OFFICIAL STATEMENT
Dated August 20, 2019

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings: S&P: "AA" (Stable Outlook)
See "OTHER INFORMATION -Ratings"

In the opinion of Bond Counsel, interest on the Obligations (defined below) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

THE OBLIGATIONS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS.

CITY OF PORTLAND, TEXAS
(San Patricio County, Texas)

$3,405,000
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2019

$3,390,000
GENERAL OBLIGATION
REFUNDING BONDS, SERIES 2019

Dated Date: September 1, 2019
Interest accrues from the Date of Initial Delivery (defined below)

Due: August 15, as shown on inside cover

AUTHORITY FOR ISSUANCE . . . The $3,405,000 City of Portland, Texas Combination Tax and Revenue Certificates of Obligation, Series 2019 (the "Certificates") are being issued by the City of Portland, Texas (the "City" or the "Issuer") pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, the City's Home-Rule Charter, and an ordinance adopted by the City Council of the City on August 20, 2019 authorizing the issuance of the Certificates (the "Certificate Ordinance"). The $3,390,000 City of Portland, Texas, General Obligation Refunding Bonds, Series 2019 (the "Bonds") are being issued by the City pursuant to the Constitution and general laws of the State including particularly Chapters 1201and 1207, Texas Government Code, and an ordinance authorizing the issuance of the Bonds adopted by the City Council of the City on August 20, 2019 (the "Bond Ordinance"). The Certificates and the Bonds are collectively referred to herein as the "Obligations." The Certificate Ordinance and the Bond Ordinance are collectively referred to herein as the "Ordinances."

The Obligations are direct and general obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinances. (See "THE OBLIGATIONS - Security" and "Tax Rate Limitations" herein). Additionally, the Certificates also are secured with a limited pledge of the "Surplus Revenues" of the City's Waterworks and Sewer System (see "THE OBLIGATIONS – Authority for Issuance of the Obligations," "Security and Source of Payment," and "Surplus Revenue Pledge for the Certificates").

PAYMENT TERMS . . . Interest on the Obligations will accrue from the date of their initial delivery to the respective Purchaser, will be payable on February 15 and August 15 of each year commencing February 15, 2020, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS – Book-Entry- Only System" herein. The initial Paying Agent/Registrar is UMB Bank, N.A., Houston, Texas (see "THE OBLIGATIONS – Paying Agent/Registrar").

PURPOSE . . . Proceeds from the sale of the Certificates will be used to (1) construct and acquire improvements to the City's Daniel P. Moore Community Center Complex, including acquiring and installing a new chiller plant and related HVAC equipment, (2) pay all or a portion of the legal, fiscal and engineering fees in connection therewith, and (3) to pay the costs of issuance and expenses relating to the Certificates. Proceeds from the sale of the Bonds will be used to (1) refund certain outstanding obligations of the City in order to reduce annual debt service requirements of the City (see "SCHEDULE I – Table of Refunded Obligations"), and (2) pay the costs of issuance and expenses relating to the Bonds. See "PLAN OF FINANCING" herein.

CUSIP PREFIX: 736831
MATURITY SCHEDULE & CUSIP SUFFIX
See Schedule on Page 2

LEGALITY . . . The Obligations are offered for delivery when, as and if issued and received by the respective Purchaser and subject to the approving opinions of the Attorney General of Texas and the opinions of McCall, Parkhurst & Horton L.L.P., Bond Counsel, San Antonio, Texas (see APPENDIX C - "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Obligations will be available for delivery through DTC on September 17, 2019 (the "Date of Initial Delivery").

$3,405,000
CITY OF PORTLAND, TEXAS
(San Patricio County, Texas)
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2019

MATURITY SCHEDULE

CUSIP Prefix: 736831[1]

$2,640,000 SERIAL CERTIFICATES

Maturity August 15	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix[1]
2020	$130,000	5.000%	1.020%	SR0
2021	130,000	5.000%	1.040%	SS8
2022	135,000	5.000%	1.060%	ST6
2023	145,000	5.000%	1.100%	SU3
****	****	****	****	****
2025	150,000	5.000%	1.200%	SV1
2026	155,000	5.000%	1.300%	SW9
2027	165,000	5.000%	1.400%	SX7
2028	175,000	5.000%	1.500%	SY5
2029	180,000	2.000%	1.650%[2]	SZ2
****	****	****	****	****
****	****	****	****	****
****	****	****	****	****
****	****	****	****	****
2034	200,000	2.000%	2.100%	TE8
2035	205,000	2.125%	2.150%	TF5
2036	210,000	2.125%	2.200%	TG3
2037	215,000	2.250%	2.250%	TH1
2038	220,000	2.250%	2.300%	TJ7
2039	225,000	2.250%	2.350%	TK4

$765,000 TERM CERTIFICATES

$375,000 2.000% Term Bond due August 15, 2031 and priced to yield 1.900%[2] – CUSIP Suffix TB4[1]

$390,000 2.000% Term Bond due August 15, 2033 and priced to yield 2.050% – CUSIP Suffix TD0[1]

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption"). The Certificates maturing on August 15 in each of the years 2031 and 2033 (the "Term Certificates") are also subject to mandatory sinking fund redemption prior to stated maturity. (See "THE OBLIGATIONS – Mandatory Sinking Fund Redemption" herein.).

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(1)CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Certificates. None of the City, the Financial Advisor or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.
(2)Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on August 15, 2028, the first optional call date for the Certificates, at a redemption price of par plus accrued interest to the redemption date.

$3,390,000
CITY OF PORTLAND, TEXAS
(San Patricio County, Texas)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

MATURITY SCHEDULE

CUSIP Prefix: 736831[1]

SERIAL BONDS

Maturity August 15	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix[1]
2020	$455,000	4.000%	1.060%	TL2
2021	460,000	3.000%	1.080%	TM0
2022	470,000	4.000%	1.100%	TN8
2023	485,000	4.000%	1.120%	TP3
2024	505,000	4.000%	1.150%	TQ1
2025	150,000	4.000%	1.190%	TR9
2026	160,000	4.000%	1.250%	TS7
2027	170,000	4.000%	1.330%	TT5
2028	170,000	4.000%	1.410%	TU2
2029	180,000	3.000%	1.550%[2]	TV0
2030	185,000	3.000%	1.650%[2]	TW8

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

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[1]CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the City, the Financial Advisor or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.
[2]Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2028, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Years Served	Term Expires	Occupation
Ms. Cathy Skurow* Mayor	1	May 2020	Civil Engineer
Mr. John Green Mayor Pro-Tem	13	May 2021	Distribution Manager
Mr. Troy Bethel Council Member	1	May 2021	Associate Relationship Manager
Mr. Gary W. Moore, Jr. Council Member	1	May 2020	Insurance Agency Owner
Mr. John G. Sutton Jr. Council Member	3	May 2021	Petrochemical
Mr. Bill T. Wilson II Council Member	5	May 2021	Architect
Mr. Thomas Yardley Council Member	1	May 2020	Retired Military

**Elected on May 5, 2018 and sworn into office on May 15, 2018. Mayor Skurow previously served as a council member from May 6, 2003 to February 8, 2018.*

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years of Service with the City
Mr. Randy Wright	City Manager	24
Mr. Brian DeLatte	Deputy City Manager	8
Ms. Kathleen Weisenberger	Assistant City Manager	(1)
Ms. Aldilia Martin	Finance Director	(2)
Mr. Lorenzo Lara	Controller	7
Ms. Annette Hall	City Secretary	27

(1) Ms. Weisenberger began her employment with the City on June 24, 2019.
(2) Issuer Contact. Ms. Martin began her employment with the City on August 20, 2018.

CONSULTANTS AND ADVISORS

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
San Antonio, Texas

Auditors .... Lovvorn & Kieschnick, LLP
Corpus Christi, Texas

Financial Advisor .... Specialized Public Finance Inc.
San Antonio, Texas

For additional information regarding the City, please contact:

Ms. Aldilia Martin Finance Director **City of Portland** 1900 Billy G. Webb Drive Portland, Texas 78374 Phone: (361) 777-4500 Facsimile: (361) 777-4501 aldilia.martin@portlandtx.com	or	Mr. Victor Quiroga, Jr. Managing Director **Specialized Public Finance Inc.** 13300 Old Blanco Road, Suite 310 San Antonio, Texas 78216 Phone: (210) 239-0204 Facsimile: (210) 239-0126 victor@spfmuni.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the City or the Purchasers to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Purchasers. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Obligations in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinion or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The agreements of the City and others related to the Obligations are contained solely in the contracts described herein. Neither this Official Statement, nor any other statement made in connection with the offer or sale of the Obligations, is to be construed as constituting an agreement with the Purchasers of the Obligations. INVESTORS SHOULD READ THE ENTIRE OFFICAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Purchasers have provided the following sentence for inclusion in this Official Statement. The Purchasers have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Purchasers do not guarantee the accuracy or completeness of such information.

THE OBLIGATIONS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE PURCHASERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS PROVIDED BY DTC.

TABLE OF CONTENTS

The cover page hereof, this page, the schedule and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Obligations to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY .... The City of Portland, Texas (the "City" or "Issuer") is located on the Gulf Coast, overlooking Nueces Bay and Corpus Christi Bay, approximately 7 miles northeast of Corpus Christi. The City lies within San Patricio and Nueces Counties. The City's 2019 estimated population is 20,063. The City has a suburban atmosphere with an estimated 75% of its labor force employed outside of the City limits and the majority employed in Corpus Christi. U.S. Highway 181 bisects the City and allows easy access to the business district of Corpus Christi, seven miles to the south. The City's Home Rule Charter provides that the City will operate under the Council/Manager form of government pursuant to the laws of the State of Texas. The City Manager, appointed by the seven-member elected City Council, is the chief administrative officer of the City. (See "APPENDIX B - General Information Regarding the City of Portland and San Patricio County, Texas"(see "INTRODUCTION – Description of the City").

THE OBLIGATIONS........................ The $3,405,000 City of Portland, Texas Combination Tax and Revenue Certificates of Obligation, Series 2019 (the "Certificates") are issued in part as serial certificates maturing August 15 in the years 2020 through 2023, 2025 through 2029, and 2034 through 2039, and in part as term certificates maturing on August 15, 2031 and August 15, 2033, in the principal amounts shown on page 2 hereof (see "THE OBLIGATIONS – Description of the Obligations").

The $3,390,000 City of Portland, Texas General Obligation Refunding Bonds, Series 2019 (the "Bonds") are issued as serial Bonds maturing August 15 in the years 2020 through 2030 in the principal amounts shown on page 3 hereof (see "THE OBLIGATIONS – Description of the Obligations").

The Certificates and the Bonds are collectively referred to herein as the "Obligations."

AUTHORITY FOR ISSUANCE .... The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, the City's Home-Rule Charter, and an ordinance adopted by the City Council of the City on August 20, 2019 (the "Certificate Ordinance") authorizing the issuance of the Certificates.

The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Chapters 1201 and 1207, Texas Government Code, and an ordinance authorizing the issuance of the Bonds adopted by the City Council of the City on August 20, 2019 (the "Bond Ordinance).

The Certificate Ordinance and the Bond Ordinance and are collectively referred to herein as the "Ordinances."

PAYMENT OF INTEREST .... Interest on the Obligations will accrue from the Date of the Initial Delivery and is payable on February 15, 2020, each February 15 and August 15 and thereafter until stated maturity or prior redemption (see "THE OBLIGATIONS – Description of the Obligations").

SECURITY FOR THE OBLIGATIONS .... The Obligations constitute direct and general obligations of the Issuer payable from the levy and collection of a direct and continuing ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law. (See "THE OBLIGATIONS – Security" and "THE OBLIGATIONS – Tax Rate Limitations" herein.) Additionally, the Certificates also are secured by a pledge of the "Surplus Revenues" of the City's Waterworks and Sewer System (see "THE OBLIGATIONS – Security for the Obligations – Surplus Revenue Pledge for the Certificates") herein.

OPTIONAL REDEMPTION .... The City reserves the right, at its option, to redeem Obligations having stated maturities on and after August 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption"). The Certificates maturing on August 15 in each of the years 2031 and 2033 (the "Term Certificates") are also subject to mandatory sinking fund redemption prior to stated maturity. (See "THE OBLIGATIONS –Mandatory Sinking Fund Redemption" herein.)

TAX EXEMPTION .... In the opinion of Bond Counsel, interest on the Obligations will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

QUALIFIED TAX-EXEMPT OBLIGATIONS............ The Obligations have been designated as "qualified tax-exempt obligations for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.

USE OF PROCEEDS........................ Proceeds from the sale of the Certificates will be used to (1) construct and acquire improvements to the City's Daniel P. Moore Community Center Complex, including acquiring and installing a new chiller plant and related HVAC equipment, (2) pay all or a portion of the legal, fiscal and engineering fees in connection therewith, and (3) to pay the costs of issuance and expenses relating to the Certificates.

Proceeds from the sale of the Bonds will be used to (1) refund certain outstanding obligations of the City in order to reduce annual debt service requirements of the City (see "SCHEDULE I – Table of Refunded Obligations"), and (2) pay the costs of issuance and expenses relating to the Bonds. See "PLAN OF FINANCING" herein.

RATING... S&P Global Ratings ("S&P") has rated the Obligations "AA" (stable outlook) without regard to credit enhancement (see "OTHER INFORMATION – Ratings").

BOOK-ENTRY-ONLY SYSTEM....... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD .... The City has never defaulted in payment of its general obligation tax debt.

OFFICIAL STATEMENT
RELATING TO

CITY OF PORTLAND, TEXAS
(San Patricio County, Texas)

$3,405,000 COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019	$3,390,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

INTRODUCTION

This Official Statement, which includes Schedule I and the Appendices hereto, provides certain information regarding the issuance by the City of Portland, Texas (the "City" or "Issuer") the $3,405,000 City of Portland, Texas Combination Tax and Revenue Certificates of Obligation, Series 2019 (the "Certificates") and of the $3,390,000 City of Portland, Texas General Obligation Refunding Bonds, Series 2019 (the "Bonds"). The Certificates and the Bonds are collectively referred to herein as the "Obligations." The Certificates are being issued pursuant to an ordinance adopted by the City Council of the City (the "Certificate Ordinance"), and the Bonds are being issued pursuant to a separate ordinance adopted by the City Council of the City (the "Bond Ordinance"). The Certificate Ordinance and the Bond Ordinance are sometimes collectively referred to herein as the "Ordinances." Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinances, except as otherwise indicated herein. The term "Purchaser" used herein means the initial purchaser of the Certificates or the Bonds, as applicable, as determined resulting from the submission on August 20, 2019, of the winning bid for the Certificates or the Bonds, and the term "Purchasers" used herein collectively means the Purchaser of the Certificates and the Purchaser of the Bonds.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc., San Antonio, Texas.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER INFORMATION – Forward-Looking Statements Disclaimer").

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Obligations will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City first adopted its Home Rule Charter in 1953. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council Members who are elected in three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2000 Census population for the City was 14,827, while in 2010 the Census population was 15,099. The City covers approximately 15 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used to (1) construct and acquire improvements to the City's Daniel P. Moore Community Center Complex, including acquiring and installing a new chiller plant and related HVAC equipment, (2) pay all or a portion of the legal, fiscal and engineering fees in connection therewith, and (3) pay the costs of issuance and expenses relating to the Certificates.

Proceeds from the sale of the Bonds will be used to (1) refund certain outstanding obligations of the City (the "Refunded Obligations") in order to reduce annual debt service requirements of the City (see "SCHEDULE I – Table of Refunded Obligations"), and (2) pay the costs of issuance and expenses relating to the Bonds.

REFUNDED OBLIGATIONS . . . The Refunded Obligations, and interest due thereon, are to be paid on the scheduled redemption date therefor from funds to be deposited with UMB Bank, N.A., Houston, Texas (the "Escrow Agent"), pursuant to an Escrow Agreement (the "Escrow Agreement") between the City and the Escrow Agent. The Bond Ordinance provides that from the proceeds of the sale of the Bonds to the Purchaser of the Bonds, the City will deposit with the Escrow Agent an amount which will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their redemption date. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations, and such funds will not be available to pay the Obligations. Specialized Public Finance Inc., the Financial Advisor to the City, will execute a certificate (the "Sufficiency Certificate") certifying that the amount deposited into the Escrow Fund will be sufficient to pay the principal of and interest on the Refunded Obligations on the redemption date. Simultaneously with the issuance of the Bonds, the City will give irrevocable instructions to the paying agent for the Refunded Obligations to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from funds held under the Escrow Agreement.

THE OBLIGATIONS

Description of the Obligations . . . The Obligations are dated September 1, 2019, and mature on August 15 in each of the years and in the amounts shown pages 2 and 3. Interest on the Obligations will accrue from the date of their initial delivery to the Purchasers, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15, 2020 and on each August 15 and February 15 thereafter until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS – Book-Entry-Only System" herein.

Authority for Issuance of the Obligations. . . The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, Chapter 1502, Texas Government Code, the City's Home-Rule Charter, and the Certificate Ordinance, and the Bonds are being issued by pursuant to the Constitution and general laws of the State of Texas including particularly Chapters 1201and 1207, Texas Government Code, and the Bond Ordinance.

Security and Source of Payment . . . The Obligations constitute direct and general obligations of the Issuer payable from ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law. (See "THE OBLIGATIONS – Security" and "Tax Rate Limitations" herein.) Additionally, the Certificates also are secured by a pledge of the "Surplus Revenues" of the City's Waterworks and Sewer System (see "THE OBLIGATIONS – Security for the Obligations – Surplus Revenue Pledge for the Certificates") herein.

Tax Rate Limitation . . . **All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities to $2.50 per $100 taxable assessed valuation for all purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation.** Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all tax-supported debt service calculated at the time of issuance based on 90% tax collections. The City's 2018/19 tax rate is $0.6495, of which $0.0216974 is for debt service purposes.

Surplus Revenue Pledge for the Certificates. . . Solely to comply with Texas law to permit the Certificates to be sold for cash, the Certificates are additionally secured by a lien on and pledge of the "Surplus Revenues" derived from the ownership and operation of the City's Waterworks and Sewer System, as provided in the Certificate Ordinance. The term "Surplus Revenues" is generally described in the Certificate Ordinance to mean surplus revenues derived from the City's Waterworks and Sewer System after payment of all maintenance and operation expenses of the System and all debt service, reserve, and other requirements and amounts required to be paid under all ordinances heretofore or hereafter authorizing all bonds and other obligations, including contracts, which are secured, in whole or in part, by any System revenues. Even though the City has pledged the Surplus Revenues to further secure the Certificates, the City does not expect that any of such Surplus Revenues will actually be utilized to pay debt service requirements on the Certificates.

Optional Redemption . . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after August 15, 2029, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. In the event any of the Obligations are structured as "term" Obligations, such term Obligations will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance.

If less than all of the Obligations are to be redeemed, the City may select the maturities to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on August 15 in each of the years in 2031 and 2033 (the "Term Certificates") are also subject to mandatory sinking fund redemption prior to stated maturity in part by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, in the respective years and principal amounts shown below:

$375,000 Term Certificate Maturing on August 15, 2031

Mandatory Redemption Dates	Principal Amounts
August 15, 2030	$185,000
August 15, 2031 (Stated Maturity)	190,000

$390,000 Term Certificate Maturing on August 15, 2033

Mandatory Redemption Dates	Principal Amounts
August 15, 2032	$195,000
August 15, 2033 (Stated Maturity)	195,000

Approximately forty-five (45) days prior to each mandatory redemption date that a Term Certificate is to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable stated maturity to be redeemed on the next following August 15 from money set aside for that purpose in the Interest & Sinking Fund maintained for the payment of the Certificates. Any Term Certificate not selected for prior redemption shall be paid on the date of its stated maturity.

The principal amount of the Term Certificates required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of the Term Certificates which, prior to the date of mailing notice of such mandatory redemption, (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (iii) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligation to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. The notice with respect to an optional redemption of Obligations may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is so rescinded. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Obligations, will send any notice of redemption, notice of proposed amendment to the Ordinances or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Obligation called for redemption or any other action premised or any such notice.

Redemption of portions of the Obligations by the City will reduce the outstanding principal amount of such Obligations held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Obligation held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Obligation from the beneficial owners. Any such selection of Obligations to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Obligations or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Obligations for redemption. See "THE OBLIGATIONS – Book-Entry-Only System" herein.

With respect to any optional redemption of the Obligations, unless certain prerequisites to such redemption required by the Ordinances has been met and money sufficient to pay the principal of and premium, if any, and interest on the Obligations to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Obligations, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Obligations have not been redeemed.

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar and the City, so long as a book-entry-only system (the "Book-Entry-Only System") is used for the Obligations, will send any notice of redemption, notice of proposed amendment to the Ordinances or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Obligations called for redemption or any other action premised on any such notice. Redemption of portions of the Obligations by the City will reduce the outstanding principal amount of such Obligations held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Obligations held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Obligations and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Obligations or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Obligations for redemption. See "THE OBLIGATIONS – Book-Entry-Only System" herein.

DEFEASANCE . . . *General*. Each Ordinance provides for the defeasance of the respective Obligations when payment of the principal of and premium, if any, on the Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Obligations, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinances provide that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Obligations. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Obligations shall no longer be regarded to be outstanding or unpaid. Provided, however, the City has reserved the option, to be exercised at the time of the defeasance of the Obligations, to call for redemption at an earlier date those Obligations which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption, (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

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BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Obligations are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered Obligations registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Obligations. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Obligations representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Obligations held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Purchaser take any responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, nor the Purchaser.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, N.A., Houston, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Obligations may be assigned by the execution of an assignment form on the Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Obligations. If the City (i) defaults in the payment of the principal, premium, if any, or interest on the Obligations, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance, the failure to perform which materially, adversely affects the rights of the holders including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for 30 days after the City has received written notice of such defaults, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

In *Tooke*, the Court noted the enactment in 2005 of sections 271.151- 160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

As noted above, the Ordinance provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with Wasson I, "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the

State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it.

AMENDMENTS TO THE ORDINANCES . . . In each Ordinance, the City has reserved the right to amend the Ordinance without the consent of any owners for the purpose of amending or supplementing such Ordinance as may be required (i) by the provisions of such Ordinance, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission , or (iii) in connection with any other change which is not to the prejudice of the Registered Owners.

Each Ordinance further provides that the owners of the respective Obligations aggregating in principal amount 51% of such outstanding Obligations shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the applicable owners in original principal amount of the then outstanding Obligations no amendment may be made for the purpose of (i) extending the time or times of payment of the principal of and interest on the Obligations, reduce the principal amount thereof or the rate of interest thereon, (ii) giving any preference to any Obligation over any other Obligation, (iii) extending any waiver of default to subsequent defaults, or (iv) reducing the aggregate principal amount of Obligations required for consent to any such amendment, change, modification, or rescission. Reference is made to the Ordinances for further provisions relating to the amendment thereof.

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AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the San Patricio Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – Issuer and Taxpayer Remedies."

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. See APPENDIX, Table 1, for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT EXEMPTIONS . . . Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1,1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TAX INCREMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "AD VALOREM PROPERTY TAXATION" City Application of Property Tax Code" for descriptions of any TIRZ created in the City.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements. See APPENDIX A, Table 1, for the reduction in taxable valuation, if any, attributable to tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM PROPERTY TAXATION – City Application of Tax Code" herein.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS…The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"effective tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"rollback tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.08, plus the debt service tax rate.

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

For the 2019 tax year, the procedures in this paragraph apply. After the assessor submits the appraisal roll, a designated officer or employee of the City is required to calculate its "rollback tax rate" and "effective tax rate". A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, and may not adopt a tax rate that exceeds the lower of its "rollback tax rate" or "effective tax rate" (as such terms are defined below) until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. The Property Tax Code provides that if the adopted tax rate exceeds the rollback tax rate, qualified voters of the city, by petition, may require that an election be held to determine whether or not to reduce the adopted tax rate to the rollback tax rate. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-effective tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

Effective January 1, 2020, the terms rollback tax rate and effective tax rate will be replaced, respectively, with the terms "voter-approval tax rate" and "no-new-revenue tax rate". Beginning with the 2020 tax year, the procedures in this paragraph and the following paragraphs apply. A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

ISSUER AND TAXPAYER REMEDIES…Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "– Public Hearing and Maintenance and Operation Tax Rate Limitations".) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Certain taxpayers, including the disabled, persons 65 years or older and disabled veterans, who qualified for certain tax exemptions are permitted by State law to pay taxes on homesteads in four installments with the first due before February 1 of each year and the final installment due before August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection of up to 20% of the total delinquent tax, penalty and interest collected may be added. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $15,000.

The City has not granted an additional homestead exemption of the market value of residence homesteads.

The City does not tax nonbusiness personal property.

The San Patricio County Tax Assessor-Collector collects taxes for the City (the "Tax Assessor/Collector").

The City has not adopted a tax freeze for citizens who are disabled or are 65 years of age or older.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The Tax Assessor/Collector's office does not permit split payments; discounts are not allowed.

The City does not tax freeport property.

The City has adopted a tax abatement policy with respect to certain areas within the City, but the City has not entered into any tax abatement agreements.

The City has not authorized the additional one-half cent sales tax for reduction of ad valorem taxes.

The City collects an additional one-half cent venue sales tax to construct, acquire and equip improvements to the venue project designated as the parks and recreation system, including the municipal swimming pool complex.

The City collects an additional one-half cent sales tax dedicated to support the Portland Community Center Complex.

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INVESTMENTS

The City invests its investable funds in investments authorized by State law in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under State law, the City is authorized to invest in:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;

(2) direct obligations of the State or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent;

(6) bonds issued, assumed or guaranteed by the State of Israel;

(7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors;

(8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3;

(9) (i) certificates of deposit or share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by or through an institution that either has its main office or a branch in the State, and are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits or; (ii) certificates of deposit where (a) the funds are invested by the City through (iii) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City;

(10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1),require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State;

(11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency;

(12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank;

(13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with Securities and Exchange Commission Rule 2a-7;

(14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and

(15) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code), as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool described in this paragraph (14) must be continuously ranked no lower than "AAA," "AAA-m" or at an equivalent rating by at least one nationally recognized rating service.

In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City of with a third party selected and approved by the City.

A political subdivision such as the City may enter into securities lending programs if:

(i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool;
(ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City;
(iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and
(iv) the agreement to lend securities has a term of one year or less.

The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest;
(3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and
(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest City funds without express written authority from the City Council.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record in such rule, order, ordinance or resolution any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

CURRENT INVESTMENTS* **TABLE 1**

As of May 31, 2019, the City's investable funds in the amount of $35,435,285 were invested in the following categories:

Type of Investment	Amount
TexPool Restricted Accounts	$17,249,637
TexPool Unrestricted Accounts	15,465,940
Texas Class	2,719,687
Cantella	21
Total	$35,435,285

As of such date, the market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

**Unaudited.*

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TAX MATTERS

OPINIONS . . . On the Date of Initial Delivery of the Obligations, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel, will render its opinions that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Obligations for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Obligations will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations. See "APPENDIX C – Forms of Bond Counsel's Opinions."

In rendering its opinions, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate, (b) covenants of the City contained in the Obligation documents relating to certain matters, including arbitrage and the use of the proceeds of the Obligations and the property financed or refinanced therewith, and (c) the Sufficiency Certificate executed by Specialized Public Finance Inc. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Obligations to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Obligations in order for interest on the Obligations to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Obligations to be included in gross income retroactively to the date of issuance of the Obligations. The opinions of Bond Counsel are conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Obligations.

Bond Counsel's opinions represent its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinions are not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Obligations.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Obligations or the property financed with proceeds of the Obligations. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinions of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Obligations may be less than the principal amount thereof or one or more periods for the payment of interest on the Obligations may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Obligations"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Obligations less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Obligation in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Obligation was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Obligation is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Obligation for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Obligation.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Obligations which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Obligations should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Obligations. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE RECENTLY ENACTED LEGISLATION OR PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE OBLIGATIONS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Obligations, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Obligations, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Issuer expects that the Obligations will be designated, or deemed designated, as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Obligations as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Obligations would not be "qualified tax-exempt obligations."

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Obligations under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Obligations will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under Federal or state law and could affect the market price or marketability of the Obligations. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

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CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 10 and in APPENDIX B. The City will update and provide this information in the numbered Tables within six months after the end of each fiscal year ending in or after 2019 and, if then available, audited financial statements of the City. If audited financial statements are not available when the information is provided, the City will provide audited financial statements within 12 months after the end of each fiscal year, when and if they become available. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-reference Tables must be provided by March 31 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports."

For these purposes, (A) any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the City, and (B) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of financial obligation a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

AVAILABILITY OF INFORMATION . . . All information and documentation filings required to be made by the City in accordance with its undertaking made for the Obligations will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided by the MSRB, without charge to the general public, at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the previous five years, the City believes it has complied in all material respects with all of the continuing disclosure agreements made by it in accordance with the Rule.

LEGAL MATTERS

LEGAL OPINION . . . Except as hereinafter noted, Bond Counsel has not verified and has not passed upon, and assumes no responsibility for the accuracy, completeness or fairness of the information and statements contained in the Official Statement. In the performance of its duties, Bond Counsel has reviewed the information relating to the Obligations and the Ordinances contained under the captions: "PLAN OF FINANCING", "THE OBLIGATIONS" (exclusive of subcaptions "– Book-Entry-Only System" and "– Bondholders' Remedies"), "TAX MATTERS", "LEGAL MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "– Compliance with Prior Agreements"), "OTHER INFORMATION – Registration and Qualification of Obligations for Sale", "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas," "APPENDIX C – Forms of Bond Counsel's Opinions" contained in the Official Statement and Bond Counsel is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the Ordinances. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. In connection with the issuance of the Obligations, Bond Counsel has been engaged by, and only represents, the City.

The legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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OTHER INFORMATION

RATINGS . . . S&P Global Ratings ("S&P") has rated the Obligations "AA" (stable outlook) without regard to credit enhancement. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. The City also has various issues outstanding which are insured by various commercial insurance companies. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the views of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Obligations.

LITIGATION . . . It is the opinion of the City Attorney and City Staff that there is no pending, or to their knowledge, threatened litigation or other proceeding against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE . . . The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

NO-LITIGATION CERTIFICATE . . . The City will furnish to the Purchasers a certificate, dated as of the date of delivery of the Obligations, executed by both the Mayor and City Secretary of the City, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Obligations; restraining or enjoining the issuance, execution or delivery of the Obligations; affecting the provisions made for the payment of or security for the Obligations; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Obligations; or affecting the validity of the Obligations.

NO MATERIAL ADVERSE CHANGE . . . The obligation of the Purchasers to take and pay for the respective Obligations, and of the City to deliver the Obligations, are subject to the condition that, up to the time of delivery of and receipt of payment for the Obligations, there shall have been no material adverse change in the condition (financial or otherwise) of the City from that set forth or contemplated in the Official Statement.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASERS . . . After requesting competitive bids for the Certificates, the City accepted the bid from R.W. Baird & Company (the "Certificate Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of $3,566,847.05 (representing the principal amount of the Certificates of $***3,405,000***, plus a net original issue premium on the Certificates in the amount of ***$211,839.75***, and less a Purchaser's discount on the Certificates of ***$49,992.70***. The Certificate Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Certificate Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

On April 1, 2019, Baird Financial Corporation, the parent company of the Certificate Purchaser (referred to in this paragraph as "Baird"), acquired HL Financial Services, LLC, its subsidiaries, affiliates and assigns (collectively "Hilliard Lyons"). As a result of such common control, Baird, Hilliard Lyons and Hilliard Lyons Trust Company are now affiliated. It is expected that Hilliard Lyons will merge with and into Baird later in 2019.

After requesting competitive bids for the Bonds, the City accepted the bid from Fidelity Capital Markets (the "Bond Purchaser") to purchase the Bonds at the interest rates shown on page 3 of the Official Statement at a price of $3,728,289.98 (representing the principal amount of the Bonds of ***$3,390,000,*** plus original issue premium on the Bonds in the amount of ***$355,521.25***, and less a Purchaser's discount on the Bonds of ***$17,231.27***. The Bond Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Bond Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Bond Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies of the City regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

NOTICE OF FAILURE TO TIMELY FILE…The City also will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the provisions described above.

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Reference is made to original documents in all respects. The Ordinances authorizing the issuance of the Obligations will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Obligations by the Purchasers.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Obligations, the Purchasers will be furnished a certificate, executed by a proper officer acting in his or her official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Obligations and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements, and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City; and (e) no litigation of any nature has been filed or is pending, as of the date of delivery of the Obligations, to restrain or enjoin the issuance or delivery of the Obligations or which would affect the provisions made for their payment or security or in any manner question the validity of the Obligations.

This Official Statement has been approved by the City Council of the City for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

Ms. Cathy Skurow
Mayor
City of Portland, Texas

ATTEST:

Ms. Annette Hall
City Secretary
City of Portland, Texas

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SCHEDULE I

TABLE OF REFUNDED OBLIGATIONS

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SCHEDULE I

TABLE OF REFUNDED OBLIGATIONS

City of Portland, Texas

Issue	Original Issue Principal Amount	Principal Amount Being Refunded	Maturities Being Refunded	Redemption Date/Price
Combination Tax & Revenue Certificates of Obligation, Series 2010	$4,080,000	$155,000	8/15/2020	9/24/2019 @par
		160,000	8/15/2021	
		160,000	8/15/2022	
		170,000	8/15/2023	
		180,000	8/15/2024	
		175,000	8/15/2025	
		185,000	8/15/2026	
		195,000	8/15/2027	
		200,000	8/15/2028	
		210,000	8/15/2029	
		220,000	8/15/2030	
		$2,010,000		
General Obligation Refunding Bonds, Series 2010	$3,620,000	$305,000	8/15/2020	9/24/2019 @par
		315,000	8/15/2021	
		330,000	8/15/2022	
		340,000	8/15/2023	
		350,000	8/15/2024	
		$1,640,000		
	Total:	$3,650,000		

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION — TABLE 1

2018 Total Appraised Value	$1,402,875,326
Less:	
Over-65 Exemption	$17,197,956
Disabled Veteran 100%	2,749,500
Disable Veteran	13,049,881
Productivity Loss	47,359,408
10% Cap Loss	11,560,866
2018 Net Taxable Assessed Valuation	$1,310,957,715
2019 Net Taxable Assessed Valuation	$1,413,838,753

Note: The above figures were taken from the San Patricio County Appraisal District which is compiled during the initial phase of the tax year and are subject to change.

GENERAL OBLIGATION BONDED DEBT

(As of July 1, 2019)

General Obligation Debt Outstanding(1):	
Combination Tax & Revenue Certificates of Obligation, Series 2010(2)	$140,000
General Obligation Refunding Bonds, Series 2010(2)	295,000
Combination Tax & Revenue Certificates of Obligation, Series 2014	3,810,000
General Obligation Refunding Bonds, Series 2015	1,775,000
General Obligation Bonds, Series 2017	13,300,000
Combination Tax & Revenue Certificates of Obligation, Series 2018	6,100,000
General Obligation Bonds, Series 2018	5,350,000
General Obligation Bonds, Series 2018A	5,280,000
Tax Notes, Series 2019	1,724,000
The Certificates	3,405,000
The Bonds	3,390,000
Total Gross General Obligation Debt Outstanding(2)	$44,569,000
Less: Self-Supporting Debt:	
Combination Tax & Revenue Certificates of Obligation, Series 2010(2)	$67,130
Tax Notes, Series 2019	1,468,848
Total Self-Supporting Debt	$1,535,978
Total Net General Obligation Debt	$43,033,022
Interest and Sinking Fund Balance as of September 30, 2018	$18,965
2019 Net Taxable Assessed Valuation	$1,413,838,753
Ratio of Total Net General Obligation Debt to 2019 Net Taxable Assessed Valuation(1)&(2)	3.04%

(1) *See "AD VALOREM TAX PROCEDURES" in the Official Statement for a description of the Issuer's taxation procedures.*

(2) *Excludes the Refunded Obligations.*

Area of City:	15.00	Square Miles
Estimated Population:	20,063	in Year 2018
Per Capita Net Taxable Assessed Valuation:	$70,470	
Per Capita Net General Obligation Debt:	$2,145	

(As of July 1, 2019)

Utility System:	
Utility System Revenue Bonds, Series 2009	$221,000
Utility System Revenue Bonds, Series 2009-A	3,555,000
Utility System Revenue Refunding Bonds, Series 2010	840,000
Utility System Revenue Bonds, Series 2012	142,000
Utility System Revenue and Refunding Bonds, Series 2012	4,875,000
Total Utility System Revenue Debt Outstanding:	$9,633,000
Sales Tax:	
Sales Tax Revenue Refunding Bonds, Series 2013	$860,000
Sales Tax Revenue Refunding Bonds, Series 2015	3,055,000
Total Sales Tax Revenue Debt Outstanding:	$3,915,000
Portland Community Center Complex Development	
Portland Community Center Complex Development Sales Tax Revenue Refunding Bonds, Series 2007	$1,135,000
Total Community Center Complext Development Revenue Debt Outstanding:	$1,135,000

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

PORTLAND COMMUNITY CENTER COMPLEX DEVELOPMENT CORPORATION SELF-SUPPORTING DEBT

Audited, Net Revenues Available, Fiscal Year Ended 9/30/2018	$2,851,190
Less: Debt Service Requirements Ended 9/30/2018	217,608
Balance Available for Other Purposes	$2,633,582
Corporation Tax and Revenue Supported Debt for Fiscal Year 9/30/2018	217,608
Percentage of Tax and Revenue Supported Debt Self-Supporting	100%

UTILITY SYSTEM SELF-SUPPORTING DEBT

Audited, Net System Revenue Available, Fiscal Year 9/30/2018	$3,428,148
Less: Revenue Bond Debt Service Ended 9/30/2018	1,366,107
Balance Available for Other Purposes	$2,062,041

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

[Includes the Bonds]

Fiscal Year Ending 9/30	Current Total Debt Service	Less: Debt Service on Refunded Obligations	Certificates of Obligation, Series 2019			General Obligation Refunding Bonds, Series 2019			Combined Debt Service	Less: Self-Supporting Debt	Total Net Combined Debt Service
			Principal	Interest	Principal & Interest	Principal	Interest	Principal & Interest			
2019	$2,996,031								$2,996,031	($476,736)	$2,519,295
2020	3,599,033	$606,538	$130,000	$96,413	$226,413	$455,000	$116,030	$571,030	3,789,938	(479,515)	3,310,423
2021	3,607,007	603,138	130,000	99,319	229,319	460,000	109,150	569,150	3,802,338	(482,017)	3,320,321
2022	3,800,939	599,138	135,000	92,819	227,819	470,000	95,350	565,350	3,994,970	(475,712)	3,519,258
2023	3,730,428	599,538	145,000	86,069	231,069	485,000	76,550	561,550	3,923,509	(424,916)	3,498,593
2024	3,720,200	599,138	0	78,819	78,819	505,000	57,150	562,150	3,762,031	(112,866)	3,649,165
2025	3,353,260	222,938	150,000	78,819	228,819	150,000	36,950	186,950	3,546,091	(107,010)	3,439,081
2026	3,186,554	225,938	155,000	71,319	226,319	160,000	30,950	190,950	3,377,885	(108,450)	3,269,435
2027	2,954,504	228,538	165,000	63,569	228,569	170,000	24,550	194,550	3,149,085	(109,698)	3,039,387
2028	2,951,854	225,738	175,000	55,319	230,319	170,000	17,750	187,750	3,144,185	(108,354)	3,035,831
2029	2,955,579	227,738	180,000	46,569	226,569	180,000	10,950	190,950	3,145,360	(109,314)	3,036,046
2030	2,955,641	229,075	185,000	42,969	227,969	185,000	5,550	190,550	3,145,085	(109,956)	3,035,129
2031	2,724,406		190,000	39,269	229,269				2,953,675		2,953,675
2032	2,725,529		195,000	35,469	230,469				2,955,998		2,955,998
2033	2,727,704		195,000	31,569	226,569				2,954,273		2,954,273
2034	2,724,931		200,000	27,669	227,669				2,952,600		2,952,600
2035	2,446,994		205,000	23,669	228,669				2,675,663		2,675,663
2036	2,440,931		210,000	19,313	229,313				2,670,244		2,670,244
2037	2,440,606		215,000	14,850	229,850				2,670,456		2,670,456
2038	1,231,125		220,000	10,013	230,013				1,461,138		1,461,138
2039	376,938		225,000	5,063	230,063				607,000		607,000
	$59,650,192	$4,367,450	$3,405,000	$1,018,882	$4,423,882	$3,390,000	$580,930	$3,970,930	$63,677,554	($3,104,544)	$60,573,010

TAX ADEQUACY (Includes Self-Supporting Debt)

2018 Net Taxable Assessed Valuation		$1,310,957,715
Maximum Annual Debt Service Requirements for Year Ending:	9/30/2022	$3,994,970
Indicated Interest and Sinking Fund Tax Rate		$0.3110
Indicated Interest and Sinking Fund Tax Levy at the following Collections:	98%	$3,995,355

Note: See "Tax Data" herein.

TAX ADEQUACY (Excludes Self-Supporting Debt)

Maximum Annual Debt Service Requirements for Year Ending:	9/30/2024	$3,649,165
Indicated Interest and Sinking Fund Tax Rate		$0.2841
Indicated Interest and Sinking Fund Tax Levy at the following Collections:	98%	$3,649,551

Note: See "Tax Data" herein.

INTEREST AND SINKING FUND MANAGEMENT INDEX

Interest and Sinking Fund Balance as of September 30, 2018	$18,965
2018 Interest and Sinking Fund Tax Levy at 98% Collections Produce	2,787,549
Total Available for Debt Service	$2,806,514
Less: General Obligation Debt Service Requirements, Fiscal Year Ending: 9/30/2019	2,519,295
Estimated Balance at Fiscal Year Ended 9/30/2019	$287,219

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

Year Ending 9/30	Currently Outstanding General Obligations Principal Repayment Schedule	Less: Refunded Obligations Principal	The Certificates Principal Repayment Schedule	The Bonds Principal Repayment Schedule	Combined Principal Repayment Schedule	General Obligations Remaining Outstanding End of the Year	Percent of Principal Retired
2019	$1,200,000				$1,200,000	$43,369,000	
2020	1,964,000	$460,000	$130,000	$455,000	2,089,000	41,280,000	
2021	2,061,000	475,000	130,000	460,000	2,176,000	39,104,000	
2022	2,329,000	490,000	135,000	470,000	2,444,000	36,660,000	
2023	2,341,000	510,000	145,000	485,000	2,461,000	34,199,000	23.27%
2024	2,414,000	530,000	0	505,000	2,389,000	31,810,000	
2025	2,130,000	175,000	150,000	150,000	2,255,000	29,555,000	
2026	2,055,000	185,000	155,000	160,000	2,185,000	27,370,000	
2027	1,910,000	195,000	165,000	170,000	2,050,000	25,320,000	
2028	1,990,000	200,000	175,000	170,000	2,135,000	23,185,000	47.98%
2029	2,080,000	210,000	180,000	180,000	2,230,000	20,955,000	
2030	2,170,000	220,000	185,000	185,000	2,320,000	18,635,000	
2031	2,030,000		190,000		2,220,000	16,415,000	
2032	2,115,000		195,000		2,310,000	14,105,000	
2033	2,205,000		195,000		2,400,000	11,705,000	73.74%
2034	2,295,000		200,000		2,495,000	9,210,000	
2035	2,115,000		205,000		2,320,000	6,890,000	
2036	2,195,000		210,000		2,405,000	4,485,000	
2037	2,285,000		215,000		2,500,000	1,985,000	
2038	1,170,000		220,000		1,390,000	595,000	98.66%
2039	370,000		225,000		595,000	0	100.00%
	$41,424,000	$3,650,000	$3,405,000	$3,390,000	$44,569,000		

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CAPITAL LEASE AND NOTES PAYABLE — TABLE 2

During 2014 the City entered into a lease agreement for a street sweeper at a cost of $202,265. 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 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 equipment. During 2018, the City made the final payment on the Capital Lease Debt.

Tax Notes, Series 2019

On February 5, 2019, the City approved the issuance of $1,724,000 Tax Note, Series 2019 for the purchase of fourteen (14) fleet vehicles and one (1) platform fire truck. Payments for the debt will be made by the Debt Service Fund beginning February 15, 2020, with a final payment due February 15, 2024. The note carries an interest rate of 2.23%.

Note: The above information was taken from the Issuer's 2018 Annual Financial Report.

TAXABLE ASSESSED VALUATION FOR YEARS 2015-2019 — TABLE 3

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount ($)	Percent (%)
2015[(1)]	$1,087,247,968	$123,385,830	12.80%
2016[(1)]	1,194,497,966	107,249,998	9.86%
2017[(1)]	1,285,581,348	91,083,382	7.63%
2018[(1)]	1,310,957,715	25,376,367	1.97%
2019[(2)]	1,413,838,753	102,881,038	7.85%

(1) *Source: Issuer's 2018 Annual Financial Report.*
(2) *Source: San Patricio Appraisal District.*

PRINCIPAL TAXPAYERS — TABLE 4

Name	Type of Property	2018 Net Taxable Assessed Valuation	% of Total 2018 Assessed Valuation
Comcapp Pavillions LLC	Apartments	$22,606,987	1.72%
Juniper Portland LTD	Apartments	16,471,283	1.26%
OGC Portland Apartments	Apartments	16,468,487	1.26%
Portland Investors LLC	Limited Partnership	9,754,512	0.74%
Wal-Mart Real Estate Business Trust	Landowner	8,977,646	0.68%
AEP Texas Central Company	Public Utility	6,758,560	0.52%
Oak Manor Portland LLC	Apartments	6,503,009	0.50%
Portland 121 Hospitality LLC	Hospitality Suites	6,000,000	0.46%
Esplanade at North Shore LLC	Real Estate	5,629,523	0.43%
Silverfin Land Development LLC	Apartments	5,271,612	0.40%
Total (7.97% of 2018 Net Taxable Assessed Valuation)		$104,441,619	7.97%

Note: The above information was provided by the San Patricio County Appraisal District

CLASSIFICATION OF ASSESSED VALUATION **TABLE 5**

	2018	% of Total	2017	% of Total	2016	% of Total
Real, Residential, Single-Family	$982,623,921	70.04%	$927,204,351	69.36%	$936,838,448	71.01%
Real, Residential, Multi-Family	109,283,420	7.79%	100,744,432	7.54%	69,237,510	5.25%
Vacant Lots/Tracts & Colonia Lots/Tracts	28,477,990	2.03%	25,182,226	1.88%	32,121,087	2.43%
Qualified Open-Space Land	48,250,195	3.44%	234,680	0.02%	57,012,199	4.32%
Farm and Ranch Improvements	108,920	0.01%	52,745,503	3.95%	0	0.00%
Rural Land/Residential Improvements	6,347,690	0.45%	8,377,711	0.63%	13,719,087	1.04%
Real, Commercial	159,400,133	11.36%	161,319,878	12.07%	153,304,360	11.62%
Real, Minerals Oil and Gas	3,076,420	0.22%	1,463,210	0.11%	831,950	0.06%
Real & Tangible, Personal Utilities	11,349,220	0.81%	10,942,690	0.82%	9,913,650	0.75%
Tangible Personal, Commercial	37,681,894	2.69%	36,411,749	2.72%	38,360,643	2.91%
Tangible Personal, Industrial	3,750,300	0.27%	4,015,050	0.30%	4,302,162	0.33%
Tangible Personal, Mobile Homes	1,044,050	0.07%	214,751	0.02%	164,606	0.01%
Residential Inventory	8,721,178	0.62%	5,362,127	0.40%	1,285,558	0.10%
Special Inventory	2,759,995	0.20%	2,590,629	0.19%	2,302,201	0.17%
Total Appraised Value	$1,402,875,326	100.00%	$1,336,808,987	100.00%	$1,319,393,461	100.00%
Less:						
Over-65/Surviving Spouse Exemption	$17,197,956		$16,470,000		$16,641,504	
Disabled Veteran/Surviving Spouse Exemption	2,749,500		2,506,500		2,573,500	
Disabled Veteran Homestead/Surviving Spouse Exemption	13,049,881		11,062,630		9,056,034	
Productivity Loss	47,359,408		51,853,693		56,085,098	
10% Cap Loss	11,560,866		18,036,753		40,362,431	
Net Taxable Assessed Valuation	$1,310,957,715		$1,236,879,411		$1,194,674,894	

Note: The above figures were taken from the San Patricio Appraisal District which is compiled during the initial phase of the tax year and are subject to change.

TAX DATA **TABLE 6**

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 15% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax	Net Taxable	Tax	Tax	% Collections		Year
Year	Assessed Valuation	Rate	Levy	Current	Total	Ended
2014	$963,862,138	$0.6006	$5,676,817	98.60	99.80	9/30/2015
2015	1,087,247,968	0.5296	5,585,883	98.50	99.70	9/30/2016
2016	1,194,497,966	0.5667	6,544,900	98.80	99.50	9/30/2017
2017	1,285,581,348	0.5979	7,384,760	98.80	98.80	9/30/2018
2018	1,310,957,715	0.6495	8,139,310	97.40[1]	97.40[1]	9/30/2019

Note: The above figures were taken from the Municipal Advisory Council of Texas, Texas Municipal Reports, the San Patricio County Appraisal District, the Issuer's 2018 Annual Financial Report and information provided by the Issuer.

[1] *Unaudited, as of May 31, 2019.*

TAX RATE DISTRIBUTION **TABLE 7**

Total Tax Rate	2018	2017	2016	2015	2014
General Fund	$0.4325	$0.3990	$0.3824	$0.3720	$0.4258
I & S Fund	0.2170	0.1988	0.1843	0.1576	0.1748
Total Tax Rate	$0.6495	$0.5979	$0.5667	$0.5296	$0.6006

Note: The above information was taken from the Issuer's 2018 Financial Report and the San Patricio County Appraisal District.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES AND ANALYSIS OF CHANGES IN FUND BALANCES

TABLE 8

	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Fund Balance-Beginning of Year	$7,303,412 [(1)]	$6,489,394 [(2)]	$6,230,296 [(3)]	$5,342,330	$4,812,323
Revenues	$11,606,633	$10,584,611	$10,638,102	$9,987,349	$9,350,740
Expenditures	11,949,748	11,362,389	11,294,179	10,043,028	10,075,111
Excess (Deficit) of Revenues Over Expenditures	($343,115)	($777,778)	($656,077)	($55,679)	($724,371)
Other Financing Sources (Uses)					
Sale of Capital Assets	$0	$0	$0	$0	$61,000
Capital Lease Proceeds	0	0	0	0	202,265
Transfers In	1,430,102	1,277,261	973,757	1,123,581	991,113
Transfers Out	(30,176)	(84,327)	(13,457)	0	0
Total Other Financing Sources (Uses)	$1,399,926	$1,192,934	$960,300	$1,123,581	$1,254,378
	($63,396)				
Fund Balance - End of Year	$8,296,827	$6,904,550	$6,534,519	$6,410,232	$5,342,330

Note: The above information was taken from the Issuer's Annual Reports dated September 30, 2014 – 2018.

[(1)] During 2018, management determined that receivables for reimbursement for damage claims, due to Hurricane Harvey, had been understated in the prior year. Management also determined that "Construction in Progress" (CIP) had been understated in the Water and Sewer System Fund and the business-type activities. As a result of the above items, beginning fund balances and net positions as of October 1, 2017, have been restated as follows:

					Government-Wide Level - Net Position	
	General Fund	*Hurricane Harvey Fund*	*Other Governmental Funds*	*Water & Sewer System Fund*	*Governmental Activities*	*Business-Type Activities*
Beginning equity as originally stated	*$6,904,550*	*$7,853*	*$7,477,126*	*$21,841,600*	*$33,450,655*	*$25,691,452*
Restatements:						
For GASP Statement No. 75	*0*	*0*	*0*	*231,790*	*1,097,549*	*231,790*
For Hurricane Harvey Receivables	*398,862*	*-7,853*	*2,084*	*782*	*393,093*	*782*
For Understated "CIP"	*0*	*0*	*0*	*91,778*	*0*	*91,778*
Beginning equity as restated	*$7,303,412*	*$0*	*$7,479,210*	*$22,165,950*	*$34,941,297*	*$26,015,802*

[(2)] During the year, management determined that certain asset accounts in the funds had been overstated by $44,762. For the government-wide statements, management determined that certain capital assets for the governmental activities had been overstated by $238,977 because they did not meet the City's capitalization threshold of $5,000 original cost. Management also determined that the liability to the State Comptroller for overpaid local sales and use tax was overstated by $18,112 due to a discount for making direct payments to the State Comptroller. As a result of the above determinations, the beginning fund balances and net positions as of October 1, 2016, have been restated as follows:

	Fund Level - Fund Balances		*Government-Wide Level - Net Position*	
	General Fund	*Water and Sewer System Fund*	*Governmental Activities*	*Business-Type Activities*
Beginning equity as originally stated	*$6,534,519*	*$20,898,711*	*$31,957,745*	*$24,697,438*
Restatement for asset accounts	*-45,125*	*363*	*-45,125*	*363*
Restatement for capital assets	*0*	*0*	*-238,977*	*0*
Restatement for sales and use tax liability	*0*	*0*	*18,112*	*0*
Beginning equity, as restated	*$6,489,394*	*$20,899,074*	*$31,691,755*	*$24,697,801*

[(3)] During the year, management determined that accrued liabilities for the prior year had been understated by $185,894. As a result, the beginning fund balances and net position as of October 1, 2015, have been restated as follows:

	Fund Level - Fund Balances		*Government-Wide Level - Net Position*
	General Fund	*Other Governmental Funds*	*Governmental Activities*
Beginning equity as originally stated	*$6,410,232*	*$6,507,983*	*$31,011,477*
Restatement for accrued liabilities	*-179,936*	*-5,958*	*-185,894*
Beginning equity, as restated	*$6,230,296*	*$6,502,025*	*$30,825,583*

OVERLAPPING DEBT DATA AND INFORMATION

(As of July 31, 2019)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures.

The following statements of direct and estimated overlapping ad valorem bonds were developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete.

Furthermore, certain of the entities below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt	% Overlapping	Amount Overlapping
Gregory Portland ISD	$138,515,000	24.91%	$34,504,087
Nueces County	116,076,988	**	0
San Patricio County	54,067,627	11.89%	6,428,641
Total Gross Overlapping Debt			$40,932,727
Portland, City of	$43,033,022 *	100.00%	43,033,022 *
Total Direct and Overlapping Debt			$83,965,749 *
Ratio of Direct and Overlapping Debt to the 2018 Assessed Valuation			6.40% *
Per Capita Direct and Overlapping Debt			$4,185 *

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.
**Includes the Bonds; excludes the Refunding Bonds.*
***A portion of the City overlaps into Nueces County, Nueces County Hospital District and the Port of Corpus Christi Authority; however, there is no taxable value.*

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2018 Assessed Valuation	2018 Tax Rate
Gregory Portland ISD	$5,122,052,238	$1.3500
Nueces County	29,432,163,108	0.3164
San Patricio County	6,909,799,403	0.4685

Source: The San Patricio County Appraisal District.

OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Gregory-Portland ISD	None				
Nueces County	None				
San Patricio County	None				
Portland, City of	None				

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

A. Plan Description

The City of Portland participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

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

Plan Provisions -

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

	Plan Year 2017
Employee deposit rate	6.0%
Matching ratio (city to employee):	2 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age / years of service)	60/10, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

Employees covered by benefit terms -

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	64
Inactive employees entitled to but not yet receiving benefits	80
Active employees	131
	275

C. Contributions

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

Employees for the City of Portland were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Portland were 14.69% and 14.46% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were $970,833, and were equal to the required contributions.

(To be continued on next page.)

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions -

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.30%) and by adding expected inflation (3.5%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.05% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large cap domestic	25.0%	5.84%
Small/mid cap domestic	10.0%	6.00%
International developed	12.5%	6.12%
Emerging markets	6.0%	7.62%
Real Estate	10.0%	3.90%
Fixed income	36.5%	1.72%
Cash	0.0%	0.40%
Total	100.0%	

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Discount Rate -

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability -

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	$25,279,394	$18,806,733	$6,472,661
Changes for the year:			
Service cost	987,715	0	987,715
Interest	1,702,378	0	1,702,378
Change of benefit terms	0	0	0
Difference between expected and actual experience	-430,742	0	-430,742
Changes of assumptions	0	0	0
Contributions - employer	0	1,012,145	-1,012,145
Contributions - employee	0	418,819	-418,819
Net investment income	0	2,607,034	-2,607,034
Benefit payments, including refunds of employee contributions	-1,105,663	-1,105,663	0
Administrative expense	0	-13,508	13,508
Other changes	0	-685	685
Net changes	1,153,688	2,918,142	-1,764,454
Balance at 12/31/2017	$26,433,082	$21,724,875	$4,708,207

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$8,716,940	$4,708,207	$1,465,448

Pension Plan Fiduciary Net Position -

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

(To be continued on next page.)

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of $912,498.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$23,276	$378,564
Changes in actuarial assumptions	33,164	0
Differences between projected and actual investment earnings	0	590,440
Contributions subsequent to the measurement date	738,715	0
	$795,155	$969,004

The $738,715 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended December 31	
2019	($111,868)
2020	(134,072)
2021	(363,543)
2022	(303,081)
2023	0
Thereafter	0

Note: The above information was taken from the Issuer's 2018 Annual Financial Report.

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POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

As a result of the adoption of GASB Statement No. 75, the beginning net position of the Governmental and Business-type activities and the Water and Sewer Fund net positions were restated. The Statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed and the total OPEB liability was recorded in accordance with GASB Statement No. 75. The City has two OPEB plans: 1) Healthcare Plan, 2) Supplemental Death Benefits Plan.

A. Healthcare Plan

The City of Portland offers its retirees medical and prescription drug and dental coverage until age 65. The plan is a self-insured continuation of the active plan. Dependents of retirees can also enroll in the plan but are required to pay their full cost. Currently there are only twelve 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.

Employees covered by benefit terms -

At September 30, 2018, the following employees were covered by the benefit terms:

Active employees	$64
Retired employees	12
Total	$76

TOTAL HEALTHCARE PLAN OPEB

The City's total OPEB liability of $1,630,378 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total healthcare plan OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual entry age normal cost method Level percentage of projected salary
Eligibility	Age 55 with 10 years of employed by Portland
Dependent Eligibility	Spouse and eligible children
Annual Maximum	None
Lifetime Maximum	$2,000,000
Medical Benefit Claims Cost by Age	Percentage increase with age
Health Care Cost Trend	Medical trend is level 5.00% Dental trend is level 3.25%
Discount Rate for Valuing Liabilities	4.06%
Salary Scale	3.5%
Mortality Rates	RPH-2014 Total Table with Projection MP-2018
Retirement Rates	Rates vary by age from age of 60 to 65
Disability	None Assumed
Data Assumptions:	
Coverage	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 100% of all actives who currently have healthcare coverage will continue with employee-only coverage upon retirement.

(To be continued on next page.)

DISCOUNT RATE SENSITIVITY ANALYSIS

The following schedule shows the input of the OPEB liability if the discount were 1% less than and 1% greater than the discount rate that was used in measuring the OPEB liability:

	1% Decrease in Discount Rate (3.06%)	Current Discount Rate (4.06%)	1% Increase in Discount Rate (5.06%)
City's OPEB Liability	$1,769,811	$1,630,378	$1,505,150

HEALTHCARE COST TREND RATES SENSITIVITY ANALYSIS

The following presents the OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
City's OPEB Liability	$1,475,282	$1,630,378	$1,812,612

ANALYSIS OF HEALTHCARE PLAN OPEB LIABILITY

OPEB Liability October 1, 2017	$1,569,413
Service Cost	161,731
Interest Cost	66,881
Benefit Payments	(167,647)
OPEB Liability September 30, 2018	$1,630,378

ANALYSIS OF HEALTHCARE PLAN OPEB EXPENSE

Service Cost at October 1, 2017	$161,731
Interest Cost (Including interest on the Service Cost)	66,881
Total OPEB Expense	$228,612

(To be continued on next page.)

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 I 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.

Employees covered by benefit terms -

At December 31, 2017, measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	14
Active employees	131
Total	190

TOTAL OPEB LIABILITY

The total OPEB liability of $331,152 was measured as of December 31, 2017 and was determined by an actuary using the following assumptions:

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Note: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Discount Rate Sensitivity Analysis -

The following schedule shows the impact on the net OPEB liability if the discount rate used were 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB Liability	$403,449	$331,152	$275,907

Schedule of Changes in the Total Liability and Related Ratios

Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	$285,408
Changes for the year	
Service Cost	9,772
Interest on Total OPEB Liability	10,920
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	27,844
Benefit payments**	(2,792)
Net changes	$45,744
Total OPEB Liability - end of year	$331,152

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

For the year ended September 30, 2018, the City recognized OPEB expense in the amount of $25,091.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	$0	$0
Changes in actuarial assumptions	23,445	0
Differences between projected and actual investment earnings (net of current year amortization)	0	0
Contributions subsequent to the measurement date	10,728	0
Total	$34,173	$0

$10,728 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended September 30, 2019.

Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30	
2019	4,399
2020	4,399
2021	4,399
2022	4,399
2023	4,399
Thereafter	1,450

Note: The above information was taken from the Issuer's 2018 Annual Financial Report.

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY

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GENERAL INFORMATION REGARDING THE CITY OF UNIVERSAL CITY AND BEXAR COUNTY, TEXAS

Location: The City of Portland, Texas (the "City") is located is located on the Gulf Coast, overlooking Nueces Bay and Corpus Christi Bay, approximately 7 miles northeast of Corpus Christi. The City lies within San Patricio and Nueces Counties. The City has a suburban atmosphere with an estimated 75% of its labor force employed outside of the City limits and the majority employed in Corpus Christi. U.S. Highway 181 bisects the City and allows easy access to the business district of Corpus Christi, seven miles to the south. The City's 2019 estimated population is 20,063

County Characteristics: San Patricio County, Texas (the "San Patricio County") was created in 1836 and reorganized in 1847. The Aransas River runs along the northern boundary, and Lake Corpus Christi, the Nueces River, and Corpus Christi Bay make up the west and south boundaries. The County was the 3rd largest producer of sorghum in the state for 2016. The County's 2019 estimated population is 66,893.

County Seat: Sinton

Economic Base: Mineral: Oil, gravel, gas and caliche. Industry: Tourism, petrochemicals, oil, manufacturing and agribusiness. Agricultural: Grain sorghum, fisheries, cotton, corn and beef cattle.

Oil & Gas 2018: The oil production for this county accounts for 0.03% of the total state production. The county ranks 112 out of all the counties in Texas for oil production. The gas production for this county accounts for 0.10% of the total state production. The county ranks 89 out of all the counties in Texas for gas production.

	Year	Description	Volume	%Change from Previous Year)
Oil Production: (Texas Railroad Commission)	2017	Oil	270,331 BBL	-7.65
	2018	Oil	380,734 BBL	40.84

	Year	Description	Volume	%Change from Previous Year)
Casinghead: (Texas Railroad Commission)	2017	Casinghead	489,994 MCF	-28.57
	2018	Casinghead	721,991 MCF	47.35

	Year	Description	Volume	%Change from Previous Year)
Gas Well Production: (Texas Railroad Commission)	2017	GW Gas	5,270,567 MCF	-37.66
	2018	GW Gas	4,674,592 MCF	-11.31

	Year	Description	Volume	%Change from Previous Year)
Condensate: (Texas Railroad Commission)	2017	Condensate	166,236 BBL	-28.85
	2018	Condensate	172,081 BBL	3.52

Retail Sales & Effective Buying Income:

Year	2018	2017	2016
Retail Sales	$700.8M	$748.7M	$979.3M
Effective Buying Income (EBI)	$1.7B	$1.5B	$1.3B
County Median Household Income	$52,139	$50,154	$44,768
State Median Household Income	$61,175	$57,227	$55,352
% of Households with EBI below $25K	19.7%	21.5%	11.0%
% of Households with EBI above $25K	69.5%	68.7%	66.9%

Employment Data:

	2018		2017		2016	
	Employed	Earnings	Employed	Earnings	Employed	Earnings
1st Quarter:	18,927	$241.8M	19,490	$236.0M	18,738	$203.0M
2nd Quarter:	18,851	$218.7M	19,149	$222.1M	18,825	$209.9M
3rd Quarter:	18,454	$219.0M	18,846	$217.7M	19,409	$232.9M
4th Quarter:	N/A	N/A	19,298	$237.1M	19,916	$237.0M

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas and DemographicsUSA County Edition. Any data on population, value added by manufacturing or production of minerals or agricultural products are from US Census or other official sources.

Labor Force Statistics:

	May 2019	April 2019	May 2018	Monthly Change	Year Ago Change
% Unemployment (U.S.)	3.4	3.3	3.6	0.1	-0.2
% Unemployment (Texas)	2.9	3.0	3.6	-0.1	-0.7
% Unemployment (San Patricio County)	4.6	4.4	6.0	0.2	-1.4
	2018	**2017**	**2016**	**2015**	**2014**
% Unemployment (U.S.)	3.7	3.9	4.5	4.8	5.4
% Unemployment (Texas)	3.6	3.9	4.5	4.2	4.2
% Unemployment (San Patricio	5.5	7.4	7.9	6.8	5.9

Source: Texas Labor Market Review.

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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McCALL
PARKHURST & HORTON

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P., Bond Counsel,
upon the delivery of the Certificates, assuming no material changes in facts or law.

September __, 2019

CITY OF PORTLAND, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2019
DATED AS OF SEPTEMBER 1, 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF $3,390,000

AS BOND COUNSEL FOR THE CITY OF PORTLAND, TEXAS (the "***City***") in connection with the issuance of the certificates of obligation described above (the "***Certificates***"), we have examined into the legality and validity of the Certificates, which bear interest from the dates specified in the text of the Certificates until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Certificates, and which are subject to redemption, all in accordance with the terms and conditions stated in the text of the Certificates.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Certificates including (i) the ordinance authorizing the issuance of the Certificates (the "***Ordinance***"), (ii) one of the executed Certificates (Certificate No. T-1), and (iii) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized, issued and delivered in accordance with law; that the Certificates constitute valid and legally binding general obligations of the City in accordance with their terms except as the enforceability thereof may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the City has the legal authority to issue the Certificates and to repay the Certificates; that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law; and that "*Surplus Revenues*" (as such term is defined and described in the Ordinance) received by the City from the ownership and operation of the City's Waterworks and Sewer System have been pledged to further secure the payment of the Certificates in the manner set forth in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986. In expressing the aforementioned opinions, we have relied on certain representations of the City, the accuracy of which we have not independently verified, and have assumed compliance by the City with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further given, and are based on our knowledge of facts, as of the date hereof. We assume no duty or obligation to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "***Service***"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

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MCCALL PARKHURST & HORTON

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law

September __, 2019

CITY OF PORTLAND, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019
DATED SEPTEMBER 1, 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF $3,405,000

AS BOND COUNSEL FOR THE CITY OF PORTLAND, TEXAS (the "City") in connection with the issuance of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the ordinance authorizing the issuance of the Bonds (the "Ordinance"), (ii) an Escrow Agreement, dated as of September 1, 2019, between the City and UMB Bank, N.A., Houston, Texas, as Escrow Agent thereunder (the "Escrow Agreement"), (iii) a certificate of sufficiency provided by Specialized Public Finance Inc., the City's financial advisor, with respect to the adequacy of certain escrowed funds to accomplish the refunding purposes of the Bonds (the "Sufficiency Certificate"), (iv) one of the executed Bonds (Bond No. T-1), and (v) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; that except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, within the limit prescribed by law.

IT IS FURTHER OUR OPINION that the Escrow Agreement has been duly authorized, executed and delivered by the City and constitutes a binding and enforceable agreement in accordance with its terms and that the "Refunded Obligations" (as defined in the Ordinance) being refunded by the Bonds are outstanding under the ordinances authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, we have relied upon the certifications contained in the Sufficiency Certificate as to the sufficiency of the cash deposited pursuant to the Escrow Agreement for the purpose of paying the principal of, redemption premium, if any, and interest on the Refunded Obligations.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on Bonds executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

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APPENDIX D

EXCERPTS FROM THE CITY OF PORTLAND, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2018

The information contained in this APPENDIX consists of excerpts from the City of Portland, Texas Annual Financial Report for the Year Ended September 30, 2018, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information

CITY OF PORTLAND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2018

the portland of possibilities.

CITY OF PORTLAND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2018

CITY COUNCIL

Cathy Skurow, Mayor

John Green, Mayor Pro Tem

John G. Sutton, Jr.

Troy Bethel

Bill T. Wilson, II

Gary W. Moore

Tom Yardley

CITY MANAGER

Randy Wright

Prepared by

Finance Department

Aldilia Martin
Director of Finance

CITY OF PORTLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2018

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SINGLE AUDIT SECTION

INTRODUCTORY SECTION

the portland of possibilities.

July 30, 2019

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

The Department of Finance is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Portland (the City) for the fiscal year ended September 30, 2018. The purpose of this report is to provide the City Council, management, citizens, and other interested parties with detailed information concerning the City's financial condition.

THE REPORT

The Texas Local Government Code (§103.001) requires an annual audit for municipalities. In addition, the City Charter requires that the City Council appoint a Certified Public Accountant, who, as of the end of the fiscal year, shall make an "independent audit of accounts" and prepare a report to the City Council. This document fulfills the above mentioned requirements, and the independent auditor's opinion is included in the report for the fiscal year ended September 30, 2018.

The CAFR is presented in three main sections: Introductory, Financial, and Statistical. The Introductory Section includes the transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements, along with the independent auditor's report. The Statistical Section and Other Supplementary Information Section includes selected financial and demographic information, generally presented on a multi-year basis.

The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material aspects and is reported in a manner designed to fairly present the results of our operations in each of the various funds report by the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The accounting firm of Lovvorn & Kieschnick, LLP has issued an unmodified opinion on the City of Portland's financial statements for the period ended September 30, 2018.

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

PROFILE OF THE GOVERNMENT

Originally incorporated on March 28, 1949, the City of Portland is now 15.1 square miles and has an estimated population of 22,400. The City is a home rule city and operates under the Council-Manager form of government. The elected seven-member council consists of a Mayor and six Council Members, all of which are elected at large. The City Council enacts local laws, determines policy, and adopts the annual budget.

CITY OF PORTLAND, TEXAS 1900 Billy G. Webb Drive Portland, Texas 78374 P. 361-777-4500 F. 361-777-4501 portlandtx.com

The City provides a full range of general government services to its citizens including: public safety (police and fire protection); public works (constructions and maintenance of highways, streets, and infrastructure); parks and recreation, library; planning and zoning; economic development, and general administrative services. The City's enterprise fund operations consist of a utility system which provides water and wastewater services.

COMMUNITY PROFILE

The City of Portland, *the Land of Possibilities,* is located on two beautiful bays and is a part of the Texas Coastal Bend, providing endless recreational, sport and aesthetic possibilities. Portland residents are just minutes away from cultural centers such as the Selena Auditorium, the American Bank Center, the Art Museum of South Texas, the Texas State Aquarium, and the USS Lexington Museum. In addition to the wondrous natural beauty and cultural wealth provided by 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 four elementary schools, a middle school, and high school. The school district is classified at level 5-A for all interscholastic competitions.

LOCAL ECONOMY

The economic outlook within the city limits of Portland continues to be favorable for retail, casual dining, medical services offices, lodging, and financial establishments. In addition, the City will benefit from industry growth in the surrounding areas. Portland has experienced an increase in both residential and commercial growth in the past year. The City continues to welcome new hotels, retail stores, and new eateries to the business corridor. There were over one hundred single-family residences added in 2018 and the development of three apartment projects and two hotels.

Cheniere Energy, originally permitted for a $14B, three-train Liquid Natural Gas (LNG) facility, is in various stages of permitting to eventually expand the facility to five trains. Cheniere began the commissioning of Train 1 in June 2018 with Train 2 coming online by the end of the year and successive trains coming on line in eighteen-month increments. Construction jobs associated with Cheniere and other industrial facilities will continue to supplement the local economy through 2019. Tianjin Pipe Company (TPCO) is 95% complete with phase two of its seamless steel pipe plant.

This year, Exxon-Mobil began construction of an $11 billion steam cracker facility. Revised employee numbers now predict a peak of 6,000 construction workers during the course of the five-year buildout, and 600 permanent jobs thereafter.

The Port of Corpus Christi has deepened La Quinta Channel making the area more usable for deep water industrial development. The Port is the number one exporter of crude oil in the United States and has grown from being the 7th largest port in the nation to the 4th largest port in overall tonnage. They are working to fund a dredging project that would deepen and widen the ship channel increasing the depth from 47 feet to 54 feet making Corpus Christi the first in the nation to accommodate very large crude carriers (VLCC) ships. When that occurs, shipping will increase and tonnage will grow significantly, and the area will see a further broadening of port industries.

That growth is fairly stable. Most of the new industries that are driving our local and regional economy represent mid and downstream users of oil and natural gas. Therefore, they are less affected by fluctuations in gas and oil prices as are communities where upstream production can rise and fall dramatically with an unstable market. The Coastal Bend will continue to benefit from an abundant supply of oil and gas from the Eagle Ford Shale play and other shale plays yet to be developed in Texas.

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 (PCCCDC) 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 PCCCDC is to oversee the appropriations of funds collected under the special sales tax for economic development, including the payment of debt service for the projects approved by the voters for that purpose.

BUDGETING AND LONG RANGE PLANNING

Annually, the city council, city manager and staff personnel participate in a strategic planning retreat to set the long-range plans for the City. At this meeting, strategic goals are discussed and objectives for the upcoming fiscal year are reviewed and set. The strategic goals are incorporated into the budget and guide the budget process. During this process, future growth and service demands for the City are identified, discussed and prioritized into a five-year plan. Prior year growth and service demand items 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. The individual fund statements contained in the financial section of the report provides additional information on fund performance compared to budget.

In conjunction with the budgeting process, the City Council annually adopts a five-year capital improvement program which is incorporated into the budget for year one and modified, as needed in subsequent years. The capital program currently focuses on maintaining and reconstructing major infrastructure as well as renovating and updating existing parks and sports complexes.

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 revenues recorded when available and measurable, expenditures recorded when services or goods are received, and liabilities are incurred. The full accrual accounting method is used to record revenues and expenses 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. City's internal accounting control systems is designed to adequately safeguards assets and provide reasonable assurance of proper recording of financial transactions.

STAFFING AND EMPLOYEE BENEFITS

The City of Portland operates with a very limited number of employees. In FY2017-18, the budget provided for 169 full-time equivalent employees. The City Council has invested in the human capital represented by the City's employees in order to attract and retain competent, multi-talented employees. In addition, Portland's benefits are similar to many cities within 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 an optional deferred compensation plan through ICMA for employees wishing to make additional retirement deposits.

Governmental Accounting Standards Board (GASB) Statement 75 requires governmental entities to measure and report liabilities associated with Other Post Employment Benefits (OPEB). This statement requires cities to disclose the total liability incurred by the government on benefits (other than pensions) that are offered to retirees. The City of Portland offers limited access to continued health benefits for employees who qualify. These benefits are funded on a pay-as-you-go basis by the City. Beginning in fiscal year 2009, the City came into compliance with OPEB reporting requirement by reporting the incurred liability. For a more detailed discussion on the OPEB liability, see Note 10 on page 51 in the Notes to the Financial Statements

ACKNOWLEDGMENTS

The members of the City Council, City Manager, and City Administration are to be thanked for their strong leadership and support that helped make this report possible. Special thanks to the entire Department of Finance staff for their diligent efforts in the preparation of the annual financial report.

Respectfully submitted,

Aldilia Martin

Aldilia Martin, CPA
Director of Finance
City of Portland

CITY OF PORTLAND, TEXAS

CITY COUNCIL

Cathy Skurow, Mayor

John Green, Mayor Pro Tem	Bill T. Wilson, II
John G. Sutton, Jr.	Gary W. Moore
Troy Bethel	Tom Yardley

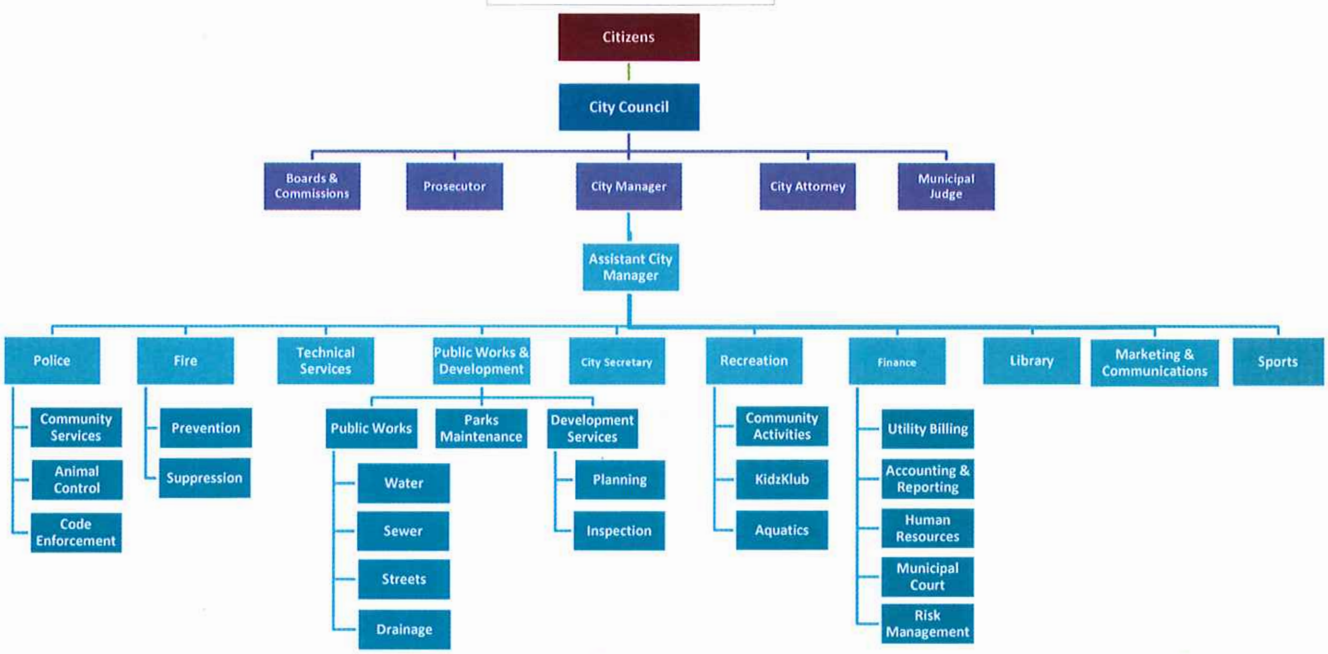
CITY MANAGER

Randy Wright

DIRECTOR OF FINANCE

Aldilia Martin

CITY OF PORTLAND
ORGANIZATION CHART
FY 2017-2018



FINANCIAL SECTION

the portland of possibilities.

Lovvorn & Kieschnick, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portland ("the City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portland as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the City of Portland adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of changes in the City's total OPEB liability and related ratios, as listed in the table of contents, as well as the notes to the required supplementary information, 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 statements and schedules, and statistical section, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 other supplementary information 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 combining and individual fund financial statements and 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 July 30, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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

Lovvorn & Kieschnick, LLP
Corpus Christi, TX

July 30, 2019

the portland of possibilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

the portland of possibilities.

City of Portland, Texas
Management's Discussion and Analysis
September 30, 2018
(Unaudited)

The City of Portland's Management's Discussion and Analysis is designed to assist the reader with a narrative overview of the City's financial activity, present the City's financial position, and identify any material deviations from the financial plan (approved budget).

Since the Management's Discussion and Analysis (MD&A) is written to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter and the City's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceed its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2018 by $65,273,489 (net position). Of this amount, $11,724,496 (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 $4,316,390 in FY 2018.
- As of September 30, 2018, the City's governmental funds reported combined fund balances of $27,895,628, an increase of 88% in comparison with the prior year. Approximately $7.9 million of the combined balances is available for spending at the government's discretion (unassigned fund balance). Approximately 0.59% is non-spendable (inventory and prepaid items), 50.24% is legally restricted to specific purposes because of the source of the funds, 3.547% is committed to various specific purposes, and 17.31% is assigned to Cultural and Recreational purposes.
- The City's major utility, the Water & Sewer Fund, reported total net position of $23,345,265. This represents a 6.88% increase over the prior year.
- The City's total long-term debt increased by $8,157,479 (15.68%) during the current fiscal year. This net increase is due to the issuance of $5,350,000 in General Obligation Bonds and $6,100,000 in Combination Tax and Revenue Certificates of Obligation.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City of Portland's basic financial statements. The City's basic financial statements are comprised of 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.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

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

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

In its Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

- Governmental activities. Most of the City's basic services are reported here, including police fines, libraries, development, public services and operations, public works, building inspections, technology services and general administration. Property taxes, sales taxes, and franchise fees finance the majority of these activities.
- Business-type activities. The City charges a fee to customers to cover the cost of services it provides. The City's utility system, Water, Wastewater, and Drainage activities are reported here.

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 15-17 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 fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City of Portland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by state law or bond covenants. All of the funds of the City of Portland can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

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 seventeen 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, Hurricane Harvey Fund, Street Improvement Fund, Debt Service Fund, and Venue Sales Tax Construction Fund, which are considered major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Systems Utility and for its Drainage Utility. The other proprietary fund type - internal service funds - is an accounting device used to accumulate and allocate costs internally among the City's various functions. During 2017, the City began accounting for medical benefits in the funds providing the benefits. The Insurance Internal Service Fund will be closed in 2019. In 2018, this fund has been included within governmental activities in the government-wide financial statements.

Proprietary fund reports provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Systems Utility and for the Drainage Utility. Both Funds are considered to be major funds of the City. Individual fund data for the internal service fund is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one fiduciary fund. The Police Explorers Private Purpose Trust Fund is used to report resources held in trust for the Police Explorer Program. The Police Explorer Program is for youths who want to go into public safety as a future career. The fund consists of donations to be used for training and related travel expenses.

The fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-58 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. The City of Portland's assets and deferred outflows of resources exceeded liabilities and deferred inflows by $65,273,489 at the close of the most recent fiscal year. By far the largest portion of the City's net position, $50,575,279 or 77.48%, 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 ($2,973,714 or 4.56%) represents resources that are subject to external restrictions on how they may be used. The remaining balance, or unrestricted net position, of $11,724,496, or 17.96%, may be used to meet the government's ongoing obligations to citizens and creditors. It has been the practice of the City to finance major maintenance and rehabilitation of infrastructure or invest in new capital assets by cautious and conservative draws on these unrestricted net assets. It is anticipated that this will continue to be our practice – whenever possible - in the future.

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

The City's overall net position increased by $4,316,390 (7.08%) from the prior fiscal year (see Table 1).

Management Discussion and Analysis
Comparative Data
Table 1

Government-wide Comparative Financial Data

Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017*	2018	2017*	2018	2017*
Assets						
Current and Other Assets	30,960,146	18,873,501	7,909,247	6,936,290	38,869,393	25,809,791
Capital Assets, net of accumulated depreciation	58,276,641	56,912,546	32,305,639	33,055,122	90,582,280	89,967,668
Total Assets	89,236,787	75,786,047	40,214,886	39,991,412	129,451,673	115,777,459
Deferred Outflows of Resources	869,656	1,603,564	222,498	330,881	1,092,154	1,934,445
Liabilities						
Current & Due Within One Year	4,974,158	6,155,919	2,160,781	2,193,390	7,134,939	8,349,309
Due in More Than One Year	46,271,146	37,705,298	10,895,249	12,426,756	57,166,395	50,132,054
Total Liabilities	51,245,304	43,861,217	13,056,030	14,620,146	64,301,334	58,481,363
Deferred Inflows of Resources						
Deferred Inflow Related to Pensions	851,648	77,739	117,356	10,695	969,004	88,434
Net Position						
Net Investment in Capital Assets	28,096,353	27,083,800	22,478,926	22,023,015	50,575,279	49,106,815
Restricted for:						
Debt Service	709,497	415,670	120,998	117,915	830,495	533,585
Federal and State Programs	1,943,219	1,480,994	-	-	1,943,219	1,480,994
Capital Improvements	200,000	-	-	-	200,000	-
Unrestricted	7,060,422	4,470,191	4,664,074	3,550,522	11,724,496	8,020,713
Total Net Position	38,009,491	33,450,655	27,263,998	25,691,452	65,273,489	59,142,107

*As previously stated

Governmental Activities

Revenues:

- For fiscal year 2018, general program revenues from governmental activities totaled $1,980,687, a decrease of 4.47% from the prior year. General government program revenues consist primarily of fees, fines and charges for services.
- The other governmental activity program revenues, grants and contributions, increased by 13.64% ($169,197) in 2018. The significant increase was attributed to Public Safety operating grants and contributions.
- Property tax collections totaled $7,472,036, an increase of 11.47% from the prior year. Effective and aggressive efforts continue in order to collect delinquent property taxes.
- Other taxes collected by the City increased by $716,681 or 10.27%, these include Sales Tax, Hotel Occupancy Tax and Franchise Tax.

Expenses:

- For fiscal year, 2018 governmental expenses totaled $17,438,753, an increase of $911,420 over the prior year. Public Works increased by $473,543, while Cultural and Recreational expenses decreased by $595,721. Costs associated with the growth of the City has put more demands on public safety and public works.

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

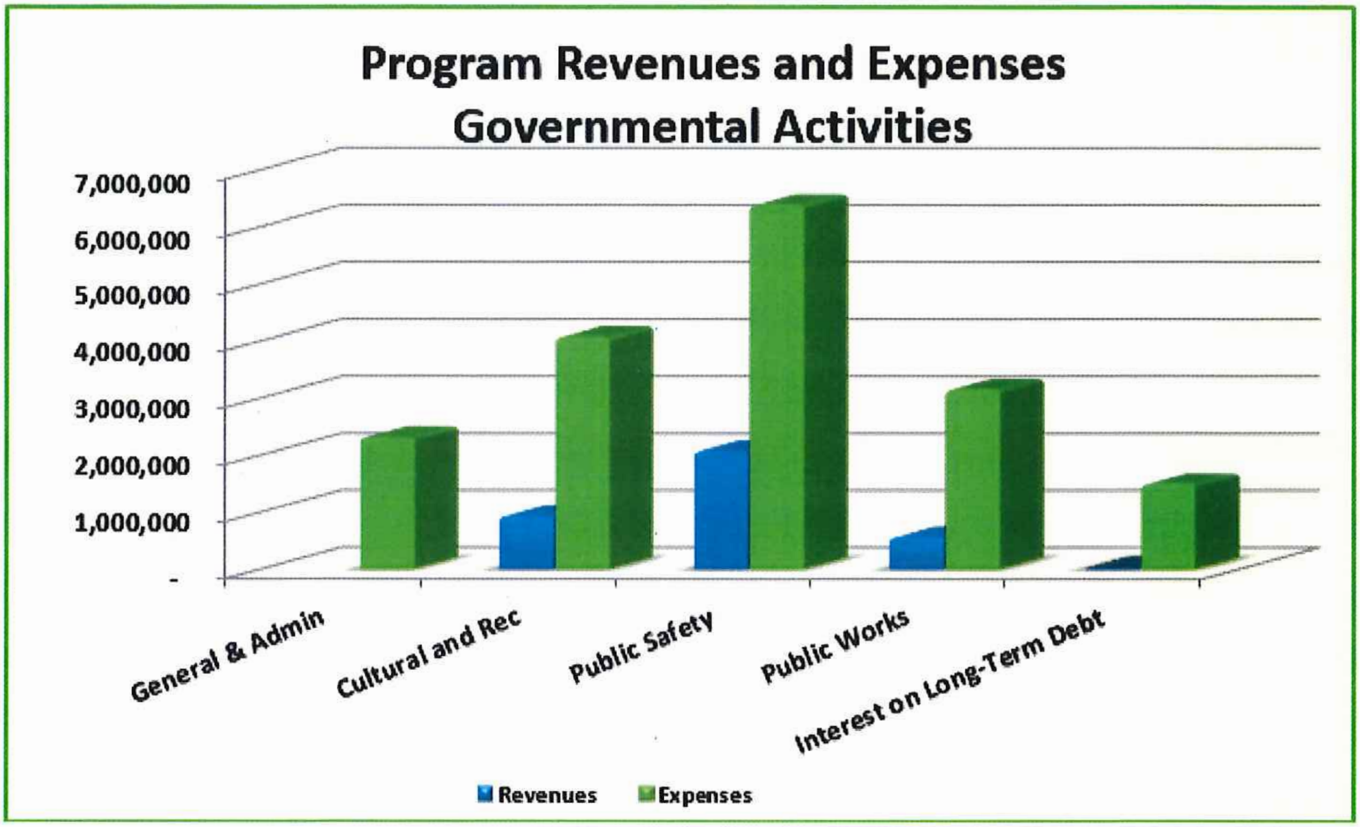
Management Discussion and Analysis
Change in Net Position
As of September 30, 2018 compared to September 30, 2017
Table 2

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017*	2018	2017*	2018	2017*
Program Revenues						
Fees, Fines & Charges for Services	1,980,687	2,073,376	8,442,811	7,813,954	10,423,498	9,887,330
Operating Grants and Contributions	1,410,032	1,240,835	-	-	1,410,032	1,240,835
Capital Grants and Contributions	200,000	-	124,891	225,977	324,891	225,977
Total Program Revenues	3,590,719	3,314,211	8,567,702	8,039,931	12,158,421	11,354,142
General Revenues						
Property Taxes	7,472,036	6,703,262	-	-	7,472,036	6,703,262
Sales Taxes	5,340,581	4,904,276	-	-	5,340,581	4,904,276
Franchise Taxes	1,378,366	1,291,329	-	-	1,378,366	1,291,329
Hotel/Motel Taxes	978,795	785,456	-	-	978,795	785,456
Investment Earnings	428,531	186,653	38,921	35,507	467,452	222,160
Gain on Disposal of Assets	(139,391)	-	-	22,811	(139,391)	22,811
Miscellaneous	530,337	317,033	12,642	24,731	542,979	341,764
Total Revenues	19,579,974	17,502,220	8,619,265	8,122,980	28,199,239	25,625,200
Expenses						
General Government and Admin.	2,320,422	1,547,171	-	-	2,320,422	1,547,171
Cultural and Recreational	4,075,251	4,670,972	-	-	4,075,251	4,670,972
Public Safety	6,388,002	6,740,803	-	-	6,388,002	6,740,803
Public Works	3,156,215	2,682,672	-	-	3,156,215	2,682,672
Interest on Long Term Debt	1,498,863	885,715	-	-	1,498,863	885,715
Water and Sewer	-	-	6,192,202	6,074,239	6,192,202	6,074,239
Drainage	-	-	251,894	271,077	251,894	271,077
Total Government Expenses	17,438,753	16,527,333	6,444,096	6,345,316	23,882,849	22,872,649
Change in Net Position						
Increase (Decrease) Before Transfers	2,141,221	974,887	2,175,169	1,777,664	4,316,390	2,752,551
Extraordinary Item - Due to State	-	-	-	-	-	-
Transfers	926,973	784,013	(926,973)	(784,013)	-	-
Change in Net Position	3,068,194	1,758,900	1,248,196	993,651	4,316,390	2,752,551
Net Position, Beginning of Year (Restated)	34,941,297	31,691,755	26,015,802	24,697,801	60,957,099	56,389,556
Net Position, End of Year	38,009,491	33,450,655	27,263,998	25,691,452	65,273,489	59,142,107

*As previously stated

The table illustrates governmental activities, both revenues and expenses, as found in the Government-Wide Statement of Activities, Exhibit 2, on pages 16-17. Governmental activities are supported through revenue sources that are spread across the population such as property tax and sales tax. Governmental activities, unlike business-type activities, are not funded through individual service fees. A properly managed city government will provide a safe community, maintained infrastructure, and cultural and recreation facilities. All of these amenities are provided through government activities. In 2018, revenues from taxes, investments and miscellaneous sources are used to offset this $13.8 million deficit between expenses and program revenues in the governmental activities. Table 3 below illustrates a comparison of governmental activity revenues and expenses.

Program Revenues & Expenses – Governmental Activities
Table 3

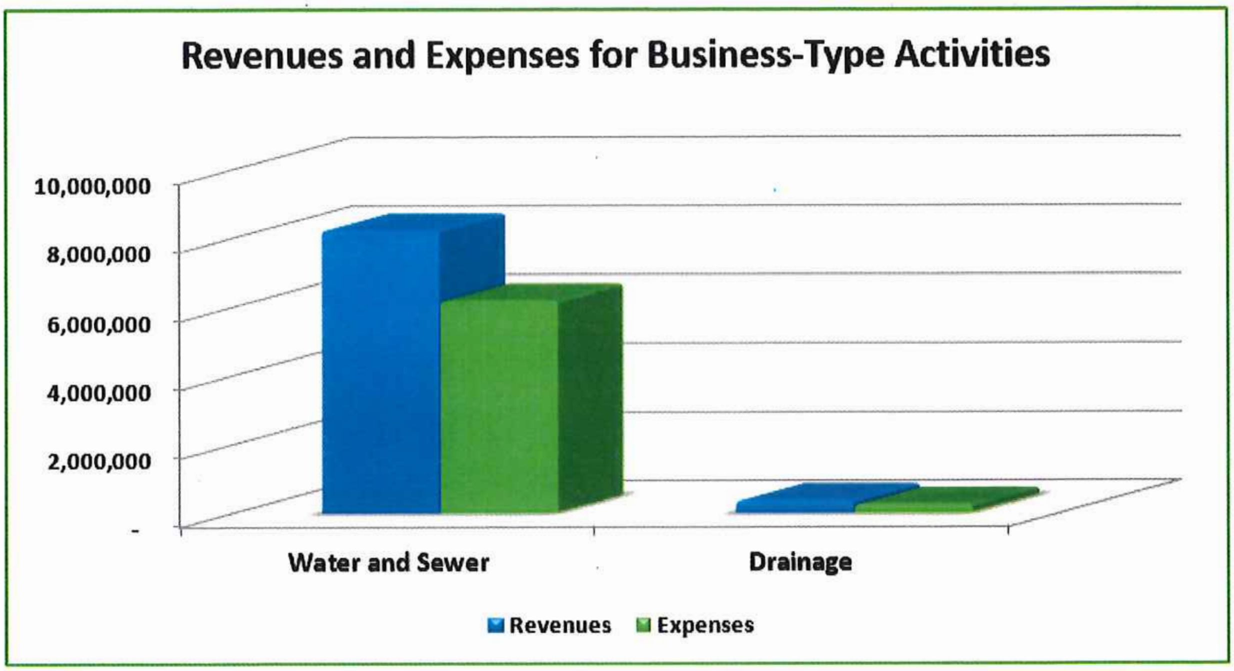


A look at the City's business-type activities, as seen in Table 4 below, shows a different revenue and expense picture. Business-type activities provide services for a fee, or charge, and are operated in such a manner that the fees for services are established to provide for current operations, debt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

Business-type Activities. As shown in the Government-Wide Statement of Activities, Exhibit 2, on pages 16-17, program revenues of the City's business-type activities were $8,567,702 for the fiscal year ended September 30, 2018. Expenses for those same activities totaled $6,444,096 resulting in net revenues of $2,123,606 from operations. After the non-program revenues and transfers out are added in, the total change in net position for the business type activities was $1,248,196. This is an increase of 4.80% in net position in the business-type activities.

The amount of unrestricted net assets available for the purpose of meeting operating needs is $4,664,074. The total business-type unrestricted net position represents only 17.11% of total net position in this area. The City is located on the Gulf of Mexico and subject to the effects of hurricanes; this level of unrestricted net assets provides assurance of the City's ability to continue operation in the event of a natural disaster.

Program Revenues & Expenses – Business-Type Activities
Table 4



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Portland uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. An analysis of the City's governmental and proprietary funds follows.

Governmental Funds. The focus of the City governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending balances of $27,895,628, an increase of 88.79% compared to the prior year.

Non-Spendable (inventory and pre-paid expenses)	$ 164,864
Restricted (constrained by external agreements)	14,015,940
Committed (purpose/use set by City Council)	986,194
Assigned (special revenues not otherwise designated)	4,828,381
Unassigned (remainder of General Fund balance)	7,900,249
Total Governmental Fund Balance	$27,895,628

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 $7,900,249. This amount is equivalent to 229 days' full-service operations (total budgeted 2018-2019 operating costs of $12,563,110 divided by 365 days, yields daily operating cost of $34,419.48). 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. i.e. the voter-authorized Type B 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 $14,015,940 are in a variety of the City's governmental funds. Each of these fund balances has contractual, statutory or grantor constraints placed on their use from external authorities. The Restricted Fund Balances include $11,164,939 for Capital Improvements. These monies will be used for the Community Center expansion and improvement; $907,782 restricted for debt service on long-term debt; $1,545,876 restricted for Hotel Occupancy Tax revenue purposes; and $126,174 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 $986,194 for capital improvements such as various hike and bike projects, fire trucks and equipment, and the Indian Point Pier Restoration. The City Council has complete discretion on the use and accumulation or dissolution of these balances.

Proprietary Funds. The proprietary funds completed fiscal year ended 2018 with combined net position totaling $27,263,998, excluding the Internal Service Fund. The proprietary funds include the Water and Sewer System Fund, the Drainage Utility Fund, and the Insurance Fund. The net position for the Water and Sewer System Fund as of September 30, 2018 equals $23,345,265, the Drainage Fund equals $3,918,733 and the Insurance Fund $69,827.

The Water and Sewer System Utility is an essential service provided by the City and is financed through sales of water and sewer services. The fees collected for these services provide funding for current operations, system maintenance, and on-going capital infrastructure additions and improvements. Fiscal year ended 2018 resulted in an unrestricted net position of $4,015,307, which is sufficient to finance 138 days of operations if a catastrophic event were to occur that interrupted normal revenue streams.

Maintaining the current and future integrity of the water and sewer utility system is a high priority for the City. Continual investment in the improvement of aging infrastructure insures that changes in population distribution do not degrade the quality of service by over-taxing area assets. This strategy also prepares the City to provide future services for 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. The Drainage Fund total net position at the end of 2018 totaled $3,918,733.

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, 2018, the net position in this fund was $69,827. During 2017, the City began accounting for medical benefits in the funds providing the benefits. The fund will be closed in 2019.

General Fund Budgetary Highlights

Final budget compared to actual results. For fiscal year 2018, General Fund actual expenditures (including transfers) on a budgetary basis were $11,979,924 compared to the final budget of $12,563,110. The positive expenditure variance was primarily due to savings in departmental operations.

Actual revenues for the General Fund (including transfers) on a budgetary basis were $13,036,735 compared to the final budget of $12,748,256. This positive variance is due to contributions, and sales and use taxes.

The largest revenue source for the General Fund budget was the ad valorem tax. Portland's ad valorem tax rate is comprised of two components. The first is the operations and maintenance component that is used to calculate revenue for the City's General Fund operations. The second component is the debt portion that is used to calculate revenue to pay the City's general debt service obligations. The fiscal year 2018's ad valorem tax rate was $0.597866 per $100 of valuation.

Additional revenue sources of the General Fund include Sales and Use Taxes, franchise fees, building and permit fees, community center revenues, and administrative transfers. Administrative transfers are paid to the General Fund from the Water and Sewer System Fund, the Type B Economic Development Fund and the Venue Tax Fund. The cost of services provided to the Water and Sewer System Fund by General Fund departments is netted against the cost of water and sewer services provided to the 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, 2018 amounts to $90,565,619 (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 $597,960 or 0.66%.

The City of Portland continues to make necessary capital investments to maintain and improve 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, infrastructure degrades and becomes much more expensive to repair. The following is a list of capital assets and improvement in 2018:

- Doyle Addition Wastewater Connections
- Street Improvement Project - Phase 10
- Sports Complexes Improvements
- Indian Point Pavilion Project
- Inflow and Infiltration Study
- Community Center Expansion Project

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	
	2018	2017	2018	2017	2018	2017
Land	4,563,724	4,412,524	118,362	118,362	4,682,086	4,530,886
Buildings	32,443,407	14,641,737	412,258	427,929	32,855,665	15,069,666
Vehicles	1,343,785	1,356,351	-	-	1,343,785	1,356,351
Equipment	1,316,808	935,509	2,146,889	2,456,868	3,463,697	3,392,377
Infrastructure	16,227,777	17,065,151	28,793,049	29,094,882	45,020,826	46,160,033
Intangibles	216,742	267,076	367,177	367,177	583,919	634,253
Construction in Progress	2,147,731	18,234,182	467,910	589,911	2,615,641	18,824,093
Total	58,259,974	56,912,530	32,305,645	33,055,129	90,565,619	89,967,659

Debt. At year-end, the City had $52.38 million in bonds and notes outstanding as compared to $42.4 million at the end of the prior fiscal year. New debt issued for fiscal year 2018 totaled $12,835,363.

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

Extensive discussion of the City's Long-term debt can be found in Note 4 of the Notes to the Basic Financial Statements on pages 39-44 of this report.

Other long-term liabilities. Other long-term obligations include pension liabilities, compensated absences, OPEB obligations, and an extraordinary item. The extraordinary item, totaling $760,725, is the result of an overpayment from the State to the City for Sales and Use Tax collections over a four year period.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City of Portland's economic outlook is positive. However, the City takes a conservative approach when preparing the budget. The same approach was taken in preparing the FY 2017-2018 budget. The City is experiencing both residential and commercial growth. Much of this development can be attributed to the industrial growth in the surrounding areas. Along with growth comes the need for infrastructure and services. Building a sound and conservative budget during growth periods can be challenging. The required capital outlay precedes the potential revenue from ad valorem and sales tax and thus can be a financial demand on the City's resources.

In 2017-18, growth in Portland continued at a 2%-2.5% growth rate. We added over $28 million in taxable value, primarily from the construction of 104 homes and the completion of three apartment projects and two hotels. Our 5-year economic outlook continues to be optimistic. Portland's calculated population reached 21,600 in mid-2018. Applying a 2.5% growth rate, our population could top 23,000 by 2020.

Cheniere Energy, originally permitted for a $14B, three-train Liquid Natural Gas (LNG) facility, is in various stages of permitting to eventually expand the facility to five trains. Cheniere began the commissioning of Train 1 in June 2018 with Train 2 coming online by the end of the year and successive trains coming on line in eighteen-month increments. Construction jobs associated with Cheniere and other industrial facilities will continue to supplement the local economy through 2019. Tianjin Pipe Company (TPCO) is 95% complete with phase two of its seamless steel pipe plant.

This year, Exxon-Mobil began construction of an $11 billion steam cracker facility. Revised employee numbers now predict a peak of 6,000 construction workers during the course of the five-year buildout, and 600 permanent jobs thereafter.

The Port of Corpus Christi has deepened La Quinta Channel making the area more usable for deep water industrial development. The Port is the number one exporter of crude oil in the United States and has grown from being the 7th largest port in the nation to the 4th largest port in overall tonnage. They are working to fund a dredging project that would deepen and widen the ship channel increasing the depth from 47 feet to 54 feet making Corpus Christi the first in the nation to accommodate very large crude carriers (VLCC) ships. When that occurs, shipping will increase and tonnage will grow significantly, and the area will see a further broadening of port industries.

That growth is fairly stable. Most of the new industries that are driving our local and regional economy represent mid- and downstream users of oil and natural gas. Therefore, they are less affected by fluctuations in gas and oil prices as are communities where upstream production can rise and fall dramatically with an unstable market. The Coastal Bend will continue to benefit from an abundant supply of oil and gas from the Eagle Ford Shale play and other shale plays yet to be developed in Texas. In 2011, the U.S. Energy Information Administration estimated there to be 3 billion barrels of oil and about 50.2 trillion cubic feet of gas, or about a 30-year supply. The Houston based Perryman Group predicts a relatively healthy economic growth for Texas over an extended time horizon.

Our success as a community continues to be focused on single family home development. In July 2018, Portland had a preliminary plat approved for 745 single-family lots in 15 subdivisions. More than 250 of those lots are currently available for permitting. There are 937 additional lots in two new subdivisions in the preliminary platting phase bringing the total number of lots under construction or in the platting phase to 1,682.

The FY 2018-2019 budget for the utility departments includes major projects to expand infrastructure and to increase efficiency and effectiveness throughout the systems.

In the general government area, the City continues to work on the enhancement of our beautiful parks by constructing the Akins Drive Hike and Bike Trail. The Sports Complexes Improvement Project was completed in

FY 2017-2018 following the first phase of General Obligation bond sale of $14 million. The project rehabilitated and increased the number of baseball, softball, and multipurpose fields; added parking, and additional park amenities. The project also includes expansion and renovation of the Portland Community Center scheduled for FY 2018-2019. These projects will provide enjoyment for residents and visitors alike and contribute to the local economy through sports tourism. By focusing on the City's unique local assets and 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 a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Portland Finance Department, Director of Finance, 1900 Billy G. Webb, Portland, Texas 78374.

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BASIC FINANCIAL STATEMENTS

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CITY OF PORTLAND, TEXAS
GOVERNMENT - WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	28,060,294	4,482,203	32,542,497
Receivables, Net of Allowance for Uncollectible:			
Delinquent Taxes	215,542	-	215,542
Accounts	895,102	835,550	1,730,652
Due From Other Governments	1,559,292	54,555	1,613,847
Inventory	16,081	184,047	200,128
Prepaid Items	148,783	49,347	198,130
Internal Balances	63,052	(63,052)	-
Restricted Assets:			
Cash and Cash Equivalents	2,000	2,366,597	2,368,597
Capital Assets:			
Land	4,563,724	118,362	4,682,086
Intangibles	534,971	367,177	902,148
Buildings and Improvements	40,707,385	692,506	41,399,891
Vehicles	3,478,840	-	3,478,840
Furniture and Equipment	3,734,870	3,626,677	7,361,547
Water and Sewer System	-	35,848,300	35,848,300
Infrastructure	48,645,757	5,336,192	53,981,949
Construction in Progress	2,147,731	467,910	2,615,641
Accumulated Depreciation	(45,536,637)	(14,151,485)	(59,688,122)
TOTAL ASSETS	89,236,787	40,214,886	129,451,673
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	142,385	120,441	262,826
Deferred Outflow Related to Pensions	697,231	97,924	795,155
Deferred Outflow Related to OPEB	30,040	4,133	34,173
Total Deferred Outflows of Resources	869,656	222,498	1,092,154
LIABILITIES			
Accounts Payable	1,838,922	378,037	2,216,959
Accrued Interest	299,940	37,072	337,012
Accrued Liabilities	185,011	40,014	225,025
Escrow	527,775	-	527,775
Deposits	185,104	646,518	831,622
Noncurrent Liabilities:			
Due within one year:			
Long-Term Debt	1,777,885	1,059,140	2,837,025
Compensated Absences	232,729	-	232,729
Due to State - Extraordinary Item	126,792	-	126,792
Due in more than one year:			
Long-Term Debt	39,493,060	10,053,300	49,546,360
Compensated Absences	116,365	-	116,365
Due to State - Extraordinary Item	633,933	-	633,933
OPEB Obligations	1,688,989	272,541	1,961,530
Net Pension Liability	4,138,799	569,408	4,708,207
TOTAL LIABILITIES	51,245,304	13,056,030	64,301,334
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pensions	851,648	117,356	969,004
NET POSITION			
Net Investment in Capital Assets	28,096,353	22,478,926	50,575,279
Restricted for:			
Debt Service	709,497	120,998	830,495
Federal and State Programs	1,943,219	-	1,943,219
Capital Improvements	200,000	-	200,000
Unrestricted	7,060,422	4,664,074	11,724,496
TOTAL NET POSITION	38,009,491	27,263,998	65,273,489

See accompanying notes to basic financial statements.

CITY OF PORTLAND, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

		Program Revenues		
Program Activites	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government and Administration	2,320,425	-	-	-
Cultural and Recreational	4,075,248	723,420	13,205	200,000
Public Safety	6,388,002	718,514	1,364,325	-
Public Works	3,156,215	538,753	32,502	-
Interest on Long Term Debt & Other Fiscal Charges	1,498,863	-	-	
Total Governmental Activites	17,438,753	1,980,687	1,410,032	200,000
Business-Type Activities:				
Water and Sewer	6,192,202	8,116,481	-	124,891
Drainage	251,894	326,330	-	-
Total Business-Type Activities	6,444,096	8,442,811	-	124,891
Total Government	23,882,849	10,423,498	1,410,032	324,891

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

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

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
(2,320,425)	-	(2,320,425)
(3,138,623)	-	(3,138,623)
(4,305,163)	-	(4,305,163)
(2,584,960)	-	(2,584,960)
(1,498,863)	-	(1,498,863)
(13,848,034)	-	(13,848,034)
-	2,049,170	2,049,170
-	74,436	74,436
-	2,123,606	2,123,606
(13,848,034)	2,123,606	(11,724,428)
7,472,036	-	7,472,036
5,340,581	-	5,340,581
1,378,366	-	1,378,366
978,795	-	978,795
428,531	38,921	467,452
530,337	12,642	542,979
(139,391)	-	(139,391)
926,973	(926,973)	-
16,916,228	(875,410)	16,040,818
3,068,194	1,248,196	4,316,390
34,941,297	26,015,802	60,957,099
38,009,491	27,263,998	65,273,489

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GOVERNMENTAL FUNDS

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CITY OF PORTLAND, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General	Hurricane Harvey Fund	Debt Service Fund	Capital Improvements Fund	Street Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	7,549,696	-	386,433	5,363,375	6,176,646	8,518,898	27,995,048
Receivables, Net of Allowance for Uncollectible:							
Accounts	889,790	-	1,775	-	-	3,537	895,102
Ad Valorem Taxes	156,224	-	59,318	-	-	-	215,542
Due from Other Funds	964,619	33,477	2,365	47,975	-	104,250	1,152,686
Due from Other Governments	39,457	1,095,347	-	-	-	424,488	1,559,292
Inventory	16,081	-	-	-	-	-	16,081
Prepaid Items	71,989	-	-	-	-	76,794	148,783
Restricted Assets							
Cash and Cash Equivalents	-	-	-	-	-	2,000	2,000
TOTAL ASSETS	9,687,856	1,128,824	449,891	5,411,350	6,176,646	9,129,967	31,984,534
LIABILITIES							
Accounts Payable	739,535	149,475	-	488,600	380,405	74,360	1,832,375
Accrued Interest Payable	-	-	40,594	-	-	1,743	42,337
Accrued Liabilities	180,840	-	-	-	-	4,171	185,011
Deposits	185,104	-	-	-	-	-	185,104
Escrow	-	71,775	-	-	-	456,000	527,775
Due to Other Funds	129,326	907,574	-	-	-	63,862	1,100,762
TOTAL LIABILITIES	1,234,805	1,128,824	40,594	488,600	380,405	600,136	3,873,364
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes	156,224	-	59,318	-	-	-	215,542
Total Deferred Inflows of Resources	156,224	-	59,318	-	-	-	215,542
FUND BALANCES							
Non-Spendable							
Inventory	16,081	-	-	-	-	-	16,081
Prepaid Items	71,989		-	-	-	76,794	148,783
Restricted for:							
Law Enforcement	-	-	-	-	-	126,174	126,174
Debt Service	-	-	349,979	-	-	557,803	907,782
Federal and State Programs	-	-	-	-	-	38,198	38,198
Municipal Technology Fees	-	-	-	-	-	24,495	24,495
Building Security Fund	-	-	-	-	-	76,948	76,948
Cable Franchise P.E.G.	-	-	-	-	-	131,528	131,528
Hotel Occupancy Tax Reserve	-	-	-	-	-	1,545,876	1,545,876
Capital Improvements	-	-	-	4,922,750	5,796,241	445,948	11,164,939
Committed to:							
Windstorm Insurance	50,000	-	-	-	-	-	50,000
Indian Point Pier	12,044	-	-	-	-	-	12,044
Old Town Development	2,199	-	-	-	-	-	2,199
Parks	34,724	-	-	-	-	-	34,724
Environmental Education	35	-	-	-	-	-	35
Fire Trucks/Equipment	209,506	-	-	-	-	-	209,506
Capital Improvements	-	-	-	-	-	672,686	672,686
Disaster Relief	-	-	-	-	-	5,000	5,000
Assigned:							
Cultural and Recreational	-	-	-	-	-	4,828,381	4,828,381
Unassigned	7,900,249	-	-	-	-	-	7,900,249
TOTAL FUND BALANCES	8,296,827	-	349,979	4,922,750	5,796,241	8,529,831	27,895,628
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	9,687,856	1,128,824	449,891	5,411,350	6,176,646	9,129,967	31,984,534

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

CITY OF PORTLAND, TEXAS

Exhibit 3-R

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balance - total governmental funds	27,895,628
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.	58,276,641
Property taxes receivable unavailable to pay for current period expenditures are unearned in the funds.	215,542
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	69,827
Other long-term liabilities which are not due in the current period are not reported in the funds. These liabilities consist of:	
Capital leases payable	
Bonds payable	(38,799,076)
Bond premiums	(2,471,869)
Accrued interest on bonds	(257,603)
Deferred inflow related to pensions	(851,648)
Deferred charge for refunding	142,385
Deferred outflow related to pensions	697,231
Deferred outflow related to OPEB	30,040
Compensated absences	(349,094)
OPEB obligations	(1,688,989)
Net pension liability	(4,138,799)
Extraordinary Item - Due to State	(760,725)
Net position of governmental activities - statement of net position	38,009,491

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, 2018

Exhibit 4

	General	Hurricane Harvey Fund	Debt Service Fund	Capital Improvements Fund	Street Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	9,070,477	-	2,483,253	-	-	3,627,125	15,180,855
Licenses and Permits	490,693	-	-	-	-	-	490,693
Intergovernmental	58,800	1,125,734	-	-	-	229,660	1,414,194
Charges for Services	1,149,326	-	-	-	-	-	1,149,326
Fines and Forfeitures	241,543	-	-	-	-	18,834	260,377
Investment Income	210,220	-	12,426	60,376	65,195	80,314	428,531
Contributions	129,613	-	-	-	-	200,000	329,613
Oil Leases and Royalties	25,044	-	-	-	-	-	25,044
Other	230,917	157,049	-	-	-	63,843	451,809
Total Revenues	11,606,633	1,282,783	2,495,679	60,376	65,195	4,219,776	19,730,442
EXPENDITURES							
Current:							
General Government	2,356,274	65,509	-	-	-	-	2,421,783
Public Safety	6,353,529	34,105	-	-	-	111,577	6,499,211
Public Works	1,209,086	1,105,181	-	-	1,099,188	-	3,413,455
Cultural and Recreational	2,030,859	111,465	-	1,226,956	-	1,726,545	5,095,825
Debt Service:							
Principal Retirement	-	-	1,203,759	-	-	480,000	1,683,759
Interest and Fiscal Charges	-	-	1,083,341	112,989	118,855	215,008	1,530,193
Total Expenditures	11,949,748	1,316,260	2,287,100	1,339,945	1,218,043	2,533,130	20,644,226
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(343,115)	(33,477)	208,579	(1,279,569)	(1,152,848)	1,686,646	(913,784)
OTHER FINANCING SOURCES (USES)							
Bonds Issued	-	-	4,819	5,350,000	6,100,000	-	11,454,819
Bond Premium	-	-	3,520	662,989	718,855	-	1,385,364
Transfers In	1,430,102	33,477	66,200	-	-	320,798	1,850,577
Transfers Out	(30,176)	-	-	-	-	(893,427)	(923,603)
Total Other Financing Sources (Uses)	1,399,926	33,477	74,539	6,012,989	6,818,855	(572,629)	13,767,157
Extraordinary Item (Note 5)	(63,396)		-	-		(63,396)	(126,792)
NET CHANGE IN FUND BALANCES	993,415	-	283,118	4,733,420	5,666,007	1,050,621	12,726,581
FUND BALANCES, beginning of year (Restated)	7,303,412	-	66,861	189,330	130,234	7,479,210	15,169,047
FUND BALANCES, end of year	8,296,827	-	349,979	4,922,750	5,796,241	8,529,831	27,895,628

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

CITY OF PORTLAND, TEXAS Exhibit 4-R

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balance - total governmental funds	12,726,581
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).	3,589,735
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,960,725)
Trade in or disposal of capital assets decrease net position in the SOA but not in the funds.	(139,391)
Certain property tax revenues are unearned in the funds. This is the change in these amounts this year.	(11,077)
Proceeds from bonds issued do not provide revenue in the SOA, but are reported as current resources in the funds.	(11,454,819)
Proceeds from bond premiums	(1,385,364)
Repayment of bond and capital lease principal is an expenditure in the funds but is not an expense in the SOA.	1,683,759
Amortization of bond premium is an expense in the SOA but not in the funds	116,087
Amortization of deferred amount is an expense reduction in the SOA but not in the funds	(20,299)
Payment of Extraordinary Item - Due to State	126,792
The net revenue (expense) of internal service funds is reported with governmental activities.	7,880
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds:	
Change in pension expense	26,172
Change in OPEB obligations	(215,203)
Change in accrued interest payable	(64,458)
Change in compensated absences	42,524
Change in net position of governmental activities - statement of activities	3,068,194

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

PROPRIETARY FUNDS

CITY OF PORTLAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business Type Activities - Enterprise Funds			Governmental Activities-
	Water and Sewer	Drainage Fund	Total	Internal Service Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	3,826,837	655,366	4,482,203	65,246
Accounts Receivable	801,522	34,028	835,550	-
Due From Other Governments	54,555	-	54,555	-
Inventory	184,047	-	184,047	-
Prepaid Items	49,347	-	49,347	-
Due from Other Funds	404	-	404	11,128
Total Current Assets	4,916,712	689,394	5,606,106	76,374
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents	2,343,027	23,570	2,366,597	-
Total Restricted Assets	2,343,027	23,570	2,366,597	-
Capital Assets:				
Land	118,362	-	118,362	-
Intangible Assets	-	367,177	367,177	-
Buildings	692,506	-	692,506	-
Water System	12,516,791	-	12,516,791	-
Sewer System	23,331,509	-	23,331,509	-
Equipment	3,479,430	147,247	3,626,677	-
Infrastructure	-	5,336,192	5,336,192	
Construction in Progress	467,910	-	467,910	-
Total Capital Assets	40,606,508	5,850,616	46,457,124	-
Less Accumulated Depreciation	(12,625,885)	(1,525,600)	(14,151,485)	-
Net Capital Assets	27,980,623	4,325,016	32,305,639	-
Total Noncurrent Assets	30,323,650	4,348,586	34,672,236	-
TOTAL ASSETS	35,240,362	5,037,980	40,278,342	76,374

CITY OF PORTLAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business Type Activities - Enterprise Funds			Governmental Activities-
	Water and Sewer	Drainage Fund	Total	Internal Service Fund
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge for Refunding	120,441	-	120,441	-
Deferred Outflow Related to Pensions	97,924	-	97,924	-
Deferred Outflow Related to OPEB	4,133	-	4,133	-
Total Deferred Outflows of Resources	222,498	-	218,365	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	378,037	-	378,037	-
Flexible Spending Accounts	-	-	-	6,547
Accrued Liabilities	40,014	-	40,014	-
Due to Other Funds	4,446	59,010	63,456	-
Current Portion of Long-Term Debt-Bonds				
(Net of Bond Premium)	990,000	69,140	1,059,140	-
Accrued Interest	31,885	5,187	37,072	-
Deposits	646,518	-	646,518	-
Total Current Liabilities	2,090,900	133,337	2,224,237	6,547
Non-Current Liabilities:				
Bonds Payable				
(Net of Bond Premium)	9,067,390	985,910	10,053,300	-
Net OPEB Obligation	272,541	-	272,541	-
Net Pension Liability	569,408	-	569,408	-
Total Non-Current Liabilities	9,909,339	985,910	10,895,249	-
Total Liabilities	12,000,239	1,119,247	13,119,486	6,547
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow Related to Pensions	117,356	-	117,356	-
Net Position:				
Net Investment in Capital Assets	19,208,960	3,269,966	22,478,926	-
Restricted for:				
Debt Service	120,998	-	120,998	-
Unrestricted	4,015,307	648,767	4,664,074	69,827
Net Position	23,345,265	3,918,733	27,263,998	69,827

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

CITY OF PORTLAND, TEXAS Exhibit 6

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUND TYPES YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities-
OPERATING REVENUES	Water and Sewer	Drainage Fund	Total	Internal Service Fund
Charges for Services	8,116,481	326,330	8,442,811	7,054
Miscellaneous	12,642	-	12,642	-
Total Operating Revenues	8,129,123	326,330	8,455,453	7,054
OPERATING EXPENSES				
Personnel Services	1,153,883	-	1,153,883	-
Maintenance	402,114	-	402,114	-
Purchase of Water	2,323,643	-	2,323,643	-
Contract Payments	289,195	1,250	290,445	-
Materials and Supplies	273,078	-	273,078	-
Utilities	287,066	-	287,066	-
Depreciation	1,071,233	206,418	1,277,651	-
Total Operating Expenses	5,800,212	207,668	6,007,880	-
Net Operating Income (Loss)	2,328,911	118,662	2,447,573	7,054
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	36,976	1,945	38,921	826
Intergovernmental Grant Revenue	53,966	-	53,966	-
Gain on Sale of Capital Assets	-	-	-	-
Interest and Fiscal Charges	(391,990)	(44,226)	(436,216)	-
Net Non-Operating Revenues (Expenses)	(301,048)	(42,281)	(343,329)	826
Income (Loss) Before Contributions and Transfers	2,027,863	76,381	2,104,244	7,880
Capital Contributions	70,925	-	70,925	-
Transfers Out	(919,473)	(7,500)	(926,973)	-
Change in Net Position	1,179,315	68,881	1,248,196	7,880
NET POSITION BEGINNING OF YEAR (Restated)	22,165,950	3,849,852	26,015,802	61,947
NET POSITION END OF YEAR	23,345,265	3,918,733	27,263,998	69,827

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

CITY OF PORTLAND, TEXAS Exhibit 7

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Water and Sewer	Drainage Fund	Total	
Cash flow from operating activities:				
Cash received from customers	8,062,244	325,487	8,387,731	-
Receipts from interfund services provided	-	-	-	213
Cash borrowed from other funds	-	-	-	-
Cash payments to suppliers for goods and services	(3,639,257)	(1,586)	(3,640,843)	-
Cash payments to employees for services	(1,148,607)	-	(1,148,607)	-
Cash Payments for Loss Claims	-	-	-	(213)
Net cash provided by operating activities	3,274,380	323,901	3,598,281	-
Cash flows from noncapital financing activities:				
Transfers from other funds	-	-	-	-
Transfers to other funds	(919,473)	(7,500)	(926,973)	-
Net cash provided by noncapital financing activities	(919,473)	(7,500)	(926,973)	-
Cash Flows from Capital and Related Financing Activities:				
Cash received from other Governments - Grants	53,966	-	53,966	-
Principal Payment on bonds	(1,020,130)	(69,140)	(1,089,270)	-
Interest and Fiscal Charges Paid	(391,990)	(44,226)	(436,216)	-
Purchase of Capital Assets	(375,630)	-	(375,630)	-
Net Cash Used for Capital and Related Financing Activities	(1,733,784)	(113,366)	(1,847,150)	-
Cash Flows from Investing Activities - Interest Income	36,976	1,945	38,921	826
Net Increase (Decrease) in Cash and Cash Equivalents	658,099	204,980	863,079	826
Cash and Cash Equivalents at Beginning of Year	5,511,765	473,957	5,985,722	64,420
* CASH AND CASH EQUIVALENTS AT END OF YEAR	6,169,864	678,937	6,848,801	65,246
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	2,328,911	118,662	2,447,573	7,054
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	1,071,233	206,418	1,277,651	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(66,879)	(843)	(67,722)	-
(Increase) Decrease in Due from Other Funds	(191)	-	(191)	(6,841)
(Increase) Decrease in Inventory	15,048	-	15,048	-
(Increase) Decrease in Prepaid Expense	(6,905)	-	(6,905)	-
Increase (Decrease) in Accounts Payable	(88,199)	-	(88,199)	-
Increase (Decrease) in Accrued Liabilities	5,276	(336)	4,940	(213)
Increase (Decrease) in Due to Other Funds	4,446	-	4,446	-
Increase (Decrease) in Accrued Interest	(2,541)	-	(2,541)	-
Increase (Decrease) in Deposits	14,181	-	14,181	-
Net Cash Provided (Used) by Operating Activities	3,274,380	323,901	3,598,281	-

Noncash Investing, Capital, and Financing Activities:
During this past year, the Enterprise Funds received $70,925 noncash capital contributions from grants consisting of water and sewer infrastructure.

* Includes restricted cash and cash equivalents.

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

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FIDUCIARY FUND

Fiduciary Fund statements provide information about the financial relationships in which the city acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Police Explorers Fund – a private-purpose-trust fund established to account for activities of the police explorers program.

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CITY OF PORTLAND, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

SEPTEMBER 30, 2018

	Private-purpose Trust Fund Police Explorers Fund
ASSETS	
Cash and Cash Equivalents	2,462
Investments	-
Total Assets	2,462
LIABILITIES	
Current Liabilities:	
Accounts Payable	-
Internal Accounts Payable	-
Total Liabilities	-
NET POSITION	
Held In Trust	2,462
Total Net Position	2,462

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

CITY OF PORTLAND, TEXAS

EXHIBIT 9

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	Private Purpose Trust Fund Police Explorers Fund
	2018
ADDITIONS	
Contributions	300
Interest on Investments	39
Total Additions	339
DEDUCTIONS	
Other Expenses	395
Change in Net Position	(56)
Total Net Position, Beginning	2,518
Total Net Position, Ending	2,462

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

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 financial statements of the City of Portland, Texas (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Basis of Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific 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.

Hurricane Harvey Fund-

The Hurricane Harvey Fund accounts for expenditures and resources related to the impact of Hurricane Harvey.

Debt Service Fund-

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

Capital Improvements Fund-

The Capital Improvements Fund accounts for various capital projects financed by general obligation bonds and capital leases.

Street Improvements Fund-

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

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.

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. During 2017, the City began accounting for medical benefits in the funds providing the benefits. The Insurance Internal Service Fund is in the process of being closed.

Private-Purpose Trust Fund-

The Police Explorers Fund is used to account for activities of the police explorers program.

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

C. Measurement Focus/Basis of Accounting

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

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

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

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

D. Encumbrances

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

E. Investments

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

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

F. Prepaid Items

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

G. Inventories

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

H. Interfund Receivables and Payables

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

I. Transactions between Funds

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

The City allocates to the Proprietary funds an indirect cost percentage of information technology services and salaries and wages and related costs of personnel who perform administrative services for those funds but are paid through the General Fund along with other indirect costs deemed necessary for their operations. Transfers from the Water and Sewer System Fund are in compliance with Texas Water Code, Section 16.356. (The City did not use any revenue received from fees collected from a water supply or sewer service constructed in whole or in part from funds from the economically distressed areas program account for purposes other than utility purposes.)

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 investment in capital assets, restricted net position; and unrestricted net position. Net position invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets, does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments). All other net position is considered unrestricted.

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

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

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

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

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

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

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

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

M. Use of Estimates

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

N. Deferred Outflows and Inflows of Resources

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

O. New Accounting Pronouncements

Pronouncements which have been implemented:

a. Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" – This statement changes the focus of accounting for postemployment benefits other than pension from whether they are responsibly funding the benefits over time to a point-in-time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. The City has implemented GASB 75 in this annual report and added additional disclosures in required supplementary information and the notes to the financial statements. The restatement to beginning net position is noted in Note 16 and reflected on the statements.

b. Statement No. 81, "Irrevocable Split-Interest Agreements" – This statement pertains to a type of a giving agreement used by donors to provide resources to two or more beneficiaries, including governments. The City has implemented GASB 81 in this annual report; however, it had no impact on the financial statements.

c. Statement No. 85, "Omnibus 2017" – This statement enhances consistency in the application of accounting and financial reporting requirements. The City has implemented GASB 85 in this annual report.

d. Statement No. 86, "Certain Debt Extinguishment Issues" – This statement increases consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The City has implemented GASB 86 in this annual report; however, it had no impact on the financial statements.

e. Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period" – This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The City has implemented GASB 89 in this annual report.

The following pronouncements will become effective in future reporting periods. City management has not determined their impact:

f. Statement No. 83, "Certain Asset Retirement Obligations" – This statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain ARO's, including obligations that may not have been previously reported. This statement will become effective for the City in fiscal year 2019.

g. Statement No. 84, "Fiduciary Activities" – This statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. This statement will become effective for the City in fiscal year 2020.

h. Statement No. 87, "Leases" – This statement increases the usefulness of a government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement will become effective for the City in fiscal year 2021.

i. Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" – This statement will improve the information that is disclosed in notes to financial statements related to debt by requiring additional essential information. The statement will become effective for the City in fiscal year 2019.

j. Statement No. 90, "Majority Equity Interests" – This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of information presented for certain component units. This statement will become effective for the City in fiscal year 2020.

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.

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

A. Cash Deposits

At September 30, 2018, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $2,239,368 and the bank balance was $1,855,563. The City's cash deposits at

September 30, 2018 and during the period ended September 30, 2018, 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, 2018, the City had the following investments and maturities:

		Investment Maturities (In Years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Investment Pools:					
Investment in TexPool	29,898,027	29,898,027	-	-	-
Investment in Texas CLASS	2,674,192	2,674,192	-	-	-
Certificates of Deposit	101,969	101,969	-	-	-
Total Fair Value	32,674,188	32,674,188	-	-	-

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

Concentration of Credit Risk-

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

Custodial Credit Risk –

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

3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance October 1, 2017	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2018
Governmental Activities:				
Capital assets, not being depreciated				
Land	4,412,524	151,200	-	4,563,724
Construction in Progress	18,234,182	2,414,428	(18,500,879)	2,147,731
Total capital assets, not being depreciated	22,646,706	2,565,628	(18,500,879)	6,711,455
Capital assets, being depreciated				
Buildings and Improvements	23,689,508	18,554,563	(1,536,686)	40,707,385
Vehicles	3,280,161	198,679	-	3,478,840
Equipment and Furniture	3,138,359	630,229	(49,725)	3,718,863
Infrastructure	48,645,757	-	-	48,645,757
Intangibles	534,971	-	-	534,971
Total capital assets, being depreciated	79,288,756	19,383,471	(1,586,411)	97,085,816
Less accumulated depreciation for:				
Buildings and Improvements	(9,047,771)	(622,252)	1,406,045	(8,263,978)
Vehicles	(1,923,810)	(211,245)	-	(2,135,055)
Equipment and Furniture	(2,202,850)	(240,180)	40,975	(2,402,055)
Infrastructure	(31,580,606)	(837,374)	-	(32,417,980)
Intangibles	(267,895)	(50,334)	-	(318,229)
Total accumulated depreciation	(45,022,932)	(1,961,385)	1,447,020	(45,537,297)
Total capital assets, being depreciated, net	34,265,824	17,422,086	(139,391)	51,548,519
Governmental activities capital assets, net	56,912,530	19,987,714	(18,640,270)	58,259,974
Business-type Activities:				
Capital assets, not being depreciated				
Land	118,362	-	-	118,362
Intangibles	367,177	-	-	367,177
Construction in Progress	681,689	380,356	(594,135)	467,910
Total capital assets, not being depreciated	1,167,228	380,356	(594,135)	953,449
Capital assets, being depreciated				
Buildings and Improvements	692,506	-	-	692,506
Water System	12,516,791	-	-	12,516,791
Sewer System	22,737,376	594,135	-	23,331,511
Equipment	3,570,645	56,033	-	3,626,678
Drainage Infrastructure	5,336,192	-	-	5,336,192
Total capital assets, being depreciated	44,853,510	650,168	-	45,503,678
Less accumulated depreciation for:				
Buildings and Improvements	(264,577)	(15,671)	-	(280,248)
Water System	(4,138,527)	(275,733)	-	(4,414,260)
Sewer System	(6,185,014)	(413,817)	-	(6,598,831)
Equipment	(1,113,777)	(366,012)	-	(1,479,789)
Drainage Infrastructure	(1,171,936)	(206,418)	-	(1,378,354)
Total accumulated depreciation	(12,873,831)	(1,277,651)	-	(14,151,482)
Total capital assets, being depreciated, net	31,979,679	(627,483)	-	31,352,196
Business-type activities capital assets, net	33,146,907	(247,127)	(594,135)	32,305,645

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

Governmental activities:	
General government and administration	153,426
Public Safety	409,541
Public Works	887,242
Cultural and recreational	511,176
Total depreciation expense - Governmental activities	1,961,385
Business-type activities:	
Water and Sewer	1,071,233
Drainage	206,418
Total Depreciation Expense - Business-type Activities	1,277,651

4. LONG-TERM DEBT

On March 28, 2018 the City issued $5,350,000 in General Obligation Bonds, Series 2018 and also issued $6,100,000 Combination Tax and Revenue Certificates of Obligation, Series 2018. The Bonds and the Certificates are collectively referred to herein as the "Obligations." Proceeds from the sale of the Bonds will be used to acquire, construct, improve, renovate and equip park and recreational facilities in the City. Proceeds from the sale of the Certificates will be used to (1) acquire, construct and equip various street, sidewalk, parking and related drainage improvements in the City, (2) purchase land near the City Hall, currently expected to be developed and equipped for additional parking, placement of City chillers, and (3) pay all legal, or a portion of the legal, fiscal and engineering fees in connection with the projects. The Obligations constitute direct and general obligations of the City, payable from ad valorem taxes levied annually against all taxable property therein. Additionally, the Certificates also are secured by a pledge of the "Surplus Revenues" of the City's Water and Sewer System Fund. The Obligations carry an interest rate of 3.000% to 5.000% and mature August 15, 2038. The City reserves the right to redeem the Obligations maturing on August 15, 2026, in whole or in part, on August 15, 2025, or any date thereafter at the redemption price of par plus accrued interest.

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2018.

	Balance October 1	Additions	Reductions	Balance September 30	Due Within One Year
Governmental Activities					
Long-term Debt:					
General Obligation Bonds	23,101,946	11,450,000	1,162,870	33,389,076	1,132,870
Sales Tax Revenue Bonds	5,890,000	-	480,000	5,410,000	495,000
Bond Premium	1,202,593	1,385,363	116,087	2,471,869	150,015
Capital Leases	40,889	-	40,889	-	-
Total Long-term Debt	30,235,428	12,835,363	1,799,846	41,270,945	1,777,885
Compensated Absences	391,618	309,781	352,305	349,094	232,729
Due to State - Extraordinary Item	887,517	-	126,792	760,725	126,792
OPEB Obligations	1,565,913	123,076	-	1,688,989	-
Net Pension Liability	5,689,860	-	1,551,061	4,138,799	-
Total Governmental Activities Long-term Liabilities	38,770,336	13,268,220	3,830,004	48,208,552	2,137,406
Business-Type Activities					
Long-term Debt:					
Revenue Bonds	10,586,000	-	953,000	9,633,000	990,000
General Obligation Bonds	1,098,054	-	67,130	1,030,924	67,130
Bond Premium	481,307	-	32,793	448,514	32,793
Total Long-term Debt	12,165,361	-	1,052,923	11,112,438	1,089,923
Compensated Absences	25,513	29,768	27,822	27,459	27,459
OPEB Obligations	288,908	-	16,367	272,541	-
Net Pension Liability	782,801	-	213,393	569,408	-
Total Business-Type Activities Long-term Liabilities	13,262,583	29,768	1,310,505	11,981,846	1,117,382
Total Government	52,032,919	13,297,988	5,140,509	60,190,398	3,254,788

A. Bonded Debt Liabilities

At September 30, 2018, bonds consisted of the following individual issues:

	Governmental	Business-Type
Sales Tax Revenue Refunding Bonds, Series 2007, Maturing in 2025 and Bearing Interest at 4.00% to 4.25% (Original Debt $2,635,000)	1,300,000	-
Utility System Revenue Bonds, Series 2009, Maturing in Fiscal 2029 and Bearing Interest at 3.760% to 4.810% (Original Debt $322,000)	-	221,000
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)	-	3,555,000
Combination Tax and Revenue Certificates of Obligation, Series 2010, Maturing in Fiscal 2030 and Bearing Interest at 2.00% to 4.125% (Original Debt $4,080,000)	1,119,076	1,030,924
General Obligation Refunding Bonds, Series 2010, Maturing in 2024 and Bearing Interest at 2.00% to 4.00% (Original Debt $3,620,000)	1,935,000	-
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)	-	840,000
Utility System Revenue Bonds, Series 2012, Maturing in Fiscal 2031 and Bearing Interest at 0.080% to 3.680% (Original Debt $193,000)	-	142,000
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)	-	4,875,000
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)	1,055,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2014, Maturing in Fiscal 2034 and Bearing Interest at 2.00% to 4.00% (Original Debt $4,905,000)	3,810,000	-
Sales Tax Revenue Bonds, Series 2015, Maturing in Fiscal 2035 and Bearing Interest at 3.00% to 4.00% (Original Debt $3,420,000)	3,055,000	-
General Obligation Refunding Bonds, Series 2015, Maturing in Fiscal 2026 and Bearing Interest at 2.000% to 3.500% (Original Debt $2,250,000)	1,775,000	-
General Obligation Bonds, Series 2017, Maturing in Fiscal 2037, and Bearing Interest at 2.000% to 4.000% (Original Debt $13,600,000)	13,300,000	-
General Obligation Bonds, Series 2018, Maturing in Fiscal 2038, and Bearing Interest at 3.000% to 5.000% (Original Debt $5,350,000)	5,350,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2018, Maturing in Fiscal Year 2038, and Bearing Interest at 3.000% to 5.000% (Original Debt $6,100,000)	6,100,000	-
Total Bonds Payable	38,799,076	10,663,924

The annual requirements for bonds for years subsequent to September 30, 2018, are as follows:

B. Revenue Bonds

Year Ending	Governmental Activities			Business-Type Activities		
September 30	Principal	Interest	Total	Principal	Interest	Total
2019	495,000	200,107	695,107	990,000	382,617	1,372,617
2020	515,000	183,657	698,657	885,000	347,618	1,232,618
2021	530,000	164,962	694,962	916,000	315,931	1,231,931
2022	555,000	145,081	700,081	803,000	279,373	1,082,373
2023	565,000	124,987	689,987	724,000	247,313	971,313
2024-2028	1,250,000	421,720	1,671,720	3,551,000	795,764	4,346,764
2029-2033	1,030,000	220,600	1,250,600	1,764,000	155,572	1,919,572
2034-2035	470,000	28,400	498,400	-	-	-
Total	5,410,000	1,489,514	6,899,514	9,633,000	2,524,188	12,157,188

C. General Obligation Bonds

Year Ending	Governmental Activities			Business-Type Activities		
September 30	Principal	Interest	Total	Principal	Interest	Total
2019	1,132,870	1,608,328	2,741,198	67,130	41,495	108,625
2020	1,410,677	1,324,095	2,734,772	74,323	38,809	113,132
2021	1,468,280	1,273,066	2,741,346	76,720	35,837	112,557
2022	1,718,280	1,218,761	2,937,041	76,720	32,768	109,488
2023	1,713,485	1,156,554	2,870,039	81,515	29,699	111,214
2024-2028	8,571,666	4,768,693	13,340,359	448,334	97,476	545,810
2029-2033	8,993,818	2,966,477	11,960,295	206,182	12,857	219,039
2034-2038	8,380,000	992,888	9,372,888	-	-	-
Total	33,389,076	15,308,862	48,697,938	1,030,924	288,941	1,319,865

For the Governmental Activities, General Obligation 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.

D. Restricted Cash And Cash Equivalents—Utility Fund

Revenue Bonds-

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

The Revenue Bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional Revenue Bonds unless the special funds noted above contain the required amounts. Management of the City believes that it is in compliance with all significant financial requirements as of September 30, 2018.

The components of restricted cash and cash equivalents as of September 30, 2018 are as follows:

Revenue Bond Construction	1,165,285
Revenue Bond Reserve	38,498
Interest and Sinking Fund--Bonds	114,385
Customer Deposits	1,008,225
Escrow Deposit	65
Other Deposits	16,569
Total Restricted Cash and Cash Equivalents	2,343,027

Defeased Bonds Outstanding-

At September 30, 2018 the City did not have any outstanding defeased bonds.

Authorized But Not Issued Debt-

The City has $6,250,000 in General Obligation Bonds authorized but unissued. The City plans to issue these bonds in the future for Community Center expansion and Municipal Park expansion.

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

E. Capital Leases

During 2014 the City entered into a lease agreement for a street sweeper at a cost of $202,265. 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 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 equipment. During 2018, the City made the final payment on the Capital Lease Debt.

5. DUE TO STATE OF TEXAS/EXTRAORDINARY ITEM

On August 24, 2016, the Texas Comptroller of Public Accounts notified the City that it had been overpaid $905,629.48 in local sales and use taxes, due to a business location reporting error made by a taxpayer over a time period of January 2012 through June 2015. Since the City will make payments directly to the State Comptroller, the liability has been reduced to $887,516.89. The City has negotiated with the State Comptroller to repay the erroneous amount over 84 months, beginning in October 2017, at the beginning of the City's fiscal year 2017-2018. The City will remit 83 monthly payments of $10,566.00 and a final payment of $10,538.89. The erroneous overpayment has been reflected as an extraordinary item and a long-term liability in the financial statements. At September 30, 2018 the remaining liability was $760,725. The funds paying for this liability are: General Fund 50%, Portland Community Center Complex Development Fund 25% and Venue Sales Tax Fund 25%.

6. 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.

7. INTERFUND TRANSACTIONS AND BALANCES

Interfund transfers during the year ended September 30, 2018 were as follows:

	Transfers In				
Transfers Out	General Fund	Hurricane Harvey Fund	Debt Service Fund	Non-Major Governmental Funds	Total
General	-	30,176	-	-	30,176
Non-major Governmental	520,934	496	51,200	320,798	893,428
Water and Sewer System	909,168	2,805	7,500	-	919,473
Drainage	-	-	7,500	-	7,500
Total	1,430,102	33,477	66,200	320,798	1,850,577

- The General Fund received transfers from the Water and Sewer System Fund and from Non-major Governmental Funds to cover allocated amounts of administrative service charges and other expenditures. Transfers from the Water and Sewer System Fund are in compliance with Texas Water Code, Section 16.356.

- The transfers received by the Hurricane Harvey Fund were to cover unreimbursable storm damage repairs.

- The transfers received by the Debt Service Fund from Non-major Governmental Funds and Enterprise Funds were to supplement debt payments allocated to those funds.

- The transfers received by the Non-major Governmental Funds were for debt service and to supplement construction and maintenance projects.

Interfund receivables and payables at September 30, 2018 are as follows:

	Interfund Receivable	Interfund Payable
Governmental Funds		
General Fund	964,619	129,326
Hurricane Harvey Fund	33,477	907,574
Debt Service Fund	2,365	-
Capital Improvements Fund	47,975	-
Street Improvements Fund	-	-
Non-Major Governmental	104,250	63,862
Total Governmental	1,152,686	1,100,762
Enterprise Funds		
Water and Sewer System Fund	404	4,446
Drainage Fund	-	59,010
Total Enterprise	404	63,456
Internal Service Fund	11,128	-
Total	1,164,218	1,164,218

The interfund balances at September 30, 2018 are generally short-term loans to cover temporary cash flows and reimbursements for various funds. For Nonmajor Governmental Funds, interfund payables include a temporary loan of $905,609 from the General Fund to the Hurricane Harvey Fund. Except for the following, the interfund balances are expected to be repaid in less than one year. At the end of fiscal year 2013, the City Council authorized an interfund loan of $700,000 from the General Fund to the Drainage Fund for the purpose of financing certain drainage improvement projects. The Drainage Fund will repay the General Fund the full amount of the loan, plus interest. The repayment schedule will be annually or as impact fees imposed are collected by the Drainage Fund. Beginning October 1, 2013, the Drainage Fund will pay the General Fund the interest accrued (interest rate determined by the TexPool Daily Interest Factor as of September 30, 2012) on the loan as of September 30, 2013, plus $20,000 of the principal. The balance of this interfund loan at September 30, 2018 was $59,010.

8. 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.

9. PENSION PLAN

A. Plan Description

The City of Portland participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

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

B. Benefits Provided

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

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

Plan Provisions-

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

	Plan Year 2017
Employee deposit rate	6.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age / years of service)	60/10,0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

Employees covered by benefit terms-

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	64
Inactive employees entitled to but not yet receiving benefits	80
Active employees	131
	275

C. Contributions

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

Employees for the City of Portland were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Portland were 14.69% and 14.46% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were $970,833, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions-

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.30%) and by adding expected inflation (3.5%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.05% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large cap domestic	25.0%	5.84%
Small/mid cap domestic	10.0%	6.00%
International developed	12.5%	6.12%
Emerging markets	6.0%	7.62%
Real estate	10.0%	3.90%
Fixed income	36.5%	1.72%
Cash	0.0%	0.40%
Total	100.0%	

Discount Rate-

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability-

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2016	25,279,394	18,806,733	6,472,661
Changes for the year:			
Service cost	987,715	-	987,715
Interest	1,702,378	-	1,702,378
Change of benefit terms	-	-	-
Difference between expected and actual experience	(430,742)	-	(430,742)
Changes of assumptions	-	-	-
Contributions - employer	-	1,012,145	(1,012,145)
Contributions - employee	-	418,819	(418,819)
Net investment income	-	2,607,034	(2,607,034)
Benefit payments, including refunds of employee contributions	(1,105,663)	(1,105,663)	-
Administrative expense	-	(13,508)	13,508
Other charges	-	(685)	685
Net changes	1,153,688	2,918,142	(1,764,454)
Balance at 12/31/2017	26,433,082	21,724,875	4,708,207

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$8,716,940	$4,708,207	$1,465,448

Pension Plan Fiduciary Net Position-

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

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of $912,498.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 23,276	$ 378,564
Changes in actuarial assumptions	33,164	-
Difference between projected and actual investment earnings	-	590,440
Contributions subsequent to the measurement date	738,715	-
Total	$ 795,155	$ 969,004

The $738,715 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	$(111,868)
2020	$(134,072)
2021	$(363,543)
2022	$(303,081)
2023	-
Thereafter	-

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

As a result of the adoption of GASB Statement No. 75, the beginning net position of the Governmental and Business-type activities and the Water and Sewer Fund net positions were restated. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed and the total OPEB liability was recorded in accordance with GASB Statement No. 75. The City has two OPEB plans: 1) Healthcare Plan, 2) Supplemental Death Benefits Plan.

A. Healthcare Plan

Plan Description-

The City of Portland offers its retirees medical and prescription drug and dental coverage until age 65. The plan is a self-insured continuation of the active plan. Dependents of retirees can also enroll in the plan but are required to pay their full cost. Currently there are only twelve 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.

Employees covered by benefit terms-

At September 30, 2018, the following employees were covered by the benefit terms:

Active employees	64
Retired employees	12
Total	76

TOTAL HEALTHCARE PLAN OPEB

The City's total OPEB liability of $1,630,378 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total healthcare plan OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual entry age normal cost method Level percentage of projected salary
Eligibility	Age 55 with 10 years of employed by Portland
Dependent Eligibility	Spouse and eligible children
Annual Maximum	None
Lifetime Maximum	$2,000,000
Medical Benefit Claims Cost by Age	Percentage increase with age
Health Care Cost Trend	Medical trend is level 5.00% Dental trend is level 3.25%
Discount Rate for Valuing Liabilities	4.06%
Salary Scale	3.5%
Mortality Rates	RPH-2014 Total Table with Projection MP-2018
Retirement Rates	Rates vary by age from age of 60 to 65
Disability	None Assumed
Data Assumptions: Coverage	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 100% of all actives who currently have healthcare coverage will continue with employee-only coverage upon retirement.

DISCOUNT RATE SENSITIVITY ANALYSIS

The following schedule shows the input of the OPEB liability if the discount were 1% less than and 1% greater than the discount rate that was used in measuring the OPEB liability:

	1% Decrease in Discount Rate (3.06%)	Current Discount Rate (4.06%)	1% Increase in Discount Rate (5.06%)
City's OPEB Liability	1,769,811	1,630,378	1,505,150

HEALTHCARE COST TREND RATES SENSITIVITY ANALYSIS

The following presents the OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
City's OPEB Liability	1,475,282	1,630,378	1,812,612

ANALYSIS OF HEALTHCARE PLAN OPEB LIABILITY

OPEB Liability October 1, 2017	1,569,413
Service Cost	161,731
Interest Cost	66,881
Benefit Payments	(167,647)
OPEB Liability September 30, 2018	1,630,378

ANALYSIS OF HEALTHCARE PLAN OPEB EXPENSE

Service Cost at October 1, 2017	161,731
Interest Cost (including interest on the Service Cost)	66,881
Total OPEB Expense	228,612

B. Supplemental Death Benefits Plan

The City also participates in a defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). SDBF is considered to be a single-employer unfunded plan. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. 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.
Employees covered by benefit terms-

At December 31, 2017, measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	14
Active employees	131
TOTAL	190

TOTAL OPEB LIABILITY

The total OPEB liability of $331,152 was measured as of December 31, 2017 and was determined by an actuary using the following assumptions:

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Note: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Discount Rate Sensitivity Analysis-

The following schedule shows the impact on the net OPEB liability if the discount rate used were 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB Liability	403,449	331,152	275,907

Schedule of Changes in the Total Liability and Related Ratios

Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	285,408
Changes for the year	
Service Cost	9,772
Interest on Total OPEB Liability	10,920
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	27,844
Benefit payments**	(2,792)
Net changes	45,744
Total OPEB Liability - end of year	331,152

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

For the year ended September 30, 2018, the City recognized OPEB expense in the amount of $25,091.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	-	-
Changes in actuarial assumptions	23,445	-
Difference between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	10,728	-
Total	34,173	-

$10,728 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended September 30, 2019.

Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	
2019	4,399
2020	4,399
2021	4,399
2022	4,399
2023	4,399
Thereafter	1,450

11. 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, 2018 or the three prior years.

12. COMMITMENTS AND CONTINGENT LIABILITIES

A. Litigation

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.

B. Federal and State Assisted Programs

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.

The most significant Federal Program the City participated in for fiscal year end September 30, 2018 was with the Federal Emergency Management Agency (FEMA), due to Hurricane Harvey, which impacted the City on August 25, 2017. The City has filed claims for reimbursement from FEMA for expenditures incurred in fiscal year end 2017 for debris removal and emergency measures.

For fiscal year September 30, 2018, the City has submitted to FEMA additional claims for reimbursement for expenditures incurred in fiscal year 2017-2018. The City will undergo a Single Audit for fiscal year September 30, 2018, which will include all Federal reimbursement claims from FEMA related to Hurricane Harvey, including those from fiscal year end September 30, 2017.

13. CONSTRUCTION COMMITMENTS

The City has active construction projects as of September 30, 2018. At year end the construction commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
General Government		
Street Improvement Project (Phase 10)	1,099,188	4,900,812
Indian Point Pier Project	8,183	591,817
Akins Hike & Bike	38,483	392,017
Chris Andrews Boating Center	28,546	971,454
Community Center Expansion	973,331	14,235,669
Total General Government	2,147,731	21,091,769
Enterprise		
Inflow and Infiltration Study	216,905	113,095
WWTP Sludge Disposal	169,505	1,830,495
FM 2986 Waterline Extension	81,500	668,500
Total Enterprise	467,910	2,612,090
TOTAL	2,615,641	23,703,859

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.

14. ENCUMBRANCES

At September 30, 2018 the City did not have any encumbrances outstanding.

15. FUND CHANGES

During 2018, the Restricted Use Fund was closed and divided into four separate funds: The Hotel Occupancy Tax Fund, the Court Technology Fund, the Court Security Fund, and the Cable Franchise (PEG) Fund. Management determined that the respective restrictions would be more accurately tracked in separate funds.

16. RESTATEMENT OF FUND BALANCES AND NET POSITIONS

As a result of the adoption of GASB Statement No. 75, the beginning net position of the governmental and business-type activities and the Water and Sewer System Fund were restated. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed and the total OPEB liability was recorded in accordance with GASB Statement No. 75.

Also, during 2018, management determined that receivables for reimbursement for damage claims, due to Hurricane Harvey, had been understated in the prior year. Management also determined that "Construction in Progress" (CIP) had been understated in the Water and Sewer System Fund and the business-type activities. As a result of the above items, beginning fund balances and net positions as of October 1, 2017, have been restated as follows:

					Government-Wide Level - Net Position	
	General Fund	Hurricane Harvey Fund	Other Governmental Funds	Water and Sewer System Fund	Governmental Activities	Business-Type Activities
Beginning equity, as originally stated	6,904,550	7,853	7,477,126	21,841,600	33,450,655	25,691,452
Restatements:						
For GASB Statement No. 75	-	-	-	231,790	1,097,549	231,790
For Hurricane Harvey Receivables	398,862	(7,853)	2,084	782	393,093	782
For Understated "CIP"	-	-	-	91,778	-	91,778
Beginning equity, as restated	7,303,412	-	7,479,210	22,165,950	34,941,297	26,015,802

17. SUBSEQUENT EVENTS

On December 18, 2018 the City issued $5,280,000 General Obligation Bonds, Series 2018A, secured by the levy of an annual ad valorem tax. The bonds were issued to pay for construction of a sports complex and renovation of the community center. The bonds carry an interest rate of 3.125% to 5.000% with payments beginning August 15, 2019, with a final payment on February 15, 2039.

On February 5, 2019, the City approved the issuance of $1,724,000 Tax Note, Series 2019 for the purchase of fourteen (14) fleet vehicles and one (1) platform fire truck. Payments for the debt will be made by the Debt Service Fund beginning February 15, 2020, with a final payment due February 15, 2024. The note carries an interest rate of 2.23%.

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