

**PRELIMINARY OFFICIAL STATEMENT**  
**Dated February 3, 2026**

**NEW ISSUE – BOOK-ENTRY-ONLY**

**Rating: S&P: “AA”**  
**See “OTHER INFORMATION – RATING”**

In the opinions 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, including the alternative minimum tax for certain corporations.



**CITY OF PORTLAND, TEXAS**  
*(A political subdivision of the State of Texas located in San Patricio County)*

**\$15,350,000\***  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2026**

**\$1,315,000\***  
**TAX NOTES, SERIES 2026**

**Dated Date: March 1, 2026**

**Interest accrues from the Date of Initial Delivery (defined below)**

**Due: August 15 for the Certificates, as shown on page 2**  
**February 15 for the Notes, as shown on page 3**

**AUTHORITY FOR ISSUANCE . . .** The \$15,350,000\* City of Portland, Texas, Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (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, as amended, the City’s Home-Rule Charter, and an ordinance to be adopted by the City Council of the City on February 17, 2026 authorizing the issuance of the Certificates (the “Certificate Ordinance”). The \$1,315,000\* City of Portland, Texas Tax Notes, Series 2026 (the “Notes”) are being issued by the City pursuant to the Constitution and general laws of the State including particularly Chapter 1431, Texas Government Code, as amended, and an ordinance authorizing the issuance of the Notes to be adopted by the City Council of the City on February 17, 2026 (the “Note Ordinance”). The Certificates and the Notes are collectively referred to herein as the “Obligations.” The Certificate Ordinance and the Note 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 SOURCE OF PAYMENT” and “TAX RATE LIMITATIONS” herein). Additionally, the Certificates also are secured with a limited pledge of the “Pledged Revenues” of the City’s Waterworks and Sewer System (the “System”) (see “THE OBLIGATIONS – AUTHORITY FOR ISSUANCE OF THE OBLIGATIONS,” “SECURITY AND SOURCE OF PAYMENT,” and “PLEDGED REVENUE PLEDGE FOR THE CERTIFICATES”).

**PAYMENT TERMS . . .** Interest on the Obligations will accrue from the date of their initial delivery to the Purchasers (defined below), will be payable on February 15 and August 15 of each year commencing February 15, 2027, until maturity or prior redemption (as it relates to the Certificates), 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 “BOOK-ENTRY-ONLY SYSTEM” herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “THE OBLIGATIONS – PAYING AGENT/REGISTRAR”).

**PURPOSE . . .** Proceeds from the sale of the Obligations will be used as more specifically defined herein. See “PLAN OF FINANCING – PURPOSE.”

---

**CUSIP PREFIX: 736831**  
**MATURITY SCHEDULES & CUSIP SUFFIXES**  
**See Schedules on Pages 2 and 3**

---

**LEGALITY . . .** The Obligations are offered for delivery when, as and if issued and received by the purchasers thereof identified below (the “Purchasers”) and subject to respective 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 D – FORMS OF BOND COUNSEL’S OPINIONS”).

**DELIVERY . . .** It is expected that the Obligations will be available for delivery through DTC on March 17, 2026 (the “Date of Initial Delivery”).

**BIDS DUE ON THE CERTIFICATES TUESDAY, FEBRUARY 17, 2026, BY 9:30 AM, Central Time**

**BIDS DUE ON THE NOTES TUESDAY, FEBRUARY 17, 2026, BY 10:00 AM, Central Time**

\* Preliminary, subject to change.

**\$15,350,000\***  
**CITY OF PORTLAND, TEXAS**  
*(A political subdivision of the State of Texas located in San Patricio County)*  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2026**

**CUSIP Prefix: 736831<sup>(1)</sup>**

**MATURITY SCHEDULE\***

Maturity (August 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
2028	\$ 345,000			
2029	360,000			
2030	380,000			
2031	400,000			
2032	420,000			
2033	440,000			
2034	465,000			
2035	485,000			
2036	510,000			
2037	535,000			
2038	560,000			
2039	590,000			
2040	620,000			
2041	650,000			
2042	685,000			
2043	715,000			
2044	755,000			
2045	790,000			
2046	830,000			
2047	870,000			
2048	915,000			
2049	960,000			
2050	1,010,000			
2051	1,060,000			

**(Interest to accrue from the Date of Initial Delivery)**

\*Preliminary, subject to change.

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc., 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 Purchasers shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

**REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE OBLIGATIONS – OPTIONAL REDEMPTION”). In the event any of the Certificates are structured as “term” Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Certificate Ordinance, which provisions will be included in the final Official Statement.

**SEPARATE ISSUES . . .** The Obligations are being offered by the City concurrently under the same Official Statement. As such, each series of the Certificates and Notes are separate and distinct securities offerings being issued and sold independently from the other and should be reviewed and analyzed independently, including, without limitation, the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the rights of the City to redeem the Certificates, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

**\$1,315,000\***  
**CITY OF PORTLAND, TEXAS**  
*(A political subdivision of the State of Texas located in San Patricio County)*  
**TAX NOTES, SERIES 2026**

**CUSIP Prefix: 736831<sup>(1)</sup>**

**MATURITY SCHEDULE\***

Maturity (February 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
2027	\$ 170,000			
2028	170,000			
2029	180,000			
2030	185,000			
2031	195,000			
2032	205,000			
2033	210,000			

**(Interest to accrue from the Date of Initial Delivery)**

\*Preliminary, subject to change.

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc., 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 Notes. None of the City, the Financial Advisor or the Purchasers shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

**REDEMPTION . . .** The Notes are not subject to optional redemption prior to their stated maturities (see “THE OBLIGATIONS – OPTIONAL REDEMPTION”).

**SEPARATE ISSUES . . .** The Obligations are being offered by the City concurrently under the same Official Statement. As such, each series of the Notes and Certificates are separate and distinct securities offerings being issued and sold independently from the other and should be reviewed and analyzed independently, including, without limitation, the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the rights of the City to redeem the Certificates, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

*[The remainder of this page intentionally left blank.]*

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

Name	Years Served	Term Expires	Occupation
Ms. Cathy Skurow Mayor	7	May 2026	Civil Engineer
Mr. John Green Mayor Pro Tem	18	May 2027	Petrochemical
Ms. Martha Ruiz Council Member	8 months	May 2027	Self-Employed
Mr. Gary W. Moore, Jr. Council Member	7	May 2026	Insurance Manager
Mr. John G. Sutton Jr. Council Member	8	May 2027	Petrochemical
Mr. Bill T. Wilson II Council Member	10	May 2027	Architect
Mr. Zach Albrecht Council Member	3	May 2026	Reliability Group Manager

### SELECTED ADMINISTRATIVE STAFF

Name	Position	Years of Service with the City
Mr. Randy Wright	City Manager	30
Mr. Brian DeLatte	Deputy City Manager	14
Ms. Sarah Munoz	Assistant City Manager	3
Ms. Aldilia Martin	Finance Director	7
Ms. Mary Alice Sandoval	Controller	3
Ms. Elisa Silva	City Secretary <sup>(1)</sup>	New

<sup>(1)</sup> Ms. Annette Hall retired on January 31, 2026, after 33 years of service with the City. Ms. Elisa Silva assumed all City Secretary duties as of February 1, 2026.

### CONSULTANTS AND ADVISORS

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

Auditors .....ABIP, PC  
San Antonio, Texas

Financial Advisor .....Specialized Public Finance Inc.  
Corpus Christi, 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  
[aldilia.martin@portlandtx.com](mailto:aldilia.martin@portlandtx.com)

or

Mr. Victor Quiroga, Jr.  
Managing Director  
**Specialized Public Finance Inc.**  
711 North Carancahua Street, Ste 1615  
Corpus Christi, Texas 78401  
Phone: (361) 278-1310  
[victor@spfmuni.com](mailto:victor@spfmuni.com)

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “Rule”), this document constitutes an “official statement” of the City with respect to the Obligations that has been “deemed final” by the City as of its date except for the omission of the information permitted by Subsection (b)(1) of the Rule.*

*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 ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.*

*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.*

*[The remainder of this page intentionally left blank.]*

## TABLE OF CONTENTS

PRELIMINARY OFFICIAL STATEMENT.....	1
CERTIFICATES OF OBLIGATION MATURITY SCHEDULE.....	2
TAX NOTES MATURITY SCHEDULE .....	3
CITY OFFICIALS, STAFF AND CONSULTANTS .....	4
USE OF INFORMATION IN THE OFFICIAL STATEMENT .....	5
PRELIMINARY OFFICIAL STATEMENT SUMMARY .....	7
INTRODUCTION.....	10
PLAN OF FINANCING .....	11
THE OBLIGATIONS.....	11
BOOK-ENTRY-ONLY SYSTEM .....	13
AD VALOREM PROPERTY TAXATION.....	18
DEFINED BENEFIT PENSION PLAN .....	23
WEATHER AND OTHER EVENTS.....	23
INVESTMENTS.....	23
CURRENT INVESTMENTS - TABLE 1 .....	25
TAX MATTERS .....	26
CONTINUING DISCLOSURE OF INFORMATION.....	28
LEGAL MATTERS .....	29
OTHER INFORMATION.....	30
FINANCIAL INFORMATION OF THE ISSUER.....	APPENDIX A
GENERAL INFORMATION REGARDING THE ISSUER .....	APPENDIX B
FORMS OF BOND COUNSEL’S OPINIONS .....	APPENDIX C
EXCERPTS FROM THE CITY OF PORTLAND, TEXAS ANNUAL FINANCIAL REPORT.....	APPENDIX D

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

*[The remainder of this page intentionally left blank.]*

## PRELIMINARY 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.

<b>THE CITY</b> .....	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 2025 estimated population is 24,671. 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 AND NUECES COUNTIES, TEXAS” and “INTRODUCTION – DESCRIPTION OF THE CITY”).
<b>THE OBLIGATIONS</b> .....	<p>The \$15,350,000* City of Portland, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the “Certificates”) are issued as serial Certificates maturing August 15 in the years 2028 through 2051* unless the Certificates Purchaser elect to aggregate two or more consecutive maturities as term Certificates.</p> <p>The \$1,315,000* City of Portland, Texas Tax Notes, Series 2026 (the “Notes”) are issued as serial Notes maturing February 15 in the years 2027 through 2033* unless the Notes Purchaser elect to aggregate two or more consecutive maturities as term Notes (see “THE OBLIGATIONS – DESCRIPTION OF THE OBLIGATIONS”).</p> <p>The Certificates and the Notes are collectively referred to herein as the “Obligations.”</p>
<b>AUTHORITY FOR ISSUANCE</b> .....	<p>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, as amended, the City’s Home-Rule Charter, and an ordinance to be adopted by the City Council of the City on February 17, 2026 (the “Certificate Ordinance”) authorizing the issuance of the Certificates.</p> <p>The Notes are being issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1431, Texas Government Code, as amended, the City’s Home-Rule Charter, and an ordinance authorizing the issuance of the Notes to be adopted by the City Council of the City on February 17, 2026 (the “Note Ordinance”) authorizing the issuance of the Notes.</p> <p>The Certificate Ordinance and the Note Ordinance and are collectively referred to herein as the “Ordinances.”</p>
<b>PAYMENT OF INTEREST</b> .....	Interest on the Obligations will accrue from the Date of the Initial Delivery and is initially payable on February 15, 2027, and each August 15 and February 15 thereafter until stated maturity or prior redemption (as it relates to the Certificates) (see “THE OBLIGATIONS – DESCRIPTION OF THE OBLIGATIONS”).

\*Preliminary, subject to change.

<b>SECURITY FOR THE OBLIGATIONS .....</b>	The Obligations constitute direct and general obligations of the City 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 “Pledged Revenues” of the City’s Waterworks and Sewer System (see “THE OBLIGATIONS – SECURITY FOR THE OBLIGATIONS – PLEDGED REVENUE PLEDGE FOR THE CERTIFICATES” herein).
<b>OPTIONAL REDEMPTION .....</b>	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE OBLIGATIONS – OPTIONAL REDEMPTION”). In the event any of the Certificates are structured as term Certificates or term Notes, such term Certificates or term Notes will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinances, which provisions will be included in the final Official Statement. <b>The Notes are not subject to optional redemption prior to their stated maturities.</b>
<b>TAX EXEMPTION .....</b>	In the opinions 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, including the alternative minimum tax for certain corporations.
<b>USE OF PROCEEDS .....</b>	<p>Proceeds from the sale of the Certificates will be used for (1) designing, acquiring, constructing, renovating, improving, and equipping various City street, parking structures, and sidewalk improvements, including necessary capital maintenance and utilities relocation, drainage, and landscaping necessary or incidental thereto, (2) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City’s waterworks and sewer utility system, (3) designing, constructing, and installing drainage facilities and improvement to existing City drainage facilities, (4) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving an administrative office building housing the governmental functions of the City, (5) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (6) the payment of professional services related to the Certificates.</p> <p>Proceeds from the sale of the Notes will be used to (1) purchase materials, supplies, equipment, machinery, vehicles, and hardware to support City operations and (2) pay the costs of issuance and expenses relating to the Notes. See “PLAN OF FINANCING – PURPOSE” herein.</p>
<b>RATING .....</b>	The Obligations are rated “AA” by S&P Global Ratings (“S&P”). The presently outstanding tax supported debt of the City has an underlying rating of “AA” by S&P (see “OTHER INFORMATION – RATING”).
<b>BOOK-ENTRY-ONLY SYSTEM.....</b>	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.

**ADDITIONAL ISSUANCE**..... On February 17, 2026, the City will consider approval of an ordinance authorizing the issuance of approximately \$9,740,000 (preliminary, subject to change) in refunding bonds over the course of the next year for debt service savings.

*[The remainder of this page intentionally left blank.]*

**PRELIMINARY OFFICIAL STATEMENT  
RELATING TO**

**CITY OF PORTLAND, TEXAS**  
*(A political subdivision of the State of Texas located in San Patricio County)*

**\$15,350,000\***  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2026**

**\$1,315,000\***  
**TAX NOTES, SERIES 2026**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance by the City of Portland, Texas (the “City” or “Issuer”) of the \$15,350,000\* City of Portland, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the “Certificates”) and of the \$1,315,000\* City of Portland, Texas Tax Notes, Series 2026 (the “Notes”). The Certificates and the Notes are collectively referred to herein as the “Obligations.” The Certificates are being issued pursuant to an ordinance to be adopted by the City Council of the City on February 17, 2026 (the “Certificate Ordinance”), and the Notes are being issued pursuant to a separate ordinance to be adopted by the City Council of the City (the “Note Ordinance”) on February 17, 2026. The Certificate Ordinance and the Note 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.

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., Corpus Christi, 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 through its Electronic Municipal Markets System (“EMMA”). See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

**SEPARATE ISSUES** . . . The Obligations are being offered by the City concurrently under the same Official Statement. As such, each series of the Certificates and Notes are separate and distinct securities offerings being issued and sold independently from the other and should be reviewed and analyzed independently, including, without limitation, the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the rights of the City to redeem the Certificates, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

**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 an 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’s estimated 2025 population is 23,000. The City covers approximately 15 square miles.

\*Preliminary, subject to change.

## PLAN OF FINANCING

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for (1) designing, acquiring, constructing, renovating, improving, and equipping various City street, parking structures, and sidewalk improvements, including necessary capital maintenance and utilities relocation, drainage, and landscaping necessary or incidental thereto, (2) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's waterworks and sewer utility system, (3) designing, constructing, and installing drainage facilities and improvement to existing City drainage facilities, (4) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving an administrative office building housing the governmental functions of the City, (5) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (6) the payment of professional services related to the Certificates.

Proceeds from the sale of the Notes will be used to (1) purchase materials, supplies, equipment, machinery, vehicles, and hardware to support City operations and (2) pay the costs of issuance and expenses relating to the Notes.

## THE OBLIGATIONS

**DESCRIPTION OF THE OBLIGATIONS . . .** The Obligations are dated March 1, 2026. The Certificates mature on August 15 in each of the years and in the amounts shown on page 2 and the Notes mature on February 15 in each of the years and in the amounts shown on page 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 initially payable on February 15, 2027, on each August 15 and February 15 thereafter until maturity or prior redemption (as it relates to the Certificates). 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 "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, as amended, Chapter 1502, Texas Government Code, as amended, the City's Home-Rule Charter, and the Certificate Ordinance.

The Notes are being issued pursuant to the Constitution and general laws of the State, including particularly Chapters 1431 Texas Government Code, as amended, the City's Home-Rule Charter, and the Note Ordinance.

**SECURITY AND SOURCE OF PAYMENT . . .** The Obligations constitute direct and general obligations of the City payable from ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law (see "THE OBLIGATIONS – TAX RATE LIMITATION" herein). Additionally, the Certificates also are secured by a pledge of the "Pledged Revenues" of the System.

In addition, and solely to comply with State law allowing the Certificates to be sold for cash, the Certificates are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Certificate Ordinance), being a limited amount of the Net Revenues derived from the operation of the System, not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Certificate Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinance authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Certificate Ordinance, the City reserves and retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Certificate Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. Even though the City has pledged the Pledged Revenues of the System to further secure the Certificates, the City does not expect that any Net Revenues from such System will actually be utilized to pay the debt service requirements on the Certificates.

**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 2025/2026 tax rate is \$0.7189, of which \$0.2482 is for debt service purposes.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates 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.

**The Notes are not subject to optional redemption to their stated maturities.**

**MANDATORY SINKING FUND REDEMPTION . . .** In the event two or more consecutive maturities of the Certificates or Notes are structured as "Term Certificates" or "Term Notes," such Term Certificates or Term Notes will be subject to mandatory sinking fund redemption in accordance with the applicable provisions in the Ordinances, which provisions will be included in the final Official Statement.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to an optional redemption date for the Certificates, 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 Certificates 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. 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 CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE 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 Certificates, will send any notice of redemption, notice of proposed amendment to the Certificate Ordinance or other notices with respect to the Certificates 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 Certificate called for redemption or any other action premised or any such notice.

Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificate 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 Certificate from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Certificate 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 Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

**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 (as it relates to the Certificates), 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 Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates 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 Certificates 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 Certificates or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Certificates for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

**DEFEASANCE . . .** The Ordinances provide for the defeasance of the 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 (as it relates to the Certificates), 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 may limit the foregoing Defeasance Securities in connection with the sale of 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 Certificates 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 Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates 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 Ordinances do 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.

### **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 (as it relates to the Certificates) 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 (as it relates to the Certificates) 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](http://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 the 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 (as it relates to the Certificates), tenders, defaults, and proposed amendments to the Obligation 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 Certificates 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 consent 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 (as it relates to the Certificates), 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 Purchasers take any responsibility for the accuracy thereof.

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "THE OBLIGATIONS – TRANSFER, EXCHANGE AND REGISTRATION" below.

**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 respective 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 Purchasers.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinances, 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 Certificate 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 a Certificate.

**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 an 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.

**OBLIGATION HOLDERS' REMEDIES . . .** If the City defaults in the payment of principal, interest, or redemption price (as it relates to the Certificates) on the Obligations when due, or if it fails to make payments into any fund or funds created in the Ordinances, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinances, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Obligations, if there is no other available remedy at law to compel performance of the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The issuance of a writ 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 Ordinances do not provide for the appointment of a trustee to represent the interest of the certificate holders upon any failure of the City to perform in accordance with the terms of the Ordinances, 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 (the "Court") ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson") the Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people' and protecting such municipalities 'via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources.'" While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson again in June 2018 and clarified 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 when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

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. As noted above, the Ordinances provide that Obligation holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinances. 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). 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 Obligation holders 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. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

**AMENDMENTS TO THE ORDINANCES . . .** In the Ordinances, the City has reserved the right to amend the Ordinances 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 respective 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.

The Ordinances further provides that the owners of the 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 Ordinances 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.

*[The remainder of this page intentionally left blank.]*

## 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.

Unless extended by the Legislature, through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5.16 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owner 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. The exemption described in (2), above, may also be created, increased, decreased, or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027. 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. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session will provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

**FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . .** Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for one hundred seventy-five 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 taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within one hundred seventy-five days (“goods-in-transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax goods-in-transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax goods-in-transit. Goods-in-transit and Freeport Property do not include oil, natural gas or petroleum products, and goods-in-transit do not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment 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. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

**TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . .** The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Legislature amended Section 11.35 Tax Code to clarify that “damage” for the purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

**TAX INCREMENT REINVESTMENT ZONES . . .** A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. 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 “tax increment.” During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

**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.

**CHAPTER 380 AGREEMENTS . . .** Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended (“Chapter 380”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

**LEVY AND COLLECTION OF TAXES . . .** The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) 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. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) of the delinquent tax, penalty, and interest collected if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

**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. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. 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.

“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).

“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 three tax years prior to the current tax year divided by the current total.

“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.

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 Obligations.**

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 (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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.

**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 and has two (2) active tax abatement agreements as described below.

**MCS AGREEMENT . . .** Effective November 5, 2019, the City entered into a Chapter 380 Agreement with MCS I-Hwy 181 Portland, TX, LP (“MCS”). MCS owned an approximately 6.96-acre tract of land and desired to construct a commercial, retail, quasi-retail, medical, office, and other development on the tract. The City determined that MCS’s application for economic development incentive funds was consistent with the City’s economic development program and entered into the agreement. Pursuant to the agreement, MCS agreed to develop the project and the City committed to provide incentive payments in an amount not to exceed \$1,750,000, payable solely from sales tax revenues attributable to the development. Since 2023, various developments have been constructed on the property, including Chick-fil-A, Freddy’s Frozen Custard & Steakburgers, and AutoZone Auto Parts.

**MMC AGREEMENT . . .** Effective January 5, 2022, the City entered into a Chapter 380 Agreement with MMC Equity, LLC (“MMC”). MMC desired to develop a retail shopping center on approximately 44 acres of land. The City recognized the economic impact of the shopping center and entered into the agreement, pursuant to which MMC covenanted to develop the project and the City committed to provide: (i) payments in an amount not to exceed \$12,800,000; (ii) payments in an amount not to exceed \$2,250,000 derived from property taxes attributable to the tract; and (iii) an additional sales tax payment pursuant to an agreed upon formula. As of 2025, several developments have been constructed on the property, including the anchor tenant Target, which was completed in August 2024, together with additional national retailers such as Brake Check, James Avery, Wells Fargo, Aspen Dental, Chipotle, Five Guys Burgers, Raising Cane’s, and 7 Brew Coffee.

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.

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

## **DEFINED BENEFIT PENSION PLAN**

The City participates as one of 888 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 and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code, as amended (the “TMRS Act”) as an agent multiple-employer retirement system for municipal employees in the State. 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.

TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the “Code”). TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained at [www.tmrs.com](http://www.tmrs.com).

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

For more information related to the foregoing, see the City’s most recent Annual Financial Report attached hereto as APPENDIX D.

## **WEATHER AND OTHER EVENTS**

The City is located on the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. The City’s area previously experienced multiple storms and future adverse weather events could result in damages to City facilities or damage to residential and commercial properties in the City that comprise the City’s ad valorem tax base. If a weather event significantly damaged all or part of the properties comprising the tax base within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the City’s tax rate. There can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the City or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

The City, and the surrounding area, is experiencing a drought, and while the City purchases its water from the San Patricio Municipal Water District, such water source is obtained from the City of Corpus Christi, Texas (who is also experiencing a drought). The City is exploring options to diversify its water supply from being solely reliant on Corpus Christi, including developing their own wells.

## **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 Texas 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 of Texas 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 of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation 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) Obligations issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation 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; 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 as described in clause (8)(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 investing 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 Paragraph (A); (ii) an entity described by Section 2257.041(d) of the 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 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) 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 Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), 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) where the funds are invested by the City through (I) 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 of Texas that is selected by the City; (iii) 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 permitted by the PFIA, and 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) 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 (13) through (15) below, 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 (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) 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; (13) commercial paper with a stated maturity of 365 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; (14) no-load money market mutual funds registered with and regulated by the SEC 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 complies with SEC Rule 2a-7; (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act. In addition, Obligation 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 in an amount at least equal to the amount of the Obligation proceeds invested under such contract, other than the prohibited obligations described below.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. 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 (UNAUDITED)**

**TABLE 1**

As of December 31, 2025, the City’s investable funds were invested in the following categories:

<u>Type of Investment</u>	<u>Amount</u>
TexPool Unrestricted Accounts	\$ 8,222,691
TexPool Restricted Accounts	<u>24,666,007</u>
Total	\$ 32,888,698

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.

## TAX MATTERS

**OPINIONS . . .** On the Date of Initial Delivery of the Obligations, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel to the Issuer, 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 to the Issuer 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 to the Issuer will rely upon (a) the Issuer’s federal tax certificates and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Obligations, and certain other matters. 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 opinion of Bond Counsel to the Issuer is conditioned on compliance by the City with the covenants and requirements described in the preceding paragraph, and Bond Counsel to the Issuer 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 IRS 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 IRS will commence an audit of the Obligations, or as to whether the IRS would agree with the opinions of Bond Counsel. If an IRS audit is commenced, under current procedures the IRS is likely to treat the City as the taxpayer and the Obligation holders 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 Subchapter C earnings and profits, 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 DISCUSSIONS 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 PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE OBLIGATIONS.

Interest on the Obligations may be includable in a corporation's "adjusted financial statement income" imposed by Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

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 Notes" to the extent such gain does not exceed the accrued market discount of such Notes; 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.

**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 IRS. Payments of interest and principal may be subject to 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 foreign investors, 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.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, 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 for 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 EMMA system at [www.emma.msrb.org](http://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 Table 1 herein and in the Tables numbered 1 through 8 in APPENDIX A and in APPENDIX D. The City will update and provide this information in the numbered Tables within twelve months after the end of each fiscal year ending in or after 2025 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 D 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 September 30 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 IRS 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.” In the Ordinances, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. Neither the Obligations nor the Ordinances make provision for credit enhancement, liquidity enhancement, or debt service reserves.

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 to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

**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](http://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 Rule or a court of final jurisdiction enters judgment that such provisions of the Rule 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 . . .** For the past five years, the City has not finalized its annual audit by the time that would permit its filing to comply with its annual continuing disclosure filing obligations. As a result, the City has, in each instance, timely filed unaudited financial statements and followed the same by filing the final audit (as and when available), in compliance with its continuing disclosure obligations. As a result, the unavailability of a final audit by the annual continuing disclosure deadline has not impacted the City’s ability to timely satisfy its continuing disclosure obligations. In respect to the City’s annual Disclosure Report, the City filed all the information that was available at the time of filing, but some tables were not able to be updated to the most current year by the required March 31<sup>st</sup> date. When the information became available, the City updated those tables and filed amended disclosure tables.

## **LEGAL MATTERS**

**LEGAL OPINIONS . . .** 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: “THE OBLIGATIONS,” “BOOK-ENTRY-ONLY SYSTEM” (exclusive of subcaption “– OBLIGATION HOLDERS’ REMEDIES”), “TAX MATTERS,” “LEGAL MATTERS”, “CONTINUING DISCLOSURE OF INFORMATION” (exclusive of the subcaption “– COMPLIANCE WITH PRIOR UNDERTAKINGS”), “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.

## OTHER INFORMATION

**RATING . . .** The Obligations have been rated “AA” by S&P Global Ratings (“S&P”) 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 a 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.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the City. A revision in a rating agency’s rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Obligations remain outstanding could undertake such an evaluation process.

**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.

It is the obligation of the Purchasers to register or qualify the sale of the Obligations under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchasers’ written request and sole expense, in registering or qualifying the Obligations or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

**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 – RATING” 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 representation is made that the Obligations will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Obligations for such purposes. Additionally, with respect to the Obligations, Section 271.051 of Texas Local Government Code, as amended, expressly provides that certificates of obligation approved by the Attorney General of Texas are legally authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

**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 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 PURCHASER OF THE CERTIFICATES . . .** After requesting competitive bids for the Certificates, the City accepted the bid from \_\_\_\_\_ (the "Certificate Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of \$ \_\_\_\_\_. 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 Certificate Purchaser.

**INITIAL PURCHASER OF THE NOTES . . .** After requesting competitive bids for the Notes, the City accepted the bid from \_\_\_\_\_ (the "Note Purchaser" and together with the "Certificate Purchaser", the "Purchasers") to purchase the Notes at the interest rates shown on page 3 of the Official Statement at a price of \$ \_\_\_\_\_. The Note Purchaser can give no assurance that any trading market will be developed for the Notes after their sale by the City to the Note Purchaser. The City has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Note 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.

**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.

This Official Statement will be approved by the City Council of the City for distribution in accordance with the provisions of the Rule.

---

Mayor  
City of Portland, Texas

ATTEST:

---

City Secretary  
City of Portland, Texas



**APPENDIX A**

**FINANCIAL INFORMATION OF THE ISSUER**

**FINANCIAL INFORMATION OF THE ISSUER**

---

**ASSESSED VALUATION****TABLE 1**

<b>2025 Total Appraised Value</b>	<b>\$ 2,620,628,756</b>
Less:	
Over 65 Exemption	\$ 20,197,220
Disabled Veteran 100%	3,071,080
Disabled Veteran	87,686,974
Solar Wind	5,962,027
Pollution Control	6,738,280
Productivity Loss	50,300,260
10% Cap Loss	49,274,126
Other	230,819,569
<b>2025 Net Taxable Assessed Valuation</b>	<b>\$ 2,166,579,220</b>

---

*Note: The above figures were taken from the San Patricio County Appraisal District.*

*[The remainder of this page intentionally left blank.]*

**PRELIMINARY GENERAL OBLIGATION BONDED DEBT***(As of December 31, 2025)***General Obligation Debt Outstanding<sup>(1)</sup>:**

General Obligation Refunding Bonds, Series 2015	225,000
General Obligation Bonds, Series 2017	11,510,000
General Obligation Bonds, Series 2018A	4,155,000
General Obligation Refunding Bonds, Series 2019	865,000
Combination Tax & Revenue Certificates of Obligation, Series 2019	2,715,000
Tax Notes, Series 2020	212,000
Combination Tax & Revenue Certificates of Obligation, Series 2020	2,370,000
Combination Tax & Revenue Certificates of Obligation, Series 2021	5,305,000
Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2022	7,505,000
Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2023	10,710,000
Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2024	22,230,000
Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2025	22,515,000
General Obligation Refunding Bonds, Series 2025	9,380,000
The Certificates <sup>(2)</sup>	15,350,000
The Notes <sup>(2)</sup>	1,315,000
Total Gross General Obligation Debt Outstanding <sup>(2)</sup>	\$ 116,362,000

**Less: Self-Supporting Debt:**

General Obligation Bonds, Series 2017	\$ 2,877,500
General Obligation Bonds, Series 2018A	1,038,750
Combination Tax & Revenue Certificates of Obligations, Series 2019	678,750
General Obligation Refunding Bonds, Series 2019	245,920
Combination Tax & Revenue Certificates of Obligations, Series 2020	592,500
Combination Tax & Revenue Certificates of Obligations, Series 2021	1,326,250
Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2022	2,551,700
Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2023	6,211,800
Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2024	8,871,993
Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2025	6,851,314
General Obligation Refunding Bonds, Series 2025	950,194
The Certificates <sup>(2)</sup>	4,800,000
The Notes <sup>(2)</sup>	670,000
Total Self-Supporting Debt <sup>(2)</sup>	\$ 37,666,671

Total Net General Obligation Debt Outstanding	\$ 78,695,330
---	---------------

Interest and Sinking Fund Balance as of September 30, 2025 (unaudited)	\$ 1,226,833
--	--------------

2025 Net Taxable Assessed Valuation	\$ 2,166,579,220
-------------------------------------	------------------

Ratio of Total Net General Obligation Debt to 2024 Net Taxable Assessed Valuation <sup>(1)</sup>	3.63%
--	-------

Area of District:	15.0 Square Miles
-------------------	-------------------

Estimated Population:	23,000 in Year 2025
-----------------------	---------------------

Per Capita 2025 Net Taxable Assessed Valuation:	\$ 94,199
---	-----------

Per Capita 2025 Net General Obligation Tax Debt:	\$ 3,422
--	----------

<sup>(1)</sup> See "AD VALOREM PROPERTY TAXATION" in the body of this Official Statement for a description of the Issuer's taxation procedures.

<sup>(2)</sup> Preliminary, subject to change.

**PRELIMINARY GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Current Total Debt Service	The Certificates <sup>(1)</sup>			The Notes <sup>(2)</sup>			Combined Debt Service <sup>(1)(2)</sup>	Less: Self- Supporting	Total Net Combined Debt Service
		Principal	Interest	Total Principal and Interest	Principal	Interest	Total Principal and Interest			
2026	\$ 8,726,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,726,575	\$ 2,586,115	\$ 6,140,460
2027	8,679,559	-	1,083,028	1,083,028	170,000	79,678	249,678	10,012,265	3,109,443	6,902,822
2028	8,462,294	345,000	767,500	1,112,500	170,000	47,700	217,700	9,792,494	3,102,382	6,690,111
2029	8,457,119	360,000	750,250	1,110,250	180,000	39,825	219,825	9,787,194	3,099,656	6,687,538
2030	8,458,294	380,000	732,250	1,112,250	185,000	31,613	216,613	9,787,156	3,099,599	6,687,558
2031	8,272,544	400,000	713,250	1,113,250	195,000	23,063	218,063	9,603,856	3,046,839	6,557,017
2032	8,277,356	420,000	693,250	1,113,250	205,000	14,063	219,063	9,609,669	3,048,350	6,561,319
2033	8,275,831	440,000	672,250	1,112,250	210,000	4,725	214,725	9,602,806	3,046,685	6,556,121
2034	8,268,169	465,000	650,250	1,115,250	-	-	-	9,383,419	2,936,241	6,447,178
2035	8,004,981	485,000	627,000	1,112,000	-	-	-	9,116,981	2,911,882	6,205,100
2036	7,990,013	510,000	602,750	1,112,750	-	-	-	9,102,763	2,907,928	6,194,835
2037	7,994,875	535,000	577,250	1,112,250	-	-	-	9,107,125	2,908,631	6,198,494
2038	6,774,431	560,000	550,500	1,110,500	-	-	-	7,884,931	2,602,159	5,282,772
2039	5,967,581	590,000	522,500	1,112,500	-	-	-	7,080,081	2,519,307	4,560,774
2040	4,819,906	620,000	493,000	1,113,000	-	-	-	5,932,906	2,153,348	3,779,558
2041	4,626,169	650,000	462,000	1,112,000	-	-	-	5,738,169	2,102,788	3,635,381
2042	4,245,306	685,000	429,500	1,114,500	-	-	-	5,359,806	2,010,585	3,349,221
2043	3,605,306	715,000	395,250	1,110,250	-	-	-	4,715,556	1,789,967	2,925,589
2044	2,748,050	755,000	359,500	1,114,500	-	-	-	3,862,550	1,293,553	2,568,997
2045	2,758,931	790,000	321,750	1,111,750	-	-	-	3,870,681	1,296,296	2,574,385
2046	2,750,144	830,000	282,250	1,112,250	-	-	-	3,862,394	1,293,804	2,568,590
2047	2,754,738	870,000	240,750	1,110,750	-	-	-	3,865,488	1,294,596	2,570,891
2048	2,744,625	915,000	197,250	1,112,250	-	-	-	3,856,875	1,291,690	2,565,185
2049	2,745,269	960,000	151,500	1,111,500	-	-	-	3,856,769	1,291,667	2,565,102
2050	1,605,994	1,010,000	103,500	1,113,500	-	-	-	2,719,494	836,899	1,882,594
2051	-	1,060,000	53,000	1,113,000	-	-	-	1,113,000	348,039	764,961
	\$ 148,014,060	\$ 15,350,000	\$ 12,431,278	\$ 27,781,278	\$ 1,315,000	\$ 240,665	\$ 1,555,665	\$ 177,351,002	\$ 57,928,449	\$ 119,422,554

<sup>(1)</sup> Interest calculated at an assumed rate for illustration purposes only.

<sup>(2)</sup> Interest calculated at an assumed rate for illustration purposes only.

**TAX ADEQUACY (Includes Self-Supporting Debt)<sup>(1)</sup>**

---

2025 Net Taxable Assessed Valuation		\$	2,166,579,220
Maximum Annual Debt Service Requirements for Fiscal Year Ending:	9/30/2027	\$	10,012,265
Indicated Interest and Sinking Fund Tax Rate		\$	0.4716
Indicated Interest and Sinking Fund Tax Rate at the following Collections:	98%	\$	10,013,236

**TAX ADEQUACY (Excludes Self-Supporting Debt)<sup>(1)</sup>**

---

2025 Net Taxable Assessed Valuation		\$	2,166,579,220
Maximum Annual Debt Service Requirements for Fiscal Year Ending:	9/30/2027	\$	6,902,822
Indicated Interest and Sinking Fund Tax Rate		\$	0.3252
Indicated Interest and Sinking Fund Tax Rate at the following Collections:	98%	\$	6,904,801

**INTEREST AND SINKING FUND MANAGEMENT INDEX<sup>(1)</sup>**

---

Interest and Sinking Fund Balance as of September 30, 2025 (unaudited)	\$	1,226,833
2025 Interest and Sinking Fund Tax Levy at 98% Collections Produce		5,269,073
Total Available for Debt Service	\$	6,495,906
Less: General Obligation Debt Service Requirements, Fiscal Year Ending September 30, 2026		6,140,460
Estimated Balance at Fiscal Year Ended September 30, 2026	\$	355,445

<sup>(1)</sup> Preliminary, subject to change.

**CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE****TABLE 2**

None

*Note: Taken from the City's FY 2024 Annual Financial Report and information provided by the City.*

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2021-2025****TABLE 3**

<b>Tax Year</b>	<b>Net Taxable Assessed Valuation</b>	<b>Change From Preceding Year</b>	
		<b>Amount (\$)</b>	<b>Percent</b>
2021	\$ 1,520,487,805	\$ 64,641,746	4.44%
2022	1,947,981,485	427,493,680	28.12%
2023	1,882,752,788	(65,228,697)	-3.35%
2024	2,238,564,114	355,811,326	18.90%
2025	2,166,579,220	(71,984,894)	-3.22%

*Note: The above figures were taken from the San Patricio County Appraisal District.*

**PRINCIPAL TAXPAYERS****TABLE 4**

Name	2025 Net	% of Total
	Taxable Assessed Valuation	2025 Assessed Valuation
Gray Oak Pipeline LLC	\$ 93,294,410	4.31%
Pin Oak Taft LLC	51,568,010	2.38%
Comcapp Pavilions DE LLC	38,274,555	1.77%
Centennial Palm Bluff LP	27,186,443	1.25%
Oak Manor VV LLC & Oak Manor 131 LLC	25,931,052	1.20%
Enbridge Ingleside Oil Pipeline	24,863,300	1.15%
1090 Land Road LLC et al	24,719,452	1.14%
Target Corporation	24,322,849	1.12%
177 Northshore Blvd Holdings LLC	23,773,818	1.10%
Silverfin Seagrass LLC	15,536,354	0.72%
	<hr/> \$ 349,470,243	<hr/> 16.13%

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

As shown in the table above, the total combined top ten taxpayers in the City currently account for over 16% of the City's tax base. In addition, a portion of the City's assessed valuation is comprised of industries related to oil and gas, which are subject to fluctuation in terms of market valuation and availability, and the valuation of windmills and wind farms within the State, as determined by respective appraisal districts, have been subject to litigation related to the taxable value of such property. Accordingly, the City makes no representation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes due to economic conditions resulting difficulty, the ability of the City to timely pay debt service on the Obligations will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted).

*[The remainder of this page intentionally left blank.]*

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 5**

	<b>2025</b>	<b>% of Total</b>	<b>2024</b>	<b>% of Total</b>	<b>2023</b>	<b>% of Total</b>
Real, Residential, Single-Family	\$ 1,674,961,759	63.91%	\$ 1,652,179,393	61.27%	\$ 1,492,716,330	63.64%
Real, Residential, Multi-Family	111,712,263	4.26%	195,924,447	7.27%	115,145,445	4.91%
Vacant Lots/Tracts & Colonia Lots/Tracts	29,240,342	1.12%	31,772,438	1.18%	42,096,298	1.79%
Qualified Open-Space Land	51,481,157	1.96%	60,080,349	2.23%	61,716,209	2.63%
Farm and Ranch Improvements	20,646,206	0.79%	19,797,501	0.73%	16,534,798	0.70%
Rural Land/Residential Improvements	255,849	0.01%	232,177	0.01%	179,356	0.01%
Real, Commercial	179,324,189	6.84%	221,376,844	8.21%	96,907,198	4.13%
Real, Industrial	184,675,625	7.05%	181,827,676	6.74%	187,745,787	8.00%
Real, Minerals Oil and Gas	1,118,480	0.04%	3,460,810	0.13%	4,713,590	0.20%
Real & Tangible, Personal Utilities	41,574,960	1.59%	33,287,300	1.23%	32,985,290	1.41%
Tangible Personal, Commercial	50,808,542	1.94%	47,219,743	1.75%	43,497,853	1.85%
Tangible Personal, Industrial	7,771,300	0.30%	4,291,520	0.16%	19,872,260	0.85%
Tangible Personal, Mobile Homes	4,151,798	0.16%	2,726,822	0.10%	2,657,687	0.11%
Residential Inventory	24,891,484	0.95%	10,431,608	0.39%	5,258,726	0.22%
Special Inventory	2,590,736	0.10%	2,357,982	0.09%	2,308,691	0.10%
Exempt Property	235,424,066	8.98%	229,758,025	8.52%	221,204,315	9.43%
<b>Total Appraised Value</b>	<b>\$ 2,620,628,756</b>	<b>100.00%</b>	<b>\$ 2,696,724,635</b>	<b>100.00%</b>	<b>\$ 2,345,539,833</b>	<b>100.00%</b>
Less:						
Over-65/Surviving Spouse Exemption	\$ 20,197,220		\$ 19,061,400		\$ 17,947,016	
Disabled Veteran/Surviving Spouse Exemption	3,071,080		3,014,080		2,754,080	
Disabled Veteran Homestead/Surviving Spouse Exemption	87,686,974		69,199,117		52,522,918	
Solar Wind	5,962,027		6,355,072		4,148,801	
Pollution Control	6,738,280		6,764,920		6,286,500	
Productivity Loss	50,300,260		59,043,649		60,618,051	
10% Cap Loss	49,274,126		67,476,273		97,305,364	
Other	230,819,569		227,246,010		221,204,315	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 2,166,579,220 <sup>(1)</sup></b>		<b>\$ 2,238,564,114</b>		<b>\$ 1,882,752,788</b>	

Note: The above figures were taken from the San Patricio County Appraisal District.

<sup>(1)</sup> Decrease attributable primarily to lower approved values at the time of certification for Multi-Family Residential and Commercial Real Estate.

**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 20% of delinquent 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.

<b>Tax Year</b>	<b>Net Taxable Assessed Valuation</b>	<b>Tax Rate</b>	<b>Tax Levy</b>	<b>Collections</b>		<b>Year Ended</b>
				<b>Current</b>	<b>Total</b>	
2021	\$ 1,520,487,805	\$ 0.6570	\$ 10,090,870	99.10%	104.26%	9/30/2022
2022	1,947,981,485	0.6277	12,227,480	99.17%	99.93%	9/30/2023
2023	1,882,752,788	0.6388	12,026,818	98.83%	99.06%	9/30/2024
2024	2,238,564,114	0.6745	14,907,487	99.73%	100.37%	9/30/2025
2025	2,166,579,220	0.7189	15,576,535	(In Process)		9/30/2026

Note: The above figures were taken from the San Patricio County Appraisal District, the City's 2024 ACFR, and information provided by the City.

**TAX RATE DISTRIBUTION**

**TABLE 7**

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
General Fund	\$ 0.4708	\$ 0.4424	\$ 0.4167	\$ 0.4061	\$ 0.4234
I&S Fund	0.2482	0.2321	0.2221	0.2216	0.2336
Total Tax Rate	\$ 0.7189	\$ 0.6745	\$ 0.6388	\$ 0.6277	\$ 0.6570

*Note: The above figures was taken from the San Patricio County Appraisal District.*

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

**TABLE 8**

	<b>Fiscal Year Ended September 30,</b>				
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Fund Balance-Beginning of the Year</b>	\$ 9,936,863	\$ 10,968,568	\$ 11,251,173 <sup>(1)</sup>	\$ 9,737,501	\$ 8,801,609 <sup>(1)</sup>
Revenues	\$ 17,838,573	\$ 16,289,608	\$ 16,413,076	\$ 14,653,809	\$ 13,000,844
Expenditures	20,873,043	20,263,430	17,469,219	14,749,687	13,281,183
<b>Excess (Deficit) of Revenues Over Expenditures</b>	\$ (3,034,470)	\$ (3,973,822)	\$ (1,056,143)	\$ (95,878)	\$ (280,339)
<b>Other Financing Sources &amp; (Uses):</b>					
Sale of Capital Assets	\$ 40,640	\$ 102,300	\$ -	\$ -	\$ -
Capital Lease Proceeds	-	-	-	-	-
Transfers In	2,643,570	2,993,660	2,385,000	2,114,834	1,726,867
Transfers Out	-	-	(1,611,462)	(782,109)	(447,240)
<b>Total Other Financing Sources (Uses)</b>	\$ 2,684,210	\$ 3,095,960	\$ 773,538	\$ 1,332,725	\$ 1,279,627
Extraordinary Item	\$ -	\$ -	\$ -	\$ (63,396) <sup>(2)</sup>	\$ (63,396) <sup>(2)</sup>
	-	(153,843)	-	-	-
<b>Fund Balance - Ending of the Year</b>	<b>\$ 9,586,603</b>	<b>\$ 9,936,863</b>	<b>\$ 10,968,568</b>	<b>\$ 10,910,952</b>	<b>\$ 9,737,501</b>

*Note: The above information was taken from the City's Annual Report for September 30, 2020 - September 30, 2024. As of FYE September 30, 2025, the City expects to have a fund balance of \$10,545,540, unaudited, subject to change.*

<sup>(1)</sup> Restated.

<sup>(2)</sup> Due to the Texas Comptroller's overpayment of local sales and use taxes to the City, the City has negotiated with the Texas Comptroller to repay the erroneous amount. As of September 30, 2020, the remaining liability was \$507,141.

*[The remainder of this page intentionally left blank.]*



## **OVERLAPPING DEBT DATA AND INFORMATION**

*(As of December 31, 2025)*

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

<b>Taxing Body</b>	<b>Gross Debt</b>	<b>% Overlapping</b>	<b>Amount Overlapping</b>
Gregory-Portland Independent School District	\$ 442,525,000	13.87%	\$ 61,378,218
San Patricio County	100,028,949	8.30%	8,302,403
Taft Independent School District	69,445,000	15.47%	10,743,142
Total Gross Overlapping Debt			\$ 80,423,762
Portland, City of	\$ 78,695,330 <sup>(1)</sup>	100.00%	\$ 78,695,330 <sup>(1)</sup>
Total Direct and Overlapping Debt			\$ 159,119,091 <sup>(1)</sup>
Ratio of Direct and Overlapping Debt to the 2025 Assessed Valuation			7.34%
Per Capita Direct and Overlapping Debt			\$ 6,918

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

*<sup>(1)</sup> Includes the Obligations. Preliminary, subject to change.*

## **AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

**None**

*[The remainder of this page intentionally left blank.]*

## **APPENDIX B**

### **GENERAL INFORMATION REGARDING THE ISSUER**

## GENERAL INFORMATION REGARDING THE CITY OF PORTLAND AND SAN PATRICIO COUNTY, TEXAS

**Location:** The City of Portland, Texas (the “City”) 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 2025 estimated population is 23,000.

**San Patricio County Characteristics:** San Patricio County, Texas (the “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 third largest producer of sorghum and tenth largest producing county of cotton in the state for 2016. The County’s 2025 estimated population is 71,325. The County’s seat is Sinton, Texas.

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 2022: The oil production for this County accounts for 0.01% of the total state production. The County ranks 128 out of all the counties in Texas for oil production. The gas production for this County accounts for 0.03% of the total state production. The County ranks 102 out of all the counties in Texas for gas production.

Oil Production: (Texas Railroad Commission)	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>%Change from Previous Year)</u>
	2021	Oil	160,682 BBL	-34.89
	2022	Oil	183,153 BBL	13.98
Casinghead: (Texas Railroad Commission)	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>%Change from Previous Year)</u>
	2021	Casinghead	296,269 MCF	-42.84
	2022	Casinghead	274,308 MCF	-7.41
Gas Well Production: (Texas Railroad Commission)	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>%Change from Previous Year)</u>
	2021	GW Gas	1,782,620 MCF	-46.63
	2022	GW Gas	1,916,810 MCF	7.53
Condensate: (Texas Railroad Commission)	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>%Change from Previous Year)</u>
	2021	Condensate	73,060 BBL	-29.86
	2022	Condensate	67,068 BBL	-8.20

### Labor Force Statistics:

	San Patricio County		Texas	
	May 2025	May 2024	May 2025	May 2024
Total Civilian Labor Force	32,338	31,635	15,826,370	15,501,676
Total Employment	30,795	30,115	15,194,230	14,913,510
Total Unemployment	1,543	1,520	632,140	588,166
% Unemployed	4.8%	4.8%	4.0%	3.8%

Source: Texas Labor Market Review.

**APPENDIX C**

**FORMS OF BOND COUNSEL'S OPINIONS**

March 17, 2026

**CITY OF PORTLAND, TEXAS  
COMBINATION TAX AND LIMITED PLEDGE  
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026  
DATED AS OF MARCH 1, 2026  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_**

**AS BOND COUNSEL FOR 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 general 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 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 "Pledged 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 CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation’s adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

**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 the general 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,

**March 17, 2026**

**CITY OF PORTLAND, TEXAS  
TAX NOTES, SERIES 2026  
DATED AS OF MARCH 1, 2026  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_**

**AS BOND COUNSEL FOR THE CITY OF PORTLAND, TEXAS** (the *City*) in connection with the issuance of the notes described above (the *Notes*), we have examined into the legality and validity of the Notes, which bear interest from the date specified in the text of the Notes until maturity at the rate and payable on such date, all in accordance with the terms and conditions stated in the text of the Notes.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and general 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 Notes, including (i) the ordinance authorizing the issuance of the Notes (the *Ordinance*), (ii) the executed Note (*Note 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 Notes have been authorized, issued and delivered in accordance with law; that the Notes constitute valid and legally binding general obligations of the City in accordance with their terms 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; that the City has the legal authority to issue the Notes and to repay the Notes; and that the Notes are payable from the levy of a direct and continuing annual ad valorem tax, within the limitations prescribed by law, against all taxable property in the City, as provided in the Ordinance.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Notes 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 Notes are not "specified private activity bonds" and that, accordingly, interest on the Notes 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 Notes 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 Notes may become includable in gross income retroactively to the date of issuance of the Notes.





**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 Notes, including the amount, accrual or receipt of interest on, the Notes. Owners of the Notes should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Notes.

**WE CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Notes, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

**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 Notes. 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 Notes as includable in gross income for federal income tax purposes.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Notes 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 Notes under the Constitution and general laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Notes 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 Notes and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Notes, 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.

Respectfully,

## **APPENDIX D**

### **EXCERPTS FROM THE CITY OF PORTLAND, TEXAS ANNUAL FINANCIAL REPORT For the Year Ended September 30, 2024**

The information contained in this APPENDIX consists of excerpts from the City of Portland, Texas Annual Financial Report for the Year Ended September 30, 2024, 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.

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of Financial Statements

#### *Opinions*

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, Texas (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 as of September 30, 2024, 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.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, General Fund Budgetary Comparison Information, and the Texas Municipal Retirement System Net Pension Liability and Other Postemployment Benefits Liability required schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2025, on our consideration of the City'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's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas  
March 18, 2025



# CITY OF PORTLAND, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

September 30, 2024

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 letter of transmittal and the City's financial statements.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2024, by \$82,383,548 (net position). Of this amount, \$12,683,716 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position, after restatement, increased by \$5,803,507 in FY 2024.
- As of September 30, 2024, the City's governmental funds reported combined fund balances of \$28,638,309, an increase of 34% in comparison with the prior year. Approximately \$9.2 million of the combined balances is available for spending at the government's discretion (unassigned fund balance). Approximately 1% is non-spendable (inventory and prepaid items), 48% is legally restricted to specific purposes because of the source of the funds, 1% is committed to various specific purposes, and 18% is assigned to Cultural and Recreational and other purposes.
- The City's major utility, the Water & Sewer Fund, reported a total net position of \$27,588,132. This represents a 26% decrease over the prior year.
- The City's total long-term debt obligations increased by \$18,706,699 (25%) during the current fiscal year. The changes include the issuance of \$22,230,000 in General Obligation Bonds.

### 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 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 19-21 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 the funds of the City of Portland can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. 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 twenty-one 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, the Debt Service Fund, and the Capital Improvements Fund, which are considered major funds. Data from the other eighteen 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 22-25 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.

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 27-28 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 on the financial statements can be found on pages 33-71 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 of resources by \$82,383,548 at the close of the most recent fiscal year. By far the largest portion of the City's net position, \$64,520,727 or 78%, 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 (\$5,179,105 or 6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance, or unrestricted net position, of \$12,683,716 or 14%, 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 \$5,064,272 (8%) from the prior fiscal year (see Table 1).

**TABLE 1**  
**NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Assets</b>						
Current and other assets	\$ 34,022,948	\$ 26,102,960	\$ 13,950,319	\$ 13,892,483	\$ 47,973,267	\$ 39,995,443
Capital assets, net of depreciation	97,457,260	90,079,477	49,442,608	39,359,795	146,899,868	129,439,272
Total assets	131,480,208	116,182,437	63,392,927	53,252,278	194,873,135	169,434,715
Deferred outflows of resources	3,207,015	4,369,095	723,150	553,830	3,930,165	4,922,925
<b>Liabilities</b>						
Current and due within one year	8,984,698	8,648,011	4,078,734	3,538,316	13,063,432	12,186,327
Due in more than one year	76,514,832	77,170,154	25,939,598	7,582,076	102,454,430	84,752,230
Total liabilities	85,499,530	85,818,165	30,018,332	11,120,392	115,517,862	96,938,557
Deferred inflows of resources	657,992	646,612	243,898	192,430	901,890	839,042
<b>Net position:</b>						
Net investment in capital assets	36,513,125	23,383,637	28,007,602	32,364,043	64,520,727	55,747,680
Restricted for:						
Debt service	1,190,554	522,449	75,690	75,690	1,266,244	598,139
Federal and state programs	243,211	2,900,774	-	-	243,211	2,900,774
Other	3,669,650	2,542,960	-	-	3,669,650	2,542,960
Unrestricted	6,913,161	4,736,935	5,770,555	10,053,553	12,683,716	14,790,488
Total net position	\$ 48,529,701	\$ 34,086,755	\$ 33,853,847	\$ 42,493,286	\$ 82,383,548	\$ 76,580,041

## Governmental Activities

### Revenues:

- For fiscal year 2024, the program revenues from governmental activities for fees, fines and charges for service totaled \$3,972,499 an increase of 24.37% from the prior year.
- The other governmental activity program revenues, grants, and contributions, increased by \$1,136,028 in 2024. This is due to FEMA and TPWD grant funding received in fiscal year 2024 and not in fiscal year 2023.
- Property tax collections totaled \$13,776,154, an increase of 11.31% from the prior year. Portland's property tax base continues to grow yearly, along with effective efforts to collect delinquent taxes.
- Other taxes collected by the City decreased by \$73,400 or 0.01%, these include Sales Tax, Hotel Occupancy Tax and Franchise Tax. Portland's economic development has seen an increase in retail and food services. Further, Portland's sports fields, special events, and unique parks continue to attract overnight visitors.

### Expenses:

- For fiscal year, 2024 governmental expenses totaled \$29,188,446 a decrease of \$129,238 over the prior year. Public Works expenses increased by \$1,126,942, primarily due to an increase in personnel and salary expenses.

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

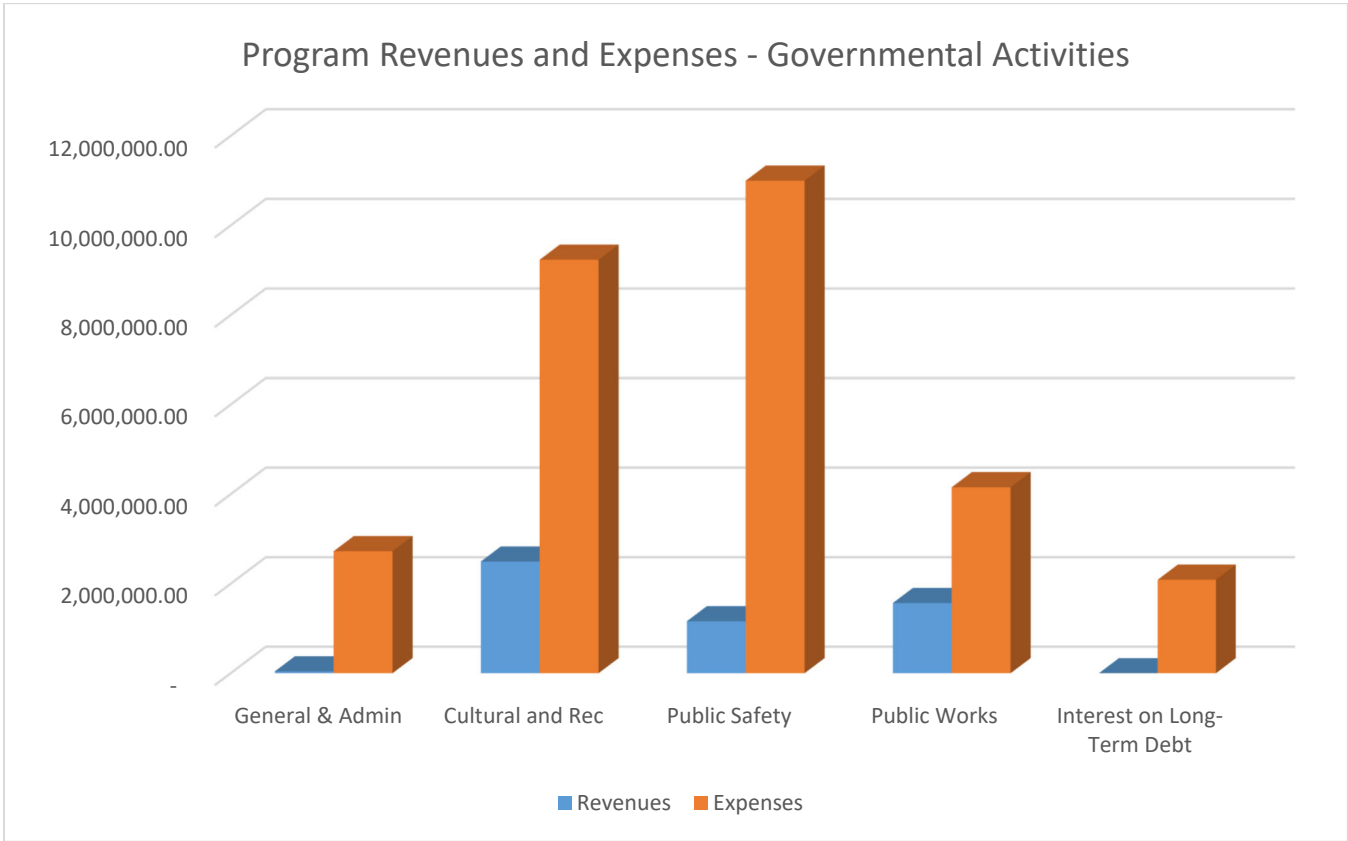
**TABLE 2**  
**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Fees, fines and charges for services	\$ 3,972,499	\$ 3,194,137	\$ 13,307,012	\$ 12,203,823	\$ 17,279,511	\$ 15,397,960
Operating grants and contributions	1,298,371	162,343	-	-	1,298,371	162,343
Total program revenues	<u>5,270,870</u>	<u>3,356,480</u>	<u>13,307,012</u>	<u>12,203,823</u>	<u>18,577,882</u>	<u>15,560,303</u>
General revenues:						
Property taxes	13,776,154	12,376,042	-	-	13,776,154	12,376,042
Sales taxes	7,371,185	7,625,101	-	-	7,371,185	7,625,101
Franchise fees	1,547,963	1,517,539	-	-	1,547,963	1,517,539
Hotel/motel taxes	1,330,103	1,180,011	-	-	1,330,103	1,180,011
Grants	-	-	-	-	-	-
Investment earnings	1,942,026	1,425,487	144,349	113,259	2,086,375	1,538,746
Miscellaneous	971,193	187,610	77,293	32,404	1,048,486	220,014
Gain (loss) on sale of assets	40,640	82,073	-	(19,395)	62,678	62,678
Total revenues	<u>32,250,134</u>	<u>27,750,343</u>	<u>13,528,654</u>	<u>12,330,091</u>	<u>45,800,826</u>	<u>40,080,434</u>
Expenses:						
General government and admin.	2,655,287	3,581,945	-	-	2,655,287	3,581,945
Culture and recreational	9,329,203	9,676,946	-	-	9,329,203	9,676,946
Public safety	10,957,676	10,613,085	-	-	10,957,676	10,613,085
Public works	4,155,166	3,028,224	-	-	4,155,166	3,028,224
Interest on long-term debt	2,091,114	2,417,484	-	-	2,091,114	2,417,484
Water and sewer	-	-	11,225,951	8,024,283	11,225,951	8,024,283
Drainage	-	-	300,119	354,108	300,119	354,108
Total expenses	<u>29,188,446</u>	<u>29,317,684</u>	<u>11,526,070</u>	<u>8,378,391</u>	<u>40,714,516</u>	<u>37,696,075</u>
Increase (decrease) in net position before transfers	3,061,688	(1,567,341)	2,002,584	3,951,700	5,064,272	2,384,359
Transfers	<u>1,662,654</u>	<u>(6,144,157)</u>	<u>(1,662,654)</u>	<u>6,144,157</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	4,724,342	(7,711,498)	339,930	10,095,857	5,064,272	2,384,359
Beginning net position	34,086,755	42,546,613	42,493,286	32,569,039	76,580,041	75,115,652
Restatement of net position	<u>9,718,604</u>	<u>(748,360)</u>	<u>(8,979,369)</u>	<u>(171,610)</u>	<u>739,235</u>	<u>(919,970)</u>
Ending net position	<u>\$ 48,529,701</u>	<u>\$ 34,086,755</u>	<u>\$ 33,853,847</u>	<u>\$ 42,493,286</u>	<u>\$ 82,383,548</u>	<u>\$ 76,580,041</u>

The table illustrates governmental activities, both revenues and expenses, as found in the Government-Wide Statement of Activities on pages 20-21. 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 2024, revenues from taxes, investments and miscellaneous sources are used to offset this \$23.9 million deficit between expenses and program revenues in the governmental activities.

Table 3 below illustrates a comparison of governmental activity revenues and expenses.

**TABLE 3**  
**PROGRAM REVENUES AND EXPENSES-GOVERNMENTAL ACTIVITIES**

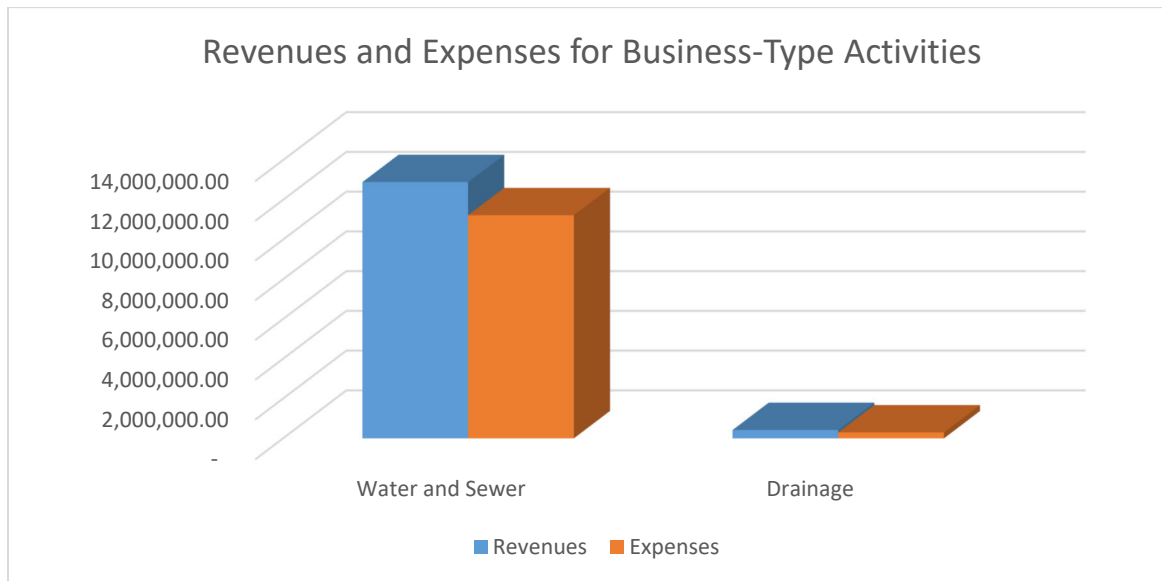


A look at the City’s business-type activities, as seen in Table 4 below, shows a different revenue and expense picture. Business-type activities provide services for a fee, or charge, and are operated in such a manner that the fees for services are established to provide for current operations, debt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

**Business-type Activities.** As shown in the Government-Wide Statement of Activities on pages 20-21, program revenues of the City’s business-type activities were \$13,307,012 for the fiscal year ended September 30, 2024. Expenses for those same activities totaled \$11,526,070 resulting in net revenues of \$1,780,942 from operations. After the non-program revenues and transfers out are added in, the total change in net position, after restatement, for the business-type activities was a decrease of \$8,639,439. This is a decrease of 20.33% in net position in the business-type activities.

The amount of unrestricted net position available for the purpose of meeting operating needs is \$5,770,555. The total business-type unrestricted net position represents 17% of total net position in this area. The City is located on the Gulf of Mexico and subject to the effects of hurricanes; this level of unrestricted net position provides assurance of the City’s ability to continue operation in the event of a natural disaster.

**TABLE 4**  
**REVENUES AND EXPENSES - BUSINESS-TYPE ACTIVITIES**



## 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 \$28,638,309, an increase of 34% compared to the prior year.

Nonspendable (inventory and prepaid expenses)	\$ 366,850
Restricted (constrained by external agreements)	13,739,511
Committed (purpose/use set by City Council)	258,037
Assigned (special revenues not otherwise designated)	5,087,842
Unassigned (remainder of general fund balance)	<u>9,186,069</u>
 Total governmental fund balance	 <u><u>\$ 28,638,309</u></u>

The General Fund is the chief operating fund of the City. As shown, the unassigned (and therefore available-for-any-governmental-purpose) fund balance of the General Fund is \$9,186,069. This amount is equivalent to 161 days' full-service operations (total 2023-2024 operating costs of \$20,873,043 divided by 365 days, yields daily operating cost of \$57,186). City financial policies always require a minimum of 90 days operating reserve on hand 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 and the Venue Sales Tax Fund. The Community Center Complex Development Fund and the Venue Sales Tax Fund 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 \$13,739,511 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 by external authorities. The Restricted Fund Balances include \$7,833,599 for Capital Improvements, the majority these monies will be used for construction projects; \$3,971,063 restricted for Street Improvements; \$1,190,554 restricted for debt service on long-term debt; \$78,422 restricted for Hotel Occupancy Tax revenue purposes; and \$78,155 restricted for law enforcement purposes.

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

**Proprietary Funds.** The proprietary funds completed fiscal year ended 2024 with combined net position totaling \$33,853,847. The proprietary funds include the Water and Sewer System Fund and the Drainage Utility Fund. The net position for the Water and Sewer Fund as of September 30, 2024, equals \$27,588,132 and the Drainage Fund equals \$6,265,715.

The Water and Sewer System Utility is an essential service provided by the City, 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 2024 resulted in an unrestricted net position of \$5,427,223 which is sufficient to finance 188 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 ensures 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 2024 totaled \$6,265,715.

### **General Fund Budgetary Highlights**

**Final budget compared to actual results.** For fiscal year 2024, General fund actual expenditures on a budgetary basis were \$20,873,043 compared to the final budget of \$20,893,028.

Actual revenues for the General Fund (including transfers) on a budgetary basis were \$17,838,573 compared to the final budget of \$17,614,941. This positive variance is due to increases in investment income.

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 2024's ad valorem tax rate was \$0.638789 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 Fund and the Type B Economic Development Fund. The cost of services provided to the Water and Sewer Fund by General Fund departments is netted against the cost of water and sewer services provided to General Fund. This calculation is the basis of the inter-fund transfers that appear in the financial reports.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The City of Portland's investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounts to \$146,899,868 (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 \$17,460,596 or 13.49%.

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 projects and improvements in 2024:

- City Hall Improvements
- Old Town Improvements
- Street Improvements - Phase 11
- Stark Road Widening
- Lang Widening
- Sidewalk Improvements
- Violet Andrews Park Expansion
- Memorial Hike & Bike Phase 2
- Gateway Signs
- Healthcare Campus Infrastructure
- Sunset Hike & Bike
- Water tank rehabilitation
- WWTP improvements
- Utility line replacement - phase 2
- Water Meter Replacement
- Highway 181 Wastewater Reroute
- Old Town Wastewater Improvements
- WWTP sludge press/WWTP rehab

For a more detailed discussion of the City's capital assets, turn to Note 4 in the Notes to these Financial Statements.

**TABLE 5**  
**CAPITAL ASSETS –**  
**NET OF ACCUMULATED DEPRECIATION**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 4,914,027	\$ 4,563,724	\$ 170,921	\$ 170,921	\$ 5,084,948	\$ 4,734,645
Buildings	44,074,957	43,840,829	4,679,995	538,141	48,754,952	44,378,970
Vehicles	2,735,271	2,718,376	394,122	-	3,129,393	2,718,376
Equipment	1,581,659	1,032,486	864,645	1,139,789	2,446,304	2,172,275
Infrastructure	18,399,374	16,350,552	31,014,000	29,443,352	49,413,374	45,793,904
Intangibles	-	-	367,177	367,177	367,177	367,177
Construction in progress	25,751,972	21,573,510	11,951,748	8,439,650	37,703,720	30,013,160
Total	<u>\$ 97,457,260</u>	<u>\$ 90,079,477</u>	<u>\$ 49,442,608</u>	<u>\$ 40,099,030</u>	<u>\$ 146,899,868</u>	<u>\$ 130,178,507</u>

**Debt.** At year-end, the City had \$89 million in bonds and notes outstanding as compared to \$71 million at the end of the prior fiscal year. New debt issued for fiscal year 2024 totaled \$22,230,000.

The City's underlying rating on General Obligation debt is a "AA" by Standard & Poor's. The City's underlying rating on the Utility System is "AA-". The City's underlying rating for debt secured by its sales tax revenues is "A-". For one of the utility system revenue-backed series of bonds and on the sales tax supported bond issuances, the City purchased bond insurance to enhance the rating for increased marketability.

Extensive discussion of the City's Long-term debt and liabilities can be found in Note 5 of the Notes to the Basic Financial Statements on pages 51-54 of this report.

**Other long-term liabilities.** Other long-term obligations include pension liabilities, compensated absences, OPEB obligations, and an extraordinary item.

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

The City of Portland's positive economic outlook continues in FY 2024-2025. Nonetheless, the City takes a conservative approach when preparing the budget. The City continues to experience record 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. Most significant is that capital outlays must be made ahead of potential revenues from growth. These outlays require ad valorem and sales taxes support and this place added financial demand on the City's resources.

In 2023-2024, growth in Portland continued at a 2.0%-2.5% growth rate. We added over \$ 77,738,565 million in taxable value, primarily from the construction of new homes and commercial developments. Our 5-year economic outlook continues to be optimistic. Applying a conservative 2.0% growth rate, our population is projected to top 25,000 by 2025.

Ongoing industrial development in San Patricio County drives the regional economy and contributes to Portland's continued growth. Cheniere Energy, originally permitted for a \$14B, three train Liquid Natural Gas (LNG) facility, began production with two process trains in 2019. Two additional trains were constructed in 2020 and three more are under construction with a planned commissioning in early 2026. Gulf Coast Growth Ventures (ExxonMobil and SABIC) have been operating the world's largest steam cracker plant producing ethylene glycol and polyethylene since 2021. Employment is stable at 600 permanent jobs.

The Port of Corpus Christi continues its efforts to expand economic development in San Patricio County. The Port recently completed a deepening of the Corpus Christi ship channel to 54 feet, making Corpus Christi the first in the nation to accommodate Very Large Crude Carriers (VLCC) ships. As of 2024, the Port of Corpus Christi was the third largest port in the United States in total tonnage and the number one port for crude oil exports.

Over the past ten years, over \$37B has been invested in industrial development in San Patricio County with another \$13B invested in adjacent Nueces County. This growth is predicted to continue through 2040. All things considered, Portland will continue to see gains in population and its economy as commercial and industrial development occurs around the City.

By constantly focusing on the City's unique local assets and strengths – including strong financial management, clean, safe neighborhoods and quality City services – the City Council and City Management will continue to keep 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.



## **BASIC FINANCIAL STATEMENTS**



**CITY OF PORTLAND, TEXAS**

**STATEMENT OF NET POSITION**

**September 30, 2024**

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 30,851,231	\$ 11,213,127	\$ 42,064,358
Receivables (net of allowance)	1,378,711	2,425,447	3,804,158
Due from other governments	1,426,156	-	1,426,156
Inventory	40,410	206,040	246,450
Prepaid items	326,440	105,705	432,145
Capital assets			
Land	4,914,027	170,921	5,084,948
Intangibles	534,971	367,177	902,148
Buildings and improvements	63,717,585	5,065,095	68,782,680
Vehicles	6,406,852	713,683	7,120,535
Furniture and equipment	5,339,355	3,924,918	9,264,273
Water and sewer system	-	42,792,901	42,792,901
Infrastructure	58,976,640	6,419,095	65,395,735
Construction in progress	25,751,972	11,951,748	37,703,720
Accumulated depreciation	(68,184,142)	(21,962,930)	(90,147,072)
Total assets	131,480,208	63,392,927	194,873,135
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	2,809,045	633,412	3,442,457
Deferred outflows related to OPEB	397,970	89,738	487,708
Total deferred outflows of resources	3,207,015	723,150	3,930,165
<b>LIABILITIES</b>			
Accounts payable	4,340,976	1,860,688	6,201,664
Accrued liabilities	415,067	58,212	473,279
Accrued interest	239,116	143,080	382,196
Deposits	249,179	890,442	1,139,621
Due within one year:			
Accrued compensated absences	227,405	9,267	236,672
Long-term debt	3,769,512	1,211,914	4,981,426
Other postemployment benefits	491,355	110,796	602,151
Net pension liability	1,954,271	440,669	2,394,940
Due beyond one year:			
Accrued compensated absences	682,213	27,799	710,012
Long-term debt	65,793,557	23,611,072	89,404,629
Other postemployment benefits	1,474,067	332,387	1,806,454
Net pension liability	5,862,812	1,322,006	7,184,818
Total liabilities	85,499,530	30,018,332	115,517,862
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on refunding	-	95,528	95,528
Deferred inflows related to pension	192,435	43,392	235,827
Deferred inflows related to OPEB	465,557	104,978	570,535
Total deferred inflows of resources	657,992	243,898	901,890
<b>NET POSITION</b>			
Net investment in capital assets	36,513,125	28,007,602	64,520,727
Restricted for:			
Debt service	1,190,554	75,690	1,266,244
Federal and state programs	243,211	-	243,211
Other	3,669,650	-	3,669,650
Unrestricted	6,913,161	5,770,555	12,683,716
Total net position	\$ 48,529,701	\$ 33,853,847	\$ 82,383,548

The accompanying notes are an integral part of these financial statements.

# CITY OF PORTLAND, TEXAS

## STATEMENT OF ACTIVITIES

For the year ended September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government and admin	\$ 2,655,287	\$ 41,839	\$ -	\$ -
Cultural and recreational	9,329,203	1,855,918	640,441	-
Public safety	10,957,676	1,117,610	44,779	-
Public works	4,155,166	957,132	613,151	-
Interest on long-term debt and other fiscal charges	<u>2,091,114</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>29,188,446</u>	<u>3,972,499</u>	<u>1,298,371</u>	<u>-</u>
Business-type activities:				
Water and sewer	11,225,951	12,891,867	-	-
Drainage	<u>300,119</u>	<u>415,145</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>11,526,070</u>	<u>13,307,012</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 40,714,516</u>	<u>\$ 17,279,511</u>	<u>\$ 1,298,371</u>	<u>\$ -</u>

### General revenues:

#### Taxes:

Property taxes, levied for general purposes

Sales taxes

Franchise taxes

Hotel/motel taxes

Investment earnings

Miscellaneous

Gain (loss) on sale of assets

#### Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Restatement of net position

Net position - ending

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental	Business-Type	
Activities	Activities	Total
\$ (2,613,448)	\$ -	\$ (2,613,448)
(6,832,844)	-	(6,832,844)
(9,795,287)	-	(9,795,287)
(2,584,883)	-	(2,584,883)
<u>(2,091,114)</u>	<u>-</u>	<u>(2,091,114)</u>
<u>(23,917,576)</u>	<u>-</u>	<u>(23,917,576)</u>
-	1,665,916	1,665,916
<u>-</u>	<u>115,026</u>	<u>115,026</u>
-	1,780,942	1,780,942
<u>(23,917,576)</u>	<u>1,780,942</u>	<u>(22,136,634)</u>
13,776,154	-	13,776,154
7,371,185	-	7,371,185
1,547,963	-	1,547,963
1,330,103	-	1,330,103
1,942,026	144,349	2,086,375
971,193	77,293	1,048,486
40,640	-	40,640
<u>1,662,654</u>	<u>(1,662,654)</u>	<u>-</u>
<u>28,641,918</u>	<u>(1,441,012)</u>	<u>27,200,906</u>
4,724,342	339,930	5,064,272
34,086,755	42,493,286	76,580,041
<u>9,718,604</u>	<u>(8,979,369)</u>	<u>739,235</u>
<u>\$ 48,529,701</u>	<u>\$ 33,853,847</u>	<u>\$ 82,383,548</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF PORTLAND, TEXAS

## BALANCE SHEET – GOVERNMENTAL FUNDS

**September 30, 2024**

	Major Funds			Other	Total
	General	Debt	Capital	Governmental	Governmental
	Fund	Service	Improvements	Funds	Funds
		Fund	Fund		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,887,872	\$ 1,179,306	\$ 9,611,730	\$ 10,172,323	\$ 30,851,231
Receivables, net	922,345	138,409	41,377	276,580	1,378,711
Due from other funds	150,190	-	429,179	35,168	614,537
Due from other governments	724,288	-	-	701,868	1,426,156
Inventory	40,410	-	-	-	40,410
Prepaid items	102,087	-	-	224,353	326,440
Total assets	<u>\$ 11,827,192</u>	<u>\$ 1,317,715</u>	<u>\$ 10,082,286</u>	<u>\$ 11,410,292</u>	<u>\$ 34,637,485</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,328,830	\$ -	\$ 2,248,687	\$ 763,459	\$ 4,340,976
Accrued liabilities	375,156	-	-	39,911	415,067
Deposits	249,179	-	-	-	249,179
Due to other funds	35,168	-	-	579,369	614,537
Total liabilities	<u>1,988,333</u>	<u>-</u>	<u>2,248,687</u>	<u>1,382,739</u>	<u>5,619,759</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	252,256	127,161	-	-	379,417
Total deferred inflows of resources	<u>252,256</u>	<u>127,161</u>	<u>-</u>	<u>-</u>	<u>379,417</u>
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Inventory	40,410	-	-	-	40,410
Prepays	102,087	-	-	224,353	326,440
<b>Restricted</b>					
Law enforcement	-	-	-	78,155	78,155
Debt service	-	1,190,554	-	-	1,190,554
Municipal technology fees	-	-	-	46,544	46,544
Building security fund	-	-	-	130,335	130,335
Cable franchise P.E.G.	-	-	-	32,698	32,698
Hotel occupancy tax reserve	-	-	-	78,422	78,422
Capital improvements	-	-	7,833,599	-	7,833,599
Street improvement	-	-	-	3,971,063	3,971,063
Grants	-	-	-	243,211	243,211
Storm damage repairs	-	-	-	122,231	122,231
Disaster relief	-	-	-	5,000	5,000
Police explorer fund	-	-	-	4,932	4,932
COVID response	-	-	-	2,767	2,767
<b>Committed</b>					
Parks	92,542	-	-	-	92,542
Fire trucks/equipment	165,495	-	-	-	165,495
<b>Assigned</b>					
Cultural and recreational	-	-	-	5,087,842	5,087,842
Unassigned	9,186,069	-	-	-	9,186,069
Total fund balances	<u>9,586,603</u>	<u>1,190,554</u>	<u>7,833,599</u>	<u>10,027,553</u>	<u>28,638,309</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,827,192</u>	<u>\$ 1,317,715</u>	<u>\$ 10,082,286</u>	<u>\$ 11,410,292</u>	<u>\$ 34,637,485</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF PORTLAND, TEXAS**

**RECONCILIATION OF BALANCE SHEET-  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

**September 30, 2024**

Total fund balances - governmental funds	\$ 28,638,309
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	97,457,260
Some revenues will not be collected within 60 days after the close of the City's fiscal year end and are not considered "available" revenue in the governmental funds. In the statement of net position, presented on the full accrual basis, these revenues are recognized.	379,417
Deferred outflow of resources related to OPEB earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	397,970
Deferred inflow of resources related to OPEB earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	(465,557)
Long-term liabilities, including total OPEB liability, net pension liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bond payable	(65,756,602)
Bond premiums	(3,806,467)
Accrued interest on bonds	(239,116)
Deferred charge for refunding	
Deferred outflow related to pensions	2,809,045
Deferred inflow related to pensions	(192,435)
Compensated absences	(909,618)
Other postemployment benefits liability	(1,965,422)
Net pension liability	<u>(7,817,083)</u>
Net position of governmental activities	<u>\$ 48,529,701</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PORTLAND, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**

**For the year ended September 30, 2024**

	General Fund	Debt Service Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 14,146,830	\$ 4,753,025	\$ -	\$ 4,984,182	\$ 23,884,037
Licenses and permits	896,628	-	-	-	896,628
Intergovernmental	-	-	-	47,092	47,092
Charges for services	1,685,092	-	-	873,485	2,558,577
Fines and forfeitures	233,897	-	-	50,670	284,567
Investment income	475,122	105,994	381,517	979,392	1,942,025
Contributions	22,933	-	-	632,326	655,259
Oil leases and royalties	15,566	-	-	-	15,566
Grants	-	-	351,359	265,158	616,517
Other	362,505	5,039	753,970	80,972	1,202,486
Total revenues	<u>17,838,573</u>	<u>4,864,058</u>	<u>1,486,846</u>	<u>7,913,277</u>	<u>32,102,754</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government	2,714,396	-	-	-	2,714,396
Public safety	10,498,906	-	-	59,800	10,558,706
Public works	3,062,011	-	-	-	3,062,011
Cultural and recreational	3,235,818	-	-	4,040,904	7,276,722
<b>Debt service:</b>					
Principal retirement	-	3,085,979	-	355,000	3,440,979
Interest and fiscal charges	-	2,026,129	158,690	133,911	2,318,730
Capital outlay	<u>1,361,912</u>	<u>-</u>	<u>8,051,358</u>	<u>1,950,021</u>	<u>11,363,291</u>
Total expenditures	<u>20,873,043</u>	<u>5,112,108</u>	<u>8,210,048</u>	<u>6,539,636</u>	<u>40,734,835</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>(3,034,470)</u>	<u>(248,050)</u>	<u>(6,723,202)</u>	<u>1,373,641</u>	<u>(8,632,081)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,643,570	611,103	17,436	429,179	3,701,288
Transfers out	-	-	(263,570)	(1,775,064)	(2,038,634)
Sale of capital assets	40,640	-	-	-	40,640
Issuance of debt	-	-	11,448,927	1,908,155	13,357,082
Bond premium	-	-	709,763	118,294	828,057
Total other financing sources (uses)	<u>2,684,210</u>	<u>611,103</u>	<u>11,912,556</u>	<u>680,564</u>	<u>15,888,433</u>
Net change in fund balance	(350,260)	363,053	5,189,354	2,054,205	7,256,352
<b>FUND BALANCES</b>					
Fund balances - beginning	<u>9,936,863</u>	<u>827,501</u>	<u>2,644,245</u>	<u>7,973,348</u>	<u>21,381,957</u>
Fund balances - ending	<u>\$ 9,586,603</u>	<u>\$ 1,190,554</u>	<u>\$ 7,833,599</u>	<u>\$ 10,027,553</u>	<u>\$ 28,638,309</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PORTLAND, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2024**

Net change in fund balances - total governmental funds \$ 7,256,352

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current year, the City reported the following amounts for capital asset

Capital asset additions	\$ 11,363,291	
Depreciation expense	<u>(3,985,508)</u>	
		7,377,783

The issuance of long-term debt (i.e., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of the governmental funds. Neither transaction, however, has an effect on net position. Also, governmental funds immediately report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities.

Principal payments on long-term debt	3,697,536	
Change in accrued interest payable, including leases	(28,941)	
Changes in pension and related items	348,430	
Changes in OPEB and related items	109,165	
Issuance of long-term debt	(14,185,139)	
Due to state	<u>126,765</u>	
		(9,932,184)

Some revenues and expenses reported in the government-wide statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues in governmental funds.

Changes in compensated absences	(84,349)	
Changes in unavailable revenues	<u>106,740</u>	
		22,391

Change in net position of governmental activities \$ 4,724,342

The accompanying notes are an integral part of these financial statements.



**CITY OF PORTLAND, TEXAS**

**STATEMENT OF NET POSITION –**  
**PROPRIETARY FUNDS**

**September 30, 2024**

	Business-Type Activities Enterprise Funds		
	Major Funds		Total
	Water and Sewer Fund	Drainage Fund	Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 10,819,499	\$ 393,628	\$ 11,213,127
Accounts receivable, net	2,389,164	36,283	2,425,447
Inventory	206,040	-	206,040
Prepaid items	105,705	-	105,705
Due from other funds	213	-	213
Total current assets	<u>13,520,621</u>	<u>429,911</u>	<u>13,950,532</u>
Noncurrent assets:			
Intangibles	-	367,177	367,177
Property and equipment, net	<u>40,904,093</u>	<u>8,171,338</u>	<u>49,075,431</u>
Total noncurrent assets	<u>40,904,093</u>	<u>8,538,515</u>	<u>49,442,608</u>
Total assets	<u>54,424,714</u>	<u>8,968,426</u>	<u>63,393,140</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	633,412	-	633,412
Deferred outflows related to OPEB	<u>89,738</u>	<u>-</u>	<u>89,738</u>
Total deferred outflows of resources	<u>723,150</u>	<u>-</u>	<u>723,150</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,792,476	68,212	1,860,688
Accrued liabilities	58,212	-	58,212
Due to other funds	213	-	213
Current portion of long-term debt	1,141,600	70,315	1,211,915
Accrued compensated absences	9,267	-	9,267
Total OPEB liability	110,796	-	110,796
Net pension liability	440,669	-	440,669
Accrued interest	124,713	18,367	143,080
Deposits	<u>890,442</u>	<u>-</u>	<u>890,442</u>
Total current liabilities	<u>4,568,388</u>	<u>156,894</u>	<u>4,725,282</u>
Non-current liabilities:			
Revenue bonds	21,065,254	2,545,817	23,611,071
Accrued compensated absences	27,799	-	27,799
Total OPEB liability	332,387	-	332,387
Net pension liability	<u>1,322,006</u>	<u>-</u>	<u>1,322,006</u>
Total noncurrent liabilities	<u>22,747,446</u>	<u>2,545,817</u>	<u>25,293,263</u>
Total liabilities	<u>27,315,834</u>	<u>2,702,711</u>	<u>30,018,545</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on refunding	95,528	-	95,528
Deferred inflows related to pensions	43,392	-	43,392
Deferred inflows related to OPEB	<u>104,978</u>	<u>-</u>	<u>104,978</u>
Total deferred inflows of resources	<u>243,898</u>	<u>-</u>	<u>243,898</u>
<b>NET POSITION</b>			
Net investment in capital assets	22,085,219	5,922,383	28,007,602
Restricted for:			
Debt service	75,690	-	75,690
Unrestricted	<u>5,427,223</u>	<u>343,332</u>	<u>5,770,555</u>
Total net position	<u>\$ 27,588,132</u>	<u>\$ 6,265,715</u>	<u>\$ 33,853,847</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PORTLAND, TEXAS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –  
PROPRIETARY FUNDS**

**For the year ended September 30, 2024**

	Business-Type Activities Enterprise Funds		
	Major Funds		Total
	Water and Sewer Fund	Drainage Fund	Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 12,861,569	\$ 384,149	\$ 13,245,718
Miscellaneous	30,298	30,996	61,294
Total operating revenues	<u>12,891,867</u>	<u>415,145</u>	<u>13,307,012</u>
OPERATING EXPENSES			
Personnel services	4,176,882	-	4,176,882
Maintenance	950,505	-	950,505
Purchase of water	2,570,375	-	2,570,375
Contract payments	816,794	8,289	825,083
Materials and supplies	521,376	-	521,376
Utilities	392,713	-	392,713
Depreciation	1,104,270	243,257	1,347,527
Total operating expenses	<u>10,532,915</u>	<u>251,546</u>	<u>10,784,461</u>
Operating income (loss)	<u>2,358,952</u>	<u>163,599</u>	<u>2,522,551</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	143,840	509	144,349
Intergovernmental revenue	-	77,293	77,293
Interest and fiscal charges	<u>(693,036)</u>	<u>(48,573)</u>	<u>(741,609)</u>
Total nonoperating revenues (expenses)	<u>(549,196)</u>	<u>29,229</u>	<u>(519,967)</u>
Income (loss) before transfers	<u>1,809,756</u>	<u>192,828</u>	<u>2,002,584</u>
Transfers in	-	1,711,340	1,711,340
Transfers out	<u>(3,373,994)</u>	<u>-</u>	<u>(3,373,994)</u>
Change in net position	<u>(1,564,238)</u>	<u>1,904,168</u>	<u>339,930</u>
NET POSITION			
Net position - beginning	37,434,190	5,059,096	42,493,286
Restatement of beginning net position	<u>(8,281,820)</u>	<u>(697,549)</u>	<u>(8,979,369)</u>
Net position - beginning, as restated	<u>29,152,370</u>	<u>4,361,547</u>	<u>33,513,917</u>
Net position - ending	<u>\$ 27,588,132</u>	<u>\$ 6,265,715</u>	<u>\$ 33,853,847</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF PORTLAND, TEXAS

## STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

**For the year ended September 30, 2024**

	Business-Type Activities Enterprise Funds		
	Major Funds		Total Enterprise Funds
	Water and Sewer Fund	Drainage Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers for sales and services	\$ 12,824,420	\$ 439,740	\$ 13,264,160
Cash payments to employees	(3,529,992)	-	(3,529,992)
Cash payments to suppliers for goods and services	(5,161,469)	19,957	(5,141,512)
Net cash provided (used) by operating activities	<u>4,132,959</u>	<u>459,697</u>	<u>4,592,656</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	(3,373,994)	1,711,340	(1,662,654)
Grant proceeds	-	77,293	77,293
Net cash provided by (used in) noncapital financing activities	<u>(3,373,994)</u>	<u>1,788,633</u>	<u>(1,585,361)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES			
Acquisition of capital assets	(6,557,564)	(4,133,541)	(10,691,105)
Issuance of bonds	7,346,395	1,600,000	8,946,395
Principal paid on bonds payable	(693,549)	(145,598)	(839,147)
Interest paid on long-term debt and lease liabilities	<u>(505,504)</u>	<u>(14,220)</u>	<u>(519,724)</u>
Net cash provided (used in) capital and related financing activities	<u>(410,222)</u>	<u>(2,693,359)</u>	<u>(3,103,581)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>143,840</u>	<u>509</u>	<u>144,349</u>
Net cash provided by (used in) investing activities	<u>143,840</u>	<u>509</u>	<u>144,349</u>
Net increase (decrease) in cash and cash equivalents	492,583	(444,520)	48,063
CASH AND CASH EQUIVALENTS			
Balances - beginning of year	<u>10,326,916</u>	<u>838,148</u>	<u>11,165,064</u>
Balances - end of year	<u>\$ 10,819,499</u>	<u>\$ 393,628</u>	<u>\$ 11,213,127</u>
Cash and cash equivalents displayed as:			
Unrestricted cash and cash equivalents	\$ 10,819,499	\$ 393,628	\$ 11,213,127
Restricted cash and cash equivalents	-	-	-
Total cash and cash equivalents, end of year	<u>\$ 10,819,499</u>	<u>\$ 393,628</u>	<u>\$ 11,213,127</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PORTLAND, TEXAS**

**STATEMENT OF CASH FLOWS –  
PROPRIETARY FUNDS**

**For the year ended September 30, 2024**

	Business-Type Activities		
	Enterprise Funds		
	Major Funds		Total
	Water and Sewer Fund	Drainage Fund	Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 2,358,952	\$ 163,599	\$ 2,522,551
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,104,270	243,257	1,347,527
(Increase) decrease in assets and deferred outflows			
Accounts receivable, net	(105,342)	24,595	(80,747)
Inventory	53,626	-	53,626
Prepaid items	17,348	-	17,348
Increase (decrease) in liabilities			
Accounts payable	(27,838)	28,246	408
Accrued liabilities	47,157	-	47,157
Accrued compensated absences	(9,263)	-	(9,263)
Deposits	37,895	-	37,895
Total OPEB liability	178,107	-	178,107
Total pension liability	478,047	-	478,047
Net cash provided by operating activities	<u>\$ 4,132,959</u>	<u>\$ 459,697</u>	<u>\$ 4,592,656</u>

The accompanying notes are an integral part of these financial statements.



## **NOTES TO BASIC FINANCIAL STATEMENTS**



# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (1) Summary of significant accounting policies

The City of Portland, Texas (the “City”) 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.

#### Reporting entity

The City is a municipal corporation governed by an elected mayor and six-member governing council (the “Council”). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations even if they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

#### Blended component units

The Portland Community Center Complex Development Corporation (PCCCDC) (the “Corporation”) 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. The Corporation does not issue separate financial statements. Their financial statements are included in the City’s Annual Comprehensive Financial Report as a special revenue fund of the year ended September 30, 2024.

#### Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (1) Summary of significant accounting policies (continued)

#### Government-wide and fund financial statements (continued)

Separate financial statements are provided for governmental funds, proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

#### Measurement focus, basis of accounting, and financial statement presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility and timing requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, for this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual so have been recognized as revenues of the current fiscal period.

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

While separate government-wide and fund financial statements are presented, they are interrelated.

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

The governmental activities column incorporates governmental funds, while business-type activities incorporate the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's wastewater and sanitation services functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

#### Fund financial statements

The fund financial statements provide information about the City's funds, including its blended component units. Separate statements for each fund category-governmental and proprietary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

#### *The 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.

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

The *Capital Improvement Fund* accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (1) Summary of significant accounting policies (continued)

#### Fund financial statements (continued)

The City reports the following major enterprise funds:

The *Water and Sewer 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 principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed and adjusted if necessary to ensure integrity of the funds.

The *Drainage Fund* is used to finance drainage system permits, studies, plans, maintenance and improvements. The fund also accounts of 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:

*Special revenue funds* are used to account for proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

*Capital projects funds* account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

During the course of operations, the City has activity between funds for various purposes.

Any residential balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balance between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount included as transfers in the governmental activities column.

# **CITY OF PORTLAND, TEXAS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended September 30, 2024**

### (1) Summary of significant accounting policies (continued)

#### Fund financial statements (continued)

Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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 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 services constructed in whole or in part from funds from the economically distressed areas program account for purposes other than utility purposes).

#### Budgetary information

##### Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, special revenue funds, and debt service funds. The capital projects funds are appropriated on a project-length basis. Certain special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund. The City's department heads may make transfers of appropriations within a department.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. Under City ordinance, contracts for capital expenditures outstanding at year end are encumbered and all other uncompleted contracts lapse.

# **CITY OF PORTLAND, TEXAS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended September 30, 2024**

### (1) Summary of significant accounting policies (continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position or equity

Cash and cash equivalents

The City's 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.

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.

Investments

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

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in the local governmental investment pools. The pools meets all of the specified criteria in Section 150: Investments to qualify to elect to measure their investments at amortized cost or net asset value.

Receivables and payables

Unbilled receivables – an amount for unbilled revenue is recorded in the water and sewer fund for services rendered as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and for usage in September.

Allowance for doubtful accounts – accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 120 days are subject to being considered as uncollectible.

Unearned revenue – unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

Interfund activities and transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds within the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns in the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. The City allocates to the proprietary funds an indirect cost percentage of information technology services and salaries and wages and related costs of personnel who perform administrative services for those funds but are paid through the general fund along with other indirect costs deemed necessary for their operations.



## CITY OF PORTLAND, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

#### (1) Summary of significant accounting policies (continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position or equity (continued)

Interfund activities and transactions (continued)

Transfers from the water and sewer 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. Reimbursements are when a fund occurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are netted as part of the reconciliation to the government-wide presentation.

Inventories and prepaid items

Inventories are valued at average cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Inventories in the general fund are carried at average cost. 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 are recorded at the lower of the average cost or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. 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.

Restricted assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

*Municipal technology, hotel occupancy tax, building security, cable franchise accounts* – funds generated for fees/taxes which have statutory restrictions.

*Bond and capital lease debt service accounts* – includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds or capital lease obligations.

*Law enforcement account* – funds generated from drug forfeitures on the federal, state and local level applied towards further education and enhancement of the police department pursuant to state statutes.

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (1) Summary of significant accounting policies (continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position or equity (continued)

#### Capital assets

Capital assets, which include property, plant, equipment, leased assets, right-to-use assets and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Capital assets, except for infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years.

Land and construction in progress are not depreciated.

The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Water and sewer system	5-50 years
Infrastructure	20-30 years
Equipment and furniture	5-10 years
Vehicles	5-10 years
Intangibles	5 years

#### Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net assets that applies to future periods and so will not be recognized as outflows of resources (expense/expenditure) until then.

The City has two (2) items that qualify for reporting as deferred outflows of resources, and the deferred outflows related to pension and other postemployment benefits, all three are reported in the government-wide and proprietary funds statements of net position. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB 68: *Accounting and Financial Reporting for Pension Plans*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as inflows of resources (revenue) until that time.

The City has four (4) items that qualify for reporting as deferred inflows of resources. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt. The *deferred inflows related to pension* are an aggregate of items related to the pension as calculated in accordance with GASB Statement 68: *Accounting and Financial Reporting for Pension Plans*.

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (1) Summary of significant accounting policies (continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position or equity (continued)

The deferred inflows related to the pension will be recognized as a reduction to pension expense in future reporting years. *The deferred inflows related to other postemployment benefits* are an aggregate of items related to the other postemployment benefits as calculated in accordance with GASB Statement 75: *Accounting and Financial Reporting for Postemployments Benefits Other than Pensions*. The deferred inflows related to the other postemployment benefits will be recognized as a reduction to other postemployment benefits expense in future reporting years.

*Unavailable revenue*, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

#### Compensated absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. City employees earn vacation leave, which can accumulate yearly, at a maximum rate of 1.5 times the employee's annual accrual. The general fund, hotel occupancy tax 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.

#### Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Statement 65: *Items Previously Reported as Assets and Liabilities*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (1) Summary of significant accounting policies (continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position or equity (continued)

#### Pensions

For purposes of measuring the total pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Other postemployment benefits (OPEB) liability

For purposes of measuring the total OPEB liability, deferred outflows/inflows of resources, related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The City's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

#### Categories and classification of net position and fund balance

*Net position flow assumption* – sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund balance flow assumptions* – sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund balance policies* – fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (1) Summary of significant accounting policies (continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position or equity (continued)

Categories and classification of net position and fund balance (continued)

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

*Nonspendable fund balance* – nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally contractually required to be maintained intact.

*Restricted fund balance* – restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* – the committed fund balance classification includes amounts that can only be used only for specific purposes due to formal action of the City’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Assigned fund balance* – amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. 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. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Unassigned fund balance* – the residual classification that includes all spendable amounts in the general fund not contained in other classifications. The general fund is the only fund that reports a positive unassigned fund balance.

Revenues and expenditures/expenses

*Program revenues* – amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (1) Summary of significant accounting policies (continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position or equity (continued)

Revenues and expenditures/expenses (continued)

*Property taxes* – property taxes attach as an enforceable lien on real property and are levied as of January 1<sup>st</sup>. The tax levy is billed (mailed on October 1) and reflects the actual levy. The billings are considered past due 30 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

*Proprietary funds operating and nonoperating revenues and expenses* – proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the water and sewer system fund, drainage fund, and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at date. Although encumbrances lapse at year end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year's budget. At September 30, 2024, the City did not have any encumbrances outstanding.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for doubtful accounts, pension liability, and OPEB liability.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (1) Summary of significant accounting policies (continued)

#### Recently issued and implemented accounting pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This statement defines accounting changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections.

This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This statement requires disclosure in notes to financial statement of descriptive information about accounting changes and error corrections, such as their nature.

In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

#### Upcoming accounting pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2024, and all reporting periods thereafter.

The City is evaluating the requirements of the above statements and the impact on reporting.

## CITY OF PORTLAND, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

**For the year ended September 30, 2024**

#### (2) Deposits and investments

As of September 30, 2024, \$250,000 of the City's bank balances are covered by federal depository insurance (FDIC). The remaining bank balances are fully covered by pledged security holdings with TIB Capital Markets.

Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Texas Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Texas Government Code Chapter 2257.

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 compliance with the requirements of the Act and with local policies.

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 will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

On September 30, 2024, the City had \$37,286,053 invested. The fair value of the City's position in the Pool is equal to the value of the pooled shares or net asset value.

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.



## CITY OF PORTLAND, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

#### (2) Deposits and investments (continued)

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. On September 30, 2024, the City had \$3,103,295 invested. The fair value of the City's position in the Trust is equal to the value of the pooled shares or net asset value.

Under GASB, if a participant has an investment in qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2024, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City's access to 100 percent of their account value in either external investment pool.

*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 risk.

*Interest rate risk* – interest rate risk is the possibility that interest rates will rise and reduce 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* – it is required that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. In accordance with state law and the City's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The City's investments in investment pools were rated AAA.

*Concentration risk* – GASB requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools and other pooled investments. 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.

*Fair value* – the City categorizes its fair value measurements within the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (2) Deposits and investments (continued)

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 – inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

These type of investments include U.S. Government obligations and obligations of governmental agencies.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. (The City does not value any investments using Level 3 inputs).

As of September 30, 2024, the City had the following investments and maturities:

	Rating	Value	Weighted Average Maturity (Years)
TexPool	AAAm	\$ 37,286,053	0.08
(valued at amortized cost)			
Texas Class	AAAm	3,103,295	0.10
(valued at net asset value)			
Total investments		<u>\$ 40,389,348</u>	
Portfolio weighted average maturity			0.08

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended September 30, 2024**

### (3) Accounts receivable

For the water and sewer fund and drainage fund, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to September 30, 2024 (unbilled receivable), is estimated and accrued at year end.

If payments are not received from customers, services are shut off and deposits are applied against negative balances. All account receivables are shown net of allowances for uncollectable accounts funds.

The accounts receivable and allowance for uncollectible accounts at September 30, 2024, were as follows:

Receivables	General Fund	Debt Service Fund	Capital Improvements Fund	Water and Sewer Fund	Drainage Fund	Other Governmental Fund
Taxes	\$ 256,098	\$ 129,097	\$ -	\$ -	\$ -	\$ -
Accounts	588,581	11,248	-	2,407,818	37,004	276,580
Other	86,414	-	41,377	-	-	-
Gross receivables	931,093	140,345	41,377	2,407,818	37,004	276,580
Less allowance for uncollectibles	8,748	1,936	-	18,654	721	-
Total receivables, net	<u>\$ 922,345</u>	<u>\$ 138,409</u>	<u>\$ 41,377</u>	<u>\$ 2,389,164</u>	<u>\$ 36,283</u>	<u>\$ 276,580</u>

### (4) Capital assets

The following is a summary of changes in capital assets during the year ended September 30, 2024:

	Beginning Balance October 1, 2023	Additions	Deletions	Ending Balance Sept. 30, 2024
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 4,563,724	\$ 350,303	\$ -	\$ 4,914,027
Construction in progress	21,573,510	7,036,686	(2,858,224)	25,751,972
Total capital assets, not being depreciated	<u>26,137,234</u>	<u>7,386,989</u>	<u>(2,858,224)</u>	<u>30,665,999</u>
Capital assets, being depreciated:				
Buildings and improvements	61,292,325	2,425,260	-	63,717,585
Vehicles	5,862,700	544,152	-	6,406,852
Equipment and furniture	4,551,589	787,766	-	5,339,355
Infrastructure	55,899,292	3,077,348	-	58,976,640
Intangibles	534,971	-	-	534,971
Total capital assets being depreciated	<u>128,140,877</u>	<u>6,834,526</u>	<u>-</u>	<u>134,975,403</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,451,496)	(2,191,132)	-	(19,642,628)
Vehicles	(3,144,324)	(527,259)	-	(3,671,583)
Equipment and furniture	(3,519,103)	(238,591)	-	(3,757,694)
Infrastructure	(39,548,740)	(1,028,526)	-	(40,577,266)
Intangibles	(534,971)	-	-	(534,971)
Total accumulated depreciation	<u>(64,198,634)</u>	<u>(3,985,508)</u>	<u>-</u>	<u>(68,184,142)</u>
Total capital assets being depreciated, net	<u>63,942,243</u>	<u>2,849,018</u>	<u>-</u>	<u>66,791,261</u>
Governmental activities capital assets, net	<u>\$ 90,079,477</u>	<u>\$ 10,236,007</u>	<u>\$ (2,858,224)</u>	<u>\$ 97,457,260</u>

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended September 30, 2024**

### (4) Capital assets (continued)

The following is a summary of changes in capital assets during the year ended September 30, 2024:

	Beginning Balance October 1, 2023	Additions	Deletions	Ending Balance Sept. 30, 2024
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 170,921	\$ -	\$ -	\$ 170,921
Intangibles	367,177	-	-	367,177
Construction in progress	8,439,650	8,956,971	(5,444,873)	11,951,748
Total capital assets, not being depreciated	<u>8,977,748</u>	<u>8,956,971</u>	<u>(5,444,873)</u>	<u>12,489,846</u>
Capital assets, being depreciated				
Buildings and improvements	904,206	4,160,889	-	5,065,095
Water system	13,042,682	2,606,146	-	15,648,828
Sewer system	27,144,073	-	-	27,144,073
Equipment	4,226,629	411,972	-	4,638,601
Drainage infrastructure	6,419,095	-	-	6,419,095
Total capital assets, being depreciated	<u>51,736,685</u>	<u>7,179,007</u>	<u>-</u>	<u>58,915,692</u>
Less accumulated depreciation for:				
Buildings and improvements	(366,065)	(19,036)	-	(385,101)
Water system	(5,982,594)	(558,215)	-	(6,540,809)
Sewer system	(8,725,123)	(234,024)	-	(8,959,147)
Equipment	(3,086,840)	(292,995)	-	(3,379,835)
Drainage infrastructure	(2,454,781)	(243,257)	-	(2,698,038)
Total accumulated depreciation	<u>(20,615,403)</u>	<u>(1,347,527)</u>	<u>-</u>	<u>(21,962,930)</u>
Total capital assets being depreciated, net	<u>31,121,282</u>	<u>5,831,480</u>	<u>-</u>	<u>36,952,762</u>
Business-type activities capital assets, net	<u>\$ 40,099,030</u>	<u>\$ 14,788,451</u>	<u>\$ (5,444,873)</u>	<u>\$ 49,442,608</u>

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

<b>Governmental activities</b>	
General government and administration	\$ 107,607
Public safety	650,882
Public works	1,130,525
Cultural and recreational	2,096,494
Total depreciation and amortization expense-	
governmental activities	<u>\$ 3,985,508</u>
<b>Business-type activities</b>	
Water and sewer system	\$ 1,104,270
Drainage	243,257
Total depreciation and amortization expense-	
business-type activities	<u>\$ 1,347,527</u>

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended September 30, 2024**

### (5) Long-term debt and liabilities

On May 14, 2024, the City issued \$22,230,000 Combination Tax and Revenue Certificates of Obligation, Series 2024. The Certificates of Obligation were issued to provide financing for the Citywide Sidewalk Improvements-Phase 1, Hunt Airport Drainage Outfall, Nicklaus Lift Station Reconstruction and Force Main, WWTP Sludge Press, Lang Road Widening (Stark to Midway), LED Block Improvements, Water Meter Replacement Project. The Certificates of Obligation carry an average coupon rate of 4.496% with payments beginning 02/15/2025, with a final payment on 08/15/2049. The Certificates of Obligation are secured by the levy of an annual ad valorem tax and certain surplus revenues of the City's Water and Sewer System and Drainage System.

	Beginning Balance October 1, 2023	Additions	Deletions	Ending Balance Sept. 30, 2024	Due Within One Year
<b>Governmental activities</b>					
Long-term debt					
General obligation bond/notes	\$ 53,090,499	\$ 13,357,082	\$ (3,085,979)	\$ 63,361,602	\$ 3,147,955
Sales tax revenue bonds	2,750,000	-	(355,000)	2,395,000	365,000
Bond premium	3,234,967	828,057	(256,557)	3,806,467	256,557
Total long-term debt	59,075,466	14,185,139	(3,697,536)	69,563,069	3,769,512
Long-term liabilities					
Accrued compensated absences	825,269	290,666	(206,317)	909,618	227,405
Due to state	126,765	-	(126,765)	-	-
Other postemployment benefits	1,650,606	314,816	-	1,965,422	491,355
Net pension liability	9,762,954	-	(1,945,871)	7,817,083	1,954,271
Total long-term liabilities	12,365,594	605,482	(2,278,953)	10,692,123	2,673,031
Total governmental activities	\$ 71,441,060	\$ 14,790,621	\$ (5,976,489)	\$ 80,255,192	\$ 6,442,543
<b>Business-type activities</b>					
Long-term debt					
General obligation bond/notes	\$ 5,685,000	\$ -	\$ (750,000)	\$ 4,935,000	\$ 760,000
Revenue bonds	9,725,502	8,872,918	(359,019)	18,239,401	357,045
Bond premium	1,193,388	550,066	(94,869)	1,648,585	94,869
Total long-term debt	16,603,890	9,422,984	(1,203,888)	24,822,986	1,211,914
Long-term liabilities					
Accrued compensated absences	46,329	2,319	(11,582)	37,066	9,267
Other postemployment benefits	209,232	233,951	-	443,183	110,796
Net pension liability	1,237,557	525,118	-	1,762,675	440,669
Total long-term liabilities	1,493,118	761,388	(11,582)	2,242,924	560,732
Total business-type activities	\$ 18,097,008	\$ 10,184,372	\$ (1,215,470)	\$ 27,065,910	\$ 1,772,646

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended September 30, 2024**

**(5) Long-term debt and liabilities (continued)**

The following is a summary of governmental activities revenue bonds for the year ended September 30, 2024:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 365,000	\$ 91,956	\$ 456,956	\$ 760,000	\$ 170,400	\$ 930,400
2026	170,000	81,200	251,200	620,000	147,600	767,600
2027	175,000	74,400	249,400	640,000	798,550	1,438,550
2028	185,000	67,400	252,400	670,000	102,350	772,350
2029	190,000	60,000	250,000	690,000	78,250	768,250
2030-2034	1,070,000	179,400	1,249,400	1,150,000	167,950	1,317,950
2035-2039	240,000	9,600	249,600	330,000	55,600	385,600
2040-2044	-	-	-	75,000	3,000	78,000
	<u>\$ 2,395,000</u>	<u>\$ 563,956</u>	<u>\$ 2,958,956</u>	<u>\$ 4,935,000</u>	<u>\$ 1,523,700</u>	<u>\$ 6,458,700</u>

The following is a summary of governmental activities general obligation bonds and notes payable for the year ended September 30, 2024:

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 3,147,955	\$ 2,649,110	\$ 5,797,065	\$ 357,045	\$ 973,178	\$ 1,330,223
2026	3,509,883	2,361,989	5,871,872	639,117	847,391	1,486,508
2027	3,426,366	2,215,111	5,641,477	670,634	811,715	1,482,349
2028	3,359,096	2,069,786	5,428,882	705,904	774,674	1,480,578
2029	3,503,483	1,927,881	5,431,364	736,517	736,454	1,472,971
2030-2034	19,195,123	7,468,058	26,663,181	4,034,878	3,083,347	7,118,225
2035-2039	18,275,380	3,620,017	21,895,397	5,009,620	1,996,708	7,006,328
2040-2044	5,891,958	1,212,256	7,104,214	4,058,042	879,513	4,937,555
2045-2049	3,052,358	399,640	3,451,998	2,027,644	265,485	2,293,129
	<u>\$ 63,361,602</u>	<u>\$ 23,923,848</u>	<u>\$ 87,285,450</u>	<u>\$ 18,239,401</u>	<u>\$ 10,368,465</u>	<u>\$ 28,607,866</u>

**CITY OF PORTLAND, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended September 30, 2024**

**(5) Long-term debt and liabilities (continued)**

The following is a summary of bonds and notes as of September 30, 2024 consisted of the following:

	<u>Governmental</u>	<u>Business-type</u>
Sales Tax Revenue Refunding Bonds, Series 2007, maturing in 2025 and bearing interest at 4.00% to 4.25% (original debt \$2,635,000)	\$ 205,000	\$ -
Combination Tax and Revenue Certificates of Obligation, Series 2014, maturing in 2034 and bearing interest at 2.00% to 4.00% (original debt \$4,905,000)	2,310,000	-
Sales Tax Revenue Bonds, Series 2015, maturing in 2035 and bearing interest at 3.00% to 4.00% (original debt \$3,420,000)	2,190,000	-
General Obligation Refunding Bonds, Series 2015, maturing in 2026 and bearing interest at 2.00% to 3.50% (original debt \$2,250,000)	440,000	-
General Obligation Bonds, Series 2017, maturing in 2037 and bearing interest at 2.00% and 4.00% (original debt \$13,600,000)	12,250,000	-
General Obligation Bonds, Series 2018 maturing in 2038 and bearing interest at 3.00% to 5.00% (original debt \$5,350,000)	4,260,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2018 maturing in 2038 and bearing interest at 3.00% to 5.00% (original debt \$6,100,000)	4,305,000	-
General Obligation Bonds, Series 2018A, maturing in 2039 and bearing interest at 3.125% to 5.00% (original debt \$5,280,000)	4,365,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2019, maturing in 2039 and bearing interest at 2.00% to 5.00% (original debt \$3,405,000)	2,865,000	-
General Obligation Refunding Bonds, Series 2019, maturing in 2030 and bearing interest at 3.00% to 4.00% (original debt \$3,390,000)	726,420	288,583
Tax Note, Series 2020, maturing in 2027 and bearing interest at 1.76% (original debt \$1,400,000)	626,000	-
Utility System Revenue Improvement and Refunding Bonds, Series 2020, maturing in 2040 and bearing interest at 3.00% to 4.00% (original debt \$4,775,000)	-	2,585,000
Combination Tax and Revenue Certificates of Obligation, Series 2020, maturing in 2040 and bearing interest at 2.00% to 5.00% (original debt \$2,825,000)	2,495,000	-
Utility System Revenue Improvement and Refunding Bonds, Series 2021, maturing in 2032 and bearing interest at 3.00% (original debt \$3,565,000)	-	2,350,000
Combination Tax and Revenue Certificates of Obligation, Series 2021, maturing in 2041 and bearing interest at 2.00% to 4.00% (original debt \$5,815,000)	5,565,000	-
Combination Tax and Revenue Certificates of Obligation, Series 2022, maturing in 2042 and bearing interest at 4.00% to 5.00% (original debt \$8,390,000)	5,141,400	2,648,600
Combination Tax and Revenue Certificates of Obligation, Series 2023, maturing in 2043 and bearing interest at 4.00% to 5.00% (original debt \$11,300,000)	4,655,700	6,429,300
Combination Tax and Revenue Certificates of Obligation, Series 2024, maturing in 2049 and bearing interest at 4.00% to 5.00% (original debt \$22,230,000)	<u>13,357,082</u>	<u>8,872,918</u>
Total bonds and notes payable	<u>\$ 65,756,602</u>	<u>\$ 23,174,401</u>

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (5) Long-term debt and liabilities (continued)

For the governmental activities, General Obligation Bonds and Tax Notes 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 fund, and the General Obligation Bonds are paid by the water and sewer fund and the drainage fund.

OPEB is paid by the general fund and the water and sewer fund.

### (6) Interfund receivables, payables and transfers

The interfund balances at September 30, 2024 are generally short-term loans to cover temporary cash flows and reimbursements for various funds.

Transfers between City funds during the year ended September 30, 2024 consist of the following:

Transfers Out	Transfers In					Total
	General Fund	Debt Service Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Drainage Fund	
Capital improvement fund	\$ -	\$ -	\$ -	\$ 263,570	\$ -	\$ 263,570
Nonmajor governmental	1,159,116	432,903	17,436	165,609	-	1,775,064
Water and sewer	1,484,454	178,200	-	-	1,711,340	3,373,994
Total	<u>\$ 2,643,570</u>	<u>\$ 611,103</u>	<u>\$ 17,436</u>	<u>\$ 429,179</u>	<u>\$ 1,711,340</u>	<u>\$ 5,412,628</u>

Interfund receivable and payables at September 30, 2024 are as follows:

Due From	Due To			Total
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ -	\$ 35,168	\$ 35,168
Capital improvement fund	-	-	-	-
Nonmajor governmental	150,190	429,179	-	579,369
Total	<u>\$ 150,190</u>	<u>\$ 429,179</u>	<u>\$ 35,168</u>	<u>\$ 614,537</u>



**CITY OF PORTLAND, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended September 30, 2024**

(7) Net investment in capital assets

The elements of this calculation are as follows:

	Governmental Activities	Business-Type Activities	Total
Capital assets (net)	\$ 97,456,900	\$ 49,442,608	\$ 146,899,508
Outstanding debt related to capital assets	(69,579,871)	(24,825,736)	(94,405,607)
Unspent debt related bond funds	8,636,096	3,486,258	12,122,354
Deferred inflows of refunding from debt related bonds	<u>-</u>	<u>(95,528)</u>	<u>(95,528)</u>
Net investment in capital assets	<u>\$ 36,513,125</u>	<u>\$ 28,007,602</u>	<u>\$ 64,520,727</u>

(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.

## CITY OF PORTLAND, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

#### (9) Employee's retirement systems

##### Texas Municipal Retirement System

###### Plan description

The City of Portland participates as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at [www.tmr.com](http://www.tmr.com).

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

###### 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 member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contribution and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

###### Employees covered by benefit terms

At the December 31, 2023 valuation and measurement dates, the following employees were covered by the benefit terms:

Active employees	178
Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	<u>149</u>
Total	<u>415</u>

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (9) Employee's retirement systems (continued)

#### Texas Municipal Retirement System (continued)

##### Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The City matches 2 to 1. The contribution rates for the City were 18.16% and 17.63% in calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024 was \$2,266,448 which was equal to the required contributions.

##### Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31st
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (9) Employee's retirement systems (continued)

#### Texas Municipal Retirement System (continued)

##### Actuarial assumptions (continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate, for males and females respectively, is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates (APRs) is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	100.00%	

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended September 30, 2024**

(9) Employee's retirement systems (continued)

Texas Municipal Retirement System (continued)

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 member 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 members. 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 net pension liability

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2023:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 41,629,185	\$ 30,628,674	\$ 11,000,511
Changes for the year:			
Service cost	2,059,589	-	2,059,589
Interest	2,828,358	-	2,828,358
Changes of benefit terms	-	-	-
Difference between expected and actual experience	375,765	-	375,765
Changes of assumptions	(319,752)	-	(319,752)
Contributions - employer	-	2,030,794	(2,030,794)
Contributions - employee	-	806,327	(806,327)
Net investment income	-	3,550,303	(3,550,303)
Benefit payments, including refunds of employee contributions	(1,514,750)	(1,514,750)	-
Administrative expenses	-	(22,552)	22,552
Other changes	-	(159)	159
Net changes	<u>3,429,210</u>	<u>4,849,963</u>	<u>(1,420,753)</u>
Balance at 12/31/2023	<u>\$ 45,058,395</u>	<u>\$ 35,478,637</u>	<u>\$ 9,579,758</u>

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended September 30, 2024**

(9) Employee's retirement systems (continued)

Texas Municipal Retirement System (continued)

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 (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 16,170,145	\$ 9,579,758	\$ 4,211,084

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 TRMS.com.

Pension expense and deferred outflows/inflows of resources related to pensions

For the year ended September 30, 2024, the City recognized pension expense of \$2,391,764.

At September 30, 2024, 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
Difference between expected and actual experience	\$ 929,640	\$ -
Changes of assumptions	-	235,827
Net difference in projected and actual earnings on pension plan investments	751,105	-
Contributions made subsequent to the measurement date	1,761,712	-
Total	<u>\$ 3,442,457</u>	<u>\$ 235,827</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,761,712 will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Plan Year <u>December 31</u>	Net Deferred <u>Outflows/(Inflows)</u>
2024	\$ 699,616
2025	438,331
2026	603,543
2027	(296,572)
Thereafter	-
Total	<u>\$ 1,444,918</u>

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (10) Postemployment benefits other than pensions (OPEB)

#### 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 four retirees on the plan and no dependents. As much 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.

##### Plan membership

At the valuation date, September 30, 2024, OPEB healthcare membership consisted of the following:

Active employees	180
Retired employees	<u>4</u>
Total	<u>184</u>

##### Actuarial assumptions and other inputs

At the September 30, 2024 measurement date, the actuarial assumptions and other inputs, applied include the following:

Actuarial cost method	Individual entry age normal cost method - level percentage of projected salary
Eligibility	Age 55 with last 10 years employed by the City of Portland
Dependent eligibility	Spouse and eligible children
Medical benefit claims cost by age	Percentage will increase with age
Health care cost trend	Medical trend is level 4.50%, dental/vision trend is level 3.25%
Discount rate for valuing liabilities	4.06% (1.56% real rate of return plus 2.50% inflation)
Salary scale	3.50%
Mortality rates	RPH-2014 total table with projection MP-2021
Retirement rates	Rates vary by age from age 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

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (10) Postemployment benefits other than pensions (OPEB) (continued)

#### Healthcare Plan (continued)

The discount rate of 4.06% was selected based on review of the recent published S&P Municipal Bond 20 Year High Grade Rate Index, one of the indices acceptable under GASB 75.

At September 30, 2024 the City reported a total OPEB liability related to healthcare benefits of \$2,012,978.

The information has been provided as of the September 30, 2024 measurement date.

Balance at 10/01/2023	\$ 1,488,948
Changes for the year:	
Service cost	120,265
Interest on total OPEB liability	74,937
Changes of benefit terms	-
Difference between expected and actual experience	275,822
Changes of assumptions	129,407
Benefit payments	<u>(76,401)</u>
Net changes	<u>524,030</u>
Balance at 9/30/2024	<u>\$ 2,012,978</u>

There were no changes in assumptions and other inputs from the September 30, 2024 valuation. The methods, assumptions, and participant data used are detailed in the actuarial valuation report dated December 1, 2023, except that these calculations are based in the Entry Age Normal cost method required by GASB P52: *Postemployment Benefits Other Than Pensions*.

#### Sensitivity of the total OPEB liability

The following table represents the City's total OPEB liability related to healthcare benefits calculated using the discount rate of 4.06%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.06%) or one percentage point higher (5.06%) than the current rate.

	1% Decrease (3.06%)	Current Discount Rate (4.06%)	1% Increase (5.06%)
OPEB liability	<u>\$ 1,833,707</u>	<u>\$ 2,012,978</u>	<u>\$ 2,213,979</u>



**CITY OF PORTLAND, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended September 30, 2024**

(10) Post employment benefits other than pensions (OPEB)

Healthcare Plan (continued)

Healthcare cost trend rates sensitivity analysis – the following table represents the City’s total OPEB liability calculated using the health care cost trend rate of 4.50%, as well as what the City’s total OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.50%) or one percentage point higher (5.50%) than the current rate:

	<u>Current Healthcare Cost Trend Rate</u>		
	<u>1% Decrease</u>	<u>Assumption</u>	<u>1% Increase</u>
OPEB liability	<u>\$ 1,784,830</u>	<u>\$ 2,012,978</u>	<u>\$ 2,284,130</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the fiscal year ended September 30, 2024, the City recognized an OPEB expense related to healthcare benefits of \$149,067. In addition, the City reported deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 237,882	\$ 223,532
Changes in actuarial assumptions	157,166	201,225
Total	<u>\$ 395,048</u>	<u>\$ 424,757</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB healthcare plan will be recognized in the expense as follows:

<u>Year Ended September 30,</u>	<u>Net Deferred Outflows/(Inflows)</u>
2025	\$ (46,135)
2026	(44,382)
2027	(26,684)
2028	(26,684)
2029	43,381
Thereafter	70,795
	<u>\$ (29,709)</u>

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (11) Other postemployment benefits

#### Plan description

The City participates in a single-employer defined benefit plan, which operates like a group-term life insurance plan operated by 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 members. 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.

#### Benefits provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree members, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

#### Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The contribution rate for the City was 0.31% and 0.34% for calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2024 was \$39,807 and was equal to the required contributions.

#### Employees covered by benefit terms

At the December 31, 2023 valuation and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	64
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>178</u>
Total	<u>262</u>

#### Other postemployment benefits (OPEB) liability

The City's total OPEB liability of \$395,627 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (11) Other postemployment benefits (continued)

#### Actuarial assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Discount rate *	4.05%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rates as of December 31, 2023. The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

#### Changes in the total OPEB liability

Balance at December 31, 2022	\$	370,890
Changes for the year:		
Service cost		19,582
Interest on the total OPEB liability		15,114
Changes of benefit terms		-
Difference between expected and actual experience		(13,400)
Changes of assumptions		18,416
Benefit payments*		(14,975)
Net changes		<u>24,737</u>
Balance at December 31, 2023	\$	<u><u>395,627</u></u>

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (11) Other postemployment benefits (continued)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

1% Decrease 2.77%	Current Single Rate Assumption 3.77%	1% Increase 4.77%
<u>\$ 469,124</u>	<u>\$ 395,627</u>	<u>\$ 337,607</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2024, the City recognized OPEB expense of \$20,753.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,220	\$ 24,314
Changes in actuarial assumptions	59,367	121,464
Contributions made subsequent to the measurement date	30,073	-
Total	<u>\$ 92,660</u>	<u>\$ 145,778</u>

The City reported \$30,073 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan Year December 31	Net Deferred Outflows/(Inflows)
2024	\$ (11,046)
2025	(18,473)
2026	(32,535)
2027	(21,753)
2028	616
Thereafter	-
Total	<u>\$ (83,191)</u>

**CITY OF PORTLAND, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended September 30, 2024**

(11) Other postemployment benefits (continued)

Summary of OPEB plans

Total OPEB liabilities

Total OPEB liabilities are reported in the accompanying statements of net position as follows:

	<u>Total OPEB Liability</u>
Retiree Healthcare Plan	\$ 2,012,978
Supplemental Death Benefits Fund (SDBF) Plan	<u>395,627</u>
Total	<u><u>\$ 2,408,605</u></u>

OPEB expense and deferred outflows and inflows of resources related to OPEB

OPEB expenses are reported in the accompanying financial statements as follows:

	<u>Net OPEB Expense</u>
Retiree Healthcare Plan	\$ 149,067
Supplemental Death Benefits Fund (SDBF) Plan	<u>20,753</u>
Total	<u><u>\$ 169,820</u></u>

Deferred outflows of resources are reported in the accompanying statements of net position as follows:

	<u>Difference Between Expected and Actual Experience</u>	<u>Changes in Assumptions</u>	<u>Contributions Made Subsequent to the Measurement Date</u>	<u>Total OPEB Plans</u>
Retiree Healthcare Plan	\$ 237,882	\$ 157,166	\$ -	\$ 395,048
Supplemental Death Benefits Fund (SDBF) Plan	<u>3,220</u>	<u>59,367</u>	<u>30,073</u>	<u>92,660</u>
Total	<u><u>\$ 241,102</u></u>	<u><u>\$ 216,533</u></u>	<u><u>\$ 30,073</u></u>	<u><u>\$ 487,708</u></u>

**CITY OF PORTLAND, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended September 30, 2024**

(11) Other postemployment benefits (continued)

Summary of OPEB plans (continued)

Deferred inflows of resources are reported in the accompanying statements of net position as follows:

	Difference Between Expected and Actual Experience	Changes in Assumptions	Total OPEB Plans
Retiree Healthcare Plan	\$ 223,532	\$ 201,225	\$ 424,757
Supplemental Death Benefits Fund (SDBF) Plan	24,314	121,464	145,778
Total	<u>\$ 247,846</u>	<u>\$ 322,689</u>	<u>\$ 570,535</u>

(12) Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City purchases separate commercial insurance coverage for 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, 2024 or three years prior.

(13) Commitments and contingencies

During the ordinary course of its operation, the City is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affected the financial condition of the City or results of activities.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s).

The City has active construction projects as of September 30, 2024.

**CITY OF PORTLAND, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended September 30, 2024**

(13) Commitments and contingencies (continued)

<u>Project</u>	<u>Commitment Spent to Date</u>	<u>Commitment Remaining</u>
General government		
City Hall Improvements	\$ 230,470	\$ 169,530
Old Town Improvements	9,137,616	24,544,134
Street Improvements - Phase 11	14,521,436	178,564
Stark Road Widening	595,425	6,404,575
Lang Widening	536,591	213,409
Sidewalk Improvements	173,633	826,367
Violet Andrews Park Expansion	412,869	1,587,131
Memorial Hike & Bike Phase 2	1,018	498,982
Gateway Signs	85,815	1,914,185
Healthcare Campus Infrastructure	18,520	14,981,480
Sunset Hike & Bike	<u>38,578</u>	<u>3,711,423</u>
Total general government	<u>25,751,971</u>	<u>55,029,779</u>
Enterprise		
Water tank rehabilitation	2,617,674	382,326
WWTP improvements	18,481	17,481,518
Utilities relocation and extension - Moore Avenue	69,010	2,930,991
Hunt Airport drainage outfall	4,387,123	1,312,877
Water Meter Replacement	4,717,325	1,282,675
Highway 181 Wastewater Reroute	36,610	-
Old Town Wastewater Improvements	57,900	-
Green Lake Drainage Project	10,600	-
WWTP sludge press/WWTP rehab	<u>37,025</u>	<u>1,062,975</u>
Total enterprise	<u>11,951,748</u>	<u>24,453,362</u>
Totals	<u><u>\$ 37,703,719</u></u>	<u><u>\$ 79,483,141</u></u>

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

*Grant programs* – The City participates in several federal and state assisted grant programs. Under the terms of these grants, the City is subject to program compliance audits by the grantors or their representatives.

Accordingly, the City's compliance with applicable grant requirements will be established at some future date. If future program compliance audits result in questioned or disallowed costs, reimbursements would be made to the grantor agencies. The amount of expenditures which might be disallowed by the grantor agencies cannot be determined at this time; however, management believes such amounts, if any, would be immaterial.

# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (13) Commitments and contingencies (continued)

*Texas Water Development Board disclosure* – Texas Water Code, Chapter 16, Section 16.356 indicates a political subdivision that receives financial assistance from the economically distressed areas program under Subchapter K, Chapter 17, may not use any revenue received from fees collected from 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.

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.

### (14) Concentrations

The City purchases all of its residents' water needs from San Patricio County Municipal Water District under an agreement dated May 16, 2013, which is currently scheduled to expire December 31, 2026, with an optional fifteen year extension. During the year, approximately \$2.57 million (730,220,000 gallons) of water was purchased and management believes it will be able to continue purchasing water from the San Patricio County Municipal Water District sufficient to meet all of its residents' water needs, for the foreseeable future.

### (15) Restatement of net position

#### Water and Sewer Fund:

The beginning net position of the Water and Sewer fund has been restated on the proprietary funds financial statements to correct long-term debt accounts and capital assets recorded in the prior year. A reconciliation of the prior period ending net position to the current year beginning net position is as follows:

Beginning net position	\$ 37,434,190
Adjustment to correct long-term debt	(9,021,055)
Adjustment to correct capital assets	739,235
Beginning net position, as restated	<u>\$ 29,152,370</u>

#### Drainage Fund:

The beginning net position of the Drainage fund has been restated on the proprietary funds financial statements to correct long-term debt accounts and capital assets recorded in the prior year. A reconciliation of the prior period ending net position to the current year beginning net position is as follows:

Beginning net position	\$ 5,059,096
Adjustment to correct long-term debt	(697,549)
Beginning net position, as restated	<u>\$ 4,361,547</u>



# CITY OF PORTLAND, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2024

### (15) Restatement of net position (continued)

#### Business-Type Activities:

The beginning net position of the Business-Type Activities in the government-wide statement of net position has also been restated to correct long-term debt accounts and capital assets recorded in the prior year. A reconciliation of the prior period ending net position to the current year beginning net position is as follows:

Beginning net position	\$ 42,493,286
Adjustment to correct long-term debt	(9,718,604)
Adjustment to correct capital assets	<u>739,235</u>
Beginning net position, as restated	<u>\$ 33,513,917</u>

#### Governmental Activities:

The beginning net position of the Governmental Activities in the government-wide statement of net position has also been restated to correct long-term debt accounts recorded in the prior year. A reconciliation of the prior period ending net position to the current year beginning net position is as follows:

Beginning net position	\$ 34,086,755
Adjustment to correct long-term debt	<u>9,718,604</u>
Beginning net position, as restated	<u>\$ 43,805,359</u>

The following table summarizes the adjustment to beginning net position:

	Governmental Activities	Business-Type Activities	Total Proprietary Funds
Beginning net position	\$ 34,086,755	\$ 42,493,286	\$ 42,493,286
Error Corrections:			
Corrections to long-term debt	9,718,604	(9,718,604)	(9,718,604)
Corrections to capital assets	<u>-</u>	<u>739,235</u>	<u>739,235</u>
Beginning net position, as restated	<u>\$ 43,805,359</u>	<u>\$ 33,513,917</u>	<u>\$ 33,513,917</u>

### (16) Subsequent events

Management has evaluated all events or transactions that occurred after September 30, 2024 through March 18, 2025, the date the current year's financial statements were available to be issued. There were no subsequent events required for disclosure.



## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF PORTLAND, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – BUDGET AND ACTUAL**

**For the fiscal year ended September 30, 2024**

	Budgeted Amounts		Actual		
	Original	Final	Amounts	Variance	2023 Actual
Revenues:					
Taxes	\$ 14,869,808	\$ 14,124,673	\$ 14,146,830	\$ 22,157	\$ 13,161,010
Permits and fees	677,627	881,674	896,628	14,954	596,059
Intergovernmental	225,000	225,000	-	(225,000)	-
Charges for services	1,883,442	1,602,663	1,685,092	82,429	1,448,473
Fines and forfeitures	326,500	344,738	233,897	(110,841)	176,718
Investment income	190,000	268,502	475,122	206,620	521,574
Contributions	30,000	32,811	22,933	(9,878)	79,354
Oil leases and royalties	32,000	15,667	15,566	(101)	28,049
Miscellaneous revenue	48,700	119,213	362,505	243,292	278,371
Total revenues	<u>18,283,077</u>	<u>17,614,941</u>	<u>17,838,573</u>	<u>223,632</u>	<u>16,289,608</u>
Expenditures:					
Current:					
General government	3,006,477	2,656,469	2,714,396	(57,927)	3,997,279
Public safety	10,031,876	10,816,107	10,498,906	317,201	10,539,426
Public works	2,915,000	3,040,792	3,062,011	(21,219)	2,568,354
Cultural and recreational	3,159,778	3,287,661	3,235,818	51,843	3,158,371
Capital Outlay	1,642,704	1,091,999	1,361,912	(269,913)	-
Total expenditures	<u>20,755,835</u>	<u>20,893,028</u>	<u>20,873,043</u>	<u>19,985</u>	<u>20,263,430</u>
Excess (deficiency) of revenues over (under) expenditures	(2,472,758)	(3,278,087)	(3,034,470)	243,617	(3,973,822)
Other financing sources (uses):					
Transfers in	1,317,383	1,436,482	2,643,570	1,207,088	2,993,660
Transfers out	(900,000)	(1,100,005)	-	1,100,005	-
Sale of capital assets	-	-	40,640	40,640	102,300
Total other financing sources (uses)	<u>417,383</u>	<u>336,477</u>	<u>2,684,210</u>	<u>2,307,093</u>	<u>3,095,960</u>
Change in fund balance	(2,055,375)	(2,941,610)	(350,260)	2,550,710	(877,862)
Fund balance at October 1, 2023	9,936,863	9,936,863	9,936,863	-	10,968,568
Restatement of beginning fund balance	-	-	-	-	(153,843)
Fund balance at September 30, 2024	<u>\$ 7,881,488</u>	<u>\$ 6,995,253</u>	<u>\$ 9,586,603</u>	<u>\$ 2,591,350</u>	<u>\$ 9,936,863</u>

## **CITY OF PORTLAND, TEXAS**

### **REQUIRED SUPPLEMENTARY INFORMATION BUDGET INFORMATION**

**For the fiscal year ended September 30, 2024**

#### Note 1 – Budgetary Data

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

1. In accordance with the City Charter, on or before August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. The City Charter requires the budget be submitted in summary form. More detailed line item budgets are included for administrative control. At any time during the fiscal year the City Manager may transfer part or all of any unencumbered appropriation balance among programs within an office or agency; and, upon written request by the City Manager, the City Council may by ordinance transfer part or all of any unencumbered appropriation balance from one office or agency to another. The level of control for the detailed budgets is at the fund level.
2. Public hearings are conducted to obtain taxpayer comment.
3. On or before September 30, the budget is legally enacted through passage of an ordinance. Should the Council take no action on or prior to such day, the budget as submitted by the City Manager shall be deemed to have been adopted by the City Council.
4. Formal budgetary integration is employed as a management control device during the year only for the general fund, debt service fund, and the following special revenue funds: Portland Community Center Complex fund, hotel occupancy tax fund, court technology fund, court security fund, cable franchise (PEG) fund, and the venue sales tax fund.
5. The budget for the general fund is adopted on a budgetary basis rather than in conformity with generally accepted accounting principles (GAAP). Under the budgetary basis, differences from GAAP consist of timing differences related to capital outlay encumbrances, which are treated as expenditures for budgetary purposes and capitalized leases, for which only principal and interest payments are budgeted.
6. The City Charter requires the adoption of a summary budget for proprietary funds.
7. Except for capital outlay encumbrances, appropriations lapse at the end of each fiscal year.

Note that this schedule is prepared on a budgetary basis, but is not different from Generally Accepted Accounting Principles (GAAP) in presentation, due to there being no encumbrances.



# CITY OF PORTLAND, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS) RELATED RATIOS

**For the measurement year ended December 31,**

	Plan Year Ended December 31, 2023	Plan Year Ended December 31, 2022	Plan Year Ended December 31, 2021	Plan Year Ended December 31, 2020
Total pension liability				
Service cost	\$ 2,059,589	\$ 1,827,162	\$ 1,644,051	\$ 1,207,830
Interest	2,828,358	2,557,079	2,300,423	1,994,903
Changes of benefit terms	-	-	2,321,195	-
Differences between expected and actual experience	375,765	856,728	993,806	119,087
Changes of assumptions	(319,752)	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,514,750)</u>	<u>(1,161,710)</u>	<u>(1,293,339)</u>	<u>(1,376,462)</u>
Net change in total pension liability	3,429,210	4,079,259	5,966,136	1,945,358
Total pension liability - beginning	<u>41,629,185</u>	<u>37,549,926</u>	<u>31,583,790</u>	<u>29,638,432</u>
Total pension liability - ending (a)	<u>45,058,395</u>	<u>41,629,185</u>	<u>37,549,926</u>	<u>31,583,790</u>
Plan fiduciary net position				
Contributions - employer	2,030,794	1,775,071	1,523,608	1,117,917
Contributions - employee	806,327	726,712	626,253	509,457
Net investment income	3,550,303	(2,308,507)	3,548,615	1,903,274
Benefit payments, including refunds of employee contributions	(1,514,750)	(1,161,710)	(1,293,339)	(1,376,462)
Administrative expense	(22,552)	(19,956)	(16,409)	(12,310)
Other	<u>(159)</u>	<u>23,814</u>	<u>112</u>	<u>(480)</u>
Net change in plan fiduciary net position	4,849,963	(964,576)	4,388,840	2,141,396
Plan fiduciary net position - beginning	<u>30,628,674</u>	<u>31,593,250</u>	<u>27,204,410</u>	<u>25,063,014</u>
Plan fiduciary net position - ending (b)	<u>35,478,637</u>	<u>30,628,674</u>	<u>31,593,250</u>	<u>27,204,410</u>
City's net position liability - ending (a) - (b)	<u>\$ 9,579,758</u>	<u>\$ 11,000,511</u>	<u>\$ 5,956,676</u>	<u>\$ 4,379,380</u>
Plan fiduciary net position as a percentage of the total pension liability	78.74%	73.58%	84.14%	86.13%
Covered payroll	<u>\$ 11,518,954</u>	<u>\$ 10,381,601</u>	<u>\$ 9,389,209</u>	<u>\$ 8,481,951</u>
City's net pension liability as a percentage of covered payroll	83.17%	105.96%	63.44%	51.63%

(continued)



Plan Year Ended December 31, 2019	Plan Year Ended December 31, 2018	Plan Year Ended December 31, 2017	Plan Year Ended December 31, 2016	Plan Year Ended December 31, 2015	Plan Year Ended December 31, 2014
\$ 1,073,019	\$ 962,899	\$ 987,715	\$ 900,123	\$ 804,614	\$ 711,985
1,872,927	1,785,624	1,702,378	1,590,283	1,529,848	1,419,892
-	-	-	-	-	-
19,032	(419,770)	(430,742)	42,806	(163,154)	(4,129)
92,491	-	-	-	116,075	-
<u>(1,259,196)</u>	<u>(921,676)</u>	<u>(1,105,663)</u>	<u>(727,019)</u>	<u>(533,681)</u>	<u>(689,364)</u>
1,798,273	1,407,077	1,153,688	1,806,193	1,753,702	1,438,384
<u>27,840,159</u>	<u>26,433,082</u>	<u>25,279,394</u>	<u>23,473,201</u>	<u>21,719,499</u>	<u>20,272,857</u>
<u>29,638,432</u>	<u>27,840,159</u>	<u>26,433,082</u>	<u>25,279,394</u>	<u>23,473,201</u>	<u>21,711,241</u>
1,040,964	968,334	1,012,145	910,466	854,679	816,810
457,903	407,720	418,819	381,948	353,418	333,393
3,327,474	(650,790)	2,607,034	1,156,191	24,227	864,042
(1,259,196)	(921,676)	(1,105,663)	(727,019)	(533,681)	(689,364)
(18,795)	(12,577)	(13,508)	(13,051)	(14,754)	(9,019)
<u>(565)</u>	<u>(657)</u>	<u>(685)</u>	<u>(703)</u>	<u>(729)</u>	<u>(742)</u>
3,547,785	(209,646)	2,918,142	1,707,832	683,160	1,315,120
<u>21,515,229</u>	<u>21,724,875</u>	<u>18,806,733</u>	<u>17,098,901</u>	<u>16,415,741</u>	<u>15,100,621</u>
<u>25,063,014</u>	<u>21,515,229</u>	<u>21,724,875</u>	<u>18,806,733</u>	<u>17,098,901</u>	<u>16,415,741</u>
<u>\$ 4,575,418</u>	<u>\$ 6,324,930</u>	<u>\$ 4,708,207</u>	<u>\$ 6,472,661</u>	<u>\$ 6,374,300</u>	<u>\$ 5,295,500</u>
84.56%	77.28%	82.19%	74.40%	72.84%	75.61%
<u>\$ 7,631,711</u>	<u>\$ 6,795,337</u>	<u>\$ 6,980,319</u>	<u>\$ 6,365,792</u>	<u>\$ 5,890,292</u>	<u>\$ 5,556,555</u>
59.95%	93.08%	67.45%	101.68%	108.22%	95.30%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the tenth year of implementation of GASB 68. The City will develop the schedule prospectively.

# CITY OF PORTLAND, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS AND NOTES TO THE SCHEDULE OF CONTRIBUTIONS TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

**For the fiscal year ended September 30,**

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013-14 <sup>1</sup>	\$ 816,810	\$ 816,810	\$ -	\$ 6,978,283	11.71%
2014-15	844,392	844,392	-	5,719,786	14.76%
2015-16	911,809	911,809	-	6,269,935	14.54%
2016-17	1,021,638	1,021,638	-	6,978,283	14.64%
2017-18	970,833	970,833	-	6,688,478	14.52%
2018-19	1,020,306	1,020,306	-	7,284,206	14.01%
2019-20	1,061,379	1,061,379	-	7,849,882	13.52%
2020-21	1,414,162	1,414,162	-	9,355,866	15.12%
2021-22	1,809,978	1,809,978	-	10,483,071	17.27%
2022-23	1,852,226	1,964,079	(111,853)	11,219,859	17.82%
2023-24	2,266,448	2,266,448	-	12,563,997	18.04%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable.

### Notes to Schedule:

Actuarially determined contributions are determined as of December 31 and become effective in January 13 months later.

### Methods and Assumptions used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years (longest amortization ladder)
Asset valuation method	10 year smoothed market; 12.0% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other information: There were no benefit changes during the year.

GASB 68 requires 10 fiscal years of data to be provided in this schedule.



**CITY OF PORTLAND, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS  
RETIREE HEALTH INSURANCE**

**For the fiscal year ended September 30,**

	<u>Fiscal Year Ended September 30, 2024</u>	<u>Fiscal Year Ended September 30, 2023</u>	<u>Fiscal Year Ended September 30, 2022</u>	<u>Fiscal Year Ended September 30, 2021</u>
Total OPEB liability				
Service cost	\$ 120,265	\$ 120,265	\$ 177,933	\$ 177,933
Interest	74,937	69,039	43,379	40,443
Differences between expected and actual experience	275,822	-	(242,627)	-
Changes of assumptions	129,407	-	(346,692)	-
Benefit payments	<u>(76,401)</u>	<u>(54,910)</u>	<u>(54,910)</u>	<u>(120,882)</u>
Net change in total OPEB liability	524,030	134,394	(422,917)	97,494
Total OPEB liability - beginning	<u>1,488,948</u>	<u>1,354,554</u>	<u>1,777,471</u>	<u>1,679,977</u>
Total OPEB liability - ending	<u>\$ 2,012,978</u>	<u>\$ 1,488,948</u>	<u>\$ 1,354,554</u>	<u>\$ 1,777,471</u>
 Covered-employee payroll	 <u>\$ 11,827,376</u>	 <u>\$ 7,978,072</u>	 <u>\$ 7,978,072</u>	 <u>\$ 7,100,496</u>
 City's OPEB liability as a percentage of covered-employee payroll	 17.02%	 18.66%	 16.98%	 25.03%

Note: No assets are accumulated in a trust to pay related benefits for the OPEB plan.

Changes of assumptions reflect the effects of changes in the discount rate of each period. The following discount rates were used for each period:

<u>FYE</u>	<u>Discount Rate</u>
2024	4.06%
2023	4.77%
2022	4.77%
2021	2.25%
2020	2.25%
2019	4.06%
2018	4.06%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the seventh year of implementation of GASB 75. The City will develop the schedule prospectively.

<u>Fiscal Year Ended</u> <u>September 30, 2020</u>	<u>Fiscal Year Ended</u> <u>September 30, 2019</u>	<u>Fiscal Year Ended</u> <u>September 30, 2018</u>
\$ 168,297	\$ 168,297	\$ 161,731
73,148	62,790	66,881
(299,212)	-	-
164,808	-	-
<u>(120,882)</u>	<u>(167,647)</u>	<u>(167,647)</u>
(13,841)	63,440	60,965
<u>1,693,818</u>	<u>1,630,378</u>	<u>1,569,413</u>
<u>\$ 1,679,977</u>	<u>\$ 1,693,818</u>	<u>\$ 1,630,378</u>
 <u>\$ 7,100,496</u>	 <u>\$ 6,191,682</u>	 <u>\$ 6,191,682</u>

23.66%

27.36%

26.33%

**CITY OF PORTLAND, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS) RELATED RATIOS - SDBF**

**For the fiscal year ended September 30,**

	Plan Year Ended December 31, 2023	Plan Year Ended December 31, 2022	Plan Year Ended December 31, 2021	Plan Year Ended December 31, 2020
Total OPEB liability				
Service cost	\$ 19,582	\$ 34,259	\$ 23,473	\$ 17,812
Interest	15,114	10,202	10,135	11,148
Differences between expected and actual experience	(13,400)	(18,522)	2,163	6,442
Changes of assumptions	18,416	(186,686)	16,947	69,549
Benefit payments	<u>(14,975)</u>	<u>(11,420)</u>	<u>(9,389)</u>	<u>(3,393)</u>
Net change in total OPEB liability	24,737	(172,167)	43,329	101,558
Total OPEB liability - beginning	<u>370,890</u>	<u>543,057</u>	<u>499,728</u>	<u>398,170</u>
Total OPEB liability - ending	<u>\$ 395,627</u>	<u>\$ 370,890</u>	<u>\$ 543,057</u>	<u>\$ 499,728</u>
Covered-employee payroll	<u>\$ 11,518,954</u>	<u>\$ 10,381,601</u>	<u>\$ 9,389,209</u>	<u>\$ 8,481,951</u>
City's OPEB liability as a percentage of covered-employee payroll	3.43%	3.57%	5.78%	5.89%

Notes:

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.

No assets are accumulated in a trust to pay related benefits for the OPEB plan.

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the seventh year of implementation of GASB 75. The City will develop the schedule prospectively.

Plan Year Ended December 31, 2019	Plan Year Ended December 31, 2018	Plan Year Ended December 31, 2017
\$ 12,974	\$ 10,873	\$ 9,772
11,676	11,096	10,920
(2,260)	(17,690)	-
68,701	(23,344)	27,844
(2,290)	(2,718)	(2,792)
88,801	(21,783)	45,744
309,369	331,152	285,408
<u>\$ 398,170</u>	<u>\$ 309,369</u>	<u>\$ 331,152</u>
<u>\$ 7,631,711</u>	<u>\$ 6,795,337</u>	<u>\$ 6,980,319</u>
5.22%	4.55%	4.74%

