

ANNUAL FINANCIAL REPORT

of the

CITY OF MONT BELVIEU, TEXAS

**For the Year Ended
September 30, 2021**

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CITY OF MONT BELVIEU, TEXAS

TABLE OF CONTENTS

September 30, 2021

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report | 3 |
| Management's Discussion and Analysis (Required Supplementary Information) | 7 |
| <u>BASIC FINANCIAL STATEMENTS</u> | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 19 |
| Statement of Activities | 20 |
| Governmental Funds Financial Statements | |
| Balance Sheet – Governmental Funds | 22 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 25 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 26 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 29 |
| Proprietary Funds Financial Statements | |
| Statement of Net Position | 30 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position | 32 |
| Statement of Cash Flows | 34 |
| Notes to Financial Statements | 39 |
| <u>REQUIRED SUPPLEMENTARY INFORMATION</u> | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund | 72 |
| Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System | 74 |
| Schedule of the City's Proportionate Share of the Net Pension Liability – Texas Emergency Services Retirement System | 76 |
| Schedule of Changes in the City's Total OPEB Liability and Related Ratios – Texas Municipal Retirement System – Supplemental Death Benefit Fund | 79 |
| Schedule of Contributions – Texas Municipal Retirement System | 80 |
| Schedule of Contributions – Texas Emergency Services Retirement System | 82 |

CITY OF MONT BELVIEU, TEXAS

TABLE OF CONTENTS (Continued)

September 30, 2021

| <u>COMBINING STATEMENTS AND SCHEDULES</u> | <u>Page</u> |
|--|--------------------|
| Combining Balance Sheet – Nonmajor Governmental Funds | 88 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 92 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund | 97 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Funds | 98 |

FINANCIAL SECTION

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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, 2021, 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.

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, 2021, 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.

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, schedules of changes in net pension and total other postemployment benefits liabilities 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 7, 2022

***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, 2021

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here, including public safety (police, fire, and emergency medical services), 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 fees, 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, high speed internet, and solid waste services.

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 23 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, debt service fund, capital projects-CIP fund, fixed asset replacement fund, 2019 construction fund, and 2020 construction fund which are considered to be major funds for reporting purposes. The capital projects fund was not considered a major fund, but the City elected to present it as major due to its significance.

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, 2021

Proprietary Funds

The City maintains one type of proprietary fund, enterprise 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, high speed internet, and solid waste. 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.

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 (TMRS), schedule of the City's proportionate share of the net pension liability – Texas Emergency Services Retirement System (TESRS), schedule of changes in the total OPEB liability and related ratios – Supplemental Death Benefits Fund, and schedules of contributions for TMRS and TESRS. 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 \$208,914,361 as of year end, representing an increase of \$22,176,842 over the prior year. A portion of the City's net position, 68 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, 2021

The City's governmental activities net position increased from \$139,356,949 to \$157,623,924, largely as a result of increases in capital assets and decreases in long-term liabilities. The net position of business-type activities increased to \$51,290,437 from \$47,380,570 primarily due to an overall increase in charges for services, as well as operating transfers from governmental activities. The City can use the unrestricted portion of net position of \$66,443,894 as needed to provide municipal services.

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 \$3,569,211 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, 2021

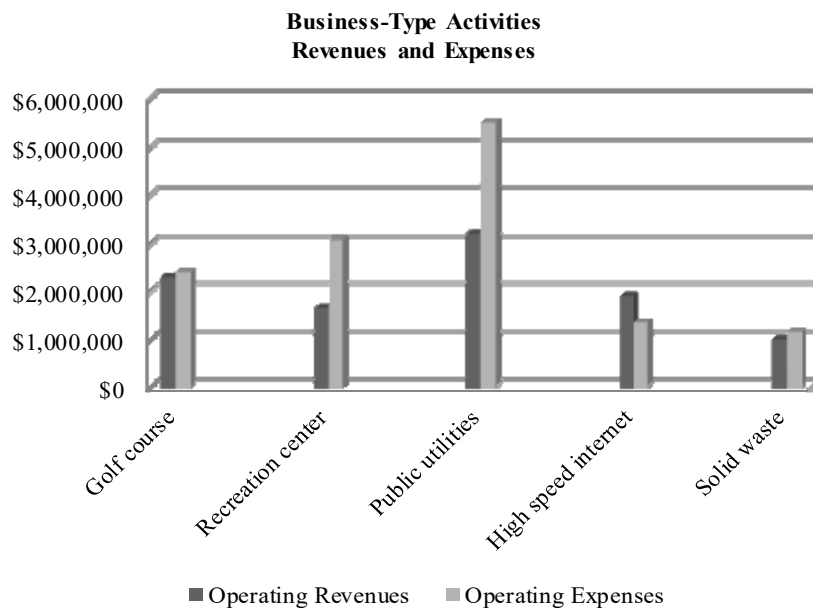
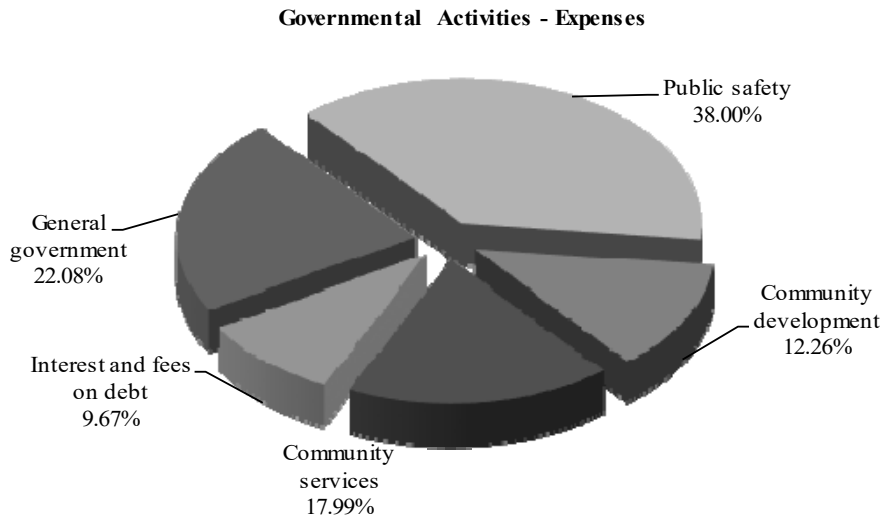
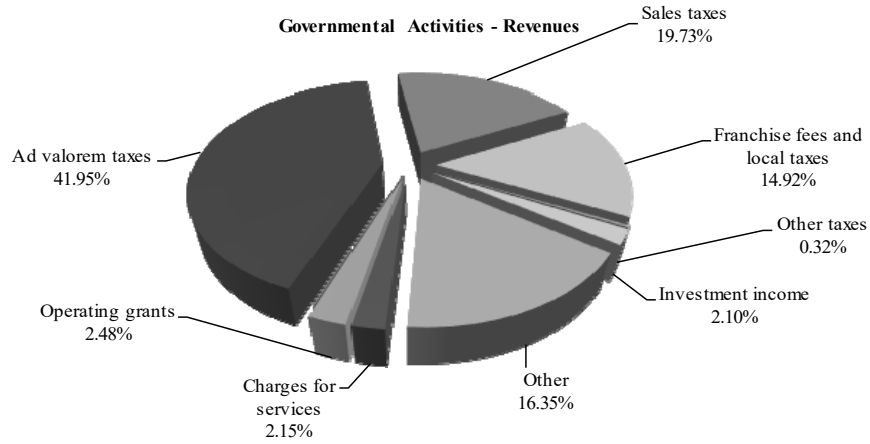
Statement of Activities

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

| | <u>For the Year Ended September 30, 2021</u> | | | <u>For the Year Ended September 30, 2020</u> | | |
|---|--|-------------------------------------|-------------------------------|--|-------------------------------------|-------------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| | | | <u>Primary Government</u> | | | <u>Primary Government</u> |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 942,903 | \$ 9,969,002 | \$ 10,911,905 | \$ 923,215 | \$ 8,251,538 | \$ 9,174,753 |
| Operating grants | 1,090,043 | - | 1,090,043 | 928,751 | - | 928,751 |
| Capital contributions | - | 1,406,664 | 1,406,664 | 5,060,225 | 702,259 | 5,762,484 |
| General revenues: | | | | | | |
| Ad valorem taxes | 18,403,729 | - | 18,403,729 | 17,663,929 | - | 17,663,929 |
| Sales taxes | 8,656,615 | - | 8,656,615 | 10,399,120 | - | 10,399,120 |
| Franchise fees and local taxes | 6,545,378 | - | 6,545,378 | 6,363,869 | - | 6,363,869 |
| Other taxes | 142,133 | - | 142,133 | 153,039 | - | 153,039 |
| Investment income | 919,616 | 45,154 | 964,770 | 1,042,186 | 77,306 | 1,119,492 |
| Other | 7,174,287 | - | 7,174,287 | 8,029,428 | - | 8,029,428 |
| Total Revenues | <u>43,874,704</u> | <u>11,420,820</u> | <u>55,295,524</u> | <u>50,563,762</u> | <u>9,031,103</u> | <u>59,594,865</u> |
| Expenses | | | | | | |
| General government | 4,253,565 | - | 4,253,565 | 7,003,937 | - | 7,003,937 |
| Public safety | 7,323,614 | - | 7,323,614 | 7,657,003 | - | 7,657,003 |
| Community development | 2,362,228 | - | 2,362,228 | 3,217,757 | - | 3,217,757 |
| Community services | 3,466,081 | - | 3,466,081 | 2,809,996 | - | 2,809,996 |
| Interest and fees on debt | 1,862,743 | - | 1,862,743 | 1,806,202 | - | 1,806,202 |
| Golf course | - | 2,374,409 | 2,374,409 | - | 2,181,244 | 2,181,244 |
| Recreation center | - | 3,048,943 | 3,048,943 | - | 2,849,377 | 2,849,377 |
| Public utilities | - | 5,502,692 | 5,502,692 | - | 4,769,867 | 4,769,867 |
| High speed internet | - | 1,774,354 | 1,774,354 | - | 1,834,653 | 1,834,653 |
| Beverage corporation | - | - | - | - | 54,738 | 54,738 |
| Solid waste | - | 1,150,053 | 1,150,053 | - | 690,251 | 690,251 |
| Total Expenses | <u>19,268,231</u> | <u>13,850,451</u> | <u>33,118,682</u> | <u>22,494,895</u> | <u>12,380,130</u> | <u>34,875,025</u> |
| Increase (Decrease) in Net Position Before Transfers | 24,606,473 | (2,429,631) | 22,176,842 | 28,068,867 | (3,349,027) | 24,719,840 |
| Transfers in (out) | (6,339,498) | 6,339,498 | - | (3,240,851) | 3,240,851 | - |
| Change in Net Position | 18,266,975 | 3,909,867 | 22,176,842 | 24,828,016 | (108,176) | 24,719,840 |
| Beginning net position | 139,356,949 | 47,380,570 | 186,737,519 | 114,528,933 | 47,488,746 | 162,017,679 |
| Ending Net Position | <u>\$ 157,623,924</u> | <u>\$ 51,290,437</u> | <u>\$ 208,914,361</u> | <u>\$ 139,356,949</u> | <u>\$ 47,380,570</u> | <u>\$ 186,737,519</u> |

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

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



CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

For the year ended September 30, 2021, revenue from governmental activities before transfers totaled \$43,874,704, which represents a 13 percent decrease. The decrease is primarily due to decreases in capital contributions and sales tax revenue. For the year ended September 30, 2021, expenses from governmental activities before transfers totaled \$19,268,231, which is an 14 percent decrease from the previous year. The decrease is primarily due to a decrease in general government expenses mainly as a result of decreases in pension expense items related to the City's TMRS pension.

Business-type activities are shown comparing expenses of \$13,850,451 to total revenues of \$11,420,820 generated by related services. Business-type revenue increased by \$2,389,717 from the prior year mainly due to capital contributions and charges for services. These contributions are related to development in the area and the increase in charges for services is related to post-COVID shutdown return to normal business compared to the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The City's governmental funds reflect a combined fund balance of \$91,419,255. Of this, \$22,232,355 is unassigned and available for day-to-day operations of the City, \$44,550,718 is assigned to various capital project items, \$23,314,379 is restricted for capital projects, \$643,425 is restricted for debt service, \$653,987 is restricted by legal statutes and for special revenue projects, and \$24,391 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 \$22,232,954, while total fund balance reached \$22,257,345. 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 145 percent of total general fund expenditures, while total fund balance also represents 145 percent of total general fund expenditures. There was an increase in fund balance of \$1,960,596 from the prior year for the general fund. Although the general fund experienced an increase in fund balance, total revenues were lower than the prior year, and total expenditures were higher. These changes were experienced across various functions.

The debt service fund balance totaled \$643,425 as of year end, which is an increase of \$13,489 from the previous year. This increase can be attributed primarily to a decrease in principal requirements on outstanding debt.

There was an increase of \$3,296,735 in the capital projects – CIP fund balance for a total of \$20,111,976 at year end. This increase is primarily due to an increase in other revenue from claims and settlements.

The capital projects fund balance decreased by \$2,983,457 for a total fund balance of \$104,706 at year end. This decrease is due to ongoing construction projects throughout the City.

The fixed asset replacement fund balance increased by \$4,409,948 for a total fund balance of \$23,606,540 at year end. This increase is primarily due to transfers in from the general fund.

The 2019 construction fund fund balance decreased by \$14,473,246 for a total fund balance of \$5,986,235 at year end. The decrease is due to ongoing constructions projects throughout the City.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

The 2020 construction fund was created last year. This fund accounts for the issuance of the Series 2020 certificates of obligation and ended the year with a fund balance of \$17,053,039 which represents a decrease of \$5,907,589. This decrease is due to ongoing construction projects and repairs initiatives throughout the City.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

General fund actual revenues exceeded budgeted revenues by \$4,328,338. This is largely due to actual sales tax revenue exceeding the budget by \$4,109,836. This was primarily related to increased commercial activity throughout the City, as well as conservative estimates from the City.

Total expenses in the general fund were less than budgeted by \$1,349,037. The positive variance in the general government department and public safety department contributed to the overall positive variance. This variance is primarily due to less personnel-related expenditures and capital outlay expenditures than anticipated during the year.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$200,938,373 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$28,753,446.

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

- Additional road and infrastructure improvements
- New broadband fiber infrastructure

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 \$66,125,000 related to governmental activities and \$12,430,000 related to business-type 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 City of Mont Belvieu remained resilient in 2021 even though it was a challenging year due to the ongoing pandemic and weather related events, however, the City of Mont Belvieu withstood the impacts due to strong organizational and budgeting processes. Single Family permits came in at 204 with an average value of \$300,000. The City also began the planning process for a master planned community which will develop over 1,400 acres of land and will include a town center, 4,500 single family homes, and \$200 million of public infrastructure and amenities. The project will be anchored by the construction of a new 30,721 square feet. city hall and a new 20,001 square feet fire station. In 2021, Mont Belvieu continued to grow by opening 65,443 square feet of lease space, that includes 8 new businesses. Major capital improvements across the City continued and were not impacted by COVID-19. The planning, development retail, residential and civic facilities, a strong tax base, and major thoroughfare improvements continue to position Mont Belvieu for success during significant growth.

CITY OF MONT BELVIEU, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

Each year the budget is prepared on key objectives and assumptions. The annual budget is part of a broader long-term strategic planning process that includes at its foundation a comprehensive plan for the City and priorities established by City Council. In 2020, sales tax grew 24.23%. Sales tax provides a significant source of revenue and is primarily related to maintenance of existing facilities and oil and gas expansions. The additional revenue offsets long-term debt and allows for cash capital for needed growth projects. Property tax revenue is down 1% due to certified values coming in 2% less than prior year. The City continues to maintain 365 days of reserves in the general fund as well as healthy reserves in the fixed asset replacement fund and cash capital fund.

In 2021, the City started \$33,480,000 in capital to include Langston Boulevard Extension (complete), Gill Parkway (open), Cotton Bayou Trail (complete), Sidewalks to Cherry Point Estates (complete), Sidewalk Illumination (complete), Street Resurfacing Phase 4 (complete), Soccer Field Restoration (complete), widening of Lakes of Champion (complete), City Hall Parking lot expansion (complete), and the widening of Perry Avenue (complete), as well as renovation of Council Chamber and Court (complete). In 2021, the City has an additional \$50,000,000 in projects planned to include new City Hall, Street Resurfacing Phase 5, Hackberry Ponds, State Highway 146 Sidewalks, FEMA Sewer Projects on SH 146, new Water Well, City Park Phase 2, Golf Course enhancements, and 16" Waterline along Langston. Also included are the WWTP Expansion, WWTP Dewatering Facility, and I-10 Gateway.

In 2021, the City did not issue any bonds, however, we will go for bonds in 2022. The City of Mont Belvieu maintained a credit rating of Aa2, and received a record low interest rate of 1.825% on the debt issued in 2020. Moody's reasoning for the positive outlook was healthy reserves in funds outside of the general fund, a growing tax base, and strong fiscal management practices and procedures.

MB Link is the State of Texas's first municipally owned internet service bringing 1gb speeds to all homes and businesses in the City. MB Link eclipsed the 77% penetration mark in 2021 bringing 2051 residential subscribers to the network. The City has 72 businesses subscribed which includes the Barbers Hill ISD. Moody's stated that MB Link is one of very few internet utilities they do not rate as a liability because of the overwhelming success.

The tax rate for 2022 is \$0.454745 per \$100 of assessed valuation. The City's fiscally conservative principle is to budget for future maintenance, operations, and capital with minimal tax increase, if any.

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 Jason Reynolds, Assistant City Manager, 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, 2021

| | Primary Government | | | |
|---|----------------------------|-----------------------------|----------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Reconciliation | Total |
| Assets | | | | |
| Current assets: | | | | |
| Cash and equity in pooled cash | \$ 72,674,274 | \$ 3,102,013 | \$ - | \$ 75,776,287 |
| Investments | 22,947,289 | 2,065,602 | - | 25,012,891 |
| Receivables, net | 2,942,872 | 1,070,942 | - | 4,013,814 |
| Prepaid items | 13,200 | - | - | 13,200 |
| Inventory | 11,191 | 172,240 | - | 183,431 |
| Internal balances | (11,757) | 11,757 | - | - |
| Total Current Assets | 98,577,069 | 6,422,554 | - | 104,999,623 |
| Capital assets: | | | | |
| Nondepreciable | 54,747,872 | 17,470,904 | - | 72,218,776 |
| Net depreciable capital assets | 86,240,722 | 42,478,875 | - | 128,719,597 |
| Total Noncurrent Assets | 140,988,594 | 59,949,779 | - | 200,938,373 |
| Total Assets | 239,565,663 | 66,372,333 | - | 305,937,996 |
| Deferred Outflows of Resources | | | | |
| Deferred outflows - pensions - TMRS | 1,125,761 | 288,990 | - | 1,414,751 |
| Deferred outflows - pensions - TESRS | 45,392 | - | - | 45,392 |
| Deferred outflows - OPEB - TMRS | 68,096 | - | - | 68,096 |
| Total Deferred Outflows of Resources | 1,239,249 | 288,990 | - | 1,528,239 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 5,430,225 | 1,032,035 | - | 6,462,260 |
| Unearned revenue | 1,014,221 | 179,948 | - | 1,194,169 |
| Accrued interest payable | 277,128 | 55,627 | - | 332,755 |
| Total Current Liabilities | 6,721,574 | 1,267,610 | - | 7,989,184 |
| Noncurrent liabilities: | | | | |
| Due within one year | 6,747,041 | 696,163 | - | 7,443,204 |
| Due in more than one year | 68,804,528 | 13,180,496 | - | 81,985,024 |
| Total Noncurrent Liabilities | 75,551,569 | 13,876,659 | - | 89,428,228 |
| Total Liabilities | 82,273,143 | 15,144,269 | - | 97,417,412 |
| Deferred Inflows of Resources | | | | |
| Deferred inflows - pensions - TMRS | 879,361 | 226,617 | - | 1,105,978 |
| Deferred inflows - pensions - TESRS | 8,097 | - | - | 8,097 |
| Deferred inflows - OPEB - TMRS | 20,387 | - | - | 20,387 |
| Total Deferred Inflows of Resources | 907,845 | 226,617 | - | 1,134,462 |
| Net Position | | | | |
| Net investment in capital assets | 96,064,337 | 48,677,929 | (3,569,211) | 141,173,055 |
| Restricted for: | | | | |
| Debt service | 643,425 | - | - | 643,425 |
| Special projects | 653,987 | - | - | 653,987 |
| Unrestricted | 60,262,175 | 2,612,508 | 3,569,211 | 66,443,894 |
| Total Net Position | \$ 157,623,924 | \$ 51,290,437 | \$ - | \$ 208,914,361 |

See Notes to Financial Statements.

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General government | \$ 4,253,565 | \$ - | \$ - | \$ - |
| Public safety | 7,323,614 | 385,434 | - | - |
| Community development | 2,362,228 | 557,469 | - | - |
| Community services | 3,466,081 | - | 1,090,043 | - |
| Interest and fees on debt | 1,862,743 | - | - | - |
| Total Governmental Activities | 19,268,231 | 942,903 | 1,090,043 | - |
| Business-Type Activities | | | | |
| Golf course | 2,374,409 | 2,266,345 | - | - |
| Recreation center | 3,048,943 | 1,653,357 | - | - |
| Public utilities | 5,502,692 | 3,185,649 | - | 1,406,664 |
| High speed internet | 1,774,354 | 1,873,988 | - | - |
| Solid waste | 1,150,053 | 989,663 | - | - |
| Total Business-Type Activities | 13,850,451 | 9,969,002 | - | 1,406,664 |
| Total Primary Government | \$ 33,118,682 | \$ 10,911,905 | \$ 1,090,043 | \$ 1,406,664 |

General Revenues:

- Taxes
 - Ad valorem taxes
 - Sales taxes
 - Franchise fees and local taxes
 - Other taxes
- Investment income
- Other revenues
- Gain on sale of asset
- 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 |
| \$ (4,253,565) | \$ - | \$ (4,253,565) |
| (6,938,180) | - | (6,938,180) |
| (1,804,759) | - | (1,804,759) |
| (2,376,038) | - | (2,376,038) |
| (1,862,743) | - | (1,862,743) |
| <u>(17,235,285)</u> | <u>-</u> | <u>(17,235,285)</u> |
| - | (108,064) | (108,064) |
| - | (1,395,586) | (1,395,586) |
| - | (910,379) | (910,379) |
| - | 99,634 | 99,634 |
| - | (160,390) | (160,390) |
| <u>-</u> | <u>(2,474,785)</u> | <u>(2,474,785)</u> |
| <u>(17,235,285)</u> | <u>(2,474,785)</u> | <u>(19,710,070)</u> |
| 18,403,729 | - | 18,403,729 |
| 8,656,615 | - | 8,656,615 |
| 6,545,378 | - | 6,545,378 |
| 142,133 | - | 142,133 |
| 919,616 | 45,154 | 964,770 |
| 6,683,779 | - | 6,683,779 |
| 490,508 | - | 490,508 |
| (6,339,498) | 6,339,498 | - |
| <u>35,502,260</u> | <u>6,384,652</u> | <u>41,886,912</u> |
| 18,266,975 | 3,909,867 | 22,176,842 |
| 139,356,949 | 47,380,570 | 186,737,519 |
| <u>\$ 157,623,924</u> | <u>\$ 51,290,437</u> | <u>\$ 208,914,361</u> |

CITY OF MONT BELVIEU, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2021

| | General | Debt Service | Capital Projects - CIP | Capital Projects |
|--|----------------------|-------------------|---------------------------|---------------------|
| <u>Assets</u> | | | | |
| Cash and equity in pooled cash | \$ 7,374,233 | \$ 553,035 | \$ 11,816,446 | \$ 260,522 |
| Investments | 14,028,060 | 100,610 | 8,245,024 | 4,357 |
| Receivables, net | 2,733,004 | 26,237 | 151,101 | - |
| Inventory | 11,191 | - | - | - |
| Prepaid items | 13,200 | - | - | - |
| Total Assets | \$ 24,159,688 | \$ 679,882 | \$ 20,212,571 | \$ 264,879 |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | \$ 1,011,785 | \$ 2,141 | \$ 100,595 | \$ 160,173 |
| Due to other funds | - | 11,757 | - | - |
| Unearned revenue | 199,749 | - | - | - |
| Total Liabilities | 1,211,534 | 13,898 | 100,595 | 160,173 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Unavailable revenue - property taxes | 18,245 | 22,559 | - | - |
| Unavailable revenue - EMS charges | 672,564 | - | - | - |
| Total Deferred Inflows of Resources | 690,809 | 22,559 | - | - |
| <u>Fund Balances</u> | | | | |
| Nonspendable: | | | | |
| Inventory | 11,191 | - | - | - |
| Prepaid items | 13,200 | - | - | - |
| Restricted for: | | | | |
| Debt service | - | 643,425 | - | - |
| Special projects | - | - | - | - |
| Capital projects | - | - | - | 104,706 |
| Assigned: | | | | |
| Hilltop | - | - | - | - |
| Animal Shelter | - | - | - | - |
| Golf course | - | - | - | - |
| Recreational center | - | - | - | - |
| City park | - | - | - | - |
| Capital projects | - | - | 20,111,976 | - |
| Unassigned | 22,232,954 | - | - | - |
| Total Fund Balances | 22,257,345 | 643,425 | 20,111,976 | 104,706 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 24,159,688 | \$ 679,882 | \$ 20,212,571 | \$ 264,879 |

See Notes to Financial Statements.

| Fixed Asset Replacement | 2019 Construction | 2020 Construction | Nonmajor Governmental | Total Governmental Funds |
|------------------------------------|------------------------------|------------------------------|----------------------------------|---|
| \$ 23,316,697 | \$ 8,770,657 | \$ 18,067,629 | \$ 2,515,055 | \$ 72,674,274 |
| 405,720 | 163,518 | - | - | 22,947,289 |
| 1,073 | - | - | 31,457 | 2,942,872 |
| - | - | - | - | 11,191 |
| - | - | - | - | 13,200 |
| <u>\$ 23,723,490</u> | <u>\$ 8,934,175</u> | <u>\$ 18,067,629</u> | <u>\$ 2,546,512</u> | <u>\$ 98,588,826</u> |
| | | | | |
| \$ 116,950 | \$ 2,947,940 | \$ 1,014,590 | \$ 76,051 | \$ 5,430,225 |
| - | - | - | - | 11,757 |
| - | - | - | 814,472 | 1,014,221 |
| <u>116,950</u> | <u>2,947,940</u> | <u>1,014,590</u> | <u>890,523</u> | <u>6,456,203</u> |
| | | | | |
| - | - | - | - | 40,804 |
| - | - | - | - | 672,564 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>713,368</u> |
| | | | | |
| - | - | - | - | 11,191 |
| - | - | - | - | 13,200 |
| - | - | - | - | 643,425 |
| - | - | - | 653,987 | 653,987 |
| - | 5,986,235 | 17,053,039 | 170,399 | 23,314,379 |
| | | | | |
| 200,000 | - | - | - | 200,000 |
| 200,000 | - | - | - | 200,000 |
| 3,000,449 | - | - | - | 3,000,449 |
| 1,973,949 | - | - | - | 1,973,949 |
| 7,655,232 | - | - | - | 7,655,232 |
| 10,576,910 | - | - | 832,202 | 31,521,088 |
| - | - | - | (599) | 22,232,355 |
| <u>23,606,540</u> | <u>5,986,235</u> | <u>17,053,039</u> | <u>1,655,989</u> | <u>91,419,255</u> |
| | | | | |
| <u>\$ 23,723,490</u> | <u>\$ 8,934,175</u> | <u>\$ 18,067,629</u> | <u>\$ 2,546,512</u> | <u>\$ 98,588,826</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, 2021

Total fund balances - governmental funds \$ 91,419,255

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, nondepreciable | 54,747,872 |
| Capital assets, net depreciable | 86,240,722 |

Long-term liabilities and deferred outflows/inflows related to the net pension and total other postemployment benefits (OPEB) liabilities are deferred in the governmental funds.

| | |
|------------------------------|-------------|
| Net pension liability | (2,963,056) |
| Total OPEB liability | (261,720) |
| Deferred outflows - pensions | 1,171,153 |
| Deferred outflows - OPEB | 68,096 |
| Deferred inflows - pensions | (887,458) |
| Deferred inflows - OPEB | (20,387) |

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

713,368

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

| | |
|--|--------------|
| Accrued interest payable | (277,128) |
| Noncurrent liabilities due in one year | (6,747,041) |
| Noncurrent liabilities due in more than one year | (65,579,752) |

| | |
|--|------------------------------|
| Net Position of Governmental Activities | <u><u>\$ 157,623,924</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, 2021

| | General | Debt Service | Capital Projects-CIP | Capital Projects |
|--|----------------------|--------------------|-------------------------|---------------------|
| Revenues | | | | |
| Ad valorem taxes | \$ 8,821,172 | \$ 9,584,125 | \$ - | \$ - |
| Sales tax | 8,614,302 | - | - | - |
| Franchise fees and local taxes | 6,545,378 | - | - | - |
| Other taxes | 31,978 | - | - | - |
| Licenses and permits | 557,469 | - | - | - |
| Fines and forfeitures | 117,298 | - | - | - |
| Charges for services | 260,791 | - | - | - |
| Intergovernmental | 823,744 | - | - | - |
| Investment income | 149,108 | 46,527 | 134,129 | 14,226 |
| Other revenue | 4,970,737 | 1,530 | 1,160,223 | - |
| Total Revenues | 30,891,977 | 9,632,182 | 1,294,352 | 14,226 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 4,551,653 | - | - | - |
| Public safety | 6,224,398 | - | - | - |
| Community development | 1,781,191 | - | - | - |
| Community services | 2,742,759 | - | - | - |
| Capital outlay | - | - | 4,093,642 | 3,010,183 |
| Debt service: | | | | |
| Principal | - | 6,165,000 | - | - |
| Interest and fiscal charges | - | 2,442,174 | - | - |
| Total Expenditures | 15,300,001 | 8,607,174 | 4,093,642 | 3,010,183 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 15,591,976 | 1,025,008 | (2,799,290) | (2,995,957) |
| Other Financing Sources (Uses) | | | | |
| Developer contribution | - | - | - | 12,500 |
| Transfers in | 424,042 | - | 6,241,105 | - |
| Transfers (out) | (14,055,422) | (1,011,519) | (731,882) | - |
| Sale of capital assets | - | - | 586,802 | - |
| Total Other Financing Sources (Uses) | (13,631,380) | (1,011,519) | 6,096,025 | 12,500 |
| Net Change in Fund Balances | 1,960,596 | 13,489 | 3,296,735 | (2,983,457) |
| Beginning fund balances | 20,296,749 | 629,936 | 16,815,241 | 3,088,163 |
| Ending Fund Balances | \$ 22,257,345 | \$ 643,425 | \$ 20,111,976 | \$ 104,706 |

See Notes to Financial Statements.

| Fixed Asset Replacement | 2019 Construction | 2020 Construction | Nonmajor Governmental | Total Governmental Funds |
|------------------------------------|------------------------------|------------------------------|----------------------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ 18,405,297 |
| - | - | - | - | 8,614,302 |
| - | - | - | - | 6,545,378 |
| - | - | - | 110,155 | 142,133 |
| - | - | - | - | 557,469 |
| - | - | - | 7,345 | 124,643 |
| - | - | - | - | 260,791 |
| - | - | - | 266,299 | 1,090,043 |
| 199,843 | 137,905 | 214,865 | 23,013 | 919,616 |
| - | - | - | 915,102 | 7,047,592 |
| <u>199,843</u> | <u>137,905</u> | <u>214,865</u> | <u>1,321,914</u> | <u>43,707,264</u> |
| - | 548,787 | - | 731,461 | 5,831,901 |
| - | - | - | 88,103 | 6,312,501 |
| - | - | - | - | 1,781,191 |
| - | - | - | 425,639 | 3,168,398 |
| 3,152,395 | 14,062,364 | 6,122,454 | 1,137,621 | 31,578,659 |
| - | - | - | - | 6,165,000 |
| - | - | - | - | 2,442,174 |
| <u>3,152,395</u> | <u>14,611,151</u> | <u>6,122,454</u> | <u>2,382,824</u> | <u>57,279,824</u> |
| <u>(2,952,552)</u> | <u>(14,473,246)</u> | <u>(5,907,589)</u> | <u>(1,060,910)</u> | <u>(13,572,560)</u> |
| - | - | - | - | 12,500 |
| 7,362,500 | - | - | 749,804 | 14,777,451 |
| - | - | - | (235,147) | (16,033,970) |
| - | - | - | - | 586,802 |
| <u>7,362,500</u> | <u>-</u> | <u>-</u> | <u>514,657</u> | <u>(657,217)</u> |
| 4,409,948 | (14,473,246) | (5,907,589) | (546,253) | (14,229,777) |
| 19,196,592 | 20,459,481 | 22,960,628 | 2,202,242 | 105,649,032 |
| <u>\$ 23,606,540</u> | <u>\$ 5,986,235</u> | <u>\$ 17,053,039</u> | <u>\$ 1,655,989</u> | <u>\$ 91,419,255</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, 2021

Net change in fund balances - governmental funds \$ (14,229,777)

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 | 30,210,362 |
| Depreciation expense | (4,847,540) |
| Disposal of capital assets | (96,294) |

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

| | |
|---|-----------|
| Deferred ad valorem tax revenue | (1,568) |
| Deferred emergency medical services revenue | (363,813) |

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.

| | |
|------------------------------|-----------|
| Bond premium, net | 550,686 |
| Principal expenditures | 6,165,000 |
| Accrued interest payable | 28,745 |
| Sales tax refund agreement | 42,313 |
| Compensated absences | 128,246 |
| Deferred outflows - pensions | (141,805) |
| Deferred inflows - pensions | 439,982 |
| Deferred outflows - OPEB | 38,946 |
| Deferred inflows - OPEB | (3,675) |
| Net pension liability | 416,113 |
| Total OPEB liability | (68,946) |

| | |
|--|----------------------|
| Change in Net Position of Governmental Activities | \$ 18,266,975 |
|--|----------------------|

See Notes to Financial Statements.

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2021

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|----------------------|-------------------|------------------------|
| | Golf Course | Recreation Center | Public Utility | High Speed Internet |
| Assets | | | | |
| Current assets: | | | | |
| Cash and equity in pooled cash | \$ 541,715 | \$ 123,788 | \$ 624,754 | \$ 1,807,445 |
| Investments | - | - | 2,062,379 | 3,223 |
| Receivables, net | 72,056 | 15,530 | 488,293 | 315,639 |
| Due from other funds | - | - | - | 11,757 |
| Inventory | 137,362 | 18,063 | 16,815 | - |
| Total Current Assets | 751,133 | 157,381 | 3,192,241 | 2,138,064 |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Nondepreciable | 2,018,248 | 45,629 | 4,299,345 | 11,107,682 |
| Net depreciable | 1,861,441 | 3,971,947 | 35,311,677 | 146,488 |
| Total Noncurrent Assets | 3,879,689 | 4,017,576 | 39,611,022 | 11,254,170 |
| Total Assets | 4,630,822 | 4,174,957 | 42,803,263 | 13,392,234 |
| Deferred Outflows of Resources: | | | | |
| Deferred outflows - pensions | - | - | 154,638 | 96,062 |
| Total Deferred Outflows of Resources | - | - | 154,638 | 96,062 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 146,369 | 104,381 | 422,382 | 354,110 |
| Compensated absences | 13,071 | 11,405 | 55,929 | 26,560 |
| Unearned revenue | 67,908 | 112,040 | - | - |
| Bonds payable within one year | - | - | - | 570,000 |
| Total Current Liabilities | 227,348 | 227,826 | 478,311 | 950,670 |
| Noncurrent liabilities: | | | | |
| Compensated absences | 1,452 | 1,267 | 6,214 | 2,951 |
| Net pension liability | - | - | 386,970 | 239,004 |
| Bonds payable, net | - | - | - | 12,445,239 |
| Total Liabilities | 228,800 | 229,093 | 871,495 | 13,637,864 |
| Deferred Inflows of Resources: | | | | |
| Deferred inflows - pensions | - | - | 121,588 | 75,096 |
| Total Deferred Inflows of Resources | - | - | 121,588 | 75,096 |
| Net Position | | | | |
| Net investment in capital assets | 3,879,689 | 4,017,576 | 39,611,022 | (17,680) |
| Unrestricted | 522,333 | (71,712) | 2,353,796 | (206,984) |
| Total Net Position | \$ 4,402,022 | \$ 3,945,864 | \$ 41,964,818 | \$ (224,664) |

See Notes to Financial Statements.

**Business-Type Activities - Enterprise
Funds**

| <u>Solid Waste</u> | <u>Total Funds</u> |
|------------------------|------------------------|
| \$ 4,311 | \$ 3,102,013 |
| - | 2,065,602 |
| 179,424 | 1,070,942 |
| - | 11,757 |
| - | 172,240 |
| <u>183,735</u> | <u>6,422,554</u> |
| - | 17,470,904 |
| 1,187,322 | 42,478,875 |
| <u>1,187,322</u> | <u>59,949,779</u> |
| <u>1,371,057</u> | <u>66,372,333</u> |
| 38,290 | 288,990 |
| <u>38,290</u> | <u>288,990</u> |
| 60,420 | 1,087,662 |
| 19,198 | 126,163 |
| - | 179,948 |
| - | 570,000 |
| <u>79,618</u> | <u>1,963,773</u> |
| 2,133 | 14,017 |
| 95,266 | 721,240 |
| - | 12,445,239 |
| <u>177,017</u> | <u>15,144,269</u> |
| 29,933 | 226,617 |
| <u>29,933</u> | <u>226,617</u> |
| 1,187,322 | 48,677,929 |
| <u>15,075</u> | <u>2,612,508</u> |
| <u>\$ 1,202,397</u> | <u>\$ 51,290,437</u> |

CITY OF MONT BELVIEU, TEXAS

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

For the Year Ended September 30, 2021

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|----------------------|-------------------|------------------------|
| | Golf Course | Recreation Center | Public Utility | High Speed Internet |
| <u>Operating Revenues</u> | | | | |
| Water charges | \$ - | \$ - | \$ 1,765,279 | \$ - |
| Sewer charges | - | - | 1,182,425 | - |
| Sanitation | - | - | - | - |
| Other services | 2,266,345 | 1,653,357 | 237,945 | 1,873,988 |
| Total Operating Revenues | 2,266,345 | 1,653,357 | 3,185,649 | 1,873,988 |
| <u>Operating Expenses</u> | | | | |
| Personnel | 931,051 | 1,068,310 | 1,606,262 | 885,151 |
| Costs of sales and services | 1,191,946 | 1,155,582 | 1,449,994 | 446,676 |
| Depreciation | 251,412 | 825,051 | 2,446,436 | 18,215 |
| Total Operating Expenses | 2,374,409 | 3,048,943 | 5,502,692 | 1,350,042 |
| Operating Income (Loss) | (108,064) | (1,395,586) | (2,317,043) | 523,946 |
| <u>Nonoperating Revenues (Expenses)</u> | | | | |
| Investment income | 7,903 | 383 | 17,026 | 19,057 |
| Interest and fiscal charges | (1,529) | - | - | (422,783) |
| Total Nonoperating Revenues (Expenses) | 6,374 | 383 | 17,026 | (403,726) |
| Income (Loss) Before Contributions and Transfers | (101,690) | (1,395,203) | (2,300,017) | 120,220 |
| <u>Contributions and Transfers</u> | | | | |
| Capital contributions | 64,952 | 1,001,212 | 4,924,270 | - |
| Transfers in | - | 575,000 | - | 1,011,519 |
| Transfers (out) | (145,000) | - | (55,000) | - |
| Change in Net Position | (181,738) | 181,009 | 2,569,253 | 1,131,739 |
| Beginning net position | 4,583,760 | 3,764,855 | 39,395,565 | (1,356,403) |
| Ending Net Position | \$ 4,402,022 | \$ 3,945,864 | \$ 41,964,818 | \$ (224,664) |

See Notes to Financial Statements.

**Business-Type Activities - Enterprise
Funds**

| Solid Waste | Total Funds |
|------------------------|------------------------|
| \$ - | \$ 1,765,279 |
| - | 1,182,425 |
| 989,663 | 989,663 |
| - | 6,031,635 |
| <u>989,663</u> | <u>9,969,002</u> |
| 539,499 | 5,030,273 |
| 402,937 | 4,647,135 |
| 207,617 | 3,748,731 |
| <u>1,150,053</u> | <u>13,426,139</u> |
| <u>(160,390)</u> | <u>(3,457,137)</u> |
| 785 | 45,154 |
| - | (424,312) |
| <u>785</u> | <u>(379,158)</u> |
| (159,605) | (3,836,295) |
| 499,209 | 6,489,643 |
| - | 1,586,519 |
| <u>(130,000)</u> | <u>(330,000)</u> |
| 209,604 | 3,909,867 |
| <u>992,793</u> | <u>47,380,570</u> |
| <u>\$ 1,202,397</u> | <u>\$ 51,290,437</u> |

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2021

Business-Type Activities - Enterprise Funds

| | <u>Golf Course</u> | <u>Recreation Center</u> | <u>Public Utility</u> | <u>High Speed Internet</u> |
|--|------------------------|------------------------------|---------------------------|--------------------------------|
| <u>Cash Flows from Operating Activities</u> | | | | |
| Receipts from customers | \$ 2,285,155 | \$ 1,706,579 | \$ 3,186,610 | \$ 1,823,569 |
| Payments to employees | (931,051) | (1,068,310) | (1,694,489) | (667,114) |
| Payments to suppliers | (1,139,542) | (1,140,714) | (1,391,883) | (401,682) |
| Net Cash Provided (Used) by Operating Activities | 214,562 | (502,445) | 100,238 | 754,773 |
| <u>Cash Flows from Noncapital Financing Activities</u> | | | | |
| Transfers from other funds | - | 575,000 | - | 1,011,519 |
| Net Cash Provided by Noncapital Financing Activities | (145,000) | 575,000 | (55,000) | 1,011,519 |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | | | |
| Capital purchases | (14,135) | - | - | (731,870) |
| Principal paid on capital debt | - | - | - | (550,000) |
| Interest and fiscal charges | (1,529) | - | - | (459,456) |
| Net Cash (Used) by Capital and Related Financing Activities | (15,664) | - | - | (1,741,326) |
| <u>Cash Flows from Investing Activities</u> | | | | |
| Purchase of investments | - | - | (9,000) | - |
| Interest on investments | 7,903 | 383 | 17,026 | 19,057 |
| Net Cash Provided by Investing Activities | 7,903 | 383 | 8,026 | 19,057 |
| Net Increase (Decrease) in Cash and Equity in Pooled Cash | 61,801 | 72,938 | 53,264 | 44,023 |
| Beginning cash and equity in pooled cash | 479,914 | 50,850 | 571,490 | 1,763,422 |
| Ending Cash and Equity in Pooled Cash | \$ 541,715 | \$ 123,788 | \$ 624,754 | \$ 1,807,445 |

**Business-Type Activities -
Enterprise Funds**

| <u>Solid Waste</u> | <u>Total Funds</u> |
|--------------------|------------------------|
| \$ 938,457 | \$ 9,940,370 |
| (452,590) | (4,813,554) |
| <u>(368,090)</u> | <u>(4,441,911)</u> |
| 117,777 | 684,905 |
| - | 1,586,519 |
| <u>(130,000)</u> | <u>1,256,519</u> |
| - | (746,005) |
| - | (550,000) |
| <u>-</u> | <u>(460,985)</u> |
| - | (1,756,990) |
| - | (9,000) |
| 785 | 45,154 |
| <u>785</u> | <u>36,154</u> |
| (11,438) | 220,588 |
| <u>15,749</u> | <u>2,881,425</u> |
| <u>\$ 4,311</u> | <u>\$ 3,102,013</u> |

CITY OF MONT BELVIEU, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2021

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|----------------------|-------------------|------------------------|
| | Golf Course | Recreation Center | Public Utility | High Speed Internet |
| Reconciliation of Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities | | | | |
| Operating income (loss) | \$ (108,064) | \$ (1,395,586) | \$ (2,317,043) | \$ 523,946 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 251,412 | 825,051 | 2,446,436 | 18,215 |
| Changes in Operating Assets and Liabilities: | | | | |
| (Increase) Decrease in: | | | | |
| Accounts receivable | (30,662) | 8,178 | 961 | (50,419) |
| Deferred outflows - pensions | - | - | 21,164 | (96,062) |
| Inventory | (9,239) | (3,040) | (14,541) | - |
| Increase (Decrease) in: | | | | |
| Accounts payable and accrued liabilities | 61,643 | 17,908 | 72,652 | 44,994 |
| Deferred inflows - pensions | - | - | (75,808) | 75,095 |
| Net pension liability | - | - | (33,583) | 239,004 |
| Deferred revenue | 49,472 | 45,044 | - | - |
| | 49,472 | 45,044 | - | - |
| Net Cash Provided (Used) by Operating Activities | \$ 214,562 | \$ (502,445) | \$ 100,238 | \$ 754,773 |
| Noncash Investing, Capital, and Financing Activities: | | | | |
| Contributions of capital assets from governmental funds/developers | \$ 64,952 | \$ 1,001,212 | \$ 4,924,270 | \$ - |

See Notes to Financial Statements.

**Business-Type Activities -
Enterprise Funds**

| <u>Solid Waste</u> | <u>Total Funds</u> |
|--------------------|------------------------|
| \$ (160,390) | \$ (3,457,137) |
| 207,617 | 3,748,731 |
| (51,206) | (123,148) |
| (38,290) | (113,188) |
| - | (26,820) |
| 34,847 | 232,044 |
| 29,933 | 29,220 |
| 95,266 | 300,687 |
| - | 94,516 |
| <u>\$ 117,777</u> | <u>\$ 684,905</u> |
| | |
| <u>\$ 499,209</u> | <u>\$ 6,489,643</u> |

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CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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 City 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; general administration; high speed internet; and solid waste.

The City is an independent political subdivision of the State of Texas (the “State”) 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. 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.

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. *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.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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, 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 taxes, franchise fees, 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 the issuance of debt and related interest earnings as well as other monies assigned for capital improvement projects. The capital projects-CIP fund, fixed asset replacement fund, 2019 construction fund, and 2020 construction fund are considered major funds for reporting purposes. The capital projects fund was not a major fund, but the City elected to present it as major due to its significance.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

The City reports the following enterprise funds:

The *enterprise funds* are used to account for the operations that provide beverage services, water and wastewater services, sanitation services, high speed internet services, solid waste, 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 public utility, solid waste, and high-speed internet enterprise funds are considered major funds for reporting purposes. The golf course and recreation center funds are not considered major funds but the City has elected to present them as major due to their significance.

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 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.

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

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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 fees, 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

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

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 or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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 a future accounting period 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 acquisition 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:

| Asset Description | Estimated Useful Life |
|----------------------------|-----------------------|
| 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 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. 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.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

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 medical services. These amounts are deferred and recognized as inflows of resources in the period that the amounts 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 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 property tax revenues instead of water system revenues.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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.

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.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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.

13. Other Postemployment Benefits

The City participates in a single-employer, unfunded, 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 funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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

3. 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 funds are charges to customers for sales and services. The enterprise funds also recognize 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 funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

B. Deficit Net Position

As of September 30, 2021, the high speed internet fund ended the year with a deficit net position of \$224,664. The reason for the deficit was related to additional infrastructure costs, as well as start-up costs for the first several years of operation of the fund. The City expects the deficit to be cleared in the next fiscal year.

C. Deficit Fund Balance

As of September 30, 2021, the Nicholas fund ended the year with a deficit fund balance of \$599. The reason for the deficit was related expenses for the disaster the City had requested grant funding to cover, but had not received at year end. The City expects the deficit to be cleared in the next fiscal year.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2021, the City had the following investments:

| <u>Investment Type</u> | <u>Value</u> | <u>Weighted Average Maturity (Years)</u> |
|-------------------------------------|----------------------|--|
| TexPool | \$ 512,693 | 0.10 |
| TexSTAR | 7,580 | 0.08 |
| Money market | 12,222,772 | 0.00 |
| Certificates of deposit | 251,375 | 0.76 |
| U.S. Government agency bonds | 1,998,734 | 0.67 |
| Municipal bonds | 10,050,013 | 2.14 |
| Total Fair Value | <u>\$ 25,043,167</u> | |
| Portfolio weighted average maturity | | 1.75 |

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

As of September 30, 2021, the City had the following recurring fair value measurements:

| | <u>September 30,</u> <u>2021</u> | <u>Fair Value</u> <u>Measurements</u> <u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u> |
|---|-------------------------------------|--|
| <u>Investments by Fair Value Level</u> | | |
| U.S. Government Agency Bonds/Notes | | |
| Federal Home Loan Mortgage Corporation | \$ 1,998,734 | \$ 1,998,734 |
| Municipal bonds | <u>10,050,013</u> | <u>10,050,013</u> |
| Total | <u>\$ 12,048,747</u> | <u>\$ 12,048,747</u> |

U.S. Government Agency bonds, and municipal bonds classified in Level 2 of the fair value hierarchy are valued using the market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities.

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, 2021, the City’s investments in investment pools were rated “AAAm” by Standard & Poor’s. The municipal bonds are all rated AAA, Aaa, or Aa2 by S&P or Moody’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, 2021, market values of pledged securities and FDIC coverage 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 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

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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 & Poor's rates 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.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized UPDA statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

TexSTAR

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

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity.

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>Fixed Assets Replacement</u> | <u>Nonmajor Governmental</u> | <u>Total Funds</u> |
|------------------|---------------------|---------------------|-----------------------------------|-------------------------------------|----------------------------------|------------------------|
| Ad valorem taxes | \$ 18,245 | \$ 22,559 | \$ - | \$ - | \$ - | \$ 40,804 |
| Other taxes | - | - | - | - | 31,457 | 31,457 |
| Other | 2,714,759 | 3,678 | 151,101 | 1,073 | - | 2,870,611 |
| Total | <u>\$ 2,733,004</u> | <u>\$ 26,237</u> | <u>\$ 151,101</u> | <u>\$ 1,073</u> | <u>\$ 31,457</u> | <u>\$ 2,942,872</u> |

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

C. Capital Assets

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|----------------------|---|---------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 11,323,466 | \$ 1,919,048 | \$ (74,865) | \$ 13,167,649 |
| Construction in progress | 19,028,028 | 22,634,595 | (82,400) | 41,580,223 |
| Total capital assets, not being depreciated | <u>30,351,494</u> | <u>24,553,643</u> | <u>(157,265)</u> | <u>54,747,872</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 14,113,626 | 70,030 | - | 14,183,656 |
| Improvements other than buildings | 97,167,038 | 4,527,914 | - | 101,694,952 |
| Machinery and equipment | 6,655,455 | 1,141,175 | (32,143) | 7,764,487 |
| Total capital assets being depreciated | <u>117,936,119</u> | <u>5,739,119</u> | <u>(32,143)</u> | <u>123,643,095</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (6,603,698) | (345,684) | - | (6,949,382) |
| Improvements other than buildings | (21,839,249) | (3,799,058) | - | (25,638,307) |
| Machinery and equipment | (4,122,600) | (702,798) | 10,714 | (4,814,684) |
| Total accumulated depreciation | <u>(32,565,547)</u> | <u>(4,847,540)</u> | <u>10,714</u> | <u>(37,402,373)</u> |
| Total capital assets being depreciated, net | <u>85,370,572</u> | <u>891,579</u> | <u>(21,429)</u> | <u>86,240,722</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 115,722,066</u> | <u>\$ 25,445,222</u> | <u>\$ (178,694)</u> | <u>140,988,594</u> |
| | | | Less associated debt | (68,238,636) |
| | | | Plus unspent proceeds | 23,314,379 |
| | | | Net Investment in Capital Assets | <u>\$ 96,064,337</u> |

Depreciation was charged to governmental functions as follows:

| | |
|---|---------------------|
| General government | \$ 1,115,354 |
| Public safety | 1,663,681 |
| Community development | 1,742,945 |
| Community services | 325,560 |
| Total Governmental Activities Depreciation Expense | <u>\$ 4,847,540</u> |

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2021:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|---------------------|---|---------------------------|
| Business-Type Activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 520,138 | \$ - | \$ - | \$ 520,138 |
| Golf course | 2,018,248 | - | - | 2,018,248 |
| Construction in progress | 11,431,989 | 3,500,529 | - | 14,932,518 |
| Total capital assets, not being depreciated | 13,970,375 | 3,500,529 | - | 17,470,904 |
| Capital assets, being depreciated: | | | | |
| Buildings | 19,261,633 | 133,029 | - | 19,394,662 |
| Improvements other than buildings | 61,052,145 | 2,468,804 | - | 63,520,949 |
| Machinery and equipment | 9,110,248 | 1,133,286 | - | 10,243,534 |
| Total capital assets being depreciated | 89,424,026 | 3,735,119 | - | 93,159,145 |
| Less accumulated depreciation for: | | | | |
| Buildings | (14,086,716) | (835,747) | - | (14,922,463) |
| Improvements other than buildings | (27,595,301) | (2,162,758) | - | (29,758,059) |
| Machinery and equipment | (5,249,523) | (750,226) | - | (5,999,749) |
| Total accumulated depreciation | (46,931,540) | (3,748,731) | - | (50,680,271) |
| Total capital assets being depreciated, net | 42,492,486 | (13,612) | - | 42,478,874 |
| Business-Type Activities Capital Assets, Net | \$ 56,462,861 | \$ 3,486,917 | \$ - | \$ 59,949,778 |
| | | | Less associated debt | (13,015,239) |
| | | | Plus unspent proceeds | 1,743,389 |
| | | | Net Investment in Capital Assets | \$ 48,677,928 |

Depreciation was charged to business-type functions as follows:

| | |
|--|---------------------|
| Golf course | \$ 251,412 |
| Recreation center | 825,051 |
| Public utilities | 2,446,436 |
| High speed internet | 18,215 |
| Solid waste | 207,617 |
| Total Business-Type Activities Depreciation Expense | \$ 3,748,731 |

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

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 and business-type long-term liabilities.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>(Reductions)</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------------------|------------------------------|-------------------|-----------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds, notes, and other payables: | | | | | |
| Certificates of obligation | \$ 72,290,000 | \$ - | \$ (6,165,000) | \$ 66,125,000 | * \$ 6,390,000 |
| Bond premium | 6,233,533 | - | (550,686) | 5,682,847 | * |
| Tax refund agreements | 211,561 | - | (42,313) | 169,248 | 42,313 |
| Other liabilities: | | | | | |
| Net pension liability - TMRS | 3,146,168 | | (347,487) | 2,798,681 | - |
| Net pension liability - TESRS | 233,001 | - | (68,626) | 164,375 | - |
| Total OPEB liability - TMRS | 192,774 | 68,946 | - | 261,720 | - |
| Compensated absences | 477,944 | 301,904 | (430,150) | 349,698 | 314,728 |
| Total Governmental Activities | <u>\$ 82,784,981</u> | <u>\$ 370,850</u> | <u>\$ (7,604,262)</u> | <u>\$ 75,551,569</u> | <u>\$ 6,747,041</u> |

Long-term liabilities due in more than one year \$ 68,804,528

***Debt associated with governmental capital assets** \$ 68,238,636

***Debt associated with business-type capital assets** \$ 3,569,211

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------------|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Business-Type Activities: | | | | | |
| Bonds, notes, and other payables: | | | | | |
| Certificates of obligation | \$ 12,980,000 | \$ - | \$ (550,000) | \$ 12,430,000 | \$ 570,000 |
| Bond premium | 621,912 | - | (36,673) | 585,239 | - |
| Other liabilities: | | | | | |
| Compensated absences | 163,429 | 123,838 | (147,086) | 140,181 | 126,163 |
| Net pension liability - TMRS | 420,553 | 300,687 | - | 721,240 | - |
| Total Business-Type Activities | <u>\$ 14,185,894</u> | <u>\$ 424,525</u> | <u>\$ (733,759)</u> | <u>\$ 13,876,660</u> | <u>\$ 696,163</u> |

Long-term liabilities due in more than one year \$ 13,180,497

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, 2021

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

| Description | Interest Rates | Balance |
|--|----------------|----------------------|
| Governmental Activities | | |
| Certificates of Obligation | | |
| Series 2014 | 1.50-3.00% | \$ 4,390,000 |
| Series 2015 | 2.50-4.00% | 5,305,000 |
| Series 2016 | 2.00-4.00% | 6,690,000 |
| Series 2017A | 3.00-5.00% | 4,300,000 |
| Series 2019 | 3.00-5.00% | 25,220,000 |
| Series 2020 | 2.00-4.00% | 20,220,000 |
| Total Certificates of Obligation | | 66,125,000 |
| Total Governmental Activities Debt | | \$ 66,125,000 |
| Business-Type Activities | | |
| Certificates of obligation | | |
| 2017 Series | 4.00% | \$ 12,430,000 |
| Total Certificates of Obligation | | 12,430,000 |
| Total Business-Type Activities Debt | | \$ 12,430,000 |

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

| Fiscal Year Ending Sept. 30 | Governmental Activities | | | Business-Type Activities | |
|--------------------------------------|----------------------------|----------------------|-----------------------------|----------------------------|---------------------|
| | Certificates of Obligation | | Tax Refund Agreements | Certificates of Obligation | |
| | Principal | Interest | | Principal | Interest |
| 2022 | \$ 6,390,000 | \$ 2,217,025 | \$ 42,313 | \$ 570,000 | \$ 445,019 |
| 2023 | 6,610,000 | 1,996,263 | 42,313 | 595,000 | 416,519 |
| 2024 | 6,820,000 | 1,757,188 | 42,313 | 625,000 | 386,769 |
| 2025 | 5,455,000 | 1,523,613 | 42,309 | 660,000 | 355,519 |
| 2026 | 4,190,000 | 1,332,050 | - | 690,000 | 322,519 |
| 2027-2031 | 12,205,000 | 4,919,200 | - | 3,845,000 | 1,216,144 |
| 2032-2036 | 13,835,000 | 2,546,550 | - | 4,465,000 | 595,925 |
| 2037-2040 | 10,620,000 | 589,900 | - | 980,000 | 31,850 |
| Total | \$ 66,125,000 | \$ 16,881,788 | \$ 169,248 | \$ 12,430,000 | \$ 3,770,263 |

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

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 that 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 \$169,248.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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 | Solid Waste | \$ 130,000 |
| General | Golf course | 145,000 |
| General | Capital projects - CIP | \$ 6,100,000 |
| General | Public Utility | 55,000 |
| General | Recreation center | 575,000 |
| General | Fixed asset replacement | 7,362,500 |
| General | Nonmajor funds | 17,922 |
| Capital projects - CIP | Nonmajor funds | 731,882 |
| Nonmajor funds | Capital projects - CIP | 141,105 |
| Nonmajor funds | General fund | 94,042 |
| Debt service | High speed internet | 1,011,519 |
| | Total Transfers | <u>\$ 16,363,970</u> |

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

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

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amounts</u> |
|------------------------|---------------------------------|-------------------------|
| High speed internet | Debt service | \$ 11,757 |
| | Total Interfund Balances | <u>\$ 11,757</u> |

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

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

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

B. Contingent Liabilities

Amounts received or receivable from grantor 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 that 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.

C. 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 to promote state or local economic development and to stimulate business and commercial activity in the municipality.

Property Tax

The City has entered into property tax abatement agreements (the “Agreements”) with several developers (the “Developers”) as authorized by Chapter 380 of the Texas Local Government Code.

Under each Agreement, the Developers must meet certain commercial/retail development and/or employment requirements in order to have a portion of their property taxes abated. The minimum limitation value varies by Agreement.

The following summarizes the current Agreements:

- Each Agreement, with the exception of Lone Star NGL, abates 100% of taxes while the Lone Star NGL Agreement abates 75% of taxes. Each Agreement base term is for 10 years and requires a payment in lieu of taxes calculated on an agreement-by-agreement basis.
- Each Agreement retains a contingency that terms and payments may change if assessed values vary by 5%, and Agreements will be reevaluated at that time.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

COMB A summary of the Agreements entered into by the City can be found below:

| <u>Company</u> | <u>Payment in Lieu of Taxes</u> | <u>Approximate Tax Value</u> | <u>Approximate Tax Abated</u> |
|-------------------------------|-------------------------------------|----------------------------------|-----------------------------------|
| Oneok Hydrocarbon | \$ 1,487,092 | \$ 112,289,623 | \$ 510,631 |
| Enterprise Products Operating | 484,375 | 169,637,475 | 771,418 |
| Exxon Mobil | 1,800,000 | 1,033,900 | 4,702 |
| Cedar Bayou Fractionators | 425,785 | 121,150,658 | 550,927 |
| Lone Star NGL | 441,268 | 125,556,137 | 570,960 |
| Targa | 276,301 | - | - |
| Total | <u>\$ 4,914,821</u> | <u>\$ 529,667,793</u> | <u>\$ 2,408,638</u> |

Sales Tax

The City has entered into sales tax abatement agreements (the “Agreements”) with several developers (the “Developers”) as authorized by Chapter 380 of the Texas Local Government Code.

Under each Agreement, the Developers must meet certain commercial/retail development and/or employment requirements in order to have a portion of their sales tax abated. The minimum limitation value varies by Agreement. Each Agreement provides for the recapture in the event of material breach. The following summarizes the current Agreements:

- Each Agreement, with the exception of MB Retail Associates, requires the City to abate 50% of sales taxes collected throughout the year, while the MB Retail Associates Agreement requires 100% of sales tax to be abated. The City returns each of these amounts in a lump sum payment at the end of the year, with the exception of the MB Retail Associates Agreement which requires quarterly returns of sales tax collections.
- All 50% tax abatements are calculated net of the stated benchmark for collections. This benchmark varies per agreement.

Below is a summary of the taxes abated and payments made by the City:

| <u>Company</u> | <u>Total Sales Tax Collected</u> | <u>Sales Tax Rebate</u> |
|----------------------|--------------------------------------|-------------------------|
| Exxon Mobil | \$ 159,015 | \$ 22,838 |
| Cedar Bayou | 215,056 | 36,031 |
| Targa Downstream | 602,306 | 140,103 |
| Floyds | 71,424 | 71,424 |
| MB Retail Associates | 416,487 | 416,487 |
| Total | <u>\$ 1,464,288</u> | <u>\$ 686,883</u> |

D. Pension Plans

1. Texas Municipal Retirement System

Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by TMRS. TMRS is an agency created by the State 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. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the “Board”). Although the Governor, with the advice and consent of

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

the Senate, appoints the Board, TMRS is not fiscally dependent on the State. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmrs.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:

| | 2021 | 2020 |
|--|---------------------------|---------------------------|
| Employee deposit rate | 7.00% | 7.00% |
| 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 | 70% of CPI |

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 34 |
| Inactive employees entitled to, but not yet receiving, benefits | 46 |
| Active employees | 177 |
| Total | 257 |

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

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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 13.92 percent and 15.16 percent in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were \$1,557,998, which were more than the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.50% per year |
| Overall payroll growth | 2.75% per year |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|-----------------------|--------------------------|--|
| Global Equity | 30.00% | 5.3% |
| Core Fixed Income | 10.00% | 1.25% |
| Non-Core Fixed Income | 20.00% | 4.14% |
| Real Return | 10.00% | 3.85% |
| Real Estate | 10.00% | 4.00% |
| Absolute Return | 10.00% | 3.48% |
| Private Equity | 10.00% | 7.75% |
| Total | <u>100.00%</u> | |
| Weighted average | | 4.08% |

Discount Rate

The discount rate used to measure the TPL was 6.75 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.

Changes in the NPL

| | <u>Increase (Decrease)</u> | | |
|---|------------------------------------|--|--|
| | <u>Total Pension Liability (A)</u> | <u>Plan Fiduciary Net Position (B)</u> | <u>Net Pension Liability (A) - (B)</u> |
| Changes for the year: | | | |
| Service cost | \$ 1,735,584 | \$ - | \$ 1,735,584 |
| Interest | 1,694,998 | - | 1,694,998 |
| Changes in current period benefit terms | - | - | - |
| Difference between expected and actual experience | 286,669 | - | 286,669 |
| Changes in assumptions | - | - | - |
| Contributions - employer | - | 1,479,183 | (1,479,183) |
| Contributions - employee | - | 690,289 | (690,289) |
| Net investment income | - | 1,605,356 | (1,605,356) |
| Benefit payments, including refunds of employee contributions | (881,610) | (881,610) | - |
| Administrative expense | - | (10,372) | 10,372 |
| Other changes | - | (405) | 405 |
| Net Changes | <u>2,835,641</u> | <u>2,882,441</u> | <u>(46,800)</u> |
| Balance at December 31, 2019 | 24,684,100 | 21,117,379 | 3,566,721 |
| Balance at December 31, 2020 | <u>\$ 27,519,741</u> | <u>\$ 23,999,820</u> | <u>\$ 3,519,921</u> |

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 6.75 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|------------------------------|---|----------------------------------|---|
| City's Net Pension Liability | \$ 7,738,287 | \$ 3,519,921 | \$ 95,899 |

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended September 30, 2021, the City recognized pension expense of \$985,962.

At September 30, 2021, 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 | \$ 237,749 | \$ 519,569 |
| Changes in actuarial assumptions | 63,747 | - |
| Difference between projected and actual investment earnings | - | 586,409 |
| Contributions subsequent to the measurement date | 1,113,255 | - |
| Total | \$ 1,414,751 | \$ 1,105,978 |

\$1,113,255 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 NPL for the fiscal year ending September 30, 2022. 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 |
|------------------------------------|----------------------------|
| 2022 | \$ (325,881) |
| 2023 | (88,569) |
| 2024 | (405,654) |
| 2025 | (26,445) |
| 2026 | 42,067 |
| Total | \$ (804,482) |

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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 TESRS and established and administered by the State to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2020, there were 238 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.

August 31, 2020 On, TESRS's membership consisted of:

| | |
|--|-------|
| Retirees and Beneficiaries Currently Receiving Benefits | 3,837 |
| Terminated Members Entitled to Benefits but Not Yet Receiving Them | 1,787 |
| Active Participants (Vested and Nonvested) | 3,634 |

Pension Plan Fiduciary Net Position

Detailed information about TESRS's fiduciary net position is available in a separately-issued Annual Comprehensive 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 Information, which can be obtained at www.tesrs.org. The separately issued actuarial valuations that 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 (the "Board") 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 percentage 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

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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 the 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 percentage 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, 2020.

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 has a different contribution arrangement that 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 September 30, 2021, total contributions (dues, prior service, and interest on prior service financing) of \$44,500 were paid by the City. The State appropriated \$1,329,224 for the fiscal year ending August 31, 2020 to TESRS as a whole.

Actuarial Assumptions

The TPL in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3.00%

Salary increases: N/A

Investment rate of return: 7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019. 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

CITY OF MONT BELVIEU, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2021

(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 (currently 4.6%) and by adding expected inflation (3.0%). In addition, the final 7.5% assumption was selected by rounding down. 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 Real Rate of Return (Arithmetic) |
|-------------------------|-------------------|---|
| Equities | | |
| Large Cap Domestic | 20.00% | 5.83% |
| Small/mid Cap Domestic | 10.00% | 5.94% |
| Developed International | 15.00% | 6.15% |
| Emerging Markets | 5.00% | 7.25% |
| Global Infrastructure | 5.00% | 6.41% |
| Real Estate | 10.00% | 4.48% |
| Multi-asset income | 5.00% | 3.84% |
| Fixed Income | 30.00% | 1.99% |
| Cash | 0.00% | 0.00% |
| Total | 100.00% | |
| Weighted Average | | 4.65% |

Discount Rate

The discount rate used to measure the TPL was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2020 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability in 30 years using the level dollar amortization method. Because of the 30-year amortization period with the amortization method, the TESRS 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 total pension liability.

Discount Rate Sensitivity Analysis

The following presents the NPL of the City, calculated using the discount rate of 7.5%, in comparison to what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

| | 1% Decrease in Discount Rate (6.5%) | Discount Rate (7.5%) | 1% Increase in Discount Rate (8.5%) |
|--|---|-------------------------|---|
| City's proportionate share of the NPL: | \$ 316,696 | \$ 164,375 | \$ 58,543 |

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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

At September 30, 2021, the City reported a liability of \$164,375 for its proportionate share of the TESRS's TPL. This liability reflects a reduction for State pension support provided to the City.

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 | \$ 164,375 |
| State's proportionate share that is associated with the City* | <u>46,858</u> |
| Total | <u>\$ 211,233</u> |

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

The TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2020. 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 (nor did they provide the necessary information for the participants to roll forward) the NPL to be measured as of a date no earlier than the end of the City's prior fiscal year. While the City acknowledges that the measurement date does not fall within this twelve-month period, the City elected to honor the conservatism principle and report a NPL measured as of August 31, 2020. The City used the assumption that any differences in the NPL measured as of August 31, 2020 versus September 30, 2021 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to TESRS plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020, the City's proportion of the collective NPL was 0.652 percent, which was a decrease of 0.170% percent from its proportion measured as of August 31, 2019.

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 September 30, 2021, the City recognized pension expense of \$43,494. The City recognized on-behalf revenues of \$8,667 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

At September 30, 2021, 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 |
|---|---|--|
| Net difference between projected and actual investment earnings | \$ 892 | \$ - |
| Changes in assumptions | - | 269 |
| Difference between expected and actual experience | - | 7,828 |
| Contributions paid to TESRS subsequent to the measurement date | 44,500 | - |
| Total | \$ 45,392 | \$ 8,097 |

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

| Years Ended September 30 | Pension Expense |
|-------------------------------------|----------------------------|
| 2022 | \$ (6,994) |
| 2023 | (1,436) |
| 2024 | 5,652 |
| 2025 | (4,427) |
| Total | \$ (7,205) |

E. Other Postemployment Benefits

TMRS – Supplemental Death Benefits Fund

Plan Description

The City participates in a defined benefit OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Benefits

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). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2019 is summarized below:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 28 |
| Inactive employees entitled to, but not yet receiving, benefits | 12 |
| Active employees | 177 |
| Total | 217 |

Total OPEB Liability

The City’s total OPEB liability of \$261,720 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|--|
| Inflation | 2.50% |
| Salary increases | 3.50% to 11.50% including inflation |
| Discount rate | 2.00%* |
| Retirees share of benefit-related costs | Zero |
| Administrative expenses | All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68. |
| Mortality rates-service retirees | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. |
| Mortality rates-disabled retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. |

*The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|---------------------------------|
| Changes for the year: | |
| Service cost | \$ 23,667 |
| Interest | 5,600 |
| Difference between expected and actual experience | 3,779 |
| Changes of assumptions | 37,872 |
| Benefit payments* | (1,972) |
| Net Changes | 68,946 |
| Beginning balance | 192,774 |
| Ending Balance | \$ 261,720 |

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

The discount rate decreased from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

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

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

| | 1% Decrease in Discount Rate (1.00%) | Discount Rate (2.00%) | 1% Increase in Discount Rate (3.00%) |
|-----------------------------|---|----------------------------------|---|
| City's Total OPEB Liability | \$ 326,531 | \$ 261,720 | \$ 212,705 |

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$37,379. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between expected and actual economic experience | \$ 3,236 | \$ 13,559 |
| Changes in actuarial assumptions | 61,661 | 6,828 |
| Contributions subsequent to the measurement date | 3,199 | - |
| Total | \$ 68,096 | \$ 20,387 |

CITY OF MONT BELVIEU, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

\$3,199 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the of total OPEB liability for the fiscal year ending September 30, 2022.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ended</u> <u>September 30</u> | <u>OPEB Expense</u> <u>Amount</u> |
|--|--------------------------------------|
| 2022 | \$ 8,112 |
| 2023 | 8,112 |
| 2024 | 7,466 |
| 2025 | 6,978 |
| 2026 | 8,095 |
| Thereafter | <u>5,747</u> |
| Total | <u>\$ 44,510</u> |

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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, 2021

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------|--|---------------------------------------|-------------------|---|
| Revenues | | | | |
| Ad valorem taxes | \$ 8,855,395 | \$ 8,855,395 | \$ 8,821,172 | \$ (34,223) |
| Sales tax | 4,504,466 | 4,504,466 | 8,614,302 | 4,109,836 |
| Franchise fees and local taxes | 6,407,364 | 6,407,364 | 6,545,378 | 138,014 |
| Other taxes | 20,000 | 20,000 | 31,978 | 11,978 |
| Licenses and permits | 280,000 | 280,000 | 557,469 | 277,469 |
| Fines and forfeitures | 175,000 | 175,000 | 117,298 | (57,702) |
| Charges for services | 278,079 | 278,079 | 260,791 | (17,288) |
| Intergovernmental | 822,480 | 822,480 | 823,744 | 1,264 |
| Investment income | 275,000 | 275,000 | 149,108 | (125,892) |
| Other revenue | 4,945,855 | 4,945,855 | 4,970,737 | 24,882 |
| Total Revenues | 26,563,639 | 26,563,639 | 30,891,977 | 4,328,338 |
| Expenditures | | | | |
| Current: | | | | |
| General Government | | | | |
| Administrative | 4,573,838 | 4,573,838 | 4,266,461 | 307,377 |
| Combined services | 265,500 | 287,875 | 285,192 | 2,683 |
| Total General Government | 4,839,338 | 4,861,713 | 4,551,653 | 310,060 |
| Public Safety | | | | |
| Police | 3,350,128 | 3,350,128 | 2,961,376 | 388,752 |
| Emergency medical service | 2,447,477 | 2,447,477 | 2,364,499 | 82,978 |
| Fire | 993,112 | 993,112 | 898,523 | 94,589 |
| Total Public Safety | 6,790,717 | 6,790,717 | 6,224,398 | 566,319 |

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, 2021

| | <u>Original Budgeted Amounts</u> | <u>Final Budgeted Amounts</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|--|---------------------------------------|----------------------|---|
| Community Development | | | | |
| Building | \$ 1,475,369 | \$ 1,785,369 | \$ 1,781,191 | \$ 4,178 |
| Total Community Development | <u>1,475,369</u> | <u>1,785,369</u> | <u>1,781,191</u> | <u>4,178</u> |
| Community Services | | | | |
| Parks | 3,211,239 | 3,211,239 | 2,742,759 | 468,480 |
| Total Community Services | <u>3,211,239</u> | <u>3,211,239</u> | <u>2,742,759</u> | <u>468,480</u> |
| Total Expenditures | <u>16,316,663</u> | <u>16,649,038</u> | <u>15,300,001</u> | <u>1,349,037</u> |
| Excess of Revenues Over Expenditures | <u>10,246,976</u> | <u>9,914,601</u> | <u>15,591,976</u> | <u>5,677,375</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers in | - | - | 424,042 | 424,042 |
| Transfers (out) | <u>(10,246,500)</u> | <u>(14,146,500)</u> | <u>(14,055,422)</u> | <u>91,078</u> |
| Total Other Financing (Uses) | <u>(10,246,500)</u> | <u>(14,146,500)</u> | <u>(13,631,380)</u> | <u>515,120</u> |
| Net Change in Fund Balance | <u>\$ 476</u> | <u>\$ (4,231,899)</u> | 1,960,596 | <u>\$ 6,192,495</u> |
| Beginning fund balance | | | <u>20,296,749</u> | |
| Ending Fund Balance | | | <u>\$ 22,257,345</u> | |

Notes to Required Supplementary Information

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

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, 2021

| | Measurement Year* | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Total Pension Liability | | | | |
| Service cost | \$ 505,859 | \$ 713,289 | \$ 770,507 | \$ 851,070 |
| Interest (on the total pension liability) | 1,092,994 | 1,223,684 | 1,288,921 | 1,377,452 |
| Changes in benefit terms | 1,348,133 | - | - | - |
| Difference between expected and actual experience | 498,460 | (8,152) | (128,455) | (161,229) |
| Change in assumptions | - | 181,825 | - | - |
| Benefit payments, including refunds of employee contributions | (295,597) | (372,474) | (678,184) | (641,194) |
| Net Change in Total Pension Liability | <u>3,149,849</u> | <u>1,738,172</u> | <u>1,252,789</u> | <u>1,426,099</u> |
| Beginning total pension liability | <u>14,160,942</u> | <u>17,310,791</u> | <u>19,048,963</u> | <u>20,301,752</u> |
| Ending Total Pension Liability | <u>\$ 17,310,791</u> | <u>\$ 19,048,963</u> | <u>\$ 20,301,752</u> | <u>\$ 21,727,851</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | \$ 475,672 | \$ 677,863 | \$ 720,804 | \$ 816,918 |
| Contributions - employee | 250,384 | 302,607 | 317,081 | 351,474 |
| Net investment income | 694,215 | 19,556 | 937,680 | 2,101,571 |
| Benefit payments, including refunds of employee contributions | (295,597) | (372,474) | (678,184) | (641,194) |
| Administrative expense | (7,248) | (11,911) | (10,584) | (10,884) |
| Other | (596) | (588) | (570) | (552) |
| Net Change in Plan Fiduciary Net Position | <u>1,116,830</u> | <u>615,053</u> | <u>1,286,227</u> | <u>2,617,333</u> |
| Beginning plan fiduciary net position | <u>12,135,380</u> | <u>13,252,210</u> | <u>13,867,263</u> | <u>15,153,490</u> |
| Ending Plan Fiduciary Net Position | <u>\$ 13,252,210</u> | <u>\$ 13,867,263</u> | <u>\$ 15,153,490</u> | <u>\$ 17,770,823</u> |
| Net Pension Liability | <u>\$ 4,058,581</u> | <u>\$ 5,181,700</u> | <u>\$ 5,148,262</u> | <u>\$ 3,957,028</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 76.55% | 72.80% | 74.64% | 81.79% |
| Covered Payroll | \$ 4,173,064 | \$ 4,322,964 | \$ 4,529,727 | \$ 5,021,063 |
| Net Pension Liability as a Percentage of Covered Payroll | 97.26% | 119.86% | 113.66% | 78.81% |

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

Measurement Year*

| 2018 | 2019 | 2020 |
|----------------------|----------------------|----------------------|
| \$ 995,765 | \$ 1,301,842 | \$ 1,735,584 |
| 1,467,028 | 1,567,886 | 1,694,998 |
| - | 167,712 | - |
| (377,042) | (440,992) | 286,669 |
| - | 98,677 | - |
| <u>(983,970)</u> | <u>(840,657)</u> | <u>(881,610)</u> |
| <u>1,101,781</u> | <u>1,854,468</u> | <u>2,835,641</u> |
| <u>21,727,851</u> | <u>22,829,632</u> | <u>24,684,100</u> |
| <u>\$ 22,829,632</u> | <u>\$ 24,684,100</u> | <u>\$ 27,519,741</u> |
| | | |
| \$ 915,831 | \$ 1,177,009 | \$ 1,479,183 |
| 399,676 | 520,142 | 690,289 |
| (532,845) | 2,717,993 | 1,605,356 |
| (983,970) | (840,657) | (881,610) |
| (10,288) | (15,338) | (10,372) |
| (537) | (460) | (405) |
| <u>(212,133)</u> | <u>3,558,689</u> | <u>2,882,441</u> |
| <u>17,770,823</u> | <u>17,558,690</u> | <u>21,117,379</u> |
| <u>\$ 17,558,690</u> | <u>\$ 21,117,379</u> | <u>\$ 23,999,820</u> |
| | | |
| <u>\$ 5,270,942</u> | <u>\$ 3,566,721</u> | <u>\$ 3,519,921</u> |
| | | |
| 76.91% | 85.55% | 87.21% |
| \$ 5,709,659 | \$ 7,430,606 | \$ 9,861,273 |
| | | |
| 92.32% | 48.00% | 35.69% |

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, 2021

| | Measurement Year* | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2014 | 2015 | 2016 | 2017 |
| City's proportion of the net pension liability | 0.354% | 0.376% | 0.355% | 0.313% |
| City's proportionate share of the net pension liability | \$ 64,407 | \$ 100,364 | \$ 103,405 | \$ 75,125 |
| State's proportionate share of the net pension liability | 21,651 | 34,789 | 35,748 | 31,519 |
| Total | <u>\$ 86,058</u> | <u>\$ 135,153</u> | <u>\$ 139,153</u> | <u>\$ 106,644</u> |
| Number of active members** | 27 | 30 | 30 | 25 |
| City's net pension liability per active member | \$ 2,385 | \$ 3,345 | \$ 3,447 | \$ 3,005 |
| Plan fiduciary net position as a percentage of the total pension liability | 83.50% | 76.90% | 76.30% | 81.40% |

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

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

Notes to Required Supplementary Information:

(1) Determined from the beginning of the year total pension liability using the roll forward procedure allowed by GASB 67

| Measurement Year* | | |
|--------------------------|-------------------|-------------------|
| 2018 | 2019 | 2020 |
| 0.401% | 0.822% | 0.652% |
| \$ 96,247 | \$ 233,001 | \$ 164,375 |
| 86,818 | 69,114 | 46,858 |
| <u>\$ 183,065</u> | <u>\$ 302,115</u> | <u>\$ 211,233</u> |
| 30 | 28 | 30 |
| \$ 3,208 | \$ 8,321 | \$ 5,479 |
| 84.30% | 80.20% | 83.20% |

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CITY OF MONT BELVIEU, TEXAS

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT PLAN

For the Year Ended September 30, 2021

| | Measurement Year* | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2017 | 2018 | 2019 | 2020 |
| Total OPEB Liability | | | | |
| Service cost | \$ 7,029 | 9,135 | 11,889 | 23,667 |
| Interest (on the total OPEB liability) | 5,306 | 5,515 | 5,968 | 5,600 |
| Differences between expected and actual experience | - | (8,112) | (12,967) | 3,779 |
| Change of assumptions | 13,942 | (12,379) | 33,720 | 37,872 |
| Benefit payments | (1,004) | (1,142) | (1,486) | (1,972) |
| Net Change in Total OPEB Liability | <u>25,273</u> | <u>(6,983)</u> | <u>37,124</u> | <u>68,946</u> |
| Beginning total OPEB liability | <u>137,360</u> | <u>162,633</u> | <u>155,650</u> | <u>192,774</u> |
| Ending Total OPEB Liability | <u><u>\$ 162,633</u></u> | <u><u>\$ 155,650</u></u> | <u><u>\$ 192,774</u></u> | <u><u>\$ 261,720</u></u> |
| Covered Payroll | \$ 5,021,063 | \$ 5,709,659 | \$ 7,430,606 | \$ 9,861,273 |
| Total OPEB Liability as a Percentage of Covered Payroll | 3.24% | 2.73% | 2.59% | 2.65% |

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

Notes to Required Supplementary Information:

1. Changes in assumptions

There were no changes in assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period.

2. Changes in benefit terms

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

CITY OF MONT BELVIEU, TEXAS

SCHEDULE OF CONTRIBUTIONS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2021

| | Fiscal Year* | | | |
|--|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 |
| Actuarially determined contribution | \$ 417,624 | \$ 623,532 | \$ 709,020 | \$ 794,900 |
| Contributions in relation to the actuarially determined contribution | 417,624 | 623,532 | 709,020 | 794,900 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 3,892,790 | \$ 4,306,031 | \$ 4,476,999 | \$ 4,913,655 |
| Contributions as a percentage of covered payroll | 10.73% | 14.48% | 15.84% | 16.18% |

* Only eight years of information is currently available. The City will build this schedule over the next two-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 | 25 years |
| Asset valuation method | 10 year smoothed market; 12.00% soft corridor |
| Inflation | 2.50% |
| Salary increases | 3.50% to 11.50% including inflation |
| Investment rate of return | 6.75% |
| Retirement age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the Dec 31, 2019 valuation pursuant to an experience study of the period Dec 31, 2014 - 2018 |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

3. Other Information:

There were no benefit changes during the year.

Fiscal Year*

| <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--------------|--------------|--------------------|---------------|
| \$ 880,857 | \$ 1,091,998 | \$ 1,399,335 | \$ 1,557,998 |
| 880,857 | 1,091,998 | 1,493,410 | 1,557,998 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ (94,075)</u> | <u>\$ -</u> |
| \$ 5,475,070 | \$ 6,873,357 | \$ 9,519,345 | \$ 10,931,185 |
| 16.09% | 15.89% | 15.69% | 14.25% |

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
For the Year Ended September 30, 2021

| | Fiscal Year* | | | |
|---|---------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2019 | 2018 |
| Contractually required contribution | \$ 44,500 | \$ 37,353 | \$ 19,196 | \$ 15,150 |
| Contributions in relation to the contractually required contribution | <u>44,500</u> | <u>37,353</u> | <u>19,196</u> | <u>15,150</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Number of active members** | 30 | 31 | 32 | 25 |
| Contributions per active member | \$ 1,483 | \$ 1,205 | \$ 600 | \$ 606 |

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

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

Fiscal Year*

| <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------|---------------|---------------|---------------|
| \$ 16,250 | \$ 16,136 | \$ 17,750 | \$ 12,000 |
| <u>16,250</u> | <u>16,136</u> | <u>17,750</u> | <u>12,000</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| 27 | 27 | 30 | 30 |
| \$ 602 | \$ 598 | \$ 592 | \$ 400 |

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***COMBINING STATEMENTS
AND SCHEDULES***

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.

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.

Hurricane Harvey Fund

This fund is used to track revenue and expenses related to Hurricane Harvey.

Local Truancy and Prevention Fund

This fund is used for the collection of the municipal court fee for local truancy and prevention.

Municipal Jury Fund

This fund is used to track revenue and expenses related to Municipal Court.

COVID -19 Fund

This fund is used to track revenue and expenses related to COVID -19.

Laura Fund

This fund is used to track revenue and expenses related to Tropical Storm Laura.

Winter Storm

This fund is used to track grant revenue and expenses related to the winter storm in February of 2021.

Nicholas Fund

This fund is used to track grant revenue and expenses related to Hurricane Nicholas.

CITY OF MONT BELVIEU, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)

September 30, 2021

| | Capital Projects | | Special Revenue | |
|---|---------------------|--------------------------------|------------------------|-------------------|
| | Park Development | 2009 Capital Projects - CIP | Hotel and Motel Tax | Court Security |
| <u>Assets</u> | | | | |
| Cash and equity in pooled cash | \$ 874,539 | \$ 20,920 | \$ - | \$ 58,798 |
| Accounts receivable | - | - | 31,457 | - |
| Total Assets | \$ 874,539 | \$ 20,920 | \$ 31,457 | \$ 58,798 |
| <u>Liabilities and Fund Balances</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | \$ 43,310 | \$ 19,947 | \$ - | \$ - |
| Unearned revenue | - | - | - | - |
| Total Liabilities | 43,310 | 19,947 | - | - |
| <u>Fund Balances:</u> | | | | |
| Restricted for: | | | | |
| Park development | - | - | - | - |
| Tourism promotion | - | - | 31,457 | - |
| Municipal court | - | - | - | 58,798 |
| Public safety | - | - | - | - |
| Veterans' memorial | - | - | - | - |
| Capital projects | - | - | - | - |
| Assigned: | | | | |
| Capital projects | 831,229 | 973 | - | - |
| Unassigned | - | - | - | - |
| Total Fund Balances | 831,229 | 973 | 31,457 | 58,798 |
| Total Liabilities and Fund Balances | \$ 874,539 | \$ 20,920 | \$ 31,457 | \$ 58,798 |

Special Revenue

| Court Technology | Dedicated Parks | Grant | Public Safety | Veterans' Memorial | Hurricane Harvey |
|-----------------------------|----------------------------|-----------------|--------------------------|-------------------------------|-----------------------------|
| \$ 26,809 | \$ 522,412 | \$ 1,810 | \$ 5,224 | \$ 2,261 | \$ 182,594 |
| - | - | - | - | - | - |
| <u>\$ 26,809</u> | <u>\$ 522,412</u> | <u>\$ 1,810</u> | <u>\$ 5,224</u> | <u>\$ 2,261</u> | <u>\$ 182,594</u> |
| | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 12,195 |
| - | - | - | - | - | - |
| - | - | - | - | - | <u>12,195</u> |
| | | | | | |
| - | 522,412 | - | - | - | - |
| - | - | - | - | - | - |
| 26,809 | - | - | - | - | - |
| - | - | 1,810 | 5,224 | - | - |
| - | - | - | - | 2,261 | - |
| - | - | - | - | - | 170,399 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>26,809</u> | <u>522,412</u> | <u>1,810</u> | <u>5,224</u> | <u>2,261</u> | <u>170,399</u> |
| | | | | | |
| <u>\$ 26,809</u> | <u>\$ 522,412</u> | <u>\$ 1,810</u> | <u>\$ 5,224</u> | <u>\$ 2,261</u> | <u>\$ 182,594</u> |

CITY OF MONT BELVIEU, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)

September 30, 2021

| | Special Revenue | | | |
|---|---------------------------------|-------------------|-------------------|-------------|
| | Local Truancy and Prevention | Municipal Jury | COVID-19 | Laura |
| <u>Assets</u> | | | | |
| Cash and equity in pooled cash | \$ 5,150 | \$ 66 | \$ 814,472 | \$ - |
| Accounts receivable | - | - | - | - |
| Total Assets | \$ 5,150 | \$ 66 | \$ 814,472 | \$ - |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ - | \$ - |
| Unearned revenue | - | - | 814,472 | - |
| Total Liabilities | - | - | 814,472 | - |
| Fund Balances | | | | |
| Restricted for: | | | | |
| Park development | - | - | - | - |
| Tourism promotion | - | - | - | - |
| Municipal court | 5,150 | 66 | - | - |
| Public safety | - | - | - | - |
| Veterans' memorial | - | - | - | - |
| Capital projects | - | - | - | - |
| Assigned: | | | | |
| Capital projects | - | - | - | - |
| Unassigned | - | - | - | - |
| Total Fund Balances | 5,150 | 66 | - | - |
| Total Liabilities and Fund Balances | \$ 5,150 | \$ 66 | \$ 814,472 | \$ - |

| <u>Winter Storm</u> | <u>Nicholas</u> | <u>Total Funds</u> |
|---------------------|-----------------|---------------------|
| \$ - | \$ - | \$ 2,515,055 |
| - | - | 31,457 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,546,512</u> |

| | | |
|----------|------------|----------------|
| \$ - | \$ 599 | \$ 76,051 |
| - | - | 814,472 |
| <u>-</u> | <u>599</u> | <u>890,523</u> |

| | | |
|-------------|--------------|---------------------|
| - | - | 522,412 |
| - | - | 31,457 |
| - | - | 90,823 |
| - | - | 7,034 |
| - | - | 2,261 |
| - | - | 170,399 |
| - | - | 832,202 |
| - | (599) | (599) |
| <u>-</u> | <u>(599)</u> | <u>1,655,989</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,546,512</u> |

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, 2021

| | <u>Capital Projects</u> | | <u>Special Revenue</u> | |
|--|-----------------------------|--|--------------------------------|---------------------------|
| | <u>Park Development</u> | <u>2009 Capital Projects - CIP</u> | <u>Hotel and Motel Tax</u> | <u>Court Security</u> |
| <u>Revenues</u> | | | | |
| Occupancy tax | \$ - | \$ - | \$ 110,155 | \$ - |
| Fines and forfeitures | - | - | - | 3,876 |
| Intergovernmental | - | - | - | - |
| Investment income | 9,902 | 2,110 | 996 | 582 |
| Other income | 621,361 | - | - | - |
| Total Revenues | <u>631,263</u> | <u>2,110</u> | <u>111,151</u> | <u>4,458</u> |
| <u>Expenditures</u> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Community services | - | - | 417,791 | - |
| Public safety | - | - | - | 285 |
| Capital outlay | 866,200 | 268,598 | - | - |
| Total Expenditures | <u>866,200</u> | <u>268,598</u> | <u>417,791</u> | <u>285</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(234,937)</u> | <u>(266,488)</u> | <u>(306,640)</u> | <u>4,173</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers in | - | - | 17,922 | - |
| Transfers (out) | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>17,922</u> | <u>-</u> |
| Net Change in Fund Balances | (234,937) | (266,488) | (288,718) | 4,173 |
| Beginning fund balances | 1,066,166 | 267,461 | 320,175 | 54,625 |
| Ending Fund Balances | <u>\$ 831,229</u> | <u>\$ 973</u> | <u>\$ 31,457</u> | <u>\$ 58,798</u> |

Special Revenue

| Court Technology | Dedicated Parks | Grant | Public Safety | Veterans' Memorial | Hurricane Harvey |
|-----------------------------|----------------------------|-----------------|--------------------------|-------------------------------|-----------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 3,469 | - | - | - | - | - |
| - | - | - | 5,247 | - | - |
| 274 | 4,897 | 854 | 72 | 23 | 656 |
| - | 61,200 | 1,728 | - | 25 | - |
| <u>3,743</u> | <u>66,097</u> | <u>2,582</u> | <u>5,319</u> | <u>48</u> | <u>656</u> |
| - | - | - | - | - | 413,421 |
| - | - | - | - | - | - |
| 2,830 | - | 5,652 | - | - | - |
| - | - | - | 2,823 | - | - |
| <u>2,830</u> | <u>-</u> | <u>5,652</u> | <u>2,823</u> | <u>-</u> | <u>413,421</u> |
| <u>913</u> | <u>66,097</u> | <u>(3,070)</u> | <u>2,496</u> | <u>48</u> | <u>(412,765)</u> |
| - | - | - | - | - | 583,164 |
| - | - | - | - | - | - |
| - | - | - | - | - | 583,164 |
| 913 | 66,097 | (3,070) | 2,496 | 48 | 170,399 |
| 25,896 | 456,315 | 4,880 | 2,728 | 2,213 | - |
| <u>\$ 26,809</u> | <u>\$ 522,412</u> | <u>\$ 1,810</u> | <u>\$ 5,224</u> | <u>\$ 2,261</u> | <u>\$ 170,399</u> |

CITY OF MONT BELVIEU, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
For the Year Ended September 30, 2021

| | Special Revenue | | | |
|--|---------------------------------|-------------------|------------------|-----------------|
| | Local Truancy and Prevention | Municipal Jury | COVID-19 | Laura |
| Revenues | | | | |
| Occupancy tax | \$ - | \$ - | \$ - | \$ - |
| Fines and forfeitures | - | - | - | - |
| Intergovernmental | - | - | 261,052 | - |
| Investment income | 38 | - | 2,297 | 312 |
| Other income | 3,365 | 30 | - | 89,504 |
| Total Revenues | <u>3,403</u> | <u>30</u> | <u>263,349</u> | <u>89,816</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | - | - | - | 38,682 |
| Community services | - | - | - | - |
| Public safety | - | - | 79,336 | - |
| Capital outlay | - | - | - | - |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>79,336</u> | <u>38,682</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>3,403</u> | <u>30</u> | <u>184,013</u> | <u>51,134</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | (184,013) | (51,134) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(184,013)</u> | <u>(51,134)</u> |
| Net Change in Fund Balances | 3,403 | 30 | - | - |
| Beginning fund balances | 1,747 | 36 | - | - |
| Ending Fund Balances | <u>\$ 5,150</u> | <u>\$ 66</u> | <u>\$ -</u> | <u>\$ -</u> |

| <u>Winter Storm</u> | <u>Nicholas</u> | <u>Total Funds</u> |
|---------------------|-----------------|---------------------|
| \$ - | \$ - | \$ 110,155 |
| - | - | 7,345 |
| - | - | 266,299 |
| - | - | 23,013 |
| 137,889 | - | 915,102 |
| <u>137,889</u> | <u>-</u> | <u>1,321,914</u> |
| 278,589 | 769 | 731,461 |
| 7,848 | - | 425,639 |
| - | - | 88,103 |
| - | - | 1,137,621 |
| <u>286,437</u> | <u>769</u> | <u>2,382,824</u> |
| <u>(148,548)</u> | <u>(769)</u> | <u>(1,060,910)</u> |
| 148,548 | 170 | 749,804 |
| - | - | (235,147) |
| <u>148,548</u> | <u>170</u> | <u>514,657</u> |
| - | (599) | (546,253) |
| - | - | 2,202,242 |
| <u>\$ -</u> | <u>\$ (599)</u> | <u>\$ 1,655,989</u> |

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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, 2021

| | Original and Final Budgeted Amounts | Actual | Variance with Final Budget Positive (Negative) |
|--|--|--------------|--|
| <u>Revenues</u> | | | |
| Ad valorem taxes | \$ 9,599,829 | \$ 9,584,125 | \$ (15,704) |
| Investment income | 50,000 | 46,527 | (3,473) |
| Other revenue | - | 1,530 | 1,530 |
| Total Revenues | 9,649,829 | 9,632,182 | (17,647) |
| <u>Expenditures</u> | | | |
| Principal | 6,715,000 | 6,165,000 | 550,000 |
| Interest and fiscal charges | 2,906,194 | 2,442,174 | 464,020 |
| Total Expenditures | 9,621,194 | 8,607,174 | 1,014,020 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers (out) | (1,011,519) | (1,011,519) | - |
| Total Other Financing (Uses) | (1,011,519) | (1,011,519) | - |
| Net Change in Fund Balance | \$ 28,635 | 13,489 | \$ (15,146) |
| Beginning fund balance | | 629,936 | |
| Ending Fund Balance | | \$ 643,425 | |

Notes to Supplementary Information:

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

CITY OF MONT BELVIEU, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - HOTEL and MOTEL TAX FUND
For the Year Ended September 30, 2021

| | <u>Original Budgeted Amounts</u> | <u>Final Budgeted Amounts</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|--|---------------------------------------|------------------|---|
| <u>Revenues</u> | | | | |
| Occupancy tax | \$ 130,000 | \$ 130,000 | \$ 110,155 | \$ (19,845) |
| Investment income | 2,000 | 2,000 | 996 | (1,004) |
| Total Revenues | <u>132,000</u> | <u>132,000</u> | <u>111,151</u> | <u>(20,849)</u> |
| <u>Expenditures</u> | | | | |
| Community services | 495,451 | 495,451 | 417,791 | 77,660 |
| Total Expenditures | <u>495,451</u> | <u>495,451</u> | <u>417,791</u> | <u>77,660</u> |
| Deficiency) of Revenues (Under) Expenditures | <u>(363,451)</u> | <u>(363,451)</u> | <u>(306,640)</u> | <u>56,811</u> |
| <u>Other Financing Sources</u> | | | | |
| Transfers in | - | - | 17,922 | 17,922 |
| Total Other Financing (Sources) | <u>-</u> | <u>-</u> | <u>17,922</u> | <u>17,922</u> |
| Net Change in Fund Balance | <u>\$ (363,451)</u> | <u>\$ (363,451)</u> | <u>(288,718)</u> | <u>\$ 74,733</u> |
| Beginning fund balance | | | 320,175 | |
| Ending Fund Balance | | | <u>\$ 31,457</u> | |

Notes to Supplementary Information:

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

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, 2021

| | Original and Final Budgeted Amounts | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|--|------------------|---|
| <u>Revenues</u> | | | |
| Fines and forfeitures | \$ 3,500 | \$ 3,469 | \$ (31) |
| Investment income | 200 | 274 | 74 |
| Total Revenues | 3,700 | 3,743 | 43 |
| <u>Expenditures</u> | | | |
| Public safety | 7,700 | 2,830 | 4,870 |
| Total Expenditures | 7,700 | 2,830 | 4,870 |
| Net Change in Fund Balance | \$ (4,000) | 913 | \$ 4,913 |
| Beginning fund balance | | 25,896 | |
| Ending Fund Balance | | \$ 26,809 | |

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