

ANNUAL FINANCIAL REPORT

of the

CITY OF MONT BELVIEU, TEXAS

For the Year Ended
September 30, 2015

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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:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mont Belvieu, Texas (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

In 2015, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 17, 2016

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

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CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2015

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 Position 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, and EMS), community services (building permits/inspection), community development, and general government (City administrator, City secretary, finance, human resources, and 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 reported here. These services include the City's golf course, recreation center, water and wastewater public utility, and beverage corporation.

The government-wide financial statements can be found after the MD&A.

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, and the capital projects 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.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2015

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its golf course, recreation center, water distribution and wastewater collection/treatment, and beverage services operations. The proprietary fund financial statements provide separate information for the respective enterprise funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

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. The notes are the last section of the basic financial statements.

Other Information

In addition to the basic 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, schedule of changes in net pension liability and related ratios – Texas Municipal Retirement System, schedule of the City's proportionate share of the net pension liability – Texas Emergency Services Retirement System, and schedules of contributions for both the Texas Municipal Retirement System and the Texas Emergency Services Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows by \$110,196,206 as of year end representing an increase of \$16,210,364 over the prior year.

A portion of the City's net position, 75 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, 2015

The City's governmental activities net position increased from \$54,328,728 to \$67,922,469, largely as a result of an increase in capital assets during the year. The net position of business-type activities increased to \$42,273,737 from \$39,657,114 due to an increase in charges for services, capital contributions, and an increase in transfers in from other funds. The City can use the unrestricted portion of net position of \$25,087,018 to continue providing municipal services. The overall condition of the City improved with higher revenues during the year due to an increase in franchise and local taxes and other revenues.

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 position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Outstanding debt associated with governmental activities in the amount of \$3,193,542 is being used to finance capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2015

Statement of Activities

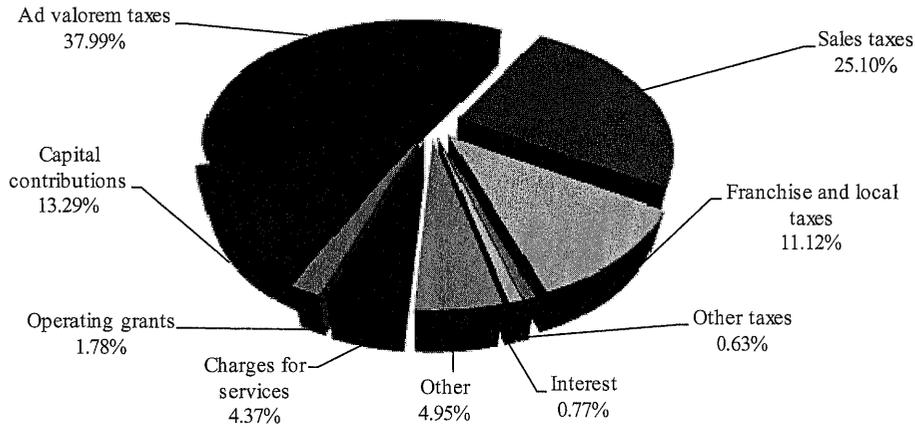
The following table provides a summary of the City's changes in net position.

	<u>For the Year Ended September 30, 2015</u>			<u>For the Year Ended September 30, 2014</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,419,354	\$ 5,271,579	\$ 6,690,933	\$ 1,157,963	\$ 4,743,492	\$ 5,901,455
Operating grants	578,054	-	578,054	336,832	-	336,832
Capital contributions	4,314,395	1,674,762	5,989,157	1,295,897	835,020	2,130,917
General revenues:						
Ad valorem taxes	12,335,464	-	12,335,464	10,894,092	-	10,894,092
Sales taxes	8,147,604	-	8,147,604	7,628,658	-	7,628,658
Franchise and local taxes	3,610,896	-	3,610,896	2,948,397	-	2,948,397
Other taxes	203,049	-	203,049	195,249	-	195,249
Interest	248,791	4,788	253,579	200,374	7,215	207,589
Other	1,608,820	-	1,608,820	1,941,094	3,500	1,944,594
Total Revenues	<u>32,466,427</u>	<u>6,951,129</u>	<u>39,417,556</u>	<u>26,598,556</u>	<u>5,589,227</u>	<u>32,187,783</u>
Expenses						
General government	5,013,826	-	5,013,826	5,571,761	-	5,571,761
Public safety	4,795,619	-	4,795,619	3,671,218	-	3,671,218
Community development	1,467,431	-	1,467,431	988,710	-	988,710
Community services	1,712,295	-	1,712,295	1,310,341	-	1,310,341
Interest and fees on debt	1,486,702	-	1,486,702	1,100,555	-	1,100,555
Golf course	-	2,662,224	2,662,224	-	2,510,869	2,510,869
Recreation center	-	2,721,032	2,721,032	-	2,710,360	2,710,360
Public utilities	-	3,259,110	3,259,110	-	3,008,438	3,008,438
Beverage corporation	-	88,953	88,953	-	77,767	77,767
Total Expenses	<u>14,475,873</u>	<u>8,731,319</u>	<u>23,207,192</u>	<u>12,642,585</u>	<u>8,307,434</u>	<u>20,950,019</u>
Increase (Decrease) in Net Position Before Transfers	17,990,554	(1,780,190)	16,210,364	13,955,971	(2,718,207)	11,237,764
Transfers in (out)	(4,396,813)	4,396,813	-	(2,274,577)	2,274,577	-
Change in Net Position	13,593,741	2,616,623	16,210,364	11,681,394	(443,630)	11,237,764
Beginning net position	54,328,728	39,657,114	93,985,842	42,647,334	40,100,744	82,748,078
Ending Net Position	<u>\$ 67,922,469</u>	<u>\$ 42,273,737</u>	<u>\$ 110,196,206</u>	<u>\$ 54,328,728</u>	<u>\$ 39,657,114</u>	<u>\$ 93,985,842</u>

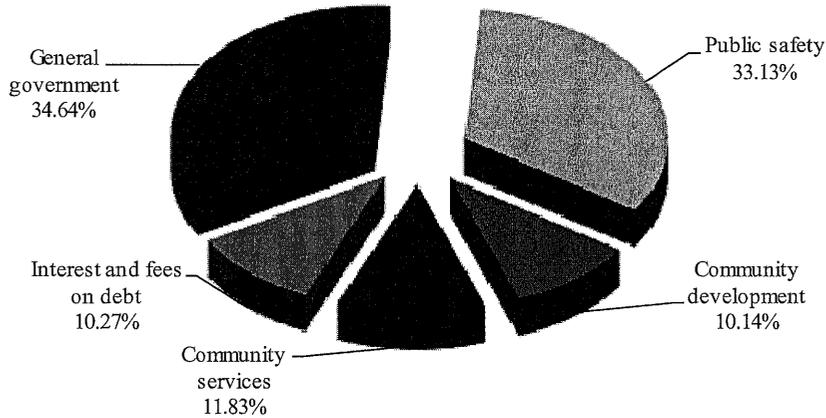
CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2015

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

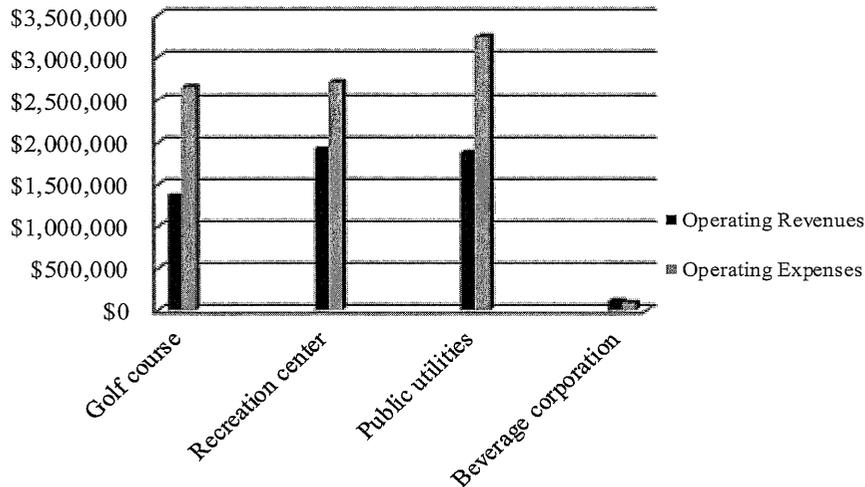
Governmental Activities - Revenues



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, 2015

For the year ended September 30, 2015, revenue from governmental activities before transfers totaled \$32,466,427, which is a 22 percent increase from the previous year. The increase is primarily due to an increase in capital contributions and property taxes. For the year ended September 30, 2015, expenses from governmental activities before transfers totaled \$14,475,873, which is a 15 percent increase from the previous year. The increase is primarily due to the increase in expenses in public safety and community development.

Business-type activities are shown comparing expenses of \$8,731,319 to program revenues of \$6,951,129 generated by related services. Business-type revenue increased by \$1,361,902 from the prior year mainly due to a capital contribution from a developer. Public utility expenses increased by \$250,672 due to an increase in cost of sales and services expenses during the year. Golf course expenses increased by \$151,355 due to an increase in depreciation expense.

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 \$43,578,526. Of this, \$12,027,655 is unassigned and available for day-to-day operations of the City, \$10,417,564 is assigned to capital projects, \$18,202,240 is restricted for capital projects, \$1,966,996 is restricted for debt service, \$807,012 is restricted by legal statutes and for special revenue projects, and \$157,059 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 \$12,224,520, while total fund balance reached \$12,379,198. 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 represents 140 percent of total general fund expenditures, while total fund balance also represents 141 percent of total general fund expenditures. There was a decrease in fund balance of \$1,650,722 from the prior year for the general fund. This decrease was primarily the result of transfers out of \$12,535,873.

The debt service fund balance totaled \$1,966,996 as of year end, which is an increase of \$173,195 from the previous year. The increase can be attributed to an increase in property tax revenue due to an increase in the debt service tax rate.

There was an increase of \$2,683,088 in the capital projects – CIP fund balance for a total of \$7,104,020 at year end. This increase is primarily due to transfers from the general fund.

The capital projects fund balance increased by \$6,882,473 for a total fund balance of \$18,202,240 at year end. This increase is due to the issuance of long-term debt.

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, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

General fund revenues exceeded budgeted revenues by \$4,039,741. This is largely due to actual sales tax revenue exceeding budgeted by \$2,422,893. This increase was due to an increase in construction in the area.

Total expenses in the general fund were less than budgeted by \$134,360 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 \$5,824,823. The actual decrease in fund balance for the year was \$1,650,722 for a positive variance of \$4,174,101.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$109,146,940 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$11,551,022.

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 note III.C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had general obligation debt of \$41,390,000 related to governmental activities.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economic growth that began in 2010 is continuing throughout 2015 and the City's financial picture reflects that growth. Reserve days have risen to 516 days. General Fund revenues in 2013-14 were 26 percent over budget. Sales tax exceeded budgetary estimates by 44 percent. The tax base has increased for two consecutive years, and has increased 30 percent in the last five years. New housing starts increased from 146 to 157, a 7.5 percent increase that continues a trend that has been going on since 2010.

The 2013-14 MD&A mentioned that the City had purchased a 76-acre commercial tract in the City adjacent to Interstate 10. In 2015, the City announced a Chapter 380 Economic Development agreement to bring an 85,000 square foot H-E-B, a highly regarded regional grocery chain, and an additional 285,000 square foot retail power center on 41 of the 76 acres. The H.E.B is contractually required to open by April 2018 and the power center by 2020. This project will address the retail leakage that has faced the City in the past, and will help diversify the tax base with additional sales tax. The City has retained 35 acres of the tract, and is now regularly fielding inquiries on the land. Management anticipates that the City's original investment of \$10 million for the land will be recouped as the City's remaining 35 acres is sold for commercial development. Land that was purchased by the City for \$3 per square foot is being marketed at three to four times that amount due to value brought by the retail development attracted by the chapter 380 agreement.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2015

The fever pitch of industrial expansion slowed somewhat in 2014-15. No new plant expansions were announced. However, work continued on Exxon Mobil's \$1 billion expansion. It is difficult to gauge the impact of low oil prices on the local economy. On one hand, end users such as chemical plants benefit from lower-priced feedstock. It should also be noted that prices for natural gas liquids, which is what is primarily processed and stored in Mont Belvieu have been low since late 2008, so that is nothing new to the local economy. On the other hand, many of the companies are vertically integrated and have considerable interest in the production and transportation side of the business.

Finally, we are continuing to see the impact of the new facilities coming on line in our electric franchise payments, which have increased approximately 25 percent annually from 2011 to 2016 as the industrial facilities use more and more electricity.

In 2025, after all current abatements expire, the tax base will have increased an estimated \$3.6 billion since 2010, after depreciation. This does not include approximately \$500 million in our Industrial Development District (IDD), and an additional \$1 billion committed by industry as part of the IDD agreement, or any new projects.

Tax base volatility is always a factor for the City. Fortunately, for the last two years, it has been an upwards trajectory. The tax base for 2014-15 was \$2.78 billion. That increased to \$3.0 billion in 2015-16, an increase of eight percent. This is a welcome change from 2011-12 where the City was at \$2.3 billion. As discussed in the prior years' MD&A, the City plans for this type of tax base volatility by holding the tax rate steady in years with higher values to build reserves so we can avoid tax rate increases when valuations swing. The estimated days of general fund reserves at the end of 2014-2015 were 516 days, which is 2.9 times the City policy of 180 days of fund reserve. This is down from 575 days the prior year due to a deliberate decision by City Council to bring our fund balance down to one year, and transfer \$2.5 million to the capital projects fund for future projects. It is the belief of management that in the coming years, volatility will be reduced with the current industrial expansions because the values of real property improvements are much more predictable than market-driven values of product in storage.

Residential growth in the City continues to be strong. 2015 set a new record with 157 new residential permits being issued. Three subdivisions are actively selling homes, and four new subdivisions are in the platting process and will begin selling homes in 2016. This will hopefully avoid past issues when construction has sometimes been constrained by available lot inventory. 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, most with underground drainage and many are now featuring amenity lakes and walking paths. This is dramatically different than ten 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 \$275,000 to \$300,000 range. The City also continues to invest in the existing neighborhoods, and has recently begun Phase 1 of a six-year plan to resurface the streets in all subdivisions with older asphalt streets. The total cost of the project is \$16 million, and is an important step in making property values and housing conditions remain at high levels in the older subdivisions.

The tax rate for 2015-2016 remains at \$0.43671, where it has been for six years. The City's \$109 million 2025 Capital Plan is moving forward as planned and requires no tax rate increases to implement.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2015

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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 POSITION

September 30, 2015

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
Assets				
Current assets:				
Cash and equity in pooled cash	\$ 20,973,131	\$ 3,832,170	\$ -	\$ 24,805,301
Investments	23,038,866	-	-	23,038,866
Receivables, net	5,007,820	887,523	-	5,895,343
Prepaid items	156,479	84,061	-	240,540
Inventory	580	145,693	-	146,273
Internal balances	1,000	(1,000)	-	-
Total Current Assets	49,177,876	4,948,447	-	54,126,323
Capital assets:				
Non depreciable	19,626,544	4,735,964	-	24,362,508
Net depreciable capital assets	50,860,651	33,923,781	-	84,784,432
Total Noncurrent Assets	70,487,195	38,659,745	-	109,146,940
Total Assets	119,665,071	43,608,192	-	163,273,263
Deferred Outflows of Resources				
Deferred outflows - TMRS	884,916	126,685	-	1,011,601
Deferred outflows - TESRS	17,750	-	-	17,750
Deferred charge on refunding	4,452	-	-	4,452
Total Deferred Outflows of Resources	907,118	126,685	-	1,033,803
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	2,198,748	185,112	-	2,383,860
Customer deposits	-	64,752	-	64,752
Unearned revenue	163,789	593,647	-	757,436
Accrued interest payable	163,549	75,862	-	239,411
Total Current Liabilities	2,526,086	919,373	-	3,445,459
Noncurrent liabilities:				
Due within one year	8,709,933	30,199	-	8,740,132
Due in more than one year	37,782,695	3,355	-	37,786,050
Net pension liability - TMRS	3,550,368	508,213	-	4,058,581
Net pension liability - TESRS	64,407	-	-	64,407
Total Noncurrent Liabilities	50,107,403	541,767	-	50,649,170
Total Liabilities	52,633,489	1,461,140	-	54,094,629
Deferred Inflows of Resources				
Deferred inflows - TESRS	16,231	-	-	16,231
Total Deferred Inflows of Resources	16,231	-	-	16,231
Net Position				
Net investment in capital assets	46,868,977	38,659,745	(3,193,542)	82,335,180
Restricted for:				
Debt service	1,966,996	-	-	1,966,996
Special projects	807,012	-	-	807,012
Unrestricted	18,279,484	3,613,992	3,193,542	25,087,018
Total Net Position	\$ 67,922,469	\$ 42,273,737	\$ -	\$ 110,196,206

See Notes to Financial Statements.

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 5,013,826	\$ -	\$ -	\$ 4,314,395
Public safety	4,795,619	1,192,055	5,424	-
Community development	1,467,431	227,299	-	-
Community services	1,712,295	-	572,630	-
Interest and fees on debt	1,486,702	-	-	-
Total Governmental Activities	14,475,873	1,419,354	578,054	4,314,395
Business-Type Activities				
Golf course	2,662,224	1,366,653	-	-
Recreation center	2,721,032	1,928,924	-	-
Public utilities	3,259,110	1,869,785	-	1,674,762
Beverage corporation	88,953	106,217	-	-
Total Business-Type Activities	8,731,319	5,271,579	-	1,674,762
Total Primary Government	\$ 23,207,192	\$ 6,690,933	\$ 578,054	\$ 5,989,157

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 Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (699,431)	\$ -	\$ (699,431)
(3,598,140)	-	(3,598,140)
(1,240,132)	-	(1,240,132)
(1,139,665)	-	(1,139,665)
(1,486,702)	-	(1,486,702)
<u>(8,164,070)</u>	<u>-</u>	<u>(8,164,070)</u>
-	(1,295,571)	(1,295,571)
-	(792,108)	(792,108)
-	285,437	285,437
-	17,264	17,264
-	<u>(1,784,978)</u>	<u>(1,784,978)</u>
<u>(8,164,070)</u>	<u>(1,784,978)</u>	<u>(9,949,048)</u>
12,335,464	-	12,335,464
8,147,604	-	8,147,604
3,610,896	-	3,610,896
203,049	-	203,049
248,791	4,788	253,579
1,608,820	-	1,608,820
<u>(4,396,813)</u>	<u>4,396,813</u>	<u>-</u>
<u>21,757,811</u>	<u>4,401,601</u>	<u>26,159,412</u>
13,593,741	2,616,623	16,210,364
54,328,728	39,657,114	93,985,842
<u>\$ 67,922,469</u>	<u>\$ 42,273,737</u>	<u>\$ 110,196,206</u>

CITY OF MONT BELVIEU, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2015

	General	Debt Service	Capital Projects - CIP	Capital Projects
<u>Assets</u>				
Cash and equity in pooled cash	\$ -	\$ 1,862,353	\$ 7,823,477	\$ 7,552,271
Investments	20,103,806	-	822,027	1,490,405
Receivables, net	4,715,645	121,648	592	2,780
Due from other funds	729,679	115,566	101,934	9,835,626
Inventory	580	-	-	-
Prepaid items	154,098	-	-	-
Total Assets	\$ 25,703,808	\$ 2,099,567	\$ 8,748,030	\$ 18,881,082
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 484,306	\$ 12,093	\$ 264,572	\$ 678,842
Due to other funds	9,704,351	-	1,379,438	-
Unearned revenue	135,319	-	-	-
Total Liabilities	10,323,976	12,093	1,644,010	678,842
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	109,395	120,478	-	-
Unavailable revenue - EMS services	2,891,239	-	-	-
Total Deferred Inflows of Resources	3,000,634	120,478	-	-
<u>Fund Balances</u>				
Nonspendable:				
Inventory	580	-	-	-
Prepaid items	154,098	-	-	-
Restricted for:				
Debt service	-	1,966,996	-	-
Special projects	-	-	-	-
Capital projects	-	-	-	18,202,240
Assigned:				
Capital projects	-	-	7,104,020	-
Unassigned	12,224,520	-	-	-
Total Fund Balances	12,379,198	1,966,996	7,104,020	18,202,240
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 25,703,808	\$ 2,099,567	\$ 8,748,030	\$ 18,881,082

See Notes to Financial Statements.

<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ 3,619,329	\$ 20,857,430
622,628	23,038,866
167,155	5,007,820
650,759	11,433,564
-	580
2,381	156,479
<u>\$ 5,062,252</u>	<u>\$ 60,494,739</u>
\$ 758,935	\$ 2,198,748
348,775	11,432,564
28,470	163,789
<u>1,136,180</u>	<u>13,795,101</u>
-	229,873
-	2,891,239
<u>-</u>	<u>3,121,112</u>
-	580
2,381	156,479
-	1,966,996
807,012	807,012
-	18,202,240
3,313,544	10,417,564
(196,865)	12,027,655
<u>3,926,072</u>	<u>43,578,526</u>
<u>\$ 5,062,252</u>	<u>\$ 60,494,739</u>

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CITY OF MONT BELVIEU, TEXAS
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2015

Total fund balances - total governmental funds		\$ 43,578,526
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets, non-depreciable		19,626,544
Capital assets, net depreciable		50,860,651
Long-term liabilities and deferred outflows related to the net pension liability are deferred in the governmental funds.		
Net pension liability		(3,614,775)
Deferred outflows - pensions		902,666
Deferred inflows - pensions		(16,231)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
		3,121,112
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 Position.		
		115,701
Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.		
Accrued interest payable		(163,549)
Deferred charge on refunding		4,452
Non-current liabilities due in one year		(8,709,933)
Non-current liabilities due in more than one year		(37,782,695)
Net Position of Governmental Activities		<u><u>\$ 67,922,469</u></u>

See Notes to Financial Statements.

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	General	Debt Service	Capital Projects-CIP	Capital Projects
Revenues				
Ad valorem taxes	\$ 5,358,313	\$ 6,958,506	\$ -	\$ -
Sales tax	7,922,893	-	-	-
Franchise and local taxes	3,610,896	-	-	-
Other taxes	5,475	-	-	-
Licenses and permits	227,299	-	-	-
Fines and forfeitures	198,363	-	-	-
Charges for services	309,063	-	-	-
Intergovernmental	464,520	-	-	-
Investment income	156,239	23,507	1,717	49,815
Contribution revenue	-	-	-	-
Other revenue	1,394,240	-	-	-
Total Revenues	19,647,301	6,982,013	1,717	49,815
Expenditures				
Current:				
General government	4,018,978	-	-	71
Public safety	3,137,217	-	-	-
Community development	200,624	-	395,022	-
Community services	1,405,331	-	-	-
Capital outlay	-	-	976,377	5,667,271
Debt service:				
Principal	-	5,910,000	4,626,000	-
Interest and fiscal charges	-	1,019,440	201,230	-
Issuance costs	-	-	-	188,666
Total Expenditures	8,762,150	6,929,440	6,198,629	5,856,008
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,885,151	52,573	(6,196,912)	(5,806,193)
Other Financing Sources (Uses)				
Bonds issued	-	-	-	11,870,000
Bond premium	-	5,239	-	818,666
Transfers in	-	115,383	8,880,000	-
Transfers (out)	(12,535,873)	-	-	-
Total Other Financing Sources (Uses)	(12,535,873)	120,622	8,880,000	12,688,666
Net Change in Fund Balances	(1,650,722)	173,195	2,683,088	6,882,473
Beginning fund balances	14,029,920	1,793,801	4,420,932	11,319,767
Ending Fund Balances	\$ 12,379,198	\$ 1,966,996	\$ 7,104,020	\$ 18,202,240

See Notes to Financial Statements.

<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 12,316,819
-	7,922,893
-	3,610,896
197,574	203,049
-	227,299
8,090	206,453
-	309,063
108,110	572,630
17,333	248,611
-	-
214,580	1,608,820
<u>545,687</u>	<u>27,226,533</u>
2,040	4,021,089
64,916	3,202,133
-	595,646
90,669	1,496,000
3,644,766	10,288,414
-	10,536,000
-	1,220,670
-	188,666
<u>3,802,391</u>	<u>31,548,618</u>
<u>(3,256,704)</u>	<u>(4,322,085)</u>
-	11,870,000
-	823,905
2,115,482	11,110,865
(115,383)	(12,651,256)
<u>2,000,099</u>	<u>11,153,514</u>
(1,256,605)	6,831,429
5,182,677	36,747,097
<u>\$ 3,926,072</u>	<u>\$ 43,578,526</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, 2015

Net changes in fund balances - total governmental funds \$ 6,831,429

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

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	7,624,359
Developer contribution	4,314,395
Depreciation expense	(2,671,283)
Disposal of capital asset	(755)

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	18,645
Deferred emergency services revenue	676,539

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 position. Also, governmental funds report the effect of 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 effect of these differences in the treatment of long-term debt and related items.

Bonds issued	(11,870,000)
Bond premium	(814,545)
Principal expenditures	10,536,000
Amortization of deferred charges	(4,452)
Accrued interest payable	(82,274)
Sales tax refund agreement	224,711
Compensated absences	(10,837)
Deferred outflows - pensions	591,472
Deferred inflows - pensions	(16,231)
Net pension liability	(1,751,612)
TESRS on-behalf revenue	5,424
TESRS on-behalf pension expense	(5,424)

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.

(1,820)

Change in Net Position of Governmental Activities \$ 13,593,741

See Notes to Financial Statements.

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2015

	Business-Type Activities - Enterprise Funds			
	Golf Course	Recreation Center	Public Utility	Nonmajor Fund Bev Co
Assets				
Current assets:				
Cash and equity in pooled cash	\$ 313,937	\$ 1,542,790	\$ 1,717,107	\$ 258,336
Receivables, net	10,301	511,823	365,399	-
Due from other funds	150,486	-	-	-
Inventory	117,341	22,265	594	5,493
Prepaid items	11,814	13,413	58,834	-
Total Current Assets	603,879	2,090,291	2,141,934	263,829
Noncurrent assets:				
Capital assets:				
Non-depreciable	2,018,248	80,607	2,637,109	-
Net depreciable	3,365,650	5,696,635	24,861,496	-
Total Noncurrent Assets	5,383,898	5,777,242	27,498,605	-
Total Assets	5,987,777	7,867,533	29,640,539	263,829
Deferred Outflows of Resources:				
Deferred outflows - pensions	-	-	126,685	-
Total Deferred Outflows of Resources	-	-	126,685	-
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	45,594	114,297	100,139	944
Compensated absences	-	-	30,199	-
Due to other funds	1,000	-	-	150,486
Unearned revenue	28,813	564,834	-	-
Customer deposits	-	-	64,752	-
Total Current Liabilities	75,407	679,131	195,090	151,430
Noncurrent liabilities:				
Compensated absences	-	-	3,355	-
Net pension liability	-	-	508,213	-
Total Liabilities	75,407	679,131	706,658	151,430
Net Position				
Net investment in capital assets	5,383,898	5,777,242	27,498,605	-
Unrestricted	528,472	1,411,160	1,561,961	112,399
Total Net Position	\$ 5,912,370	\$ 7,188,402	\$ 29,060,566	\$ 112,399

See Notes to Financial Statements.

<u>Total Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 3,832,170	\$ 115,701
887,523	-
150,486	-
145,693	-
84,061	-
<u>5,099,933</u>	<u>115,701</u>
4,735,964	-
<u>33,923,781</u>	<u>-</u>
<u>38,659,745</u>	<u>-</u>
<u>43,759,678</u>	<u>115,701</u>
126,685	-
<u>126,685</u>	<u>-</u>
260,974	-
30,199	-
151,486	-
593,647	-
64,752	-
<u>1,101,058</u>	<u>-</u>
3,355	-
508,213	-
<u>1,612,626</u>	<u>-</u>
38,659,745	-
<u>3,613,992</u>	<u>115,701</u>
<u>\$ 42,273,737</u>	<u>\$ 115,701</u>

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

For the Year Ended September 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Golf Course</u>	<u>Recreation Center</u>	<u>Public Utility</u>	<u>Nonmajor Fund Bev Co</u>
<u>Operating Revenues</u>				
Water charges	\$ -	\$ -	\$ 843,789	\$ -
Sewer charges	-	-	519,381	-
Sanitation	-	-	419,097	-
Other services	1,366,653	1,928,924	87,518	106,217
Total Operating Revenues	<u>1,366,653</u>	<u>1,928,924</u>	<u>1,869,785</u>	<u>106,217</u>
<u>Operating Expenses</u>				
Costs of sales and services	2,079,957	2,052,118	1,960,473	88,804
Depreciation	582,267	668,914	1,298,637	-
Total Operating Expenses	<u>2,662,224</u>	<u>2,721,032</u>	<u>3,259,110</u>	<u>88,804</u>
Operating Income (Loss)	<u>(1,295,571)</u>	<u>(792,108)</u>	<u>(1,389,325)</u>	<u>17,413</u>
<u>Nonoperating Revenues (Expenses)</u>				
Investment income	591	2,047	2,150	-
Interest expense	-	-	-	(149)
Total Nonoperating Revenues (Expenses)	<u>591</u>	<u>2,047</u>	<u>2,150</u>	<u>(149)</u>
Income (Loss) Before Contributions and Transfers	<u>(1,294,980)</u>	<u>(790,061)</u>	<u>(1,387,175)</u>	<u>17,264</u>
Capital contributions	421,174	-	4,165,010	-
Transfers in	692,487	620,717	202,313	-
Transfers (out)	-	(30,126)	-	-
Change in Net Position	<u>(181,319)</u>	<u>(199,470)</u>	<u>2,980,148</u>	<u>17,264</u>
Beginning net position	<u>6,093,689</u>	<u>7,387,872</u>	<u>26,080,418</u>	<u>95,135</u>
Ending Net Position	<u>\$ 5,912,370</u>	<u>\$ 7,188,402</u>	<u>\$ 29,060,566</u>	<u>\$ 112,399</u>

See Notes to Financial Statements.

Total Funds	Governmental Activities - Internal Service Funds
\$ 843,789	\$ -
519,381	-
419,097	-
3,489,312	-
<u>5,271,579</u>	<u>-</u>
6,181,352	57,000
2,549,818	-
<u>8,731,170</u>	<u>57,000</u>
<u>(3,459,591)</u>	<u>(57,000)</u>
4,788	180
<u>(149)</u>	<u>-</u>
<u>4,639</u>	<u>180</u>
(3,454,952)	(56,820)
4,586,184	-
1,515,517	55,000
<u>(30,126)</u>	<u>-</u>
2,616,623	(1,820)
<u>39,657,114</u>	<u>117,521</u>
<u>\$ 42,273,737</u>	<u>\$ 115,701</u>

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2015

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	\$ 1,334,763	\$ 1,926,551	\$ 1,789,363	\$ 106,217
Payments to employees	-	-	(821,485)	-
Payments to suppliers	(2,116,575)	(2,144,605)	(1,012,678)	(50,350)
Net Cash Provided (Used) by Operating Activities	(781,812)	(218,054)	(44,800)	55,867
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers from other funds	692,487	620,717	202,313	-
Transfer to other funds	-	(30,126)	-	-
Net Cash Provided by Noncapital Financing Activities	692,487	590,591	202,313	-
<u>Cash Flows from Capital and Related Financing Activities</u>				
Capital purchases	(118,423)	(129,517)	-	-
Interest paid on capital debt	-	-	-	(149)
Net Cash (Used) by Capital and Related Financing Activities	(118,423)	(129,517)	-	(149)
<u>Cash Flows from Investing Activities</u>				
Interest on investments	591	2,047	2,150	-
Net Cash Provided by Investing Activities	591	2,047	2,150	-
Net Increase (Decrease) in Cash and Equity in Pooled Cash	(207,157)	245,067	159,663	55,718
Beginning cash and equity in pooled cash	521,094	1,297,723	1,557,444	202,618
Ending Cash and Equity in Pooled Cash	\$ 313,937	\$ 1,542,790	\$ 1,717,107	\$ 258,336

<u>Total Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 5,156,894	\$ -
(821,485)	-
<u>(5,324,208)</u>	<u>(57,000)</u>
(988,799)	(57,000)
1,515,517	55,000
<u>(30,126)</u>	<u>-</u>
1,485,391	55,000
(247,940)	-
<u>(149)</u>	<u>-</u>
(248,089)	-
4,788	180
<u>4,788</u>	<u>180</u>
253,291	(1,820)
<u>3,578,879</u>	<u>117,521</u>
<u>\$ 3,832,170</u>	<u>\$ 115,701</u>

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2015

	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)	\$ (1,295,571)	\$ (792,108)	\$ (1,389,325)	\$ 17,413
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	582,267	668,914	1,298,637	-
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	5,922	(53,746)	(101,515)	-
Deferred outflows	-	-	(84,449)	-
Due from other funds	(39,370)	744	-	-
Inventory	5,371	(2,019)	1,022	(1,860)
Prepaid items	(1,431)	(1,579)	(54,350)	-
Increase (Decrease) in:				
Accounts payable and accrued liabilities	(39,814)	(89,633)	1,181	944
Compensated absences	-	-	8,820	-
Net pension liabilities	-	-	254,573	-
Due to other funds	(744)	-	(487)	39,370
Deferred revenue	1,558	51,373	-	-
Customer deposits	-	-	21,093	-
Net Cash Provided (Used) by Operating Activities	\$ (781,812)	\$ (218,054)	\$ (44,800)	\$ 55,867
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets from governmental funds	\$ 421,174	\$ -	\$ 4,165,010	\$ -

See Notes to Financial Statements.

<u>Total Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ (3,459,591)	\$ (57,000)
2,549,818	-
(149,339)	-
(84,449)	-
(38,626)	-
2,514	-
(57,360)	-
(127,322)	-
8,820	-
254,573	-
38,139	-
52,931	-
21,093	-
<u>\$ (988,799)</u>	<u>\$ (57,000)</u>
<u>\$ 4,586,184</u>	<u>\$ -</u>

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CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Mont Belvieu, Texas (the “City”) was incorporated as a “Home Rule Charter” on November 11, 2013. The City has a “Council-Manager” form of government.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, 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 basic 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. The Beverage Corporation, although legally separate, is considered part of the 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, 2015

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and its component unit. *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 to external customers for support.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

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

D. Basis of Presentation – Fund Financial Statements

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

The City reports the following governmental funds:

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 always considered a major fund for reporting purposes.

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.

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

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

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

The City reports 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 fund type:

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.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

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

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

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

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

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

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

The City maintains pooled cash accounts. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and equity in pooled cash."

2. Investments

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, 2015

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

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. 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 and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City 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	2 to 15 years
Furniture and equipment	5 to 20 years
Infrastructure	25 to 30 years
Water and sewer system	3 to 40 years
Buildings and improvements	5 to 40 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of*

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources are recognized as a result of differences between the actuarial expectations and the actual economic experience related to the City's defined pension plan. This amount is deferred and amortized over the average of the expected service lives of the pension plan members. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made. Another deferred charge has been recognized for the difference between the projected and actual investment earnings on the pension plan assets.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and emergency service fees. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. 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.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

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

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Estimates

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

12. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's fiduciary net position have been determined on the same basis as they are reported by TMRS and TESRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. 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

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

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. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and the internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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.

1. Expenditures in Excess of Appropriations

For the year ended September 30, 2015, expenditures exceeded appropriations at the legal level of control as follows:

General Fund	
General government – combined services	\$46,369
General government – municipal court	\$1,200

B. Deficit Fund Balance

At September 30, 2015, the 2010 GO Projects fund had a deficit fund balance of \$124,934 and the library fund had a deficit fund balance of \$71,931. The reason for the deficits was the City had more expenditures related to capital outlay than revenue earned. The City plans to transfer in money to offset the deficit once the projects are completed.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2015

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2015, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 1,016	0.00
Money market	10,561,719	0.00
Municipal bonds	23,048,786	2.6
Total Fair Value	<u>\$ 33,611,521</u>	
Portfolio weighted average maturity		1.78

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, 2015, 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, 2015, market values of pledged securities exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

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.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool 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>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Funds</u>
Ad valorem taxes	\$ 109,395	\$ 120,477	\$ -	\$ -	\$ -	\$ 229,872
Other taxes	1,612,985	-	-	-	50,763	1,663,748
Accounts	2,891,239	-	-	-	116,338	3,007,577
Other	102,026	1,171	592	2,780	54	106,623
	<u>\$ 4,715,645</u>	<u>\$ 121,648</u>	<u>\$ 592</u>	<u>\$ 2,780</u>	<u>\$ 167,155</u>	<u>\$ 5,007,820</u>

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 Funds</u>
Accounts	\$ 10,212	\$ 512,251	\$ 371,597	\$ 894,060
Other	89	-	-	89
Less allowance	-	(428)	(6,198)	(6,626)
	<u>\$ 10,301</u>	<u>\$ 511,823</u>	<u>\$ 365,399</u>	<u>\$ 887,523</u>

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Transfers/ Reclassifications	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 15,486,528	\$ 139,950	\$ -	\$ -	\$ 15,626,478
Construction in progress	4,471,999	3,715,284	-	(4,187,217)	4,000,066
Total capital assets, not being depreciated	19,958,527	3,855,234	-	(4,187,217)	19,626,544
Capital assets, being depreciated:					
Buildings	6,433,478	56,400	-	-	6,489,878
Improvements other than buildings	44,576,353	7,622,159	-	4,187,217	56,385,729
Machinery and equipment	4,078,128	404,961	(113,136)	-	4,369,953
Total capital assets being depreciated	55,087,959	8,083,520	(113,136)	4,187,217	67,245,560
Less accumulated depreciation for:					
Buildings	(4,357,047)	(371,871)	-	-	(4,728,918)
Improvements other than buildings	(6,948,178)	(1,892,268)	-	-	(8,840,446)
Machinery and equipment	(2,520,782)	(407,144)	112,381	-	(2,815,545)
Total accumulated depreciation	(13,826,007)	(2,671,283)	112,381	-	(16,384,909)
Total capital assets being depreciated, net	41,261,952	5,412,237	(755)	4,187,217	50,860,651
Governmental Activities Capital Assets, Net	\$ 61,220,479	\$ 9,267,471	\$ (755)	\$ -	70,487,195
				Less associated debt	(41,820,458)
				Plus unspent proceeds	18,202,240
				Net Investment in Capital Assets	\$ 46,868,977

Depreciation was charged to governmental functions as follows:

General government	\$ 614,627
Public safety	916,787
Community development	960,466
Community services	179,403
	2,671,283
Total Governmental Activities Depreciation Expense	\$ 2,671,283

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

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

	Beginning Balance	Increases	Decreases	Transfers/ Reclassifications	Ending Balance
Business-Type Activities:					
Capital assets, not being depreciated					
Land	\$ 514,515	\$ -	\$ -	\$ -	\$ 514,515
Golf course	2,018,248	-	-	-	2,018,248
Construction in progress	1,229,961	2,019,504	-	(1,046,264)	2,203,201
Total capital assets, not being depreciated	3,762,724	2,019,504	-	(1,046,264)	4,735,964
Capital assets, being depreciated:					
Buildings	15,272,900	789,154	-	1,046,264	17,108,318
Improvements other than buildings	41,543,524	1,767,381	-	-	43,310,905
Machinery and equipment	5,495,994	258,085	(22,921)	-	5,731,158
Total capital assets being depreciated	62,312,418	2,814,620	(22,921)	1,046,264	66,150,381
Less accumulated depreciation for:					
Buildings	(9,093,563)	(727,719)	-	-	(9,821,282)
Improvements other than buildings	(17,166,464)	(1,406,234)	-	-	(18,572,698)
Machinery and equipment	(3,439,676)	(415,865)	22,921	-	(3,832,620)
Total accumulated depreciation	(29,699,703)	(2,549,818)	22,921	-	(32,226,600)
Total capital assets being depreciated, net	32,612,715	264,802	-	1,046,264	33,923,781
Business-Type Activities Capital Assets, Net	\$ 36,375,439	\$ 2,284,306	\$ -	\$ -	\$ 38,659,745

Depreciation was charged to business-type functions as follows:

Golf course	\$ 582,267
Recreation center	668,914
Public utilities	1,298,637
Total Business-Type Activities Depreciation Expense	\$ 2,549,818

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

D. Long-Term Debt

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

	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds, notes and other payables					
General obligation bonds	\$ 11,995,000	\$ -	\$ (3,235,000)	\$ 8,760,000	* \$ 3,330,000
Certificates of obligation	23,435,000	11,870,000	(2,675,000)	32,630,000	*
Note payable	8,250,000	-	(4,626,000)	3,624,000	*
Bond premium	93,600	823,905	(9,360)	908,145	-
Tax refund agreements	647,838	-	(224,711)	423,127	42,313
Other liabilities					
Net pension liability - TMRS	1,771,922	1,778,446	-	3,550,368	-
Net pension liability - TESRS	91,241	-	(26,834)	64,407	-
Compensated absences	136,519	133,704	(122,867)	147,356	132,620
Total Governmental Activities	\$ 44,421,438	\$ 12,693,905	\$ (10,770,071)	\$ 50,107,403	\$ 8,709,933
				\$ 41,397,470	
				\$ 41,820,458	
				\$ 3,193,542	
Business-Type Activities:					
Compensated absences	\$ 24,734	\$ 31,081	\$ (22,261)	\$ 33,554	\$ 30,199
Net pension liability - TMRS	253,640	254,573	-	508,213	-
Total Business-Type Activities	\$ 278,374	\$ 285,654	\$ (22,261)	\$ 541,767	\$ 30,199
				\$ 511,568	

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

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

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

Description	Interest Rates	Balance
General Obligation Bonds		
Series 2006	4.05%	\$ 1,165,000
Series 2010	2.00-3.00%	6,645,000
Refunding, Series 2012	1.05%	950,000
Total General Obligation Debt		8,760,000
Certificates of Obligation		
Series 2007	4.00%	2,360,000
Series 2009	3.99%	6,515,000
Series 2014	1.50-3.00%	11,885,000
Series 2015	2.50-4.00%	11,870,000
Total Certificates of Obligation		32,630,000
Promissory Note	4.00%	3,624,000
Total Governmental Activities Debt		\$ 45,014,000

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

Year Ending Sept. 30	Governmental Activities						
	General Obligation Bonds		Certificates of Obligation		Note Payable		Tax Refund Agreements
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 3,330,000	\$ 223,014	\$ 4,205,000	\$ 1,072,067	\$ 1,000,000	\$ 129,960	\$ 42,313
2017	1,270,000	141,556	5,220,000	910,326	1,000,000	89,960	42,313
2018	1,325,000	112,981	4,165,000	725,506	1,000,000	49,960	42,313
2019	1,385,000	79,856	4,330,000	583,593	624,000	11,220	42,313
2020	1,450,000	43,500	2,460,000	435,888	-	-	42,313
2021-2025	-	-	12,250,000	1,007,324	-	-	211,562
Total	\$ 8,760,000	\$ 600,907	\$ 32,630,000	\$ 4,734,704	\$ 3,624,000	\$ 281,100	\$ 423,127

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

Tax and Revenue Certificates Obligation

During fiscal year 2015, the City issued \$11,870,000 of tax and revenue certificates of obligation, series 2015. Proceeds from the sale of certificates will be used to pay for 1) drainage and detention facility design, construction, and improvements; 2) park construction and improvements; 3) design and construction of the senior citizens center; 4) road design, construction, and improvements; 5) water and sanitary sewer design, construction, and improvements; and 6) to pay the costs associated with the issuance of the Certificates. Principal and interest on the certificates is payable from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the City.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

Obligations to State – Tax Refund Agreement

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 were 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.

The balance due as of year end was \$423,127.

Obligations to Gulf Coast Fractionators – Tax Refund Agreement

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 \$182,398 starting February 1, 2011. The last installment was paid in 2015.

Federal Arbitrage

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 (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

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	Golf Course	\$ 662,361
General	Capital Projects-CIP	8,880,000
General	Recreation Center	620,717
General	Public Utility	202,313
General	Internal Service	55,000
General	Nonmajor	2,115,482
Recreation Center	Golf Course	30,126
Nonmajor	Debt Service	115,383
	Total Transfers	\$ 12,681,382

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

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General	Golf Course	\$ 1,000
General	Capital Projects - CIP	728,679
Debt Service	Nonmajor	115,566
Capital Projects - CIP	Nonmajor	101,934
Capital Projects	General	9,704,351
Capital Projects	Nonmajor	131,275
Golf Course	Bev Co	150,486
Nonmajor	Capital Projects - CIP	650,759
	Total Interfund Balances	<u><u>\$ 10,933,291</u></u>

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

F. Restatement of Net Position

The City implemented Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result, the City has restated beginning net position to account for the net pension liability as of measurement date, December 31, 2013. In addition, the City has restated beginning net position to record a deferred outflow for contributions made to the pension plan between the initial measurement date and the end of the prior fiscal year, September 30, 2014. Net position was also restated to remove the TMRS net pension obligation, as previously reported.

Beginning net position was restated as follows:

	<u>Governmental Activities</u>	<u>Public Utility</u>	<u>Business-type Activities</u>
Beginning net position-as reported	\$ 55,792,130	\$ 26,275,688	39,852,384
Deferred outflows - contributions after measurement date (TMRS)	295,058	42,236	42,236
Deferred outflows - contributions after measurement date (TESRS)	16,136	-	-
Net pension liability (TMRS)	(1,771,922)	(253,640)	(253,640)
Net pension liability (TESRS)	(91,241)	-	-
Net pension obligation	88,567	16,134	16,134
Beginning net position-restated	<u><u>\$ 54,328,728</u></u>	<u><u>\$ 26,080,418</u></u>	<u><u>\$ 39,657,114</u></u>

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.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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.

Chapter 380 Economic Development Agreements

Chapter 380 of the Texas Local Government Code, *Miscellaneous Provisions Relating to Municipal Planning and Development*, 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 January 2015, the City approved Chapter 380 Economic Development Agreements with a local industrial company (the "Company"). The 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. The City recognizes the positive economic impact the proposed project will have on the community and, therefore, has entered into an agreement with the Company to offer tax abatements of ad valorem property taxes on eligible property from 2016 through 2025. A payment of \$441,268.45 is due January 31 of each year.

In January 2015, the City approved Chapter 380 Economic Development Agreements with a local natural gas company (the "Company"). The Company plans to expand its operations within the City. The expansion 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. The City recognizes the positive economic impact the proposed project will have on the community and, therefore, has entered into an agreement with the Company to offer tax abatements of ad valorem property taxes on eligible property from 2016 through 2025. A payment of \$425,785.35 is due January 31 of each year.

In January 2015, the City approved Chapter 380 Economic Development Agreements with an oil and gas company (the "Company"). The Company plans to construct substantial improvements to real property within the City. The expansion 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. The City recognizes the positive economic impact the proposed project will have on the community and, therefore, has entered into an agreement with the Company to offer tax abatements of ad valorem property taxes on eligible property. The term of this agreement is for a period of ten years. The agreement shall automatically renew for two successive ten-year terms, unless written notice is provided by either party requesting termination of the agreement within 90 days of each anniversary date. Under this agreement the Company will make monthly baseline payments of \$11,334. The City will make annual grant payments to the

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

Company in an amount equal to 50 percent of the use tax receipts received by the City attributable to the use taxes remitted by Company under its direct pay permit account in excess of the monthly baseline payments.

C. Pension Plans

1. Texas Municipal Retirement System

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

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>2015</u>	<u>2014</u>
Employee deposit rate	7.00%	6.00%
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% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	22
Active employees	65
Total	100

Contributions

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

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.40 percent and 15.68 percent in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$623,212 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is seven percent. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

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

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 505,859	\$ -	\$ 505,859
Interest	1,092,994	-	1,092,994
Change of benefit terms	1,348,133	-	1,348,133
Difference between expected and actual experience	498,460	-	498,460
Changes of assumptions	-	-	-
Contributions - employer	-	475,672	(475,672)
Contributions - employee	-	250,384	(250,384)
Net investment income	-	694,215	(694,215)
Benefit payments, including refunds of employee contributions	(295,597)	(295,597)	-
Administrative expense	-	(7,248)	7,248
Other changes	-	(596)	596
Net Changes	3,149,849	1,116,830	2,033,019
Balance at December 31, 2013	14,160,942	12,135,380	2,025,562
Balance at December 31, 2014	\$ 17,310,791	\$ 13,252,210	\$ 4,058,581

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of seven percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	\$ 6,699,276	\$ 4,058,581	\$ 1,909,539

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2015, the City recognized net pension expense of \$1,982,087.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 402,394	\$ -
Difference between projected and actual investment earnings	124,210	-
Contributions subsequent to the measurement date	485,097	-
Total	\$ 1,011,701	\$ -

\$485,097 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Pension Expense Amount
2016	\$ 127,118
2017	127,118
2018	127,120
2019	18,130
Total	\$ 399,486

2. Texas Emergency Services Retirement System

Plan Description

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by the Texas Emergency Services Retirement System (TESRS) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2014, there were 198 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2014, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,073
Terminated Members Entitled to Benefits but Not Yet Receiving Them	2,161
Active Participants (Vested and Nonvested)	4,036

Pension Plan Fiduciary Net Position

Detailed information about the TESRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and Required Supplementary Information. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and Required Supplementary

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

Information, which can be obtained at www.tesrs.org. The separately issued actuarial valuations which may be of interest are also available at the same link.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by Board rule. The benefit provisions include retirement benefits, as well as death and disability benefits. Members are 50 percent vested after the tenth year of service, with the vesting percent increasing ten percent for each of the next five years of service so that a member becomes 100 percent vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2 percent compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of TESRS contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make TESRS "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15 percent), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0 percent, since the first actuarial valuation report after adoption of the rules showed TESRS to have an adequate contribution arrangement without any Part Two contributions.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

Additional contributions may be made by governing bodies within two years of joining TESRS, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in TESRS.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into TESRS. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by TESRS.

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, total contributions (dues, prior service, and interest on prior service financing) of \$16,136 were paid by the City. The State appropriated \$1,530,343 for the fiscal year ending August 31, 2014 to the plan as a whole.

Actuarial Assumptions

The TPL in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	8/31/2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar, Open
Amortization Period	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Actuarial Assumptions:	
Investment Rate of Return*	7.75%
Projected Salary Increases	N/A
*Includes Inflation At	3.50%
Cost of Living Adjustments	None

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.50 percent). In addition, the final 7.75 percent assumption reflected a reduction of 0.20 percent for adverse deviation.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	32%	5.2%
Small cap domestic	10	5.8
Developed international	21	5.5
Emerging markets	6	5.4
Master limited partnership	5	7.1
Fixed income		
Domestic	21	1.4
International	5	1.6
Cash	0	0.0
Total	100%	

Discount Rate

The discount rate used to measure the TPL was 7.75 percent. No projection of cash flows was used to determine the discount rate because the August 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. That UAAL was based on an actuarial value of assets that was \$7.9 million less than the plan fiduciary net position as of August 31, 2014. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Discount Rate Sensitivity Analysis

The following presents the NPL of the City, calculated using the discount rate of 7.75 percent, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	<u>1% Decrease in Discount Rate (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase in Discount Rate (8.75%)</u>
City's proportionate share of the net pension liability:	\$ <u>132,724</u>	\$ <u>64,407</u>	\$ <u>24,548</u>

Pension Liabilities, Pension Expense, and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

At August 31, 2014, the City reported a liability of \$64,407 for its proportionate share of the plan's NPL. This liability reflects a reduction for State pension support provided to the City.

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

City's proportionate share of the collective NPL	\$64,407
State's proportionate share that is associated with the City*	<u>21,651</u>
Total	<u>\$86,058</u>

**Calculated using the City's proportionate share of contributions multiplied by the State's share of the collective net pension liability.*

The NPL was measured as of August 31, 2014 and the TPL used to calculate the net pension liability was determined by an actuarial valuation as of that date. GASB Statement No. 68 requires the NPL to be measured as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward the NPL nor did they provide the necessary information for the participants to roll forward themselves. While the City acknowledges that the measurement date does not fall within this 12-month period, the City elected to honor the conservatism principle and report a NPL measured as of August 31, 2014. The City used the assumption that any differences in the NPL measured as of August 31, 2014 versus September 30, 2014 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

At August 31, 2014, the employer's proportion of the collective net pension liability was 0.354 percent. TESRS did not provide prior year proportions measured as of August 31, 2013. The City is using the assumption that the change in proportion would have been immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the TPL during the measurement period.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the year ended August 31, 2014, the City recognized pension expense of \$12,182. The City recognized on-behalf revenues of \$5,424 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

At August 31, 2014, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ -	\$ 16,231
Contributions paid to TESRS subsequent to the measurement date	17,750	-
Total	\$ 17,750	\$ 16,231

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2015

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended September 30</u>	<u>Pension Expense</u>
2016	\$ 4,058
2017	4,058
2018	4,058
2019	4,058
Total	\$ 16,231

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 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, 2015, 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 2015, 2014, and 2013 were \$431, \$389, and \$366, respectively. The City's contribution rates for the past three years are shown below.

	<u>2015</u>	<u>2014</u>	<u>2013</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%

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, 2015

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Ad valorem taxes	\$ 5,291,888	\$ 5,291,888	\$ 5,358,313	\$ 66,425
Sales tax	5,500,000	5,500,000	7,922,893	2,422,893
Franchise and local taxes	3,370,000	3,370,000	3,610,896	240,896
Other taxes	6,800	6,800	5,475	(1,325)
Licenses and permits	200,000	200,000	227,299	27,299
Fines and forfeitures	200,000	200,000	198,363	(1,637)
Charges for services	280,000	280,000	309,063	29,063
Intergovernmental	280,000	280,000	464,520	184,520
Investment income	90,000	90,000	156,239	66,239
Other revenue	388,872	388,872	1,394,240	1,005,368
Total Revenues	<u>15,607,560</u>	<u>15,607,560</u>	<u>19,647,301</u>	<u>4,039,741</u>
<u>Expenditures</u>				
Current:				
General Government				
Administrative	2,860,872	2,970,872	2,872,957	97,915
Municipal court	100,074	111,574	112,774	(1,200) *
Combined services	986,878	986,878	1,033,247	(46,369) *
Total General Government	<u>3,947,824</u>	<u>4,069,324</u>	<u>4,018,978</u>	<u>50,346</u>
Public Safety				
Police	1,644,429	1,644,429	1,620,393	24,036
Emergency medical service	1,262,788	1,286,520	1,263,051	23,469
Fire	265,214	265,214	253,773	11,441
Total Public Safety	<u>3,172,431</u>	<u>3,196,163</u>	<u>3,137,217</u>	<u>58,946</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, 2015

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Community Development				
Building	\$ 179,309	\$ 202,309	\$ 200,624	\$ 1,685
Total Community Development	<u>179,309</u>	<u>202,309</u>	<u>200,624</u>	<u>1,685</u>
Community Services				
Parks	1,428,714	1,428,714	1,405,331	23,383
Total Community Services	<u>1,428,714</u>	<u>1,428,714</u>	<u>1,405,331</u>	<u>23,383</u>
Total Expenditures	<u>8,728,278</u>	<u>8,896,510</u>	<u>8,762,150</u>	<u>134,360</u>
Excess of Revenues Over Expenditures	<u>6,879,282</u>	<u>6,711,050</u>	<u>10,885,151</u>	<u>4,174,101</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	<u>(9,870,873)</u>	<u>(12,535,873)</u>	<u>(12,535,873)</u>	<u>-</u>
Total Other Financing (Uses)	<u>(9,870,873)</u>	<u>(12,535,873)</u>	<u>(12,535,873)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (2,991,591)</u>	<u>\$ (5,824,823)</u>	<u>(1,650,722)</u>	<u>\$ 4,174,101</u>
Beginning fund balance			<u>14,029,920</u>	
Ending Fund Balance			<u>\$ 12,379,198</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2015

	Measurement
	Year
	2014*
Total Pension Liability	
Service cost	\$ 505,859
Interest (on the total pension liability)	1,092,994
Changes of benefit terms	1,348,133
Difference between expected and actual experience	498,460
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(295,597)
Net Change in Total Pension Liability	3,149,849
Beginning total pension liability	14,160,942
Ending Total Pension Liability	\$ 17,310,791
Plan Fiduciary Net Position	
Contributions - employer	\$ 475,672
Contributions - employee	250,384
Net investment income	694,215
Benefit payments, including refunds of employee contributions	(295,597)
Administrative expense	(7,248)
Other	(596)
Net Change in Plan Fiduciary Net Position	1,116,830
Beginning plan fiduciary net position	12,135,380
Ending Plan Fiduciary Net Position	\$ 13,252,210
Net Pension Liability	\$ 4,058,581
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.55%
Covered Employee Payroll	\$ 4,173,064
Net Pension Liability as a Percentage of Covered Employee Payroll	97.26%

*Only one year of information is currently available. The City will build this schedule over the next nine-year period.

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
For the Year Ended September 30, 2015

	Measurement Year*
	2014
City's proportion of the net pension liability	0.354%
City's proportionate share of the net pension liability	\$ 64,407
State's proportionate share of the net pension liability	21,651
Total	\$ 86,058
Number of active members**	27
City's net pension liability per active member	\$ 2,385
Plan fiduciary net position as a percentage of the total pension liability	83.50%

*Only one year of information is currently available. The City will build this schedule over the next nine-year period.

**There is no compensation for active members. Number of active members is used instead.

Notes to Required Supplementary Information:

Defined Benefit Pension Plan

1. *Changes in benefit terms*

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

2. *Changes in assumptions*

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2015

	Fiscal Year*
	2015
Actuarially determined contribution	\$ 623,212
Contributions in relation to the actuarially determined contribution	623,212
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 4,306,031
Contributions as a percentage of covered employee payroll	14.47%

* Only one year of information is currently available. The City will build this schedule over the next nine-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	3.0%
Salary increases	3.50% to 12.0% including inflation
Investment rate of return	7.0%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

3. Other Information:

The employee contribution rate increased from 6% to 7% and the statutory maximum was removed.

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
For the Year Ended September 30, 2015

	<u>Fiscal Year*</u>	
	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 17,750	\$ 16,136
Contributions in relation to the contractually required contribution	<u>17,750</u>	<u>16,136</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Number of active members**	30	27
Contributions per active member	\$ 592	\$ 598

*Only two years of information is currently available. The City will build this schedule over the next eight-year period.

**There is no compensation for active members. Number of active members is used instead.

***COMBINING STATEMENTS
AND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition and construction of major capital facilities and other assets.

2010 GO Projects

This fund is used to account for capital projects financed by the series 2010 general obligation bonds.

Fixed Asset Replacement Fund

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

Park Development Fund

This fund is used to account for capital projects related to park development and maintenance.

2009 Capital Projects - CIP Fund

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

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects.

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.

Public Safety Fund

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

Veterans' Memorial Fund

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

Library Fund

This fund is used to account for monies related to library purchases.

CITY OF MONT BELVIEU, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)
September 30, 2015

	Capital Projects			
	2010 GO Projects	Fixed Asset Replacement	Park Development	2009 Capital Projects - CIP
<u>Assets</u>				
Cash and equity in pooled cash	\$ -	\$ 1,168,425	\$ 640,659	\$ 260,216
Investments	-	622,628	-	-
Accounts receivable	-	54	-	-
Due from other funds	-	650,759	-	-
Prepaid items	-	-	-	-
Total Assets	\$ -	\$ 2,441,866	\$ 640,659	\$ 260,216
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable and accrued liabilities	\$ 8,063	\$ 29,197	\$ -	\$ -
Due to other funds	116,871	-	-	-
Unearned revenue	-	-	-	-
Total Liabilities	124,934	29,197	-	-
Fund Balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Park development	-	-	-	-
Tourism promotion	-	-	-	-
Municipal court	-	-	-	-
Public safety	-	-	-	-
Veterans' memorial	-	-	-	-
Assigned:				
Capital projects	-	2,412,669	640,659	260,216
Unassigned	(124,934)	-	-	-
Total Fund Balances	(124,934)	2,412,669	640,659	260,216
Total Liabilities and Fund Balances	\$ -	\$ 2,441,866	\$ 640,659	\$ 260,216

Special Revenue

Hotel and Motel Tax	Court Security	Court Technology	Dedicated Parks	Grant	Public Safety
\$ 429,788	\$ 31,124	\$ 26,903	\$ 234,772	\$ -	\$ 184,582
-	-	-	-	-	-
50,763	-	-	-	116,338	-
-	-	-	-	-	-
-	-	-	-	-	2,381
<u>\$ 480,551</u>	<u>\$ 31,124</u>	<u>\$ 26,903</u>	<u>\$ 234,772</u>	<u>\$ 116,338</u>	<u>\$ 186,963</u>
\$ 4,894	\$ -	\$ -	\$ -	\$ -	\$ 4,889
115,566	-	-	-	116,338	-
-	-	-	-	-	28,470
<u>120,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,338</u>	<u>33,359</u>
-	-	-	-	-	2,381
-	-	-	234,772	-	-
360,091	-	-	-	-	-
-	31,124	26,903	-	-	-
-	-	-	-	-	151,223
-	-	-	-	-	-
-	-	-	-	-	-
<u>360,091</u>	<u>31,124</u>	<u>26,903</u>	<u>234,772</u>	<u>-</u>	<u>153,604</u>
<u>\$ 480,551</u>	<u>\$ 31,124</u>	<u>\$ 26,903</u>	<u>\$ 234,772</u>	<u>\$ 116,338</u>	<u>\$ 186,963</u>

CITY OF MONT BELVIEU, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
September 30, 2015

	Special Revenue		Total Funds
	Veterans' Memorial	Library	
Assets			
Cash and equity in pooled cash	\$ 2,899	\$ 639,961	\$ 3,619,329
Investments	-	-	622,628
Accounts receivable	-	-	167,155
Due from other funds	-	-	650,759
Prepaid items	-	-	2,381
Total Assets	\$ 2,899	\$ 639,961	\$ 5,062,252
 Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 711,892	\$ 758,935
Due to other funds	-	-	348,775
Unearned revenue	-	-	28,470
Total Liabilities	-	711,892	1,136,180
Fund Balances			
Nonspendable:			
Prepaid items	-	-	2,381
Restricted for:			
Park development	-	-	234,772
Tourism promotion	-	-	360,091
Municipal court	-	-	58,027
Public safety	-	-	151,223
Veterans' memorial	2,899	-	2,899
Assigned:			
Capital projects	-	-	3,313,544
Unassigned	-	(71,931)	(196,865)
Total Fund Balances	2,899	(71,931)	3,926,072
Total Liabilities and Fund Balances	\$ 2,899	\$ 639,961	\$ 5,062,252

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, 2015

	Capital Projects			
	2010 GO Projects	Fixed Asset Replacement	Park Development	2009 Capital Projects - CIP
Revenues				
Occupancy tax	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	4,526	2,712	6,468	928
Other income	-	-	165,298	-
Total Revenues	4,526	2,712	171,766	928
Expenditures				
Current				
General government	-	725	1,315	-
Community services	-	-	-	-
Public safety	-	-	-	-
Capital outlay	65,498	962,624	488,194	-
Total Expenditures	65,498	963,349	489,509	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(60,972)	(960,637)	(317,743)	928
Other Financing Sources (Uses)				
Transfers in	-	1,235,482	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	1,235,482	-	-
Net Change in Fund Balances	(60,972)	274,845	(317,743)	928
Beginning fund balances	(63,962)	2,137,824	958,402	259,288
Ending Fund Balances	\$ (124,934)	\$ 2,412,669	\$ 640,659	\$ 260,216

Special Revenue

<u>Hotel and Motel Tax</u>	<u>Court Security</u>	<u>Court Technology</u>	<u>Dedicated Parks</u>	<u>Grant</u>	<u>Public Safety</u>
\$ 197,574	\$ -	\$ -	\$ -	\$ -	\$ -
-	3,469	4,621	-	-	-
-	-	-	-	-	108,110
507	44	27	279	-	314
-	-	-	43,108	-	6,174
<u>198,081</u>	<u>3,513</u>	<u>4,648</u>	<u>43,387</u>	<u>-</u>	<u>114,598</u>
-	-	-	-	-	-
90,669	-	-	-	-	-
-	-	4,100	-	-	60,816
-	6,567	-	-	-	26,310
<u>90,669</u>	<u>6,567</u>	<u>4,100</u>	<u>-</u>	<u>-</u>	<u>87,126</u>
107,412	(3,054)	548	43,387	-	27,472
-	-	-	-	-	-
(115,383)	-	-	-	-	-
<u>(115,383)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(7,971)	(3,054)	548	43,387	-	27,472
368,062	34,178	26,355	191,385	-	126,132
<u>\$ 360,091</u>	<u>\$ 31,124</u>	<u>\$ 26,903</u>	<u>\$ 234,772</u>	<u>\$ -</u>	<u>\$ 153,604</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, 2015

	<u>Special Revenue</u>		<u>Total Funds</u>
	<u>Veterans' Memorial</u>	<u>Library</u>	
<u>Revenues</u>			
Occupancy tax	\$ -	\$ -	\$ 197,574
Fines and forfeitures	-	-	8,090
Intergovernmental	-	-	108,110
Investment income	3	1,525	17,333
Other income	-	-	214,580
Total Revenues	<u>3</u>	<u>1,525</u>	<u>545,687</u>
<u>Expenditures</u>			
General government	-	-	2,040
Community services	-	-	90,669
Public safety	-	-	64,916
Capital outlay	-	2,095,573	3,644,766
Total Expenditures	<u>-</u>	<u>2,095,573</u>	<u>3,802,391</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3</u>	<u>(2,094,048)</u>	<u>(3,256,704)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	-	880,000	2,115,482
Transfers (out)	-	-	(115,383)
Total Other Financing Sources (Uses)	<u>-</u>	<u>880,000</u>	<u>2,000,099</u>
Net Change in Fund Balances	3	(1,214,048)	(1,256,605)
Beginning fund balances	<u>2,896</u>	<u>1,142,117</u>	<u>5,182,677</u>
Ending Fund Balances	<u>\$ 2,899</u>	<u>\$ (71,931)</u>	<u>\$ 3,926,072</u>

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

For the Year Ended September 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Ad valorem taxes	\$ 6,840,237	\$ 6,840,237	\$ 6,958,506	\$ 118,269
Investment income	18,000	18,000	23,507	5,507
Total Revenues	<u>6,858,237</u>	<u>6,858,237</u>	<u>6,982,013</u>	<u>123,776</u>
<u>Expenditures</u>				
Principal	5,910,000	5,910,000	5,910,000	-
Interest and fiscal charges	1,028,220	1,028,220	1,019,440	8,780
Total Expenditures	<u>6,938,220</u>	<u>6,938,220</u>	<u>6,929,440</u>	<u>8,780</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(79,983)</u>	<u>(79,983)</u>	<u>52,573</u>	<u>132,556</u>
<u>Other Financing Sources (Uses)</u>				
Premium on bonds issued	-	-	5,239	5,239
Transfers in	115,383	115,383	115,383	-
Total Other Financing Sources	<u>115,383</u>	<u>115,383</u>	<u>120,622</u>	<u>5,239</u>
Net Change in Fund Balance	<u>\$ 35,400</u>	<u>\$ 35,400</u>	173,195	<u>\$ 137,795</u>
Beginning fund balance			<u>1,793,801</u>	
Ending Fund Balance			<u>\$ 1,966,996</u>	

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - HOTEL & MOTEL TAX FUND

For the Year Ended September 30, 2015

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Occupancy tax	\$ 175,000	\$ 197,574	\$ 22,574
Investment income	660	507	(153)
Total Revenues	175,660	198,081	22,421
<u>Expenditures</u>			
Community services	92,885	90,669	2,216
Total Expenditures	92,885	90,669	2,216
Excess of Revenues Over Expenditures	82,775	107,412	24,637
<u>Other Financing Sources (Uses)</u>			
Transfers (out)	(115,383)	(115,383)	-
Total Other Financing (Uses)	(115,383)	(115,383)	-
Net Change in Fund Balance	\$ (32,608)	(7,971)	\$ 24,637
Beginning fund balance		368,062	
Ending Fund Balance		\$ 360,091	

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - COURT TECHNOLOGY FUND
For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 3,500	3,500	\$ 4,621	\$ 1,121
Investment income	-	-	27	27
Total Revenues	3,500	3,500	4,648	1,148
Expenditures				
Public safety	-	4,100	4,100	-
Total Expenditures	-	4,100	4,100	-
Net Change in Fund Balance	\$ 3,500	(600)	548	\$ 1,148
Beginning fund balance			26,355	
Ending Fund Balance			\$ 26,903	

Notes to Supplementary Information:

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - PUBLIC SAFETY FUND
For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 108,110	\$ 48,110
Investment income	-	-	314	314
Other revenue	-	-	6,174	6,174
Total Revenues	60,000	60,000	114,598	54,598
Expenditures				
Public safety	55,750	71,750	60,816	10,934
Capital projects	5,500	27,500	26,310	1,190
Total Expenditures	61,250	99,250	87,126	12,124
Net Change in Fund Balance	\$ (1,250)	\$ (39,250)	27,472	\$ 66,722
Beginning fund balance			126,132	
Ending Fund Balance			\$ 153,604	

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