

ANNUAL FINANCIAL REPORT

of the

CITY OF MONT BELVIEU, TEXAS

For the Year Ended
September 30, 2011

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CITY OF MONT BELVIEU, TEXAS

TABLE OF CONTENTS

September 30, 2011

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements	
Governmental Funds	
Balance Sheet – Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Proprietary Funds	
Statement of Net Assets	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets	28
Statement of Cash Flows	30
Notes to Financial Statements	35
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	56
Schedule of Funding Progress – Texas Municipal Retirement System	59
<u>COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES</u>	
Combining Balance Sheet – Nonmajor Governmental Funds	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	68
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	72
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Funds	73

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Mont Belvieu, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mont Belvieu, Texas (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
February 17, 2012

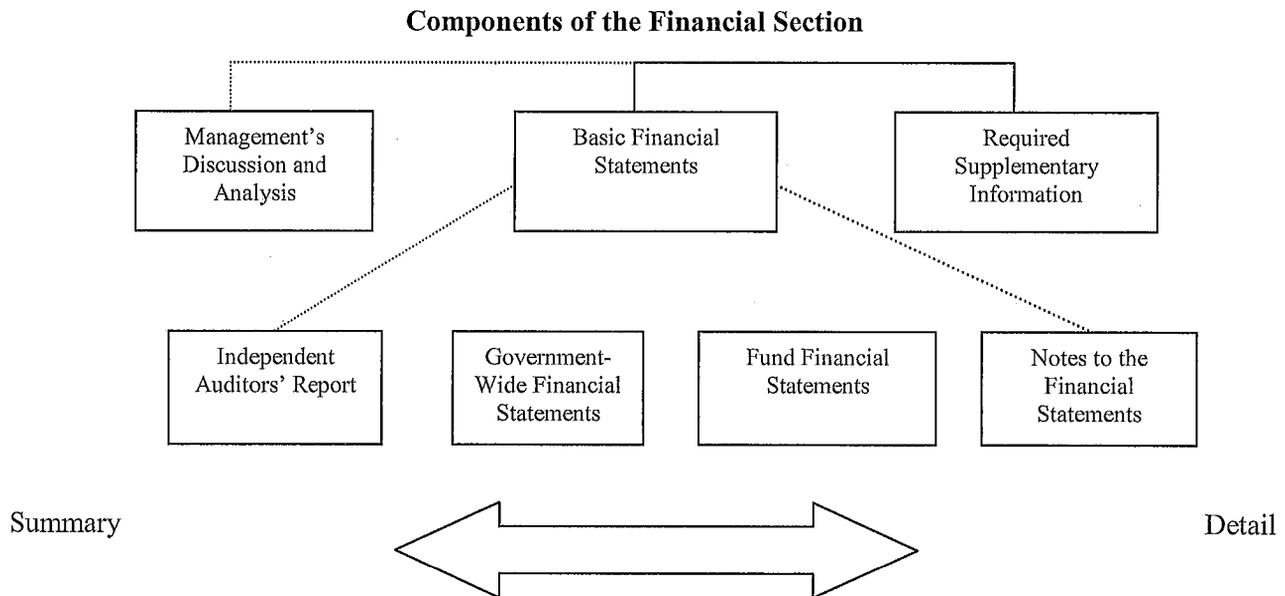
***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2011

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the City of Mont Belvieu's (the "City") financial activities for the year. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Government Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as an MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Assets and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Assets presents information on all of the City's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Assets and the Statement of Activities divide the City into two classes of activities:

1. Governmental Activities – Most of the City's basic services are reported here, including public safety (police, fire, EMS), community services (building permits/inspection), community development, and general government (City administrator, City secretary, finance, human resources, information technology). Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise taxes, municipal court fines and permit fees finance most of these activities.
2. Business-Type Activities – City-provided services where a fee is paid for those services are recorded here. These services, the City's golf course, recreation center, water and wastewater public utility, and beverage corporation are reported here.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

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 on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains 16 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, capital projects-CIP fund, park development fund, 2009 capital projects-CIP, and the 2010 GO projects fund which are considered to be major funds.

The City adopts an annual appropriated budget for its general fund, debt service fund, and special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with those budgets.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

Proprietary Funds

The City maintains one type of proprietary fund, enterprise funds, to account for all "business-like" activities. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds 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 respective enterprise funds.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the financial statements, MD&A, and accompanying notes, this report also presents certain RSI. The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund and a schedule of funding progress for the Texas Municipal Retirement System.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For the City, assets exceed liabilities by \$54,741,735 as of year end, an increase of \$5,886,314 over the prior year.

A portion of the City's net assets, 60 percent, reflects its investments in capital assets (e.g., land, City Hall, police station, fleet equipment, drainage systems, as well as the public works facilities) less any debt used to acquire those assets that 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 assets themselves cannot be used to liquidate these liabilities.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

	CONDENSED STATEMENT OF NET ASSETS					
	2011			2010		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Current and other assets	\$ 28,433,636	\$ 7,987,911	\$ 36,421,547	\$ 31,525,316	\$ 10,923,260	\$ 42,448,576
Capital assets, net	26,690,072	31,862,781	58,552,853	22,808,082	26,489,794	49,297,876
Total Assets	<u>55,123,708</u>	<u>39,850,692</u>	<u>94,974,400</u>	<u>54,333,398</u>	<u>37,413,054</u>	<u>91,746,452</u>
Long-term liabilities	24,328,888	12,888,672	37,217,560	24,732,343	14,857,442	39,589,785
Other liabilities	1,366,216	1,648,889	3,015,105	1,591,411	1,709,835	3,301,246
Total Liabilities	<u>25,695,104</u>	<u>14,537,561</u>	<u>40,232,665</u>	<u>26,323,754</u>	<u>16,567,277</u>	<u>42,891,031</u>
Net assets:						
Invested in capital assets, net of related debt	13,269,055	19,744,202	33,013,257	11,203,517	12,520,968	23,724,485
Restricted	2,265,962	-	2,265,962	2,102,306	-	2,102,306
Unrestricted	13,893,587	5,568,929	19,462,516	14,703,821	8,324,809	23,028,630
Total Net Assets	<u>\$ 29,428,604</u>	<u>\$ 25,313,131</u>	<u>\$ 54,741,735</u>	<u>\$ 28,009,644</u>	<u>\$ 20,845,777</u>	<u>\$ 48,855,421</u>

The City's governmental activities net assets increased from \$28,009,644 to \$29,428,604 largely as a result of increasing revenues during the year. The net assets of business-type activities also increased to \$25,313,131 from \$20,845,777 which was largely a result of increases in revenues and decreases in transfers out. The City can use the unrestricted portion of net assets of \$19,462,516 to continue providing the services of the City. The overall condition of the City improved with higher revenues during the year.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

Statement of Activities

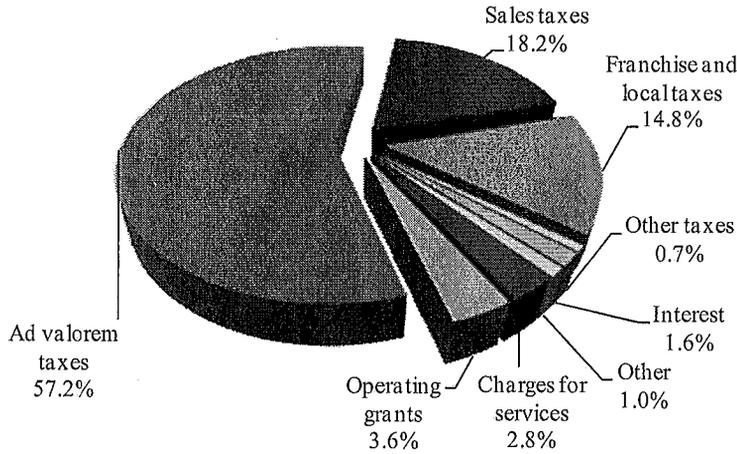
The following table provides a summary of the City's changes in net assets.

	CONDENSED STATEMENT OF ACTIVITIES					
	For the Year Ended September 30, 2011			For the Year Ended September 30, 2010		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 453,660	\$ 4,822,791	\$ 5,276,451	\$ 423,011	\$ 3,613,475	\$ 4,036,486
Operating grants	584,889	-	584,889	264,135	-	264,135
General revenues:						
Ad valorem taxes	9,171,265	-	9,171,265	8,623,256	-	8,623,256
Sales taxes	2,917,800	-	2,917,800	1,896,513	-	1,896,513
Franchise and local taxes	2,380,330	-	2,380,330	2,122,520	-	2,122,520
Other taxes	111,252	-	111,252	129,943	-	129,943
Interest	255,454	132,234	387,688	362,014	82,374	444,388
Other	166,923	1,000	167,923	85,555	91,900	177,455
Total Revenues	16,041,573	4,956,025	20,997,598	13,906,947	3,787,749	17,694,696
Expenses						
General government	2,198,872	-	2,198,872	2,442,158	-	2,442,158
Public safety	2,724,231	-	2,724,231	1,914,373	-	1,914,373
Community development	935,451	-	935,451	1,319,092	-	1,319,092
Community services	964,246	-	964,246	782,155	-	782,155
Interest and fees on debt	744,230	-	744,230	578,976	-	578,976
Golf course	-	2,250,012	2,250,012	-	2,099,025	2,099,025
Recreation center	-	2,645,935	2,645,935	-	2,545,803	2,545,803
Public utilities	-	2,535,967	2,535,967	-	2,464,344	2,464,344
Beverage corporation	-	112,340	112,340	-	91,650	91,650
Total Expenses	7,567,030	7,544,254	15,111,284	7,036,754	7,200,822	14,237,576
Increase (Decrease) in Net Assets						
Before Transfers	8,474,543	(2,588,229)	5,886,314	6,870,193	(3,413,073)	3,457,120
Transfers	(7,055,583)	7,055,583	-	(5,947,852)	5,947,852	-
Change in Net Assets	1,418,960	4,467,354	5,886,314	922,341	2,534,779	3,457,120
Beginning net assets	28,009,644	20,845,777	48,855,421	27,087,303	18,310,998	45,398,301
Ending Net Assets	\$ 29,428,604	\$ 25,313,131	\$ 54,741,735	\$ 28,009,644	\$ 20,845,777	\$ 48,855,421

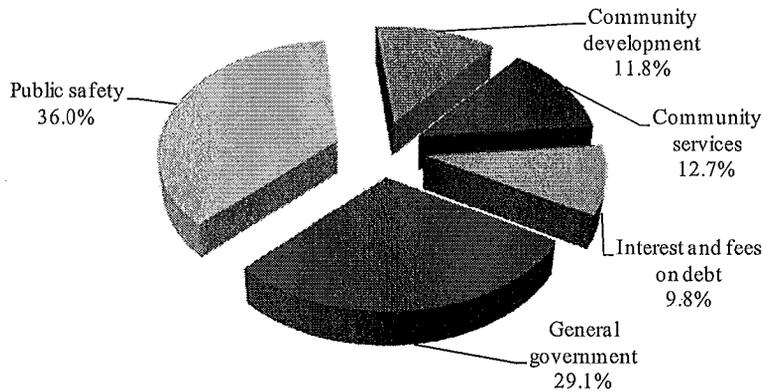
CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
 For the Year Ended September 30, 2011

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

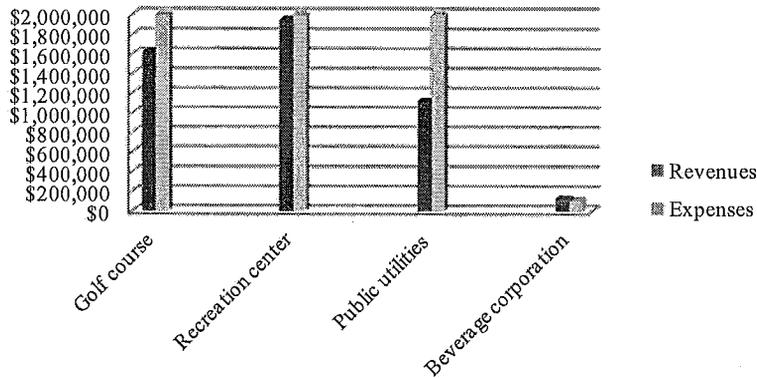
Governmental Activities - Revenues



Governmental Activities - Expenses



**Business-Type Activities
Revenues and Expenses**



CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

For the year ended September 30, 2011, revenue from governmental activities before transfers totaled \$16,041,573, a 15.35 percent increase from the previous year. The increase in revenue is primarily due to increases in operating grant revenue and sales tax revenue. For the year ended September 30, 2011, expenses from governmental activities before transfers totaled \$7,567,030 which was comparable to the previous year.

Business-type activities are shown comparing expenses of \$7,544,254 to program revenues of \$4,956,025 generated by related services. Revenues for charges for services increased due to a decrease in rainfall and an increase in consumption of water during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's 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, the unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The City's governmental funds reflect a combined fund balance of \$25,668,369. Of this, \$10,891,958 is unassigned and available for day-to-day operations of the City; \$3,189,463 is assigned to capital projects and special revenue; \$9,419,266 is restricted for capital projects; \$972,704 is restricted for debt service; \$1,172,888 is restricted by legal statutes and for special revenue projects; and \$22,090 is nonspendable.

The general fund is the chief operating fund of the City. At the end of the fiscal year, unassigned fund balance of the general fund was \$10,891,958. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance to total expenditures. Unassigned fund balance represents 185 percent of total general fund expenditures.

There was an increase in fund balance of \$2,688,488 over the prior year for the general fund. This surplus was mainly due to revenues from taxes.

The debt service fund balance totaled \$972,704 as of year end. Revenues and expenditures were comparable with a fund balance increase of \$905.

There was a decrease of \$3,542,440 in the capital projects – CIP fund balance for a total of \$581,828 at year end. This decrease is primarily the result of planned community development expenditures during the year.

The 2010 GO projects fund balance decreased by \$556,872 for a total of \$9,419,266 at year end. This was the result of increased constructions costs during the year.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

All of the City's business-type activities reported losses before taking into account capital contributions and transfers in, with the exception of the beverage corporation. In summary, the business-type activities reported losses of \$2,588,229 before transfers due to increases in utility costs and depreciation expense.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

Golf Course

The golf course ended with a better year than the previous year and demonstrated an increase in revenues, while operating expenses stayed comparable to the prior year.

Recreation Center

Revenue for the recreation center was up from the prior year due to increases in customers to the City's recreational centers. Operating expenses increased slightly compared to the prior year.

Utility Fund

In the utility fund, service fee revenues were up, mainly as a continuing result of a long-term rate restructuring plan designed in 2004 to ensure utility revenues are enough to cover the utility expenses within the fund over the next ten years and an increase in water usage due to a statewide drought.

GENERAL FUND BUDGETARY HIGHLIGHTS

General fund revenues exceeded budgeted revenues by \$1,923,739. This is largely due to actual sales tax revenue exceeding budgeted by \$1,755,074 or two percent. This increase was due to a increase in construction in the area.

Total expenses in the general fund were less than budget by \$343,419 or six percent. Savings in fuel costs, maintenance, and professional services contributed to the overall savings.

There was a budgeted increase in fund balance for the general fund of \$421,330. The actual increase in fund balance for the year was \$2,688,488.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – At the end of the year, the City's governmental and business-type activities had invested \$26,690,072 and \$31,862,781, respectively, in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

Significant capital asset acquisitions during the current year included the following:

- Road improvements
- Purchases of equipment
- Additions and improvements to the water and sewer system

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long-Term Debt – At the end of the current year, the City had general obligation debt of \$22,840,283 related to governmental activities. The City had \$12,854,718 in certificates of obligation and general obligation bonds related to business-type activities.

More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The upturn in the local economy noted in the 2009-10 report reached a new level in 2010-11 as local industry announced the construction of four new fractionator units worth approximately \$1.2 billion dollars. This is in addition to the \$500 million in expansion announced in 2010. This means the City's tax base will expand fifty percent in the next three years as the units are constructed and come online. These expansions are the results of the nationwide search for natural gas. The storage and processing facilities of Mont Belvieu continue to play a major role in the natural gas liquids industry in the U.S. Several new interstate pipelines have also been announced or are under construction which will bring product to Mont Belvieu to be processed.

Like the 2010 improvements, the City issued tax abatements on the projects, so the full impact of the improvements will not hit the tax rolls until 2020/21. However, by 2015/16, 44 percent of the improvements will be on the tax rolls. Also, as part of the 2011 abatements, industry agreed to provide \$4 million in cash to help finance Eagle Drive Improvements. As of the writing of this analysis, there are over a thousand temporary construction workers in or near Mont Belvieu, and this number should increase to several thousand as construction ramps up to build the four new fractionators. The impact on local business and tax revenues are unknown, but will certainly be significant.

General Fund revenues for the year ended September 30, 2011 were up 17 percent over budget. Most of the increase can be attributed to use tax collected from industrial activity within the City. Total sales tax collected was \$3.6 million on a budget of \$1.85 million. \$640,000 was due to a one-time audit adjustment made by the State Comptroller. However, even if this is factored out, the increase is still 65 percent.

The City's tax base, which had seen annual declines for several years, rebounded in 2010-11, with the tax rolls up 8.32 percent to \$2.32 billion. The increase in property taxes will allow the City to resume its transfer to the Capital Projects Fund for future projects. The planned contribution for 2011-12 is \$1,750,000. The City also doubled its repayment amount of a loan from the Capital Project Fund for electric retrofits as electric usage and costs have declined dramatically. In addition the City will transfer \$2.64 million to fund Eagle Drive Improvements in 2011-12.

The City Council has chosen to leave the tax rate the same due to the volatility of our tax base which fluctuates with hydrocarbon inventories and values.

Total operating expenses (exclusive of one-time transfers noted above) are increasing 2.10 percent. Over half of this increase is related to a tax refund being made to an industrial facility that was improperly assessed by the appraisal district. If this is factored out, the total budgetary increase was a very modest 1.14 percent.

Operating transfers to the utility fund, golf course fund and recreation center fund are declining 2 percent. The annual subsidy from the general fund to the public utility fund is declining \$87,000 in FY 2011-2012. This is a 34 percent decrease since 2008-09 and is a combination of the City's long-range rate plan of putting utilities on a self-funding basis and increased revenue due to new development. Our utility rates remain less than one-half of neighboring cities, so public response over annual increases has been minimal. The City annually publishes rate surveys and discusses the need for future rate increases with its citizens. In 2006-2007, revenues covered 32 percent of the public utility fund's costs. That figure has risen to 62 percent for FY 2011-2012.

Growth in the City continued unabated despite a slow regional economy. There were 68 home starts in 2011 which was our highest rate ever. Four subdivisions are actively building and selling homes. Commercial growth has been minor. This is a primarily a function of too few rooftops to attract national retailers, and the lack of available commercial credit. A general upturn in commercial activity is anticipated in the next one to two years as the City completes a major reconstruction of its main thoroughfare from a three-lane rural road to a four-lane urban section with a 30-foot landscaped median, sidewalks, and underground drainage. The project, which began

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

in 2011 is scheduled from completion in 2013, will dramatically change the face of the community; and staff is regularly meeting with development interests looking at our community. Several office buildings are also planned by industrial concerns in the community.

Overall, the City remains in excellent financial shape, despite slow years from 2008-2010. The City ended FY 2010-11 with 434 days of operating reserves, and added \$2.27 million to the General Fund balance. Even after making \$4.59 million in planned one-time transfers (to Eagle Drive and Capital Fund) in 2011-12 the City will still have over 9 months of operating funds in reserve. New projects and their associated debt are begun when old debt is retired. The City maintains a debt repayment plan with a maximum of ten years for the servicing of all our debt. The City annually updates its two to five year plan, which focuses heavily on the capital needs of the City. Our per capita tax base of over \$600,000 continues to dwarf most other cities. Our capital program remains strong, with approximately \$25 million in work scheduled for 2012, including \$4 million in grant funding. City Council continues to focus on planning and preparing for the future. The City is actively working with several public and private interests to proactively plan large areas of the community for future growth.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to John Iles, Finance Director, City of Mont Belvieu, P.O. Box 1048, Mont Belvieu, Texas, 77580.

BASIC FINANCIAL STATEMENTS

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CITY OF MONT BELVIEU, TEXAS

STATEMENT OF NET ASSETS

September 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 15,716,508	\$ 6,049,758	\$ 21,766,266
Investments	10,538,324	1,310,696	11,849,020
Receivables, net	1,838,157	652,755	2,490,912
Prepaid items	22,894	21,192	44,086
Inventory	2,357	147,740	150,097
Internal balances	261,626	(261,626)	-
Deferred charges	53,770	67,396	121,166
Total Current Assets	28,433,636	7,987,911	36,421,547
Capital assets:			
Non depreciable	5,915,439	15,625,547	21,540,986
Net depreciable capital assets	20,774,633	16,237,234	37,011,867
Total Noncurrent Assets	26,690,072	31,862,781	58,552,853
Total Assets	55,123,708	39,850,692	94,974,400
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	1,275,470	1,169,532	2,445,002
Customer deposits	-	18,264	18,264
Unearned revenue	-	385,231	385,231
Accrued interest payable	90,746	75,862	166,608
Total Current Liabilities	1,366,216	1,648,889	3,015,105
Noncurrent liabilities:			
Due within one year	2,492,162	2,064,017	4,556,179
Due in more than one year	21,836,726	10,824,655	32,661,381
Total Noncurrent Liabilities	24,328,888	12,888,672	37,217,560
Total Liabilities	25,695,104	14,537,561	40,232,665
Net Assets			
Invested in capital assets, net of related debt	13,269,055	19,744,202	33,013,257
Restricted for:			
Debt service	1,093,074	-	1,093,074
Special projects	1,172,888	-	1,172,888
Unrestricted	13,893,587	5,568,929	19,462,516
Total Net Assets	\$ 29,428,604	\$ 25,313,131	\$ 54,741,735

See Notes to Financial Statements.

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 2,198,872	\$ -	\$ -
Public safety	2,724,231	333,328	-
Community development	935,451	120,332	-
Community services	964,246	-	584,889
Interest and fees on debt	744,230	-	-
Total Governmental Activities	7,567,030	453,660	584,889
Business-Type Activities			
Golf course	2,250,012	1,626,512	-
Recreation center	2,645,935	1,950,231	-
Public utilities	2,535,967	1,120,418	-
Beverage corporation	112,340	125,630	-
Total Business-Type Activities	7,544,254	4,822,791	-
Total Primary Government	\$ 15,111,284	\$ 5,276,451	\$ 584,889

General Revenues:

- Taxes
 - Ad valorem taxes
 - Sales taxes
 - Franchise and local taxes
 - Other taxes
- Investment income
- Other revenues
- Transfers

Total General Revenues and Transfers

Change in Net Assets

Beginning Net Assets

Ending Net Assets

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (2,198,872)	\$ -	\$ (2,198,872)
(2,390,903)	-	(2,390,903)
(815,119)	-	(815,119)
(379,357)	-	(379,357)
(744,230)	-	(744,230)
<u>(6,528,481)</u>	<u>-</u>	<u>(6,528,481)</u>
-	(623,500)	(623,500)
-	(695,704)	(695,704)
-	(1,415,549)	(1,415,549)
-	13,290	13,290
-	<u>(2,721,463)</u>	<u>(2,721,463)</u>
<u>(6,528,481)</u>	<u>(2,721,463)</u>	<u>(9,249,944)</u>
9,171,265	-	9,171,265
2,917,800	-	2,917,800
2,380,330	-	2,380,330
111,252	-	111,252
255,454	132,234	387,688
166,923	1,000	167,923
<u>(7,055,583)</u>	<u>7,055,583</u>	<u>-</u>
<u>7,947,441</u>	<u>7,188,817</u>	<u>15,136,258</u>
1,418,960	4,467,354	5,886,314
28,009,644	20,845,777	48,855,421
<u>\$ 29,428,604</u>	<u>\$ 25,313,131</u>	<u>\$ 54,741,735</u>

CITY OF MONT BELVIEU, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2011

	General	Debt Service	Capital Projects - CIP	2010 GO Projects
<u>Assets</u>				
Cash and cash equivalents	\$ 10,015,722	\$ 972,664	\$ -	\$ 1,435,432
Investments	-	-	2,318,528	8,011,640
Receivables, net	1,672,394	120,410	2,547	-
Due from other funds	711,753	-	-	-
Inventory	2,357	-	-	-
Prepaid items	19,733	-	-	-
Total Assets	\$ 12,421,959	\$ 1,093,074	\$ 2,321,075	\$ 9,447,072
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 192,254	\$ -	\$ 1,028,791	\$ 27,806
Due to other funds	-	-	710,456	-
Deferred revenue	1,315,657	120,370	-	-
Total Liabilities	\$ 1,507,911	\$ 120,370	\$ 1,739,247	\$ 27,806
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items and inventory	22,090	-	-	-
Restricted:				
Debt service	-	972,704	-	-
Capital projects	-	-	-	9,419,266
Special revenue projects	-	-	-	-
Assigned:				
Special revenue	-	-	-	-
Capital projects	-	-	581,828	-
Unassigned	10,891,958	-	-	-
Total Fund Balances	\$ 10,914,048	\$ 972,704	\$ 581,828	\$ 9,419,266
Total Liabilities and Fund Balances	\$ 12,421,959	\$ 1,093,074	\$ 2,321,075	\$ 9,447,072

Adjustments for the Statement of Net Assets:

Capital assets used in governmental activities are not current financial resources, and therefore, not reported in the governmental funds.

Capital assets - non depreciable

Capital assets - net depreciable

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest payable

Unamortized bond issuance costs

Non-current liabilities due in one year

Non-current liabilities due in more than one year

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,292,690	\$ 15,716,508
208,156	10,538,324
42,806	1,838,157
498,307	1,210,060
-	2,357
3,161	22,894
<u>\$ 4,045,120</u>	<u>\$ 29,328,300</u>

\$ 26,619	\$ 1,275,470
237,978	948,434
-	1,436,027
<u>264,597</u>	<u>3,659,931</u>

-	22,090
-	972,704
-	9,419,266
1,172,888	1,172,888
3,209	3,209
2,604,426	3,186,254
-	10,891,958
<u>3,780,523</u>	<u>25,668,369</u>
<u>\$ 4,045,120</u>	

5,915,439	
<u>20,774,633</u>	26,690,072
	1,436,027

(90,746)	
53,770	
(2,492,162)	
<u>(21,836,726)</u>	(24,365,864)
	<u>\$ 29,428,604</u>

CITY OF MONT BELVIEU, TEXAS

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

For the Year Ended September 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects-CIP</u>	<u>2010 GO Projects</u>
Revenues				
Ad valorem taxes	\$ 4,890,208	\$ 4,275,933	\$ -	\$ -
Sales tax	3,605,074	-	-	-
Franchise and local taxes	2,201,668	-	-	-
Other taxes	6,787	-	-	-
Licenses and permits	120,332	-	-	-
Fines and forfeitures	73,142	-	-	-
Charges for services	268,680	-	-	-
Intergovernmental	297,576	-	-	-
Investment income	94,947	55,157	28,600	52,969
Other revenue	20,643	-	35,542	-
Total Revenues	<u>11,579,057</u>	<u>4,331,090</u>	<u>64,142</u>	<u>52,969</u>
Expenditures				
Current:				
General government	2,727,036	-	-	-
Public safety	2,305,415	-	-	-
Community development	86,223	-	3,725,039	-
Community services	777,883	-	-	-
Capital projects	-	-	50,686	609,841
Debt service:				
Principal	-	1,117,290	-	-
Interest and fiscal charges	-	770,887	-	-
Total Expenditures	<u>5,896,557</u>	<u>1,888,177</u>	<u>3,775,725</u>	<u>609,841</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,682,500</u>	<u>2,442,913</u>	<u>(3,711,583)</u>	<u>(556,872)</u>
Other Financing Sources (Uses)				
Transfers in	-	113,385	200,000	-
Transfers (out)	(2,994,012)	(2,555,393)	(30,857)	-
Total Other Financing Sources (Uses)	<u>(2,994,012)</u>	<u>(2,442,008)</u>	<u>169,143</u>	<u>-</u>
Net Change in Fund Balances	2,688,488	905	(3,542,440)	(556,872)
Beginning Fund Balances	8,225,560	971,799	4,124,268	9,976,138
Ending Fund Balances	<u>\$ 10,914,048</u>	<u>\$ 972,704</u>	<u>\$ 581,828</u>	<u>\$ 9,419,266</u>

See Notes to Financial Statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 9,166,141
-	3,605,074
-	2,201,668
104,465	111,252
-	120,332
4,877	78,019
-	268,680
287,313	584,889
23,781	255,454
110,738	166,923
<u>531,174</u>	<u>16,558,432</u>
57,412	2,784,448
58,188	2,363,603
-	3,811,262
111,427	889,310
991,669	1,652,196
-	1,117,290
-	770,887
<u>1,218,696</u>	<u>13,388,996</u>
<u>(687,522)</u>	<u>3,169,436</u>
561,397	874,782
<u>(2,350,103)</u>	<u>(7,930,365)</u>
<u>(1,788,706)</u>	<u>(7,055,583)</u>
(2,476,228)	(3,886,147)
6,256,751	29,554,516
<u>\$ 3,780,523</u>	<u>\$ 25,668,369</u>

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CITY OF MONT BELVIEU, 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, 2011

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

Net changes in fund balances - total governmental funds	\$ (3,886,147)
---	----------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	4,893,222
Depreciation expense	(1,011,232)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	993,005
--	---------

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal expenditures	1,117,290
Amortization of bond issuance costs	20,283
Accrued interest payable	6,374
Sales tax refund agreement	(687,274)
Compensated absences	3,532
Net pension obligation	(30,093)

Change in Net Assets of Governmental Activities	\$ <u>1,418,960</u>
--	----------------------------

See Notes to Financial Statements.

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2011

	Golf Course	Recreation Center	Public Utility	Nonmajor Fund Bev Co
<u>Assets</u>				
Current Assets				
Cash and cash equivalents	\$ 1,645,349	\$ 390,515	\$ 3,940,763	\$ 73,131
Investments	-	619,543	691,153	-
Receivables, net	121,067	317,167	214,521	-
Due from other funds	972,347	-	-	-
Inventory	112,620	30,041	1,813	3,266
Prepaid items	9,161	10,530	1,501	-
Deferred charges	14,208	20,582	32,606	-
Total Current Assets	2,874,752	1,388,378	4,882,357	76,397
Noncurrent Assets				
Capital assets:				
Non-depreciable	3,150,143	45,629	12,429,775	-
Net depreciable	2,838,549	8,590,590	4,808,095	-
Total Noncurrent Assets	5,988,692	8,636,219	17,237,870	-
Total Assets	8,863,444	10,024,597	22,120,227	76,397
<u>Liabilities</u>				
Current Liabilities				
Accounts payable and accrued liabilities	482,855	113,494	646,333	2,712
Compensated absences	-	-	17,042	-
Due to other funds	711,753	-	498,605	23,615
Unearned revenue	79,190	306,041	-	-
Customer deposits	-	-	18,264	-
Bonds payable within one year	399,336	535,139	1,112,500	-
Total Current Liabilities	1,673,134	954,674	2,292,744	26,327
Noncurrent Liabilities				
Compensated absences	-	-	1,893	-
Net pension obligation	-	-	15,019	-
Bonds payable	1,873,200	2,349,543	6,585,000	-
Total Liabilities	3,546,334	3,304,217	8,894,656	26,327
<u>Net Assets</u>				
Invested in capital assets, net of related debt	3,953,988	5,751,537	10,038,677	-
Unrestricted	1,363,122	968,843	3,186,894	50,070
Total Net Assets	\$ 5,317,110	\$ 6,720,380	\$ 13,225,571	\$ 50,070

See Notes to Financial Statements.

Total

\$ 6,049,758
1,310,696
652,755
972,347
147,740
21,192
67,396

9,221,884

15,625,547
16,237,234

31,862,781

41,084,665

1,245,394
17,042
1,233,973
385,231
18,264
2,046,975

4,946,879

1,893
15,019
10,807,743

15,771,534

19,744,202

5,568,929

\$ 25,313,131

CITY OF MONT BELVIEU, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Year Ended September 30, 2011

	<u>Golf Course</u>	<u>Recreation Center</u>	<u>Public Utility</u>	<u>Nonmajor Fund Bev Co</u>
<u>Operating Revenues</u>				
Water charges	\$ -	\$ -	\$ 580,310	\$ -
Sewer charges	-	-	269,953	-
Sanitation	-	-	212,408	-
Other services	1,626,512	1,950,231	57,747	125,630
Total Operating Revenues	<u>1,626,512</u>	<u>1,950,231</u>	<u>1,120,418</u>	<u>125,630</u>
<u>Operating Expenses</u>				
Costs of sales and services	1,859,476	2,077,748	1,695,449	112,340
Depreciation	290,898	442,082	497,360	-
Total Operating Expenses	<u>2,150,374</u>	<u>2,519,830</u>	<u>2,192,809</u>	<u>112,340</u>
Operating Income (Loss)	<u>(523,862)</u>	<u>(569,599)</u>	<u>(1,072,391)</u>	<u>13,290</u>
<u>Nonoperating Revenues (Expenses)</u>				
Investment income	35,621	2,147	94,466	-
Interest expense	(99,638)	(126,105)	(343,158)	-
Gain on sale of capital assets	-	-	1,000	-
Total Nonoperating Revenues (Expenses)	<u>(64,017)</u>	<u>(123,958)</u>	<u>(247,692)</u>	<u>-</u>
Income (Loss) Before Transfers	<u>(587,879)</u>	<u>(693,557)</u>	<u>(1,320,083)</u>	<u>13,290</u>
Capital contributions	-	-	57,776	-
Transfers in	1,399,877	1,398,564	4,199,366	-
Change in Net Assets	<u>811,998</u>	<u>705,007</u>	<u>2,937,059</u>	<u>13,290</u>
Beginning Net Assets	<u>4,505,112</u>	<u>6,015,373</u>	<u>10,288,512</u>	<u>36,780</u>
Ending Net Assets	<u>\$ 5,317,110</u>	<u>\$ 6,720,380</u>	<u>\$ 13,225,571</u>	<u>\$ 50,070</u>

See Notes to Financial Statements.

Total	
\$ 580,310	
269,953	
212,408	
3,760,120	
4,822,791	
5,745,013	
1,230,340	
6,975,353	
(2,152,562)	
132,234	
(568,901)	
1,000	
(435,667)	
(2,588,229)	
57,776	
6,997,807	
4,467,354	
20,845,777	
\$ 25,313,131	

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2011

	Golf Course	Recreation Center	Public Utility	Nonmajor Fund Bev Co
<u>Cash Flows from Operating Activities</u>				
Receipts from customers	\$ 653,038	\$ 1,935,677	\$ 1,028,032	\$ 125,630
Payments to employees	-	-	(733,980)	-
Payments to suppliers	(805,135)	(2,041,965)	(1,004,855)	(108,535)
Net Cash Provided (Used) by Operating Activities	<u>(152,097)</u>	<u>(106,288)</u>	<u>(710,803)</u>	<u>17,095</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers from other funds	1,399,877	1,398,564	4,199,366	-
Net Cash Provided by Noncapital Financing Activities	<u>1,399,877</u>	<u>1,398,564</u>	<u>4,199,366</u>	<u>-</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Capital purchases net of disposal	(390,133)	(545,507)	(5,608,911)	-
Principal paid on capital debt	(384,626)	(516,140)	(1,066,312)	-
Interest paid on capital debt	(99,638)	(126,105)	(343,158)	-
Net Cash (Used) by Capital and Related Financing Activities	<u>(874,397)</u>	<u>(1,187,752)</u>	<u>(7,018,381)</u>	<u>-</u>
<u>Cash Flows from Investing Activities</u>				
Sale of investments	37,441	-	-	-
Purchase of investments	-	(317,258)	(354,539)	-
Interest on investments	35,621	2,147	94,466	-
Net Cash Provided (Used) by Investing Activities	<u>73,062</u>	<u>(315,111)</u>	<u>(260,073)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	446,445	(210,587)	(3,789,891)	17,095
Beginning cash and cash equivalents	1,198,904	601,102	7,730,654	56,036
Ending Cash and Cash Equivalents	<u>\$ 1,645,349</u>	<u>\$ 390,515</u>	<u>\$ 3,940,763</u>	<u>\$ 73,131</u>

Total

\$ 3,742,377
(733,980)
(3,960,490)

(952,093)

6,997,807

6,997,807

(6,544,551)
(1,967,078)
(568,901)

(9,080,530)

37,441
(671,797)
132,234
(502,122)

(3,536,938)

9,586,696

\$ 6,049,758

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2011

	Golf Course	Recreation Center	Public Utility	Nonmajor Fund Bev Co
Reconciliation of Operating Income (Loss)				
To Net Cash Provided (Used) by				
Operating Activities				
Operating income (loss)	\$ (523,862)	\$ (569,599)	\$ (1,072,391)	\$ 13,290
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	290,898	442,082	497,360	-
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	(35,772)	(35,482)	(94,076)	-
Due from other funds	(952,364)	-	-	-
Inventory	42,258	(8,671)	178	(45)
Prepaid items	(480)	(114)	(935)	-
Deferred charges	2,768	4,117	6,009	-
Increase (Decrease) in:				
Accounts payable and accrued liabilities	404,402	40,451	(543,297)	218
Compensated absences	-	-	(1,692)	-
Due to other funds	605,393	-	496,351	3,632
Deferred revenue	14,662	20,928	-	-
Customer deposits	-	-	1,690	-
	Net Cash Provided (Used)	by Operating Activities	\$ (710,803)	\$ 17,095
	\$ (152,097)	\$ (106,288)	\$ (710,803)	\$ 17,095
 Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets from government	\$ -	\$ -	\$ 57,776	\$ -

See Notes to Financial Statements.

Total

\$ (2,152,562)

1,230,340

(165,330)
(952,364)
33,720
(1,529)
12,894

(98,226)
(1,692)
1,105,376
35,590
1,690

\$ (952,093)

\$ 57,776

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CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Mont Belvieu, Texas (the "City") was incorporated under the laws of the State of Texas on April 11, 1966. The City has a "Council-Mayor" form of government.

The City Council is the principal legislative body of the City and is responsible for the appointment and removal of department directors and employees, including the City Administrator. The City Administrator is responsible to the Council for the administration of all the affairs of the City including supervision and control of all City departments and preparation of the annual budget.

The City provides the following services: public safety to include police, fire, and emergency medical services; parks; sanitation, water and sewer services; recreation; public improvements; planning and zoning; and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these general purpose financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the City's financial reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Unit

Beverage Corporation

The Beverage Corporation ("Bev Co") is a legally separate entity from the City but is so closely related to the City that it is, in essence, an extension of the City. This entity is considered a blended component unit for reporting purposes. The financial data of this unit is combined with that of the City as an enterprise fund as Bev Co since the unit is, in substance, part of the City's operations.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2011

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

A description of the various funds follows:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly included in other funds. The principal sources of revenue include local property taxes, sales and franchise taxes, fines and forfeitures, as well as licenses and permits. Expenditures include general government, public safety, community development, and community services.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2011

Capital Projects Funds

The capital projects funds are used to account for the expenditures of resources accumulated from certificates of obligation and related interest earnings for capital improvement projects. The capital projects-CIP fund and 2010 GO projects fund are considered major funds for reporting purposes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB.

The proprietary fund types used by the City include the following:

Enterprise Funds

The enterprise funds are used to account for the operations that provide beverage services; water, sewer, and sanitation services; as well as operations of the Eagle Pointe golf course and recreation center. These services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The golf course, recreation center, and public utility enterprise funds are considered major funds for reporting purposes. The Bev Co fund is a nonmajor fund.

C. Measurement Focus and Basis of Accounting

The government-wide Statements of Net Assets and Statements of Activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2011

Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the accounting period in which they are incurred.

D. Assets, Liabilities, and Net Assets or Fund Equity

1. Deposits and Investments

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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturities of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools and commercial paper

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2011

2. Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in an applicable governmental fund to indicate that they are not available for appropriation and are not expendable, available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

Property taxes

Property taxes are levied during September of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. The interest continues to accumulate on the account at one percent per month, but the penalty remains at a maximum of 12 percent until paid.

A penalty of six percent and interest of one percent are added to delinquent taxes on February 1. The penalty amount increases to a maximum of 12 percent on July 1 of each year, with interest continuing to increase at one percent per month until the account is paid. An additional penalty of 20 percent is added in July for attorney costs. There are no discounts allowed on taxes.

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflecting costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2011

Interest costs incurred in connection with the construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 20 years
Furniture and equipment	5 to 20 years
Infrastructure	15 to 25 years
Water and sewer system	5 to 25 years
Buildings and improvements	10 to 40 years

5. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits, and compensatory time. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the City's personnel policy. The estimated amount that will be paid as compensation for services provided is recorded as a liability in the general fund. All eligible time is accrued when incurred in the government-wide and proprietary fund financial statements.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities on the Statement of Net Assets. The long-term debt consists primarily of bonds payable, notes payable, capital leases payable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payment of principal and interest are reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2011

general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment, with an appropriate reduction of principal recorded in the government-wide financial statements.

7. Fund Equity

Fund balances of governmental funds are classified as follows:

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

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

Committed – represents amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. The commitment must be made prior to year end.

Assigned – represents amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. Assignments can be made at any time.

Unassigned – represents amounts that are available for any purpose. Positive amounts are reported only in the general fund. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

8. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2011

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (“GAAP”) except the capital project funds, which adopt project length budgets. The original budget is adopted by the City Council prior to the beginning of the fiscal year. The legal level of control as defined by the charter is the department in the approved budget. The City Administrator may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made during the year.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
State pool (TexPool)	\$ 3,882,050	0.00
State pool (TexSTAR)	609,088	0.00
Investment securities	<u>18,867,597</u>	0.83
Total fair value	<u>\$ 23,358,735</u>	0.67

Credit risk. State law and the City’s investment policy limits investments to 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. Further, commercial paper must be rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies. As of September 30, 2011, the City’s investment in TexPool was rated AAAM by Standard & Poor’s. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuer U.S. agency.

Concentration of credit risk. The City’s investment policy does not allow for an investment in any one issuer that is in excess of 50 percent of the portfolio’s total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102 percent. As of September 30, 2011, market values of pledged securities exceeded bank balances.

Custodial credit risk – investments. For an investment, this 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’s investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2011

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poors rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexSTAR

The Texas Short Term Asset Reserve Fund ("TexSTAR") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexPool and TexSTAR operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool and TexSTAR use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool and TexSTAR are the same as the value of TexPool and TexSTAR shares.

B. Receivables

The following comprises receivable balances at year end for governmental activities:

	General	Debt Service	Capital Projects - CIP
Ad valorem taxes	\$ 123,173	\$ 120,370	\$ -
Other taxes	530,615	-	-
Accounts	1,007,972	-	-
Other	10,634	40	2,547
	\$ 1,672,394	\$ 120,410	2,547

	Nonmajor Governmental Funds	Total
Ad valorem taxes	\$ -	\$ 243,543
Other taxes	26,181	556,796
Accounts	16,500	1,024,472
Other	125	13,346
	\$ 42,806	\$ 1,838,157

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2011

The following comprises receivable balances at year end for business-type activities:

	<u>Golf Course</u>	<u>Recreation</u>	<u>Public Utility</u>	<u>Total</u>
Accounts	\$ 119,141	\$ 318,049	\$ 219,576	\$ 656,766
Other	1,926	-	-	1,926
Less allowance	-	(882)	(5,055)	(5,937)
	<u>\$ 121,067</u>	<u>\$ 317,167</u>	<u>\$ 214,521</u>	<u>\$ 652,755</u>

C. Capital Assets

A summary of changes in capital assets for the year end are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,163,934	\$ -	\$ -	\$ 2,163,934
Construction in progress	14,057,504	2,306,883	(12,612,882)	3,751,505
Total capital assets, not being depreciated	<u>16,221,438</u>	<u>2,306,883</u>	<u>(12,612,882)</u>	<u>5,915,439</u>
Capital assets, being depreciated:				
Buildings	5,486,382	1,086,121	-	6,572,503
Improvements other than buildings	6,854,365	13,801,928	-	20,656,293
Machinery and equipment	3,001,061	311,172	(7,112)	3,305,121
Total capital assets being depreciated	<u>15,341,808</u>	<u>15,199,221</u>	<u>(7,112)</u>	<u>30,533,917</u>
Less accumulated depreciation for:				
Buildings	(3,197,307)	(164,313)	-	(3,361,620)
Improvements other than buildings	(3,431,024)	(516,407)	-	(3,947,431)
Machinery and equipment	(2,126,833)	(330,512)	7,112	(2,450,233)
Total accumulated depreciation	<u>(8,755,164)</u>	<u>(1,011,232)</u>	<u>7,112</u>	<u>(9,759,284)</u>
Total capital assets, being depreciated, net	6,586,644	14,187,989	-	20,774,633
Governmental activities capital assets, net	<u>\$ 22,808,082</u>	<u>\$ 16,494,872</u>	<u>\$ (12,612,882)</u>	<u>26,690,072</u>
			Less associated debt	(22,840,283)
			Plus unspent proceeds	9,419,266
			Invested in capital assets, net of related debt	<u>\$ 13,269,055</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 232,671
Public safety	347,056
Community development	363,591
Community services	67,914
Total Governmental Activities Depreciation Expense	<u>\$ 1,011,232</u>

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2011

The following is a summary of changes in capital assets for business-type activities for the year ended:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Business-Type activities:				
Capital assets, not being depreciated				
Land	\$ 523,347	\$ -	\$ (8,649)	\$ 514,698
Golf course	3,022,335	-	-	3,022,335
Construction in progress	6,529,781	5,638,801	(80,068)	12,088,514
Total capital assets, not being depreciated	10,075,463	5,638,801	(88,717)	15,625,547
Capital assets, being depreciated:				
Buildings	14,591,519	614,210	-	15,205,729
Improvements other than buildings	19,241,213	61,882	-	19,303,095
Machinery and equipment	3,205,044	379,151	(54,950)	3,529,245
Total capital assets being depreciated	37,037,776	1,055,243	(54,950)	38,038,069
Less accumulated depreciation for:				
Buildings	(5,729,928)	(379,622)	-	(6,109,550)
Improvements other than buildings	(12,758,307)	(497,794)	3,495	(13,252,606)
Machinery and equipment	(2,135,210)	(352,924)	49,455	(2,438,679)
Total accumulated depreciation	(20,623,445)	(1,230,340)	52,950	(21,800,835)
Total capital assets, being depreciated, net	16,414,331	(175,097)	(2,000)	16,237,234
Business-type activities capital assets, net	\$ 26,489,794	\$ 5,463,704	\$ (90,717)	31,862,781
				Less associated debt (12,854,718)
				Plus unspent proceeds 736,139
Invested in capital assets, net of related debt				\$ 19,744,202

Depreciation was charged to business-type functions as follows:

Golf course	\$ 290,898
Recreation center	442,082
Public utilities	497,360
Total Business-Type Activities Depreciation Expense	\$ 1,230,340

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2011

D. Long-Term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 91,774	\$ 79,065	\$ (82,597)	\$ 88,242	\$ 79,418
Net pension obligation	51,765	-	30,093	81,858	-
Taxes refund agreement	631,231	911,993	(224,719)	1,318,505	224,719
General obligation bonds					
Series 2010	11,000,000	-	-	11,000,000 *	1,020,000
Certificates of obligation					
Series 2007	6,732,017	-	(839,234)	5,892,783 *	875,525
Series 2009	6,225,556	-	(278,056)	5,947,500 *	292,500
Total Governmental Activities	<u>\$ 24,732,343</u>	<u>\$ 991,058</u>	<u>\$ (1,394,513)</u>	<u>\$ 24,328,888</u>	<u>\$ 2,492,162</u>

Long-term liabilities due in more than one year \$ 21,836,726

* Debt associated with capital assets \$ 22,840,283

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Compensated absences	\$ 20,627	\$ 16,872	\$ (18,564)	\$ 18,935	\$ 17,042
Net pension obligation	9,387	-	5,632	15,019	-
General obligation bonds					
Refunding, series 2004	5,370,000	-	(815,000)	4,555,000 *	845,000
Series 2006	6,375,000	-	(965,000)	5,410,000 *	1,000,000
Certificates of obligation					
Series 2007	687,984	-	(85,766)	602,218 *	89,475
Series 2009	2,394,444	-	(106,944)	2,287,500 *	112,500
Total Business-Type Activities	<u>\$ 14,857,442</u>	<u>\$ 16,872</u>	<u>\$ (1,985,642)</u>	<u>\$ 12,888,672</u>	<u>\$ 2,064,017</u>

Long-term liabilities due in more than one year \$ 10,824,655

* Debt associated with capital assets \$ 12,854,718

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2011

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Capital leases, general obligation bonds, and certificates of obligation at year end were comprised of the following debt issues:

Governmental Activities		
<u>Description</u>	<u>Interest Rates</u>	<u>Balance</u>
General obligation bonds		
2010 series	2.00-3.00%	\$ 11,000,000
Total General Obligation Debt		<u>11,000,000</u>
Certificates of obligation		
2007 series	4.00%	5,892,783
2009 series	3.99%	5,947,500
Total Certificates of Obligation		<u>11,840,283</u>
Total Governmental Activities Debt		<u>\$ 22,840,283</u>
Business-Type Activities		
<u>Description</u>	<u>Interest Rates</u>	<u>Balance</u>
General obligation bonds		
2004 refunding series	3.00-4.00%	\$ 4,555,000
2006 series	4.00%	5,410,000
Total General Obligation Debt		<u>9,965,000</u>
Certificates of obligation		
2007 series	4.00%	602,218
2009 series	3.99%	2,287,500
Total Certificates of Obligation		<u>2,889,718</u>
Total Business-Type Activities Debt		<u>\$ 12,854,718</u>

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2011

The annual requirements to amortize debt issues outstanding at year end were as follows:

Year Ending Sept. 30	Governmental Activities				Taxes Refund Agreement
	General Obligation Bonds		Certificates of Obligation		
	Principal	Interest	Principal	Interest	
2012	\$ 1,020,000	\$ 252,956	\$ 1,168,025	\$ 473,017	\$ 224,719
2013	1,065,000	232,556	1,219,686	426,325	224,719
2014	1,110,000	211,256	1,274,958	377,568	224,718
2015	1,160,000	189,056	1,331,156	326,601	224,718
2016	1,215,000	165,856	1,697,908	273,388	42,320
2017-2021	5,430,000	377,895	5,148,550	371,809	211,600
2022-2025	-	-	-	-	165,711
Total	\$ 11,000,000	\$ 1,429,575	\$ 11,840,283	\$ 2,248,708	\$ 1,318,505

Year Ending Sept. 30	Business-Type Activities			
	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2012	\$ 1,845,000	\$ 392,536	\$ 201,975	\$ 115,360
2013	1,915,000	321,405	210,314	107,292
2014	1,985,000	247,566	220,043	98,891
2015	2,075,000	168,758	228,844	90,102
2016	2,145,000	86,383	357,092	80,961
2017-2019	-	-	1,671,450	130,653
Total	\$ 9,965,000	\$ 1,216,648	\$ 2,889,718	\$ 623,259

The City is not obligated in any manner for special assessment debt.

Obligations to State -- Refund Taxes

During 2004 and 2006, the Texas State Comptroller of Public Accounts notified the City that the State had remitted additional sales tax receipts to the City which was not collected within the City limits. During 2009, the City was notified that it had been overpaid by an additional \$186,965. The terms of the settlement require the City to repay the State in non-interest installments of \$3,527 being withheld from the sales tax remittance each month from the Texas State Comptroller of Public Accounts through November 2025. During 2011, the City was notified by Chambers County Appraisal District that it had been paid an additional \$911,993 in property taxes from Gulf Coast Fractionators. The terms of the settlement require the City to repay Gulf Coast Fractionators in non-interest annual installments of \$182,398 starting February 1, 2011 through 2015. The balance due as of year end was \$1,318,505.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2011

E. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General Fund	Golf Course	\$ 720,402
	Capital Projects - CIP	200,000
	Recreation Center	754,854
	Public Utilities	757,359
	Nonmajor Funds	561,397
Debt Service Fund	Golf Course	486,012
	Recreation Center	643,710
	Public Utilities	1,425,670
Capital Projects	Public Utilities	30,857
Nonmajor Funds	Public Utilities	2,043,256
	Debt Service Fund	113,385
	Golf Course	193,463
Total Transfers		\$ 7,930,365

Amounts transferred between funds related to amounts collected by general fund for various governmental expenditures, as well as property taxes collected in the debt service fund for the repayment of debt.

The composition of interfund balances as of year end was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General Fund	Golf Course	\$ 711,753
Golf Course	Capital Projects	710,456
Golf Course	Park Development	237,978
Capital Projects	Public Utility Fund	498,605
Golf Course	Beverage	23,615
Total Interfund Balances		\$ 2,182,407

Amounts recorded as "due to/from" are considered to be temporary loans and will be repaid during the following year.

E. Fund Equity

As of September 30, 2011, \$468,633 of City's total fund balance is restricted by enabling legislation.

IV. OTHER INFORMATION

A. 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; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pool. The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2011

or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

B. Contingent Liabilities

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a material adverse effect on the financial condition of the City.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or not performed correctly, a substantial liability could result to the City. Although the City does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with the IRS rules and regulations.

C. Pension Plans

Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 837 administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

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

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2011

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

	2011	2010
Employee deposit rate	5.00%	5.00%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100%	100%
	Repeating, Transfers	Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Benefits

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence, and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2011

basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2008 valuation is effective for rates beginning January 2010). The annual pension cost and the net pension obligation (asset) are as follows:

Annual Required Contribution (ARC)	\$	332,546
Interest on Net Pension Obligation (NPO)		4,587
Adjustment to the ARC		<u>(3,788)</u>
Annual Pension Cost (APC)		333,345
Contributions made		<u>(297,620)</u>
Increase in net Pension Obligation		35,725
Net Pension Obligation-beginning of year		<u>61,152</u>
Net Pension Obligation-end of year	\$	<u><u>96,877</u></u>

Three-year trend information for the annual pension cost (APC) is as follows:

Fiscal year	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 272,982	\$ 272,982	100.00%	\$ -
2010	\$ 330,141	\$ 268,989	81.48%	\$ 61,152
2011	\$ 333,345	\$ 297,620	89.28%	\$ 96,877

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarial Valuation Date	12/31/2010 - Restructured	12/31/2010 - Prior to Restructuring	12/31/2009	12/31/2008
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization Period	27.3 Years - Closed period	27.4 Years - Closed period	28 Years - Closed period	29 Years - Closed period
Amortization Period for New	30 years	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed market	10-year Smoothed market	10-year Smoothed market	Amortized cost
Investment Rate of Return	7.0%	7.5%	7.5%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at Cost of Living Adjustments	3.00% 2.10%	3.00% 2.10%	3.00% 2.10%	3.00% 2.10%

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2011

TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate valuations, is presented as follows:

	<u>New Fund Structure</u>	<u>Original Fund Structure</u>
Actuarial Valuation Date	12/31/2010	12/31/2010
Actuarial Value of Assets	\$ 8,844,629	\$ 7,361,424
Actuarial Accrued Liability	\$ 9,560,439	\$ 8,672,743
Percentage Funded	92.5%	84.9%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 715,810	\$ 1,311,319
Annual Covered Payroll	\$ 3,127,869	\$ 3,127,869
UAAL as a Percentage of Covered Payroll	22.9%	41.9%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

D. Other Post Employment Benefits

TMRS - Supplemental Death Benefit Fund

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended September 30, 2011

September 30, 2011, the City offered the supplemental death benefit to both active and retired employees.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to the TMRS SDBF for fiscal years ended 2011 and 2010 were \$6,601 and \$6,244 respectively. The City's contribution rate to the TMRS SDBF, for the retiree portion, for the years ended September 30, 2011, 2010, and 2009 is shown below.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Req. Contrib. (Rate)	0.01%	0.01%	0.00%
Actual Contribution Made	0.01%	0.01%	0.00%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)
GENERAL FUND

For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 4,964,507	\$ 4,964,507	\$ 4,890,208	\$ (74,299)
Sales tax	1,850,000	1,850,000	3,605,074	1,755,074
Franchise and local taxes	2,121,017	2,121,017	2,201,668	80,651
Other taxes	6,500	6,500	6,787	287
Licenses and permits	75,000	75,000	120,332	45,332
Fines and forfeitures	53,000	53,000	73,142	20,142
Charges for services	280,794	280,794	268,680	(12,114)
Intergovernmental	237,500	237,500	297,576	60,076
Investment income	62,000	62,000	94,947	32,947
Other revenue	5,000	5,000	20,643	15,643
Total Revenues	<u>9,655,318</u>	<u>9,655,318</u>	<u>11,579,057</u>	<u>1,923,739</u>
Expenditures				
Current:				
General Government				
Administrative	1,954,938	1,961,826	1,959,411	2,415
Municipal court	78,838	79,727	78,180	1,547
Combined services	935,237	935,237	689,445	245,792
Total General Government	<u>2,969,013</u>	<u>2,976,790</u>	<u>2,727,036</u>	<u>249,754</u>
Public Safety				
Police	1,043,097	1,120,385	1,109,120	11,265
Emergency medical service	1,018,702	1,044,140	1,028,041	16,099
Fire	173,164	173,164	168,254	4,910
Total Public Safety	<u>2,234,963</u>	<u>2,337,689</u>	<u>2,305,415</u>	<u>32,274</u>

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)
GENERAL FUND

For the Year Ended September 30, 2011

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Community Development				
Building	\$ 109,863	\$ 110,952	\$ 86,223	\$ 24,729
Total Community Development	<u>109,863</u>	<u>110,952</u>	<u>86,223</u>	<u>24,729</u>
Community Services				
Parks	815,148	814,545	777,883	36,662
Total Community Services	<u>815,148</u>	<u>814,545</u>	<u>777,883</u>	<u>36,662</u>
Total Expenditures	<u>6,128,987</u>	<u>6,239,976</u>	<u>5,896,557</u>	<u>343,419</u>
Revenues Over Expenditures	<u>3,526,331</u>	<u>3,415,342</u>	<u>5,682,500</u>	<u>2,267,158</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	-
Transfers (out)	(2,994,012)	(2,994,012)	(2,994,012)	-
Total Other Financing Sources (Uses)	<u>(2,994,012)</u>	<u>(2,994,012)</u>	<u>(2,994,012)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 532,319</u>	<u>\$ 421,330</u>	2,688,488	<u>\$ 2,267,158</u>
Beginning fund balance			<u>8,225,560</u>	
		Ending Fund Balance	<u>\$ 10,914,048</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF MONT BELVIEU, TEXAS

SCHEDULE OF FUNDING PROGRESS

TEXAS MUNICIPAL RETIREMENT SYSTEM

September 30, 2011

Fiscal Year	<u>2009</u>	<u>2010</u>	<u>2011 (1)</u>	<u>2011 (2)</u>
Actuarial Valuation Date	12/31/2008	12/31/2009	12/31/2010	12/31/2010
Actuarial Value of Assets	\$ 6,302,516	\$ 6,534,134	\$ 7,361,424	\$ 8,844,629
Actuarial Accrued Liability	\$ 7,407,843	\$ 7,797,345	\$ 8,672,743	\$ 9,560,439
Percentage Funded	85.1%	83.8%	84.9%	92.5%
Unfunded Actuarial				
Accrued Liability	\$ 1,105,327	\$ 1,263,211	\$ 1,311,319	\$ 715,810
Annual Covered Payroll	\$ 3,029,378	\$ 3,165,588	\$ 3,127,869	\$ 3,127,869
Unfunded Actuarial Accrued Liability				
(UAAL) % of Covered Payroll	36.5%	39.9%	41.9%	22.9%
Net Pension Obligation (NPO)				
at the Beginning of Period	\$ -	\$ -	\$ 61,152	\$ 61,152
Annual Req. Contrib. (ARC)	272,982	330,141	332,546	332,546
Interest on NPO	-	-	4,587	4,587
Adjustment to ARC	-	-	(3,788)	(3,788)
Contributions Made	272,982	268,989	297,620	297,620
NPO at the End of Period	<u>\$ -</u>	<u>\$ 61,152</u>	<u>\$ 96,877</u>	<u>\$ 96,877</u>

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

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***COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Hotel and Motel Tax Fund

This fund accounts for revenues derived from the City's hotel/motel tax for which the expenditures are for enhancement and promotion of tourism for the convention and hotel industry within the City and vicinity.

Court Security Fund

This fund is used to account for court fines and fees that are legally restricted to be used for court security.

Court Technology Fund

This fund is used to account for court fines and fees that are legally restricted to be used for court technology.

Dedicated Parks Fund

This fund is used for the construction and maintenance of community parks or recreation areas.

Health Services Fund

This fund is used to pay the first \$1,500 toward employee deductibles after which the employee incurs the remainder.

Seizures Fund

This fund is used to account for monies seized for law enforcement purposes.

Public Safety Fund

This fund is used to account for monies received from Chambers County for EMS and fire department purposes.

Fixed Asset Replacement Fund

This fund is used for replacement of machinery, equipment and major maintenance items.

Veteran's Memorial Fund

This fund is used for the maintenance and creation of Veteran's memorials.

CAPITAL PROJECT FUNDS

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects Fund

This fund is used to account for capital projects financed by long-term debt.

CITY OF MONT BELVIEU, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)

September 30, 2011

<u>Assets</u>	Capital Projects			
	Capital Projects	Fixed Asset Replacement	Park Development	2009 Capital Projects - CIP
Cash and cash equivalents	\$ 39	\$ 2,132,125	\$ 267,771	\$ -
Investments	-	-	208,156	-
Accounts receivable	-	-	125	-
Due from other funds	-	-	-	498,307
Prepaid items	-	-	-	-
Total Assets	\$ 39	\$ 2,132,125	\$ 476,052	\$ 498,307
<u>Liabilities and Equity</u>				
Liabilities				
Accounts payable	\$ -	\$ 26,045	\$ 242	\$ -
Due to other funds	-	-	237,978	-
Total Liabilities	-	26,045	238,220	-
Fund Balances:				
Restricted:				
Police seizures	-	-	-	-
Park development	-	-	237,832	-
Tourism promotion	-	-	-	-
Municipal court	-	-	-	-
Health services	-	-	-	-
Public safety	-	-	-	-
Assigned:				
Veteran's memorial	-	-	-	-
Capital projects	39	2,106,080	-	498,307
Total Equity	39	2,106,080	237,832	498,307
Total Liabilities and Equity	\$ 39	\$ 2,132,125	\$ 476,052	\$ 498,307

Special Revenue

<u>Court Technology</u>	<u>Hotel and Motel Tax</u>	<u>Court Security</u>	<u>Dedicated Parks</u>	<u>Health Services</u>	<u>Seizures</u>
\$ 16,793	\$ 396,624	\$ 29,035	\$ 164,396	\$ 107,416	\$ 1,846
-	-	-	-	-	-
-	26,181	-	16,500	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 16,793</u>	<u>\$ 422,805</u>	<u>\$ 29,035</u>	<u>\$ 180,896</u>	<u>\$ 107,416</u>	<u>\$ 1,846</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,846
-	-	-	180,896	-	-
-	422,805	-	-	-	-
16,793	-	29,035	-	-	-
-	-	-	-	107,416	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>16,793</u>	<u>422,805</u>	<u>29,035</u>	<u>180,896</u>	<u>107,416</u>	<u>1,846</u>
<u>\$ 16,793</u>	<u>\$ 422,805</u>	<u>\$ 29,035</u>	<u>\$ 180,896</u>	<u>\$ 107,416</u>	<u>\$ 1,846</u>

CITY OF MONT BELVIEU, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)

September 30, 2011

<u>Assets</u>	Special Revenue		
	Public Safety	Veteran's Memorial	Total
Cash and cash equivalents	\$ 173,436	\$ 3,209	\$ 3,292,690
Investments	-	-	208,156
Accounts receivable	-	-	42,806
Due from other funds	-	-	498,307
Prepaid items	3,161	-	3,161
Total Assets	\$ 176,597	\$ 3,209	\$ 4,045,120
<u>Liabilities and Equity</u>			
Liabilities			
Accounts payable	\$ 332	\$ -	\$ 26,619
Due to other funds	-	-	237,978
Total Liabilities	332	-	264,597
Equity			
Restricted:			
Police seizures	-	-	1,846
Park development	-	-	418,728
Tourism promotion	-	-	422,805
Municipal court	-	-	45,828
Health services	-	-	107,416
Public safety	176,265	-	176,265
Assigned:			
Veteran's memorial	-	3,209	3,209
Capital projects	-	-	2,604,426
Total Equity	176,265	3,209	3,780,523
Total Liabilities and Equity	\$ 176,597	\$ 3,209	\$ 4,045,120

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CITY OF MONT BELVIEU, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)
For the Year Ended September 30, 2011

	Capital Projects			
	Capital Projects	Fixed Asset Replacement	Park Development	2009 Capital Projects - CIP
Revenues				
Occupancy tax	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Park dedication revenue	-	-	-	-
Investment income	42	19,348	2,117	-
Other income	-	-	96,438	-
Total Revenues	<u>42</u>	<u>19,348</u>	<u>98,555</u>	<u>-</u>
Expenditures				
General government	-	1,201	-	-
Community services	-	-	5,484	-
Public safety	-	-	-	-
Capital projects	1,186	173,220	-	606,920
Total Expenditures	<u>1,186</u>	<u>174,421</u>	<u>5,484</u>	<u>606,920</u>
Revenues Over (Under) Expenditures	<u>(1,144)</u>	<u>(155,073)</u>	<u>93,071</u>	<u>(606,920)</u>
Other Financing Sources (Uses)				
Operating transfers in	-	508,397	-	-
Operating transfers (out)	-	(251,238)	-	(1,985,480)
Total Other Financing Sources (Uses)	<u>-</u>	<u>257,159</u>	<u>-</u>	<u>(1,985,480)</u>
Net Change in Fund Balance	<u>(1,144)</u>	<u>102,086</u>	<u>93,071</u>	<u>(2,592,400)</u>
Beginning fund balances	<u>1,183</u>	<u>2,003,994</u>	<u>144,761</u>	<u>3,090,707</u>
Ending Fund Balances	<u>\$ 39</u>	<u>\$ 2,106,080</u>	<u>\$ 237,832</u>	<u>\$ 498,307</u>

Special Revenue

<u>Court Technology</u>	<u>Hotel and Motel Tax</u>	<u>Court Security</u>	<u>Dedicated Parks</u>	<u>Health Services</u>	<u>Seizures</u>
\$ -	\$ 104,465	\$ -	\$ -	\$ -	\$ -
1,720	-	1,379	-	-	1,778
-	-	-	-	-	-
-	-	-	8,500	-	-
29	1,064	58	236	451	9
-	-	-	-	-	-
<u>1,749</u>	<u>105,529</u>	<u>1,437</u>	<u>8,736</u>	<u>451</u>	<u>1,787</u>
-	-	-	8,500	47,711	-
-	105,943	-	-	-	-
-	-	-	-	-	3,328
-	-	-	-	-	-
<u>-</u>	<u>105,943</u>	<u>-</u>	<u>8,500</u>	<u>47,711</u>	<u>3,328</u>
1,749	(414)	1,437	236	(47,260)	(1,541)
-	-	-	-	53,000	-
-	(113,385)	-	-	-	-
<u>-</u>	<u>(113,385)</u>	<u>-</u>	<u>-</u>	<u>53,000</u>	<u>-</u>
1,749	(113,799)	1,437	236	5,740	(1,541)
<u>15,044</u>	<u>536,604</u>	<u>27,598</u>	<u>180,660</u>	<u>101,676</u>	<u>3,387</u>
<u>\$ 16,793</u>	<u>\$ 422,805</u>	<u>\$ 29,035</u>	<u>\$ 180,896</u>	<u>\$ 107,416</u>	<u>\$ 1,846</u>

CITY OF MONT BELVIEU, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
For the Year Ended September 30, 2011

	<u>Special Revenue</u>		<u>Total</u>
	<u>Public Safety</u>	<u>Veteran's Memorial</u>	
<u>Revenues</u>			
Occupancy tax	\$ -	\$ -	\$ 104,465
Fines and forfeitures	-	-	4,877
Intergovernmental	287,313	-	287,313
Park dedication revenue	-	-	8,500
Investment income	418	9	23,781
Other income	5,750	50	102,238
Total Revenues	<u>293,481</u>	<u>59</u>	<u>531,174</u>
<u>Expenditures</u>			
General government	-	-	57,412
Community services	-	-	111,427
Public safety	54,860	-	58,188
Capital projects	210,343	-	991,669
Total Expenditures	<u>265,203</u>	<u>-</u>	<u>1,218,696</u>
Revenues Over (Under) Expenditures	<u>28,278</u>	<u>59</u>	<u>(687,522)</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	-	-	561,397
Operating transfers (out)	-	-	(2,350,103)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,788,706)</u>
Net Change in Fund Balance	28,278	59	(2,476,228)
Beginning fund balances	<u>147,987</u>	<u>3,150</u>	<u>6,256,751</u>
Ending Fund Balances	<u>\$ 176,265</u>	<u>\$ 3,209</u>	<u>\$ 3,780,523</u>

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CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2011

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Ad valorem taxes	\$ 4,368,762	\$ 4,275,933	\$ (92,829)
Investment income	60,000	55,157	(4,843)
Total Revenues	4,428,762	4,331,090	(97,672)
<u>Expenditures</u>			
Principal	2,983,049	1,117,290	1,865,759
Interest and fiscal charges	1,260,221	770,887	489,334
Total Expenditures	4,243,270	1,888,177	2,355,093
Revenues Over (Under) Expenditures	185,492	2,442,913	2,257,421
<u>Other Financing Sources (Uses)</u>			
Transfers in	113,385	113,385	-
Transfers (out)	(3,145,485)	(2,555,393)	590,092
Total Other Financing Sources (Uses)	(3,032,100)	(2,442,008)	590,092
Net Change in Fund Balance	\$ 298,877	905	\$ (297,972)
Beginning fund balance		971,799	
Ending Fund Balance		\$ 972,704	

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - HOTEL & MOTEL TAX FUND
For the Year Ended September 30, 2011

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Other taxes	\$ 116,000	\$ 104,465	\$ (11,535)
Investment income	7,000	1,064	(5,936)
Total Revenues	123,000	105,529	(17,471)
<u>Expenditures</u>			
Community services	123,710	105,943	17,767
Total Expenditures	123,710	105,943	17,767
Revenues Over (Under) Expenditures	(710)	(414)	296
<u>Other Financing (Uses)</u>			
Transfers (out)	(113,385)	(113,385)	-
Total Other Financing Sources (Uses)	(113,385)	(113,385)	-
Net Change in Fund Balance	\$ (114,095)	(113,799)	\$ 296
Beginning fund balance		536,604	
Ending Fund Balance		\$ 422,805	

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - COURT SECURITY
For the Year Ended September 30, 2011

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Fines and forfeitures	\$ -	\$ 1,379	\$ 1,379
Investment income	-	58	58
Total Revenues	<u>-</u>	<u>1,437</u>	<u>1,437</u>
Revenues Over Expenditures	<u>\$ -</u>	<u>1,437</u>	<u>\$ 1,437</u>
Beginning fund balance		<u>27,598</u>	
Ending Fund Balance		<u>\$ 29,035</u>	

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - COURT TECHNOLOGY

For the Year Ended September 30, 2011

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Fines and forfeitures	\$ 1,200	\$ 1,720	\$ 520
Investment income	-	29	29
Total Revenues	1,200	1,749	549
Revenues Over (Under) Expenditures	\$ 1,200	1,749	\$ 549
Beginning fund balance		15,044	
Ending Fund Balance		\$ 16,793	

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - HEALTH SERVICES

For the Year Ended September 30, 2011

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Investment income	\$ -	\$ 451	\$ 451
Total Revenues	-	451	451
<u>Expenditures</u>			
General government	50,000	47,711	2,289
Total Expenditures	50,000	47,711	2,289
Revenues Over (Under) Expenditures	(50,000)	(47,260)	2,740
<u>Other Financing Sources</u>			
Transfers in	-	53,000	53,000
Total Other Financing Sources	-	53,000	53,000
Net Change in Fund Balance	\$ (50,000)	5,740	\$ 55,740
Beginning fund balance		101,676	
Ending Fund Balance		\$ 107,416	

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