

City of Port Arthur, Texas

Comprehensive Annual Financial Report For the Year Ended September 30, 2010

Prepared by the Finance Department

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Comptroller

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Accounting Manager

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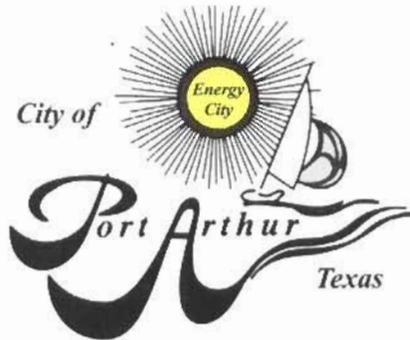
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DELORIS "BOBBIE" PRINCE, MAYOR
MORRIS ALBRIGHT, III, MAYOR PRO TEM

COUNCIL MEMBERS:
JACK CHATMAN, JR.
ELIZABETH "LIZ" SEGLER
MARTIN FLOOD
JOHN BEARD, JR.
ROBERT E. WILLIAMSON
D. KAY WISE
THOMAS J. HENDERSON

March 17, 2011



STEPHEN FITZGIBBONS
CITY MANAGER

TERRI HANKS
CITY SECRETARY

VAL TIZENO
CITY ATTORNEY

To the Honorable Mayor, Members of City Council and
Citizens of the City of Port Arthur, Texas

Texas law requires that all municipalities publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Port Arthur, Texas for the fiscal year ended September 30, 2010.

This report consists of management's representations concerning the finances of the City of Port Arthur. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Port Arthur has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Port Arthur's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Port Arthur's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Port Arthur's financial statements have been audited by J. R. Edwards & Associates, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Port Arthur for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Port Arthur's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

The independent audit of the financial statements of the City of Port Arthur was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal

requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Port Arthur's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City of Port Arthur's MD&A can be found immediately following the report of the independent auditors.

Governmental Structure

The City of Port Arthur (City), incorporated May 30, 1898, is located in Southeastern Texas, on the Gulf Coast. Bordered by Lake Sabine, an inland bay, the City has access to the Gulf of Mexico through Sabine Pass. Port Arthur is spread over 87.96 square miles and has a population of 57,755. The City has all the powers granted to a home rule city by Texas law including: the power to levy tax on real and personal property within its boundaries, the right to extend its boundaries by annexation, and the power to block annexation or incorporation in areas considered within its extra-territorial jurisdiction.

The City has operated under the Council-Manager form of government since March 8, 1932. Policy making and legislative authority rests with the City Council, which consists of a mayor and an eight-member council. Two council members and the mayor are elected at large. Six council members are elected to staggered terms; two from combined districts, and four council members from their respective districts. All terms are three years. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City's manager, attorney, and secretary. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day to day operations of the City, and for appointing the heads of the City's departments.

The City provides a full range of municipal services including police and fire protection, solid waste removal and disposal, water and sanitary sewer, the construction of streets, drainage and other infrastructure, recreational activities, library and other cultural activities. Component units are legally separate entities for which the City is financially accountable. The financial data of the Port Arthur Economic Development Corporation and the Pleasure Island Commission have been included with that of the City. These organizations, although legally separate entities, are in substance, part of the City's operations. Additional information on these entities may be found in Note I.A. in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents his proposed budget to the City Council for review on or before August 31 of each year. The Council holds a public hearing and a final budget is adopted by September 30. The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual *appropriated budget approved by City Council. Activities of the general fund, certain special revenue funds and the proprietary funds, are included in the annual appropriated budget. Project-length budgets are prepared for the capital projects fund. The level of budgetary control (i.e. the level at which expenditures cannot legally exceed the appropriated amount) is the department level within each fund.*

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 23 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 73.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economic Condition and Outlook

Southeast Texas is one of the principal oil refining and petro-chemical manufacturing areas in the world and the City's economy is tightly tied to these industries. The Spindletop gusher blew in on January 10, 1901 at Gladys City, near Beaumont and just north of Port Arthur. This event, coupled with our proximity to the Gulf of Mexico, drove the development of oil refining in Port Arthur. For more than 100 years, the country's major oil and chemical refining companies have maintained major facilities here. The local facilities of TOTAL Petrochemicals, BASF, Motiva, Valero, Flint Hills Resources, Chevron-Phillips, and Golden Pass LNG currently represent nearly \$7 billion in property value. These industries have provided a steady employment base, and in recent years, significant infusions of capital have dramatically increased economic activity in Port Arthur. In September 2007, the Motiva facility announced a major expansion. This \$8 billion project is providing another boom to the local economy. This project is in construction, and upon completion, Motiva-Port Arthur, will be the largest refinery in North America, increasing production from 325,000 to 600,000 barrels of refined fuels per day. The expansion is generating over 6,000 construction jobs and 300 new full time jobs upon completion. TOTAL has recently completed a \$1.8 billion refinery expansion which generated 2,000 construction jobs and 40 permanent jobs.

Long-term Financial Planning

On November 3, 2007 the citizens approved a \$17 million general obligation bond issue for a variety of projects. This total authorization includes water, streets, drainage, public safety facilities, and parks projects. The first phase of this program, \$9 million, was issued April 15, 2008. The remaining \$8 million was issued in January, 2010.

The City was successful in receiving an infusion of grant funds which will enhance capital project activities for the 2010 year. The City was awarded \$15 million through the American Relief and Recovery Act (ARRA) for sanitary sewer rehabilitation projects. Drainage and additional water and sewer projects will be funded through a \$13 million Community Development Block Grant related to Hurricane Ike recovery. Those projects are currently underway, with a second phase of projects expected to be approved by the State later this year.

Cash Management Policies and Practices

Cash temporarily idle during the year was invested in obligations of the U.S. Treasury, Federated Agencies and TexPool (a local government investment pool). The maturities of the investments range from overnight, to an average maturity of just over 1 year. The average yield on investments for the year was 1.04%. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

Risk Management

The City maintains a limited risk retention program for worker's compensation and employee health benefits. As part of this program, resources are transferred to the employee benefit fund to meet potential losses. Additional information on the City's risk management activity can be found in Note V. A. of the notes to the financial statements.

Pension and Other Post-employment Benefits

The City of Port Arthur provides pension benefits for all permanent employees, except for firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multi-employer public employee retirement system. The City has funded 60.22% of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 28 years as part of the annual required contribution calculated by the actuary.

The City sponsors a single-employer defined benefit pension plan for all firefighters. The Board of Trustees of the Port Arthur Firemen's Relief and Retirement Fund (the Fund) is the administrator of the plan. The Board is composed of the Mayor (or her designee) and the Finance Officer as ex-officio Trustees, three firefighters elected by a majority vote of the firefighters, and two citizens who must be appointed unanimously by the first five trustees, is subject to administrative supervision by the State Firemen's Pension Commissioner. The City does not hold title to any of the Fund's assets, have right to any surpluses, or have responsibility for any deficits. Accordingly, the financial statements of the fund are not included in this report.

The City of Port Arthur also provides post-retirement health care benefits for retirees and their dependents. As of the end of the current fiscal year, there were 173 retirees participating in the City's group health program. Additional information on the City's pension arrangements and post-employment benefits can be found in Note V. C. of the notes to the financial statements.

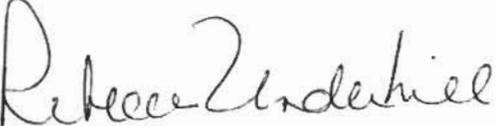
Awards and Acknowledgements

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Arthur for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2009. This prestigious award is the result of achieving the highest standard of governmental accounting and financial reporting. This was the fourteenth consecutive year that the City received this annual award. A Certificate of Achievement is valid for one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the finance department. The professional expertise and commitment of Deborah Echols, Director of Finance, Tammy Jacobs, Comptroller and all of the accounting staff make this presentation possible. Appreciation is also expressed to the staff of the operating departments for their cooperation and contributions, to the firm of J. R. Edwards & Associates, LLC for their professional assistance and to City Council for their interest and support.

Respectfully Submitted,


Steve Fitzgibbons
City Manager


Rebecca Underhill, CPA
Assistant City Manager/Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Port Arthur
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Port Arthur, Texas

City Officials

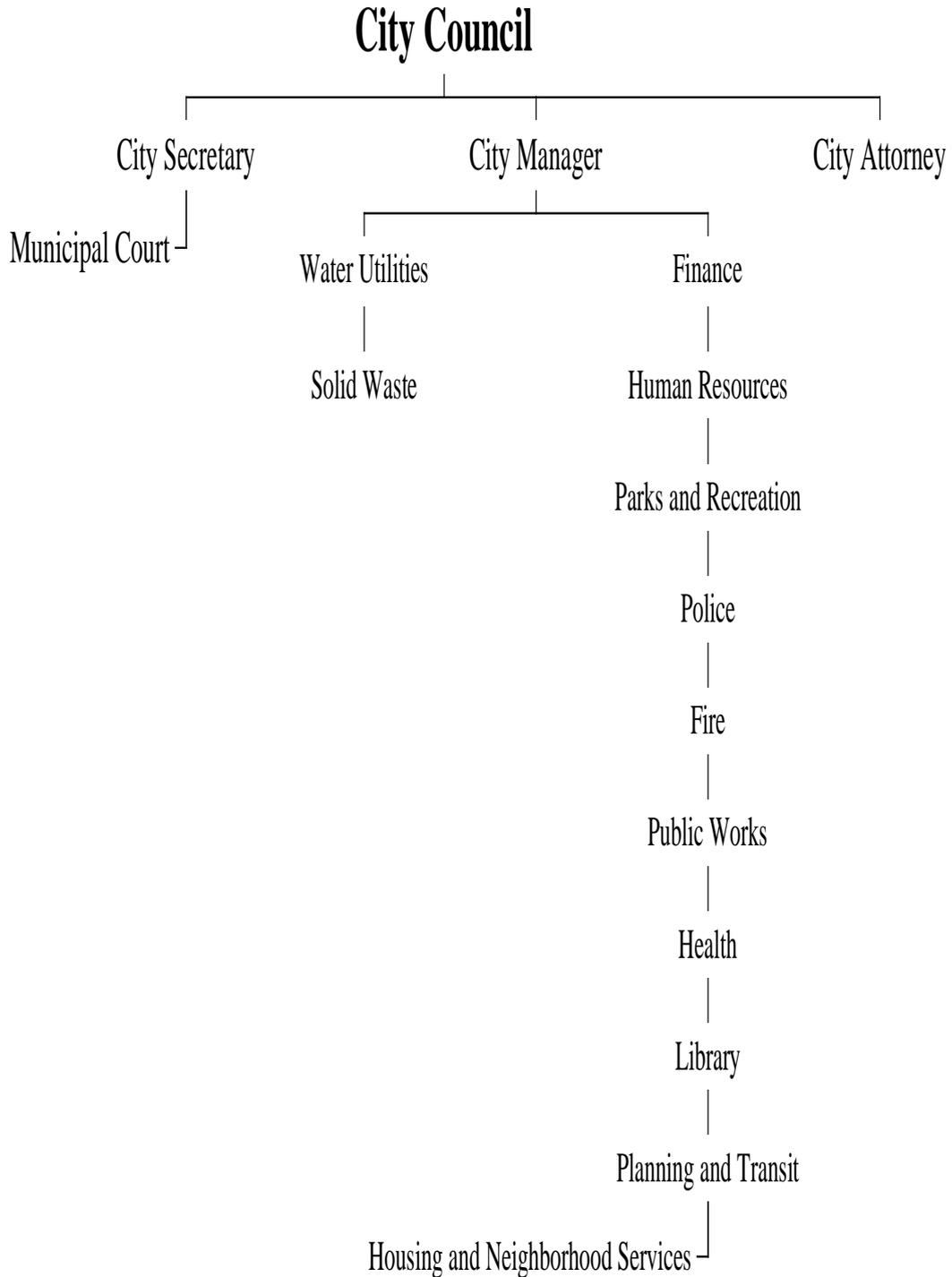
City Council

Deloris Prince	Mayor
Jack Chatman	District 1
Elizabeth Segler	District 2
Morris Albright III	Mayor Pro Tem
Martin Flood	District 4
John Beard, Jr.	District 5
Robert E. Williamson	District 6
D. Kay Wise	District 7
Thomas J. Henderson	District 8

Appointed Officials

Stephen Fitzgibbons	City Manager
Sherri Bellard	Acting City Secretary
Valecia Tizenso	City Attorney

CITY OF PORT ARTHUR



J. R. Edwards & Associates, LLC

Certified Public Accountants

March 14, 2011

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Port Arthur, Texas

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Port Arthur, Texas (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pleasure Island Commission, which is both, a discretely presented component unit and 3 percent, 6 percent, and less than 1 percent respectively, of the assets, net assets, and revenues of the City of Port Arthur, Texas. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Port Arthur, Texas, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the general fund of the City of Port Arthur, Texas as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated March 14, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in 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 and the other auditors 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Port Arthur, Texas' basic financial statements as a whole. The Introductory Section, combining and individual nonmajor fund statements and schedules, and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our report and the report of the other auditors, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CITY OF PORT ARTHUR, TEXAS **Management's Discussion and Analysis**

As management of the City of Port Arthur, Texas (City), we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page -v- of this report.

FINANCIAL HIGHLIGHTS

The assets of the City of Port Arthur exceeded its liabilities at the close of the fiscal year by \$77.4 million (net assets).

- The City's total net assets increased by \$3.6 million. In part, this increase was driven by capital improvements. These improvements were funded by a General Obligation Bond Issue and by Federal American Relief and Recovery Act (ARRA) grant awards.
- As of the close of the fiscal year, the City of Port Arthur's governmental funds reported combined ending fund balances of \$30 million. Over 59.1% of this total amount, \$17.79 million is unreserved and available for use within the City's designation and policies.
- At the end of the current fiscal year, unreserved balance in the General Fund was \$16.1 million, or 31.2% of the total General Fund expenditures, within the City's General Fund balance policy requirement.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. That being said, the net assets of the City increased \$3.6 million in this fiscal year.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community development, public works, health and welfare, economic development, public transportation and culture and recreation. The business-type activities include the water and sewer utility and solid waste operations. The government-wide financial statements are found on pages 13 and 15 of this report.

CITY OF PORT ARTHUR, TEXAS **Management's Discussion and Analysis**

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into two categories – governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses 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 a government'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 on 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 funds balance sheet and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 34 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, Debt Service, Community Development Block Grant, FEMA, and Capital Projects Funds which are considered to be major funds. Data from the other 29 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report.

Proprietary Funds – The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the water and sewer utility and solid waste operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for fleet maintenance, liability insurance, employee benefits, and equipment replacement activities. All internal service funds are combined into a single aggregated presentation on the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements are found on pages 27-29 of this report.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on pages 55-59 of this report. See section V.C. and V.D. in the notes to the financial statements, on pages 46-51 of this report for additional information concerning the City's retirement systems and other post employment benefits.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator of the government's financial position. In the case of the City of Port Arthur, Texas, assets exceeded liabilities by \$77.4 million

CITY OF PORT ARTHUR, TEXAS
Management's Discussion and Analysis

as of September 30, 2010.

The largest portion of the City's net assets reflects investment in capital assets (e.g. land, building, equipment, improvements, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Port Arthur's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 64,270,739	\$ 61,438,332	\$ (6,299,694)	\$ (1,624,438)	\$ 57,971,045	\$ 59,813,894
Capital assets	<u>68,383,700</u>	<u>66,879,351</u>	<u>86,587,387</u>	<u>82,251,758</u>	<u>154,971,087</u>	<u>149,131,109</u>
Total assets	\$ 132,654,439	\$ 128,317,683	\$ 80,287,693	\$ 80,627,320	\$ 212,942,132	\$ 208,945,003
Long term liabilities	\$ 98,979,912	\$ 97,001,310	\$ 5,171,798	\$ 7,742,580	\$ 104,151,710	\$ 104,743,890
Other liabilities	<u>25,742,847</u>	<u>29,239,817</u>	<u>5,371,904</u>	<u>1,146,602</u>	<u>31,114,751</u>	<u>30,386,419</u>
Total liabilities	\$ 124,722,759	\$ 126,241,127	\$ 10,543,702	\$ 8,889,182	\$ 135,266,461	\$ 135,130,309
Net Assets						
Invested in capital assets, net of related debt	\$ 52,886,404	\$ 57,871,638	\$ 86,587,387	\$ 82,251,758	\$ 80,289,627	\$ 66,200,896
Restricted	12,159,977	10,073,955	10,896,172	12,748,482	23,056,149	22,822,437
Unrestricted	<u>(57,114,701)</u>	<u>(65,869,037)</u>	<u>(27,739,568)</u>	<u>(23,262,102)</u>	<u>(25,670,105)</u>	<u>(15,208,639)</u>
Total net assets	\$ 7,931,680	\$ 2,076,556	\$ 69,743,991	\$ 71,738,138	\$ 77,675,671	\$ 73,814,694

Analysis of City's Operations – The following table provides a summary of the City's operations for the year ended September 30, 2010. Governmental activities increased the City of Port Arthur's net assets by \$5.6 million. The infusion of grant funded projects and increased industrial revenue resulted in this increase in assets. Business-type activities decreased the City's net assets by \$1.99 million. The solid waste fund saw a significant drop in landfill revenues which drove this decline in net assets.

CITY OF PORT ARTHUR, TEXAS
Management's Discussion and Analysis

City of Port Arthur's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program revenues						
Charges for services	\$ 3,141,147	\$ 3,276,308	\$ 24,584,884	\$ 26,210,406	\$ 27,726,031	\$ 29,486,714
Operating grants	9,980,518	19,279,958	-	-	9,980,518	19,279,958
Capital grants and contributions	1,172,641	34,800	6,850,178	-	8,022,819	34,800
General revenues						
Ad valorem taxes	16,082,423	15,329,768	-	-	16,082,423	15,329,768
Industrial revenue	26,520,879	14,605,507	-	-	26,520,879	14,605,507
Gross receipts taxes	4,414,729	4,439,957	-	-	4,414,729	4,439,957
Sales tax	8,108,987	9,801,361	-	-	8,108,987	9,801,361
Other taxes	985,368	1,115,410	-	-	985,368	1,115,410
Investment earnings	379,046	240,344	53,355	108,582	432,401	348,926
Miscellaneous	1,940,243	1,999,733	6,555	-	1,946,798	1,999,733
Total revenues	\$ 72,725,981	\$ 70,123,146	\$ 31,494,972	\$ 26,318,988	\$ 104,220,953	\$ 96,442,134
Expenses						
General government	\$ 13,639,715	\$ 21,411,497	\$ -	\$ -	\$ 13,639,715	\$ 21,411,497
Public safety	29,371,645	32,421,145	-	-	29,371,645	32,421,145
Public works	14,006,598	14,588,581	-	-	14,006,598	14,588,581
Community development	3,201,371	1,490,108	-	-	3,201,371	1,490,108
Culture and recreation	4,968,703	5,361,406	-	-	4,968,703	5,361,406
Health and welfare	2,905,668	2,723,071	-	-	2,905,668	2,723,071
Public transportation	3,061,791	2,563,463	-	-	3,061,791	2,563,463
Interest on long-term debt	3,294,557	3,421,325	-	-	3,294,557	3,421,325
Water and sewer	-	-	17,579,403	16,965,508	17,579,403	16,965,508
Solid waste	-	-	8,422,715	9,685,522	8,422,715	9,685,522
Total expenses	\$ 74,450,048	\$ 83,980,596	\$ 26,002,118	\$ 26,651,030	\$ 100,452,166	\$ 110,631,626
Increases (decreases) in net						
assets before transfers	(1,724,067)	(13,857,450)	5,492,854	(332,042)	3,768,787	(14,189,492)
Transfers	7,487,001	6,651,553	(7,487,001)	(6,651,553)	-	-
Increases (decreases) in net assets	5,762,934	(7,205,897)	(1,994,147)	(6,983,595)	3,768,787	(14,189,492)
Net assets - beginning of year	2,168,746	16,067,342	71,738,138	80,542,220	73,906,884	96,609,562
Adjustment to beginning net assets	-	(6,692,699)	-	(1,820,487)	-	(8,513,186)
Net assets - end of year	\$ 7,931,680	\$ 2,168,746	\$ 69,743,991	\$ 71,738,138	\$ 77,675,671	\$ 73,906,884

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the 2010 fiscal year, the City of Port Arthur's governmental funds reported combined ending fund balances of \$30 million. Approximately 59% of this total amount (\$17.79 million) consists of

CITY OF PORT ARTHUR, TEXAS
Management's Discussion and Analysis

unreserved fund balances. The remainder of the balance is reserved to indicate that it is not available for new spending because it has been committed to 1) provide for prepaid items (\$128,709), 2) pay for debt service (\$3.2 million) and 3) capital projects (\$8.95 million).

In the General Fund, the City budgeted for a decrease in fund balance of \$874,000. This was a planned reduction. Due to revenues and transfers lagging budgeted projections by \$1.6 million and actual expenses being less than budgeted by \$2.9 million, the fund balance increased \$1.3 million. The primary revenue variances were provided in Sales Tax which declined sharply in 2010 (\$491,000 less than budget) due in large part to the sluggish economy, and the completion of Hurricane Ike recovery spending by retail customers. Industrial revenue finished the year \$959,000 less than budget due to declines in the values in the industrial districts that were not anticipated at the budget preparation, and the refund to one payer after a successful litigation of value with the Jefferson County Appraisal District. Expenses were under budget in every department, except for City Secretary, Police and Fire, for a net savings of \$2.9 million. Debt service fund balance decreased \$845,000, as was budgeted.

The FEMA fund carries a significant receivable from the federal government. This is due to outstanding project reimbursements from Hurricanes Rita (2005) and Ike (2008). In 2010, the City issued \$8 million in General Obligation Debt that will fund various new Capital Projects in that fund.

General Fund Budgetary Highlights – The City Council approved ten budget amendments to the original appropriations. This change resulted in an increase of 6% of the original operating appropriation, or \$3.33 million. These amendments were to fund additional capital projects, a litigation settlement and unanticipated equipment and maintenance needs in various departments.

Proprietary funds – The City's proprietary fund statements provide the same type of information found on the government-wide statements, but in more detail. Net assets in the proprietary funds decreased \$1.4 million. The water utility fund does not generate sufficient revenue to fund the entire cost of capital.

CAPITAL ASSETS

The City of Port Arthur's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$154.97 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, infrastructure and construction in progress. Major capital assets during the current year included the following:

	Capital Assets at Year-End					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,474,132	\$ 2,474,132	\$ 362,843	\$ 362,843	\$ 2,836,975	\$ 2,836,975
Buildings	20,464,102	18,968,558	35,348,650	35,348,650	55,812,752	54,317,208
Improvements	8,526,264	8,526,264	106,776,168	106,177,491	115,302,432	114,703,755
Infrastructure	249,663,476	248,492,305	-	-	249,663,476	248,492,305
Equipment	41,181,159	39,087,569	4,318,666	4,239,644	45,499,825	43,327,213
Construction in progress	13,113,198	7,763,919	8,848,584	1,080,262	21,961,782	8,844,181
Accumulated depreciation	<u>(267,038,631)</u>	<u>(258,433,396)</u>	<u>(69,067,524)</u>	<u>(64,957,132)</u>	<u>(336,106,155)</u>	<u>(323,390,528)</u>
Total	<u>\$ 68,383,700</u>	<u>\$ 66,879,351</u>	<u>\$ 86,587,387</u>	<u>\$ 82,251,758</u>	<u>\$ 154,971,087</u>	<u>\$ 149,131,109</u>

CITY OF PORT ARTHUR, TEXAS
Management's Discussion and Analysis

Detailed information on capital asset activity can be found on pages 39-41 in the Notes to the Financial Statements, Note IV. C.

DEBT ADMINISTRATION

The City of Port Arthur General Obligation Bond Series 2010 (the last issue for the City) was rated 'A' by Standard and Poor's and A2 by Moody's Investors Service.

At the end of the current fiscal year, the City of Port Arthur had a total bonded debt of \$80,310,000. More detailed information on long-term debt activity can be found on pages 43-45 in the Notes to the Financial Statements, Note IV.F.

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 50,750,000	\$ 45,980,000
Certificates of obligation	<u>29,560,000</u>	<u>31,745,000</u>
Total	<u>\$ 80,310,000</u>	<u>\$ 77,725,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Port Arthur's budget for fiscal year 2011 included increased property tax revenue due to a 3.9% increase in assessed valuation. However, industrial district revenues declined a sharp 10% due to significant decreased values in those values. The decrease was limited however by a 10% floor in the industrial contracts. The property tax rate remained the same as the prior year, \$0.792 per \$100 valuation.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Port Arthur's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Office of the Assistant City Manager for Administration, P.O. Box 1089, Port Arthur, Texas 77641-1089.

CITY OF PORT ARTHUR, TEXAS

Exhibit 1

Statement of Net Assets

September 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation	Pleasure Island Commission
Assets					
Cash	\$ 2,442,500	\$ -	\$ 2,442,500	\$ 1,241,666	\$ 113,501
Investments	23,371,785	10,246,925	33,618,710	6,976,456	1,193,264
Due from other funds	23,418,973	(23,418,973)	-	-	-
Receivables (net of allowances for doubtful accounts)					
Property taxes	2,819,849	-	2,819,849	-	-
Accounts	2,276,178	3,414,471	5,690,649	428,127	11,456
Federal and state grants	8,779,386	3,048,958	11,828,344	-	-
Notes	732,246	-	732,246	-	-
Inventories	170,113	408,925	579,038	-	-
Prepaid items	259,709	-	259,709	-	11,872
Capital assets:					
Land	2,474,132	362,843	2,836,975	5,757,631	-
Buildings	20,464,102	35,348,650	55,812,752	315,480	-
Improvements	8,526,264	106,776,168	115,302,432	-	8,893,480
Infrastructure	249,663,476	-	249,663,476	-	-
Equipment	41,181,159	4,318,666	45,499,825	35,826	243,659
Construction in progress	13,113,198	8,848,584	21,961,782	-	-
Accumulated depreciation	(267,038,631)	(69,067,524)	(336,106,155)	(53,704)	(3,878,752)
Total Assets	132,654,439	80,287,693	212,942,132	14,701,482	6,588,480
Liabilities					
Wages payable	1,645,393	333,661	1,979,054	15,311	2,973
Accounts payable	2,625,148	1,767,890	4,393,038	55,403	81,743
Other liabilities	89,483	74,449	163,932	-	-
Deferred revenue	13,920,000	-	13,920,000	-	642,147
Noncurrent liabilities:					
Due within one year:					
Bonded debt	6,085,000	-	6,085,000	330,000	-
Capital leases	399,466	-	399,466	-	-
Notes payable	-	-	-	-	30,000
Compensated absences	-	192,954	192,954	-	10,364
Due in more than one year:					
Bonded debt	74,225,000	-	74,225,000	5,780,000	-
Capital leases	401,994	-	401,994	-	-
Notes payable	-	-	-	-	52,447
Compensated absences	8,030,920	913,191	8,944,111	9,739	-
Net pension obligation	505,348	126,337	631,685	-	-
Other post employment benefits	14,488,950	3,639,325	18,128,275	-	-
Refundable deposits	-	1,368,099	1,368,099	-	-
Accrued landfill closure costs	-	2,127,796	2,127,796	-	-
Long-term risk liability	2,306,057	-	2,306,057	-	-
Total Liabilities	124,722,759	10,543,702	135,266,461	6,190,453	819,674
Net Assets					
Invested in capital assets, net of related debt	52,886,404	86,587,387	80,289,627	6,055,233	5,258,435
Restricted for:					
Debt service	3,208,527	-	3,208,527	705,275	-
Capital projects	8,951,450	10,896,172	19,847,622	1,000,000	(49)
Unrestricted	(57,114,701)	(27,739,568)	(25,670,105)	750,521	510,469
Total Net Assets	\$ 7,931,680	\$ 69,743,991	\$ 77,675,671	\$ 8,511,029	\$ 5,768,855

See accompanying notes to the basic financial statements

CITY OF PORT ARTHUR, TEXAS

Statement of Activities

For the Year Ended September 30, 2010

Program Activities	Expenses	Program Revenues			Primary Government			Component Units	
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Economic Development Corporation	Pleasure Island Commission
Governmental activities									
General government	\$ 13,639,715	\$ 728,594	\$ 1,706,269	\$ -	\$ (11,204,852)	\$ -	\$ (11,204,852)	\$ -	\$ -
Culture and recreation	4,968,703	338,417	18,921	-	(4,611,365)	-	(4,611,365)	-	-
Public safety	29,371,645	1,793,753	491,539	1,172,641	(25,913,712)	-	(25,913,712)	-	-
Community development	3,201,371	155,726	3,819,590	-	773,945	-	773,945	-	-
Health and welfare	2,905,668	-	1,693,855	-	(1,211,813)	-	(1,211,813)	-	-
Public transportation	3,061,791	124,657	2,250,344	-	(686,790)	-	(686,790)	-	-
Public works	14,006,598	-	-	-	(14,006,598)	-	(14,006,598)	-	-
Interest on long term debt	3,294,557	-	-	-	(3,294,557)	-	(3,294,557)	-	-
Total governmental activities	<u>74,450,048</u>	<u>3,141,147</u>	<u>9,980,518</u>	<u>1,172,641</u>	<u>(60,155,742)</u>	<u>-</u>	<u>(60,155,742)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and sewer	17,579,403	16,931,852	-	6,850,178	-	6,202,627	6,202,627	-	-
Solid waste	8,422,715	7,653,032	-	-	-	(769,683)	(769,683)	-	-
Total business-type activities	<u>26,002,118</u>	<u>24,584,884</u>	<u>-</u>	<u>6,850,178</u>	<u>-</u>	<u>5,432,944</u>	<u>5,432,944</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 100,452,166</u>	<u>\$ 27,726,031</u>	<u>\$ 9,980,518</u>	<u>\$ 8,022,819</u>	<u>(60,155,742)</u>	<u>5,432,944</u>	<u>(54,722,798)</u>	<u>-</u>	<u>-</u>
Component Units									
Economic Development Corp.								(2,505,539)	-
Pleasure Island Commission								-	262,190
Total Component Units								<u>(2,505,539)</u>	<u>262,190</u>
General Revenues									
Property taxes					16,082,423	-	16,082,423	-	-
Industrial district payments					26,520,879	-	26,520,879	-	-
Gross receipts taxes					4,414,729	-	4,414,729	-	-
Sales					8,108,987	-	8,108,987	4,054,494	-
Other taxes					985,368	-	985,368	-	-
Interest					379,046	53,355	432,401	43,367	3,265
Miscellaneous					1,940,243	6,555	1,946,798	-	-
Transfers					7,487,001	(7,487,001)	-	112,940	-
Total general revenues and transfers					<u>65,918,676</u>	<u>(7,427,091)</u>	<u>58,491,585</u>	<u>4,210,801</u>	<u>3,265</u>
Change in net assets					5,762,934	(1,994,147)	3,768,787	1,705,262	265,455
Net assets, beginning of year					2,168,746	71,738,138	73,906,884	6,544,998	5,503,400
Adjustment to beginning net assets, Note V. G.					-	-	-	260,769	-
Net assets, end of year					<u>\$ 7,931,680</u>	<u>\$ 69,743,991</u>	<u>\$ 77,675,671</u>	<u>\$ 8,511,029</u>	<u>\$ 5,768,855</u>

See accompanying notes to the basic financial statements

CITY OF PORT ARTHUR, TEXAS

Exhibit 3

Balance Sheet

Governmental Funds

September 30, 2010

	General	Debt Service	Community Development Block Grant	FEMA	Capital Projects	Non Major Governmental Funds	Total Governmental Funds
Assets							
Cash	\$ 368,281	\$ 156,568	\$ -	\$ -	\$ 597,754	\$ 316,187	\$ 1,438,790
Investments	5,000,000	3,000,000	-	-	7,000,000	1,811,515	16,811,515
Due from other funds	26,550,162	-	-	-	981,321	198,632	27,730,115
Receivables (net of allowance for doubtful accounts):							
Property taxes	1,516,914	1,302,935	-	-	-	-	2,819,849
Accounts	93,308	-	1,190,969	-	-	958,385	2,242,662
Federal and state grants	121,115	-	498,464	4,354,433	700,000	3,105,374	8,779,386
Notes	732,246	-	-	-	-	-	732,246
Inventories	-	-	-	-	-	116,515	116,515
Prepaid items	128,709	-	-	-	-	-	128,709
Total Assets	\$ 34,510,735	\$ 4,459,503	\$ 1,689,433	\$ 4,354,433	\$ 9,279,075	\$ 6,506,608	\$ 60,799,787
Liabilities and Fund Balances							
Liabilities							
Wages payable	\$ 1,455,572	\$ -	\$ 18,090	\$ -	\$ -	\$ 150,778	\$ 1,624,440
Accounts payable	1,430,602	-	71,248	14,638	327,625	704,193	2,548,306
Due to other funds	-	-	571,889	4,339,795	-	3,512,244	8,423,928
Other liabilities	-	-	-	-	-	89,483	89,483
Deferred revenue	15,388,001	1,250,976	1,028,206	-	-	371,054	18,038,237
Total Liabilities	18,274,175	1,250,976	1,689,433	4,354,433	327,625	4,827,752	30,724,394
Fund Balances:							
Reserved for:							
Prepaid items	128,709	-	-	-	-	-	128,709
Debt service	-	3,208,527	-	-	-	-	3,208,527
Capital projects	-	-	-	-	8,951,450	-	8,951,450
Unreserved, reported in:							
General fund	16,107,851	-	-	-	-	-	16,107,851
Special revenue	-	-	-	-	-	1,678,856	1,678,856
Total fund balances	16,236,560	3,208,527	-	-	8,951,450	1,678,856	30,075,393
Total liabilities and fund balances	\$ 34,510,735	\$ 4,459,503	\$ 1,689,433	\$ 4,354,433	\$ 9,279,075	\$ 6,506,608	

Reconciliation to government-wide statement of net assets

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in these funds.	61,994,881
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in these funds.	4,118,237
Internal service funds are used by management to charge the costs of certain capital assets, employee benefits and risk management activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	15,049,769
Long term liabilities are not due and payable in the current period, and therefore are not reported in these funds	(103,306,600)
Net assets of governmental activities	\$ 7,931,680

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2010

	General	Debt Service	Community Development Block Grant	FEMA	Capital Projects	Non major Governmental Funds	Total Governmental Funds
Revenues							
Taxes:							
Property	\$ 7,944,360	\$ 7,659,925	\$ -	\$ -	\$ -	\$ -	\$ 15,604,285
Penalty and interest	335,569	-	-	-	-	-	335,569
Industrial district payments	26,520,879	-	-	-	-	-	26,520,879
Gross receipts taxes	4,414,729	-	-	-	-	-	4,414,729
Sales	8,108,987	-	-	-	-	-	8,108,987
Other taxes	127,176	-	-	-	-	858,192	985,368
Licenses and permits	702,347	-	-	-	-	-	702,347
User fees	354,501	-	-	-	-	134,820	489,321
Fines and forfeitures	1,637,040	-	-	-	-	156,713	1,793,753
Intergovernmental	487,639	-	1,324,477	(1,030,152)	950,000	9,328,302	11,060,266
Donations	-	-	-	-	25,000	7,665	32,665
Program revenue	-	-	35,513	-	-	107,208	142,721
Interest revenue	217,333	30,369	-	-	56,802	9,981	314,485
Miscellaneous	309,420	609,635	-	758,992	33,725	198,505	1,910,277
Total revenues	51,159,980	8,299,929	1,359,990	(271,160)	1,065,527	10,801,386	72,415,652
Expenditures							
Current:							
General government	10,988,142	-	-	436,247	-	1,818,668	13,243,057
Culture and recreation	3,766,181	-	-	-	-	813,433	4,579,614
Public safety	27,544,653	-	-	-	-	1,370,189	28,914,842
Community development	-	-	758,501	-	-	2,249,701	3,008,202
Health and welfare	1,077,345	-	-	-	-	1,784,925	2,862,270
Public transportation	-	-	-	-	-	3,242,534	3,242,534
Public works	8,224,026	-	-	-	-	-	8,224,026
Capital outlay	-	-	-	-	7,553,541	-	7,553,541
Debt service:							
Principal retirement	-	5,414,884	-	-	-	-	5,414,884
Interest and fiscal charges	-	3,252,051	-	-	-	-	3,252,051
Total Expenditures	51,600,347	8,666,935	758,501	436,247	7,553,541	11,279,450	80,295,021
Excess (deficiency) of revenues over expenditures	(440,367)	(367,006)	601,489	(707,407)	(6,488,014)	(478,064)	(7,879,369)
Other financing sources (uses)							
Proceeds from bond issuance	-	-	-	-	8,092,240	-	8,092,240
Transfers in	7,969,327	-	-	-	1,326,679	895,951	10,191,957
Transfers out	(3,552,051)	(477,876)	(601,489)	-	-	(311,966)	(4,943,382)
Total other financing sources (uses)	4,417,276	(477,876)	(601,489)	-	9,418,919	583,985	13,340,815
Net changes in fund balances	3,976,909	(844,882)	-	(707,407)	2,930,905	105,921	5,461,446
Fund balances, beginning of year as originally reported	11,416,518	4,053,409	-	707,407	6,020,545	1,503,957	23,701,836
Prior period adjustment, Note V.F.	843,133	-	-	-	-	68,978	912,111
Fund balances, beginning of year as restated	12,259,651	4,053,409	-	707,407	6,020,545	1,572,935	24,613,947
Fund balances, end of year	\$ 16,236,560	\$ 3,208,527	\$ -	\$ -	\$ 8,951,450	\$ 1,678,856	\$ 30,075,393

See accompanying notes to the basic financial statements

CITY OF PORT ARTHUR, TEXAS

Exhibit 5

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
For the year ended September 30, 2010**

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

Net change in fund balances - total governmental funds \$ 5,461,446

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. This is the amount by which capital outlays exceeded depreciation in the current period. 2,515,535

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 155,574

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond principal retired 5,414,884
Proceeds of Bond Issuance (8,092,240)

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

Increase in long term accrued compensated absences (479,693)
Increase in net pension obligation (310,064)
Decrease in other post employment benefits 68,348

Internal service funds are used by management to charge the costs of certain capital assets and employee benefits to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

Change in net assets 461,700
Net amount allocated to business activities 567,445

Change in net assets of governmental activities \$ 5,762,935

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual (Budget Basis)

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 7,767,000	\$ 7,767,000	\$ 7,944,360	\$ 177,360
Penalty and interest	314,000	314,000	335,569	21,569
Industrial district payments	24,000,000	24,000,000	23,040,879	(959,121)
Gross receipts taxes	4,340,000	4,340,000	4,414,729	74,729
Sales tax	8,600,000	8,600,000	8,108,987	(491,013)
Other taxes	93,000	93,000	127,176	34,176
Licenses and permits	652,700	652,700	702,347	49,647
User fees	356,200	356,200	354,501	(1,699)
Fines and forfeitures	1,536,000	1,536,000	1,637,040	101,040
Intergovernmental	668,743	668,743	487,639	(181,104)
Interest revenue	240,000	240,000	217,333	(22,667)
Miscellaneous	90,000	90,000	309,420	219,420
Total revenues	<u>48,657,643</u>	<u>48,657,643</u>	<u>47,679,980</u>	<u>(977,663)</u>
Expenditures				
Current:				
General government:				
Administration	2,024,143	3,020,142	2,392,120	628,022
City secretary	971,522	1,003,522	1,015,287	(11,765)
City attorney	594,511	594,511	478,977	115,534
Finance	3,434,394	3,669,794	3,608,455	61,339
Human resources	648,878	648,878	529,142	119,736
One Block at at Time	238,848	721,131	487,350	233,781
Grants Management	606,683	-	-	-
Planning	433,414	433,414	419,757	13,657
Community services	2,137,745	2,202,745	2,057,054	145,691
Culture and recreation:				
Civic center	525,969	541,969	520,409	21,560
Parks and recreation	2,357,696	2,357,696	2,052,103	305,593
Library	1,359,257	1,359,257	1,193,669	165,588
Public safety:				
Police	16,269,329	16,300,329	16,597,719	(297,390)
Fire	10,600,423	10,918,423	10,946,934	(28,511)
Health and welfare	1,230,661	1,356,171	1,077,345	278,826
Public works	8,455,200	9,455,200	8,224,026	1,231,174
Total expenditures	<u>51,888,673</u>	<u>54,583,182</u>	<u>51,600,347</u>	<u>2,982,835</u>
Excess (deficiency) of revenues over expenditures	<u>(3,231,030)</u>	<u>(5,925,539)</u>	<u>(3,920,367)</u>	<u>2,005,172</u>
Other financing sources (uses):				
Transfers in	7,996,934	8,603,617	7,969,327	(634,290)
Transfers out	<u>(2,916,100)</u>	<u>(3,552,051)</u>	<u>(3,552,051)</u>	<u>-</u>
Total other financing sources (uses)	<u>5,080,834</u>	<u>5,051,566</u>	<u>4,417,276</u>	<u>(634,290)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>1,849,804</u>	<u>(873,973)</u>	<u>496,909</u>	<u>1,370,882</u>
Fund balance, beginning of year - budget basis, as previously reported	28,416,518	28,416,518	28,416,518	-
Prior period adjustment, note V.F.	<u>843,133</u>	<u>843,133</u>	<u>843,133</u>	<u>-</u>
Fund balance, beginning of year - budget basis, as restated	<u>29,259,651</u>	<u>29,259,651</u>	<u>29,259,651</u>	<u>-</u>
Fund balance, end of year - budget basis	<u>\$ 31,109,455</u>	<u>\$ 28,385,678</u>	<u>\$ 29,756,560</u>	<u>\$ 1,370,882</u>

See accompanying notes to the basic financial statements

Statement of Net Assets

Proprietary Funds

September 30, 2010

	Business Type Activities-Enterprise Funds			Governmental
	Water and Sewer	Solid Waste	Totals	Activities- Internal Service Funds
Assets				
Current assets:				
Cash	\$ -	\$ -	\$ -	\$ 1,003,710
Investments	10,246,925	-	10,246,925	6,560,270
Due from other funds	112,806	-	112,806	2,926,418
Receivables (net, where applicable, of allowance for doubtful accounts)				
Accounts	1,887,472	1,526,999	3,414,471	33,516
Federal and state grants	3,048,958	-	3,048,958	-
Inventories	408,925	-	408,925	53,598
Prepaid expense	-	-	-	131,000
Total current assets	15,705,086	1,526,999	17,232,085	10,708,512
Noncurrent assets:				
Capital assets:				
Land	362,844	-	362,844	-
Buildings	35,348,650	-	35,348,650	878,663
Improvements	106,776,168	-	106,776,168	-
Equipment	3,392,011	926,655	4,318,666	22,855,783
Construction in progress	8,848,583	-	8,848,583	-
Total capital assets	154,728,256	926,655	155,654,911	23,734,446
Accumulated depreciation	(68,642,404)	(425,120)	(69,067,524)	(17,345,627)
Capital assets, net of accumulated depreciation	86,085,852	501,535	86,587,387	6,388,819
Total assets	\$ 101,790,938	\$ 2,028,534	\$ 103,819,472	\$ 17,097,331
Liabilities				
Current liabilities:				
Wages payable	\$ 229,229	\$ 104,432	\$ 333,661	\$ 20,953
Accounts payable	1,460,319	307,571	1,767,890	76,842
Due to other funds	19,418,993	1,524,079	20,943,072	1,402,339
Capital leases payable - current portion	-	-	-	399,466
Compensated absences	137,812	55,142	192,954	14,377
Total current liabilities	21,246,353	1,991,224	23,237,577	1,913,977
Noncurrent liabilities:				
Refundable deposits	1,368,099	-	1,368,099	-
Other liabilities	74,449	-	74,449	-
Capital leases payable	-	-	-	401,994
Accrued landfill closure costs	-	2,127,796	2,127,796	-
Compensated absences	683,811	229,380	913,191	14,241
Net pension benefit obligation	79,592	46,745	126,337	-
Other post employment benefits	2,292,775	1,346,550	3,639,325	-
Long-term risk liability	-	-	-	2,306,057
Total non current liabilities	4,498,726	3,750,471	8,249,197	2,722,292
Total liabilities	25,745,079	5,741,695	31,486,774	4,636,269
Net Assets				
Invested in capital assets	86,085,852	501,535	86,587,387	5,587,359
Restricted for construction	10,246,925	-	10,246,925	-
Unrestricted	(20,286,918)	(4,214,696)	(24,501,614)	6,873,703
Total net assets	\$ 76,045,859	\$ (3,713,161)	72,332,698	\$ 12,461,062
Reconciliation to government-wide statement of net assets:				
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			(2,588,707)	
Net assets of business-type activities			\$ 69,743,991	

See accompanying notes to the basic financial statements

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2010**

	Business-Type Activities-Enterprise Funds			Governmental
	Water and Sewer	Solid Waste	Total	Activities- Internal Service Funds
Operating Revenues				
Charges for services	\$ 16,931,852	\$ 7,653,032	\$ 24,584,884	\$ 13,729,660
Operating Expenses				
Personnel services	6,134,447	3,083,972	9,218,419	646,702
Other operating expenses	6,043,388	4,858,866	10,902,254	2,538,015
Depreciation	4,109,577	815	4,110,392	2,121,113
Health and life insurance	-	-	-	7,876,708
Employee injury claims	-	-	-	680,820
Other employee benefits	-	-	-	402,841
Damage claims	-	-	-	1,352,435
Landfill closure costs	-	234,913	234,913	-
Loss on uncollectable accounts	962,025	6,670	968,695	-
Total operating expenses	17,249,437	8,185,236	25,434,673	15,618,634
Income from operations	(317,585)	(532,204)	(849,789)	(1,888,974)
Nonoperating revenues (expenses)				
Interest revenue	53,355	-	53,355	64,561
Interest expense	-	-	-	(42,506)
Federal and state grants	6,850,178	-	6,850,178	60,228
Gain (loss) on sale of capital assets	-	6,555	6,555	29,965
Total nonoperating revenues (expenses)	6,903,533	6,555	6,910,088	112,248
Income before transfers	6,585,948	(525,649)	6,060,299	(1,776,726)
Transfers in	-	-	-	2,517,676
Transfers out	(6,669,497)	(817,504)	(7,487,001)	(279,250)
Net transfers	(6,669,497)	(817,504)	(7,487,001)	2,238,426
Change in net assets	(83,549)	(1,343,153)	(1,426,702)	461,700
Net assets, beginning of year	76,129,408	(2,370,008)		11,999,362
Net assets, end of year	\$ 76,045,859	\$ (3,713,161)		\$ 12,461,062
Reconciliation to government-wide statement of net assets:				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(567,445)	
Increase in net assets of business-type activities			\$ (1,994,147)	

See accompanying notes to the basic financial statements

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2010

	<u>Business-Type Activities-Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Activities-Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 13,025,386	\$ 7,923,077	\$ 20,948,463	\$ 13,724,696
Payments to employees	(5,975,878)	(3,042,445)	(9,018,323)	(639,795)
Payments to vendors	(5,199,627)	(4,710,831)	(9,910,458)	(13,146,284)
Net cash provided by operating activities	<u>1,849,881</u>	<u>169,801</u>	<u>2,019,682</u>	<u>(61,383)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances from other funds	3,860,547	641,148	4,501,695	(1,524,079)
Transfers from other funds	-	-	-	2,517,676
Transfers to other funds	(6,669,497)	(817,504)	(7,487,001)	(279,250)
Net cash provided (used) by noncapital financing activities	<u>(2,808,950)</u>	<u>(176,356)</u>	<u>(2,985,306)</u>	<u>714,347</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES				
Acquisition and construction of capital assets	(8,446,021)	-	(8,446,021)	(1,154,127)
Principal paid on capital debt	-	-	-	(435,370)
Interest paid on capital debt	-	-	-	(42,506)
Federal and state capital grants	6,850,178	-	6,850,178	60,228
Proceeds from sale of assets	-	6,555	6,555	83,167
Net cash (used) by capital and related financing activities	<u>(1,595,843)</u>	<u>6,555</u>	<u>(1,589,288)</u>	<u>(1,488,608)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	1,977,305	-	1,977,305	6,500,000
Purchase of investments	-	-	-	(6,560,270)
Interest on cash and investments	53,355	-	53,355	64,561
Net cash provided by investing activities	<u>2,030,660</u>	<u>-</u>	<u>2,030,660</u>	<u>4,291</u>
Net (decrease) in cash	<u>(524,252)</u>	<u>-</u>	<u>(524,252)</u>	<u>(831,353)</u>
Cash, beginning of year	524,252	-	524,252	1,835,063
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,003,710</u>
Reconciliation of income from operations to net cash provided by operating activities:				
Income from operations	\$ (317,585)	\$ (532,204)	\$ (849,789)	\$ (1,888,974)
Adjustments to reconcile income from operations to net cash provided (used) by operating activities:				
Depreciation	4,109,577	815	4,110,392	2,112,112
Provision for doubtful accounts	962,025	6,670	968,695	-
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(936,144)	270,045	(666,099)	41,513
(Increase) in grants receivable	(3,048,958)	-	(3,048,958)	-
(Increase) decrease in inventory	(149,079)	-	(149,079)	82,838
(Increase) decrease in prepaid expense	-	-	-	24,924
Increase in wages payable	52,569	19,626	72,195	1,735
Increase (decrease) in accounts payable	1,006,569	148,035	1,154,604	(223,635)
Increase in deposits	78,636	-	78,636	-
Increase in other liabilities	(13,729)	-	(13,729)	-
Increase in landfill closure costs	-	234,913	234,913	-
Increase (decrease) in compensated absences	57,165	(6,780)	50,385	4,841
Increase in net pension benefit obligation	48,835	28,681	77,516	-
Increase in long-term risk liability	-	-	-	(216,737)
Net cash provided by operating activities	<u>\$ 1,849,881</u>	<u>\$ 169,801</u>	<u>\$ 2,019,682</u>	<u>\$ (61,383)</u>

See accompanying notes to the basic financial statements

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

September 30, 2010

I. Summary of Significant Accounting Policies

The financial statements of the City of Port Arthur, Texas (the “City”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies used by the City.

A. REPORTING ENTITY

The City of Port Arthur, Texas (City) was incorporated under the laws of the State of Texas, May 30, 1898 and has operated under a Council-Manager form of government since March 8, 1932. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Port Arthur (the primary government) and its component units. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that each is legally separate from the government.

Discretely presented component units

The Port Arthur Section 4A Economic Development Corporation (EDC), an entity legally separate from the City, is governed by a nine member board of directors appointed by the City Council. The EDC is funded by a one half cent additional sales tax dedicated to economic development activities, which was approved by voters November 7, 1995 and implemented April 1, 1996. The budget, financial reports, and bonds of the EDC must be approved by the City Council.

The Pleasure Island Commission (Commission) was created by the City’s Charter and an Act of the State of Texas to manage, control, maintain, operate, and develop lands owned by the City in and under Sabine Lake. The Commission is governed by a nine-member commission appointed by the City Council. Although it is a legally separate entity, the Commission’s operations are limited solely to property owned by the City and the City Council must approve many of the Commissions transactions, such as the issuance of bonds.

The notes to the financial statements include disclosures pertaining to the City as the primary government and also the Port Arthur Section 4A Economic Development Corporation as a component unit. There is not a separately issued financial statement. Disclosures related to the Pleasure Island Commission are not included in these disclosures unless otherwise noted. The complete financial report of the Pleasure Island Commission can be obtained directly from their administrative offices: Pleasure Island Commission, 520 Pleasure Pier Blvd., Port Arthur, Texas 77640.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given structure or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

September 30, 2010

specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *community development block grant* and the *Federal Emergency Management Agency - fema funds* each account for the activities under these respective grant programs. The *fema* fund accounts for costs and reimbursements related to hurricanes that affected the City from 2005 – 2008.
- The *capital projects fund* accounts for the City's capital improvement plan.

The City reports the following major proprietary funds:

- The *water and sewer fund* accounts for the activities of the water and sewer utility of the City. This fund operates the water treatment and distribution functions, along with the wastewater collection and treatment.

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

September 30, 2010

- The *solid waste fund* accounts for the activities of the solid waste function of the City. The fund operates the municipal landfill, along with the collection of residential and commercial garbage, trash and green waste.

Additionally, the City reports the following fund type:

- *Internal service funds* account for fleet management, equipment replacement, and employee benefit costs. These costs are reimbursed, on a user cost basis, by departments. The internal service funds predominantly serve the governmental funds and are reported accordingly.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for administrative services between funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 City's water and sewer and solid waste funds are from charges to customers for sales and services. Operating expenses from the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES AND EQUITY

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less. Statutes of the State of Texas and policies adopted by City Council authorize the City to invest in obligations of the U.S. Treasury, securities issued by U.S. government agencies, bankers acceptances, repurchase agreements, certificates of deposit, and local government investment pools. Investments are stated at fair value in all funds.

2. Property Taxes Receivable

The City's property taxes are levied annually, October 1, on the basis of assessed values as of January 1 of that calendar year, which are certified by the Jefferson County Appraisal District. Taxes are applicable to the fiscal year in which they are levied. They become delinquent on February 1 of the subsequent calendar year at which time the applicable property is subject to lien, and penalties and interest are assessed.

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

September 30, 2010

3. *Receivables*

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

4. *Interfund Receivables and Payables*

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

5. *Inventories and Prepaid Items*

Inventories are valued at cost using the weighted average cost method. Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items.

6. *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. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the 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 lives:

<u>Type of Asset</u>	<u>Life</u>
Buildings	20 - 55 years
Improvements	20 - 60 years
Equipment	2 - 10 years

7. *Compensated Absences*

The City's employees earn vacation and sick leave, which may be accumulated, subject to certain restrictions, until paid on termination. Employees may accumulate vacation, in excess of that earned in the current year, only with the approval of the City Manager. Upon termination, employees are paid for all unused vacation that has been accumulated. Accumulated vacation is expected to be liquidated with expendable available financial resources, and is reported as expenditure and a liability in the governmental or proprietary fund that will pay for it.

The limits for sick leave accumulation vary by hire date and position classification. Civil service employees (police officers and firefighters) may accumulate sick leave without limit. Upon termination, they are paid for a maximum of 140 days. Non-civil service employees accumulate sick leave up to their limit, which is based upon their hire date. For employees hired before May 31, 1989, the limit is 140 days. For employees hired after that date the limit is 90 days. This accumulated sick leave is not payable upon termination, for non-civil service employees, until they have completed five (5) years of service. For non-civil service employees hired after January 1, 1996, the accumulated sick leave will be paid at 50% of their unused, accumulated balance. After ten (10) years of service, these employees will be paid for 100% of their unused, accumulated balance, up to a maximum of 60 days. Accumulated sick leave, attributable to governmental funds, that is not expected to be liquidated with available financial resources are reported as long term liabilities on the statement of net assets. No expenditure is reported in the fund financial statements for these amounts. Those amounts attributable to proprietary funds are recorded as expenses and liabilities in those funds as the benefits accrue to the employee.

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

September 30, 2010

8. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 financial 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.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Reconciliation of Government-wide Financial Statements

Explanation of Reclassification Required on the Government-Wide Statement of Net Assets

When governmental activities report debt that financed the acquisition of capital assets that business-type activities report, that debt is not considered to be capital-related debt of the governmental activities. Such debt should not be part of the calculation of net assets invested in capital assets, net of related debt within that reporting unit. However, when the total reporting entity is presented as the reporting unit, the debt is related to the capital assets within that reporting unit. Thus reconciliation is necessary as follows:

Net Assets	Primary Government			Total
	Governmental Activities	Business-type Activities	Reclassification	
Invested in capital, net of related debt	\$ 52,886,404	\$ 86,587,387	\$ (59,184,164)	\$ 80,289,627
Restricted for:				
Debt Service	3,208,527	-		3,208,527
Capital Projects	8,951,450	10,896,172		19,847,622
Unrestricted	<u>(57,114,701)</u>	<u>(27,739,568)</u>	<u>59,184,164</u>	<u>(25,670,105)</u>
Total Net Assets	<u>\$ 7,931,680</u>	<u>\$ 69,743,991</u>	<u>\$ -</u>	<u>\$ 77,675,671</u>

Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets-governmental activities* as reported in the government-wide financial statement of net assets. One element of that reconciliation explains, “long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$102,410,966 difference are as follows:

CITY OF PORT ARTHUR, TEXAS

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Bonds payable	\$ 80,310,000
Compensated absences	7,933,954
Net pension obligation - TMRS	505,348
Other post employment benefits	<u>14,557,298</u>
<i>Net adjustment to reduce fund balances-total governmental funds to arrive at net assets - governmental activities</i>	<u>\$ 103,306,600</u>

Explanation of Certain Differences Between the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation explains, “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.” The details of this \$2,515,535 difference are as follows:

Capital outlay	\$ 9,858,091
Depreciation expense	<u>(7,342,556)</u>
<i>Net adjustment to increase fund balances- total governmental funds to arrive at net assets -governmental activities</i>	<u>\$ 2,515,535</u>

III. Stewardship, Compliance and Accountability

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the following governmental fund types of the primary government: the General Fund, the Debt Service Fund, the Library Special Fund, the Golf Course Fund, the Police Special Fund, Municipal Court Technology Fund, the Hotel Occupancy Tax Fund, and the Transit System Fund. The Capital Projects fund is budgeted on a project basis, rather than an annual basis. The remaining governmental type funds are not budgeted. Budgets for the Enterprise Funds and the Internal Service Funds are adopted on a basis not consistent with generally accepted accounting principles because the budget presents capital outlays as expenditures and there is no provision for depreciation expense. All operating funds of the Port Arthur Section 4A Economic Development Corporation have annual budgets adopted on a basis consistent with GAAP.

On or before August 31 of each year the City Manager presents the City Council with a proposed budget for the ensuing fiscal year. The Council holds public hearings and a final budget must be prepared and adopted by September 30. Budgets are appropriated by fund and department. The legal level of control is the department level. The City Council made eleven supplementary budgetary appropriations during the year. These ordinances added \$7.3 million in funding for various capital projects, development projects, equipment purchases, additional personnel, and unanticipated operating cost increases. The City’s department heads may make transfers of appropriations within department line items with the City Manager’s approval. Transfers between departments require the approval of the City Council.

General Fund Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis) is presented as Exhibit 6, on Page 23, of this report. The following is a reconciliation of the differences between budget and GAAP basis:

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

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Actual amount (budgetary basis) of industrial revenue received in fiscal 2010 as reported on Exhibit 6	\$ 23,040,879
Year one of the five year amortization of prepaid industrial payments received in fiscal 2009 recorded as deferred revenue	<u>3,480,000</u>
GAAP Basis industrial revenue as reported on Exhibit 4	<u>\$ 26,520,879</u>
Actual fund balance (budget basis) as reported on Exhibit 6	\$ 29,756,560
Balance of advance industrial payments, recorded as deferred revenue for GAAP purposes	<u>(13,520,000)</u>
GAAP Basis fund balance as reported on Exhibit 4	<u>\$ 16,236,560</u>

The City uses encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored in the subsequent year. Appropriations lapse at September 30.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2010, expenditures exceeded appropriations in the following departments of the City of Port Arthur:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
City Secretary	\$ 1,003,522	\$ 1,015,287	\$ (11,765)
Police	16,300,329	16,597,719	(297,390)
Fire	10,918,423	10,946,934	(28,511)

These expenditures were funded through savings in other General Fund departments. In the General Fund total expenditures were \$2,982,835 less than the budget, as amended.

C. DEFICIT FUND EQUITY

The following funds had deficit fund equity, or net assets, as of September 30, 2010:

<u>Fund</u>	<u>Amount</u>
Health Grants Fund	\$ 491,499
Neighborhood Stabilization Grant	2,027
Transit System Fund	3,787
Solid Waste Fund	2,370,008
Equipment Services Fund	1,369,474

CITY OF PORT ARTHUR, TEXAS

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IV. Detailed Notes on all Funds

A. CASH AND INVESTMENTS

For the purposes of managing cash and investments, the funds of the Port Arthur Section 4A Economic Development Corporation (EDC) are pooled with those of the City. At year end, the carrying amount of these deposits was \$3,658,740 and the bank balance was \$5,552,354. Of the bank balance, 100% was covered by federal depository insurance or by collateral held by the City's agent in the City's name. The carrying amount of deposits for the Pleasure Island Commission, a discretely presented component unit, was \$1,306,765. All balances are entirely insured or collateralized with securities held by a financial institution in the Commission's name. At year end, the City's investment balances, including funds of the Port Arthur Section 4A Economic Development Corporation, were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>
High yield deposits	\$ 4,687,582	1
Certificates of Deposit	500,000	248
Federal agency coupon securities	24,606,668	721
Texas Local Government Investment Pool (Tex Pool)	10,800,916	1
Total fair value	<u>\$ 40,595,166</u>	
Portfolio weighted average maturity		440

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 366 days for operating funds.

Credit risk. The State of Texas authorizes investment instruments allowed for local government funds. The City's investment policy further restricts those authorized investments, maintaining safety and preservation of principal as the primary goal of the policy. The City's investments include deposits in the Texas Local Government Investment Pool (TexPool). Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State of Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. TexPool operates on a \$1 net asset value basis. In order to maintain a stable \$1 price of the fund, the pool will sell portfolio holdings if the ratio of market value of the portfolio divided by the book value of the portfolio is less than .995 or greater than 1.005. Tex Pool is rated AAA by Standard and Poor's.

Concentration of credit risk. The City's investment policy limits investments from a specific issuer, and by investing in instruments of varying maturities.

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial risk. As of September 30, 2010, none of the City's deposits were subject to custodial credit risk.

For an investment, this is the risk that, in the event of the failure of counterparty, the government 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 limits this risk by contracting with a third party custodian for securities. This bank holds the securities in the City's name which are evidenced by safekeeping receipts of the institution.

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B. RECEIVABLES

Receivables as of September 30, 2010 for the City’s individual major funds and non-major and internal service funds in the aggregate, including applicable allowances for uncollectible amounts, are as follows:

	General	Debt Service	Proprietary Funds	Nonmajor Governmental and Other Funds	Total
Receivables:					
Taxes	\$ 1,784,605	\$ 1,532,865	\$ -	\$ -	\$ 3,317,470
Accounts	4,693,680		11,888,437	2,182,870	18,764,987
Intergovernmental	121,115		3,048,958	8,537,196	11,707,269
Other	952,247	-	-	-	952,247
Gross receivables	7,551,647	1,532,865	14,937,395	10,720,066	34,741,973
Less: allowance for uncollectibles	(5,088,064)	(229,930)	(8,473,966)	-	(13,791,960)
Net total receivables	\$ 2,463,583	\$ 1,302,935	\$ 6,463,429	\$ 10,720,066	\$ 20,950,013

Governmental funds report *deferred revenues* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Delinquent property taxes receivable (general and debt service funds)	\$ 2,718,977
Advance industrial district payments (general fund)	13,920,000
Grant activity (special revenue funds)	1,389,206
<i>Total deferred revenue</i>	<u>\$ 18,028,183</u>

C. CAPITAL ASSETS

Capital asset activity of the primary government for the year ended September 30, 2010 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities				
<i>Capital assets, not being depreciated</i>				
Land	\$ 2,474,132	\$ -	\$ -	\$ 2,474,132
Construction in process	7,763,919	8,015,994	(2,666,715)	13,113,198
<i>Total capital assets, not being depreciated</i>	<u>10,238,051</u>	<u>8,015,994</u>	<u>(2,666,715)</u>	<u>15,587,330</u>
<i>Capital assets, being depreciated</i>				
Buildings	18,968,558	1,495,544	-	20,464,102
Improvements	8,526,264	-	-	8,526,264
Infrastructure	248,492,305	1,171,171	-	249,663,476
Equipment	39,087,569	2,996,225	(902,635)	41,181,159
<i>Total capital assets, being depreciated</i>	<u>315,074,696</u>	<u>5,662,940</u>	<u>(902,635)</u>	<u>319,835,001</u>
<i>Less: accumulated depreciation for:</i>				
Buildings	(12,313,807)	(490,926)	-	(12,804,733)
Improvements	(4,151,622)	(868,051)	-	(5,019,673)
Infrastructure	(216,226,766)	(5,073,349)	-	(221,300,115)
Equipment	(25,741,201)	(3,022,343)	849,434	(27,914,110)
<i>Total accumulated depreciation</i>	<u>(258,433,396)</u>	<u>(9,454,669)</u>	<u>849,434</u>	<u>(267,038,631)</u>
<i>Total capital assets, being depreciated, net</i>	<u>56,641,300</u>	<u>(3,791,729)</u>	<u>(53,201)</u>	<u>52,796,370</u>
Governmental activities, capital assets, net	\$ 66,879,351	\$ 4,224,265	\$ (2,719,916)	\$ 68,383,700

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

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	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business type activities				
<i>Capital assets, not being depreciated</i>				
Land	\$ 362,843	\$ -	\$ -	\$ 362,843
Construction in process	<u>1,080,262</u>	<u>8,356,211</u>	<u>(587,889)</u>	<u>8,848,584</u>
<i>Total capital assets, not being depreciated</i>	<u>1,443,105</u>	<u>8,356,211</u>	<u>(587,889)</u>	<u>9,211,427</u>
<i>Capital assets, being depreciated</i>				
Buildings	35,348,650	-	-	35,348,650
Improvements	106,188,279	587,889	-	106,776,168
Equipment	<u>4,228,856</u>	<u>89,810</u>	<u>-</u>	<u>4,318,666</u>
<i>Total capital assets, being depreciated</i>	<u>145,765,785</u>	<u>677,699</u>	<u>-</u>	<u>146,443,484</u>
<i>Less: accumulated depreciation for:</i>				
Buildings	(12,661,528)	(1,048,708)	-	(13,710,236)
Improvements	(50,625,116)	(2,934,961)	-	(53,560,077)
Equipment	<u>(1,670,488)</u>	<u>(126,723)</u>	<u>-</u>	<u>(1,797,211)</u>
<i>Total accumulated depreciation</i>	<u>(64,957,132)</u>	<u>(4,110,392)</u>	<u>-</u>	<u>(69,067,524)</u>
<i>Total capital assets, being depreciated, net</i>	<u>80,808,653</u>	<u>(3,432,693)</u>	<u>-</u>	<u>77,375,960</u>
Business type activities, capital assets, net	<u>\$ 82,251,758</u>	<u>\$ 4,923,518</u>	<u>\$ (587,889)</u>	<u>\$ 86,587,387</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 403,461
Public safety	184,086
Public works	5,842,530
Community development	168,754
Culture and recreation	244,781
Health and welfare	50,187
Public transportation	448,757

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets

2,112,113

\$ 9,454,669

Business type activities:

Water and sewer	\$ 4,109,577
Solid waste	<u>815</u>

\$ 4,110,392

Construction commitments

The primary government has active construction projects as of September 30, 2010. At year end, the City's major commitments with contractors are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Spent thru 9/30/2010</u>	<u>Remaining Commitment</u>
Texas Water Development Board / ARRA Sanitary Sewer Rehab Projects	\$ 15,404,916	\$ 6,917,385	\$ 8,487,531
Police Station Remodel	2,246,511	102,354	2,144,157
Recreation Center Improvements	1,449,194	626,617	822,577

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

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Port Arthur Economic Development Corporation

Activity for the capital assets of the Port Arthur Economic Development Corporation, for the year ended September 30, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities				
<i>Capital assets, not being depreciated</i>				
Land	\$ 5,779,130	\$ -	\$ (21,499)	\$ 5,757,631
<i>Total capital assets, not being depreciated</i>	<u>5,779,130</u>	<u>-</u>	<u>(21,499)</u>	<u>5,757,631</u>
<i>Capital assets being depreciated</i>				
Building	315,480	-	-	315,480
Equipment	35,826	-	-	35,826
Less: accumulated depreciation	<u>(34,361)</u>	<u>(19,343)</u>	<u>-</u>	<u>(53,704)</u>
<i>Total capital assets being depreciated</i>	<u>316,945</u>	<u>(19,343)</u>	<u>-</u>	<u>297,602</u>
Governmental activities, capital assets, net	<u>\$ 6,096,075</u>	<u>\$ (19,343)</u>	<u>\$ (21,499)</u>	<u>\$ 6,055,233</u>

Pleasure Island Commission

Activity for the capital assets of the Pleasure Island Commission, for the year ended September 30, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	\$ 4,789,225	\$ -	\$ -	\$ 4,789,225
<i>Total capital assets being depreciated</i>	4,789,225	-	-	4,789,225
<i>Less: Accumulated depreciation for:</i>				
Buildings and improvements	<u>(1,785,789)</u>	<u>(173,496)</u>	<u>-</u>	<u>(1,959,285)</u>
<i>Total accumulated depreciation</i>	<u>(1,785,789)</u>	<u>(173,496)</u>	<u>-</u>	<u>(1,959,285)</u>
Governmental Activities, capital assets, net	<u>\$ 3,003,436</u>	<u>\$ (173,496)</u>	<u>\$ -</u>	<u>\$ 2,829,940</u>
Business-type Activities				
<i>Capital assets, not being depreciated:</i>				
Construction in progress	\$ 81,431	\$ -	\$ (81,431)	\$ -
<i>Total capital assets, not being depreciated</i>	<u>81,431</u>	<u>-</u>	<u>(81,431)</u>	<u>-</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	4,104,255	-	-	4,104,255
Equipment	<u>243,660</u>	<u>-</u>	<u>-</u>	<u>243,660</u>
<i>Total capital assets being depreciated</i>	4,347,915	-	-	4,347,915
<i>Less: accumulated depreciation for:</i>				
Buildings and improvements	(1,571,470)	(119,914)	-	(1,691,384)
Equipment	<u>(218,758)</u>	<u>(9,326)</u>	<u>-</u>	<u>(228,084)</u>
<i>Total accumulated depreciation</i>	<u>(1,790,228)</u>	<u>(129,240)</u>	<u>-</u>	<u>(1,919,468)</u>
<i>Total capital assets, being depreciated, net</i>	<u>2,557,687</u>	<u>(129,240)</u>	<u>-</u>	<u>2,428,447</u>
Business-type activities, capital assets, net	<u>2,557,687</u>	<u>(129,240)</u>	<u>(81,431)</u>	<u>2,428,447</u>
Total assets	<u>\$ 5,561,123</u>	<u>\$ (302,736)</u>	<u>\$ -</u>	<u>\$ 5,258,387</u>

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

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D. INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

Interfund balances resulted from a time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made from the general fund and debt service fund that are expected to be collected in the subsequent year. The composition of interfund balances as of September 30, 2010, is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<i>Governmental Fund Types:</i>		
General fund	\$ 26,550,162	\$ -
Community development block grant	-	571,889
FEMA	-	4,339,795
Capital Projects	981,321	-
Nonmajor funds	198,632	3,512,244
	<u>27,730,115</u>	<u>8,423,928</u>
<i>Governmental total</i>		
<i>Proprietary Fund Types:</i>		
<i>Enterprise Funds</i>		
Water and Sewer fund	112,806	19,418,993
Solid Waste Fund	-	1,524,079
	<u>112,806</u>	<u>20,943,072</u>
<i>Enterprise Funds total</i>		
<i>Internal service funds</i>	<u>2,926,418</u>	<u>1,402,339</u>
<i>Proprietay funds total</i>	<u>3,039,224</u>	<u>22,345,411</u>
Total interfund receivables and payables	<u>\$ 30,769,339</u>	<u>\$ 30,769,339</u>

Interfund transfers are budgeted cost allocations and reimbursements between funds for items such as administrative and insurance reimbursements. Certain transfers also fund cash matches as required under grants.

	<u>Transfers In</u>	<u>Transfers Out</u>
<i>Governmental Fund Types:</i>		
General fund	\$ 7,969,327	\$ 3,552,051
Debt service fund	-	477,876
Community development block grant	-	601,489
Capital Projects	1,326,679	-
Nonmajor funds	895,951	311,966
	<u>10,191,957</u>	<u>4,943,382</u>
<i>Governmental total</i>		
<i>Proprietary Fund Types:</i>		
<i>Enterprise Funds</i>		
Water and Sewer fund	-	6,669,497
Solid Waste Fund	-	817,504
	<u>-</u>	<u>7,487,001</u>
<i>Enterprise Funds total</i>		
<i>Internal service funds</i>	<u>2,517,676</u>	<u>279,250</u>
<i>Proprietay funds total</i>	<u>2,517,676</u>	<u>7,766,251</u>
Total interfund transfers	<u>\$ 12,709,633</u>	<u>\$ 12,709,633</u>

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

September 30, 2010

E. LEASES

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as *capital leases* for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the inception in the internal service funds. The assets acquired through capital leases are as follows:

<u>Asset</u>	
Telephone system	\$ 505,000
Equipment	1,300,000
Fire apparatus	449,144
Total	<u>\$ 2,254,144</u>

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

<u>Year ending</u> <u>September 30</u>	<u>Telephone</u> <u>System</u>	<u>Equipment</u>	<u>Fire</u> <u>Apparatus</u>	<u>Total</u>
2011	\$ 84,051	\$ 287,087	\$ 54,305	\$ 425,443
2012	-	71,772	54,305	126,077
2013	-	-	54,305	54,305
2014	-	-	54,306	54,306
2015	-	-	54,306	54,306
2016	-	-	54,306	54,306
2017	-	-	54,306	54,306
2018	-	-	54,306	54,306
Total	84,051	358,859	434,445	877,355
Interest	(3,713)	(9,323)	(62,859)	(75,895)
Net present value	<u>\$ 80,338</u>	<u>\$ 349,536</u>	<u>\$ 371,586</u>	<u>\$ 801,460</u>

F. LONG - TERM DEBT

General Obligation Debt. The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$115,040,000. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds of \$80,310,000 are currently outstanding.

The annual debt service requirements to maturity, for all bonds, are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 6,085,000	\$ 3,188,397
2012	5,835,000	2,950,549
2013	6,050,000	2,725,087
2014	6,325,000	2,480,230
2015	5,545,000	2,219,388
2016-2020	29,075,000	7,554,912
2021-2025	14,695,000	2,427,063
2026-2030	6,700,000	542,109
Total	<u>\$ 80,310,000</u>	<u>\$ 24,087,735</u>

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At September 30, 2010, bonds payable consisted of the following individual issues:

2010 General Obligation Bonds, \$8,000,000, 3.0% to 4.3%, \$275,000 to \$600,000, annually to 2030	\$ 8,000,000
2008 General Obligation Bonds, \$9,000,000, 3.5% to 5.0%, \$170,000 to \$665,000 annually to 2028; \$3,000,000 of which is funded by the City of Port Arthur Section 4A Economic Development Corporation	8,520,000
2007 Certificates of Obligation, \$10,000,000, 4.05%, \$330,000 to \$715,000 annually to 2028	9,325,000
2006 General Obligation Refunding Series, \$8,585,000, 4.0%, \$0 to \$1,540,000 annually to 2022	8,425,000
2005 General Obligation Refunding Series, \$11,280,000, 3.25% to 5.0%, \$0 to \$1,125,000 annually to 2021	9,670,000
2003 General Obligation Refunding Series, \$18,225,000, 2.0% to 4.0%, \$1,050,000 to \$1,435,000 annually to 2020	12,150,000
2002C Certificates of Obligation Series, \$5,000,000, 4.25% to 5.1%, \$180,000 to \$395,000 annually to 2022, funded by the City of Port Arthur Section 4A Economic Development Corp	3,590,000
2002B Certificates of Obligation Series, \$17,000,000, 4.125% to 5.0%, \$610,000 to \$1,335,000 annually to 2022	6,185,000
2002A Certificates of Obligation Series, \$15,000,000, 0.75% to 4.2%, \$605,000 to \$1,050,000 annually to 2022	10,185,000
2001 General Obligation Refunding Series, \$10,550,000, 3.875% to 4.375%, \$770,000 to \$1,075,000 annually to 2014	3,985,000
2000 Certificates of Obligation Series, \$2,400,000, 4.7% to 5.124%, \$225,000 to \$275,000 annually to 2011	275,000
	<u>\$ 80,310,000</u>

Changes in long-term liabilities

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due within 1</u> <u>Year</u>
Governmental activities:					
Bonds payable					
General obligation bonds	\$ 45,980,000	\$ 8,000,000	\$ (3,230,000)	\$ 50,750,000	\$ 3,795,000
Certificates of obligation	31,745,000	-	(2,185,000)	29,560,000	2,290,000
Total bonds payable	<u>77,725,000</u>	8,000,000	(5,415,000)	80,310,000	6,085,000
Capital leases	1,236,830	-	(435,370)	801,460	399,466
Compensated absences	<u>7,546,370</u>	1,619,507	(1,134,957)	8,030,920	-
Governmental activities					
Long-Term Liabilities	<u>\$ 86,508,200</u>	<u>\$ 9,619,507</u>	<u>\$ (6,985,327)</u>	<u>\$ 89,142,380</u>	<u>\$ 6,484,466</u>
Business-type activities:					
Compensated absences	<u>1,055,760</u>	292,616	(242,231)	1,106,145	192,954
Business-type activities					
Long-Term Liabilities	<u>\$ 1,055,760</u>	<u>\$ 292,616</u>	<u>\$ (242,231)</u>	<u>\$ 1,106,145</u>	<u>\$ 192,954</u>

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

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Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At the year end, \$28,618 of internal service funds compensated absences and \$801,460 of capital lease obligations are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

Arbitrage Rebate Liability

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bond issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. As of September 30, 2010, there is no estimated liability for arbitrage rebate. The debt service and residual balances in the capital project funds have typically been used to liquidate the arbitrage liability in previous years.

Port Arthur Economic Development Corporation

The Port Arthur Economic Development (EDC) issued a sales tax revenue bond, Series 2003 to provide funds for the development of infrastructure related to development projects. This issue, \$ 8.05 million, pledged the sales tax revenue of the EDC. The issue is payable at \$220,000 to \$570,000, 3% to 5%, to 2024, the balance outstanding at September 30, 2010, \$6,110,000.

As stated above, the EDC funds the City's 2002C Certificates of Obligation debt service, and 33% of the debt service for the 2008 General Obligation Bond.

V. 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 maintains a limited risk management program. Claims in excess of the self-insured retention amounts are covered through third-party limited-coverage insurance policies. The City also maintains a limited risk management program for workers' compensation. Premiums are paid into the Employee Benefit Fund and the General Liability Fund by all other funds and are available to pay claims, claim reserves and administrative costs, and insurance premiums. These interfund premiums are recorded as revenue in the Employee Benefit Fund and the General Liability Fund as they are Internal Service Funds. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

	<u>Worker's Compensation</u>	<u>General Liability</u>	<u>Total</u>
Estimated liability, 9/30/08	\$ 722,191	\$ 529,192	\$ 1,251,383
fiscal 2009 claims incurred	1,062,431	2,287,805	3,350,236
fiscal 2009 claims paid	(946,145)	(1,132,680)	(2,078,825)
Estimated liability, 9/30/09	<u>\$ 838,477</u>	<u>\$ 1,684,317</u>	<u>\$ 2,522,794</u>
fiscal 2010 claims incurred	762,920	1,352,435	2,115,355
fiscal 2010 claims paid	(844,537)	(1,486,555)	(2,331,092)
Estimated liability, 9/30/10	<u>\$ 756,860</u>	<u>\$ 1,550,197</u>	<u>\$ 2,307,057</u>

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

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Liabilities of the funds 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 (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly claims are reevaluated periodically to consider the effects of inflation, recent claims trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers claims in excess of \$300,000. Settlements have not exceeded coverages for each of the past three fiscal years.

B. CONTINGENT LIABILITIES

The City is defendant in various lawsuits arising in the ordinary course of its municipal and enterprise activities. In the opinion of City management, the outcome of all pending litigation will not materially affect the financial position of the City. 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 amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. OTHER POSTEMPLOYMENT BENEFITS

Retiree Health Insurance Program

Program Description

In addition to the pension benefits described in Note D that follows, as required by state law, the City makes available healthcare benefits to all employees who retire from the City and who are eligible to receive benefits from a City sponsored retirement program (Texas Municipal Retirement System, or the Port Arthur Firemen's Relief and Retirement Fund) through a single-employer defined benefit healthcare plan. This Program provides lifetime health insurance for eligible retirees, their spouses and dependents through the City's group health insurance plan, which covers both active and retired participants. Benefit provisions are established by management.

Employees retiring on or before December 31, 2010 are allowed to remain in the health insurance plan at approximately 30% of the expected under age 65 cost or 75% of the expected over age 65 costs. These costs (a.k.a. retiree contribution rates) are calculated separately for retirees not eligible for Medicare (under age 65) and retirees eligible for Medicare (over age 65).

Employees retiring on or after January 1, 2011 contribute a tiered percentage of the retiree contribution rates based upon their years of City service at retirement. The percentage ranges from 50% for retirees with at least 30 years of City service to 100% for retirees with less than 20 years of City service. Employees hired on or after November 1, 2010 are required to contribute 100% of the retiree contribution rates upon retirement.

For financial reporting purposes, the Retiree Health Insurance Program is accounted for in the Employee Benefit Fund, an internal service fund.

Funding Policy

Current retirees over age 65 contribute \$163 per month effective October 1, 2009 and \$179 effective October 1, 2010 or approximately 75% of their expected cost. Current retirees under age 65 contribute \$206 per

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

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month effective October 1, 2009 and \$226 effective October 1, 2010 or approximately 30% of their expected cost.

Future retirees who retire on or after January 1, 2011 will contribute a percentage ranging from 50% to 100% of their expected costs. Effective January 1, 2011, the expected cost is \$248 per month for retirees over age 65 and \$833 for retirees under age 65.

Costs for retiree spouses and dependents are also similarly subsidized, in part, by the City. For fiscal year 2010, the City finances this program on a pay-as-you-go basis. As of September 30, 2010 the City had 173 retirees participating in this plan,. In fiscal year 2010, the Program incurred actual retiree costs of \$2,285,541 offset by retiree contributions of \$555,397 for a net cost to the City of \$1,730,144.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) for the Retiree Health Insurance Program is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover benefits earned each year (i.e. normal costs) and an amortization of the unfunded actuarial liability (UAAL). The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

	<u>9/30/2008</u>	<u>9/30/2009</u>	<u>9/30/2010</u>
Annual required contribution (ARC)	\$ 10,041,987	\$ 10,041,987	\$ 1,657,081
Interest on Net OPEB obligation	-	-	727,865
Adjustment to ARC	-	-	(723,150)
Annual OPEB cost (expense)	\$ 10,041,987	\$ 10,041,987	\$ 1,661,796
Contributions made	(939,553)	(947,798)	(1,730,144)
Change in OPEB obligation	\$ 9,102,434	\$ 9,094,189	\$ (68,348)
Net OPEB - beginning of year	-	9,102,434	18,196,623
Net OPEB - end of year	<u>\$ 9,102,434</u>	<u>\$ 18,196,623</u>	<u>\$ 18,128,275</u>

<u>Fiscal year</u> <u>ended</u>	<u>Discount</u> <u>Rate</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
9/30/2006	N/A	N/A	N/A	N/A
9/30/2007	N/A	N/A	N/A	N/A
9/30/2008	4%	\$ 10,041,987	9.36%	\$ 9,102,434
9/30/2009	4%	10,041,987	9.44%	18,196,623
9/30/2010	4%	1,661,796	104.11%	18,128,275

Actuarial valuations on an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2009 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions used included a 4% discount rate, 4% expected long-term investment return and annual healthcare trend rates of 10% initially declining ½% annually to an ultimate rate of 5% after 10 years. The initial UAAL and subsequent unanticipated changes in UAAL are being amortized over closed 30-year periods in amounts that increase 3% per year (assumed payroll growth rate).

Supplemental Death Benefit

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

The city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SBF 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.

Schedule of Contributions and Rates

<u>Calendar</u> <u>Year</u>	<u>ARC</u> <u>Rate</u>	<u>Actual</u> <u>Rate</u>	<u>% of ARC</u> <u>Contributed</u>	<u>Actual</u> <u>Contributions</u>
2007	0.10%	0.10%	100%	\$ 21,349
2008	0.10%	0.10%	100%	25,073
2009	0.10%	0.10%	100%	25,827
2010	0.825%	0.825%	100%	22,783

D. EMPLOYEE RETIREMENT SYSTEMS

Texas Municipal Retirement System (TMRS)

Plan Description. The City provides pension benefits for all of its eligible employees, with the exemption of firefighters, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multi-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

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

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

September 30, 2010

The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City of Port Arthur were as follows:

	<u>Plan Year 2008</u>	<u>Plan Year 2009</u>
Employee deposit rate	5%	5%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions. Under the state law governing TMRS, the City's contribution rate is annually determined by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percentage of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded actuarially liability over the applicable period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

Annual Required Contribution (ARC)	\$ 5,073,226
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	5,073,226
Contributions Made	<u>(4,685,647)</u>
Increase in net pension obligation	387,579
Net Pension Obligation, beginning of the year	<u>244,106</u>
Net Pension Obligation, end of the year	<u>\$ 631,685</u>

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

September 30, 2010

<u>Fiscal year ended</u>	<u>Annual Pension Cost (ARC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2004	\$ 2,545,329	\$ 2,545,329	100.00%	\$ -
9/30/2005	2,992,314	2,992,314	100.00%	-
9/30/2006	3,020,170	3,020,170	100.00%	-
9/30/2007	3,074,361	3,074,361	100.00%	-
9/30/2008	3,496,139	3,496,139	100.00%	-
9/30/2009	4,460,181	4,216,075	95.76%	244,106
9/30/2010	5,073,226	4,685,646	92.36%	387,579

A summary of actuarial assumptions is as follows:

Actuarial Valuation Date	December 31, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	28 Years – Closed Period
Asset Valuation Method	10 year smoothed market
Investment Rate of Return	7.5%
Payroll Growth	Varies by age and service
Includes Inflation At	3 %
Cost-of-Living Adjustments	2.1%

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2007	\$ 56,671,406	\$ 92,838,703	61.0%	\$ 36,167,297	\$ 22,849,860	158.28%
12/31/2008	\$ 56,101,664	\$ 94,396,612	59.4%	\$ 38,294,948	\$ 25,708,137	148.96%
12/31/2009	\$ 58,868,681	\$ 97,757,164	60.2%	\$ 38,888,483	\$ 27,175,618	143.10%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Port Arthur Firemen’s Relief and Retirement Fund (Fund)

Plan Description. The fund is established pursuant to the Texas Local Fire Fighters Retirement Act (TELFRA). TELFRA provides for a Board of Trustees to administer a single-employer defined benefit pension plan covering all City firefighters. The plan is an independent entity for financial reporting purposes. The Board (composed of the Mayor and the Director of Finance as ex-officio Trustees, three firemen elected by a majority vote of firemen, and two citizens who must be appointed unanimously by the first five trustees), is subject to administrative supervision by the State Firemen’s Pension Commissioner. The City does not hold title to any of the Fund’s assets, have right to any surpluses, or responsibility for any deficits. The City’s contribution rate is set by the City Charter to be the same as the rate required by the

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

September 30, 2010

TMRS. The fund issues its own stand alone financial statements, prepared using the accrual basis of accounting, which can be obtained from the fund’s office at P.O. Box 1089, Port Arthur, Texas 77641.

All active firefighters of the City are members of the Fund. The Fund provides service retirement, death, disability, and withdrawal benefits. Benefits vest after 20 years of credited service. Employees may retire at age 50 with 20 years of service. Vested termination benefits on a deferred basis are available for firefighters who terminate employment with 20 or more years of service but who have not attained age 50 at their date of termination. A firefighter who becomes disabled is eligible for disability benefits for 30 months. After 30 months, the board may continue, terminate or reduce benefits. In the event of the death of a firefighter in active service, the firefighter’s spouse will receive a monthly benefit. Each unmarried child will also receive benefits until 18 (22 if full-time student or for life if disabled). The sum of all benefits payable may not exceed the service retirement benefit to which the firefighter was entitled as the date of his/her death. A firefighter at age of 53 and with at least 20 years of service may enroll in the Deferred Retirement Option Plan (DROP), which allows the participant to receive certain amount of benefits in lump a sum payment. For the plan in effect January 1, 2010, the Fund required fire fighters to contribute 13% of pay and 17% was the City’s contribution rate.

A summary of actuarial assumptions is as follows:

Actuarial Valuation Date	January 1, 2010
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Method	22.5 Years – Open Period
Asset Valuation Method	5 Year Smoothed Market Value
Investment Rate of Return	8%
Payroll Growth Rate	4%
Projected Salary Increases	5%
Post Retirement Cost-of-Living Adjustments	None

<u>Fiscal</u> <u>Year</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage of</u> <u>APC</u> <u>Contribution</u>	<u>Net Pension</u> <u>Obligation</u>
2004	\$674,081	100%	-
2005	795,186	100%	-
2006	725,597	100%	-
2007	803,263	100%	-
2008	898,683	100%	-
2009	1,118,605	100%	-
2010	1,192,906	100%	-

E. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care cost has a balance of \$2,127,796 as of September 30, 2010, which is based on 20.4% usage (filled) of the landfill. It is estimated that an additional \$8,255,114 will be recognized

CITY OF PORT ARTHUR, TEXAS

Notes to the Financial Statements

September 30, 2010

as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2035). The estimated total current cost of the landfill closure and postclosure care \$10,382,910 based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2010. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The City was required by state and federal laws and regulations to meet financial assurance regulations by April 9, 1997, with updates annually. The City met these requirements and is in full compliance with the financial assurance requirement.

F. PRIOR PERIOD ADJUSTMENTS

The beginning fund balance of certain governmental funds as of October 1, 2009 were restated in order to correct prior year reporting of accrued compensated absences.

		Beginning Fund Balance As Previously Reported	Adjustment	Beginning Fund Balance, As Restated
Exhibit 4	General Fund (GAAP Basis)	\$11,416,518	\$843,133	\$12,259,651
Exhibit 6	General Fund (Budget Basis)	28,416,518	843,133	29,259,651
Schedule A-2	Health Grants Fund	(436,429)	35,929	(400,429)
Schedule A-2	Transit System Fund	155,956	33,049	189,005

This prior period adjustment was also required for the component unit, the Port Arthur Section 4A Economic Development Corporation.

		Beginning Fund Balance As Previously Reported	Adjustment	Beginning Fund Balance, As Restated
Schedule C-2	Port Arthur EDC	\$5,873,845	\$7,870	\$5,881,715

G. RESTATEMENT OF NET ASSETS

The beginning net assets of the component unit, the Port Arthur Section 4A Economic Development Corporation, were increased \$260,769. The restatement was due to a land purchase that was not recorded on the Government Wide Statement of Net Assets at September 30, 2009.

H. SUBSEQUENT EVENTS

On March 22, 2011, The City of Port Arthur issued \$9,875,000, General Obligation Refunding Bonds, Series 2011 dated April 15, 2011. This issue refunded the following issues:

General Obligation, Series 2001	\$2,910,000
Combination Tax and Revenue	
Certificates of Obligation, Series 2002B	\$3,810,000
Combination Tax and Revenue	
Certificates of Obligation, Series 2002C	<u>\$2,895,000</u>
	<u>\$9,615,000</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF PORT ARTHUR, TEXAS

Exhibit 10

**REQUIRED SUPPLEMENTARY INFORMATION
FUNDING PROGRAMS FOR EMPLOYEE RETIREMENT SYSTEMS
FOR THE YEAR ENDED SEPTEMBER 30, 2010****TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

Fiscal Year	Actuarial Value of Assets	Actuarial Liability (AAL) Unit Credit	Percentage Funded	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2000	\$48,768,656	\$ 64,451,464	75.70%	\$15,682,808	\$17,412,819	90.06%
2001	51,791,900	68,595,818	75.50%	16,803,918	17,731,568	94.77%
2002	52,575,295	70,081,814	75.02%	17,506,519	17,843,154	98.11%
2003	52,706,294	72,720,969	72.48%	20,014,675	18,796,803	106.48%
2004	55,364,346	76,399,642	72.47%	21,035,296	19,549,195	107.60%
2005	55,693,241	77,526,396	71.84%	21,833,155	21,282,677	102.59%
2006	56,992,953	80,450,851	70.84%	23,457,898	20,998,934	111.71%
2007 *	56,671,406	92,838,703	61.04%	36,167,297	22,849,680	158.28%
2008	56,101,664	94,396,612	59.43%	38,294,948	25,708,137	148.96%
2009	58,868,681	97,757,164	60.22%	38,888,483	27,547,731	141.17%

* New actuarial cost method and assumptions were adopted by the TMRS Board of Trustees effective for the 2007 valuation.

CITY OF PORT ARTHUR, TEXAS

Exhibit 11

REQUIRED SUPPLEMENTARY INFORMATION

FUNDING PROGRAMS FOR EMPLOYEE RETIREMENT SYSTEMS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

PORT ARTHUR FIREMEN'S RELIEF & RETIREMENT FUND

SCHEDULE OF FUNDING PROGRESS

Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2000				Not Calculated		
2001	\$ 22,465,692	\$ 27,464,875	81.8%	\$ 4,999,183	\$ 4,653,127	107.44%
2002				Not Calculated		
2003	22,728,647	30,926,645	73.5%	8,197,998	4,987,935	164.36%
2004				Not Calculated		
2005	26,289,674	35,769,252	73.5%	9,479,578	5,462,233	173.55%
2006				Not Calculated		
2007	* 31,142,242	40,077,603	77.7%	8,935,361	5,848,497	152.78%
2008				Not Calculated		
2009	* 33,233,278	45,889,421	72.4%	12,656,143	6,994,938	180.93%

* Date of actuarial study 1/1

CITY OF PORT ARTHUR, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Exhibit 12

PORT ARTHUR FIREMEN'S RELIEF & RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Ended December 31	Annual Contribution As a Fixed Percentage of Payroll	Annual Required Contribution	Percentage Contributed
2000	12.08%	12.08%	100.00%
2001	12.37%	12.08%	102.40%
2002	12.66%	12.66%	100.00%
2003	12.96%	12.66%	102.37%
2004	12.85%	12.20%	105.33%
2005	13.64%	12.20%	113.40%
2006	13.77%	8.85%	155.59%
2007 *	13.47%	10.22%	131.80%
2008	14.08%	15.52%	137.77%
2009	17.00%	14.74%	115.33%

* Date of actuarial study 1/1/2008

CITY OF PORT ARTHUR, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Exhibit 13

PORT ARTHUR FIREMEN'S RELIEF & RETIREMENT FUND
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial evaluation follows:

Valuation date	January 1, 2010
Actuarial cost method	Entry Age Normal
Amortization method	level percent open
Remaining amortization period for the plan	22.5 years
Asset valuation method	5 year smoothed market

Actuarial assumptions

Investment rate of return, net of expenses compounded annually	8.00%
Projected salary increases including promotion and longevity	5.00%
Payroll growth rate	4.00%
Post retirement cost of living adjustments	None

**REQUIRED SUPPLEMENTARY INFORMATION
FUNDING PROGRAMS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**RETIREE HEALTH INSURANCE PROGRAM
ANALYSIS OF FUNDING PROGRESS**

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Discount Rate</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percentage Funded</u>	<u>Unfunded AAL (UAAL)</u>
10/1/2005	\$ -	N/A	N/A	N/A	N/A
10/1/2006	-	N/A	N/A	N/A	N/A
10/1/2007	-	4%	\$ 93,760,224	0.00%	\$ 93,760,224
10/1/2008			NOT CALCULATED		
10/1/2009	-	4%	32,067,950	0.00%	32,067,950

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Non-Major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for resources which may be used only for purposes specified by law or City Council. A brief description of each fund reported as a Special Revenue Fund follows:

Health Grants Fund

Accounts for grants received from the State of Texas to provide health care services.

Library Special Fund

Accounts for donations received by the City's public library. These revenues are set aside for the library's use.

Library Grant Fund

Accounts for various State and local grants received by the Public Library.

Golf Course Fund

Accounts for funds derived from the operation of the Babe Zaharias public golf course. These funds are designated for improvements to this golf course, and for operations at the Palms on Pleasure Island Course.

Municipal Court Technology Fund

Accounts for funds received from a portion of municipal court fines dedicated, by State law, to technology acquisition for the court.

JAG – ARRA Grant

Accounts for supplemental Office of Justice Programs – Justice Assistance Grant funding received from the American Recovery and Recovery Act of 2009.

CDBG Rita Supplement Fund

Accounts for revenues received through the Federal Community Development Block Grant program specifically for Hurricane Rita recovery activities.

CDBG / TDHCA Ike Fund

Accounts for revenues received from the Federal Community Development Block Grant program through the Texas Department of Housing and Community Affairs, specifically for Hurricane Ike housing recovery activities.

CDBG / TDRA Ike Fund

Accounts for revenues received from the Federal Community Development Block Grant program through the Texas Department of Rural Affairs, specifically for Hurricane Ike infrastructure.

CDBG – ARRA Fund

Accounts for supplemental Community Development Block Grant funding received from the American Recovery and Recovery Act of 2009.

HOME Grant Fund

Accounts for grants received from the federal government, passed through the State of Texas, under the HOME program.

TCEQ SEP Fund

Accounts for funds received from industry for supplemental Environmental Projects (SEP) through the Texas Commission of Environmental Quality (TCEQ).

Job Training Fund

Accounts for funds received from the National Institute of Environmental Health, Katrina and Rita Brownsfield Minority Worker Training Program.

Revolving Loan Fund

Accounts for the proceeds from repayments of loans made from Community Development Block Grant Funds and City Revolving Loan Fund contributions. These funds are restricted for additional loans to stimulate job development by the small business sector of the City's economy.

HPRP – ARRA Fund

Accounts for Homeless Assistance and Rapid Rehousing funds received from the American Recovery and Recovery Act of 2009.

Literacy Support Fund

Accounts for donations received by the Port Arthur Literacy Support Program.

Police Special Fund

Accounts for assets seized by the City's police department as the result of drug enforcement arrests. These assets are forfeited to the City to be used to fund specific types of expenditures for the police department.

Law Enforcement Grants Fund

Accounts for federal funds received under the Local Law Enforcement Block Grant.

Housing Programs Fund

Accounts for funds designated by the City of Port Arthur and the Port Arthur Housing Finance Corporation. These funds are used to finance programs providing affordable housing in the City.

Social Services Block Grant Fund

Accounts for the funds received under the Social Services Block Grant program for Rita recovery projects.

ARRA – Energy Grant

Accounts for funds received from the American Recovery and Reinvestment Act (ARRA) through the Department of Energy.

Neighborhood Stabilization Fund

Accounts for funds received from the Department of Housing and Urban Development through the Texas Department of Housing and Rural Affairs for community stabilization efforts.

Hotel Occupancy Tax Fund

Accounts for the hotel occupancy tax revenue received by the City.

Downtown Renaissance District

Accounts for funds dedicated to downtown redevelopment activities

Assessment Projects Fund

Accounts for a special assessment levied on property owners.

Library Trust Fund

Accounts trust revenues received and related interest income.

ARRA Transit Grant

Accounts for funds received from the American Recovery and Reinvestment Act (ARRA) for Transit projects.

Transit System Fund

Accounts for the operations of the City's bus service. This fund is heavily subsidized by Federal and State Grants and contributions from the City's General Fund.

CITY OF PORT ARTHUR, TEXAS
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2010

	Special Revenue Funds					
	Health Grants Fund	Library Special Fund	Library Grant Fund	Golf Course Fund	Municipal Court Technology Fund	JAG ARRA Fund
Assets						
Cash	\$ -	\$ 1,069	\$ 1,529	\$ 16,265	\$ 3,032	\$ 29,937
Investments	-	55,000	20,000	100,000	50,000	-
Due from other funds	-	63,216	-	-	-	69,460
Accounts receivable, net of allowance	-	-	-	-	-	-
Federal and state grants receivable	605,457	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total assets	\$ 605,457	\$ 119,285	\$ 21,529	\$116,265	\$ 53,032	\$ 99,397
Liabilities and Fund Balances						
Liabilities						
Wages payable	\$ 60,522	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	30,221	-	10,321	2,710	-	-
Due to other funds	1,006,213	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	1,096,956	-	10,321	2,710	-	-
Fund balances (deficit):						
Undesignated	(491,499)	119,285	11,208	113,555	53,032	99,397
Total fund balances	(491,499)	119,285	11,208	113,555	53,032	99,397
Total liabilities and fund balances	\$ 605,457	\$ 119,285	\$ 21,529	\$116,265	\$ 53,032	\$ 99,397

Special Revenue Funds

CDBG Rita Supplement	CDBG/ TDCHA IKE Fund	CDBG/ TDRA IKE Fund	CDBG ARRA Fund	HOME Grant Fund	TCEQ SEP Fund	Job Training Fund	Revolving Loan Fund	HPRP ARRA Fund
\$ -	\$ -	\$ -	\$ -	\$ 48,492	\$ 11,880	\$ 53,007	\$ 13,229	\$ -
-	-	-	-	-	75,000	-	100,000	-
-	-	-	-	-	-	-	-	-
-	-	-	-	153,401	-	-	165,054	-
229,399	42,616	379,376	230,648	153,270	-	-	-	32,443
-	-	-	-	-	-	-	-	-
<u>\$ 229,399</u>	<u>\$ 42,616</u>	<u>\$ 379,376</u>	<u>\$ 230,648</u>	<u>\$ 355,163</u>	<u>\$ 86,880</u>	<u>\$ 53,007</u>	<u>\$ 278,283</u>	<u>\$ 32,443</u>
\$ -	\$ 3,262	\$ -	\$ 26,895	\$ 2,127	\$ -	\$ -	\$ -	\$ 122
-	2,215	60,848	9,788	25,894	-	-	-	-
220,142	37,139	318,528	193,965	-	-	-	-	32,321
-	-	-	-	-	-	-	-	-
-	-	-	-	128,211	-	-	164,941	-
<u>220,142</u>	<u>42,616</u>	<u>379,376</u>	<u>230,648</u>	<u>156,232</u>	<u>-</u>	<u>-</u>	<u>164,941</u>	<u>32,443</u>
<u>9,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,931</u>	<u>86,880</u>	<u>53,007</u>	<u>113,342</u>	<u>-</u>
<u>9,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,931</u>	<u>86,880</u>	<u>53,007</u>	<u>113,342</u>	<u>-</u>
<u>\$ 229,399</u>	<u>\$ 42,616</u>	<u>\$ 379,376</u>	<u>\$ 230,648</u>	<u>\$ 355,163</u>	<u>\$ 86,880</u>	<u>\$ 53,007</u>	<u>\$ 278,283</u>	<u>\$ 32,443</u>

continued on next page

CITY OF PORT ARTHUR, TEXAS

Combining Balance Sheet

Non-Major Governmental Funds

September 30, 2010

(continued from previous page)

	Special Revenue Funds					
	Literacy	Police	Law	Housing	Social	ARRA -
	Support	Special	Enforcement	Programs	Services	Energy
	Fund	Fund	Grants	Fund	Block	Grant
	Fund	Fund	Fund	Fund	Grant	Grant
Assets						
Cash	\$ 7,572	\$ 9,677	\$ -	\$ 35,591	\$ 23,112	\$ -
Investments	-	100,000	-	200,000	50,000	961,515
Due from other funds	-	-	-	65,956	-	-
Accounts receivable, net of allowance	-	-	-	57,855	-	424,258
Federal and state grants receivable	-	-	97,873	-	191,962	-
Inventories	-	-	-	-	-	-
Total assets	\$ 7,572	\$ 109,677	\$ 97,873	\$ 359,402	\$ 265,074	\$ 1,385,773
Liabilities and Fund Balances						
Liabilities						
Wages payable	\$ -	\$ -	\$ -	\$ -	\$ 4,345	\$ -
Accounts payable	-	2,987	-	(775)	3,576	453,469
Due to other funds	-	-	63,216	-	-	449,564
Other liabilities	-	89,483	-	-	-	-
Deferred revenue	-	-	-	77,902	-	-
Total liabilities	-	92,470	63,216	77,127	7,921	903,033
Fund balances (deficit):						
Undesignated	7,572	17,207	34,657	282,275	257,153	482,740
Total fund balances	7,572	17,207	34,657	282,275	257,153	482,740
Total liabilities and fund balances	\$ 7,572	\$ 109,677	\$ 97,873	\$ 359,402	\$ 265,074	\$ 1,385,773

Special Revenue Funds

Neighborhood Stabilization	Weed and Seed Fund	Hotel Occupancy Tax Fund	Downtown Renaissance Board	Assessment Projects Fund	Library Trust Fund	ARRA Transit Grant	Transit System Fund	Total Nonmajor Governmental Funds
\$ -	\$ 1,513	\$ 19,621	\$ 35,001	\$ 4,613	\$ 547	\$ -	\$ 500	\$ 316,187
-	-	75,000	-	-	25,000	-	-	1,811,515
-	-	-	-	-	-	-	-	198,632
-	-	-	-	157,817	-	-	-	958,385
558,404	-	-	-	-	-	66,880	517,046	3,105,374
-	-	-	-	-	-	-	116,515	116,515
<u>\$ 558,404</u>	<u>\$ 1,513</u>	<u>\$ 94,621</u>	<u>\$ 35,001</u>	<u>\$ 162,430</u>	<u>\$ 25,547</u>	<u>\$ 66,880</u>	<u>\$ 634,061</u>	<u>\$ 6,506,608</u>
\$ 235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,270	\$ 150,778
16,630	-	278	500	-	-	924	84,607	704,193
543,566	-	-	-	112,806	-	65,956	468,828	3,512,244
-	-	-	-	-	-	-	-	89,483
-	-	-	-	-	-	-	-	371,054
<u>560,431</u>	<u>-</u>	<u>278</u>	<u>500</u>	<u>112,806</u>	<u>-</u>	<u>66,880</u>	<u>606,705</u>	<u>4,827,752</u>
<u>(2,027)</u>	<u>1,513</u>	<u>94,343</u>	<u>34,501</u>	<u>49,624</u>	<u>25,547</u>	<u>-</u>	<u>27,356</u>	<u>1,678,856</u>
<u>(2,027)</u>	<u>1,513</u>	<u>94,343</u>	<u>34,501</u>	<u>49,624</u>	<u>25,547</u>	<u>-</u>	<u>27,356</u>	<u>1,678,856</u>
<u>\$ 558,404</u>	<u>\$ 1,513</u>	<u>\$ 94,621</u>	<u>\$ 35,001</u>	<u>\$ 162,430</u>	<u>\$ 25,547</u>	<u>\$ 66,880</u>	<u>\$ 634,061</u>	<u>\$ 6,506,608</u>

CITY OF PORT ARTHUR, TEXAS**Combining Statement of Revenues, Expenditures****and Changes in Fund Balances****Nonmajor Governmental Funds****Special Revenue****For the Year Ended September 30, 2010****Special Revenue Funds**

	Health Grants Fund	Library Special Fund	Library Grants Fund	Golf Course Fund	Municipal Court Technology Fund	JAG ARRA Fund
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
User fees	-	-	-	9,833	-	-
Fines and forfeiture	-	-	-	-	44,200	-
Intergovernmental	1,693,855	-	15,156	-	-	181,332
Donations	-	1,872	1,893	-	-	-
Program revenue	-	-	-	-	-	-
Interest revenue	-	672	-	703	355	-
Miscellaneous	-	-	-	-	-	-
Total revenues	1,693,855	2,544	17,049	10,536	44,555	181,332
Expenditures:						
Current:						
General government	-	-	-	-	57,646	-
Culture and recreation	-	9,244	17,660	117,258	-	-
Public safety	-	-	-	-	-	81,935
Community development	-	-	-	-	-	-
Health and welfare	1,784,925	-	-	-	-	-
Public transportation	-	-	-	-	-	-
Total expenditures	1,784,925	9,244	17,660	117,258	57,646	81,935
Excess (deficiency) of revenues over expenditures	(91,070)	(6,700)	(611)	(106,722)	(13,091)	99,397
Other financing sources (uses):						
Transfers in	-	-	-	110,000	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	110,000	-	-
Net change in fund balances	(91,070)	(6,700)	(611)	3,278	(13,091)	99,397
Fund balances, beginning of year as previously reported	(436,358)	125,985	11,819	110,277	66,123	-
Prior period adjustment, Note V.F.	35,929	-	-	-	-	-
Fund balances, beginning of year as restated	(400,429)	125,985	11,819	110,277	66,123	-
Fund balances end of year	\$ (491,499)	\$ 119,285	\$ 11,208	\$ 113,555	\$ 53,032	\$ 99,397

Special Revenue Funds

CDBG Rita Supplement	CDBG/ TDHCA IKE Fund	CDBG / TDRA IKE Fund	CDBG / ARRA Fund	HOME Grant Fund	TCEQ SEP Fund	Job Training Fund	Revolving Loan Fund	HPRP ARRA Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	42,616	379,376	287,726	571,935	-	-	-	85,551
-	-	-	-	106,498	-	-	425	-
-	-	-	-	-	412	-	611	-
-	-	-	-	-	-	-	-	-
-	<u>42,616</u>	<u>379,376</u>	<u>287,726</u>	<u>678,433</u>	<u>412</u>	<u>-</u>	<u>1,036</u>	<u>85,551</u>
-	-	379,376	287,726	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
743	42,616	-	-	607,644	-	-	425	85,551
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>743</u>	<u>42,616</u>	<u>379,376</u>	<u>287,726</u>	<u>607,644</u>	<u>-</u>	<u>-</u>	<u>425</u>	<u>85,551</u>
(743)	-	-	-	70,789	412	-	611	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>(743)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,789</u>	<u>412</u>	<u>-</u>	<u>611</u>	<u>-</u>
10,000	-	-	-	128,142	86,468	53,007	112,731	-
-	-	-	-	-	-	-	-	-
<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,142</u>	<u>86,468</u>	<u>53,007</u>	<u>112,731</u>	<u>-</u>
<u>\$ 9,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,931</u>	<u>\$ 86,880</u>	<u>\$ 53,007</u>	<u>\$ 113,342</u>	<u>\$ -</u>

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CITY OF PORT ARTHUR, TEXAS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue
For the Year Ended September 30, 2010
(continued from previous page)

	Special Revenue Funds					
	Literacy Support Fund	Police Special Fund	Law Enforcement Grants Fund	Housing Programs Fund	Social Services Block Grant	ARRA Energy Grant
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
User fees	-	-	-	-	-	-
Fines and forfeiture	-	107,833	-	-	-	-
Intergovernmental	-	-	931,081	-	857,230	1,473,695
Donations	-	3,900	-	-	-	-
Program revenue	-	-	-	285	-	-
Interest revenue	41	401	249	1,633	1,587	1,515
Miscellaneous	-	4,894	-	-	-	-
Total revenues	41	117,028	931,330	1,918	858,817	1,475,210
Expenditures:						
Current:						
General government	-	-	-	-	-	1,093,420
Culture and recreation	-	-	-	-	-	-
Public safety	-	179,401	1,108,853	-	-	-
Community development	-	-	-	139,781	813,436	-
Health and welfare	-	-	-	-	-	-
Public transportation	-	-	-	-	-	-
Total expenditures	-	179,401	1,108,853	139,781	813,436	1,093,420
Excess (deficiency) of revenues over expenditures	41	(62,373)	(177,523)	(137,863)	45,381	381,790
Other financing sources (uses):						
Transfers in	-	-	-	-	-	100,950
Transfers out	-	-	(74,239)	-	-	-
Total other financing sources (uses)	-	-	(74,239)	-	-	100,950
Net change in fund balances	41	(62,373)	(251,762)	(137,863)	45,381	482,740
Fund balances, beginning of year as previously reported	7,531	79,580	286,419	420,138	211,772	-
Prior period adjustment, Note V.F.	-	-	-	-	-	-
Fund balances, beginning of year as restated	7,531	79,580	286,419	420,138	211,772	-
Fund balances end of year	\$ 7,572	\$ 17,207	\$ 34,657	\$ 282,275	\$ 257,153	\$ 482,740

Special Revenue Funds

Neighborhood Stabilization	Weed and Seed Fund	Hotel Occupancy Tax Fund	Downtown Renaissance Board	Assessment Projects Fund	Library Trust Fund	ARRA Transit Grant	Transit System Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 858,192	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 858,192
-	-	-	-	330	-	-	124,657	134,820
-	-	4,680	-	-	-	-	-	156,713
558,405	-	-	-	-	-	186,709	2,063,635	9,328,302
-	-	-	-	-	-	-	-	7,665
-	-	-	-	-	-	-	-	107,208
-	-	813	-	849	140	-	-	9,981
-	-	-	-	-	-	-	193,611	198,505
<u>558,405</u>	<u>-</u>	<u>863,685</u>	<u>-</u>	<u>1,179</u>	<u>140</u>	<u>186,709</u>	<u>2,381,903</u>	<u>10,801,386</u>
-	-	-	500	-	-	-	-	1,818,668
-	-	669,271	-	-	-	-	-	813,433
-	-	-	-	-	-	-	-	1,370,189
560,432	(927)	-	-	-	-	-	-	2,249,701
-	-	-	-	-	-	-	-	1,784,925
-	-	-	-	-	-	186,709	3,055,825	3,242,534
<u>560,432</u>	<u>(927)</u>	<u>669,271</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>186,709</u>	<u>3,055,825</u>	<u>11,279,450</u>
<u>(2,027)</u>	<u>927</u>	<u>194,414</u>	<u>(500)</u>	<u>1,179</u>	<u>140</u>	<u>-</u>	<u>(673,922)</u>	<u>(478,064)</u>
-	-	-	35,001	-	-	-	650,000	895,951
-	-	(100,000)	-	-	-	-	(137,727)	(311,966)
-	-	(100,000)	35,001	-	-	-	512,273	583,985
(2,027)	927	94,414	34,501	1,179	140	-	(161,649)	105,921
-	586	(71)	-	48,445	25,407	-	155,956	1,503,957
-	-	-	-	-	-	-	33,049	68,978
-	586	(71)	-	48,445	25,407	-	189,005	1,572,935
<u>\$ (2,027)</u>	<u>\$ 1,513</u>	<u>\$ 94,343</u>	<u>\$ 34,501</u>	<u>\$ 49,624</u>	<u>\$ 25,547</u>	<u>\$ -</u>	<u>\$ 27,356</u>	<u>\$ 1,678,856</u>

CITY OF PORT ARTHUR, TEXAS

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Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Property	\$ 7,800,000	\$ 7,800,000	\$ 7,659,925	\$ (140,075)
Interest	45,000	45,000	30,369	(14,631)
Miscellaneous income	609,635	609,635	609,635	-
Total revenues	<u>8,454,635</u>	<u>8,454,635</u>	<u>8,299,929</u>	<u>(154,706)</u>
Expenditures				
Debt service:				
Principal retirement	5,415,000	5,415,000	5,414,884	116
Interest and fiscal charges	3,086,182	3,259,196	3,252,051	7,145
Total expenditures	<u>8,501,182</u>	<u>8,674,196</u>	<u>8,666,935</u>	<u>7,261</u>
Excess of revenues over expenditures	<u>(46,547)</u>	<u>(219,561)</u>	<u>(367,006)</u>	<u>(147,445)</u>
Other financing sources (uses)				
Transfers out	(477,876)	(477,876)	(477,876)	-
Total other financing sources (uses)	<u>(477,876)</u>	<u>(477,876)</u>	<u>(477,876)</u>	<u>-</u>
Net changes in fund balances	<u>\$ (524,423)</u>	<u>\$ (697,437)</u>	(844,882)	<u>\$ (147,445)</u>
Fund balance, beginning of the year			<u>4,053,409</u>	
Fund balance, end of the year			<u>\$ 3,208,527</u>	

CITY OF PORT ARTHUR, TEXAS

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Library Special Fund
For the Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Donations	\$ 2,200	\$ 2,200	\$ 1,872	\$ (328)
Interest	800	800	672	(128)
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>2,544</u>	<u>(456)</u>
Expenditures:				
Current:				
Culture and recreation	<u>10,000</u>	<u>10,000</u>	<u>9,244</u>	<u>756</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>9,244</u>	<u>756</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (7,000)</u>	<u>\$ (7,000)</u>	(6,700)	<u>\$ 300</u>
Fund balance, beginning of the year			<u>125,985</u>	
Fund balance, end of the year			<u>\$ 119,285</u>	

CITY OF PORT ARTHUR, TEXAS

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Schedule of Revenues, Expenditures and Changes in Fund Balances**Budget and Actual****Golf Course Fund****For the Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
User fees	\$ 3,400	\$ 3,400	\$ 9,833	\$ 6,433
Interest	1,000	1,000	703	(297)
Total revenues	<u>4,400</u>	<u>4,400</u>	<u>10,536</u>	<u>6,136</u>
Expenditures:				
Current:				
Culture and recreation	195,284	195,284	117,258	(78,026)
Total expenditures	<u>195,284</u>	<u>195,284</u>	<u>117,258</u>	<u>(78,026)</u>
Excess (deficiency) of revenues over expenditures	(190,884)	(190,884)	(106,722)	84,162
Other financing sources:				
Operating transfers in	100,000	100,000	-	(100,000)
Net change in fund balance	<u>\$ (90,884)</u>	<u>\$ (90,884)</u>	(106,722)	<u>\$ (15,838)</u>
Fund balance, beginning of the year			<u>110,277</u>	
Fund balance, end of the year			<u>\$ 3,555</u>	

CITY OF PORT ARTHUR, TEXAS

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Municipal Court Technology Fund
For the Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeiture	\$ 50,000	\$ 50,000	\$ 44,200	\$ (5,800)
Interest	4,000	4,000	355	(3,645)
Total revenues	<u>54,000</u>	<u>54,000</u>	<u>44,555</u>	<u>(9,445)</u>
Expenditures:				
Current:				
General government	70,000	70,000	57,646	12,354
Total expenditures	<u>70,000</u>	<u>70,000</u>	<u>57,646</u>	<u>12,354</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (16,000)</u>	<u>\$ (16,000)</u>	(13,091)	<u>\$ 2,909</u>
Fund balance, beginning of the year			<u>66,123</u>	
Fund balance, end of the year			<u>\$ 53,032</u>	

CITY OF PORT ARTHUR, TEXAS

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**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Hotel Occupancy Tax Fund
For the Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Hotel occupancy tax	\$ 1,000,000	\$ 1,000,000	\$ 858,192	\$ (141,808)
Penalty and interest	-	-	4,680	4,680
Interest	1,000	1,000	813	(187)
Total revenues	<u>1,001,000</u>	<u>1,001,000</u>	<u>863,685</u>	<u>(137,315)</u>
Expenditures:				
Current:				
Culture and recreation	913,136	929,136	669,271	259,865
Total expenditures	<u>913,136</u>	<u>929,136</u>	<u>669,271</u>	<u>259,865</u>
Excess (deficiency) of revenues over expenditures	<u>87,864</u>	<u>71,864</u>	<u>194,414</u>	<u>-</u>
Other financing (uses):				
Transfers out	-	-	(100,000)	(100,000)
Total other financing (uses)	-	-	(100,000)	(100,000)
Excess (deficiency) of revenues over expenditures and other uses	<u>\$ 87,864</u>	<u>\$ 71,864</u>	<u>94,414</u>	<u>\$ 122,550</u>
Fund balance, beginning of the year			<u>(71)</u>	
Fund balance, end of the year			<u>\$ 94,343</u>	

CITY OF PORT ARTHUR, TEXAS

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Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Police Special Fund

For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeiture	\$ 56,800	\$ 56,800	\$ 107,833	\$ 51,033
Interest revenue	1,800	1,800	401	(1,399)
Miscellaneous	-	-	4,894	4,894
	<u>58,600</u>	<u>58,600</u>	<u>113,128</u>	<u>54,528</u>
Total revenues				
Expenditures:				
Public safety	<u>46,852</u>	<u>46,852</u>	<u>179,401</u>	<u>(132,549)</u>
Excess revenues over expenditures	<u>\$ 11,748</u>	<u>\$ 11,748</u>	(66,273)	<u>\$ 187,077</u>
Fund balance, beginning of the year			<u>79,580</u>	
Fund balance, end of the year			<u>\$ 13,307</u>	

CITY OF PORT ARTHUR, TEXAS

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Transit System Fund

For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual GAAP</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>			
Revenues:				
User fees	\$ 135,000	\$ 135,000	\$ 124,657	\$ (10,343)
Intergovernmental	3,028,446	3,028,446	2,063,635	(964,811)
Miscellaneous	-	-	193,611	193,611
Total revenues	<u>3,163,446</u>	<u>3,163,446</u>	<u>2,381,903</u>	<u>(781,543)</u>
Expenditures:				
Public transportation	<u>4,030,372</u>	<u>4,030,372</u>	<u>3,055,825</u>	<u>974,547</u>
Excess (deficiency) of revenues over expenditures	<u>(866,926)</u>	<u>(866,926)</u>	<u>(673,922)</u>	<u>193,004</u>
Other financing (uses):				
Transfers in	650,000	650,000	650,000	-
Transfers out	<u>(76,700)</u>	<u>(76,700)</u>	<u>(137,727)</u>	<u>(61,027)</u>
Total other financing sources (uses)	<u>573,300</u>	<u>573,300</u>	<u>512,273</u>	<u>(61,027)</u>
(Deficiency) of revenues over expenditures and other financing uses	<u>\$ (293,626)</u>	<u>\$ (293,626)</u>	<u>(161,649)</u>	<u>\$ 131,977</u>
Fund balance, beginning of the year, ad previously reported			155,956	
Prior period adjustment, Note V.F.			<u>33,049</u>	
Fund balance, beginning of the year, as restated			<u>189,005</u>	
Fund balance, end of the year			<u>\$ 27,356</u>	

INTERNAL SERVICE FUNDS

CITY OF PORT ARTHUR, TEXAS

B - 1

Internal Service Funds

Combining Statement of Net Assets

September 30, 2010

	<u>Equipment Services Fund</u>	<u>General Liability Fund</u>	<u>Employee Benefits Fund</u>	<u>Equipment Replacement Fund</u>	<u>Total</u>
Assets					
Current assets					
Cash	\$ 100	\$ 108,811	\$ 862,189	\$ 32,610	\$ 1,003,710
Investments	-	2,500,000	3,000,000	1,060,270	6,560,270
Due from other funds	-	-	2,926,418	-	2,926,418
Accounts receivable	-	-	33,516	-	33,516
Inventories	53,598	-	-	-	53,598
Prepaid expense	-	-	131,000	-	131,000
Total current assets	<u>53,698</u>	<u>2,608,811</u>	<u>6,953,123</u>	<u>1,092,880</u>	<u>10,708,512</u>
Non current assets					
Capital assets					
Buildings and improvements	878,663	-	-	-	878,663
Equipment	135,217	-	-	22,720,566	22,855,783
Total	<u>1,013,880</u>	<u>-</u>	<u>-</u>	<u>22,720,566</u>	<u>23,734,446</u>
Accumulated depreciation	(945,627)	-	-	(16,400,000)	(17,345,627)
Total capital assets, net of accumulated depreciation	<u>68,253</u>	<u>-</u>	<u>-</u>	<u>6,320,566</u>	<u>6,388,819</u>
Total assets	<u><u>\$ 121,951</u></u>	<u><u>\$ 2,608,811</u></u>	<u><u>\$ 6,953,123</u></u>	<u><u>\$ 7,413,446</u></u>	<u><u>\$ 17,097,331</u></u>
Liabilities					
Current liabilities					
Wages payable	\$ 20,816	\$ -	\$ 137	\$ -	\$ 20,953
Accounts payable	39,652	885	25,063	11,242	76,842
Due to other funds	1,402,339	-	-	-	1,402,339
Capital leases payable	-	-	-	399,466	399,466
Compensated absences	14,377	-	-	-	14,377
Total current liabilities	<u>1,477,184</u>	<u>885</u>	<u>25,200</u>	<u>410,708</u>	<u>1,913,977</u>
Noncurrent liabilities					
Capital leases payable	-	-	-	401,994	401,994
Compensated absences	14,241	-	-	-	14,241
Long-term risk liability	-	1,550,197	755,860	-	2,306,057
Total noncurrent liabilities	<u>14,241</u>	<u>1,550,197</u>	<u>755,860</u>	<u>401,994</u>	<u>2,722,292</u>
Total liabilities	<u>1,491,425</u>	<u>1,551,082</u>	<u>781,060</u>	<u>812,702</u>	<u>4,636,269</u>
Net Assets					
Invested in capital assets, net of related debt	68,253	-	-	5,519,106	5,587,359
Unrestricted	(1,437,727)	1,057,729	6,172,063	1,081,638	6,873,703
Total net assets	<u><u>\$ (1,369,474)</u></u>	<u><u>\$ 1,057,729</u></u>	<u><u>\$ 6,172,063</u></u>	<u><u>\$ 6,600,744</u></u>	<u><u>\$ 12,461,062</u></u>

CITY OF PORT ARTHUR, TEXAS

B - 2

Internal Service Funds**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets****For the Year Ended September 30, 2010**

	<u>Equipment Services Fund</u>	<u>General Liability Fund</u>	<u>Employee Benefits Fund</u>	<u>Equipment Replacement Fund</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 3,097,342	\$ 4,964	\$ 9,403,791	\$ 1,223,563	\$ 13,729,660
Operating expenses:					
Personnel services	646,702	-	-	-	646,702
Supplies	65,083	-	-	-	65,083
Contractual services	2,466,643	-	-	15,290	2,481,933
Depreciation	9,398	-	-	2,102,714	2,112,112
Health and life insurance	-	-	7,876,708	-	7,876,708
Employee injury claims	-	-	680,820	-	680,820
Other employee benefits	-	-	402,841	-	402,841
Damage claims	-	1,352,435	-	-	1,352,435
Total operating expenses	<u>3,187,826</u>	<u>1,352,435</u>	<u>8,960,369</u>	<u>2,118,004</u>	<u>15,618,634</u>
Income (loss) from operations	<u>(90,484)</u>	<u>(1,347,471)</u>	<u>443,422</u>	<u>(894,441)</u>	<u>(1,888,974)</u>
Nonoperating revenues (expenses)					
Interest revenue	-	9,455	37,464	17,642	64,561
Interest expense	-	-	-	(42,506)	(42,506)
State capital grants	-	-	-	60,228	60,228
Gain on asset disposal	-	-	-	29,965	29,965
Total nonoperating revenues (expenses)	<u>-</u>	<u>9,455</u>	<u>37,464</u>	<u>65,329</u>	<u>112,248</u>
Income (loss) before transfers	(90,484)	(1,338,016)	480,886	(829,112)	(1,776,726)
Transfers in	-	2,039,800	-	477,876	2,517,676
Transfers out	<u>(36,000)</u>	<u>-</u>	<u>(243,250)</u>	<u>-</u>	<u>(279,250)</u>
Change in net assets	(126,484)	701,784	237,636	(351,236)	461,700
Net assets, beginning of year,	<u>(1,242,990)</u>	<u>355,945</u>	<u>5,934,427</u>	<u>6,951,980</u>	<u>11,999,362</u>
Net assets, end of year	<u>\$ (1,369,474)</u>	<u>\$ 1,057,729</u>	<u>\$ 6,172,063</u>	<u>\$ 6,600,744</u>	<u>\$ 12,461,062</u>

Internal Service Funds

Combining Statement of Cash Flows

Year Ended September 30, 2010

	Equipment Services Fund	General Liability Fund	Employee Benefits Fund	Equipment Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 3,097,342	\$ -	\$ 9,403,791	\$ 1,223,563	\$ 13,724,696
Payments to employees	(639,795)	-	-	-	(639,795)
Payments to suppliers	(2,480,278)	(1,480,764)	(8,980,316)	(204,926)	(13,146,284)
Net cash provided by operating activities	<u>(22,731)</u>	<u>(1,480,764)</u>	<u>423,475</u>	<u>1,018,637</u>	<u>(61,383)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances from (to) other funds	58,731	-	(1,582,810)	-	(1,524,079)
Transfers from other funds	-	2,039,800	-	477,876	2,517,676
Transfers to other funds	(36,000)	-	(243,250)	-	(279,250)
Net cash provided by noncapital financing activities	<u>22,731</u>	<u>2,039,800</u>	<u>(1,826,060)</u>	<u>477,876</u>	<u>714,347</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES					
Acquisition and construction of capital assets	-	-	-	(1,154,127)	(1,154,127)
Principal paid on capital debt	-	-	-	(435,370)	(435,370)
Interest paid on capital debt	-	-	-	(42,506)	(42,506)
Capital grants	-	-	-	60,228	60,228
Proceeds from sale of capital assets	-	-	-	83,167	83,167
Net cash by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,488,608)</u>	<u>(1,488,608)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from the sale of investments	-	1,250,000	4,500,000	750,000	6,500,000
Purchase of investments	-	(2,500,000)	(3,000,000)	(1,060,270)	(6,560,270)
Interest on cash and investments	-	9,455	37,464	17,642	64,561
Net cash provided by investing activities	<u>-</u>	<u>(1,240,545)</u>	<u>1,537,464</u>	<u>(292,628)</u>	<u>4,291</u>
Net (decrease) in cash and cash investments	-	(681,509)	134,879	(284,723)	(831,353)
Cash, beginning of year	100	790,320	727,310	317,333	1,835,063
Cash, end of year	<u>\$ 100</u>	<u>\$ 108,811</u>	<u>\$ 862,189</u>	<u>\$ 32,610</u>	<u>\$ 1,003,710</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Income (loss) from operations	\$ (90,484)	\$ (1,347,471)	\$ 443,422	\$ (894,441)	\$ (1,888,974)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:					
Depreciation	9,398	-	-	2,102,714	2,112,112
Change in assets and liabilities					
Decrease in other receivables	-	-	41,513	-	41,513
Decrease in inventories	82,838	-	-	-	82,838
Decrease in prepaid expense	-	-	1,000	23,924	24,924
Increase (decrease) in wages payable	2,066	-	(331)	-	1,735
Increase (decrease) in accounts payable	(31,390)	827	20,488	(213,560)	(223,635)
Increase in compensated absences	4,841	-	-	-	4,841
(Decrease) in long term risk liability	-	(134,120)	(82,617)	-	(216,737)
Net cash provided (used) by operating activities	<u>\$ (22,731)</u>	<u>\$ (1,480,764)</u>	<u>\$ 423,475</u>	<u>\$ 1,018,637</u>	<u>\$ (61,383)</u>

COMPONENT UNIT

**PORT ARTHUR ECONOMIC
DEVELOPMENT CORPORATION**

CITY OF PORT ARTHUR, TEXAS

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**Component Unit
Port Arthur Economic Development Corporation
Balance Sheet
September 30, 2010**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Small Business Loan Fund</u>	<u>Total</u>
Assets				
Cash	\$ 1,212,847	\$ 28,819	\$ -	\$ 1,241,666
Investments	6,300,000	676,456	-	6,976,456
Accounts receivable	428,127	-	-	428,127
Total Assets	<u>\$ 7,940,974</u>	<u>\$ 705,275</u>	<u>\$ -</u>	<u>\$ 8,646,249</u>
Liabilities and Fund Balances				
Liabilities				
Wages payable	\$ 15,311	\$ -	\$ -	\$ 15,311
Accounts payable	55,403	-	-	55,403
Deferred revenue	422,151	-	-	422,151
Total liabilities	<u>492,865</u>	<u>-</u>	<u>-</u>	<u>492,865</u>
Fund balances				
Reserved for:				
Future development	1,000,000	-	-	1,000,000
Debt service	-	705,275	-	705,275
Special projects	-	-	-	-
Unreserved, reported in:				
General fund	6,448,109	-	-	6,448,109
Total fund balances	<u>7,448,109</u>	<u>705,275</u>	<u>-</u>	<u>8,153,384</u>
Total liabilities and fund balances	<u>\$ 7,940,974</u>	<u>\$ 705,275</u>	<u>\$ -</u>	

Reconciliation to government wide statement of net assets:

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in these funds	6,055,233
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in these funds	422,151
Long term liabilities are not due and payable in the current period, and therefore are not reported in these funds	<u>(6,119,739)</u>
Net assets of governmental activities	<u>\$ 8,511,029</u>

CITY OF PORT ARTHUR, TEXAS

C-2

Component Unit

Port Arthur Economic Development Corporation

Statement of Revenue, Expenditures and Changes in Fund Balances

For the Year Ended September 30, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Small Business Loan Fund</u>	<u>Total</u>
Revenues				
Taxes:				
Sales	\$ 3,480,753	\$ 573,741	\$ -	\$ 4,054,494
Interest revenue	41,009	2,358	-	43,367
Loan repayments	48,131	-	-	48,131
Business park	10,321	-	-	10,321
Miscellaneous	90,268	-	-	90,268
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	3,670,482	576,099	-	4,246,581
Expenditures:				
Current:				
Economic development	2,104,088	-	100,000	2,204,088
Capital outlay	-	-	-	-
Debt service:				
Principal retirements	-	315,000	-	315,000
Interest and fiscal charges	-	258,741	-	258,741
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	2,104,088	573,741	100,000	2,777,829
Excess of revenue over expenditures before transfers	<hr/> 1,566,394	<hr/> 2,358	<hr/> (100,000)	<hr/> 1,468,752
Fund balances, beginning of year, as previously reported	5,873,845	702,917	100,000	
Prior period adjustment, Note V.F.	7,870	-	-	
	<hr/>	<hr/>	<hr/>	
Fund balances, beginning of year, as restated	5,881,715	702,917	100,000	
	<hr/>	<hr/>	<hr/>	
Fund balances, end of year	<hr/> \$ 7,448,109	<hr/> \$ 705,275	<hr/> \$ -	
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlay as expenditure. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.				(19,343)
The net effect of miscellaneous transactions involving capital assets is to decrease net assets				(21,499)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds				(35,780)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds				(1,869)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.				315,000
				<hr/>
Changes in net assets				<hr/> \$ 1,705,261

CITY OF PORT ARTHUR, TEXAS

Component Unit

Port Arthur Economic Development Corporation

General Operating Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Sales	\$ 3,926,259	\$ 3,926,259	\$ 3,480,753	\$ (445,506)
Interest revenue	25,000	25,000	41,009	16,009
Loan repayments	100,000	100,000	48,131	(51,869)
Business park revenues	10,000	10,000	10,321	321
Sale of business park land	-	-	80,818	80,818
Miscellaneous	-	-	9,450	9,450
Total revenues	<u>4,061,259</u>	<u>4,061,259</u>	<u>3,670,482</u>	<u>(390,777)</u>
Expenditures:				
Current:				
General government:				
Personnel services	384,277	384,277	423,188	(38,911)
Contractual services	1,314,466	1,314,466	1,142,806	171,660
Capital outlay	343,636	343,636	384,094	(40,458)
Development projects	1,883,880	1,883,880	154,000	1,729,880
Total expenditures	<u>3,926,259</u>	<u>3,926,259</u>	<u>2,104,088</u>	<u>1,822,171</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 135,000</u>	<u>\$ 135,000</u>	<u>1,566,394</u>	<u>\$ 1,431,394</u>

Fund balance, beginning of year, as previously reported

5,873,845

Prior period adjustment, Note V.F.

7,870

Fund balance, beginning of year, as restated

5,881,715

Fund balance, end of year

\$ 7,448,109

CITY OF PORT ARTHUR, TEXAS

**Component Unit
 Port Arthur Economic Development Corporation
 Debt Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Sales	\$ 573,741	\$ 573,741	\$ 573,741	\$ -
Interest revenue	2,000	2,000	2,358	358
Total revenues	<u>575,741</u>	<u>575,741</u>	<u>576,099</u>	<u>358</u>
Expenditures:				
Debt service:				
Principal retirement	315,000	315,000	315,000	-
Interest and fiscal charges	259,241	259,241	258,741	(500)
Total expenditures	<u>574,241</u>	<u>574,241</u>	<u>573,741</u>	<u>(500)</u>
Excess of revenues over expenditures	<u>\$ 1,500</u>	<u>\$ 1,500</u>	2,358	<u>\$ (142)</u>
Fund balance, beginning of year			<u>702,917</u>	
Fund balance, end of year			<u>\$ 705,275</u>	

CITY OF PORT ARTHUR, TEXAS
Comprehensive Annual Financial Report
For the Year Ended September 30, 2010
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Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Net Assets by Component	Schedule 1
Changes in Net Assets	Schedule 2
Governmental Activities Tax Revenue by Source	Schedule 3
Fund Balances of Governmental Funds	Schedule 4
Changes in Fund Balances of Governmental Funds	Schedule 5
General Governmental Tax Revenues by Source	Schedule 6

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources.

Assessed Value and Estimated Actual Value of Taxable Property	Schedule 7
Property Tax Rates - Direct and Overlapping Governments	Schedule 8
Principal Property Taxpayers	Schedule 9
Principal Industrial Districts	Schedule 10
Property Tax Levies and Collections	Schedule 11
Industrial District Payments	Schedule 12

Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Ratios of Outstanding Debt by Type	Schedule 13
Ratios of General Bonded Debt Outstanding	Schedule 14
Direct and Overlapping Governmental Activities Debt	Schedule 15
Legal Debt Margin Information	Schedule 16

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Comprehensive Annual Financial Report
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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Demographic and Economic Statistics Schedule 17

Principal Employers Schedule 18

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.

Full Time Equivalent City Employees by Function Schedule 19

Operating Indicators by Function Schedule 20

Capital Assets by Function Schedule 21

CITY OF PORT ARTHUR, TEXAS
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 28,798,071	\$ 17,575,084	\$ 4,671,088
Restricted	6,456,352	3,960,448	4,622,619
Unrestricted	<u>4,910,822</u>	<u>19,604,098</u>	<u>12,446,595</u>
Total governmental activities net assets	<u>\$ 40,165,245</u>	<u>\$ 41,139,630</u>	<u>\$ 21,740,302</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 19,317,549	\$ 25,397,872	\$ 89,380,233
Restricted	27,527,741	16,200,454	9,028,750
Unrestricted	<u>(10,073,985)</u>	<u>(7,450,385)</u>	<u>(11,174,963)</u>
Total business-type activities net assets	<u>\$ 36,771,305</u>	<u>\$ 34,147,941</u>	<u>\$ 87,234,020</u>
Primary Government			
Invested in capital assets, net of related debt	\$ 48,115,620	\$ 42,972,956	\$ 94,051,321
Restricted	33,984,093	20,160,902	13,651,369
Unrestricted	<u>(5,163,163)</u>	<u>12,153,713</u>	<u>1,271,632</u>
Total primary government net assets	<u>\$ 76,936,550</u>	<u>\$ 75,287,571</u>	<u>\$ 108,974,322</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Schedule 1

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 6,298,355	\$ 3,965,040	\$ (16,787,610)	\$ 57,871,638	\$ 52,886,404
6,175,645	8,115,974	14,529,546	10,073,955	12,159,977
<u>16,642,827</u>	<u>16,593,389</u>	<u>18,325,406</u>	<u>(65,869,037)</u>	<u>(57,114,701)</u>
<u>\$ 29,116,827</u>	<u>\$ 28,674,403</u>	<u>\$ 16,067,342</u>	<u>\$ 2,076,556</u>	<u>\$ 7,931,680</u>
\$ 89,789,908	\$ 87,847,713	\$ 84,578,549	\$ 82,251,758	\$ 86,587,387
7,251,971	5,302,979	13,721,708	12,748,482	10,896,172
<u>(14,669,600)</u>	<u>(16,625,691)</u>	<u>(17,758,037)</u>	<u>(23,262,102)</u>	<u>(27,739,568)</u>
<u>\$ 82,372,279</u>	<u>\$ 76,525,001</u>	<u>\$ 80,542,220</u>	<u>\$ 71,738,138</u>	<u>\$ 69,743,991</u>
\$ 96,088,263	\$ 91,812,753	\$ 67,790,939	\$ 140,123,396	\$ 139,473,791
13,427,616	13,418,953	28,251,254	22,822,437	23,056,149
<u>1,973,227</u>	<u>(32,302)</u>	<u>567,369</u>	<u>(89,131,139)</u>	<u>(84,854,269)</u>
<u>\$ 111,489,106</u>	<u>\$ 105,199,404</u>	<u>\$ 96,609,562</u>	<u>\$ 73,814,694</u>	<u>\$ 77,675,671</u>

CITY OF PORT ARTHUR, TEXAS**Changes in Net Assets****Last Eight Fiscal Years****(accrual basis of accounting)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenses			
<i>Governmental activities</i>			
General government	\$ 5,692,837	\$ 6,630,177	\$ 6,826,332
Public safety	17,994,721	19,466,665	21,583,467
Public works	5,902,888	6,000,333	11,677,900
Community development	3,354,389	1,982,109	1,526,504
Culture and recreation	2,696,507	2,904,238	3,432,762
Health and welfare	1,679,535	1,746,368	2,024,499
Public transportation	1,613,232	1,601,850	1,604,625
Interest on long-term debt	3,508,014	3,556,107	3,325,994
<i>Total governmental activities expenses</i>	<u>42,442,123</u>	<u>43,887,847</u>	<u>52,002,083</u>
<i>Business-type activities</i>			
Water and sewer	11,996,699	12,472,993	13,114,542
Solid waste	4,899,713	5,112,665	5,673,696
<i>Total business-type activities expenses</i>	<u>16,896,412</u>	<u>17,585,658</u>	<u>18,788,238</u>
<u>Total primary government expenses</u>	<u>59,338,535</u>	<u>61,473,505</u>	<u>70,790,321</u>
Program Revenues			
<i>Governmental activities</i>			
Charges for services:			
General government	418,700	318,326	296,826
Public safety	717,856	985,525	843,246
Community development	525,448	-	444,190
Culture and recreation	157,825	202,962	180,893
Health and welfare	151,021	163,821	179,116
Public transportation	168,494	126,249	118,888
Operating grants and contributions	4,803,189	7,199,995	5,701,339
Capital grants and contributions	182,512	413,514	1,784,209
<i>Total governmental activities program revenues</i>	<u>7,125,045</u>	<u>9,410,392</u>	<u>9,548,707</u>
<i>Business-type activities</i>			
Charges for services:			
Water and sewer	14,395,703	14,319,481	13,327,211
Solid waste	5,464,192	5,182,936	4,994,403
Operating grants and contributions	14,650	-	28,348
Capital grants and contributions	355,184	183,592	564,361
<i>Total business-type activities program revenues</i>	<u>20,229,729</u>	<u>19,686,009</u>	<u>18,914,323</u>
<u>Total primary government program revenues</u>	<u>27,354,774</u>	<u>29,096,401</u>	<u>28,463,030</u>

CITY OF PORT ARTHUR, TEXAS**Changes in Net Assets****Last Eight Fiscal Years (continued)****(accrual basis of accounting)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Net (Expense)			
Governmental activities	\$ (35,317,078)	\$ (34,477,455)	\$ (42,453,376)
Business-type activities	<u>3,333,317</u>	<u>2,100,351</u>	<u>126,085</u>
<i>Total primary government net expenses</i>	<u>(31,983,761)</u>	<u>(32,377,104)</u>	<u>(42,327,291)</u>
General Revenues and Other Changes in Net Assets			
<i>Government activities</i>			
Taxes			
Property Taxes	9,295,652	9,810,300	11,102,923
Industrial district payments	13,343,972	13,325,800	14,179,684
Gross receipts	2,578,504	2,547,414	2,858,715
Sales taxes	4,860,621	5,323,127	5,651,775
Other taxes	426,160	474,722	496,789
Investment earnings	727,260	479,080	815,493
Miscellaneous	168,917	414,325	1,066,517
Transfers	<u>7,682,145</u>	<u>7,334,192</u>	<u>6,082,634</u>
<i>Total governmental activities</i>	<u>39,083,231</u>	<u>39,708,960</u>	<u>42,254,530</u>
<i>Business-type activities</i>			
Investment earnings	18,167	27,843	30,742
Miscellaneous	9,400	31,809	16,707
Transfers	<u>(6,534,933)</u>	<u>(7,334,192)</u>	<u>(6,082,634)</u>
<i>Total Business-type activities</i>	<u>(6,507,366)</u>	<u>(7,274,540)</u>	<u>(6,035,185)</u>
Total primary government general revenues and other changes in net assets	<u>32,575,865</u>	<u>32,434,420</u>	<u>36,219,345</u>
Change in Net Assets			
Governmental activities	3,766,153	5,231,505	(198,846)
Business-type activities	<u>(3,174,049)</u>	<u>(5,174,189)</u>	<u>(5,909,100)</u>
<i>Total primary government</i>	<u>\$ 592,104</u>	<u>\$ 57,316</u>	<u>\$ (6,107,946)</u>

Note: The City began to report accrual information when it implemented GASB Statement 34, in fiscal year 2003.

Fiscal Year									
<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
\$	20,165,793	\$	15,620,967	\$	13,332,504	\$	21,411,497	\$	13,639,715
	21,074,558		22,822,830		25,025,968		32,421,145		29,371,645
	11,348,530		11,859,564		14,038,090		14,588,581		14,006,598
	1,565,422		1,453,406		1,543,713		1,490,108		3,201,371
	2,993,539		5,824,415		4,351,668		5,361,406		4,968,703
	1,831,279		2,106,857		4,349,172		2,723,071		2,905,668
	1,938,632		2,122,404		2,361,839		2,563,463		3,061,791
	3,002,311		2,753,310		2,944,208		3,421,325		3,294,557
	<u>63,920,064</u>		<u>64,563,753</u>		<u>67,947,162</u>		<u>83,980,596</u>		<u>74,450,048</u>
	14,010,621		14,081,351		15,767,793		16,965,508		17,579,403
	5,208,237		6,798,600		6,934,443		9,685,522		8,422,715
	<u>19,218,858</u>		<u>20,879,951</u>		<u>22,702,236</u>		<u>26,651,030</u>		<u>26,002,118</u>
	<u>83,138,922</u>		<u>85,443,704</u>		<u>90,649,398</u>		<u>110,631,626</u>		<u>100,452,166</u>
	739,412		1,178,285		692,713		915,882		728,594
	807,375		1,307,213		1,378,647		1,778,882		1,793,753
	500,794		443,473		(92,746)		144,867		155,726
	87,395		75,477		105,849		120,472		338,417
	221,907		207,120		211,292		195,722		-
	103,975		130,319		127,961		120,483		124,657
	12,003,439		9,666,676		11,074,206		19,279,958		9,980,518
	4,146,167		80,551		-		34,800		1,172,641
	<u>18,610,464</u>		<u>13,089,114</u>		<u>13,497,922</u>		<u>22,591,066</u>		<u>14,294,306</u>
	14,507,437		15,216,011		15,262,727		15,543,061		16,931,852
	5,909,138		6,698,486		7,056,561		10,667,345		7,653,032
	1,615,186		234,871		-		-		-
	-		-		-		-		6,850,178
	<u>22,031,761</u>		<u>22,149,368</u>		<u>22,319,288</u>		<u>26,210,406</u>		<u>31,435,062</u>
	<u>40,642,225</u>		<u>35,238,482</u>		<u>35,817,210</u>		<u>48,801,472</u>		<u>45,729,368</u>

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ (45,309,600)	\$ (51,474,639)	\$ (54,449,240)	\$ (61,389,530)	\$ (60,155,742)
2,812,903	1,269,417	(382,948)	(440,624)	5,432,944
(42,496,697)	(50,205,222)	(54,832,188)	(61,830,154)	(54,722,798)
12,432,896	11,424,235	\$ 13,139,237	\$ 15,329,768	\$ 16,082,423
14,898,245	15,259,988	16,238,958	14,605,507	26,520,879
3,219,599	3,933,880	4,251,127	4,439,957	4,414,729
6,939,254	7,288,008	8,248,052	9,801,361	8,108,987
667,218	793,620	1,083,948	1,115,410	985,368
971,310	1,221,857	692,378	240,344	379,046
7,942,824	3,885,701	2,192,092	1,999,733	1,940,243
6,245,740	7,224,926	(4,003,613)	6,651,553	7,487,001
53,317,086	51,032,215	41,842,179	54,183,633	65,918,676
79,711	107,236	349,468	108,582	53,355
28,418	5,652	42,429	-	6,555
(6,245,740)	(7,224,926)	4,003,613	(6,651,553)	(7,487,001)
(6,137,611)	(7,112,038)	4,395,510	(6,542,971)	(7,427,091)
47,179,475	43,920,177	46,237,689	47,640,662	58,491,585
8,007,486	(442,424)	(12,607,061)	(7,205,897)	5,762,934
(3,324,708)	(5,842,621)	4,012,562	(6,983,595)	(1,994,147)
\$ 4,682,778	\$ (6,285,045)	\$ (8,594,499)	\$ (14,189,492)	\$ 3,768,787

CITY OF PORT ARTHUR, TEXAS

Schedule 3

Governmental Activities Tax Revenues by Source**Governmental Funds****Last Eight Fiscal Years****(accrual basis of accounting)**

Fiscal Year	Property Taxes	Industrial District Payments	Gross Receipts Taxes	Sales Tax	Hotel Occupancy Taxes	Penalties & Interest	Total
2003	\$ 9,064,850	\$ 13,343,973	\$ 2,578,504	\$4,860,621	\$ 367,232	\$ 230,802	\$ 30,445,982
2004	9,581,920	13,325,800	2,547,415	5,323,127	410,254	228,380	31,416,896
2005	10,839,546	14,179,684	2,858,715	5,651,775	433,668	263,377	34,226,765
2006	12,174,338	14,898,245	2,059,024	6,939,254	605,375	258,558	36,934,794
2007	11,118,394	15,259,988	3,933,880	7,288,008	712,663	305,841	38,618,774
2008	12,803,551	16,238,958	4,251,127	8,248,052	990,764	335,686	42,868,138
2009	15,003,724	14,605,507	4,439,957	9,801,361	1,115,410	326,044	45,292,003
2010	15,772,539	26,520,879	4,414,729	8,108,987	985,368	309,884	56,112,386

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF PORT ARTHUR, TEXAS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<i>General Fund</i>				
Reserved	\$ 81,633	\$ 31,203	\$ 98,812	\$ 111,752
Unreserved	<u>10,056,252</u>	<u>9,567,007</u>	<u>9,794,228</u>	<u>9,838,483</u>
Total general fund	<u>\$ 10,137,885</u>	<u>\$ 9,598,210</u>	<u>\$ 9,893,040</u>	<u>\$ 9,950,235</u>
<i>All Other Governmental Funds</i>				
Reserved, reported in				
Special revenue funds	\$ -	\$ 5,160	\$ -	\$ -
Capital projects funds	1,747,108	8,118,398	3,383,376	1,561,719
Debt service funds	926,471	2,532,067	3,072,973	2,398,729
Unreserved, reported in:				
Special revenue funds	<u>1,231,551</u>	<u>3,207,977</u>	<u>2,442,946</u>	<u>3,410,724</u>
Total all other governmental funds	<u>\$ 3,905,130</u>	<u>\$ 13,863,602</u>	<u>\$ 8,899,295</u>	<u>\$ 7,371,172</u>
Total governmental funds	<u>\$ 14,043,015</u>	<u>\$ 23,461,812</u>	<u>\$ 18,792,335</u>	<u>\$ 17,321,407</u>

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 86,971	\$ 54,376	\$ 33,104	\$ 30,962	\$ 28,561	\$ 128,709
<u>8,834,592</u>	<u>10,899,509</u>	<u>11,875,374</u>	<u>14,477,134</u>	<u>11,387,958</u>	<u>16,107,851</u>
<u>\$ 8,921,563</u>	<u>\$ 10,953,885</u>	<u>\$ 11,908,478</u>	<u>\$ 14,508,096</u>	<u>\$ 11,416,519</u>	<u>\$ 16,236,560</u>
\$ 2,000,000	\$ -	\$ 386,650	\$ -	\$ -	\$ -
1,402,753	2,097,248	2,346,951	10,831,709	6,020,546	8,951,450
3,219,866	4,078,397	4,821,810	3,697,837	4,053,409	3,208,527
<u>1,627,937</u>	<u>2,311,065</u>	<u>-</u>	<u>3,351</u>	<u>2,211,515</u>	<u>1,678,856</u>
<u>\$ 8,250,556</u>	<u>\$ 8,486,710</u>	<u>\$ 7,555,411</u>	<u>\$ 14,532,897</u>	<u>\$ 12,285,470</u>	<u>\$ 13,838,833</u>
<u>\$ 17,172,119</u>	<u>\$ 19,440,595</u>	<u>\$ 19,463,889</u>	<u>\$ 29,040,993</u>	<u>\$ 23,701,989</u>	<u>\$ 30,075,393</u>

CITY OF PORT ARTHUR, TEXAS**Changes in Fund Balances, Governmental Funds****Last Ten Fiscal Years****(modified accrual basis of accounting)**

	Fiscal Year				
	2001	2002	2003	2004	2005
Revenues					
Taxes	\$ 16,864,539	\$ 16,477,379	\$ 17,160,937	\$ 18,155,563	\$ 20,110,202
Industrial district payments	12,503,378	15,848,972	13,343,972	13,325,800	14,179,684
Licenses, fees, and permits	351,142	353,777	313,080	239,364	276,052
User fees	606,578	440,394	570,646	609,033	550,239
Fines and penalties	695,299	606,793	730,169	948,488	792,678
Intergovernmental	3,955,615	3,731,662	4,932,581	6,422,103	5,697,146
Investment earnings	815,989	760,309	727,260	451,975	728,342
Other revenues	482,845	655,294	747,485	1,221,619	2,644,732
<i>Total revenues</i>	<u>36,275,385</u>	<u>38,874,580</u>	<u>38,526,130</u>	<u>41,373,945</u>	<u>44,979,075</u>
Expenditures					
General Government	9,353,807	10,566,650	5,592,267	6,370,974	6,423,106
Public safety	16,522,237	17,110,280	17,908,692	19,129,229	20,220,301
Community development	-	-	2,129,993	1,974,243	1,368,945
Culture and recreation	-	-	2,527,931	2,745,206	3,140,721
Health and welfare	1,383,868	551,147	1,685,247	1,739,565	1,925,058
Public transportation	-	-	1,438,528	1,445,171	1,517,573
Public works	5,669,952	5,955,094	5,928,990	5,920,879	6,777,147
Capital outlay	1,952,494	3,585,880	5,087,137	3,378,300	1,961,024
Debt service					
Lease payments	210,175	210,175	-	-	-
Other contractual payments	380,152	-	-	-	-
Principal	1,605,000	2,350,000	3,635,000	3,450,000	3,815,000
Interest and fiscal charges	2,224,884	3,111,430	3,498,373	3,534,281	3,059,150
<i>Total Expenditures</i>	<u>39,302,569</u>	<u>43,440,656</u>	<u>49,432,158</u>	<u>49,687,848</u>	<u>50,208,025</u>
Excess (deficiency) of revenues over expenditures	<u>(3,027,184)</u>	<u>(4,566,076)</u>	<u>(10,906,028)</u>	<u>(8,313,903)</u>	<u>(5,228,950)</u>
Other Financing Sources (uses)					
Bonds issued	-	47,550,000	18,124,979	-	11,981,093
Capital contributed to other funds	-	(28,000,000)	-	-	(11,946,796)
Payment of refunding bonds	-	(11,550,792)	(18,435,215)	-	-
Bond issuance cost	-	(86,171)	(163,907)	-	(219,220)
Transfers in	5,829,029	9,059,988	8,487,673	8,749,430	8,589,031
Transfers out	(2,885,659)	(4,425,850)	(2,022,056)	(2,111,385)	(3,324,447)
<i>Total other financing sources</i>	<u>2,943,370</u>	<u>12,547,175</u>	<u>5,991,474</u>	<u>6,638,045</u>	<u>5,079,661</u>
Net change in fund balances	<u>\$ (83,814)</u>	<u>\$ 7,981,099</u>	<u>\$ (4,914,554)</u>	<u>\$ (1,675,858)</u>	<u>\$ (149,289)</u>
Debt service as a percentage of non capital expenditures	<u>13.19%</u>	<u>16.49%</u>	<u>19.17%</u>	<u>17.76%</u>	<u>16.62%</u>

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 23,007,397	\$ 23,323,221	\$ 26,534,916	\$ 30,592,466	\$ 29,448,938
14,898,245	15,259,988	16,238,958	14,605,507	26,520,879
668,483	1,152,675	679,444	868,612	702,347
492,619	474,310	489,141	521,730	489,321
798,962	1,271,429	1,347,877	1,747,157	1,793,753
15,129,686	9,666,577	11,064,309	19,279,958	11,060,266
827,537	926,542	531,776	201,293	314,485
7,360,537	5,088,475	2,096,949	2,080,210	2,085,663
<u>63,183,466</u>	<u>57,163,217</u>	<u>58,983,370</u>	<u>69,896,933</u>	<u>72,415,652</u>
20,035,929	15,178,668	12,958,322	21,851,794	13,243,057
20,312,025	22,951,494	23,347,832	25,633,260	28,914,842
1,404,831	3,077,736	1,503,913	1,581,240	3,008,202
2,879,934	3,892,484	3,920,103	4,591,672	4,579,614
1,890,588	2,121,923	4,334,973	2,652,941	2,862,270
1,728,129	1,778,597	1,808,289	1,857,396	3,242,534
5,905,021	6,871,788	7,018,114	7,749,763	8,224,026
3,978,598	184,686	1,572,125	6,362,702	7,553,541
-	-	-	-	-
-	-	-	-	-
3,815,000	3,410,000	3,290,000	4,275,000	5,414,884
2,956,278	2,682,620	2,881,939	3,362,396	3,252,051
<u>64,906,333</u>	<u>62,149,996</u>	<u>62,635,610</u>	<u>79,918,164</u>	<u>80,295,021</u>
<u>(1,722,867)</u>	<u>(4,986,779)</u>	<u>(3,652,240)</u>	<u>(10,021,231)</u>	<u>(7,879,369)</u>
-	8,514,181	9,000,000	-	8,092,240
-	-	-	-	-
-	(8,351,347)	-	-	-
-	(137,511)	-	-	-
7,621,520	9,597,019	8,362,563	9,782,085	10,191,957
(2,999,216)	(4,612,629)	(4,132,859)	(5,099,858)	(4,943,382)
<u>4,622,304</u>	<u>5,009,713</u>	<u>13,229,704</u>	<u>4,682,227</u>	<u>13,340,815</u>
<u>\$ 2,899,437</u>	<u>\$ 22,934</u>	<u>\$ 9,577,464</u>	<u>\$ (5,339,004)</u>	<u>\$ 5,461,446</u>
<u>12.50%</u>	<u>10.90%</u>	<u>11.24%</u>	<u>11.59%</u>	<u>13.53%</u>

CITY OF PORT ARTHUR, TEXAS

Schedule 6

General Governmental Tax Revenues by Source**Last Ten Fiscal Years****(modified accrual basis of accounting)**

Fiscal Year	Property Taxes	Industrial District Payments	Gross Receipts Taxes	Sales Tax	Hotel Occupancy Taxes	Penalties & Interest	Total
2001	\$ 8,731,486	\$ 12,503,378	\$3,101,028	\$ 4,355,136	\$ 414,267	\$ 203,493	\$ 29,308,788
2002	8,822,136	15,848,973	2,468,176	4,512,538	415,614	196,826	32,264,263
2003	9,064,850	13,343,973	2,578,504	4,860,621	367,232	230,802	30,445,982
2004	9,581,920	13,325,800	2,547,415	5,323,127	410,254	228,380	31,416,896
2005	10,843,420	14,179,684	2,858,715	5,651,775	433,668	263,377	34,230,639
2006	11,924,508	14,898,245	2,059,024	6,939,254	605,375	258,558	36,684,964
2007	10,988,432	15,259,988	3,933,880	7,288,008	793,620	319,281	38,583,209
2008	12,616,103	16,238,958	4,251,127	8,248,052	990,764	335,686	42,680,690
2009	14,909,694	14,605,507	4,439,957	9,801,361	1,115,410	326,044	45,197,973
2010	15,604,285	26,520,879	4,414,729	8,108,987	858,192	335,569	55,842,641

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Residential Property	Commercial Property	Total Taxable Assessed Value	Total Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2001	\$383,030,712	\$ 752,664,735	\$ 1,135,695,447	\$ 0.775	\$ 1,135,695,447	100%
2002	396,639,950	763,744,880	1,160,384,830	0.775	1,160,384,830	100%
2003	411,629,657	771,740,713	1,183,370,370	0.775	1,183,370,370	100%
2004	457,002,827	787,178,758	1,244,181,585	0.775	1,244,181,585	100%
2005	492,468,962	926,454,971	1,418,923,933	0.775	1,418,923,933	100%
2006	526,306,321	1,001,079,529	1,527,385,850	0.775	1,527,385,850	100%
2007	462,014,658	968,998,287	1,431,012,945	0.775	1,431,012,945	100%
2008	613,616,150	1,117,679,965	1,731,296,115	0.760	1,731,296,115	100%
2009	721,579,294	1,249,334,573	1,970,913,867	0.760	1,970,913,867	100%
2010	757,766,082	1,292,473,250	2,050,239,332	0.792	2,050,239,332	100%

Source: Jefferson and Orange County Appraisal Districts

Notes: Property in Jefferson and Orange Counties are assessed once every two years on average. The counties assess property at 100 percent of actual value for commercial, industrial, and residential property. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$100 at assessed value.

CITY OF PORT ARTHUR, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year	City Direct Rates			Overlapping Rates		
	Maintenance & Operation	General Obligation Debt Service	Total Direct Rate	Port Arthur I.S.D.	Nederland I.S.D.	Port Neches - Groves I.S.D.
2001	\$ 0.427600	\$ 0.347400	\$ 0.775	\$ 1.500	\$ 1.540	\$ 1.684053
2002	0.221000	0.554000	0.775	1.532	1.530	1.677181
2003	0.107310	0.667690	0.775	1.532	1.560	1.656362
2004	0.284514	0.490486	0.775	1.500	1.550	1.633300
2005	0.260333	0.514667	0.775	1.624	1.550	1.627792
2006	0.286644	0.488356	0.775	1.681	1.550	1.619000
2007	0.309200	0.465800	0.775	1.484	1.380	1.478300
2008	0.465599	0.294401	0.760	1.278	1.120	1.192500
2009	0.357990	0.402010	0.760	1.311	1.120	1.284000
2010	0.387469	0.404531	0.792	1.370	1.215	1.454950

Source: Jefferson County Appraisal District

Note: Overlapping rates are those of local and county governments that apply to property owners within the City of Port Arthur. Not all overlapping rates apply to all city property owners.

Overlapping Rates

Sabine Pass L.S.D.	Sabine Pass Port Authority	Port Arthur Navigation Dist	Jefferson County DD #7	Jefferson County	Total
\$ 1.680	\$ 0.262177	\$ 0.138556	\$ 0.170500	\$ 0.3650	\$ 8.11529
1.685	0.295151	0.131937	0.170500	0.3650	8.16177
1.689	0.295151	0.131277	0.188100	0.3650	8.19189
1.689	0.308600	0.130870	0.188100	0.3650	8.13987
1.696	0.251377	0.121909	0.188100	0.4250	8.25918
1.675	0.183709	0.128150	0.179063	0.4250	8.21592
1.542	0.268104	0.128150	0.160000	0.4000	7.61566
1.177	0.257650	0.128150	0.145809	0.3900	6.44970
1.177	0.204479	0.128150	0.139650	0.3650	6.48947
1.116	0.199886	0.128150	0.138977	0.3650	6.78011

CITY OF PORT ARTHUR, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Schedule 9

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Taxable</u>	<u>Rank</u>	<u>Percentage</u>	<u>Taxable</u>	<u>Rank</u>	<u>Percentage</u>
	<u>Assessed</u>		<u>of Total City</u>	<u>Assessed</u>		<u>of Total City</u>
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
Entergy	\$ 162,104,286	1	7.888%	\$ 148,289,780	1	13.057%
Southeast Texas Hospital	73,692,300	2	3.586%	-		-
Central Mall	33,269,320	3	1.619%	23,067,630	2	2.031%
Wal-Mart Stores	33,090,230	4	1.610%			
Rowan Companines	20,823,290	5	1.013%			
Horizon Vessels	19,662,990	6	0.957%	12,170,080	7	1.072%
Motiva Enterprises	17,545,120	7	0.854%			
Southwestern Bell	16,775,080	8	0.816%	16,008,230	5	1.410%
Lowe's Home Centers	14,496,630	9	0.705%			
Ballard Exploration	1,628,100	10	0.079%			
Restaurant Management	-		-	16,655,570	3	1.467%
Park Place Hospital	-		-	16,384,220	4	1.443%
Friede Goldman Offshore	-		-	12,396,880	6	1.092%
Kansas City Southern Industries	-		-	12,106,560	8	1.066%
Equilon Pipeline	-		-	10,347,240	9	0.911%
KMCO	-		-	9,756,160	10	0.859%
	<u>\$ 393,087,346</u>		<u>19.129%</u>	<u>\$ 277,182,350</u>		<u>24.406%</u>

Source: Jefferson County Appraisal District

CITY OF PORT ARTHUR, TEXAS
PRINCIPAL INDUSTRIAL DISTRICTS
CURRENT YEAR AND NINE YEARS AGO

Schedule 10

<u>Industry</u>	<u>2010</u>			<u>2001</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Industrial District Values</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Industrial District Values</u>
Motiva (formerly Star Enterprises)	\$ 1,822,048,520	1	28.74%	\$ 631,940,470	1	26.25%
Valero (formerly Premcor Refining)	1,751,281,930	2	27.62%	303,785,930	5	12.62%
TOTAL (formerly American Petrofina)	526,249,630	3	8.30%	338,343,430	3	14.05%
BASF/Fina Joint Venture	486,347,240	4	7.67%	121,500,000	6	5.05%
Flint Hills Resources (formerly Huntsman)	313,303,680	5	4.94%	305,167,610	4	12.67%
ExxonMobil Golden Pass LNG	311,849,840	6	4.92%			
Chevron-Phillips	280,121,559	7	4.42%	427,209,160	2	17.74%
Air Products	182,680,170	8	2.88%			
Sabina Petrochemicals	165,893,700	9	2.62%			
OxBow Calcining (formerly GLC)	86,850,240	10	1.37%	36,761,600	9	1.53%
BASF (formerly Sandoz)				114,091,470	7	4.74%
Equistar				64,292,770	8	2.67%
Onyx Environmental				17,995,220	10	0.75%
	<u>\$ 5,926,626,509</u>		<u>93.47%</u>	<u>\$ 2,361,087,660</u>		<u>98.06%</u>

Source: Jefferson County Appraisal District

CITY OF PORT ARTHUR, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Schedule 11

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collection in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2001	\$ 8,720,041	\$ 8,378,294	96.1%	\$ 262,762	\$ 8,641,056	99.1%
2002	8,777,851	8,518,287	97.0%	159,159	8,677,446	98.9%
2003	8,997,418	8,697,696	96.7%	182,361	8,880,057	98.7%
2004	8,756,655	8,230,587	94.0%	393,906	8,624,493	98.5%
2005	10,764,466	10,305,833	95.7%	303,039	10,608,872	98.6%
2006	11,860,231	11,322,307	95.5%	317,688	11,639,996	98.1%
2007	11,112,672	10,672,169	96.0%	248,426	10,920,595	98.3%
2008	13,028,647	12,645,882	97.1%	104,563	12,750,445	97.9%
2009	15,214,119	14,610,056	96.0%	141,398	14,751,454	97.0%
2010	15,991,143	15,151,502	94.7%	-	15,151,502	94.7%

(1) All funds

(2) Excluding industrial district payments

CITY OF PORT ARTHUR, TEXAS
INDUSTRIAL DISTRICT PAYMENTS
LAST TEN FISCAL YEARS

Schedule 12

Fiscal Year	Total Payments Due	Total Payments Collected	Percent Collected	Amount Outstanding
2001	\$ 12,503,377	\$ 12,503,377	100%	\$ -
2002	15,848,972 ⁽¹⁾	15,848,972	100%	-
2003	13,343,972	13,343,972	100%	-
2004	13,325,800	13,325,800	100%	-
2005	14,179,684	14,179,684	100%	-
2006	14,898,255	14,898,255	100%	-
2007	15,259,988	15,259,988	100%	-
2008	16,238,958	16,238,958	100%	-
2009	14,605,507	14,605,507	100%	-
2010	23,040,879	23,040,879	100%	-

(1) Includes a one time payment that crossed fiscal years

CITY OF PORT ARTHUR, TEXAS
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule 13

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Certificates of Obligation	Capital Leases			
2001	\$ 29,710,000	\$ 7,905,000	\$ 204,345	\$ 37,819,345	4.62%	\$ 655
2002	38,690,000	43,650,000	288,323	82,628,323	10.09%	1,431
2003	41,965,000	38,140,000	1,099,173	81,204,173	9.91%	1,406
2004	39,625,000	36,480,000	880,937	76,985,937	9.40%	1,333
2005	38,155,000	34,740,000	1,333,496	74,228,496	9.06%	1,285
2006	35,890,000	33,190,000	990,094	70,070,094	8.55%	1,213
2007	42,075,000	24,215,000	1,756,033	68,046,033	8.31%	1,178
2008	48,835,000	33,165,000	1,655,776	83,655,776	10.21%	1,448
2009	45,980,000	31,745,000	1,286,830	79,011,830	9.65%	1,368
2010	50,750,000	29,560,000	801,460	81,111,460	9.90%	1,404

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Demographic and Economic Statistics (Schedule 17) for personal income and population data.

CITY OF PORT ARTHUR, TEXAS
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Schedule 14

Fiscal Year	General Bonded Debt Outstanding			As a Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificate of Obligation	Total		
2001	\$ 29,710,000	\$ 7,905,000	\$ 37,615,000	3.31%	\$ 651
2002	38,690,000	43,650,000	82,340,000	7.10%	1,426
2003	41,965,000	38,140,000	80,105,000	6.77%	1,387
2004	39,625,000	36,480,000	76,105,000	6.12%	1,317
2005	38,155,000	34,740,000	72,895,000	5.14%	1,262
2006	35,890,000	33,190,000	69,080,000	4.52%	1,196
2007	42,075,000	24,215,000	66,290,000	4.63%	1,147
2008	48,835,000	33,165,000	82,000,000	4.74%	1,419
2009	45,980,000	31,745,000	77,725,000	3.94%	1,345
2010	50,750,000	29,560,000	80,310,000	3.92%	1,390

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Schedule 7 for property value data.

Population data can be found in Schedule 17.

CITY OF PORT ARTHUR, TEXAS

Schedule 15

**Direct and Overlapping Governmental Activities Debt
As of September 30, 2010**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>Overlapping debt:</u>			
Port Arthur Independent School District	\$ 238,847,274	100.00%	\$ 238,847,274
Jefferson County	64,565,000	10.83%	6,992,390
Jefferson County Drainage District #7	-	20.13%	-
Port of Port Arthur Navigation District	39,085,000	34.62%	13,531,227
Nederland Independent School District	9,840,000	7.57%	744,888
Port Neches - Groves Independent School District	133,366,078	5.35%	7,135,085
Sabine Pass Independent School District	33,656,156	100.00%	33,656,156
Sabine Pass Port Authority	1,265,000	100.00%	<u>1,265,000</u>
	Subtotal, overlapping debt		\$ 302,172,020
<u>Direct debt:</u>			
City of Port Arthur	80,310,000	100.00%	<u>80,310,000</u>
	Total, direct and overlapping debt		<u>\$ 382,482,020</u>

Estimate of overlapping percentages are provided by the Municipal Advisory Council of Texas

CITY OF PORT ARTHUR, TEXAS

Debt Margin Information

Last Ten Fiscal Years

Debt Margin Calculation for Fiscal Year 2009

Assessed value plus industrial district value	\$ 9,047,969,852
Debt Limit (10% of assessed value)	<u>904,796,985</u>
Debt applicable to limit:	
General obligation bonds	80,310,000
Other debt	801,460
Less: Amount set aside for repayment of general obligation debt	<u>(3,208,527)</u>
Total net debt applicable to limit	<u>77,902,933</u>
Debt margin	<u>\$ 826,894,052</u>

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt Limit	\$ 281,666,810	\$ 306,049,348	\$ 304,904,211	\$ 354,749,275
Total net debt applicable to limit	<u>36,844,345</u>	<u>82,128,323</u>	<u>82,128,323</u>	<u>77,535,937</u>
Debt margin	<u>\$ 244,822,465</u>	<u>\$ 223,921,025</u>	<u>\$ 222,775,888</u>	<u>\$ 277,213,338</u>
Total net debt applicable to the limit as a percentage of debt limit	13.08%	26.83%	26.94%	21.86%

There is no debt limit established by law; therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt. The Attorney General of the State of Texas will not approve more than \$1.00 of the tax rate for debt service. The City's maximum legal tax rate is \$2.00 per \$100 valuation assessed at 100% of the market value. Ten percent (10%) of the assessed value has been applied as a "rule of thumb" procedure.

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 499,690,528	\$ 528,470,070	\$ 728,339,922	\$ 790,629,481	\$ 836,028,026	\$ 826,894,052
<u>74,228,497</u>	<u>65,991,697</u>	<u>63,224,223</u>	<u>79,957,939</u>	<u>74,908,421</u>	<u>77,902,933</u>
<u>\$ 425,462,031</u>	<u>\$ 462,478,373</u>	<u>\$ 665,115,699</u>	<u>\$ 710,671,542</u>	<u>\$ 761,119,605</u>	<u>\$ 748,991,119</u>
14.85%	12.49%	8.68%	10.11%	8.96%	9.42%

CITY OF PORT ARTHUR, TEXAS
Demographic and Economic Statistics
Last Ten Fiscal Years

Schedule 17

Calendar year	Population(1)	Median Income per household (1)	Median Age (1)	Personal Income (1)	Education Level in Years of Schooling (2)	School Enrollment (2)	Unemployment Rate (3)
2001	57,755	\$ 26,455	34.6	14,183	11.9	10,738	12.1%
2002	57,755	26,455	34.5	14,183	11.9	10,971	10.7%
2003	57,755	26,455	35.1	14,183	12.1	10,438	13.9%
2004	57,775	26,455	35.1	14,183	12.1	9,439	13.0%
2005	57,775	26,455	35.1	14,183	12.1	8,824	9.1%
2006	57,775	26,455	35.1	14,183	12.1	8,442	7.6%
2007	57,775	26,455	34.6	14,183	12.1	7,922	7.2%
2008	57,529	26,455	36.0	16,895	12.1	9,097	9.4%
2009	53,989	27,150	35.4	16,895	12.1	9,261	10.7%
2010	53,818	31,043	35.6	16,895	12.1	9,238	14.5%

- 1) U. S. Census Bureau
- 2) Texas Education Agency
- 3) Texas Workforce Commission

CITY OF PORT ARTHUR, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Schedule 18

<u>Employer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Port Arthur Independent School District	1,301	1	5.34%	1,425	1	5.62%
The Medical Center of Southeast Texas	900	2	3.45%	-	-	-
Motiva Enterprises	900	2	3.45%	1,300	2	24.27%
Christus St. Mary Hospital *	850	4	3.26%	1,200	4	4.73%
Wal-Mart Supercenters (2 locations) **	816	5	3.13%	-	-	-
Valero Refining (formerly Clark)	750	6	2.87%	800	6	3.16%
City of Port Arthur	658	7	2.52%	653	7	2.51%
TOTAL Petrochemicals	450	8	1.72%	465	9	1.83%
Flint Hills Resources (formerly Huntsman)	180	9	0.69%	1,290	3	5.09%
Park Place Hospital	-	-	-	1,085	5	4.28%
Texas Drydock	-	-	-	650	8	2.56%
Sandoz Argo Inc.	-	-	-	323	10	1.27%

CITY OF PORT ARTHUR, TEXAS

**Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years**

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	55	67	68	66.3	65	66	89.5	88.5	89.5	108.5
Culture and recreation	37.25	37.25	38.75	34.25	34.25	33.25	34	34	36	37.25
Public Safety										
Police	145	145	145	145	148	146	151.9	154.9	154.9	165
Fire	107	107	107	107	107	107	107	107	107	107
Community development	8	8	8	8	10	10	10	12	12	-
Health and welfare	27.1	26.1	26.1	28.1	27.5	29.5	32.5	32.5	29.5	38.5
Public works	69	69	68	63	63	63	67	67	69	73
Public transportation	23.5	23.5	23.5	24.5	24.5	23.5	24.5	24.5	24.5	24.5
Water utilities	103	103	104	98	98	97	85	85	85	85
Solid waste	49	49	49	47	45	45	47	49	50	51
Equipment services	<u>16</u>	<u>15</u>	<u>15</u>	<u>9</u>	<u>9</u>	<u>11</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
Total	<u>639.35</u>	<u>649.60</u>	<u>652.10</u>	<u>630.10</u>	<u>631.50</u>	<u>631.50</u>	<u>660.40</u>	<u>666.40</u>	<u>669.40</u>	<u>701.75</u>

Source: City of Port Arthur annual budgets

CITY OF PORT ARTHUR, TEXAS
Operating Indicators by Function/Program
Last Ten Fiscal Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General government				
Bulding permits issued				
Commercial Construction	220	230	134	122
Residential Construction	122	92	87	69
Police				
Calls for service	52,413	53,438	58,122	57,312
Fire				
Fires	507	478	470	429
Rescue, EMC	4,309	4,297	5,456	5,797
Other Calls	1,073	1,353	1,431	1,516
Landfill				
Compacted refuse disposed (cubic yards)	136,952	146,870	175,626	159,743
Non-compacted refuse disposed (cubic yards)	122,152	154,429	280,213	258,169
Other public works				
Street resurfacing (miles)	7.47	9.51	--	8.22
Drainage regrading (miles)	9.73	13.62	15.76	15.34
Library				
Volumes in collection	145,360	158,939	158,939	158,939
Library cards in force	18,969	37,803	38,703	37,803
Water and Sewer				
Meters in service	18,839	18,295	18,390	18,390
Water calls	7,838	5,719	4,728	4,679
Average daily production (millions of gallons)	12.79	11.52	11.42	13.76
Peak daily production (millions of gallons)	17.02	13.20	12.92	18.07
Wastewater				
Sewer calls	10,757	11,225	10,428	9,416
Transit				
Total route miles	334,250	345,134	348,146	347,246
Passengers	179,250	171,652	143,263	146,145

Sources: Various city departments.

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
116	217	160	21	10	69
82	61	174	136	531	768
55,472	56,681	59,633	63,366	62,249	59,790
506	551	517	544	475	427
5,045	5,667	5,811	6,295	6,084	6,299
1,573	1,665	2,394	1,696	1,387	1,567
145,699	156,921	171,896	194,568	194,568	208,967
206,953	390,544	513,933	559,872	559,872	660,081
4.43	4.67	5.67	6.13	5.67	10.09
9.88	4.04	14.97	19.46	19.46	30.10
156,100	137,575	159,436	159,440	159,729	163,886
18,969	10,862	11,319	8,384	9,113	10,364
18,390	17,492	17,895	18,025	18,156	18,174
4,755	6,129	3,816	4,061	4,345	5,109
14.94	13.61	12,811	12,668	13,102	14,303
19.49	16.17	15,255	18,530	16,494	20,325
9,368	8,660	7,373	6,627	7,603	8,363
333,155	328,495	333,327	246,208	365,650	373,436
137,102	116,828	99,923	98,862	119,083	115,625

CITY OF PORT ARTHUR, TEXAS
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Public Safety				
Police				
Stations	1	1	1	1
Fires				
Stations	7	7	7	7
Hydrants	1,883	1,907	1,926	1,926
Streets				
Streets (miles)	331.4	331.4	341.8	341.8
Sidewalks (miles)	125.7	125.7	125.7	125.7
Drainage				
Storm Sewers (miles)	181.4	181.4	181.4	181.4
Libraries				
Number of libraries	1	1	1	1
Parks and Recreation				
Acreage	332.52	332.52	515.10	515.10
Golf Course	1	1	2	2
Swimming Pools	3	3	3	3
Playgrounds	31	33	33	33
Recreation center	1	1	1	1
Water and Sewer				
Water mains (miles)	371	371	371	371
Sanitary sewer mains (miles)	282	282	282	282

Sources: Various city departments.

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1	1	1	1	1	1
7	7	7	7	8	8
1,985	2,014	2,015	2,026	2,128	2,162
341.8	341.8	341.8	341.8	341.8	342.7
125.7	125.7	125.7	125.7	125.7	125.7
181.4	181.4	181.4	181.4	181.4	182.0
1	1	1	1	1	1
515.10	515.10	515.10	515.10	515.02	515.02
2	2	2	2	2	2
3	3	3	3	3	3
33	33	33	33	33	33
1	1	1	1	1	1
371	371	371	371	350	353
282	282	282	282	354	356