

ANNUAL FINANCIAL REPORT

of the

CITY OF MANVEL, TEXAS

**For the Year Ended
September 30, 2015**

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CITY OF MANVEL, TEXAS

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INTRODUCTORY SECTION

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CITY OF MANVEL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2015

City Officials	Elective Position	Term Expires
Delores Martin	Mayor	2017
Larry Akery	Council Member	2017
John Cox	Council Member	2017
Lew Shuffler	Council Member	2016
Melody Hanson	Council Member	2016
Adrian Gasper	Council Member	2018
Lorraine Hehn	Council Member	2018

Key Staff	Position
Kyle Jung	City Manager
Wes Vela	Director of Finance
Tammy Bell	City Secretary
Robert Gervais	City Attorney
Keith Traylor	Police Chief
Jay White	Director of Public Works
Michael Dumas	Fire Marshal
Annie Torres	Municipal Court Administrator
Michael White	Utility Superintendent

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

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

Emphasis of Matter

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 14, 2016

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

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

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

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

1. *Governmental Activities* – Most of the City's basic services are reported here including general government, public safety, public works, public services, economic development, library, parks, and recreation. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise taxes, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution and wastewater collection/treatment.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, the Manvel Economic Development Corporation, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund (considered a nonmajor fund for reporting purposes, but the City has elected to present as major due to its significance), and the capital projects fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation.

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

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with this budget.

Proprietary Funds

The City maintains one type of proprietary fund, an enterprise fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water distribution and wastewater collection/treatment. The proprietary fund financial statements provide separate information for the water distribution and wastewater collection/treatment operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, Schedules of Changes of Net Pension Liability and Related Ratios and schedule of contributions. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$14,256,632 as of year end in the primary government. The largest portion of the City's net position, 59 percent, reflects its investments in capital assets (e.g., land, buildings, equipment, streets, and drainage systems) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

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

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

September 30, 2015				
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 9,817,532	\$ 370,254	\$ -	\$ 10,187,786
Capital assets, net	4,544,458	9,503,262	-	14,047,720
Total Assets	14,361,990	9,873,516	-	24,235,506
Deferred outflows - pensions	85,720	-	-	85,720
Total Deferred Outflows of Resources	85,720	-	-	85,720
Long-term liabilities	5,714,946	-	-	5,714,946
Other liabilities	4,311,834	37,814	-	4,349,648
Total Liabilities	10,026,780	37,814	-	10,064,594
Net Position:				
Net investment in capital assets	4,393,300	9,503,262	(5,465,000)	8,431,562
Restricted	997,640	-	-	997,640
Unrestricted	(970,010)	332,440	5,465,000	4,827,430
Total Net Position	\$ 4,420,930	\$ 9,835,702	\$ -	\$ 14,256,632
September 30, 2014				
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 5,230,324	\$ 129,419	\$ -	\$ 5,359,743
Capital assets, net	4,542,575	7,781,661	-	12,324,236
Total Assets	9,772,899	7,911,080	-	17,683,979
Deferred outflows - pensions	26,338	-	-	26,338
Total Deferred Outflows of Resources	26,338	-	-	26,338
Long-term liabilities	4,732,554	-	-	4,732,554
Other liabilities	571,347	37,186	-	608,533
Total Liabilities	5,303,901	37,186	-	5,341,087
Net Position:				
Net investment in capital assets	4,441,850	7,781,661	(4,560,000)	7,663,511
Restricted	709,312	-	-	709,312
Unrestricted	(655,826)	92,233	4,560,000	3,996,407
Total Net Position	\$ 4,495,336	\$ 7,873,894	\$ -	\$ 12,369,230

A portion of the primary government's net position, \$997,640 or Seven percent, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,827,430, may be used to meet the City's ongoing obligation to citizens and creditors. Net position increased by \$1,887,402 compared to the prior year due to an increase in cash due to more revenue than operating expenses during the fiscal year.

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

The City has issued and repaid debt in its governmental activities for which the proceeds were used to construct capital assets for the business-type activities. With one activity carrying the capital asset and another carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Debt associated with governmental activities, in the amount of \$5,465,000, is being used to finance capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

There was an increase in the beginning net position of \$112,430 for the City due to implementation of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. More detailed information about this restatement is presented in note III.G to the financial statements.

In the current fiscal year, GASB Statement No. 68 and No.71 requires the City to recognize a net pension liability and deferred outflows/inflows of resources as discussed in note IV.C. to the financial statements. The net change in the pension asset decreased by \$67,664 for the City during the current fiscal year. The net change in deferred outflows/inflows increased the net position by \$85,720 for the City.

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

Statement of Activities:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 1,330,185	\$ 876,834	\$ 527,875	\$ 242,235	\$ 1,858,060	\$ 1,119,069
Operating grants and contributions	28,557	-	-	-	28,557	-
Capital grants and contributions	-	2,443,875	-	208,903	-	2,652,778
General revenues:						
Property taxes	2,393,285	2,189,569	-	-	2,393,285	2,189,569
Sales taxes	1,496,839	1,256,756	-	-	1,496,839	1,256,756
Franchise and hotel occupancy taxes	369,222	430,691	-	-	369,222	430,691
Investment earnings	20,320	10,594	2,543	439	22,863	11,033
Miscellaneous	1,211,467	47,661	-	-	1,211,467	47,661
Total Revenues	<u>6,849,875</u>	<u>7,255,980</u>	<u>530,418</u>	<u>451,577</u>	<u>7,380,293</u>	<u>7,707,557</u>
Expenses						
General government	1,680,639	1,237,761	-	-	1,680,639	1,237,761
Public safety	1,175,986	923,415	-	-	1,175,986	923,415
Public works	1,449,355	1,026,024	-	-	1,449,355	1,026,024
Library, parks, and recreation	63,632	56,732	-	-	63,632	56,732
Economic development	316,358	353,607	-	-	316,358	353,607
Interest on long-term debt	214,164	166,817	-	-	214,164	166,817
Water and sewer	-	-	592,757	426,541	592,757	426,541
Total Expenses	<u>4,900,134</u>	<u>3,764,356</u>	<u>592,757</u>	<u>426,541</u>	<u>5,492,891</u>	<u>4,190,897</u>
Increase (Decrease) in Net Position Before Transfers	1,949,741	3,491,624	(62,339)	25,036	1,887,402	3,516,660
Transfers	(2,024,147)	(2,188,352)	2,024,147	2,188,352	-	-
Change in Net Position	(74,406)	1,303,272	1,961,808	2,213,388	1,887,402	3,516,660
Beginning net position	4,495,336	3,192,064	7,873,894	5,660,506	12,369,230	8,852,570
Ending Net Position	<u>\$ 4,420,930</u>	<u>\$ 4,495,336</u>	<u>\$ 9,835,702</u>	<u>\$ 7,873,894</u>	<u>\$ 14,256,632</u>	<u>\$ 12,369,230</u>

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

For the year ended September 30, 2015, revenues from governmental activities totaled \$6,849,875. Revenues experienced a decrease of \$406,105 compared to the prior year. This decrease in current year was largely due to capital grants and contributions received in prior year.

For the year ended September 30, 2015, expenses for governmental activities totaled \$4,900,134. Total expenses increased \$1,135,778 compared to the prior year, which can be attributed primarily to an increase in repair and maintenance on roads and equipment and an increase in salaries across all departments.

Business-type activities net position increased by \$1,961,808. Current year revenues increased by \$78,841 compared to the prior year. This increase was the result of an increase in charges for services in the current year. Current year expenses increased by \$166,216 primarily due to an increase in repair and maintenance in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reflect a combined fund balance of \$5,448,193. Of this, \$71,135 is restricted for debt service, \$294,537 is restricted for enabling legislation, \$51,713 is restricted for a tax increment reinvestment zone, \$580,255 is restricted for capital projects, \$428,583 is committed for road maintenance, \$745 is nonspendable in the form of prepaid items, and \$4,021,225 is unassigned.

The general fund had an increase in fund balance of \$625,738 for the year due to more revenue to operation expenditures. The general fund reports a healthy fund balance of \$4,454,875, which exceeds roughly 11 months of the general funds expenditures.

The debt service fund had a decrease in fund balance of \$31,826 as a result of property tax collections less than debt service payments.

The capital projects fund had an increase in fund balance of \$262,062 due to fund received from tax note issuance during the fiscal year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceeded original and final budgeted revenues by \$533,168 during the year largely due to higher than expected revenues for sales taxes, licenses and permits, and other revenues. General fund expenditures were less than the final budget by \$555,469 during the year due to positive budget variances in general government, public safety, and capital outlay. This increase is primarily due to additional permit revenue throughout the year.

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

CAPITAL ASSETS

At the end of the year, the City's governmental activities fund had invested \$4,544,458 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$1,883 from prior year. The City's business-type activities funds had invested \$9,503,262 in capital assets and infrastructure (net of accumulated depreciation). This represents an increase of \$1,721,601 from the prior year.

Major capital asset events during the current year include the following:

- Purchased a truck and trailer for \$61,365
- Purchased four police vehicles and related equipment for \$136,257
- Purchased a Blaw Knox paver for \$181,862
- Water and wastewater project on Highway 6 for \$1,904,844

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

LONG-TERM DEBT

At the end of the current year, the City had total certificates of obligation and capital leases outstanding of \$5,616,158. Of this amount, \$5,465,000 represents certificates of obligation and \$151,158 represents capital leases.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council approved a \$5,081,428 general fund budget for the 2015-2016 fiscal year. This is a 2.6 percent decrease from the prior year. The tax rate adopted for the fiscal year 2015-2016 budget will be \$0.580000 per \$100 in property value, which is the same rate as fiscal year 2014-2015. The budget will raise more revenue from property taxes than last year's budget by about \$181,668 due to property appraisal value increases and new property added to the tax roll.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the Finance Director, City of Manvel, 20025 Morris Ave, Manvel, TX 77578 or by telephone at 281.489.0630.

BASIC FINANCIAL STATEMENTS

CITY OF MANVEL, TEXAS

STATEMENT OF NET POSITION

September 30, 2015

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
Assets				
Cash and cash equivalents	\$ 9,071,955	\$ 482,438	\$ -	\$ 9,554,393
Receivables, net	500,930	62,867	-	563,797
Due from component unit	248	-	-	248
Due from other governments	8,564	4,091	-	12,655
Internal balances	216,662	(216,662)	-	-
Prepaid items	745	-	-	745
Restricted assets:				
Cash and investments	-	37,520	-	37,520
Total Current Assets	9,799,104	370,254	-	10,169,358
Noncurrent assets				
Net pension asset	18,428	-	-	18,428
Non-depreciable	738,034	2,349,652	-	3,087,686
Net depreciable	3,806,424	7,153,610	-	10,960,034
Total Assets	14,361,990	9,873,516	-	24,235,506
Deferred Outflows of Resources				
Deferred outflows - pensions	85,720	-	-	85,720
Liabilities				
Accounts payable and accrued liabilities	104,113	294	-	104,407
Customer deposits	-	37,520	-	37,520
Accrued interest payable	35,070	-	-	35,070
Due to primary government	-	-	-	-
Unearned revenue	4,172,651	-	-	4,172,651
Total Current Liabilities	4,311,834	37,814	-	4,349,648
Noncurrent liabilities:				
Long-term liabilities due within one year	311,930	-	-	311,930
Long-term liabilities due in more than one year	5,403,016	-	-	5,403,016
Total Liabilities	10,026,780	37,814	-	10,064,594
Net Position				
Net investment in capital assets	4,393,300	9,503,262	(5,465,000)	8,431,562
Restricted for:				
Debt service	71,135	-	-	71,135
Enabling legislation	294,537	-	-	294,537
Tax increment reinvestment zone	51,713	-	-	51,713
Capital projects	580,255	-	-	580,255
Manvel Economic Development Corporation	-	-	-	-
Unrestricted	(970,010)	332,440	5,465,000	4,827,430
Total Net Position	\$ 4,420,930	\$ 9,835,702	\$ -	\$ 14,256,632

See Notes to Financial Statements.

Component Unit	
	Manvel Economic Dev. Corp.
\$	1,011,505
	55,157
	-
	-
	-
	-
	-
	<u>1,066,662</u>
	-
	-
	-
	<u>1,066,662</u>
	-
	-
	-
	248
	-
	<u>248</u>
	-
	-
	-
	-
	-
	248
	-
	-
	-
	-
	1,066,414
	-
\$	<u><u>1,066,414</u></u>

CITY OF MANVEL, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 1,680,639	\$ -	\$ -
Public safety	1,175,986	169,571	28,557
Public works	1,449,355	1,160,614	-
Library, parks, and recreation	63,632	-	-
Economic development	316,358	-	-
Interest and fiscal agent fees on long-term debt	214,164	-	-
Total Governmental Activities	4,900,134	1,330,185	28,557
Business -Type Activities			
Water and sewer	592,757	527,875	-
Total Business-Type Activities	592,757	527,875	-
Total Primary Government	\$ 5,492,891	\$ 1,858,060	\$ 28,557
Component Unit			
Manvel Economic Development Corporation	\$ 1,029,170	\$ -	\$ -
Total Component Unit	\$ 1,029,170	\$ -	\$ -

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Other taxes
- Investment earnings
- Other revenues
- Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component</u>
<u>Primary Government</u>			<u>Unit</u>
<u>Governmental</u>	<u>Business-Type</u>		<u>Manvel</u>
<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Economic</u>
			<u>Dev. Corp.</u>
\$ (1,680,639)	\$ -	\$ (1,680,639)	\$ -
(977,858)	-	(977,858)	-
(288,741)	-	(288,741)	-
(63,632)	-	(63,632)	-
(316,358)	-	(316,358)	-
(214,164)	-	(214,164)	-
<u>(3,541,392)</u>	<u>-</u>	<u>(3,541,392)</u>	<u>-</u>
-	(64,882)	(64,882)	-
-	(64,882)	(64,882)	-
<u>(3,541,392)</u>	<u>(64,882)</u>	<u>(3,606,274)</u>	<u>-</u>
-	-	-	(1,029,170)
-	-	-	<u>(1,029,170)</u>
2,393,285	-	2,393,285	-
1,496,839	-	1,496,839	299,368
369,222	-	369,222	-
20,320	2,543	22,863	9,261
1,211,467	-	1,211,467	-
<u>(2,024,147)</u>	<u>2,024,147</u>	<u>-</u>	<u>-</u>
<u>3,466,986</u>	<u>2,026,690</u>	<u>5,493,676</u>	<u>308,629</u>
(74,406)	1,961,808	1,887,402	(720,541)
4,495,336	7,873,894	12,369,230	1,786,955
<u>\$ 4,420,930</u>	<u>\$ 9,835,702</u>	<u>\$ 14,256,632</u>	<u>\$ 1,066,414</u>

CITY OF MANVEL, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2015

	General	Debt Service	Capital Projects	Nonmajor Governmental
<u>Assets</u>				
Cash and cash equivalents	\$ 8,743,048	\$ 70,996	171,375	\$ 86,536
Receivables, net	475,002	10,790	-	15,138
Due from other funds	307,407	139	408,880	322,435
Due from component unit	248	-	-	-
Due from other governments	-	-	-	8,564
Prepaid items	745	-	-	-
Total Assets	\$ 9,526,450	\$ 81,925	\$ 580,255	\$ 432,673
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 104,113	\$ -	\$ -	\$ -
Due to other funds	731,454	-	-	90,745
Unearned revenue	4,172,651	-	-	-
	5,008,218	-	-	90,745
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	63,357	10,790	-	-
Total Deferred Inflows of Resources	63,357	10,790	-	-
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	745	-	-	-
Restricted for:				
Debt service	-	71,135	-	-
Enabling legislation	4,322	-	-	290,215
Tax increment reinvestment zone	-	-	-	51,713
Capital projects	-	-	580,255	-
Committed for:				
Road maintenance	428,583	-	-	-
Unassigned	4,021,225	-	-	-
Total Fund Balances	4,454,875	71,135	580,255	341,928
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,526,450	\$ 81,925	\$ 580,255	\$ 432,673

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 9,071,955
500,930
1,038,861
248
8,564
745
\$ 10,621,303

\$ 104,113
822,199
4,172,651
5,098,963

74,147
74,147

745

71,135
294,537
51,713
580,255

428,583
4,021,225
5,448,193

\$ 10,621,303

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CITY OF MANVEL, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
For the Year Ended September 30, 2015

Total fund balances – total governmental funds \$ 5,448,193

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

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

Capital assets – non-depreciable	738,034
Capital assets – net depreciable	3,806,424

Change in pension activity does not affect the fund balance on the state revenues, expenditures, and changes in fund balance for the governmental funds.

These changes in pension activity that effect the City's net position are as follows:

Net pension asset	18,428
Deferred outflows - pension	85,720

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavavailable revenue in the governmental funds

74,147

Some liabilities, including bonds payable, other post employment benefits, and compensated absences, are not reported as liabilities in the governmental funds.

Accrued interest payable	(35,070)
Non-current liabilities due in one year	(311,930)
Non-current liabilities due in more than one year	<u>(5,403,016)</u>

Net Position of Governmental Activities \$ 4,420,930

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	General	Debt Service	Capital Projects	Nonmajor Governmental
Revenues				
Property taxes	\$ 2,077,012	\$ 304,340	\$ -	\$ 21,289
Sales taxes	1,492,160	-	-	4,679
Other taxes	308,668	-	-	60,554
Licenses and permits	1,160,614	-	-	-
Fines and forfeitures	169,571	-	-	-
Intergovernmental	28,557	-	-	-
Investment earnings	12,989	1,031	5,145	1,155
Other revenues	127,457	-	1,084,010	-
Total Revenues	5,377,028	305,371	1,089,155	87,677
Expenditures				
Current:				
General government	1,594,314	-	-	8,081
Public safety	1,247,911	-	-	-
Public works	1,192,878	-	-	-
Library, parks, and recreation	56,893	-	-	-
Economic development	316,000	-	-	-
Capital outlay	306,274	-	1,866,955	-
Debt service:				
Principal	76,567	165,000	-	-
Interest and fiscal charges	-	172,197	-	-
Issuance costs	-	-	30,138	-
Total Expenditures	4,790,837	337,197	1,897,093	8,081
Excess (Deficiency) of Revenues Over (Under) Expenditures	586,191	(31,826)	(807,938)	79,596
Other Financing Sources (Uses)				
Transfers (out)	(87,453)	-	-	-
Capital lease proceeds	127,000	-	-	-
Tax note proceeds	-	-	1,070,000	-
Total Other Financing Sources (Uses)	39,547	-	1,070,000	-
Net Change in Fund Balances	625,738	(31,826)	262,062	79,596
Beginning fund balances	3,829,137	102,961	318,193	262,332
Ending Fund Balances	\$ 4,454,875	\$ 71,135	\$ 580,255	\$ 341,928

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 2,402,641
1,496,839
369,222
1,160,614
169,571
28,557
20,320
1,211,467
6,859,231

1,602,395
1,247,911
1,192,878
56,893
316,000
2,173,229

241,567
172,197
30,138
7,033,208

(173,977)

(87,453)
127,000
1,070,000
1,109,547

935,570
4,512,623
\$ 5,448,193

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CITY OF MANVEL, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

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

Net changes in fund balances - total governmental funds	\$	935,570
<p>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.</p>		
Capital outlay		614,736
Capital disposals, net		(55,739)
Depreciation expense		(557,114)
<p>Accounts payable and accrued liabilities are not reported as revenues in the funds.</p>		
Property taxes		(9,356)
<p>The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Capital leases		(127,000)
Debt issued		(1,070,000)
Accrued interest		(11,829)
Principal expenditures		241,567
<p>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. This adjustment reflects the net change in interest payable on the accrual basis of accounting and the net changes in pension activity and compensated absences.</p>		
Net pension asset		(67,664)
Deferred outflows - pensions		59,382
Compensated absences		(26,959)
Change in Net Position of Governmental Activities	\$	<u>(74,406)</u>

See Notes to Financial Statements.

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CITY OF MANVEL, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2015

	<u>Business-Type Activities Enterprise</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 482,438
Receivables, net	62,867
Due from other governments	4,091
	<u>Total Current Assets</u> 549,396
Restricted cash and cash equivalents:	
Customer deposits	<u>37,520</u>
Noncurrent assets:	
Capital assets:	
Land	2,349,652
Water/sewer system	8,458,125
Machinery and equipment	126,757
Less: accumulated depreciation	(1,431,272)
	<u>Total Noncurrent Assets</u> 9,503,262
	<u>Total Assets</u> 10,090,178
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued liabilities	294
Due to other funds	216,662
Customer deposits	37,520
	<u>Total Liabilities</u> 254,476
<u>Net Position</u>	
Net investment in capital assets	9,503,262
Unrestricted	332,440
	<u>Total Net Position</u> \$ 9,835,702

See Notes to Financial Statements.

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CITY OF MANVEL, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Year Ended September 30, 2015

		Business-Type Activities
		Enterprise
<u>Operating Revenues</u>		
Water charges	\$	159,335
Sewer charges		140,628
Other revenues		227,912
Total Operating Revenues		527,875
 <u>Operating Expenses</u>		
Personnel services		117,357
Professional services		22,178
Services		47,339
Supplies		48,821
Repair and maintenance		167,607
Depreciation		189,455
Total Operating Expenses		592,757
Operating (Loss)		(64,882)
 <u>Nonoperating Revenues</u>		
Investment earnings		2,543
Total Nonoperating Revenues		2,543
(Loss) Before Transfers and Contributions		(62,339)
Capital contributions		1,936,694
Transfers in		87,453
Total Transfers and Contributions		2,024,147
Change in Net Position		1,961,808
Beginning net position		7,873,894
Ending Net Position	\$	9,835,702

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2)

For the Year Ended September 30, 2015

	Business-Type Activities
	Enterprise
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 620,214
Payments to suppliers	(332,941)
Payments to employees	(117,357)
Net Cash (Used) by Operating Activities	169,916
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers in from other funds	87,453
Net Cash Provided by Noncapital Financing Activities	87,453
<u>Cash Flows from Capital and Related Financing Activities</u>	
Loss from disposal of assets	25,638
Net Cash Provided by Capital and Related Financing Activities	25,638
<u>Cash Flows from Investing Activities</u>	
Interest on investments	2,543
Net Cash Provided by Investing Activities	2,543
Net Increase in Cash and Cash Equivalents	285,550
Beginning cash and cash equivalents	234,408
Ending Cash and Cash Equivalents	\$ 519,958
Ending Cash and Cash Equivalents:	
Unrestricted cash and cash equivalents	\$ 482,438
Restricted cash and cash equivalents	37,520
	\$ 519,958

CITY OF MANVEL, TEXAS

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

	<u>Business-Type Activities Enterprise</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Operating (loss)	\$ (64,882)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	189,455
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	81,094
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(10,617)
Due to other funds	(36,379)
Customer deposits	11,245
Net Cash (Used) by Operating Activities	<u>\$ 169,916</u>
Noncash Investing, Capital, and Financing Activities:	
Contributions of capital assets	<u>\$ 1,936,694</u>

See Notes to Financial Statements.

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CITY OF MANVEL, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Manvel (the "City") is a political subdivision of the State of Texas and is considered a primary government. The voters elected on May 14, 2011 to adopt a Home Rule Charter for the City of Manvel, and the election was canvassed on May 23, 2011. The municipal government provided by the Charter shall be known as a "Council-Manager form of Government". Pursuant to the provisions of, and subject only to the limitations imposed by, the state constitution, state laws, and the charter, all powers of the City shall be vested in an elective council, hereinafter referred to as the "City Council" or the "Council", which consists of a mayor and six (6) Council members. The Council, by majority vote of the entire Council, shall appoint a City manager, who shall be the chief administrative officer of the City. The City appointed a full-time City manager on January 16, 2012.

The City provides the following services: public safety, public works, park and recreation, water and sewer, and general administrative services.

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

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

Discretely Presented Component Unit

Manvel Economic Development Corporation

The Manvel Economic Development Corporation (the "Corporation") has been included in the reporting entity as a discretely presented component unit. The mission of the Corporation is to promote economic development within the City and surrounding areas. In 1998, the City's voters authorized one-half percent increase in the City's sales tax rate to provide funding for the Corporation. At an election on May 14, 2011, the voters approved a decrease in the sales tax from one half percent to one-quarter percent to provide funding for the Corporation. The decrease was effective October 1, 2011. The Board of Directors of the Corporation is appointed and may be

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

terminated by City Council. The Board is comprised of seven directors elected to serve two-year terms. The Corporation is required to prepare an annual budget that is approved by City Council. As a discretely presented component unit, the Corporation is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Units

Tax Increment Reinvestment Zone Number Three

During fiscal year 2010, the City passed an ordinance creating a tax increment reinvestment zone ("TIRZ No. 3"), in accordance with Section 311.005 of the Texas Tax Code. The TIRZ No. 3 consists of approximately 2,403.78 acres, which will be developed into the Seven Oaks/Meridiana Project. The TIRZ No. 3 will provide the financing and management tools needed to help stimulate the development of commercial and residential areas within the zone. The TIRZ No. 3 is managed by a five member Board of Directors, of which the City Council appoints positions one through four and position five is appointed by Brazoria County. The TIRZ No. 3 has a life of 40 years and has committed to 50 percent of its sales tax and 100 percent of its property tax, less cost of service, for the duration, or until dissolved by the City. Brazoria County has committed 40 percent of its property tax beginning in 2013 (unless an earlier date is agreed to) for a period of 30 years from the first year payment.

Manvel Cultural Education Facilities Finance Corporation

The Manvel Cultural Education Facilities Finance Corporation (MCEFFC) was organized on September 23, 2002 pursuant to the Texas Cultural Education Facilities Finance Corporation Act. The members of the Board are appointed by City Council. The MCEFFC does not pass an annual budget and has a September 30 year end. The MCEFFC issues bonds to finance or refinance educational facilities. The borrower receives a more favorable interest rate and the MCEFFC receives a fee for issuing these bonds. These bonds are limited obligations of the MCEFFC, payable solely from revenues received by the MCEFFC pursuant to a loan agreement by and between the MCEFFC and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. Therefore, the MCEFFC has no responsibility for the payment of this debt. The related loan agreements and bonds payable have not been recorded in the financial statements of the City. The only activity reported in the financial statements of the City are fees relating to issuance of the debt obligations. These fees are reported in the City's general fund.

Manvel Education Facilities Corporation

The Manvel Education Facilities Corporation (MEFC) was organized on June 12, 2001 pursuant to the Higher Education Authority Act. The members of the Board are appointed by City Council. The MEFC does not pass an annual budget and has a September 30 year end. The MEFC issues bonds to finance or refinance educational facilities. The borrower receives a more favorable interest rate and the MEFC receives a fee for issuing these bonds. These bonds are limited obligations of the MEFC, payable solely from revenues received by the MEFC pursuant to a loan agreement by and between the MEFC and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. Therefore, the MEFC has no responsibility for the payment of this debt. The related loan agreements and bonds payable have not been recorded in the financial statements of the City. The only activity reported in the financial statements of the

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

City are fees relating to issuance of the debt obligations. These fees are reported in the City's general fund.

South Manvel Development Authority

Upon the recommendation of the TIRZ No. 3 Board, the City Council authorized the submission of an application for formation of the South Manvel Development Authority ('SMDA'). The SMDA is organized for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the area included in TIRZ No. 3, as such boundaries may be amended from time to time, and neighboring areas and to promote, develop, encourage, and maintain housing, educational facilities, employment, commerce and economic development in the City. The SMDA was created on February 14, 2011, pursuant to the provisions of Subchapter D of Chapter 431, Texas Transportation Code, and Chapter 394, Texas Local Government Code. All powers of the SMDA shall be vested in a Board comprised of the same five Board Members as the TIRZ No. 3.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and its component 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, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

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

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and intergovernmental. Expenditures include general government, public safety, public works, library, parks and recreation, and economic development. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a nonmajor fund for reporting purposes, but the City has elected to present it as major due to its significance.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include hotel taxes, court security, court technology, TIRZ No. 3, and South Manvel Development Authority. These funds are considered nonmajor funds for reporting purposes.

The *capital projects fund* is used to account for the expenditures of resources accumulated from the sales of bonds, as well as related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

The City reports the following enterprise fund:

The *enterprise fund* is used to account for the operations that provide water and wastewater collection and wastewater treatment operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

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

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized

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

costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool and TexSTAR, are reported using the pools' share price.

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

- Obligations of the U.S. Treasury
- Fully collateralized certificates of deposit and money market accounts with local depository banks
- Local government investment pools
- Repurchase agreements
- Bankers' acceptances
- Commercial paper
- Mutual funds

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Major road improvements of \$50,000 or more are also recorded as capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Machinery and equipment	5 to 7 years
Buildings, improvements, and roads	10 to 60 years
Water and sewer system	55 years

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category on the government-wide Statement of Net Position. Deferred outflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized as a result of differences between the actuarial expectations and the actual economic experience related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

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

6. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused personal leave on a monthly basis up to a maximum of two times the employee's current accrual rate. Accrual rates are based upon the years of service. Compensatory time not used can also be accumulated. Non-exempt employees may accrue compensatory time in lieu of being paid overtime compensation. Public safety employees are subject to a 480 hour cap on the accrual of compensatory time. Other employees are subject to a cap of 240 hours. Personal leave and compensatory time amounts accumulated may be paid to employees upon termination of employment or at retirement.

The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

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

7. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund. Though a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

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

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

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

10. Fund Balance Policies

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

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

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

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

11. Estimates

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

12. Pensions

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

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes are levied on October 1 of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter in the approved budget is the department level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year. Encumbrance accounting is not utilized.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 6,839,867	0.00
TexSTAR	161,013	0.00
Total Fair Value	<u>\$ 7,000,880</u>	
Portfolio weighted average maturity		0.00

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

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit risk. The City's investment policy limits investments in money market mutual funds rated as to investment quality not less than 'AAA' by at least one nationally recognized rating service. As of September 30, 2015, the City's investment in TexPool and TexSTAR were rated 'AAAm' by Standard & Poor's. The City's investment policy also requires repurchase agreements to be fully collateralized as described in the Public Funds Investment Act (the "Act"). The purchased securities shall have a minimum market value, including accrued interest, of 102 percent of the dollar value of the transaction. The City's investment in U.S. agency securities held as of September 30, 2015 were rated not less than 'AA+' by Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2015, the bank balances were \$3,857,298. The market values of pledged securities were \$9,955,000.

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

TexPool

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

TexSTAR

The Texas Short Term Asset Reserve Fund (TexSTAR) is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation and safety of principal, liquidity, and yield. J.P. Morgan Investment Management Inc. provides investment management services, fund accounting, transfer agency and custodial services. First Southwest Company provides administrative, marketing, and participant services. Together, these firms serve as co-administrators for the TexSTAR under an agreement with the TexSTAR Board of Directors.

TexSTAR is rated 'AAAm' by Standard & Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. TexSTAR seeks to maintain a net asset value of \$1 per unit as required by the Act. Interest is accrued daily and credited to each account at

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

the end of the month. Interest is reinvested unless the City provides specific instructions for its withdrawal or transfer.

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

B. Receivables

The following comprise receivable balances at September 30, 2015:

	Governmental Funds			Proprietary Fund	Component Unit
	General	Debt Service	Nonmajor Governmental	Enterprise	Manvel Economic Development
Accounts	\$ 17,575	\$ -	\$ -	\$ 69,867	\$ -
Property taxes	122,548	20,618	-	-	-
Sales taxes	275,787	-	15,138	-	55,157
Franchise fees	118,284	-	-	-	-
Less:					
Allowances	(59,192)	(9,828)	-	(7,000)	-
	\$ 475,002	\$ 10,790	\$ 15,138	\$ 62,867	\$ 55,157

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

C. Capital Assets

A summary of changes in capital assets for governmental activities for the year ended September 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 738,034	\$ -	\$ -	\$ 738,034
Construction in progress	58,213	-	(58,213)	-
	<u>796,247</u>	<u>-</u>	<u>(58,213)</u>	<u>738,034</u>
Other capital assets:				
Buildings, improvements, and roads	4,199,218	263,115	(7,101)	4,455,232
Machinery and equipment	1,812,446	409,834	(307,868)	1,914,412
Total other capital assets	<u>6,011,664</u>	<u>672,949</u>	<u>(314,969)</u>	<u>6,369,644</u>
Total capital assets	<u>6,807,911</u>	<u>672,949</u>	<u>(373,182)</u>	<u>7,107,678</u>
Less accumulated depreciation for:				
Buildings, improvements, and roads	(1,002,844)	(398,754)	1,472	(1,400,126)
Machinery and equipment	(1,262,492)	(158,360)	257,758	(1,163,094)
Total accumulated depreciation	<u>(2,265,336)</u>	<u>(557,114)</u>	<u>259,230</u>	<u>(2,563,220)</u>
Other capital assets, net	<u>3,746,328</u>	<u>115,835</u>	<u>(55,739)</u>	<u>3,806,424</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,542,575</u>	<u>\$ 115,835</u>	<u>\$ (113,952)</u>	<u>\$ 4,544,458</u>

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component units' capital assets and construction in progress are recorded in the governmental activities totals.

Depreciation was charged to governmental functions as follows:

General government	\$ 17,916
Public safety	83,477
Public works	455,721
Total Governmental Activities Depreciation Expense	<u>\$ 557,114</u>

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

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2015:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,349,652	\$ -	\$ -	\$ 2,349,652
Construction in progress	237,544	1,904,844	(2,142,388)	-
	<u>2,587,196</u>	<u>1,904,844</u>	<u>(2,142,388)</u>	<u>2,349,652</u>
Other capital assets:				
Water/sewer system	6,302,587	2,174,238	(18,700)	8,458,125
Machinery and equipment	155,447	-	(28,690)	126,757
Total other capital assets	<u>6,458,034</u>	<u>2,174,238</u>	<u>(47,390)</u>	<u>8,584,882</u>
Less accumulated depreciation for:				
Water/sewer system	(1,171,336)	(183,237)	5,235	(1,349,338)
Machinery and equipment	(92,233)	(6,218)	16,517	(81,934)
Total accumulated depreciation	<u>(1,263,569)</u>	<u>(189,455)</u>	<u>21,752</u>	<u>(1,431,272)</u>
Total capital assets, being depreciated, net	<u>5,194,465</u>	<u>1,984,783</u>	<u>(25,638)</u>	<u>7,153,610</u>
Business-Type Activities Capital Assets, Net	<u>\$ 7,781,661</u>	<u>\$ 3,889,627</u>	<u>\$ (2,168,026)</u>	<u>\$ 9,503,262</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	<u>\$ 189,455</u>
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D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2015. In general, the City uses the general and debt service funds to liquidate long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Certificates of obligation	\$ 4,560,000	\$ 1,070,000	\$ 165,000	\$ 5,465,000 *	\$ 165,000
Capital leases	100,725	127,000	76,567	151,158 *	58,021
Compensated absences	71,829	122,733	95,774	98,788	88,909
Total Governmental Activities	<u>\$ 4,732,554</u>	<u>\$ 1,319,733</u>	<u>\$ 337,341</u>	<u>\$ 5,714,946</u>	<u>\$ 311,930</u>
Long-Term Liabilities Due In More Than One Year				<u>\$ 5,403,016</u>	
			*Debt Associated with Capital Assets	<u>\$ 5,616,158</u>	

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

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

Long-term governmental activities debt at year end was comprised of the following debt issues:

Description	Interest Rates (%)	Balance
Governmental Activities		
Certificates of obligation		
Certificates of Obligation, Series 2005A (Water)	5.32	\$ 1,740,000
Certificates of Obligation, Series 2005 (Sewer)	3.71	655,000
Certificates of Obligation, Series 2013 (Land)	2.70	2,000,000
Certificates of Obligation, Series 2014 (Water & Sewer)	1.95	1,070,000
Total Certificates of Obligation		\$ 5,465,000
Police Vehicles/Equipment	3.93	94,799
Police Vehicles/Equipment	3.98	56,359
Total Capital Leases		\$ 151,158
Total Governmental Activities Long-Term Debt		\$ 5,616,158

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

Year Ending Sept. 30	Certificates of Obligation		Capital Leases	
	Principal	Interest	Principal	Interest
2016	\$ 410,000	\$ 177,197	\$ 58,021	\$ 5,963
2017	425,000	166,646	60,313	4,771
2018	435,000	154,506	32,824	1,288
2019	440,000	141,555	-	-
2020	460,000	128,002	-	-
2021-2025	2,030,000	416,675	-	-
2026-2030	865,000	107,215	-	-
2031-2033	400,000	17,130	-	-
Total	\$ 5,465,000	\$ 1,308,926	\$ 151,158	\$ 12,022

On December 10, 2014, the City issued tax anticipation notes, series 2014 in the amount of \$1,070,000. The interest rate will be 1.95 percent. The proceeds will be used to fund water and wastewater improvements to serve the City's needs.

Machinery and equipment acquired under current capital lease obligations totaled \$267,705. This is from the issuance of one capital lease to acquire six police vehicles and related equipment. At year end, the vehicles and equipment had accumulated depreciation of \$64,725 and a net value of \$202,980.

Certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayment is from taxes levied on all taxable property located within the City.

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

Federal Arbitrage

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

E. Conduit Debt

The MCEFFC and MEFC issue bonds to finance or refinance educational facilities. These bonds are limited obligations of the issuer, payable solely from revenues received by the issuer pursuant to a loan agreement by and between the issuer and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. The related loan agreements and bonds payable have not been recorded in the financial statements of the City.

F. Line of Credit

The City approved a one-year emergency line of credit in the amount of \$200,000 with the First State Bank of Manvel (City's depository) to be used only in the event of a disaster. The rate of interest is determined daily as the minimum prime rate of interest as published each business day in the money rate section of the Wall Street Journal, defined as "the base rate on corporate loans at large U.S. money center commercial banks". Upon execution of the line of credit, the interest rate was 3.25 percent per annum. The line of credit is approved annually for the term of the City's fiscal year ending September 30 of each year. To date, the City has not borrowed any funds on this line of credit.

G. Interfund Transactions

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

Transfer In	Transfer Out	Amounts
Enterprise	General	\$ 87,453
		\$ 87,453

Amounts transferred between the enterprise fund and the general fund and MEDC relate to capital projects completed and transferred to the water and sewer fund. There was also a capital contribution of \$1,936,694 to the enterprise fund from the capital projects fund.

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General	Enterprise	\$ 216,662
Capital	General	408,880
General	Debt service	139
Nonmajor governmental	General	322,435
General	Nonmajor governmental	90,745
		<u>\$ 1,038,861</u>

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

H. Fund Equity

As of September 30, 2015, \$294,537 of the City's total fund balance is restricted by enabling legislation.

I. Restatement of Fund Balance/Net Position

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

Beginning net position was restated as follows:

	<u>Governmental Activites</u>
Prior year ending net position as reported	\$ 4,382,906
Deferred outflows - contributions after measurement date	26,338
Net pension assets	86,092
Restated Beginning Net Position	<u>\$ 4,495,336</u>

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

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

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount 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.

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

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

C. Pension Plan

Texas Municipal Retirement System

Plan Description

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

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

Benefits Provided

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

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

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

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

	2015	2014
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	7
Active employees	22
Total	59

Contributions

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

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 2.88 percent and 5.60 percent in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$76,909 and were equal to the required contributions.

Net Pension Asset

The City's Net Pension Asset (NPA) was measured as of December 31, 2014, and the Total Pension Liability and Pension Plan Fiduciary Net Position was used to calculate the NPA which was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

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

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

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

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

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

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

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

Discount Rate

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

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

employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(A)	(B)	(A) - (B)
Changes for the year:			
Service cost	\$ 98,272	\$ -	\$ 98,272
Interest	76,628	-	76,628
Change of benefit terms	46,383	-	46,383
Difference between expected and actual experience	7,393	-	7,393
Changes of assumptions	-	-	-
Contributions - employer	-	34,683	(34,683)
Contributions - employee	-	63,755	(63,755)
Net investment income	-	63,289	(63,289)
Benefit payments, including refunds of employee contributions	(41,731)	(41,731)	-
Administrative expense	-	(661)	661
Other changes	-	(54)	54
Net Changes	186,945	119,281	67,664
Balance at December 31, 2013	1,020,034	1,106,126	(86,092)
Balance at December 31, 2014	\$ 1,206,979	\$ 1,225,407	\$ (18,428)

Sensitivity of the NPA to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	\$ 153,991	\$ (18,428)	\$ (161,842)

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended September 30, 2015, the City recognized net pension expense of \$85,184.

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

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

	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 5,851
Difference between projected and actual investment earnings	11,312
Contributions subsequent to the measurement date	68,556
Total	\$ 85,719

\$68,556 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Pension Expense Amount
2016	\$ 4,370
2017	4,370
2018	4,370
2019	4,370
Total	\$ 17,480

D. Other Post Employment Benefits

TMRS Supplemental Death Benefits Fund

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. For the year ended September 30, 2015, the City offered the supplemental death benefit to both active and retired employees.

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

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal years ended 2015, 2014, and 2013 were \$312, \$220, and \$251, respectively. The City's contribution rates for the past three years are shown below:

	2015	2014	2013
Annual Req. Contrib. (Rate)	0.02%	0.02%	0.01%
Actual Contribution Made	0.02%	0.02%	0.01%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

E. Economic Incentive/Development Agreements

New Rodeo 288, Ltd. and Brazoria County Municipal Utility District No. 29

The City entered into a development agreement with New Rodeo 288, Ltd. (the "Developer"), and Brazoria County Municipal Utility District No. 29 (the "District") dated September 10, 2007. The City also entered into an economic development agreement with the developer dated September 10, 2007, and an interlocal agreement with the District dated September 10, 2007. The agreements empower the City to provide economic development incentives in accordance with Chapter 380, Texas Local Government Code.

On or before August 15, 2008, the City agreed to create the economic development fund and to deposit into such fund annually during the term of the agreements the calculated annual payment as provided by the terms of the agreements. The agreements, pursuant to Chapter 380, have terms of 25 years. The City is required to make payments to the economic development fund by August 15 each year. The first payment was made on August 15, 2008. As of September 30, 2015, the balance in the fund is \$4,941.

Manvel Town Center, LP and Brazoria County Municipal Utility District No. 42

The City entered into a development agreement with Manvel Town Center, LP, (the "Developer"), and Brazoria County Municipal Utility District No. 42 (the "District") dated January 1, 2014. The agreement empowers the City to provide economic development incentives in accordance with Chapter 380, Texas Local Government Code.

The agreement shall remain in effect until December 31, 2044, unless earlier terminated for reasons noted in the agreement. On or before August 15, 2015, the City agreed to create the economic development fund and to deposit into such fund annually during the term of the agreement the calculated annual payment as provided by the terms of the agreement. The agreement, pursuant to Chapter 380, has a term of 30 years with the base year beginning January 1, 2014. Economic development revenues shall be the increment over the base year of 50 percent of the ad valorem taxes attributable to maintenance tax and 50 percent of the sales and use taxes collected during the term of the agreement, but not to exceed a maximum total payout of \$42,035,541. The City is

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

required to make payments to the economic development fund by August 15 each year with the first payment due August 15, 2015.

Sonmar of Scottsdale, LLC and Brazoria County Municipal Utility District No. 30

The City entered into an economic development agreement with Sonmar of Scottsdale, LLC (the “Developer”) and an interlocal agreement with Brazoria County Municipal Utility District No. 30 (the “District”) dated March 24, 2008. The agreements empower the City to provide economic development incentives in accordance with Chapter 380, Texas Local Government Code.

The Developer has agreed to advance funds to the City for costs related to this agreement which the City will repay with interest. The Developer has also agreed to construct certain public improvements. The City agreed to create an economic development fund once the City starts receiving sales taxes generated within the boundaries noted within the agreements. The City agreed to deposit 100 percent of these sales tax revenues into the economic development fund. The sales tax revenues will be used to repay Developer advances, pay “performance based grants” to the Developer as outlined in the agreement, and finance improvements as noted in both agreements. The maximum payout of the performance based grants plus all payments made under the interlocal agreement shall not exceed \$46,000,000. The agreement shall remain in effect for an initial term of 35 years, unless earlier terminated for reasons noted in the agreement.

Milestone South Six Development, Ltd. and Brazoria County Municipal Utility District No. 30

The City entered into a development agreement with Milestone South Six Development, Ltd. (the “Developer”), and Brazoria County Municipal Utility District No. 30 (the “District”) dated February 9, 2004. Under this agreement, the Developer agreed to reimburse the City for expenses relating to the creation of the District. The District has agreed to construction water, wastewater, and drainage facilities as outlined in the agreement. In consideration of the development of land within the District and the related increase in the taxable values and the desire to more equitably distribute among the taxpayers of the City and the District the burden of ad valorem taxes, the City has agreed to make annual tax “rebate” payments to the District. Annual tax “rebates” are determined using the lower of either the rate per \$100 of taxable assessed valuation, or a percentage of the then-current City tax rate as follows:

<u>Years</u>	<u>Rebate</u>
1 – 10	\$0.30 or 42% of actual City tax rate
11 – 20	\$0.25 or 35% of actual City tax rate
Thereafter	\$0.20 or 20% of actual City tax rate

All City payments received by the District shall be deposited into the District’s debt service fund to be used solely for the payment of the District’s bonded indebtedness. Annual payments shall begin on May 1 in the calendar year following the calendar year in which the District delivers its first series of bonds to which its ad valorem taxes are pledged, and shall be payable each May 1 thereafter. This agreement shall remain in effect until the earlier of the dissolution of the District by the City or the expiration of 40 years from the effective date of the agreement.

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

F. TIRZ No. 3 Financing Agreements

The City has entered into a shared financing agreement between the City, TIRZ No. 3, SMDA, Brazoria County MUD No. 56, and Brazoria County MUD No. 57 dated December 29, 2010 to provide for the joint financing, design, construction, and operation of the TIRZ No. 3 plan projects.

The City has entered into a development financing agreement. The developer agrees to convey to the SMDA a parcel of land to be used as an interim park site until a permanent site can be determined. The SMDA or the City may erect recreational improvements on the site at their expense. On February 12, 2012, the SMDA approved a special warranty deed conveying a parcel of land for such purposes.

F. Pipeline Deposit Agreements

The City has entered into agreements with Phillips 66 Pipeline LLC, LLC, EPO Pipeline LLC and Enterprise Crude pipeline LLC for the purpose of constructing, maintaining, laying, operating and/or repairing, pipelines utilized for the transportation of liquids or gaseous materials along the right-of-ways and/or under certain roads located in the City. During the fiscal year, the City received \$3.6 million from Phillips 66 pipeline LLC, \$1.4 million from Enterprise Crude Pipeline LLC, and \$5,000 from EPO Pipeline LLC. As of September 30, 2015, the balance for pipeline deposit is \$4,079,241.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF MANVEL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended		
Revenues				
Property taxes	\$ 2,077,500	\$ 2,077,500	\$ 2,077,012	\$ (488)
Sales taxes	1,270,000	1,270,000	1,492,160	222,160
Other taxes	385,000	385,000	308,668	(76,332)
Licenses and permits	915,500	915,500	1,160,614	245,114
Fines and forfeitures	154,860	158,360	169,571	11,211
Intergovernmental	-	-	28,557	28,557
Investment earnings	4,500	4,500	12,989	8,489
Other revenues	33,000	33,000	127,457	94,457
Total Revenues	<u>4,840,360</u>	<u>4,843,860</u>	<u>5,377,028</u>	<u>533,168</u>
Expenditures				
Current:				
General government	1,467,331	1,808,277	1,594,314	213,963
Public safety	1,328,550	1,358,050	1,247,911	110,139
Public works	1,203,950	1,203,950	1,192,878	11,072
Library, parks, and recreation	58,588	58,588	56,893	1,695
Economic development	316,500	316,500	316,000	500
Capital outlay	295,374	524,374	306,274	218,100
Debt service:				
Principal	76,567	76,567	76,567	-
Total Expenditures	<u>4,746,860</u>	<u>5,346,306</u>	<u>4,790,837</u>	<u>555,469</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>93,500</u>	<u>(502,446)</u>	<u>586,191</u>	<u>1,088,637</u>
Other Financing Sources (Uses)				
Transfers (out)	(93,500)	(93,500)	(87,453)	6,047
Capital lease proceeds	-	-	127,000	127,000
Total Other Financing Sources (Uses)	<u>(93,500)</u>	<u>(93,500)</u>	<u>39,547</u>	<u>133,047</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (595,946)</u>	625,738	<u>\$ 1,221,684</u>
Beginning fund balance			<u>3,829,137</u>	
Ending Fund Balance			<u>\$ 4,454,875</u>	

Notes to Required Supplementary Information:

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

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

	Measurement Year 2014*
Total Pension Liability	
Service cost	\$ 98,272
Interest (on the total pension liability)	76,628
Changes of benefit terms	46,383
Difference between expected and actual experience	7,393
Benefit payments, including refunds of employee contributions	(41,731)
Net Change in Total Pension Liability	186,945
Beginning total pension liability	1,020,034
Ending Total Pension Liability	\$ 1,206,979
Plan Fiduciary Net Position	
Contributions - employer	\$ 34,683
Contributions - employee	63,755
Net investment income	63,289
Benefit payments, including refunds of employee contributions	(41,731)
Administrative expense	(661)
Other	(54)
Net Change in Plan Fiduciary Net Position	119,281
Beginning plan fiduciary net position	1,106,126
Ending Plan Fiduciary Net Position	\$ 1,225,407
Net Pension Asset	\$ (18,428)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102%
Covered Employee Payroll	\$ 1,275,100
Net Pension Liability as a Percentage of Covered Employee Payroll	(1.45%)

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

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

	Fiscal Year
	2015
Actuarially determined contribution	\$ 76,909
Contributions in relation to the actuarially determined contribution	76,909
Contribution deficiency (excess)	\$ -
 Covered employee payroll	 \$ 1,560,104
 Contributions as a percentage of covered employee payroll	 4.93%

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

Notes to Required Supplementary Information:

1. Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in Jan 13 Months later

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	3.0%
Salary increases	3.50% to 12.0% including inflation
Investment rate of return	7.0%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

3. Other Information:

There were no benefit changes during the year.

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COMBINING STATEMENTS AND SCHEDULES

CITY OF MANVEL, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2015

Special Revenue Funds

	Hotel Taxes	Court Security	Court Technology	TIRZ No. 3
Assets				
Cash	\$ 78,596	\$ 7,940	\$ -	\$ -
Receivables, net	15,138	-	-	-
Due from other governments	-	-	-	-
Due from other funds	274,344	-	4,942	-
Total Assets	\$ 368,078	\$ 7,940	\$ 4,942	\$ -
Liabilities				
Due to other funds	88,063	2,682	-	-
Total Liabilities	88,063	2,682	-	-
Fund Balances				
Restricted for:				
Enabling legislation	280,015	5,258	4,942	-
Tax increment reinvestment zone	-	-	-	-
Total Fund Balances	280,015	5,258	4,942	-
Total Liabilities and Fund Balances	\$ 368,078	\$ 7,940	\$ 4,942	\$ -

<u>Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>South Manvel Dev. Auth.</u>	
\$ -	\$ 86,536
-	15,138
8,564	8,564
<u>43,149</u>	<u>322,435</u>
<u>\$ 51,713</u>	<u>\$ 432,673</u>
-	90,745
-	90,745
-	290,215
<u>51,713</u>	<u>51,713</u>
<u>51,713</u>	<u>341,928</u>
<u>\$ 51,713</u>	<u>\$ 432,673</u>

CITY OF MANVEL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

Special Revenue Funds

	Hotel Taxes	Court Security	Court Technology	TIRZ No. 3
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 21,289
Sales taxes	-	-	-	4,679
Hotel taxes	60,554	-	-	-
Investment earnings	1,043	18	-	-
Total Revenues	61,597	18	-	25,968
Expenditures				
General government	2,120	2,324	10	-
Total Expenditures	2,120	2,324	10	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	59,477	(2,306)	(10)	25,968
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(25,968)
Total Other Financing Sources (Uses)	-	-	-	(25,968)
Net Change in Fund Balances	59,477	(2,306)	(10)	-
Beginning fund balances	220,538	7,564	4,952	-
Ending Fund Balances	\$ 280,015	\$ 5,258	\$ 4,942	\$ -

<u>Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
South Manvel Dev. Auth.	
\$ -	\$ 21,289
-	4,679
-	60,554
94	1,155
<u>94</u>	<u>87,677</u>
3,627	8,081
<u>3,627</u>	<u>8,081</u>
<u>(3,533)</u>	<u>79,596</u>
25,968	25,968
-	(25,968)
<u>25,968</u>	<u>-</u>
<u>22,435</u>	<u>79,596</u>
29,278	262,332
<u>\$ 51,713</u>	<u>\$ 341,928</u>

