

ANNUAL FINANCIAL REPORT

of the

CITY OF MONT BELVIEU, TEXAS

For the Year Ended
September 30, 2012

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CITY OF MONT BELVIEU, TEXAS

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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, 2012, 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 generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and schedule of funding progress are not required parts 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 basic financial statements. The combining statements and schedules are the responsibility of management and was derived from and relates 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
March 11, 2013

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

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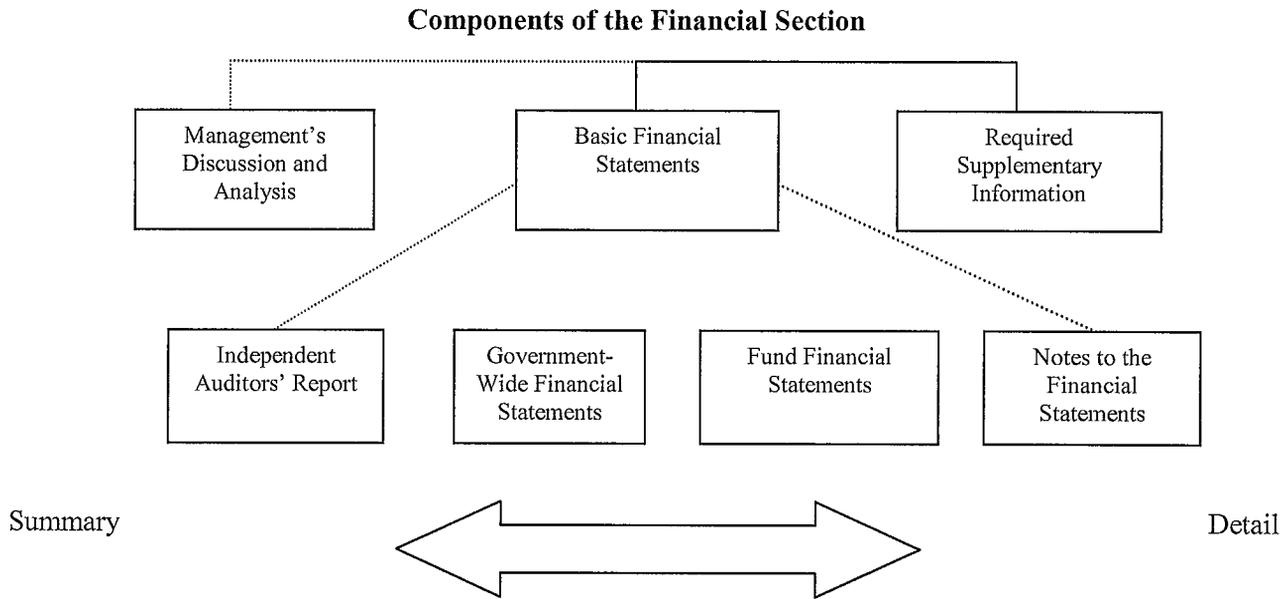
CITY OF MONT BELVIEU, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2012

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. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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.

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

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

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, the 2010 GO projects fund, and park development fund, which are considered to be major funds.

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

Proprietary Funds

The City maintains two types of proprietary funds: enterprise funds to account for all "business-like" activities and internal service funds. The enterprise funds are used to report the same functions presented as business-type

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

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.

The City also uses an internal service fund to account for its health services program. This internal service fund has been included within governmental activities in the government-wide financial statements.

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 Required Supplementary Information (RSI). The RSI 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 \$69,109,601 as of year end representing an increase of \$14,401,578 over the prior year.

A portion of the City's net assets, 65 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, 2012

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

	2012			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 28,521,817	\$ 5,407,765	\$ -	\$ 33,929,582
Capital assets, net	37,816,331	35,218,180	-	73,034,511
Total Assets	66,338,148	40,625,945	-	106,964,093
Long-term liabilities	32,750,576	43,146	-	32,793,722
Other liabilities	3,424,287	1,636,483	-	5,060,770
Total Liabilities	36,174,863	1,679,629	-	37,854,492
Net assets:				
Invested in capital assets, net of related debt	19,623,685	35,218,180	(10,044,972)	44,796,893
Restricted	5,183,260	-	-	5,183,260
Unrestricted	5,356,340	3,728,136	10,044,972	19,129,448
Total Net Assets	\$ 30,163,285	\$ 38,946,316	\$ -	\$ 69,109,601
	2011			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 28,492,794	\$ 7,954,502	\$ -	\$ 36,447,296
Capital assets, net	26,630,610	31,862,781	-	58,493,391
Total Assets	55,123,404	39,817,283	-	94,940,687
Long-term liabilities	37,183,605	33,954	-	37,217,559
Other liabilities	1,366,216	1,648,889	-	3,015,105
Total Liabilities	38,549,821	1,682,843	-	40,232,664
Net assets:				
Invested in capital assets, net of related debt	13,209,593	31,872,781	(2,699,313)	42,383,061
Restricted	2,265,962	-	-	2,265,962
Unrestricted	1,098,028	6,261,659	2,699,313	10,059,000
Total Net Assets	\$ 16,573,583	\$ 38,134,440	\$ -	\$ 54,708,023

The City's governmental activities net assets increased from \$16,573,583 to \$30,163,285 largely as a result of an increase in capital assets during the year. The net assets of business-type activities also increased to \$38,946,316 from \$38,134,440 which was largely a result of transfers in from other funds and a decrease in expenses. The City can use the unrestricted portion of net assets of \$19,129,448 to continue providing municipal services. 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, 2012

The City has historically issued and repaid debt in its governmental activities for which the proceeds were used to purchase capital assets for the business-type activities. With one activity carrying the capital asset and another carrying the debt, the result is an unusual net asset presentation. The City has included a reconciliation column in the Statement of Net Assets adjusting the invested in capital assets, net of related debt. Outstanding debt associated with governmental activities, in the amount of \$10,044,972 is being used to finance capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net assets and deducted from invested in capital assets, net of related debt in total for the primary government.

Statement of Activities

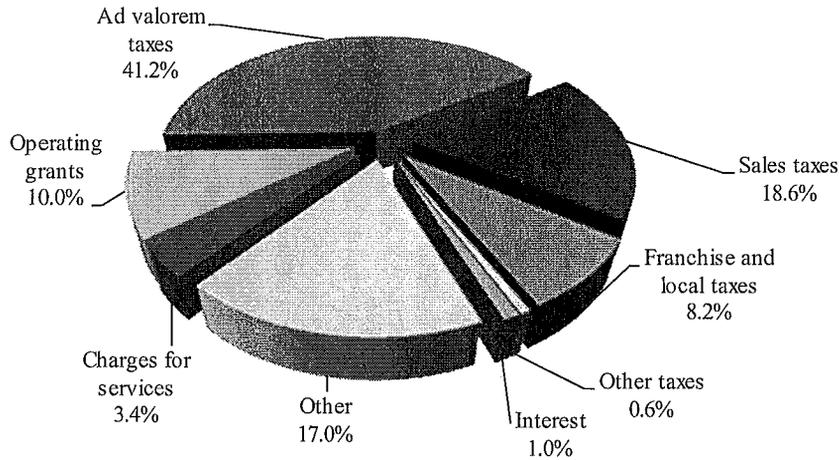
The following table provides a summary of the City's changes in net assets.

	For the Year Ended September 30, 2012			For the Year Ended September 30, 2011		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 844,519	\$ 4,267,597	\$ 5,112,116	\$ 453,660	\$ 4,822,791	\$ 5,276,451
Operating grants	2,523,428	-	2,523,428	584,889	-	584,889
General revenues:						
Ad valorem taxes	10,349,585	-	10,349,585	9,171,265	-	9,171,265
Sales taxes	4,674,056	-	4,674,056	2,917,800	-	2,917,800
Franchise and local taxes	2,070,487	-	2,070,487	2,380,330	-	2,380,330
Other taxes	150,469	-	150,469	111,252	-	111,252
Interest	242,522	15,666	258,188	255,454	132,234	387,688
Other	4,272,215	-	4,272,215	166,923	1,000	167,923
Total Revenues	25,127,281	4,283,263	29,410,544	16,041,573	4,956,025	20,997,598
Expenses						
General government	2,603,080	-	2,603,080	2,140,547	-	2,140,547
Public safety	2,564,921	-	2,564,921	2,637,232	-	2,637,232
Community development	450,480	-	450,480	1,157,262	-	1,157,262
Community services	1,073,866	-	1,073,866	947,221	-	947,221
Interest and fees on debt	1,294,072	-	1,294,072	685,072	-	685,072
Golf course	-	2,207,082	2,207,082	-	2,250,012	2,250,012
Recreation center	-	2,600,351	2,600,351	-	2,645,935	2,645,935
Public utilities	-	2,112,542	2,112,542	-	2,535,967	2,535,967
Beverage corporation	-	102,572	102,572	-	112,340	112,340
Total Expenses	7,986,419	7,022,547	15,008,966	7,567,334	7,544,254	15,111,588
Increase (Decrease) in Net Assets						
Before Transfers	17,140,862	(2,739,284)	14,401,578	8,474,239	(2,588,229)	5,886,010
Transfers In (Out)	(3,551,160)	3,551,160	-	(7,055,583)	7,055,583	-
Change in Net Assets	13,589,702	811,876	14,401,578	1,418,656	4,467,354	5,886,010
Beginning net assets	16,573,583	38,134,440	54,708,023	15,154,927	33,667,086	48,822,013
Ending Net Assets	\$ 30,163,285	\$ 38,946,316	\$ 69,109,601	\$ 16,573,583	\$ 38,134,440	\$ 54,708,023

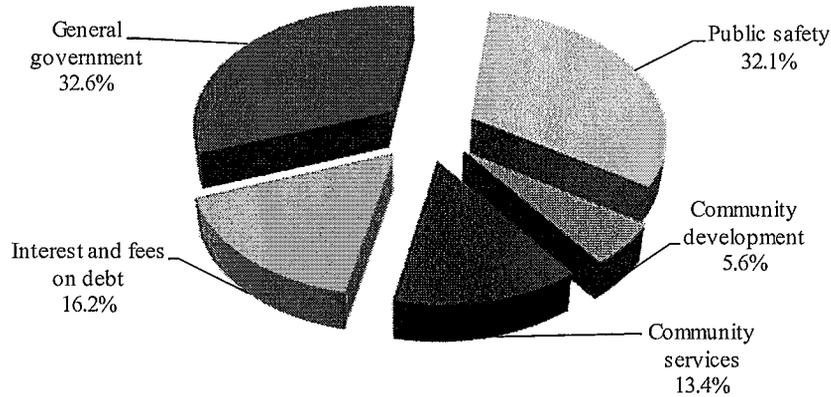
CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

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

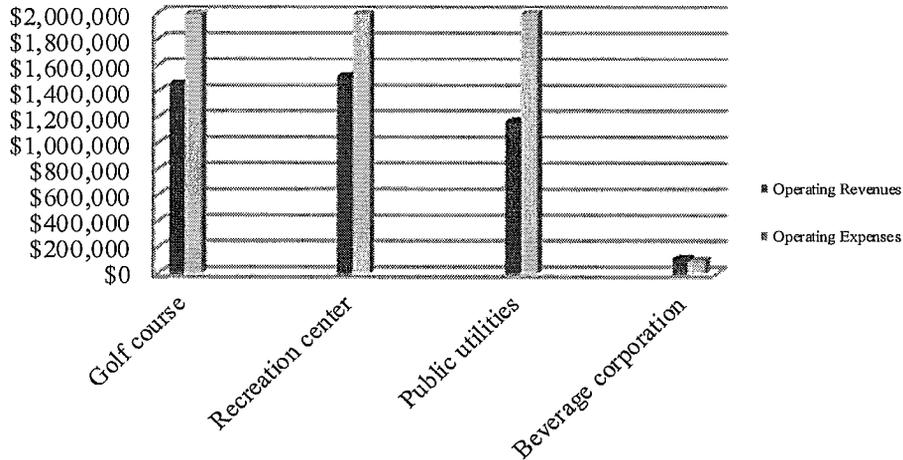
Governmental Activities - Revenues



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, 2012

For the year ended September 30, 2012, revenue from governmental activities before transfers totaled \$25,127,281, a 57 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, 2012, expenses from governmental activities before transfers totaled \$7,986,419 which was a 6 percent increase from the previous year. The increase is primarily due to the increase in interest and fees on debt.

Business-type activities are shown comparing expenses of \$7,022,547 to program revenues of \$4,283,263 generated by related services. Revenue for charges for services decreased due to a decrease in golf course and recreation center fees. Public utility expenses decreased due to a decrease in repair and maintenance 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 unassigned 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 \$23,525,187. Of this, \$10,815,341 is unassigned and available for day-to-day operations of the City; \$7,622,955 is assigned to capital projects; \$3,222,382 is restricted for capital projects; \$1,076,625 is restricted for debt service; \$764,126 is restricted by legal statutes and for special revenue projects; and \$23,758 is nonspendable.

The general fund is the chief operating fund of the City. At the end of the fiscal year, unassigned fund balance in the general fund was \$9,365,607. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 142 percent of total general fund expenditures.

There was a decrease in fund balance of \$1,524,683 from the prior year for the general fund. This decrease was due to transfers to other funds.

The debt service fund balance totaled \$1,076,625 as of year end, an increase of \$103,921 from the previous year. The increase was primarily due to an increase in property taxes.

There was an increase of \$5,069,883 in the capital projects – CIP fund balance for a total of \$5,651,711 at year end. This increase is primarily the result of revenue related to an economic development agreement with local companies.

The 2010 GO projects fund balance decreased by \$6,959,654 for a total of \$2,459,612 at year end. This was the result of planned capital project expenditures during the year.

The park development fund balance as of year end totaled \$762,770, an increase of \$524,938 from the previous year. The increase is primarily the result of an increase in investment income and impact fees and the City keeping park development expenses low.

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

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

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 net losses of \$2,739,284 before transfers due to increases in utility costs and depreciation expense.

Golf Course

The golf course had a decrease in fund balance due to a decrease in revenues and an increase in operating expenses. The decrease in revenue is the result of a decrease in green fees and rentals. Operating expenses were comparable to the prior year.

Recreation Center

Revenue for the recreation center decreased from the prior year due to a decrease in service fees. Operating expenses were comparable 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 \$1,847,486. This is largely due to actual sales tax revenue exceeding budgeted by \$1,657,818. This increase was due to an increase in construction in the area.

Total expenses in the general fund were less than budgeted by \$142,555 or two percent. Savings in fuel costs, maintenance, and professional services contributed to the overall savings.

There was a budgeted decrease in fund balance for the general fund of \$3,514,763. The actual decrease in fund balance for the year was \$1,524,683, for a positive variance of 1,990,080.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$37,816,331 and \$35,218,180, respectively, in a variety of capital assets and infrastructure, net of accumulated depreciation.

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 \$31,460,000 related to governmental activities.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economic growth that began in 2010 is continuing unabated. A number of records were established in 2012, with record sales tax collections of \$4.6 million (up 28%), new housing starts of 101 (up 49%), and pipeline and oil and gas permits of 66 (up 340%). In the first two months of 2013, we have already reached 35 permits.

The four new fractionators which began construction in 2011 were completed in 2012. Approximately 5,000 temporary workers were in the City building these improvements. In 2012, two additional fractionators worth \$600 million and a \$1.2 billion plastics plant were announced. If all planned projects are completed, total assessed value will increase 102% to \$5.7 billion in 2025, when all tax abatements expire. Assuming our population doubles in that same timeframe, Mont Belvieu will have a net assessed valuation per capita of over \$500,000.

From 2011 to 2012, the City's tax base continues to rebound dramatically with the tax rolls up 21%, to \$2.8 billion. This is due mainly to increases in the volume of hydrocarbons stored underground. In the coming years, increases will be driven more by the industrial expansions. This is important because the values of real property improvements are much more predictable than market-driven product values.

General fund revenues for the year ending September 30, 2012, were up 9% over the prior year due to the increased sales tax collections. Operating transfers to other funds continue to decline in absolute dollars and as a percentage of general fund expenses.

The annual subsidy to the utility fund declined 12% in FY 2011-12. This makes a 54% 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 increasing revenue due to new development. Within 2-3 years, the operating surplus to the utility fund will be eliminated.

Historically, the City Council has kept the tax rate steady due to the volatility of our tax base created by hydrocarbon product values, and that trend was continued in 2011-12. Total governmental operating expenses increased 5.54% which is modest given our 7-8% growth rate. Excess revenues from sales tax and increased valuations are funneled back into capital projects or fund balance, not used for operating expenses. In fact, the City ended the year with 518 days of fund balance on-hand.

Residential growth in the City continues unabated. Several new subdivisions are actively constructing homes, with approximately 100 additional lots in the final stages of the platting process. As mentioned earlier, permits are up 49%. The quality of the new subdivisions is also increasing, as are home values. Through a combination of changes in development standards and market driven choices, all new subdivisions under construction are being built with concrete streets, underground drainage and many are now featuring amenity lakes and walking paths. This is dramatically different than 10 years ago when subdivisions were primarily asphalt streets with open-ditch drainage. The new developments will be much more sustainable and present lower maintenance costs to the City in the long-run. The average value of new homes being built is in the \$250,000 range.

Retail and commercial growth continues to lag behind housing and industrial growth due to lack of rooftops. However, in 2012, over 100,000 square feet of office space for industry was built or under design. This includes a 75,000 square foot building on our main thoroughfare which we believe will serve as a catalyst for additional development. Staff meets weekly with development interests and it is clear that more development is imminent. In addition, 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

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

section with a 30-foot landscaped median, sidewalks and underground drainage. The project, which began in 2011, was 75% complete at the end of 2012, and will dramatically change the appearance of the community.

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, 2012

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 17,646,559	\$ 3,814,522	\$ -	\$ 21,461,081
Investments	5,321,135	-	-	5,321,135
Receivables, net	6,260,152	605,538	-	6,865,690
Prepaid items	22,009	22,207	-	44,216
Inventory	1,749	143,445	-	145,194
Internal balances	(822,053)	822,053	-	-
Deferred charges	92,266	-	-	92,266
Total Current Assets	28,521,817	5,407,765	-	33,929,582
Capital assets:				
Non depreciable	16,400,768	16,011,483	-	32,412,251
Net depreciable capital assets	21,415,563	19,206,697	-	40,622,260
Total Noncurrent Assets	37,816,331	35,218,180	-	73,034,511
Total Assets	66,338,148	40,625,945	-	106,964,093
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	3,294,750	1,070,379	-	4,365,129
Customer deposits	-	28,439	-	28,439
Unearned revenue	-	461,803	-	461,803
Accrued interest payable	129,537	75,862	-	205,399
Total Current Liabilities	3,424,287	1,636,483	-	5,060,770
Noncurrent liabilities:				
Due within one year	4,730,386	24,546	-	4,754,932
Due in more than one year	28,020,190	18,600	-	28,038,790
Total Noncurrent Liabilities	32,750,576	43,146	-	32,793,722
Total Liabilities	36,174,863	1,679,629	-	37,854,492
Net Assets				
Invested in capital assets, net of related debt	19,623,685	35,218,180	(10,044,972)	44,796,893
Restricted for:				
Debt service	1,196,752	-	-	1,196,752
Capital projects	3,222,382	-	-	3,222,382
Special projects	764,126	-	-	764,126
Unrestricted	5,356,340	3,728,136	10,044,972	19,129,448
Total Net Assets	\$ 30,163,285	\$ 38,946,316	\$ -	\$ 69,109,601

See Notes to Financial Statements.

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 2,603,080	\$ -	\$ -
Public safety	2,564,921	604,243	-
Community development	450,480	240,276	-
Community services	1,073,866	-	2,523,428
Interest and fees on debt	1,294,072	-	-
Total Governmental Activities	7,986,419	844,519	2,523,428
Business-Type Activities			
Golf course	2,207,082	1,460,596	-
Recreation center	2,600,351	1,520,189	-
Public utilities	2,112,542	1,170,389	-
Beverage corporation	102,572	116,423	-
Total Business-Type Activities	7,022,547	4,267,597	-
Total Primary Government	\$ 15,008,966	\$ 5,112,116	\$ 2,523,428

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
\$ (2,603,080)	\$ -	\$ (2,603,080)
(1,960,678)	-	(1,960,678)
(210,204)	-	(210,204)
1,449,562	-	1,449,562
(1,294,072)	-	(1,294,072)
<u>(4,618,472)</u>	<u>-</u>	<u>(4,618,472)</u>
-	(746,486)	(746,486)
-	(1,080,162)	(1,080,162)
-	(942,153)	(942,153)
-	13,851	13,851
<u>-</u>	<u>(2,754,950)</u>	<u>(2,754,950)</u>
<u>(4,618,472)</u>	<u>(2,754,950)</u>	<u>(7,373,422)</u>
10,349,585	-	10,349,585
4,674,056	-	4,674,056
2,070,487	-	2,070,487
150,469	-	150,469
242,522	15,666	258,188
4,272,215	-	4,272,215
<u>(3,551,160)</u>	<u>3,551,160</u>	<u>-</u>
<u>18,208,174</u>	<u>3,566,826</u>	<u>21,775,000</u>
13,589,702	811,876	14,401,578
16,573,583	38,134,440	54,708,023
<u>\$ 30,163,285</u>	<u>\$ 38,946,316</u>	<u>\$ 69,109,601</u>

CITY OF MONT BELVIEU, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2012

	General	Debt Service	Capital Projects - CIP	2010 GO Projects
Assets				
Cash and cash equivalents	\$ 25,190	\$ 7,674,050	\$ 3,049,146	\$ 1,320,538
Investments	2,026,879	-	-	3,046,435
Receivables, net	2,497,317	120,127	1,998,843	-
Due from other funds	6,551,418	183	1,207,676	-
Inventory	1,749	-	-	-
Prepaid items	22,009	-	-	-
Total Assets	\$ 11,124,562	\$ 7,794,360	\$ 6,255,665	\$ 4,366,973
Liabilities				
Accounts payable and accrued liabilities	\$ 354,830	\$ 25	\$ 603,954	\$ 1,907,361
Due to other funds	-	6,597,583	-	-
Deferred revenue	1,380,367	120,127	-	-
Total Liabilities	1,735,197	6,717,735	603,954	1,907,361
Fund Balances				
Nonspendable	23,758	-	-	-
Restricted:				
Debt service	-	1,076,625	-	-
Capital projects	-	-	-	2,459,612
Special projects	-	-	-	-
Assigned:				
Capital projects	-	-	5,651,711	-
Unassigned	9,365,607	-	-	-
Total Fund Balances	9,389,365	1,076,625	5,651,711	2,459,612
Total Liabilities and Fund Balances	\$ 11,124,562	\$ 7,794,360	\$ 6,255,665	\$ 4,366,973

Adjustments for the Statement of Net Assets:

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

Internal service funds are used by management to charge the costs of health services to individual funds.

The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets.

Current assets and liabilities

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

Net Assets of Governmental Activities

See Notes to Financial Statements.

<u>Park Development</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ 1,586,144	\$ 3,882,371	\$ 17,537,439
-	247,821	5,321,135
-	1,643,865	6,260,152
-	47,486	7,806,763
-	-	1,749
-	-	22,009
<u>\$ 1,586,144</u>	<u>\$ 5,821,543</u>	<u>\$ 36,949,247</u>

\$ -	\$ 428,580	\$ 3,294,750
823,374	1,207,859	8,628,816
-	-	1,500,494
<u>823,374</u>	<u>1,636,439</u>	<u>13,424,060</u>

-	-	23,758
-	-	1,076,625
762,770	-	3,222,382
-	764,126	764,126
-	1,971,244	7,622,955
-	1,449,734	10,815,341
<u>762,770</u>	<u>4,185,104</u>	<u>23,525,187</u>
<u>\$ 1,586,144</u>	<u>\$ 5,821,543</u>	

16,400,768		
<u>21,415,563</u>		
		37,816,331
		1,500,494
		109,120
(129,537)		
92,266		
(4,730,386)		
<u>(28,020,190)</u>		
		<u>(32,787,847)</u>
		<u>\$ 30,163,285</u>

CITY OF MONT BELVIEU, TEXAS

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

For the Year Ended September 30, 2012

	General	Debt Service	Capital Projects-CIP	2010 GO Projects
Revenues				
Ad valorem taxes	\$ 4,734,420	\$ 5,439,458	\$ -	\$ -
Sales tax	4,631,743	-	-	-
Franchise and local taxes	2,249,149	-	-	-
Other taxes	6,793	-	-	-
Licenses and permits	240,276	-	-	-
Fines and forfeitures	64,144	-	-	-
Charges for services	290,447	-	-	-
Intergovernmental	210,353	-	-	-
Investment income	93,815	23,750	7,028	54,045
Other revenue	44,351	-	4,000,000	-
Total Revenues	12,565,491	5,463,208	4,007,028	54,045
Expenditures				
Current:				
General government	3,116,108	-	-	-
Public safety	2,505,911	-	-	-
Community development	82,298	-	2,851,912	-
Community services	913,962	-	-	-
Capital projects	-	-	896,386	7,368,956
Debt service:				
Principal	-	4,235,000	-	-
Interest and fiscal charges	-	1,234,619	-	-
Total Expenditures	6,618,279	5,469,619	3,748,298	7,368,956
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,947,212	(6,411)	258,730	(7,314,911)
Other Financing Sources (Uses)				
Transfers in	39	110,332	4,896,153	355,257
Transfers (out)	(7,471,934)	-	(85,000)	-
Sale of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	(7,471,895)	110,332	4,811,153	355,257
Net Change in Fund Balances	(1,524,683)	103,921	5,069,883	(6,959,654)
Beginning fund balances	10,914,048	972,704	581,828	9,419,266
Ending Fund Balances	\$ 9,389,365	\$ 1,076,625	\$ 5,651,711	\$ 2,459,612

See Notes to Financial Statements.

<u>Park Development</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 10,173,878
-	-	4,631,743
-	-	2,249,149
-	143,676	150,469
-	-	240,276
-	3,298	67,442
-	-	290,447
-	2,313,075	2,523,428
18,724	44,534	241,896
100,010	127,650	4,272,011
<u>118,734</u>	<u>2,632,233</u>	<u>24,840,739</u>
-	995	3,117,103
-	39,201	2,545,112
-	-	2,934,210
870	85,984	1,000,816
-	4,360,863	12,626,205
-	-	4,235,000
-	-	1,234,619
<u>870</u>	<u>4,487,043</u>	<u>27,693,065</u>
<u>117,864</u>	<u>(1,854,810)</u>	<u>(2,852,326)</u>
407,074	2,852,063	8,620,918
-	(249,497)	(7,806,431)
-	2,073	2,073
<u>407,074</u>	<u>2,604,639</u>	<u>816,560</u>
524,938	749,829	(2,035,766)
237,832	3,435,275	25,560,953
<u>\$ 762,770</u>	<u>\$ 4,185,104</u>	<u>\$ 23,525,187</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, 2012

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

Net changes in fund balances - total governmental funds \$ (2,035,766)

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	12,212,438
Depreciation expense	(1,024,848)
Disposal of capital asset	(1,869)

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

Deferred property tax revenue	(3,225)
Deferred franchise tax revenue	(178,662)
Deferred emergency services revenue	246,354

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	4,235,000
Amortization of bond issuance costs	(20,662)
Accrued interest payable	(38,791)
Sales tax refund agreement	42,313
Property tax refund agreement	178,932
Compensated absences	(18,063)
Net pension obligation	(5,153)

Internal service funds are used by management to charge the costs of certain health services to individual funds. The net revenue (expense) is reported with governmental activities.

1,704

Change in Net Assets of Governmental Activities **\$ 13,589,702**

See Notes to Financial Statements.

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2012

	Business-Type Activities - Enterprise Funds			
	Golf Course	Recreation Center	Public Utility	Nonmajor Fund Bev Co
Assets				
Current Assets				
Cash and cash equivalents	\$ 801,309	\$ 1,061,332	\$ 1,827,950	\$ 123,931
Receivables, net	28,015	401,991	175,532	-
Due from other funds	883,673	744	-	-
Inventory	111,948	27,611	1,434	2,452
Prepaid items	10,105	10,601	1,501	-
Total Current Assets	1,835,050	1,502,279	2,006,417	126,383
Noncurrent Assets				
Capital assets:				
Non-depreciable	3,150,143	45,629	12,815,711	-
Net depreciable	2,737,191	8,227,774	8,241,732	-
Total Noncurrent Assets	5,887,334	8,273,403	21,057,443	-
Total Assets	7,722,384	9,775,682	23,063,860	126,383
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	460,658	104,321	579,099	2,163
Compensated absences	-	-	24,546	-
Due to other funds	1,744	-	321	60,299
Unearned revenue	20,576	441,227	-	-
Customer deposits	-	-	28,439	-
Total Current Liabilities	482,978	545,548	632,405	62,462
Noncurrent Liabilities				
Compensated absences	-	-	2,727	-
Net pension obligation	-	-	15,873	-
Total Liabilities	482,978	545,548	651,005	62,462
Net Assets				
Invested in capital assets, net of related debt	5,887,334	8,273,403	21,057,443	-
Unrestricted	1,352,072	956,731	1,355,412	63,921
Total Net Assets	\$ 7,239,406	\$ 9,230,134	\$ 22,412,855	\$ 63,921

See Notes to Financial Statements.

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 3,814,522	\$ 109,120
605,538	-
884,417	-
143,445	-
22,207	-
<u>5,470,129</u>	<u>109,120</u>
16,011,483	-
19,206,697	-
<u>35,218,180</u>	<u>-</u>
<u>40,688,309</u>	<u>109,120</u>
1,146,241	-
24,546	-
62,364	-
461,803	-
28,439	-
<u>1,723,393</u>	<u>-</u>
2,727	-
15,873	-
<u>1,741,993</u>	<u>-</u>
35,218,180	-
<u>3,728,136</u>	<u>109,120</u>
<u>38,946,316</u>	<u>\$ 109,120</u>

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended September 30, 2012

	Business-Type Activities - Enterprise Funds			
	Golf Course	Recreation Center	Public Utility	Nonmajor Fund Bev Co
<u>Operating Revenues</u>				
Water charges	\$ -	\$ -	\$ 556,160	\$ -
Sewer charges	-	-	305,922	-
Sanitation	-	-	246,839	-
Other services	1,460,596	1,520,189	61,468	116,423
Total Operating Revenues	1,460,596	1,520,189	1,170,389	116,423
<u>Operating Expenses</u>				
Costs of sales and services	1,907,569	2,156,218	1,511,827	102,572
Depreciation	299,513	444,133	600,715	-
Total Operating Expenses	2,207,082	2,600,351	2,112,542	102,572
Operating Income (Loss)	(746,486)	(1,080,162)	(942,153)	13,851
<u>Nonoperating Revenues (Expenses)</u>				
Investment income	5,041	2,405	8,220	-
Total Nonoperating Revenues	5,041	2,405	8,220	-
Income (Loss) Before Transfers	(741,445)	(1,077,757)	(933,933)	13,851
Capital contributions	-	-	4,365,647	-
Transfers in	807,875	717,111	1,054,949	-
Transfers (out)	(407,074)	-	(2,987,348)	-
Change in Net Assets	(340,644)	(360,646)	1,499,315	13,851
Beginning Net Assets	7,580,050	9,590,780	20,913,540	50,070
Ending Net Assets	\$ 7,239,406	\$ 9,230,134	\$ 22,412,855	\$ 63,921

See Notes to Financial Statements.

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 556,160	\$ -
305,922	-
246,839	-
<u>3,158,676</u>	<u>53,000</u>
<u>4,267,597</u>	<u>53,000</u>
5,678,186	51,922
<u>1,344,361</u>	<u>-</u>
<u>7,022,547</u>	<u>51,922</u>
<u>(2,754,950)</u>	<u>1,078</u>
<u>15,666</u>	<u>626</u>
<u>15,666</u>	<u>626</u>
(2,739,284)	1,704
4,365,647	-
2,579,935	-
<u>(3,394,422)</u>	<u>-</u>
811,876	1,704
<u>38,134,440</u>	<u>107,416</u>
<u>\$ 38,946,316</u>	<u>\$ 109,120</u>

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2012

	Business-Type Activities - Enterprise Funds			
	Golf Course	Recreation Center	Public Utility	Nonmajor Fund Bev Co
<u>Cash Flows from Operating Activities</u>				
Receipts from customers	\$ 1,583,708	\$ 1,570,551	\$ 1,219,553	\$ 116,423
Payments to employees	-	-	(710,510)	-
Payments to suppliers	(2,635,435)	(2,157,476)	(1,334,189)	(65,623)
Net Cash Provided (Used) by Operating Activities	(1,051,727)	(586,925)	(825,146)	50,800
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers from other funds	807,875	717,111	1,054,949	-
Transfer to other funds	(407,074)	-	(2,987,348)	-
Net Cash Provided by Noncapital Financing Activities	400,801	717,111	(1,932,399)	-
<u>Cash Flows from Capital and Related Financing Activities</u>				
Capital purchases	(198,155)	(81,317)	(54,641)	-
Net Cash (Used) by Capital and Related Financing Activities	(198,155)	(81,317)	(54,641)	-
<u>Cash Flows from Investing Activities</u>				
Sale of investments	-	619,543	691,153	-
Interest on investments	5,041	2,405	8,220	-
Net Cash Provided by Investing Activities	5,041	621,948	699,373	-
Net Increase (Decrease) in Cash and Cash Equivalents	(844,040)	670,817	(2,112,813)	50,800
Beginning cash and cash equivalents	1,645,349	390,515	3,940,763	73,131
Ending Cash and Cash Equivalents	\$ 801,309	\$ 1,061,332	\$ 1,827,950	\$ 123,931

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 4,490,235	\$ 53,000
(710,510)	-
<u>(6,192,723)</u>	<u>(51,922)</u>
(2,412,998)	1,078
2,579,935	-
<u>(3,394,422)</u>	<u>-</u>
(814,487)	-
<u>(334,113)</u>	<u>-</u>
(334,113)	-
1,310,696	-
15,666	626
<u>1,326,362</u>	<u>626</u>
(2,235,236)	1,704
<u>6,049,758</u>	<u>107,416</u>
<u>\$ 3,814,522</u>	<u>\$ 109,120</u>

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2012

	Business-Type Activities - Enterprise Funds			
	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)	\$ (746,486)	\$ (1,080,162)	\$ (942,153)	\$ 13,851
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	299,513	444,133	600,715	-
Changes in Operating				
Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	93,052	(84,824)	38,989	-
Due from other funds	88,674	(744)	-	-
Inventory	672	2,430	379	814
Prepaid items	(944)	(71)	-	-
Deferred charges	4,612	6,300	23,075	-
Increase (Decrease) in:				
Accounts payable and accrued liabilities	(22,197)	(9,173)	(67,234)	(549)
Compensated absences	-	-	8,338	-
Net pension obligation	-	-	854	-
Due to other funds	(710,009)	-	(498,284)	36,684
Deferred revenue	(58,614)	135,186	-	-
Customer deposits	-	-	10,175	-
Net Cash Provided (Used) by Operating Activities	\$ (1,051,727)	\$ (586,925)	\$ (825,146)	\$ 50,800
 Noncash Investing, Capital, and Financing				
Activities:				
Contributions of capital assets from governmental funds	\$ -	\$ -	\$ 4,365,647	\$ -

See Notes to Financial Statements.

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ (2,754,950)	\$ 1,078
1,344,361	-
47,217	-
87,930	-
4,295	-
(1,015)	-
33,987	-
(99,153)	-
8,338	-
854	-
(1,171,609)	-
76,572	-
10,175	-
<u>\$ (2,412,998)</u>	<u>\$ 1,078</u>
<u>\$ 4,365,647</u>	<u>\$ -</u>

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CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

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, 2012

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. The general fund is considered a major fund for reporting purposes.

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, 2012

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, 2010 GO projects fund, and park development 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 generally accepted accounting principles 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.

Additionally, the City reports the following proprietary fund types:

Internal Service Funds

Internal service funds account for services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. The health services fund is used to account for employee health benefits.

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.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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.

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 City 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.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

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 Government 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

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 reported as nonspendable 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

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

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.

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, 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.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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 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

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles 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, 2012, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
State pool (TexPool)	\$ 861,276	0.00
State pool (TexSTAR)	532,349	0.00
Investment securities	<u>2,020,560</u>	1.00
Total Fair Value	\$ <u>3,414,185</u>	0.64

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, 2012, 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 issuing 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, 2012, 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

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

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:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects - CIP</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Ad valorem taxes	\$ 120,191	\$ 120,127	\$ -	\$ -	\$ 240,318
Other taxes	1,106,786	-	-	35,757	1,142,543
Accounts	1,255,484	-	-	1,608,108	2,863,592
Other	14,856	-	1,998,843	-	2,013,699
	<u>\$ 2,497,317</u>	<u>\$ 120,127</u>	<u>\$ 1,998,843</u>	<u>\$ 1,643,865</u>	<u>\$ 6,260,152</u>

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

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	\$ 27,926	\$ 402,419	\$ 181,292	\$ 611,637
Other	89	-	-	89
Less allowance	-	(428)	(5,760)	(6,188)
	<u>\$ 28,015</u>	<u>\$ 401,991</u>	<u>\$ 175,532</u>	<u>\$ 605,538</u>

C. Capital Assets

A summary of changes in capital assets for the year end is 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	\$ 140,000	\$ -	\$ 2,303,934
Construction in progress	3,751,505	10,345,329	-	14,096,834
Total capital assets, not being depreciated	<u>5,915,439</u>	<u>10,485,329</u>	<u>-</u>	<u>16,400,768</u>
Capital assets, being depreciated:				
Buildings	6,259,549 *	140,774	-	6,400,323
Improvements other than buildings	20,656,293	795,386	-	21,451,679
Machinery and equipment	3,305,121	790,949	(97,259)	3,998,811
Total capital assets being depreciated	<u>30,220,963</u>	<u>1,727,109</u>	<u>(97,259)</u>	<u>31,850,813</u>
Less accumulated depreciation for:				
Buildings	(3,142,245) *	(160,008)	-	(3,302,253)
Improvements other than buildings	(3,933,340)	(464,959)	-	(4,398,299)
Machinery and equipment	(2,430,207)	(399,881)	95,390	(2,734,698)
Total accumulated depreciation	<u>(9,505,792)</u>	<u>(1,024,848)</u>	<u>95,390</u>	<u>(10,435,250)</u>
Total capital assets, being depreciated, net	<u>20,715,171</u>	<u>702,261</u>	<u>(1,869)</u>	<u>21,415,563</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,630,610</u>	<u>\$ 11,187,590</u>	<u>\$ (1,869)</u>	<u>37,816,331</u>
* Beginning balances have been restated.				Less associated debt (20,652,258)
				Plus unspent proceeds 2,459,612
Invested in Capital Assets, Net of Related Debt				<u>\$ 19,623,685</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 235,804
Public safety	351,729
Community development	368,486
Community services	68,829
Total Governmental Activities Depreciation Expense	<u>\$ 1,024,848</u>

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, not being depreciated				
Land	\$ 514,698	\$ -	\$ -	\$ 514,698
Golf course	3,022,335	-	-	3,022,335
Construction in progress	12,088,514	1,386,332	(1,000,396)	12,474,450
Total capital assets, not being depreciated	<u>15,625,547</u>	<u>1,386,332</u>	<u>(1,000,396)</u>	<u>16,011,483</u>
Capital assets, being depreciated:				
Buildings	15,205,729	-	-	15,205,729
Improvements other than buildings	19,303,095	4,035,542	-	23,338,637
Machinery and equipment	3,529,245	278,282	-	3,807,527
Total capital assets being depreciated	<u>38,038,069</u>	<u>4,313,824</u>	<u>-</u>	<u>42,351,893</u>
Less accumulated depreciation for:				
Buildings	(6,109,550)	(379,622)	-	(6,489,172)
Improvements other than buildings	(13,252,606)	(583,987)	-	(13,836,593)
Machinery and equipment	(2,438,679)	(380,752)	-	(2,819,431)
Total accumulated depreciation	<u>(21,800,835)</u>	<u>(1,344,361)</u>	<u>-</u>	<u>(23,145,196)</u>
Total capital assets, being depreciated, net	<u>16,237,234</u>	<u>2,969,463</u>	<u>-</u>	<u>19,206,697</u>
Business-Type Activities Capital Assets, net	<u>\$ 31,862,781</u>	<u>\$ 4,355,795</u>	<u>\$ (1,000,396)</u>	<u>\$ 35,218,180</u>

Depreciation was charged to business-type functions as follows:

Golf course	\$ 299,513
Recreation center	444,133
Public utilities	<u>600,715</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 1,344,361</u>

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

General obligation bonds and certificates of obligation at year end were comprised of the following debt issues:

Governmental Activities		
Description	Interest Rates	Balance
General Obligation Bonds		
Refunding, series 2004	3.00-4.00%	\$ 3,710,000
Series 2006	4.00%	4,410,000
Series 2010	2.00-3.00%	9,980,000
Total General Obligation Debt		18,100,000
Certificates of Obligation		
Series 2007	4.00%	5,530,000
Series 2009	3.99%	7,830,000
Total Certificates of Obligation		13,360,000
Total Governmental Activities Debt		\$ 31,460,000

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

Year Ending Sept. 30	Governmental Activities				Tax
	General Obligation Bonds		Certificates of Obligation		Refund
	Principal	Interest	Principal	Interest	Agreements
2013	\$ 2,980,000	\$ 553,961	\$ 1,430,000	\$ 533,617	\$ 224,711
2014	3,095,000	458,823	1,495,000	476,459	224,711
2015	3,235,000	357,814	1,560,000	416,703	224,711
2016	3,360,000	252,239	2,055,000	354,349	42,313
2017	1,270,000	141,556	3,000,000	272,239	42,313
2018-2022	4,160,000	236,338	3,820,000	230,223	211,563
2023-2025	-	-	-	-	126,938
Total	\$ 18,100,000	\$ 2,000,731	\$ 13,360,000	\$ 2,283,589	\$ 1,097,260

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.

Obligations to Gulf Coast Fractionators -- Refund Taxes

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 in error. The terms of the settlement require the City to repay Gulf Coast Fractionators in non-interest annual installments of

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

\$182,398 starting February 1, 2011 through 2015. The balance due for both repayment agreements as of year end was \$1,097,327.

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	\$ 807,875
	Capital Projects-CIP	4,790,000
	Recreation Center	717,111
	Public Utility	669,491
	Nonmajor Funds	487,457
Capital Projects-CIP	Nonmajor Funds	85,000
Golf Course	Park Development	407,074
Public Utility	2010 GO Projects	355,257
	Capital Projects-CIP	106,153
	Nonmajor Funds	2,525,938
Nonmajor Funds	General Fund	39
	Debt Service Fund	110,332
	Public Utility	385,457
	Nonmajor Funds	116,000
	Total Transfers	\$ 11,563,184

Amounts transferred between funds related to amounts transferred to fund the purchase of assets and capital improvement projects and various government expenditures.

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	Debt Service	\$ 6,550,097
General Fund	Golf Course	1,000
General Fund	Public Utilities	321
Debt Service	Hotel	183
Capital Projects - CIP	Grant	1,207,676
Golf Course	Beverage Corp	60,299
Golf Course	Park Development	823,374
Rec Center	Golf Course	744
Hotel	Debt Service	47,486
	Total Interfund Balances	\$ 8,691,180

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

F. Fund Equity

As of September 30, 2012, \$423,408 of City’s total fund balance is restricted by enabling legislation.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

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 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.

Chapter 380 Economic Development Agreements

Chapter 380, Miscellaneous Provisions Relating to Municipal Planning and Development, of the Texas Local Government Code provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs, including programs to promote state or local economic development and to stimulate business and commercial activity in the municipality.

In June 2011, the City approved Chapter 380 Economic Development Agreements with four local industrial companies. Each company plans to construct substantial improvements to real property within the City. These improvements will constitute a major economic investment creating substantial additional taxable property value within the City and stimulating the development of primary employment within the City.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

The City recognizes the positive economic impact the proposed projects will have on the community and therefore has entered into agreements with the same companies to offer tax abatements of ad valorem property taxes on eligible property.

In order to mitigate the impact of the projects on the City's infrastructure and transportation systems, the companies have agreed to provide a monetary contribution of financial resources towards the City's Eagle Drive Reconstruction project. The total amount to be provided is \$4 million and is due October 1, 2012. As of September 30, 2012, the City had received a total of \$2 million in payments. The remaining \$2 million was received shortly after year end.

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 833 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 for TMRS. The report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677. The report is also available on the TMRS website at www.TMRS.org. 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:

	<u>2012</u>	<u>2011</u>
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

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

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 rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

The annual pension cost and the net pension obligation (NPO) are as follows:

Annual Required Contribution (ARC)	\$	319,734
Interest on Net Pension Obligation (NPO)		7,266
Adjustment to the ARC		(5,829)
Annual Pension Cost (APC)		321,171
Contributions made		(315,164)
Increase in NPO		6,007
NPO-beginning of year		96,877
NPO-end of year	\$	102,884

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 330,141	\$ 268,989	81.48%	\$ 61,152
2011	\$ 333,345	\$ 297,620	89.28%	\$ 96,877
2012	\$ 321,171	\$ 315,164	98.13%	\$ 102,884

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarial Valuation Date	12/31/2011	12/31/2010	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization Period	27 Years - Closed period	27.4 Years - Closed period	28.2 Years - Closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed market	10-year Smoothed market	10-year Smoothed market
Investment Rate of Return	7.0%	7.0%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at Cost of Living Adjustments	3.00%	3.00%	3.00%
	2.10%	2.10%	2.10%

The funded status as of December 31, 2011, is presented as follows:

	<u>2012</u>
Actuarial Valuation Date	12/31/2011
Actuarial Value of Assets	\$ 9,685,502
Actuarial Accrued Liability	\$ 10,519,154
Percentage Funded	92.1%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 833,652
Annual Covered Payroll	\$ 3,416,603
UAAL as a Percentage of Covered Payroll	24.4%

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 RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

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 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 September 30, 2012, 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 2012, 2011 and 2010 were \$362, \$334 and \$312 respectively. The City's contribution rate to the TMRS SDBF, for the retiree portion, for the years ended September 30, 2012, 2011, and 2010 is shown below.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Req. Contrib. (Rate)	0.01%	0.01%	0.01%
Actual Contribution Made	0.01%	0.01%	0.01%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

E. Restatement

Beginning net assets have been restated for the year. Long-term debt and the related deferred charges in the enterprise funds have been reclassified from business-type activities to governmental activities due to repayment of the debt with property tax revenues. In addition, the ownership of certain park land was transferred to Chambers County, Texas in the prior year, but had not been removed from total governmental capital assets.

	<u>Governmental Activities Net Assets</u>	<u>Business-Type Activities Net Assets</u>	<u>Golf Course</u>	<u>Recreation Center</u>	<u>Public Utility</u>
Prior year ending net assets as reported	\$ 29,428,604	\$ 25,313,131	\$ 5,317,110	\$ 6,720,380	\$ 13,225,571
Transfer of capital asset	(59,462)	-	-	-	-
Reclassification of long-term debt	(12,854,717)	12,854,717	2,272,535	2,884,682	7,697,500
Reclassification of deferred charges	59,158	(33,408)	(9,595)	(14,282)	(9,531)
Restated beginning net assets	<u>\$ 16,573,583</u>	<u>\$ 38,134,440</u>	<u>\$ 7,580,050</u>	<u>\$ 9,590,780</u>	<u>\$ 20,913,540</u>

F. Subsequent Event

On December 27, 2012, the City issued \$3,780,000 in general obligation refunding bonds, series 2012 for a current refunding of \$3,710,000 of outstanding general obligation refunding bonds, series 2004. The refunding resulted in a net present value savings of \$164,912. The refunding was undertaken to lower the overall debt service requirements of the City and to pay the costs associated with the issuance of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 4,691,837	\$ 4,691,837	\$ 4,734,420	\$ 42,583
Sales tax	2,973,925	2,973,925	4,631,743	1,657,818
Franchise and local taxes	2,284,049	2,284,049	2,249,149	(34,900)
Other taxes	5,900	5,900	6,793	893
Licenses and permits	90,000	90,000	240,276	150,276
Fines and forfeitures	60,000	60,000	64,144	4,144
Charges for services	280,794	280,794	290,447	9,653
Intergovernmental	277,500	277,500	210,353	(67,147)
Investment income	48,000	48,000	93,815	45,815
Other revenue	6,000	6,000	44,351	38,351
Total Revenues	<u>10,718,005</u>	<u>10,718,005</u>	<u>12,565,491</u>	<u>1,847,486</u>
Expenditures				
Current:				
General Government				
Administrative	2,203,792	2,291,792	2,291,998	(206)
Municipal court	82,935	82,935	80,930	2,005
Combined services	823,102	823,102	743,180	79,922
Total General Government	<u>3,109,829</u>	<u>3,197,829</u>	<u>3,116,108</u>	<u>81,721</u>
Public Safety				
Police	1,185,226	1,198,226	1,184,114	14,112
Emergency medical service	1,120,326	1,153,326	1,145,728	7,598
Fire	174,120	184,120	176,069	8,051
Total Public Safety	<u>2,479,672</u>	<u>2,535,672</u>	<u>2,505,911</u>	<u>29,761</u>

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 2 of 2)
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
Community Development				
Building	\$ 113,371	\$ 113,371	\$ 82,298	\$ 31,073
Total Community Development	<u>113,371</u>	<u>113,371</u>	<u>82,298</u>	<u>31,073</u>
Community Services				
Parks	845,962	913,962	913,962	-
Total Community Services	<u>845,962</u>	<u>913,962</u>	<u>913,962</u>	<u>-</u>
Total Expenditures	<u>6,548,834</u>	<u>6,760,834</u>	<u>6,618,279</u>	<u>142,555</u>
Revenues Over Expenditures	<u>4,169,171</u>	<u>3,957,171</u>	<u>5,947,212</u>	<u>1,990,041</u>
Other Financing Sources (Uses)				
Transfers in	-	-	39	39
Transfers (out)	<u>(7,471,934)</u>	<u>(7,471,934)</u>	<u>(7,471,934)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(7,471,934)</u>	<u>(7,471,934)</u>	<u>(7,471,895)</u>	<u>39</u>
Net Change in Fund Balance	<u>\$ (3,302,763)</u>	<u>\$ (3,514,763)</u>	<u>(1,524,683)</u>	<u>\$ 1,990,080</u>
Beginning fund balance			<u>10,914,048</u>	
Ending Fund Balance			<u>\$ 9,389,365</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, 2012

Fiscal Year	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarial Valuation Date	12/31/2011	12/31/2010	12/31/2009
Actuarial Value of Assets	\$ 9,685,502	\$ 8,844,629	\$ 6,534,134
Actuarial Accrued Liability	\$ 10,519,154	\$ 9,560,439	\$ 7,797,345
Percentage Funded	92.1%	92.5%	83.8%
Unfunded Actuarial			
Accrued Liability	\$ 833,652	\$ 715,810	\$ 1,263,211
Annual Covered Payroll	\$ 3,416,603	\$ 3,127,869	\$ 3,165,588
Unfunded Actuarial Accrued Liability			
(UAAL) % of Covered Payroll	24.4%	22.9%	39.9%
Net Pension Obligation (NPO)			
at the Beginning of Period	\$ 96,877	\$ 61,152	\$ -
Annual Pension Cost (APC)	321,171	333,345	330,141
Contributions Made	315,164	297,620	268,989
NPO at the End of Period	<u><u>\$ 102,884</u></u>	<u><u>\$ 96,877</u></u>	<u><u>\$ 61,152</u></u>

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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.

Grant Fund

This fund is used to account for grant monies.

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.

Veterans' Memorial Fund

This fund is used for the maintenance and creation of Veterans' 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.

Fixed Asset Replacement Fund

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

2009 Capital Projects - CIP

This fund is used to account for capital projects financed by the series 2009 certificates of obligation.

CITY OF MONT BELVIEU, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)

September 30, 2012

	Capital Projects			Court Technology
	Capital Projects	Fixed Asset Replacement	2009 Capital Projects - CIP	
Assets				
Cash and cash equivalents	\$ -	\$ 1,974,198	\$ 1,210,203	\$ 18,853
Investments	-	-	247,821	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Total Assets	\$ -	\$ 1,974,198	\$ 1,458,024	\$ 18,853
Liabilities and Equity				
Liabilities				
Accounts payable	\$ -	\$ 2,954	\$ 8,290	\$ -
Due to other funds	-	-	-	-
Total Liabilities	-	2,954	8,290	-
Fund Balances:				
Restricted:				
Police seizures	-	-	-	-
Park development	-	-	-	-
Tourism promotion	-	-	-	-
Municipal court	-	-	-	18,853
Public safety	-	-	-	-
Veterans' memorial	-	-	-	-
Assigned:				
Capital projects	-	1,971,244	-	-
Unassigned	-	-	1,449,734	-
Total Equity	-	1,971,244	1,449,734	18,853
Total Liabilities and Equity	\$ -	\$ 1,974,198	\$ 1,458,024	\$ 18,853

Special Revenue

<u>Hotel and Motel Tax</u>	<u>Court Security</u>	<u>Dedicated Parks</u>	<u>Grant</u>	<u>Seizures</u>	<u>Public Safety</u>
\$ 291,178	\$ 30,673	\$ 183,676	\$ 23,676	\$ 67	\$ 146,961
-	-	-	-	-	-
35,757	-	7,167	1,600,941	-	-
47,486	-	-	-	-	-
<u>\$ 374,421</u>	<u>\$ 30,673</u>	<u>\$ 190,843</u>	<u>\$ 1,624,617</u>	<u>\$ 67</u>	<u>\$ 146,961</u>
\$ 356	\$ -	\$ -	\$ 416,941	\$ -	\$ 39
183	-	-	1,207,676	-	-
<u>539</u>	<u>-</u>	<u>-</u>	<u>1,624,617</u>	<u>-</u>	<u>39</u>
-	-	-	-	67	-
-	-	190,843	-	-	-
373,882	-	-	-	-	-
-	30,673	-	-	-	-
-	-	-	-	-	146,922
-	-	-	-	-	-
-	-	-	-	-	-
<u>373,882</u>	<u>30,673</u>	<u>190,843</u>	<u>-</u>	<u>67</u>	<u>146,922</u>
<u>\$ 374,421</u>	<u>\$ 30,673</u>	<u>\$ 190,843</u>	<u>\$ 1,624,617</u>	<u>\$ 67</u>	<u>\$ 146,961</u>

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CITY OF MONT BELVIEU, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
September 30, 2012

	Special Revenue	
	Veterans'	
	Memorial	Total
<u>Assets</u>		
Cash and cash equivalents	\$ 2,886	\$ 3,882,371
Investments	-	247,821
Accounts receivable	-	1,643,865
Due from other funds	-	47,486
Total Assets	\$ 2,886	\$ 5,821,543
 <u>Liabilities and Equity</u>		
Liabilities		
Accounts payable	\$ -	\$ 428,580
Due to other funds	-	1,207,859
Total Liabilities	-	1,636,439
Equity		
Restricted:		
Police seizures	-	67
Park development	-	190,843
Tourism promotion	-	373,882
Municipal court	-	49,526
Public safety	-	146,922
Veterans' memorial	2,886	2,886
Assigned:		
Capital projects	-	1,971,244
Unassigned	-	1,449,734
Total Equity	2,886	4,185,104
Total Liabilities and Equity	\$ 2,886	\$ 5,821,543

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, 2012

	Capital Projects			Court Technology
	Capital Projects	Fixed Asset Replacement	2009 Capital Projects - CIP	
Revenues				
Occupancy tax	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	1,915
Intergovernmental	-	-	-	-
Park dedication revenue	-	-	-	-
Investment income	-	15,719	21,774	145
Other income	-	-	-	-
Total Revenues	-	15,719	21,774	2,060
Expenditures				
General government	-	995	-	-
Community services	-	-	-	-
Public safety	-	-	-	-
Capital projects	-	816,964	1,233,953	-
Total Expenditures	-	817,959	1,233,953	-
Revenues Over (Under) Expenditures	-	(802,240)	(1,212,179)	2,060
Other Financing Sources (Uses)				
Transfers in	-	688,457	2,163,606	-
Transfers (out)	(39)	(23,126)	-	-
Sale of capital assets	-	2,073	-	-
Total Other Financing Sources (Uses)	(39)	667,404	2,163,606	-
Net Change in Fund Balances	(39)	(134,836)	951,427	2,060
Beginning fund balances	39	2,106,080	498,307	16,793
Ending Fund Balances	\$ -	\$ 1,971,244	\$ 1,449,734	\$ 18,853

Special Revenue						
Hotel and Motel Tax	Court Security	Dedicated Parks	Grant	Seizures	Public Safety	
\$ 143,676	\$ -	\$ -	\$ -	\$ -	\$ -	
-	1,383	-	-	-	-	
-	-	-	2,298,075	-	15,000	
-	-	8,500	-	-	-	
3,317	255	1,447	-	6	1,844	
-	-	-	-	-	119,100	
<u>146,993</u>	<u>1,638</u>	<u>9,947</u>	<u>2,298,075</u>	<u>6</u>	<u>135,944</u>	
-	-	-	-	-	-	
85,584	-	-	-	-	-	
-	-	-	-	1,785	37,416	
-	-	-	2,298,075	-	11,871	
<u>85,584</u>	<u>-</u>	<u>-</u>	<u>2,298,075</u>	<u>1,785</u>	<u>49,287</u>	
61,409	1,638	9,947	-	(1,779)	86,657	
-	-	-	-	-	-	
(110,332)	-	-	-	-	(116,000)	
-	-	-	-	-	-	
<u>(110,332)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116,000)</u>	
(48,923)	1,638	9,947	-	(1,779)	(29,343)	
422,805	29,035	180,896	-	1,846	176,265	
<u>\$ 373,882</u>	<u>\$ 30,673</u>	<u>\$ 190,843</u>	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 146,922</u>	

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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, 2012

	<u>Special Revenue</u>	
	<u>Veterans'</u> <u>Memorial</u>	<u>Total</u>
<u>Revenues</u>		
Occupancy tax	\$ -	\$ 143,676
Fines and forfeitures	-	3,298
Intergovernmental	-	2,313,075
Park dedication revenue	-	8,500
Investment income	27	44,534
Other income	50	119,150
Total Revenues	<u>77</u>	<u>2,632,233</u>
 <u>Expenditures</u>		
General government	-	995
Community services	400	85,984
Public safety	-	39,201
Capital projects	-	4,360,863
Total Expenditures	<u>400</u>	<u>4,487,043</u>
Revenues Over		
(Under) Expenditures	<u>(323)</u>	<u>(1,854,810)</u>
 <u>Other Financing Sources (Uses)</u>		
Transfers in	-	2,852,063
Transfers (out)	-	(249,497)
Sale of capital assets	-	2,073
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,604,639</u>
Net Change in Fund Balances	(323)	749,829
Beginning fund balances	<u>3,209</u>	<u>3,435,275</u>
Ending Fund Balances	<u>\$ 2,886</u>	<u>\$ 4,185,104</u>

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, 2012

	<u>Original Budget</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Ad valorem taxes	\$ 5,380,718	\$ 5,380,718	\$ 5,439,458	\$ 58,740
Investment income	50,000	50,000	23,750	(26,250)
Total Revenues	<u>5,430,718</u>	<u>5,430,718</u>	<u>5,463,208</u>	<u>32,490</u>
<u>Expenditures</u>				
Principal	4,235,003	4,235,003	4,235,000	3
Interest and fiscal charges	1,128,324	1,238,556	1,234,619	3,937
Total Expenditures	<u>5,363,327</u>	<u>5,473,559</u>	<u>5,469,619</u>	<u>3,940</u>
Revenues Over (Under) Expenditures	<u>67,391</u>	<u>(42,841)</u>	<u>(6,411)</u>	<u>36,430</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	110,332	110,332	110,332	-
Transfers (out)	(2,447,422)	(2,447,422)	-	2,447,422
Total Other Financing Sources (Uses)	<u>(2,337,090)</u>	<u>(2,337,090)</u>	<u>110,332</u>	<u>2,447,422</u>
Net Change in Fund Balance	<u>\$ 177,723</u>	<u>\$ 67,491</u>	103,921	<u>\$ 36,430</u>
Beginning fund balance			<u>972,704</u>	
Ending Fund Balance			<u>\$ 1,076,625</u>	

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - HOTEL & MOTEL TAX FUND
For the Year Ended September 30, 2012

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Occupancy tax	\$ 122,000	\$ 143,676	\$ 21,676
Investment income	600	3,317	2,717
Total Revenues	122,600	146,993	24,393
<u>Expenditures</u>			
Community services	97,310	85,584	11,726
Total Expenditures	97,310	85,584	11,726
Revenues Over Expenditures	25,290	61,409	36,119
<u>Other Financing (Uses)</u>			
Transfers (out)	(110,332)	(110,332)	-
Total Other Financing (Uses)	(110,332)	(110,332)	-
Net Change in Fund Balance	\$ (85,042)	(48,923)	\$ 36,119
Beginning fund balance		422,805	
Ending Fund Balance		\$ 373,882	

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, 2012

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Fines and forfeitures	\$ 1,200	\$ 1,915	\$ 715
Investment income	(5)	145	150
Other revenue	16,270	-	(16,270)
Total Revenues	1,195	2,060	865
 <u>Expenditures</u>			
Public safety	6,500	-	6,500
Total Expenditures	6,500	-	6,500
Net Change in Fund Balance	\$ (5,305)	2,060	\$ 7,365
Beginning fund balance		16,793	
Ending Fund Balance		\$ 18,853	

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - SEIZURES
For the Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment income	\$ -	\$ -	\$ 6	\$ 6
Total Revenues	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
<u>Expenditures</u>				
Public safety	-	1,785	1,785	-
Total Expenditures	<u>-</u>	<u>1,785</u>	<u>1,785</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>(1,785)</u>	<u>(1,779)</u>	<u>6</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (1,785)</u>	<u>(1,779)</u>	<u>\$ 6</u>
Beginning fund balance			<u>1,846</u>	
Ending Fund Balance			<u>\$ 67</u>	

CITY OF MONT BELVIEU, TEXAS
*SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL*
SPECIAL REVENUE FUNDS - PUBLIC SAFETY
 For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 15,000	\$ (5,000)
Investment income	2,000	2,000	1,844	(156)
Other revenue	-	-	119,100	119,100
Total Revenues	22,000	22,000	135,944	113,944
<u>Expenditures</u>				
Public safety	29,650	42,050	37,416	4,634
Capital projects	-	15,000	11,871	3,129
Total Expenditures	29,650	57,050	49,287	7,763
Revenues Over (Under) Expenditures	(7,650)	(35,050)	86,657	121,707
<u>Other Financing (Uses)</u>				
Transfers (out)	-	(116,000)	(116,000)	-
Total Other Financing (Uses)	-	(116,000)	(116,000)	-
Net Change in Fund Balance	\$ (7,650)	\$ (151,050)	(29,343)	\$ 121,707
Beginning fund balance			176,265	
Ending Fund Balance			\$ 146,922	

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