments to Refunding Escrow Agent	--	--	--	--	--
NET CHANGE IN FUND BALANCE	1,969	27,903	5,064	(22,839)	130,599
FUND BALANCE, beginning of year			640,415		509,816
FUND BALANCE, end of year			645,479		640,415

CAPITAL PROJECT FUNDS

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

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

Street Improvements Fund – to account for street improvements financed by tax anticipation notes.

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

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

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

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CITY OF PORTLAND, TEXAS
CAPITAL IMPROVEMENTS FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

Exhibit F-1

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	21,604	60,206
Due From Other Governments	-	217,914
Prepaid Items	-	-
Escrow	-	-
Due From General Fund	<u>619,250</u>	<u>-</u>
TOTAL ASSETS	<u><u>640,854</u></u>	<u><u>278,120</u></u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	210	68,966
Due to General Fund	-	-
Due to Water/Wastewater Fund	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>210</u>	<u>68,966</u>
FUND BALANCE:		
Restricted for:		
Capital Improvements - Fire Station	-	6,132
Capital Improvements - Police Station	21,296	66,627
Capital Improvements - 2012 Technology Projects	-	136,395
Committed for:		
Capital Improvements - Fire Station	532,682	-
Capital Improvements - Police Station	36,666	-
Capital Improvements - City Hall Litigation	<u>50,000</u>	<u>-</u>
TOTAL FUND BALANCE	<u>640,644</u>	<u>209,154</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>640,854</u></u>	<u><u>278,120</u></u>

CITY OF PORTLAND, TEXAS
CAPITAL IMPROVEMENTS FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2013 AND 2012

Exhibit F-2

	<u>2013</u>	<u>2012</u>
REVENUES		
Intergovernmental	--	--
Investment Income	98	130
Total Revenues	<u>98</u>	<u>130</u>
EXPENDITURES		
General Government	8,328	9,047
Public Safety	161,563	295,787
Public Works	17,967	64,970
Debt Service:		
Principal Retirement	--	--
Interest and Fiscal Charges	--	--
Total Expenditures	<u>187,858</u>	<u>369,804</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(187,760)</u>	<u>(369,674)</u>
OTHER FINANCING SOURCES (USES)		
Other Sources - Bonds Issued	--	500,000
Transfers In - General Fund	619,250	--
Transfers In - Portland Comm Center Complex Fund	--	--
Transfers Out - Street Improvements Fund	--	--
Total Other Financing Sources (Uses)	<u>619,250</u>	<u>500,000</u>
NET CHANGE IN FUND BALANCE	431,490	130,326
FUND BALANCE, beginning of year	<u>209,154</u>	<u>78,828</u>
FUND BALANCE, end of year	<u><u>640,644</u></u>	<u><u>209,154</u></u>

CITY OF PORTLAND, TEXAS
 STREET IMPROVEMENTS FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2013 AND 2012

Exhibit F-3

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	124,392	584,301
Interest Receivable	-	40
Due From General Fund	<u>100,000</u>	<u>-</u>
TOTAL ASSETS	<u>224,392</u>	<u>584,341</u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	466	398,870
Due to General Fund	281	22,241
Due to Capital Improvements Fund	-	-
Due to Drainage Construction Fund	<u>675</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,422</u>	<u>421,111</u>
FUND BALANCE:		
Restricted For:		
Capital Improvements - Streets	-	-
Committed To:		
Capital Improvements - Streets	<u>222,970</u>	<u>163,230</u>
TOTAL FUND BALANCE	<u>222,970</u>	<u>163,230</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>224,392</u>	<u>584,341</u>

CITY OF PORTLAND, TEXAS
STREET IMPROVEMENTS FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2013 AND 2012

Exhibit F-4

	<u>2013</u>	<u>2012</u>
REVENUES		
Intergovernmental	--	--
Investment Income	2,227	2,196
Other	--	--
Total Revenues	<u>2,227</u>	<u>2,196</u>
EXPENDITURES		
Current:		
Public Works	42,206	1,285,508
Debt Service:		
Bond Issuance Costs	--	--
Total Expenditures	<u>42,206</u>	<u>1,285,508</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(39,979)</u>	<u>(1,283,312)</u>
OTHER FINANCING SOURCES		
Bonds Issued	--	--
Bond Premiums	--	--
Transfers In-General Fund	100,000	93,730
Transfers In-Venue Sales Tax Fund	--	--
Transfers In-Capital Improvements Fund	--	--
Transfer Out-General Fund	(281)	(22,241)
Total Other Financing Sources	<u>99,719</u>	<u>71,489</u>
NET CHANGE IN FUND BALANCE	59,740	(1,211,823)
FUND BALANCE, beginning of year	<u>163,230</u>	<u>1,375,053</u>
FUND BALANCE, end of year	<u><u>222,970</u></u>	<u><u>163,230</u></u>

CITY OF PORTLAND, TEXAS
COMMUNITY CENTER CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

Exhibit F-5

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	51,678	100,831
Due from Library Trust Fund	-	-
Prepaid Items	-	-
TOTAL ASSETS	<u><u>51,678</u></u>	<u><u>100,831</u></u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	49,210
Due to General Fund	-	-
TOTAL LIABILITIES	<u>-</u>	<u>49,210</u>
FUND BALANCE:		
Committed To:		
Capital Improvements	<u>51,678</u>	<u>51,621</u>
TOTAL FUND BALANCE	<u>51,678</u>	<u>51,621</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>51,678</u></u>	<u><u>100,831</u></u>

CITY OF PORTLAND, TEXAS
COMMUNITY CENTER CONSTRUCTION FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2013 AND 2012

Exhibit F-6

	<u>2013</u>	<u>2012</u>
REVENUES		
Investment Income	57	122
EXPENDITURES		
Cultural and Recreational	--	485,690
Interest and Fiscal Charges (Bond Issuance Costs)	--	--
Total Expenditures	<u>--</u>	<u>485,690</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	57	(485,568)
OTHER FINANCING SOURCES		
Transfers In-Portland Community Center Complex	<u>--</u>	<u>429,000</u>
NET CHANGE IN FUND BALANCE	57	(56,568)
FUND BALANCE, beginning of year	<u>51,621</u>	<u>108,189</u>
FUND BALANCE, end of year	<u><u>51,678</u></u>	<u><u>51,621</u></u>

CITY OF PORTLAND, TEXAS
CITY HALL CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

Exhibit F-7

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	-	(652)
Due from Frost Bank Escrow	-	-
Due From General Fund	-	144
Due From Restricted Use Fund	-	-
TOTAL ASSETS	<u>-</u>	<u>(508)</u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	-
Due to General Fund	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCE:		
Committed To:		
Capital Improvements	-	(508)
TOTAL FUND BALANCE	<u>-</u>	<u>(508)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>-</u>	<u>(508)</u>

CITY OF PORTLAND, TEXAS
CITY HALL CONSTRUCTION FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2013 AND 2012

Exhibit F-8

	<u>2013</u>	<u>2012</u>
REVENUES		
Investment Income	<u> --</u>	<u> --</u>
EXPENDITURES		
General Government	<u> --</u>	<u> 1,939</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	--	(1,939)
OTHER FINANCING SOURCES		
Transfers In-General Fund	508	--
Transfers In-Restricted Use Fund	<u> --</u>	<u> --</u>
Total Other Financing Sources	508	--
NET CHANGE IN FUND BALANCE	508	(1,939)
FUND BALANCE, beginning of year	<u> (508)</u>	<u> 1,431</u>
FUND BALANCE, end of year	<u> --</u>	<u> (508)</u>

CITY OF PORTLAND, TEXAS
VENUE SALES TAX CONSTRUCTION FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2013 AND 2012

Exhibit F-9

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	125,634	124,469
Prepaid Items	-	-
Due from Venue Sales Tax Fund	<u>-</u>	<u>49,979</u>
TOTAL ASSETS	<u><u>125,634</u></u>	<u><u>174,448</u></u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	-	-
Due to General Fund	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCE:		
Committed For :		
Capital Improvements	<u>125,634</u>	<u>174,448</u>
TOTAL FUND BALANCE	<u>125,634</u>	<u>174,448</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>125,634</u></u>	<u><u>174,448</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, 2013 AND 2012

Exhibit F-10

	<u>2013</u>	<u>2012</u>
REVENUES		
Interest	119	141
TOTAL REVENUES	<u>119</u>	<u>141</u>
EXPENDITURES		
Cultural and Recreation	<u>48,933</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(48,814)	141
OTHER FINANCING SOURCES		
Transfers In - Restricted Use Fund	-	-
Transfers In - Venue Sales Tax Fund	-	49,979
Transfers Out - Venue Sales Tax Fund	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(48,814)	50,120
FUND BALANCE, beginning of year	<u>174,448</u>	<u>124,328</u>
FUND BALANCE, end of year	<u><u>125,634</u></u>	<u><u>174,448</u></u>

PROPRIETARY FUNDS

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ENTERPRISE FUNDS

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

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

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

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
WATER AND SEWER SYSTEM FUND
SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	3,048,805	3,160,740
Accounts Receivable	535,558	684,410
Less Allowance for Uncollectible Accounts	—	(5,045)
Bond Issue Cost	506,275	506,276
Less Allowance for Amortization	(71,688)	(43,318)
Due From Other Governments	33,031	152,410
Inventory	195,932	98,852
Prepaid Items	18,010	16,510
Due from General Fund	2,314	82,806
Total Current Assets	<u>4,268,237</u>	<u>4,653,641</u>
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	5,311,475	9,851,758
Total Restricted Assets	<u>5,311,475</u>	<u>9,851,758</u>
Capital Assets:		
Land	118,362	118,362
Buildings	686,429	686,429
Water System	8,961,234	8,792,734
Sewer System	17,122,088	13,436,946
Equipment	896,986	997,167
Construction in Progress	4,160,942	1,783,289
Total Capital Assets	<u>31,946,041</u>	<u>25,814,927</u>
Less Accumulated Depreciation	(8,300,004)	(7,770,644)
Net Capital Assets	<u>23,646,037</u>	<u>18,044,283</u>
TOTAL ASSETS	<u>33,225,749</u>	<u>32,549,682</u>

CITY OF PORTLAND, TEXAS
 COMPARATIVE STATEMENTS OF NET POSITION
 WATER AND SEWER SYSTEM FUND
 SEPTEMBER 30, 2013 AND 2012

	2013	2012
LIABILITIES		
Current Liabilities:		
Accounts Payable	678,670	1,139,894
Accrued Liabilities	75,300	25,793
Accrued Vacation Leave	--	34,448
Due to General Fund	68,967	298,850
Due to Insurance Fund	--	10,038
Current Portion of Long-Term Debt (Net of Bond Premium and Deferred Amount on Refundings)	875,651	857,577
Accrued Interest	42,967	44,775
Deposits	421,261	404,525
Total Current Liabilities	2,162,816	2,815,900
Non-Current Liabilities:		
Revenue Bonds (Net of Bond Premium and Deferred Amount on Refundings)	13,674,180	14,549,830
Net OPEB Obligation	227,053	188,168
Total Non-Current Liabilities	13,901,233	14,737,998
Total Liabilities	16,064,049	17,553,898
Net Position:		
Invested in Capital Assets, Net of Related Debt	12,748,379	11,268,761
Restricted for:		
Debt Service	109,875	108,056
Unrestricted	4,303,446	3,618,967
Net Position	17,161,700	14,995,784

CITY OF PORTLAND, TEXAS
*COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 WATER AND SEWER SYSTEM FUND
 YEAR ENDED SEPTEMBER 30, 2013 AND 2012*

Exhibit G-2

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for Services:		
Water Sales	3,021,275	3,159,406
Water Connections	46,670	15,521
Sewer Sales	2,710,832	2,688,292
Sewer Connections	29,178	2,483
Total Charges for Services	<u>5,807,955</u>	<u>5,865,702</u>
Miscellaneous	14,632	16,611
 Total Operating Revenues	 <u>5,822,587</u>	 <u>5,882,313</u>
 OPERATING EXPENSES		
Personnel Services	1,044,671	1,002,536
Maintenance	103,388	345,099
Purchase of Water	1,923,576	2,024,944
Contract Payments	113,832	109,810
Materials and Supplies	147,711	116,520
Utilities	300,869	273,389
Depreciation	629,538	595,973
Amortization	28,369	20,641
 Total Operating Expenses	 <u>4,291,954</u>	 <u>4,488,912</u>
 Net Operating Income	 <u>1,530,633</u>	 <u>1,393,401</u>
 NON-OPERATING REVENUES (EXPENSES)		
Investment Income	(64,877)	47,250
Intergovernmental Grant Revenue	1,495,546	152,410
Gain (Loss) on Disposal of Assets	3,982	--
Interest and Fiscal Charges	(512,638)	(411,343)
 Net Non-Operating Revenues (Expenses)	 <u>922,013</u>	 <u>(211,683)</u>
 Income (Loss) Before Contributions and Transfers	 2,452,646	 1,181,718
Capital Contributions	300,100	69,786
Transfers In	--	--
Transfers Out - General Fund	(586,830)	(509,386)
 Change in Net Position	 2,165,916	 742,118
 NET POSITION BEGINNING OF YEAR	 <u>14,995,784</u>	 <u>14,253,666</u>
 NET POSITION END OF YEAR	 <u>17,161,700</u>	 <u>14,995,784</u>

CITY OF PORTLAND, TEXAS
WATER AND SEWER SYSTEM FUND
SUMMARY BUDGET
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2013

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	5,897,800	5,892,690	5,807,955	(84,735)
Miscellaneous	4,500	11,483	14,632	3,149
Total Operating Revenues	5,902,300	5,904,173	5,822,587	(81,586)
OPERATING EXPENSES				
Personnel Services	1,109,495	1,063,678	1,044,671	19,007
Maintenance	316,384	327,013	103,388	223,625
Purchase of Water	1,912,500	1,912,500	1,923,576	(11,076)
Contract Payments	108,900	141,975	113,832	28,143
Materials and Supplies	210,010	212,342	147,711	64,631
Utilities	303,550	302,300	300,869	1,431
Capital Outlay - Equipment	243,995	286,691	-	286,691
Total Operating Expenses	4,204,834	4,246,499	3,634,047	612,452
Operating Income	1,697,466	1,657,674	2,188,540	530,866
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	2,400	24,106	(64,877)	(88,983)
Intergovernmental Grant Revenue	-	-	1,495,546	1,495,546
Gain (Loss) on Disposal of Assets	-	3,982	3,982	-
Interest, Principal and Fiscal Charges	(1,375,995)	(1,376,070)	(512,638)	863,432
Net Non-Operating Revenues (Expenses)	(1,373,595)	(1,347,982)	922,013	2,269,995
Income (Loss) Before Transfers	323,871	309,692	3,110,553	2,800,861
Transfers Out - General Fund	(523,120)	(510,620)	(586,830)	(76,210)
NET INCOME (LOSS) (NON-GAAP BUDGETARY BASIS)	(199,249)	(200,928)	2,523,723	2,724,651
Adjustments				
Depreciation Expense			(629,538)	
Amortization Expense			(28,369)	
Capital Assets Contributed by Developers			300,100	
NET INCOME (LOSS) (GAAP BASIS)			2,165,916	

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
WATER AND SEWER SYSTEM FUND
YEAR ENDED SEPTEMBER 30, 2013 AND 2012

Exhibit G-4

	2013	2012
Cash flow from operating activities:		
Cash received from customers	5,966,394	5,888,936
Cash payments to suppliers for goods and services	(3,328,129)	(2,416,385)
Cash payments to employees for services	(995,164)	(991,701)
Net cash provided by operating activities	<u>1,643,101</u>	<u>2,480,850</u>
Cash flows from noncapital financing activities:		
Transfers to other funds	<u>(586,830)</u>	<u>(509,386)</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Long-term Debt	--	5,168,000
Cash Received from Other Governments - Grants	1,495,546	--
Principal Payment on bonds	(973,260)	(602,000)
Principal Payment on Capital Lease	--	--
Interest and Fiscal Charges Paid	(512,638)	(411,343)
Purchase of Capital Assets	(5,653,260)	(1,333,511)
Net Cash Used for Capital and Related Financing Activities	<u>(5,643,612)</u>	<u>2,821,146</u>
Cash Flows from Investing Activities - Interest Income	<u>(64,877)</u>	<u>47,250</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,652,218)	4,839,860
Cash and Cash Equivalents at Beginning of Year	<u>13,012,498</u>	<u>8,172,638</u>
*CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>8,360,280</u></u>	<u><u>13,012,498</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	1,530,633	1,319,166
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	629,538	595,973
Amortization	28,369	20,641
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	143,807	6,623
(Increase) Decrease in Due from Other Funds	80,492	(82,182)
(Increase) Decrease in Inventory	(97,080)	90,669
(Increase) Decrease in Prepaid Expense	(1,500)	(616)
Increase (Decrease) in Accounts Payable	(461,224)	230,941
Increase (Decrease) in Accrued Liabilities	49,507	6,884
Increase (Decrease) in Due to Other Funds	(239,921)	262,691
Increase (Decrease) in Accrued Vacation Leave	(34,448)	(7,513)
Increase (Decrease) in Accrued Interest	(1,808)	12,947
Increase (Decrease) in Deposits	16,736	24,626
Net Cash Provided (Used) by Operating Activities	<u><u>1,643,101</u></u>	<u><u>2,480,850</u></u>

Noncash Investing, Capital, and Financing Activities:
Capital Contributions from developers consisting of water and sewer system infrastructure - \$300,100 for 2013 and \$69,786 for 2012.

* Includes restricted cash and cash equivalents.

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
DRAINAGE FUND
SEPTEMBER 30, 2013 AND 2012

Exhibit G-5

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	647,630	1,137,456
Drainage Fee Receivable	25,797	27,177
Interest Receivable	-	196
Bond Issue Cost	78,712	78,712
Less Allowance for Amortization	(12,791)	(8,855)
Due from General Fund	-	801
Due from Street Improvement Fund	675	-
Total Current Assets	<u>740,023</u>	<u>1,235,487</u>
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	-	-
Total Restricted Assets	<u>-</u>	<u>-</u>
Capital Assets		
Intangible Assets	367,177	367,177
Infrastructure	4,033,931	1,635,425
Equipment	147,247	147,247
Construction In Progress	275,840	2,213,923
Total Capital Assets	<u>4,824,195</u>	<u>4,363,772</u>
Less Accumulated Depreciation	(562,822)	(402,441)
Net Capital Assets	<u>4,261,373</u>	<u>3,961,331</u>
TOTAL ASSETS	<u>5,001,396</u>	<u>5,196,818</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	100,688	367,651
Due to General Fund	564,249	720,965
Accrued Interest Payable	7,584	8,088
Current Portion of Long-Term Debt-Bonds	112,683	134,260
Current Portion of Bond Premium	3,936	2,010
Total Current Liabilities	<u>789,140</u>	<u>1,232,974</u>
Non-Current Liabilities:		
Bonds Payable	1,454,982	1,567,965
Bond Premium	30,541	34,178
Total Non-Current Liabilities	<u>1,485,523</u>	<u>1,602,143</u>
TOTAL LIABILITIES	<u>2,274,663</u>	<u>2,835,117</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	2,659,231	2,222,918
Unrestricted	67,502	138,783
Net Position	<u>2,726,733</u>	<u>2,361,701</u>

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
DRAINAGE FUND
YEAR ENDED SEPTEMBER 30, 2013 AND 2012

Exhibit G-6

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for Services:		
Drainage Fees	414,804	275,031
Miscellaneous	-	-
	<u>414,804</u>	<u>275,031</u>
Total Operating Revenues	<u>414,804</u>	<u>275,031</u>
OPERATING EXPENSES		
Maintenance	18,178	7,250
Contract Payments	4,439	2,120
Depreciation Expense	160,380	84,612
Amortization Expense	3,936	3,936
	<u>186,933</u>	<u>97,918</u>
Total Operating Expenses	<u>186,933</u>	<u>97,918</u>
Net Operating Income	<u>227,871</u>	<u>177,113</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	4,450	2,257
Intergovernmental Revenue	-	-
Interest and Fiscal Charges	(64,539)	(67,743)
	<u>(60,089)</u>	<u>(65,486)</u>
Net Non-Operating Revenues (Expenses)	<u>(60,089)</u>	<u>(65,486)</u>
Income (Loss) Before Contributions and Transfers	167,782	111,627
Capital Contributions	197,250	-
Transfers In - General Fund	-	-
Transfers Out	-	-
	<u>365,032</u>	<u>111,627</u>
Change in Net Position	<u>365,032</u>	<u>111,627</u>
NET POSITION BEGINNING OF YEAR	<u>2,361,701</u>	<u>2,250,074</u>
NET POSITION END OF YEAR	<u>2,726,733</u>	<u>2,361,701</u>

CITY OF PORTLAND, TEXAS
DRAINAGE FUND
SUMMARY BUDGET
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED SEPTEMBER 30, 2013

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	274,520	274,520	414,804	140,284
Miscellaneous	100	100	-	(100)
Total Operating Revenues	<u>274,620</u>	<u>274,620</u>	<u>414,804</u>	<u>140,184</u>
OPERATING EXPENSES				
Maintenance	6,000	4,556	18,178	(13,622)
Contract Payments	2,700	2,640	4,439	(1,799)
Capital Outlay	-	2,400	-	2,400
Total Operating Expenses	<u>8,700</u>	<u>9,596</u>	<u>22,617</u>	<u>(13,021)</u>
Net Operating Income (Loss)	<u>265,920</u>	<u>265,024</u>	<u>392,187</u>	<u>127,163</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	-	-	4,450	4,450
Intergovernmental Revenue	-	-	-	-
Interest and Fiscal Charges	(64,703)	(65,003)	(64,539)	464
Net Non-Operating Revenues (Expenses)	<u>(64,703)</u>	<u>(65,003)</u>	<u>(60,089)</u>	<u>4,914</u>
Income (Loss) Before Transfers	201,217	200,021	332,098	132,077
Transfers In - General Fund	-	-	-	-
Transfers Out - General Fund	-	-	-	-
Total Transfers	-	-	-	-
Net Income (Loss) (Non-GAAP Budgetary Basis)	<u>201,217</u>	<u>200,021</u>	<u>332,098</u>	<u>132,077</u>
Adjustments				
Depreciation Expense			(160,380)	
Amortization Expense			(3,936)	
Capital Assets Contributed by Developers			197,250	
NET INCOME (LOSS) (GAAP BASIS)			<u>365,032</u>	

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
DRAINAGE FUND
YEAR ENDED SEPTEMBER 30, 2013 AND 2012

Exhibit G-8

	<u>2013</u>	<u>2012</u>
Cash flow from operating activities:		
Cash received from customers	416,184	275,139
Cash borrowed from other funds	(156,716)	702,828
Cash loaned to other funds	-	(801)
Cash payments to suppliers for goods and services	<u>(289,762)</u>	<u>(9,370)</u>
Net cash provided by operating activities	<u>(30,294)</u>	<u>967,796</u>
Cash flow from non-capital financing activities:		
Transfers from other funds	<u>-</u>	<u>-</u>
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	-	-
Bonds Issued	-	-
Bond Premium	-	-
Principal Payment on Bonds	(134,560)	(158,235)
Principal Payment on Capital Lease	-	-
Interest and Fiscal Charges	(64,539)	(67,743)
Purchase of capital assets	<u>(265,079)</u>	<u>(1,088,675)</u>
Net cash provided by capital and related financing activities	<u>(464,178)</u>	<u>(1,314,653)</u>
Cash flow from investing activities:		
Interest on cash and cash equivalents	<u>4,646</u>	<u>2,105</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(489,826)	(344,752)
Cash and Cash Equivalents at Beginning of Year	<u>1,137,456</u>	<u>1,482,208</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>647,630</u></u>	<u><u>1,137,456</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	227,871	177,113
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	160,380	84,612
Amortization	3,936	3,936
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	1,576	108
(Increase) Decrease in Due from Other Funds	126	(801)
(Increase) Decrease in Prepaid Expense	-	-
Increase (Decrease) in Accounts Payable	(266,963)	-
Increase (Decrease) in Accrued Liabilities	(504)	-
Increase (Decrease) in Due to Other Funds	<u>(156,716)</u>	<u>702,828</u>
Net Cash Provided by Operating Activities	<u>(30,294)</u>	<u>967,796</u>

Noncash Investing, Capital, and Financing Activities:
 Capital Contributions from developers
 consisting of drainage system
 infrastructure - \$197,250 for 2013 and \$0 for 2012.

INTERNAL SERVICE FUND

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

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

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CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
INSURANCE INTERNAL SERVICE FUND
SEPTEMBER 30, 2013 AND 2012

Exhibit H-1

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	67,813	79,938
Refund Receivable	--	--
Flexible Spending Advance	--	--
Due from Water and Sewer System Fund	--	10,038
Due from General Fund	1,329	58,716
Due from Restricted Use Fund	--	398
Due From Venue Tax Fund	--	1,151
Prepaid Items	--	--
TOTAL ASSETS	<u>69,142</u>	<u>150,241</u>
LIABILITIES		
Accounts Payable	--	71,482
Flexible Spending Accounts	8,845	11,527
Accrued Liabilities	--	--
TOTAL LIABILITIES	<u>8,845</u>	<u>83,009</u>
NET POSITION		
Unrestricted	<u>60,297</u>	<u>67,231</u>

CITY OF PORTLAND, TEXAS

Exhibit H-2

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INSURANCE INTERNAL SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for Services	876,220	852,182
Miscellaneous	--	--
Total Operating Revenues	<u>876,220</u>	<u>852,182</u>
OPERATING EXPENSES		
Contract Payments	879,655	861,923
Other Operating Expenses	3,556	3,595
Total Operating Expenses	883,211	865,518
NET OPERATING INCOME (LOSS)	<u>(6,991)</u>	<u>(13,336)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	<u>57</u>	<u>79</u>
NET INCOME (LOSS)	(6,934)	(13,257)
NET POSITION, beginning of year	<u>67,231</u>	<u>80,488</u>
NET POSITION, end of year	<u>60,297</u>	<u>67,231</u>

CITY OF PORTLAND, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
INSURANCE INTERNAL SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2013 AND 2012

Exhibit H-3

	<u>2013</u>	<u>2012</u>
Cash flow from operating activities:		
Cash received from other funds for services	945,193	855,601
Cash payments for loss claims	<u>(957,375)</u>	<u>(861,824)</u>
Net cash provided by operating activities	<u>(12,182)</u>	<u>(6,223)</u>
Cash flow from investing activities:		
Interest on cash and cash equivalents	<u>57</u>	<u>79</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(12,125)	(6,144)
Cash and Cash Equivalents at Beginning of Year	<u>79,938</u>	<u>86,082</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>67,813</u></u>	<u><u>79,938</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	(6,991)	(13,336)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	--	--
(Increase) Decrease in Flexible Spending Advance	--	--
(Increase) Decrease in Due from Other Funds	68,974	3,419
(Increase) Decrease in Prepaid Expense	--	--
Increase (Decrease) in Accounts Payable	(74,165)	3,694
Increase (Decrease) in Accrued Liabilities	<u>--</u>	<u>--</u>
Net Cash Provided by Operating Activities	<u><u>(12,182)</u></u>	<u><u>(6,223)</u></u>

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

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CITY OF PORTLAND, TEXAS

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES - BY SOURCE
SEPTEMBER 30, 2013 AND 2012**

Exhibit I-1

	<u>2013</u>	<u>2012</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land	4,412,524	4,412,524
Buildings and Improvements	22,180,839	21,703,488
Construction in Progress	68,400	3,244,047
Vehicles	2,723,962	2,321,623
Furniture and Equipment	2,941,480	2,809,958
Infrastructure	41,824,413	39,128,817
Intangibles	534,971	105,838
Total	<u>74,686,589</u>	<u>73,726,295</u>

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

Capital Projects Funds - General Obligation Bonds	50,293,102	50,008,274
General Fund Revenues	9,326,170	9,098,122
Contributed Capital	11,895,841	11,563,741
Intergovernmental	3,171,476	3,056,158
Total	<u>74,686,589</u>	<u>73,726,295</u>

CITY OF PORTLAND, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2013

EXHIBIT I-2

Function and Activity	Total	General Government	Public Safety	Public Works	Cultural and Recreational
Land	4,412,524	819,055	7,318	--	3,586,151
Buildings and Improvements	22,180,839	3,135,116	4,456,786	399,127	14,189,810
Vehicles	2,723,962	10,514	2,343,555	184,960	184,933
Furniture and Equipment	2,941,480	269,208	1,617,325	230,220	824,727
Infrastructure	41,824,413	--	--	41,824,413	--
Intangibles	534,971	32,753	438,950	63,268	--
Construction in Progress	68,400	--	42,706	25,694	--
Total Governmental Funds Capital Assets	74,686,589	4,266,646	8,906,640	42,727,682	18,785,621

CITY OF PORTLAND, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT I-3

Function And Activity	Balance 10/01/12	Additions	Deletions	Balance 09/30/13
General Government	4,242,940	23,706	--	4,266,646
Public Safety	8,307,046	846,693	247,099	8,906,640
Public Works	42,353,399	506,811	132,528	42,727,682
Cultural and Recreational	18,822,910	--	37,289	18,785,621
Total Governmental Funds Capital Assets	<u>73,726,295</u>	<u>1,377,210</u>	<u>416,916</u>	<u>74,686,589</u>

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STATISTICAL SECTION

(Unaudited)

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

Contents

Financial Trends	Tables 1-4
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	Tables 5-8
These schedules contain information to help the reader assess the city's most significant local revenue sources: property and sales taxes.	
Debt Capacity	Tables 9-10
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	Tables 11-12
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
Operating Information	Tables 13-17
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	
Additional Information	Table 18
This schedule presents trend information related to retirement plan funding.	

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

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

	Fiscal Year		
	2004	2005	2006
Governmental Activities			
Invested in capital assets, net of related debt	\$ 18,508,877	\$ 19,484,655	\$ 20,657,233
Restricted	799,210	822,760	797,375
Unrestricted	6,004,273	5,718,236	5,571,917
Total governmental activities net position	\$ 25,312,360	\$ 26,025,651	\$ 27,026,525
Business-type activities			
Invested in capital assets, net of related debt	\$ 7,199,636	\$ 8,230,701	\$ 8,836,555
Restricted	186,965	359,588	437,407
Unrestricted	1,105,576	551,314	698,773
Total business-type activities net position	\$ 8,492,177	\$ 9,141,603	\$ 9,972,735
Primary government			
Invested in capital assets, net of related debt	\$ 25,708,513	\$ 27,715,356	\$ 29,493,788
Restricted	986,175	1,182,348	1,234,782
Unrestricted	7,109,849	6,269,550	6,270,690
Total primary government net position	\$ 33,804,537	\$ 35,167,254	\$ 36,999,260

Source: Comprehensive Annual Financial Reports

		Fiscal Year											
		2007	2008	2009	2010	2011	2012	2013					
\$	21,825,285	\$	23,534,153	\$	23,651,889	\$	23,330,540	\$	22,977,675	\$	23,580,006	\$	23,895,496
	862,053		866,321		562,386		625,125		1,437,050		1,808,330		1,976,983
	4,715,196		4,757,037		5,711,181		6,410,709		6,332,276		6,466,435		6,338,808
\$	27,402,534	\$	29,157,511	\$	29,925,456	\$	30,366,374	\$	30,747,001	\$	31,854,771	\$	32,211,287
\$	9,922,100	\$	11,492,281	\$	11,759,416	\$	12,368,731	\$	12,975,355	\$	13,491,679	\$	15,407,610
	515,684		568,657		145,023		193,564		205,288		108,056		109,875
	503,013		1,056,200		2,026,500		2,460,183		3,323,097		3,683,515		4,370,948
\$	10,940,797	\$	13,117,138	\$	13,930,939	\$	15,022,478	\$	16,503,740	\$	17,283,250	\$	19,888,433
	31,747,385	\$	35,026,434	\$	35,411,305	\$	35,699,271	\$	35,953,030	\$	37,071,685	\$	39,303,106
	1,377,737		1,434,978		707,409		818,689		1,642,338		1,916,386		2,086,858
	5,218,209		5,813,237		7,737,681		8,870,892		9,655,373		10,149,950		10,709,756
\$	38,343,331	\$	42,274,649	\$	43,856,395	\$	45,388,852	\$	47,250,741	\$	49,138,021	\$	52,099,720

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

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

Source: Comprehensive Annual Financial Reports

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	1,051,690	\$	1,256,885	\$	1,421,374	\$	1,532,324	\$	1,910,890	\$	1,946,383
	2,626,505		2,500,572		2,615,381		2,743,835		2,805,939		2,908,389
	4,188,827		4,607,168		4,615,046		4,844,775		5,141,876		5,662,410
	1,404,282		1,548,127		1,717,427		1,756,566		1,802,525		1,288,634
	600,302		621,649		546,654		614,090		581,332		674,048
	9,871,606		10,534,401		10,915,882		11,491,590		12,242,562		12,479,864
	3,951,147		4,619,688		4,364,772		4,952,414		4,974,490		4,804,592
	67,999		124,773		102,541		160,128		165,661		251,472
	4,019,146		4,744,461		4,467,313		5,112,542		5,140,151		5,056,064
\$	13,890,752	\$	15,278,862	\$	15,383,195	\$	16,604,132	\$	17,382,713	\$	17,535,928
	-		-		-		-		-		-
	643,824		606,943		764,954		821,521		783,733		818,687
	638,366		667,966		592,575		597,250		882,494		826,844
	210,102		174,111		170,814		321,594		352,854		346,454
	13,428		7,614		8,060		13,402		11,531		17,622
	37,175		44,414		201,966		301,131		238,225		206,058
	-		-		-		-		-		-
	-		-		-		-		-		-
	1,286,227		492,428		105,861		59,500		-		-
\$	2,829,122	\$	1,993,476	\$	1,844,230	\$	2,114,398	\$	2,268,837	\$	2,215,665
	4,404,844		5,294,058		5,327,943		5,821,151		5,865,702		5,807,955
	87,632		88,013		104,135		274,470		275,031		414,804
	-		17,902		7,545		287,475		-		-
	1,169,376		289,698		199,365		144,250		222,196		1,795,646
	698,696		124,157		208,103		-		-		197,250
	6,360,548		5,813,828		5,847,091		6,527,346		6,362,929		8,215,655
\$	9,189,670	\$	7,807,304	\$	7,691,321	\$	8,641,744	\$	8,631,766	\$	10,431,320

(continued)

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

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

Fiscal Year						
2008	2009	2010	2011	2012	2013	
\$ (7,042,484)	\$ (8,540,925)	\$ (9,071,652)	\$ (9,377,192)	\$ (9,973,725)	\$ (10,264,199)	
2,341,402	1,069,367	1,379,778	1,414,804	1,222,778	3,159,591	
\$ (4,701,082)	\$ (7,471,558)	\$ (7,691,874)	\$ (7,962,388)	\$ (8,750,947)	\$ (7,104,608)	
3,864,540	4,232,399	4,463,514	4,553,921	4,733,902	4,732,212	
2,911,431	3,162,719	3,074,103	3,404,064	4,065,035	3,985,513	
1,087,961	1,051,320	1,029,609	1,009,656	1,033,907	1,014,730	
193,740	209,049	228,199	267,274	379,677	377,288	
283,538	73,430	50,045	95,830	116,144	(113,095)	
215,935	270,728	282,504	402,355	243,119	241,036	
-	-	8,932	-	325	10,138	
240,316	309,225	375,664	24,719	509,386	586,830	
\$ 8,797,461	\$ 9,308,870	\$ 9,512,570	\$ 9,757,819	\$ 11,081,495	\$ 10,834,652	
60,802	25,148	31,426	35,594	49,506	(60,427)	
-	-	1,469	41,091	-	14,632	
14,453	28,511	54,530	14,492	16,612	3,982	
(240,316)	(309,225)	(375,664)	(24,719)	(509,386)	(586,830)	
(165,061)	(255,566)	(288,239)	66,458	(443,268)	(628,643)	
8,632,400	9,053,304	9,224,331	9,824,277	10,638,227	10,206,009	
1,754,977	767,945	440,918	380,627	1,107,770	570,453	
2,176,341	813,801	1,091,539	1,481,262	779,510	2,530,948	
3,931,318	1,581,746	1,532,457	1,861,889	1,887,280	3,101,401	

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund				
Unspendable	\$ 82,653	\$ 103,016	\$ 63,382	\$ 119,102
Restricted	3,521	653	3,323	6,122
Committed	196,680	127,549	160,091	164,622
Unassigned	<u>2,277,272</u>	<u>2,313,088</u>	<u>2,445,540</u>	<u>2,497,025</u>
Total General Fund	<u>\$ 2,560,126</u>	<u>\$ 2,544,306</u>	<u>\$ 2,672,336</u>	<u>\$ 2,786,871</u>
All Other Governmental Funds				
Unspendable	-	-	-	74,882
Restricted	1,315,278	680,014	1,105,593	1,123,212
Committed	127,071	1,369,336	4,934,422	3,838,557
Assigned	<u>1,105,127</u>	<u>1,061,400</u>	<u>545,868</u>	<u>724,559</u>
	<u>\$ 2,547,476</u>	<u>\$ 3,110,750</u>	<u>\$ 6,585,883</u>	<u>\$ 5,761,210</u>

Source: Comprehensive Financial Reports

Table 3

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 154,993	\$ 90,694	\$ 96,005	\$ 91,795	\$ 91,890	\$ 98,277
6,490	8,492	26,754	141,323	-	-
214,622	212,620	401,302	407,782	414,252	99,002
2,961,261	3,742,324	4,234,699	4,368,149	4,924,408	4,615,044
<u>\$ 3,337,366</u>	<u>\$ 4,054,130</u>	<u>\$ 4,758,760</u>	<u>\$ 5,009,049</u>	<u>\$ 5,430,550</u>	<u>\$ 4,812,323</u>
92,725	49,704	100,868	52,168	54,743	57,494
1,254,912	948,174	1,193,257	2,723,390	2,251,167	2,032,514
218,013	168,822	2,127,502	490,516	214,343	1,019,630
290,841	922,304	852,818	947,342	1,152,954	1,678,945
<u>\$ 1,856,491</u>	<u>\$ 2,089,004</u>	<u>\$ 4,274,445</u>	<u>\$ 4,213,416</u>	<u>\$ 3,673,207</u>	<u>\$ 4,788,583</u>

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

	Fiscal Year			
	2013	2012	2011	2010
REVENUES:				
Taxes	\$10,131,074	\$10,239,637	\$9,240,828	\$8,826,937
Licenses and Permits	323,040	340,758	309,303	153,993
Intergovernmental	233,193	263,879	327,107	228,805
Charges for Services	1,150,642	1,099,240	1,139,017	1,074,377
Fines and Forfeitures	419,060	485,812	191,816	194,155
Investment Income	(113,095)	116,144	95,830	50,045
Contributions	112,910	103,305	104,688	98,028
Oil Leases and Royalties	16,092	15,634	18,257	43,539
Other	201,764	203,331	367,065	227,976
Total Revenues	12,474,680	12,867,740	11,793,911	10,897,855
EXPENDITURES:				
Current:				
General Government	1,892,070	1,746,767	1,390,877	1,273,740
Public Safety	5,948,725	5,413,120	4,515,608	4,446,807
Public Works	1,103,004	2,598,475	2,039,076	1,271,665
Cultural and Recreational	2,466,892	2,843,221	2,324,661	2,393,228
Debt Service:				
Principal	1,110,740	851,462	859,999	830,033
Interest and Finance Charges	520,295	543,114	575,013	520,808
Bond Issuance Cost	75,567	0	0	146,813
Advance Refunding Escrow	0	0	0	0
Total Expenditures	13,117,293	13,996,159	11,705,234	10,883,094
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(642,613)	(1,128,419)	88,677	14,761
OTHER FINANCE SOURCES (USES):				
Sale of Capital Assets	20,953	325	75,864	218,859
Bond Premium	33,932		0	182,264
Bonds Issued	1,980,000	500,000	0	5,743,640
Capital Leases	531,173		0	0
Transfers In	2,126,415	1,905,629	1,469,649	1,169,764
Payments to Bond Escrow Agent	(1,995,814)	0	0	(3,684,302)
Transfers Out	(1,539,585)	(1,396,243)	(1,444,930)	(794,099)
Total Other Financing Sources (Uses)	1,157,074	1,009,711	100,583	2,836,126
NET CHANGE IN FUND BALANCES	\$514,461	(\$118,708)	\$189,260	\$2,850,887
Debt service as a percentage of noncapital expenditures	14.54%	12.27%	13.50%	12.41%

Source: Comprehensive Annual Financial Reports

Table 4

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$8,608,750	\$8,064,435	\$7,511,921	\$6,974,291	\$6,415,210	\$5,710,599
154,351	223,796	210,294	226,381	230,765	168,205
182,624	58,498	100,092	597,970	119,088	83,826
914,353	902,773	828,477	749,980	652,381	492,435
272,979	260,610	255,840	281,617	246,464	265,692
73,430	283,538	491,896	373,134	235,792	136,267
97,168	103,109	96,369	102,451	76,949	314,437
62,162	103,773	8,410	11,842	12,668	13,037
200,144	106,271	103,971	121,129	146,999	132,071
<u>10,565,961</u>	<u>10,106,803</u>	<u>9,607,270</u>	<u>9,438,795</u>	<u>8,136,316</u>	<u>7,316,569</u>
1,156,038	993,840	1,547,553	2,539,813	1,619,638	1,032,466
5,857,300	6,235,187	3,975,804	3,348,231	3,470,880	2,449,220
1,012,697	1,464,261	1,890,393	1,671,936	924,183	4,556,997
2,104,446	2,208,812	1,931,929	2,351,336	3,676,127	3,338,186
732,738	714,721	628,645	510,483	561,869	424,328
589,900	581,399	712,118	598,255	554,680	540,833
0	116,475				
0	307,012				
<u>11,453,119</u>	<u>12,621,707</u>	<u>10,686,442</u>	<u>11,020,054</u>	<u>10,807,377</u>	<u>12,342,030</u>
<u>(887,158)</u>	<u>(2,514,904)</u>	<u>(1,079,172)</u>	<u>(1,581,259)</u>	<u>(2,671,061)</u>	<u>(5,025,461)</u>
245,615	2,635,000		3,211,643		3,420,000
954,190	114,532	59,573		656,970	
	1,216,623	1,701,260	1,114,437	1,278,664	1,235,940
	(2,508,899)				
<u>(644,965)</u>	<u>(976,307)</u>	<u>(1,391,799)</u>	<u>(905,054)</u>	<u>(984,001)</u>	<u>(942,185)</u>
<u>554,840</u>	<u>480,949</u>	<u>369,034</u>	<u>3,421,026</u>	<u>951,633</u>	<u>3,713,755</u>
<u>(\$332,318)</u>	<u>(\$2,033,955)</u>	<u>(\$710,138)</u>	<u>\$1,839,767</u>	<u>(\$1,719,428)</u>	<u>(\$1,311,706)</u>
11.55%	10.27%	12.55%	10.06%	10.33%	7.82%

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	2,825,473	2,783,575	98.5%	39,865	2,823,440	99.9%
2005	3,006,428	2,939,299	97.8%	62,732	3,002,031	99.9%
2006	3,135,498	3,090,899	98.6%	41,260	3,132,159	99.9%
2007	3,462,791	3,365,762	97.2%	91,543	3,457,305	99.8%
2008	3,790,136	3,740,445	98.7%	42,403	3,782,848	99.8%
2009	4,207,637	4,122,377	98.0%	82,608	4,204,985	99.9%
2010	4,393,511	4,320,179	98.3%	65,979	4,386,158	99.8%
2011	4,503,929	4,419,631	98.1%	78,295	4,497,926	99.9%
2012	4,702,251	4,629,944	98.5%	57,461	4,687,405	99.7%
2013	4,665,607	4,611,650	98.8%	-	4,611,650	98.8%

Source: San Patricio County Tax Assessor Collector

CITY OF PORTLAND, TEXAS
PROPERTY TAX RATES AND TAX LEVIES-
ALL OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
September 30, 2013

Tax Rates (1)

Fiscal Year	City			School	County	Navigation District	Drainage District	Total	City's Percent of Total
	General Fund	Debt Service	Total						
2004	0.4699	0.0530	0.5229	1.7750	0.5350	None	0.0975	2.93040	18%
2005	0.4725	0.0504	0.5229	1.7750	0.5399	None	0.0986	2.91640	18%
2006	0.4458	0.0489	0.4947	1.6100	0.5399	None	0.0910	2.73565	18%
2007	0.4224	0.0799	0.5023	1.3600	0.5275	None	0.0819	2.47168	20%
2008	0.4141	0.0741	0.4882	1.3600	0.5275	None	0.0819	2.45758	20%
2009	0.4254	0.0833	0.5087	1.3600	0.5245	None	0.0793	2.47248	21%
2010	0.4268	0.0936	0.5204	1.3700	0.5245	None	0.0793	2.49130	21%
2011	0.4291	0.1138	0.5429	1.3700	0.5245	None	0.0764	2.51377	22%
2012	0.4967	0.1174	0.6141	1.3700	0.5093	None	0.0718	2.56519	24%
2013	0.4506	0.1312	0.5818	1.3500	0.5500	None	0.0669	2.54875	23%

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

Tax Levies (1)

Fiscal Year	City	School	County	Navigation District	Drainage District	Total
2004	2,825,473	14,326,460	14,000,424	None	2,835,979	33,988,336
2005	3,006,428	13,058,855	14,001,075	None	3,061,885	33,128,243
2006	3,135,498	10,046,743	3,369,091	None	600,399	17,151,731
2007	3,312,321	8,968,260	3,478,498	None	539,929	16,299,008
2008	3,842,317	10,703,710	4,151,623	None	644,411	19,342,060
2009	3,989,691	14,376,901	20,493,083	None	3,092,386	41,952,061
2010	3,686,430	15,126,436	20,512,911	None	3,054,028	42,379,805
2011	4,433,224	15,019,370	21,361,735	None	3,052,972	43,867,301
2012	4,682,217	14,318,121	19,878,381	None	2,895,367	41,774,086
2013	4,574,658	15,474,000	22,287,545	None	2,909,946	45,246,149

(1) Per \$100 Assessed Valuation

Table 7

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

		2013				2004	
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
Wal-Mart Real Estate Business	Shopping Center	16,147,548	2.007%	Portland Townhomes LP	Apartments/Townhomes	\$14,730,660	2.71%
Portland Townhomes LP	Apartments	9,600,000	1.193%	Northshore Landing LTD	Apartments	6,540,031	1.21%
Wal-Mart Stores Texas LP	Grocery	5,826,513	0.724%	H K New Plan Northshore Plaza	Real Estate	5,838,272	1.08%
Northshore Cinema 8 Co LLC	Entertainment	4,797,365	0.596%	AEP Central Power and Light	Electric Utility	4,987,950	0.92%
Lands End Limited & Lands	Apartments	3,686,019	0.458%	Indela Partner's III LP - Kmart	Shopping Center	4,727,278	0.87%
Northshore Properties LLC	Apartments	3,364,360	0.418%	Land's End Associates	Apartments	4,396,600	0.81%
Metropolitan LKBK LTD	Senior Living Apartments	3,186,606	0.396%	Verizon Southwest	Telecommunications	3,935,150	0.73%
K-Mart Corp	Grocery	2,532,043	0.315%	Bass Enterprises	Oil & Gas	3,484,851	0.64%
Meyer & Meyer - Sun Valley	Apartments	2,373,290	0.295%	Goode, Keith and Carolyn	Condominium / Property Owners	3,339,066	0.62%
Portland Retail LP	Shopping Center	2,353,024	0.292%	H E Butt Grocery	Shopping Center	3,088,801	0.57%
		<u>\$ 53,866,768</u>	<u>6.694%</u>			<u>\$ 55,068,659</u>	<u>10.16%</u>

Data Source: Chief Appraiser, San Patricio County Appraisal District

Note:

^aTotal taxable value including real and personal property for tax year 2012 (fiscal year 2013) is \$ 804,454,769

^bTotal taxable value including real and personal property for tax year 2003 (fiscal year 2004) is \$ 542,580,354

CITY OF PORTLAND, TEXAS
 SALES TAX HISTORY OF COLLECTING ENTITIES BY INDUSTRY
 AS OF SEPTEMBER 30, 2013
 Last Ten Fiscal Years
 (Unaudited)

Year	Construction	Retail	Services	Transportation/ Communications	Wholesale	Financial Inst. & Real Estate	Manufacturing	Public Administration	Other	All Industries
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	24	114	138	7	8	13	13	2	6	325
2009	34	175	174	10	13	17	22	2	19	466
2010	32	180	169	13	14	11	20	3	17	459
2011	33	195	163	15	11	14	26	3	16	476
2012	40	194	178	7	13	13	31	3	15	494
2013	29	124	121	5	8	11	20	2	17	337

Source: Texas Comptroller of Public Accounts

CITY OF PORTLAND, TEXAS
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
 Last Ten Fiscal Years
 September 30, 2013

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
2004	17,000	542,580,354	11,745,000	855,579	10,889,421	2.01%	641
2005	17,114	575,080,138	11,390,000	874,018	10,515,982	1.83%	614
2006	17,500	624,021,308	14,180,000	901,688	13,278,312	2.13%	759
2007	18,500	659,430,872	13,710,000	919,307	12,790,693	1.94%	691
2008	19,500	782,432,102	13,025,000	916,129	12,108,871	1.55%	621
2009	16,408	845,738,413	12,455,000	601,005	11,853,995	1.40%	722
2010	18,336	863,789,635	14,088,640	669,633	13,419,007	1.55%	732
2011	18,500	837,631,922	13,359,540	804,143	12,555,397	1.50%	679
2012	15,099	782,962,612	13,102,775	934,671	12,168,104	1.55%	806
2013	15,684	804,454,769	12,087,035	997,435	11,089,600	1.38%	707

CITY OF PORTLAND, TEXAS
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 September 30, 2013

<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	\$ 44,270,000	82.29%	\$ 36,429,783
San Patricio County	\$ 17,505,000	24.20%	\$ 4,236,210
Other debt			
Gregory-Portland Independent School District: Public Property Finance Contract	\$ 2,604,000	82.29%	<u>\$ 2,142,832</u>
Subtotal, overlapping debt			\$ 42,808,825
City of Portland (direct debt)	\$ 12,087,035	100.00%	<u>\$ 12,087,035</u>
Total direct and overlapping debt			\$ 54,895,860
Average Debt Per Capita (15,684)			\$ 3,500

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

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

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

CITY OF PORTLAND, TEXAS
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS

Fiscal Year	Estimated Population	San Patricio County Per Capita Income	Personal Income (thousands of dollars)	Average School Enrollment	San Patricio County Unemployment Rate
2004	17,000	23,651	402,067,000	4,302	7.70%
2005	17,144	25,365	434,857,560	4,285	6.30%
2006	17,500	27,452	480,410,000	4,285	4.40%
2007	18,500	26,178	484,293,000	4,261	5.00%
2008	19,200	***	***	4,245	5.48%
2009	16,408	17,862	293,079,696	4,197	10.30%
2010	18,336	18,508	339,362,688	4,296	8.70%
2011	18,500	20,766	384,171,000	4,296	8.00%
2012	15,099	27,580	416,430,420	4,441	7.00%
2013	15,684	27,907	437,693,388	4,495	7.90%

*** Data not available at time of publication.

2013 Per Capita Income for City of Portland

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

Employer	Business Description	Number of Employees	Percentage of Workforce
Corpus Christi Army Depot	Helicopter Repair	6,500	3.04%
Corpus Christi ISD	School District	5,178	2.42%
CHRISTUS Spohn Health Systems	Hospital	5,144	2.40%
H.E.B	Grocery Company	5,000	2.34%
City of Corpus Christi	City Government	3,171	1.48%
Corpus Christi Naval Air Station	Flight Training	2,822	1.32%
Kiewit Offshore Services	Offshore Rig Manufacturing	2,200	1.03%
Bay, LTD	Industrial Construction	2,100	0.98%
Driscoll Children's Hospital	Hospital	1,800	0.84%
Del Mar College	Junior College	1,542	0.72%

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government and Administration	10	12.5	12.5	13	11.5	13.25	12.25	11.55	12.55	13.55
Public Safety	37.6	40.65	42.4	45.25	51	51.58	51.36	50.61	55.86	57.21
Building/Code Enforcement	4.5	4	3	3	5.3	5.3	5.3	4.7	3	3
Library	5.65	6	6	6	6	6	6	6	6.06	6.06
Water and Sewer	12.5	14	18	18.06	17.76	17.76	17.76	17.76	17.96	17.96
Vehicle Maintenance	1	1	1	1	1	1	1	1	1	1
Park Maintenance	7.75	7.67	7.51	7.51	7.51	7.5	7	7.5	8.5	8.5
Recreation/Community Center	19.52	21.08	22.69	24.86	27.65	27.99	25.64	25.12	25.04	25.04
Finance	2.9	3.38	3.38	3.75	4	4	4	4	4	4
Streets	5.96	5.97	5.96	5.96	5.96	5.96	5.46	5.56	7.06	7.06
Municipal Court	2.5	2.38	2.5	3	3	3	3	3	3.05	3.05
Total Full Time Equivalents	109.88	118.63	124.94	131.39	140.68	143.34	138.77	136.8	144.08	146.43

Source: City of Portland Budgets

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

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

2004	\$ 7,678,203	82	\$ 8,034,000	6	\$ 15,712,203
2005	\$ 12,161,538	112	\$ 14,261,100	8	\$ 26,422,638
2006	\$ 16,695,276	126	\$ 5,864,373	6	\$ 22,559,649
2007	\$ 16,731,348	128	\$ 786,500	2	\$ 17,517,848
2008	\$ 17,465,785	87	\$ 8,060,572	4	\$ 25,526,357
2009	\$ 10,232,465	56	\$ 1,325,000	2	\$ 11,557,465
2010	\$ 9,917,977	56	\$ 960,000	2	\$ 10,877,977
2011	\$ 11,329,736	52	\$ 2,236,472	3	\$ 13,566,208
2012	\$ 14,325,166	76	\$ 763,935	2	\$ 15,089,101
2013	\$ 17,156,773	74	\$ 5,197,725	1	\$ 22,354,498

Source: City of Portland Building Department

CITY OF PORTLAND, TEXAS
 STATISTICAL DATA
 YEAR ENDED SEPTEMBER 30, 2013

DATE OF INCORPORATION: May 28, 1949

DATE OF CITY CHARTER ADOPTION: August 8, 1967

FORM OF GOVERNMENT: Council - Manager

Area - Square Miles	10	Cultural and Recreational:	
		Parks - Number of Acres	740.04
Miles of Streets - Paved	98	Number of Lighted Fishing Piers	1
		Number of Playgrounds	13
Fire Protection		Number of Swimming Pools	2
Number of Stations	2	Number of Community Centers	1
Number of Employees:		Number of Senior Citizens Centers	1
Regular - Full-Time	15	Number of Public Libraries	1
Part-Time	1		
Police Protection		Education:	
Number of Stations	1	Number of Schools	7
Number of Employees:		Number of School Teachers	263
Regular - Full-Time	35	Number of Students	4,495
Part-Time	11	Average Daily Attendance	4,315
Total Employees - Full Time & Full-time Equivalents	146	Municipal Water System:	
		Number of Customers	5588
		Daily Average Consumption	1,893,915
		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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety					
Police					
# of Employees	34	32.25	32.25	35.5	36.85
# of Citations	3,218	3,152	3,138	3,214	3,346
Fire					
# of Employees	15	15	15	15	15
# of Fire Runs	429	428	428	437	447
# of Rescue Runs	990	944	950	870	896
Development Services					
Permits Issued	1,478	1,381	4,126	1392	2,277
Cultural and Recreational					
Parks and Recreation					
Program Participants	90,183	88,588	106,847	95,648	99,037
# of Memberships Sold	1,528	1,726	1,172	1,582	1,005
Library					
Volumes in Circulation	111,422	120,710	114,847	184,288	250,517
Water and Sewer					
# of Bills Processed	63,347	63,399	64,391	65,427	66,485
# of System Customers	5,262	5,307	5,403	5,500	5,588
Millions of Gallons Billed	2,254	2,594	2,690	1,296	1,249

Source: City Departments

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

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

Source: City Departments

Table 17

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1	1	1	1	1	1
16	17	17	15	15	16
2	2	2	2	2	2
70	70	71	71	71	98
587	610	610	614	614	610
740.04	740.04	740.04	740.04	740.04	740.04
13	13	13	13	13	13
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
7,420	5,262	5,307	5403	5500	5588
483	650	650	675	675	650

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

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1/2)	(4) Unfunded Actuarial Accrued Liability	(5) Annual Covered Payroll	(6) UAAL as a Percentage of ACP (4/5)	(7) Total TMRS Required Contribution Rate
2003	\$ 4,028,044	\$ 6,043,260	66.7%	\$ 2,015,216	\$ 2,539,023	79.4%	10.59%
2004	\$ 4,317,678	\$ 6,137,416	70.4%	\$ 1,819,738	\$ 2,818,368	64.6%	10.53%
2005	\$ 4,538,570	\$ 7,057,488	64.3%	\$ 2,518,918	\$ 3,350,769	75.2%	11.62%
2006	\$ 5,059,806	\$ 7,770,175	65.1%	\$ 2,710,369	\$ 3,682,799	73.6%	11.66%
2007*	\$ 5,579,277	\$ 9,810,011	56.9%	\$ 4,230,734	\$ 3,809,116	111.1%	13.00%
2008	\$ 6,386,094	\$ 10,605,048	60.2%	\$ 4,218,954	\$ 4,306,350	98.0%	13.00%
2009	\$ 7,479,403	\$ 12,178,090	61.4%	\$ 4,698,687	\$ 4,573,830	102.7%	14.17%
2010	\$ 9,961,686	\$ 14,780,962	67.4%	\$ 4,819,276	\$ 4,948,722	97.4%	15.22%
2011	\$ 11,263,277	\$ 16,057,833	70.1%	\$ 4,794,556	\$ 4,755,702	100.8%	15.05%
2012	\$ 12,698,606	\$ 17,498,897	72.6%	\$ 4,800,291	\$ 5,255,875	91.3%	15.05%

Source: Texas Municipal Retirement System

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

SINGLE AUDIT SECTION

the
portland
of possibilities.



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portland, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Portland's basic financial statements, and have issued our report thereon dated April 25, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Lovvorn & Kieschnick, LLP
Corpus Christi, TX

April 25, 2014



Lovvorn & Kieschnick
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Portland's compliance with the types of compliance requirements described in the OMB CIRCULAR A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Portland's major federal programs for the year ended September 30, 2013. The City of Portland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Portland's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Portland's

compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Portland's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Portland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Lovvorn & Kieschnick, LLP

Lovvorn & Kieschnick, LLP
Corpus Christi, TX

April 25, 2014

CITY OF PORTLAND, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	EDAP - Doyle Addition, Phase 2

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF PORTLAND, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

**CITY OF PORTLAND, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Program</u>	<u>Corrective Action Plan</u>
N/A	No corrective action required

CITY OF PORTLAND, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development - HUD</u>			
Passed Through Texas Department of Agriculture Texas Capital Funds - Texas Community Development Block Grant	14.228	729092	\$ 3,500
Total Passed Through Texas Department of Agriculture			<u>3,500</u>
Total U.S. Department of Housing and Urban Development - HUD			<u>3,500</u>
<u>U.S. Department of Agriculture</u>			
Passed Through Texas Water Development Board Water and Waste Disposal Loans and Grants (Section 306C)	10.770	n/a	20,320
EDAP - Doyle Addition Phase 2	66.468	G110024	1,527,184
Total Passed Through Texas Water Development Board			<u>1,547,504</u>
Total U.S. Department of Agriculture			<u>1,547,504</u>
<u>Executive Office of the U.S. President</u>			
Texas Coastal Corridor Initiative	95.001	G12HN0016A	23,674
Total Executive Office of the U.S. President			<u>23,674</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through Texas Department of Public Safety Homeland Security Grant	97.067	EMW-2011-SS-00019	149,244
Total Passed Through Texas Department of Public Safety			<u>149,244</u>
Total U.S. Department of Homeland Security			<u>149,244</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 1,723,922</u>

The accompanying notes are an integral part of this schedule.

CITY OF PORTLAND, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Basis of Presentation

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