

**CITY OF MANVEL, TEXAS**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended September 30, 2013  
with Report of Independent Auditors**



**CITY OF MANVEL, TEXAS**  
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## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of the City of Manvel, Texas (the "City"), as of and for the year ended September 30, 2013, 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.

### Auditor's 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 auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 48-49 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, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, slightly slanted style.

Houston, Texas  
September 24, 2014

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2013**

As management of the City of Manvel, we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Manvel for the fiscal year ended September 30, 2013.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City of Manvel's (the "City") basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) various combining statements, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, economic development, library, parks and recreation. The business-type activity of the City is composed of water and sewer operations.

The government-wide financial statements include the City (known as the primary government) and two legally separate component units. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13 through 15 of this report.

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

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended September 30, 2013**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities 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 seven 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 and capital project funds, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

**Proprietary Funds.** The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer utility fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 44 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Manvel's progress in funding its obligation to provide pension benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 46 through 52 of this report.

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended September 30, 2013**

**Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$11 million. Of this amount, \$8.1 million was invested in capital assets (net of related debt), approximately \$2.8 million was unrestricted and the balance was restricted for a combination of debt service, court related projects, construction and development, tourism, and amounts due to other governmental entities.

Below is a condensed schedule of net position as of September 30, 2013:

**City of Manvel, Texas**  
*Net Position (in thousands)*  
*September 30, 2013 and 2012*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Current assets	\$ 4,267	\$ 3,679	\$ (29)	\$ 58	\$ 4,238	\$ 3,737
Capital assets	4,652	3,661	7,887	5,585	12,539	9,246
<b>Total Assets</b>	<b>8,919</b>	<b>7,340</b>	<b>7,858</b>	<b>5,643</b>	<b>16,777</b>	<b>12,983</b>
Current liabilities	778	1,198	36	35	814	1,233
Long-term liabilities	4,777	2,753			4,777	2,753
<b>Total Liabilities</b>	<b>5,555</b>	<b>3,951</b>	<b>36</b>	<b>35</b>	<b>5,591</b>	<b>3,986</b>
Net position:						
Net investment in						
capital assets	252	(529)	7,887	5,585	8,139	5,056
Restricted	233	240			233	240
Unrestricted	2,879	2,366	(65)	23	2,814	2,389
<b>Total Net Position</b>	<b>\$ 3,364</b>	<b>\$ 2,077</b>	<b>\$ 7,822</b>	<b>\$ 5,608</b>	<b>\$ 11,186</b>	<b>\$ 7,685</b>

\*

\*

\* As adjusted, see Note 14

The government's net position from governmental activities increased by \$1.3 million during the current fiscal year. The increase is due mainly to the capitalization of assets donated to the City. The business-type activities increased \$2.2 million for the current fiscal year primarily because of the transfers in for the purchase of land and construction in progress costs to expand the water and sewer distribution systems. Historically, the City operates the business-type activities at a loss, since the customer base is not large enough to fund the operations of the systems. Therefore, total net position increased by \$1.9 million during the current fiscal year.

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended September 30, 2013**

The following table summarizes the changes in net position for the City for the year ended September 30, 2013:

**City of Manvel, Texas**

*Changes in Net Position (in thousands)*

*For the Fiscal Years Ended September 30, 2013 and 2012*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 877	\$ 827	\$ 242	\$ 186	\$ 1,119	\$ 1,013
Capital grants	2,444	173	209	88	2,653	261
Operating grants						
General revenues:						
Property taxes	2,184	2,133			2,184	2,133
Franchise taxes & hotel taxes	430	422			430	422
Sales taxes	1,245	991			1,245	991
Other	57	21	1		58	21
<b>Total Revenues</b>	<u>7,237</u>	<u>4,567</u>	<u>452</u>	<u>274</u>	<u>7,689</u>	<u>4,841</u>
<b>Expenses:</b>						
General government	1,235	1,137			1,235	1,137
Public safety	923	945			923	945
Public works	1,026	880			1,026	880
Library, parks, and recreation	57	56			57	56
Economic development	354	329			354	329
Interest on long-term debt	167	174			167	174
Water & Sewer			426	381	426	381
<b>Total Expenses</b>	<u>3,762</u>	<u>3,521</u>	<u>426</u>	<u>381</u>	<u>4,188</u>	<u>3,902</u>
Transfers in (out)	(2,188)	(269)	2,188	269	0	
Change in net position	1,287	777	2,214	162	3,501	939
Beginning net position	2,077	1,300	5,608	5,446	7,685	6,746
<b>Ending Net Position</b>	<u>\$ 3,364</u>	<u>\$ 2,077</u>	<u>\$ 7,822</u>	<u>\$ 5,608</u>	<u>\$ 11,186</u>	<u>\$ 7,685</u>
		*				*

\* As adjusted, see Note 14

**Governmental activities.** Governmental activities increased the City's net position by \$1.3 million during the current fiscal year. The increase is due mainly to the receipt of assets donated to the City.

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended September 30, 2013**

A comparison of program expenses to program revenues and revenues by source for governmental activities follows:

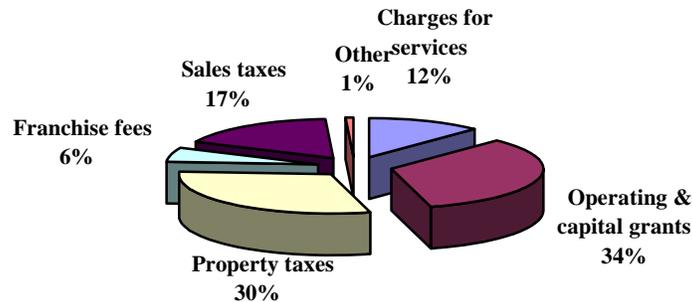
**City of Manvel, Texas**  
**Expenses, Program Revenues, and Net Cost of Services -**  
**Governmental Activities (in thousands)**  
**For the Fiscal Years Ended September 30, 2013 and 2012**

	Expenses		Program Revenues		Net (Cost) of Services	
	2013	2012	2013	2012	2013	2012
Program:						
General government	\$ 1,344	\$ 1,137	\$ 734	\$ 670	\$ (610)	\$ (467)
Public safety	923	945	175	194	(748)	(751)
Public works	928	880	2,412	133	1,484	(747)
Library, parks, and recreation	57	56		3	(57)	(53)
Economic development	354	329			(354)	(329)
Interest on long-term debt	167	174			(167)	(174)
	<u>\$ 3,773</u>	<u>\$ 3,521</u>	<u>\$ 3,321</u>	<u>\$ 1,000</u>	<u>\$ (452)</u>	<u>\$ (2,521)</u>
		*				*

\* As adjusted, see Note 14

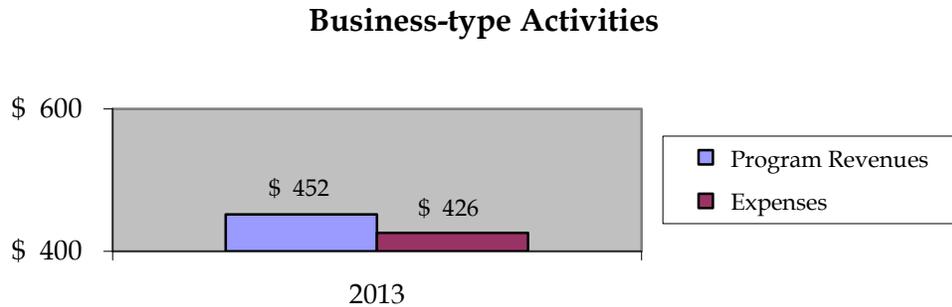
As indicated above, governmental program expenses were supported by program revenues including permits and fines and forfeitures. The balance of the program expenses were supported by general revenues.

Revenue sources for governmental activities were distributed as follows:



**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended September 30, 2013**

**Business-type Activities.** The net position of the City's business-type activities increased by \$2.2 million. A comparison between expenses relating to water and sewer operations and program revenues (charges for services and capital contributions) follows.



Program revenue sources for business-type activities consisted of charges for services. To date, the operations of the water and sewer operations have not reached a breakeven point in sales to match program expenses. Revenues generated from governmental activities contributed \$188,352 to the business-type activities in the form of a transfer.

**Financial Analysis of the Government's Funds**

As noted earlier, the City used fund accounting to ensure and demonstrate 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 a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3.4 million.

The General fund is the chief operating fund of the City of Manvel. At the end of the current fiscal year, the fund balance of the general fund was \$2.9 million. This balance represents an increase of approximately \$809 thousand from the prior year.

The Debt Service fund had a total fund balance of \$60 thousand, all of which is reserved for the payment of debt service. The net decrease in fund balance from the prior year of approximately \$28 thousand was primarily due to using excess funds to make debt service payments.

The Capital Projects fund balance of \$315 thousand represents unspent debt proceeds from the issuance of bonds.

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended September 30, 2013**

**Proprietary Funds.** The City of Manvel's proprietary funds provide the same type of information found in the government-wide financial statements.

The unrestricted net position of the Water and Sewer Enterprise fund at the end of the year was a deficit of approximately \$65 thousand dollars. The total net position balance was \$7.8 million. The net position balance includes the completion and purchase of capital assets, which were transferred from the capital projects fund and the general fund, and the contribution of construction in progress from the MEDC component unit.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013 amounted to \$12.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, park facilities, roads, water and sewer plant and service lines, machinery and equipment, and construction in progress. Capital assets increased slightly during the year, primarily due to the purchase of land, capital road improvements, and construction of water and sewer lines.

Additional information on the City's capital assets can be found in Note 6 to the basic financial statements of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$4.8 million. All of the long-term debt is payable from general governmental revenues.

**City of Manvel, Texas**  
**Outstanding Debt (in thousands)**  
**September 30, 2013 and 2012**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Capital Lease Obligations	\$	\$ 23
Certificates of Obligation	4,715	2,770
General Obligation Bonds		85
Compensated Absences	62	81
	<u>\$ 4,777</u>	<u>\$ 2,959</u>

The City's total debt increased by approximately \$1.8 million during the fiscal year primarily due to the financed purchase of land. Additional information on the City's long-term debt can be found in Note 7 to the basic financial statements of this report.

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended September 30, 2013**

**General Fund Budgetary Highlights**

The final amended budgeted revenues for the general fund increased approximately \$67 thousand from the original budget. The final amended budgeted expenditures for the general fund increased by approximately \$67 thousand. Budgeted revenues included increases for sales taxes and other revenues not included in the original budget. The budget amendments for expenditures included increases in professional fees and road maintenance. Total actual expenditures were approximately \$362 thousand less than budgeted. The decrease was primarily due to public works inability to spend costs to repair roads during the current year because the City is dependent on other entities for assistance.

**Economic Factors and Next Year's Budgets and Rates**

The fiscal year 2014 general fund budgeted revenues increased by approximately \$72 thousand over the fiscal year 2013 budget, while the general fund budgeted expenditures increased by approximately \$81 thousand. The 2014 budgeted revenues reflect an increase of approximately \$214 thousand for sales tax revenues, and an approximate decrease of (\$154) thousand for development fees. All increases are attributable to the growing economy within the City. The expenditures increased primarily due to the required expenditures for personnel.

**City of Manvel, Texas**  
*Budget Totals (in thousands)*  
*September 30, 2014 and 2013*

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>	<u>Increase (Decrease)</u>
General Fund			
Revenues	\$ 4,048	\$ 3,977	2%
Expenditures	3,937	3,856	2%

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF MANVEL, TEXAS**  
**STATEMENT OF NET POSITION**  
September 30, 2013

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Total	Manvel Economic Development Corporation	South Manvel Development Corporation
<b>ASSETS</b>					
Cash and temporary investments	\$ 3,691,669	\$ 33,093	\$ 3,724,762	\$ 1,491,672	\$ 5,712
Receivables, net of allowance for uncollectibles	425,595	42,961	468,556	44,019	
Due from other governments	36,400	4,091	40,491		1,831
Due from component unit	5,166		5,166		6,469
Internal balances	109,407	(109,407)			
Capital assets not being depreciated	796,247	2,547,697	3,343,944		
Capital assets net of accumulated depreciation	3,855,336	5,339,288	9,194,624		
<b>Total Assets</b>	<b>8,919,820</b>	<b>7,857,723</b>	<b>16,777,543</b>	<b>1,535,691</b>	<b>14,012</b>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	394,604	35,778	430,382	2,384	
Due to developer	355,348		355,348		
Due to component unit	6,469		6,469		
Due to primary government				5,159	7
Accrued interest payable	22,474		22,474		
Noncurrent liabilities:					
Due within one year	203,990		203,990		
Due in more than one year	4,572,664		4,572,664		
<b>Total Liabilities</b>	<b>5,555,549</b>	<b>35,778</b>	<b>5,591,327</b>	<b>7,543</b>	<b>7</b>
<b>NET POSITION</b>					
Net Investment in capital assets	251,845	7,886,985	8,138,830		
Restricted for:					
Debt service	49,878		49,878		
Development	10,509		10,509	1,528,148	14,005
Public safety/municipal court/tourism	172,483		172,483		
Unrestricted	2,879,556	(65,040)	2,814,516		
<b>Total Net Position</b>	<b>\$ 3,364,271</b>	<b>\$ 7,821,945</b>	<b>\$ 11,186,216</b>	<b>\$ 1,528,148</b>	<b>\$ 14,005</b>

See Notes to Financial Statements.

**CITY OF MANVEL, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For The Year Ended September 30, 2013*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Capital Grants and Contributions</b>
<b>Primary government</b>			
Governmental Activities			
General Government	\$ 1,235,871	\$ 733,489	\$
Public Safety	923,415	143,345	32,290
Public Works	1,026,024		2,411,585
Library, parks and recreation	56,732		
Economic development	353,607		
Interest on long-term debt	166,817		
<b>Total governmental activities</b>	<b>3,762,466</b>	<b>876,834</b>	<b>2,443,875</b>
<b>Business-type activities</b>			
Water and sewer	426,541	242,235	208,903
<b>Total business-type activities</b>	<b>426,541</b>	<b>242,235</b>	<b>208,903</b>
<b>Total primary government</b>	<b>\$ 4,189,007</b>	<b>\$ 1,119,069</b>	<b>\$ 2,652,778</b>
<b>Component Units</b>			
Manvel Economic Development Corporation	\$ 191,754		
South Manvel Development Corporation	\$ 1,890		

**General revenues:**

Taxes:

    Property taxes

    Franchise & hotel occupancy taxes

    Sales taxes

Unrestricted investment earnings

Miscellaneous

Transfers

**Total general revenues**

Change in net position

Net position - beginning, as adjusted, Note 14

**Net position - ending**

*See Notes to Financial Statements.*

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			<b>Component Unit</b>	<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Manvel Economic Development Corporation</b>	<b>South Manvel Development Corporation</b>
\$ (502,382)	\$	\$ (502,382)		
(747,780)		(747,780)		
1,385,561		1,385,561		
(56,732)		(56,732)		
(353,607)		(353,607)		
(166,817)		(166,817)		
<u>(441,757)</u>		<u>(441,757)</u>		
	24,597	24,597		
	<u>24,597</u>	<u>24,597</u>		
<u>\$ (441,757)</u>	<u>\$ 24,597</u>	<u>\$ (417,160)</u>		
			<u>\$ (191,754)</u>	
				<u>\$ (1,890)</u>
\$ 2,183,768	\$	\$ 2,183,768		5,801
430,691		430,691		
1,245,085		1,245,085	251,351	11,671
10,583	439	11,022	1,637	11
47,661		47,661		
(2,188,352)	2,188,352			
<u>1,729,436</u>	<u>2,188,791</u>	<u>3,918,227</u>	<u>252,988</u>	<u>17,483</u>
1,287,679	2,213,388	3,501,067	61,234	15,593
2,076,592	5,608,557	7,685,149	1,466,914	(1,588)
<u>\$ 3,364,271</u>	<u>\$ 7,821,945</u>	<u>\$ 11,186,216</u>	<u>\$ 1,528,148</u>	<u>\$ 14,005</u>

**CITY OF MANVEL, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Current assets:					
Cash and temporary investments	\$ 3,014,118	\$ 76,539	\$ 430,890	\$ 170,122	\$ 3,691,669
Due from other funds	241,731			1,484	243,215
Due from other governments	41,559			7	41,566
Receivables:					
Property taxes	46,831	7,340			54,171
Penalty and interest	27,210	4,538			31,748
Other receivables	324,290			15,386	339,676
<b>Total Assets</b>	<u>\$ 3,695,739</u>	<u>\$ 88,417</u>	<u>\$ 430,890</u>	<u>\$ 186,999</u>	<u>\$ 4,402,045</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 230,559	\$	\$	\$ 3,376	\$ 233,935
Due to other funds	1,484	16,065	115,628	631	133,808
Due to other governments	6,469				6,469
Due to developer	355,348				355,348
Other liabilities	160,670				160,670
<b>Total Liabilities</b>	<u>754,530</u>	<u>16,065</u>	<u>115,628</u>	<u>4,007</u>	<u>890,230</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property Taxes	46,831	7,340			54,171
Penalty and Interest on Delinquent Taxes	27,210	4,538			31,748
<b>Total Deferred Inflows of Resources</b>	<u>74,041</u>	<u>11,878</u>			<u>85,919</u>
<b>FUND BALANCES</b>					
Restricted		60,474	315,262	182,992	558,728
Committed - road maintenance	428,583				428,583
Committed - PEG fees	14,949				14,949
Assigned - technology enhancements	6,000				6,000
Assigned - court technology	30,755				30,755
Nonspendable - prepaid items	16,000				16,000
Unassigned	2,370,881				2,370,881
<b>Total Fund Balances</b>	<u>2,867,168</u>	<u>60,474</u>	<u>315,262</u>	<u>182,992</u>	<u>3,425,896</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 3,695,739</u>	<u>\$ 88,417</u>	<u>\$ 430,890</u>	<u>\$ 186,999</u>	<u>\$ 4,402,045</u>

See Notes to Financial Statements.

**CITY OF MANVEL, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**

*September 30, 2013*

Total fund balance, governmental funds	\$ 3,425,896
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	4,651,583
Deferred inflows of tax and deferred penalty and interest revenues on delinquent taxes for the 2012 and prior tax levies became part of recognized revenue in the governmental activities of the City.	85,919
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.	
Certificates of obligation	(4,715,000)
Compensated absences payable	(61,654)
Accrued interest payable	<u>(22,474)</u>
<b>Net Position of Governmental Activities</b>	<b>\$ <u><u>3,364,271</u></u></b>

*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, 2013*

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>					
Property taxes	\$ 1,920,932	\$ 272,785	\$	\$	\$ 2,193,717
Sales and use taxes	1,245,085				1,245,085
Franchise taxes	377,277				377,277
Licenses and permits	712,789				712,789
Fines and forfeitures	122,994			7,041	130,035
Earnings on investments	6,182	627	3,069	705	10,583
Hotel taxes				53,414	53,414
Intergovernmental	45,450				45,450
Other	60,511			8,000	68,511
<b>Total Revenues</b>	<b>4,491,220</b>	<b>273,412</b>	<b>3,069</b>	<b>69,160</b>	<b>4,836,861</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General government	1,180,820			37,519	1,218,339
Public safety	864,277				864,277
Public works	586,542				586,542
Library, parks and recreation	56,732				56,732
Economic development	353,607				353,607
<b>Debt service:</b>					
Principal	23,163	140,000			163,163
Interest and fees	1,842	161,655			163,497
<b>Capital Outlay</b>	<b>426,952</b>				<b>426,952</b>
<b>Total Expenditures</b>	<b>3,493,935</b>	<b>301,655</b>		<b>37,519</b>	<b>3,833,109</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>997,285</b>	<b>(28,243)</b>	<b>3,069</b>	<b>31,641</b>	<b>1,003,752</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt			2,000,000		2,000,000
Operating transfers out	(188,352)		(2,000,000)		(2,188,352)
<b>Total Other Financing Sources (Uses)</b>	<b>(188,352)</b>				<b>(188,352)</b>
<b>Net Change in Fund Balances</b>	<b>808,933</b>	<b>(28,243)</b>	<b>3,069</b>	<b>31,641</b>	<b>815,400</b>
<b>Fund Balances - Beginning of Year</b>	<b>2,058,235</b>	<b>88,717</b>	<b>312,193</b>	<b>151,351</b>	<b>2,610,496</b>
<b>Fund Balances - End of Year</b>	<b>\$ 2,867,168</b>	<b>\$ 60,474</b>	<b>\$ 315,262</b>	<b>\$ 182,992</b>	<b>\$ 3,425,896</b>

*See Notes to Financial Statements.*

**CITY OF MANVEL, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2013*

Net change in fund balances - total government funds: \$ 815,400

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In addition, property and equipment contributed to governmental funds by a donation is not recorded in the governmental funds. In contrast, the Statement of Activities records these items as capital assets and their acquisition costs (or fair value if donated) are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and donated assets of \$2,697,750 exceeded depreciation of \$394,901 in the current period. 2,302,849

Property Tax Revenues in the statement of activities that do not provide current financial resources are deferred as revenues in the fund statements. (9,948)

Governmental funds report repayment of long-term debt as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of repayments made on long-term debt during the current year. 163,163

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. (2,000,000)

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

Decrease in accrued compensated absences	19,535
Increase in accrued interest payable	(3,320)

**Change in net position of governmental activities** \$ 1,287,679

*See Notes to Financial Statements.*

**CITY OF MANVEL, TEXAS**  
**STATEMENT OF NET POSITION**  
**ENTERPRISE FUND**  
*September 30, 2013*

**ASSETS**

**Current assets:**

Cash and temporary investments	\$ 33,093
Accounts receivable, less allowance for doubtful accounts	42,961
Due from other governments	<u>4,091</u>
<b>Total Current Assets</b>	<u>80,145</u>

**Capital Assets:**

Land	2,349,652
Construction in progress	198,045
Buildings and equipment, net of accumulated depreciation	<u>5,339,288</u>
<b>Total Capital Assets</b>	<u>7,886,985</u>
<b>Total Assets</b>	<u>7,967,130</u>

**LIABILITIES AND NET POSITION**

**Liabilities:**

**Current Liabilities:**

Accounts payable	16,353
Refundable deposits	19,425
Due to other funds	<u>109,407</u>
<b>Total Liabilities</b>	<u>145,185</u>

**Net Position:**

Invested in capital assets, net of related debt	7,886,985
Unrestricted	<u>(65,040)</u>
<b>Total Net Position</b>	<u>\$ 7,821,945</u>

*See Notes to Financial Statements.*

**CITY OF MANVEL, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND BALANCE**  
**ENTERPRISE FUND**  
*For The Year Ended September 30, 2013*

<b>OPERATING REVENUES</b>		
Charges for services		\$ 242,235
Grant proceeds		27,119
	<b>Operating Revenues</b>	<u>269,354</u>
<b>OPERATING EXPENSES</b>		
Personnel services		84,876
Professional services		42,067
Services		45,520
Supplies		34,607
Repair and maintenance		65,594
Insurance		2,753
Depreciation		151,124
	<b>Operating Expenses</b>	<u>426,541</u>
	<b>Operating Income (Loss)</b>	(157,187)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Earning on investments		439
	<b>Total Non-Operating Revenues (Expenses)</b>	<u>439</u>
<b>OPERATING TRANSFERS IN (OUT), CAPITAL CONTRIBUTIONS AND OTHER FINANCING SOURCES</b>		
Capital contributions		181,784
Transfers in		2,188,352
	<b>Total Operating Transfers</b>	<u>2,370,136</u>
	<b>Increase in Fund Balance</b>	2,213,388
	<b>Net Position at Beginning of Year</b>	<u>5,608,557</u>
	<b>Net Position at End of Year</b>	<u>\$ 7,821,945</u>

*See Notes to Financial Statements.*

**CITY OF MANVEL, TEXAS**  
**COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES**  
**ENTERPRISE FUND**  
*For the Year ended September 30, 2013*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers for services		\$ 350,196
Payments to suppliers		(266,069)
	<b>Net cash provided (used) by operating activities</b>	<u>84,127</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfer from other funds		<u>188,352</u>
	<b>Net cash provided (used) by non-capital financing activities</b>	<u>188,352</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Construction or purchase of assets and real property		<u>(270,952)</u>
	<b>Net cash provided (used) by capital and related financing activities</b>	<u>(270,952)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments		<u>439</u>
	<b>Net cash provided by investing activities</b>	<u>439</u>
	<b>Net increase in cash and cash equivalents</b>	1,966
Cash and cash equivalents, beginning of year		<u>31,127</u>
<b>Cash and cash equivalents, end of year</b>		<u><u>\$ 33,093</u></u>
<b>RECONCILIATION OF CHANGE IN NET POSITION TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)		\$ (157,187)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		151,124
Changes in current assets and liabilities:		
(Increase) Decrease in accounts receivable		(20,253)
Increase (Decrease) in due to other funds		96,026
Increase (Decrease) in accounts payable and accrued expenses		9,347
Increase (Decrease) in customer deposits		<u>5,070</u>
	<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 84,127</u></u>

*See Notes to Financial Statements.*

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 1 - ORGANIZATION**

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 of Manvel appointed a full-time city manager on January 16, 2012.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

**Manvel Economic Development Corporation (the “Corporation”)**

The mission of the Corporation is to promote economic development within the City and surrounding areas. In 1998, the City's voters authorized a 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 a half percent to a quarter percent to provide funding for the Corporation. This decrease is effective October 1, 2011. The Board of Directors of the Corporation is appointed and may be 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. Separate audited financial statements for the Corporation have not been prepared.

**South Manvel Development Authority (the “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 Tax Increment Reinvestment Zone Number Three, City of Manvel, Texas (the “Zone”), as such boundaries may be amended from time to time, and neighboring areas; and

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Reporting Entity (continued)**

to promote, develop encourage and maintain housing, educational facilities, employment, commerce and economic development in the City. The SMDA was created on February 14<sup>th</sup>, 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 consisting initially of five (5) persons. Additional persons may be added to the Board by the SMDA in accordance with the provisions of the Bylaws. 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. Separate audited financial statements for the Corporation have not been prepared.

**Manvel Cultural Education Facilities Finance Corporation (the “MCEFFC”)**

The 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. 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 for the borrower 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 of Manvel. 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 “MEFC”)**

The 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. 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 for the borrower 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 of Manvel. 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.

The financial reporting entity consists of the primary government and other organizations for which the primary government is financially accountable.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information about the City as a whole. These statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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 property taxes considered available by the City and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the City does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures. Franchise taxes and sales taxes relating to underlying transactions that occurred prior to September 30, 2013 have been recorded as receivables and revenue. Licenses and permits and fines and forfeitures are not susceptible to accrual since they are not measurable until received. Interest is recorded when earned.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund include local property taxes, sales and use taxes, franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general administration, finance, public safety, public works, public health, parks and recreation, and municipal court.

The *Capital Projects Fund* is used to account for the expenditures of resources accumulated from sales of bonds and related interest earnings for the acquisition and construction of major capital facilities.

The City has one major proprietary fund:

The *Water and Wastewater Enterprise Fund* is used to account for the operations that provide water and wastewater utility services to the public. These services are financed and operated in a manner similar to private business enterprises where the intent of the Council 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. Proprietary fund types follow generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (the GASB), and all Financial Accounting Standards boards standards issued before November 30, 1989. After this date, the City accounts for its proprietary funds as presented by the GASB.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operational expenses for the enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

**Financial Statement Presentation**

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting. The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which includes a requirement for a Statement of Net Position and a

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

**Financial Statement Presentation - (continued)**

Statement of Activities. It requires the classification of net position into three components. Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are as follows:

- Net investment in capital assets – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted net position – This component of net position consists of constraints placed on the use of assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that does not meet the definition of “Restricted” or “Net investment in capital assets.”

**D. Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash-on-hand, demand deposits, and balances in two privately managed public funds investment pools (TexPool and TexSTAR).

**E. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Water and Sewer fund have not been recognized as of the end of the year as they are considered immaterial.

**F. Due to and from other funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Assets and are recorded as “due from other funds” or “due to other funds” in the fund financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Capital assets**

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$500. All purchased fixed assets are valued at cost where historical records exist.

Donated fixed assets are valued at their estimated fair value on the date received. Major road improvements of \$50,000 or more are also recorded as capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain, and equipment are capitalized and depreciated over the remaining useful lives of the related fixed assets using the straight line method, as applicable.

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

**H. Compensated absences**

Employees earn vacation based on years of service with the City beginning at the end of the first full month of employment. All employees, after one (1) year of service, must take a minimum of five (5) days (40 hours) of personal leave each year. The maximum number of personal leave days that may be accumulated is two times the employee’s current accrual rate. Sick leave is accrued at the rate of twelve work days each year of employment and may accumulate until a maximum of 480 hours have accumulated. In accordance with GAAP, the liability for accumulated compensated absences as of September 30, 2013, has been recorded as a liability in the Government-Wide Statement of Net Assets.

**I. General property taxes**

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. The Brazoria County Central Appraisal District (“CAD”) establishes appraised values. Taxes are levied by the Council based on the appraised values received from the CAD. The Brazoria County Tax Assessor/Collector performs billing and collection of tax levies.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Debt service**

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for debt service on the general obligation debt is provided by the debt service tax together with interest earned in the Debt Service Fund.

**K. Fund equity**

Fund balances are classified as follow:

***Nonspendable Fund Balance*** - This category represents amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

***Restricted Fund Balance*** - This category represents amounts constrained to specific purposes by law through constitutional provisions or enabling legislation or by contract whereby constraints have been placed on the use of funds externally by creditors, grantors, contributors, or laws or regulations of other governments.

***Committed Fund Balance*** - This category represents amounts constrained to specific purposes by a government itself through ordinance or resolution.

***Assigned Fund Balance*** – This category represents amount a government *intends* to use for specific purposes, but are neither restricted nor committed.

***Unassigned Fund Balance*** – This category represents amounts that are available for any purpose.

The City adopted a fund balance policy on September 26, 2011. The policy established a minimum fund balance equal to three months of budgeted expenditures for the General Fund and the Enterprise Fund including any interfund transfers, plus an amount equal to the annual principal and interest payments on any outstanding long-term debt.

The General Fund balance represents approximately 74 percent of budgeted expenditures. Committed Fund Balance currently represents amounts designated by City Council for road maintenance purposes and Franchise PEG fees. Assigned Fund Balance currently represents amounts intended to be used for technology enhancements.

**L Revenues and expenditures/expenses**

In the fund financial statements revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Revenues and expenses in the Government-Wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

**NOTE 3 – CASH AND TEMPORARY INVESTMENTS (CASH EQUIVALENTS)**

**M. Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could vary from those estimates.

**Authorization for Deposits and Investments**

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

**Authorization for Deposits and Investments (continued)**

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent. The City’s agent bank is required to pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. At fiscal year end, the bank balance of the City’s deposits was covered by federal depository insurance up to \$250,000 and the balance was covered by collateral pledged in the name of the City and held in a third party depository.

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City’s investment policy. The City’s investment policy authorizes the same investments as State law and fully collateralized certificates of deposit and repurchase agreements, banker’s acceptances, commercial paper, no-load money market funds, and investment pools. The City’s investment policy does not allow investments in obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.

**Deposit and Investment Amounts**

The City’s cash and investments are classified as cash and cash equivalents and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions and in two privately managed public funds investment pool accounts (TexPool and TexSTAR).

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 3 – CASH AND TEMPORARY INVESTMENTS (CASH EQUIVALENTS)**  
**(continued)**

The following schedule shows the City’s recorded cash and investments at year end:

	<b>Primary Government</b>	<b>MEDC</b>	<b>SMDA</b>	<b>Weighted Average Maturity</b>	<b>Standard &amp; Poors Rating</b>
Cash and deposits	\$ 591,456	\$ 48,103	\$ 5,712	N/A	
Balances in public funds investment pools					
TexStar	160,856			48	AAAm
TexPool	2,972,450	1,443,569		68	AAAm
Totals	<u>\$ 3,724,762</u>	<u>\$ 1,491,672</u>	<u>\$ 5,712</u>	65	

**Investment Risks**

***Interest Rate Risk***

At year end, the City’s investments in TexPool and TexSTAR had a weighted average maturity of 55 days and 52 days respectively.

The City uses interest rate risk using the weighted average maturity method for the portfolio.

***Concentration of Credit Risk***

The City’s investment policy does not restrict or specify levels of concentration or diversification within the City’s portfolio.

**Local Government Investment Pools**

As of September 30, 2013, the City’s investments included TexPool and TexSTAR Public Funds Investment Pools. The investment pool investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool.

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 3 – CASH AND TEMPORARY INVESTMENTS (CASH EQUIVALENTS)**  
**(continued)**

**Local Government Investment Pools (continued)**

The value of City portions in TexPool and TexSTAR are the same as the value of the shares. These external pooled funds operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. The external pooled funds use amortized cost rather than market value to report net assets to compute share price, such funds have daily liquidity. Although TexPool and TexSTAR have weighted average maturities greater than one, the City considers the holdings in these funds to have a one day weighted average maturity.

**NOTE 4 – PROPERTY TAX**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are payable on or before January 31. No penalties or interest shall be collected if payment in full is made by January 31. City property taxes are recognized as current receivables when levied, however such amounts are deferred and not reported as revenues until collections are received. At year end, all property taxes receivable are classified as delinquent. Penalties and interest accrued at September 30 are also recognized as receivables.

Within these guidelines, the tax rate per \$100 of assessed valuation for the year ended September 30, 2013 was \$0.587863. The tax rate to finance general governmental services was set at \$0.51498, and the tax rate for debt service purposes was set at \$0.07288 per \$100 of assessed valuation.

Property taxes receivable as of September 30, 2013 includes penalty and interest on delinquent accounts and an estimated allowance for uncollectible as follows:

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Penalty and Interest</b>	<b>Less Allowance for Uncollectible Accounts</b>	<b>Net Property Taxes Receivable - Governmental Funds</b>
Prior	\$ 14,096	\$ 23,037	\$ (26,600)	\$ 10,533
2004	4,643	5,943	(5,900)	4,686
2005	4,022	4,666	(4,500)	4,188
2006	3,037	3,158	(3,000)	3,195
2007	6,462	5,944	(5,500)	6,906
2008	7,158	5,727	(5,200)	7,685
2009	6,973	4,742	(4,200)	7,515
2010	3,873	2,169	(2,000)	4,042
2011	4,898	2,155	(1,900)	5,153
2012	8,374	2,680	(2,600)	8,454
2013	24,635	4,927	(6,000)	23,562
	<u>\$ 88,171</u>	<u>\$ 65,148</u>	<u>\$ (67,400)</u>	<u>\$ 85,919</u>

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 4 – PROPERTY TAX (continued)**

**Deferred Revenues**

Delinquent property tax revenue of \$85,919 at September 30, 2013 has been reported as deferred inflows of resources in the fund financial statements until collected. Delinquent tax collections during the first sixty days subsequent to September 30, 2013 have not been recorded as revenue as of September 30, 2013, as the amount is not considered material.

**NOTE 5 – RECEIVABLES**

Amounts recorded as receivables as of September 30, 2013 for the government’s individual major and non-major funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Water and Wastewater</u>	<u>Discretely Presented Component Units</u>
Receivables:					
Property taxes	\$ 131,541	\$ 21,778	\$	\$	\$
Franchise taxes	90,155				
Sales taxes	222,082				44,019
Other	12,053		15,386	49,961	
Gross receivables	455,831	21,778	15,386	49,961	44,019
Less: allowance for uncollectibles	(57,500)	(9,900)		(7,000)	
Net total receivables	<u>\$ 398,331</u>	<u>\$ 11,878</u>	<u>\$ 15,386</u>	<u>\$ 42,961</u>	<u>\$ 44,019</u>

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 6 – CAPITAL ASSETS**

A summary of activity for capital assets for the year ended September 30, 2013 follows:

	<b>Balance 09/30/2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 09/30/2013</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 738,034	\$	\$	\$ 738,034
Construction in progress	169,722		(111,509)	58,213
Total capital assets not being depreciated	907,756		(111,509)	796,247
Capital assets being depreciated:				
Buildings, improvements and roads	1,426,102	2,773,116		4,199,218
Machinery and equipment	1,573,593	67,321	(31,178)	1,609,736
Total capital assets being depreciated	2,999,695	2,840,437	(31,178)	5,808,954
Less accumulated depreciation for:				
Building, improvements and roads	(295,784)	(335,363)		(631,147)
Machinery and equipment	(1,262,933)	(90,716)	31,178	(1,322,471)
Total accumulated depreciation	(1,558,717)	(426,079)	31,178	(1,953,618)
Total capital assets being depreciated, net	1,440,978	2,414,358		3,855,336
Governmental activities capital assets, net	<u>\$ 2,348,734</u>	<u>\$ 2,414,358</u>	<u>(\$ 111,509)</u>	<u>\$ 4,651,583</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 175,000	\$ 2,174,652	\$	\$ 2,349,652
Construction in progress	12,061	185,984		198,045
Total capital assets not being depreciated	187,061	2,360,636		2,547,697
Capital assets being depreciated:				
Water/sewer system	6,276,345	90,100		6,366,445
Machinery and equipment	78,793	2,000		80,793
Total capital assets being depreciated	6,355,138	92,100		6,447,238
Less accumulated depreciation	(956,826)	(151,124)		(1,107,950)
Total capital assets being depreciated, net	5,398,312	(59,024)		5,339,288
Business-type activities capital assets, net	<u>\$ 5,585,373</u>	<u>\$ 2,301,612</u>	<u>\$</u>	<u>\$ 7,886,985</u>

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 6 – CAPITAL ASSETS (continued)**

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

**DEPRECIATION BY FUNCTION**

**Governmental activities:**

General	\$ 25,107
Public safety	37,561
Public works	332,233
	<u>\$ 394,901</u>

**Business-type activities:**

Water and Sewer	<u>\$ 151,124</u>
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**NOTE 7 – LONG-TERM DEBT**

The City issues general obligation bonds and certificates of obligation to provide funds for acquisition and construction of major capital facilities and properties. These debt instruments constitute direct obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, on taxable property located within the City limits.

During the year ended September 30, 2013, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Capital leases	\$ 23,163	\$	\$ (23,163)	\$	\$
Certificates of obligation	2,770,000	2,000,000	(55,000)	4,715,000	155,000
General obligation bonds	85,000		(85,000)		
Compensated absences payable	81,189		(19,535)	61,654	48,990
	<u>\$ 2,959,352</u>	<u>\$ 2,000,000</u>	<u>\$ (182,698)</u>	<u>\$ 4,776,654</u>	<u>\$ 203,990</u>

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 7 – LONG-TERM DEBT (continued)**

The following is a summary of the terms of obligations of certificates of obligation, general obligation bonds and capital leases outstanding as of September 30, 2013:

<u>Series</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Debt Outstanding</u>
<b>Certificates of Obligation</b>			
Certificates of Obligation, Series 2005 (Water)	\$ 2,000,000	5.32%	\$ 1,965,000
Certificates of Obligation, Series 2005 (Sewer)	845,000	3.71%	750,000
Certificates of Obligation, Series 2013 (Land)	2,000,000	2.70%	<u>2,000,000</u>
<b>Total Governmental Activities</b>			<u><u>\$ 4,715,000</u></u>

Annual debt service requirements to retire outstanding certificates of obligation are as follows:

<u>Year ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 155,000	\$ 184,154
2015	165,000	165,987
2016	265,000	158,447
2017	275,000	150,071
2018	290,000	140,856
2019	295,000	130,830
2020	305,000	120,251
2021	315,000	108,781
2022	330,000	96,484
2023	345,000	83,368
2024	355,000	69,106
2025	370,000	54,256
2026	380,000	38,320
2027	115,000	21,517
2028	120,000	18,755
2029	120,000	15,875
2030	125,000	12,747
2031	125,000	9,373
2032	130,000	5,800
2033	<u>135,000</u>	<u>1,958</u>
<b>Total</b>	<u><u>\$ 4,715,000</u></u>	<u><u>\$ 1,586,936</u></u>

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 7 – LONG-TERM DEBT (continued)**

**Conduit (No-Commitment 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 for the borrower 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 of Manvel.

**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 (the 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 LOC, the interest rate was 3.25% per annum. The line of credit is approved annually for the term of the City's fiscal year ending September 30th of each year. To date, the City has not borrowed any funds on this line of credit.

**NOTE 8 – INTERFUND TRANSACTIONS**

The following is a summary of interfund receivables as of September 30, 2013:

	<b>Interfund</b>	
	<b>Receivable</b>	<b>Payable</b>
General Fund	\$ 241,731	\$ 1,484
Debt Service Fund		16,065
Capital Projects Fund		115,628
Non-Major Governmental Funds	1,484	631
Enterprise Fund		109,407
Totals	<u>\$ 243,215</u>	<u>\$ 243,215</u>

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 8 – INTERFUND TRANSACTIONS (continued)**

During the year ended September 30, 2013, the City made transfers between funds for the following reasons:

	<u>Transfer in</u>	<u>Transfers Out</u>	<u>Purpose</u>
General Fund	\$	\$ 188,352	Capitalize purchase of land in Enterprise Fund
Enterprise Fund	2,188,352		Capitalize purchase of land in Enterprise Fund
Capital Projects Fund		2,000,000	Capitalize purchase of land in Enterprise Fund
Totals	<u>\$ 2,188,352</u>	<u>\$ 2,188,352</u>	

**NOTE 9 – EMPLOYEE RETIREMENT SYSTEM**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 850 currently administered by TMRS, an agent multiple-employer public employee retirement system. Each of the municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2012 valuations are contained in the 2012 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153, or from the TMRS' website at [www.TMRS.com](http://www.TMRS.com).

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a 100% of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date.

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 9 – EMPLOYEE RETIREMENT SYSTEM (continued)**

Deposit Rate: 5%

Matching Ratio (City to Employee): 1 to 1

A member is vested after: 5 years

Members can retire at certain ages, based on the years of service with the City.

The Service Retirement Eligibilities for the City (expressed as Age/Years of Service) are:

5 yrs/age 60, 25yrs/any age

Updated Service Credit: 0%

Annuity Increase (to retirees): 0% of CPI

**Contributions**

Under the state law governing TMRS, the actuary annually determines the City contribution rate using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee’s retirement date, not at the time the employee’s contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan’s 25-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2011 valuation is effective for rates beginning January 2013).

**Annual Pension Cost**

The City’s annual pension cost was equal to the City’s required and actual contributions. Three-year trend information for the City’s TMRS plan follows:

Fiscal Year	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contributions	\$ 3,088	\$ 21,658	\$ 22,676
Actual contributions made	\$ 3,088	\$ 21,658	\$ 22,676
Percentage of Contributions made	100%	100%	100%
Net pension obligation	\$ 0	\$ 0	\$ 0

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 9 – EMPLOYEE RETIREMENT SYSTEM (continued)**

**Required Contribution Rates**

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012 also follows:

<b>Valuation Date</b>	<b>12/31/2012</b>	<b>12/31/2011</b>	<b>12/31/2010 - Restructured</b>	<b>12/31/2010 - prior to restructuring</b>
<b>Actuarial Cost Method</b>	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
<b>Amortization Method</b>	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
<b>GASB 25 Equivalent Single Amortization Period</b>	24.4 years; closed period	25.4 years; closed period	24.9 years; closed period	21.7 years; closed period
<b>Amortization Period for new Gains/Losses</b>	25 years	25 years	25 years	25 years
<b>Asset Valuation Method</b>	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
<b>Actuarial Assumptions:</b>				
<b>Investment Rate of Return *</b>	7.00%	7.00%	7.00%	7.50%
<b>Projected Salary Increases *</b>	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
<b>* Includes Inflation at Cost-of-Living Adjustments</b>	3.00%	3.00%	3.00%	3.00%
	0.00%	0.00%	0.00%	0.00%

**Funded Status and Funding Progress**

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 9 – EMPLOYEE RETIREMENT SYSTEM (continued)**

**Funded Status and Funding Progress - (continued)**

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Funded Ratio</b>	<b>Unfunded AAL (UAAL)</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
12/31/2012	\$934,977	\$882,931	105.9%	(\$52,046)	\$1,102,456	-4.7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**Supplemental Death Benefits Fund**

The city also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death 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.

<b>Supplemental Death Benefits Offered to:</b>	<b>Plan Year 2012</b>	<b>Plan Year 2013</b>
Active employees	Yes	Yes
Retirees	Yes	Yes

**NOTE 9 – EMPLOYEE RETIREMENT SYSTEM (continued)**

**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 calendar years ended 2012, 2011 and 2010 were \$918; \$1,625; and \$1,722; respectively, which equaled the required contributions each year.

**NOTE 10 – RISK MANAGEMENT**

**General Liability**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses various means of protecting the City against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers and from participation in a risk pool. The participation of the City in the risk pool is limited to the payment of premiums. There has not been any significant reduction in insurance coverage from the previous year.

**Worker's Compensation**

The City is a member of the Texas Municipal League (TML) Workers' Compensation Intergovernmental Risk Pool, an unincorporated association of political subdivisions of the State of Texas. The company is not intended to operate as an insurance company but rather a contracting mechanism by which the City provides self-insurance benefits to its employees. The fund contracts with a third party administrator for administration, investigation, and adjustment services in the handling of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool.

**NOTE 11 – NEW RODEO 288**

The City entered into an Amended and Restated 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 New Rodeo 288, Ltd. dated September 10, 2007, and an Interlocal Agreement with Brazoria County Municipal Utility District No. 29 dated September 10, 2007. The Agreements empower the City to provide economic development incentives in accordance with Chapter 380, Texas Local Government Code.

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 11 – NEW RODEO 288 (continued)**

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 Agreement the calculated annual payment as provided by the terms of the agreements. The Agreement pursuant to Chapter 380 has a term 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 August 15, 2013, the balance in the fund is \$355,348, which consists of payments from the City of \$1,612,012, interest earnings of \$3,758, less reimbursements to the Developer of \$1,260,422.

**NOTE 12 – TAX INCREMENT REINVESTMENT ZONE**

**Tax Increment Reinvestment Zone No. 3 (the “TIRZ 3”)**

In accordance with the Tax Increment Financing Act (Chapter 311, Tax Code), the City of Manvel established Tax Increment Reinvestment Zone Number Three (“TIRZ 3”) on May 10, 2010. The TIRZ 3 consists of approximately 2,403.78 acres, which will be developed into the Seven Oaks/Meridiana Project. The TIRZ 3 will provide the financing and management tools needed to help stimulate the development of commercial and residential areas within the zone.

TIRZ 3 has a life of 40 years, and has committed to 50% of its sales tax and 100% of its property tax, less cost of service, for the duration, or until dissolved by the City. Brazoria County has committed 40.49% 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.

Upon the recommendation of the TIRZ 3 Board, the City Council authorized the submission of an application for formation of the South Manvel Development Authority (“SMDA”), a component unit of the City of Manvel.

**Financing Agreements**

The City has entered into a Shared Financing Agreement between the City of Manvel, Tax Increment Reinvestment Zone Number Three, South Manvel Development Authority, Brazoria Co. 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 Plan Projects.

The City has entered into a Development Financing Agreement between the City of Manvel, Tax Increment Reinvestment Zone Number Three, and the South Manvel Development Authority dated December 29, 2010, whereby the City and the Zone delegate to the Authority certain functions relating to the implementation of the TIRZ Plan.

Within six months of the effective date of the 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

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 12 – TAX INCREMENT REINVESTMENT ZONE (continued)**

February 21, 2012, the SMDA approved a Special Warranty Deed conveying a parcel of land for such purposes.

**NOTE 13 – COURT TECHNOLOGY FUND**

The Court Technology Fund has a negative fund balance of \$567 due to the purchase of technical equipment and software used by the municipal court. In the past, revenues have not been sufficient to cover these costs.

**NOTE 14 - PRIOR PERIOD ADJUSTMENT**

GASB Statement No. 65 was implemented in the current fiscal year. Bond issuance costs previously reported as assets to be amortized over the life of the related debt are now recognized as an expense in the period in which the bonds are sold.

The effect of this change in accounting principle is as follows:

Net Position - October 1, 2012	\$ 2,096,697
Effect of Adjustment - GASB No. 65	<u>(20,105)</u>
Net Position - October 1, 2012, as Adjusted	<u>\$ 2,076,592</u>

**NOTE 15 – CONSTRUCTION IN PROGRESS**

Manvel Economic Development Corporation (MEDC) approved “Project 2012-01” pursuant to the Development Corporation Act, Texas Local Government Code, Section 505.160, to fund business development along State Highway 6 to include: water line extension, fire hydrants, water valves and corresponding appurtenances, combination of gravity and force main sanitary sewers, including manholes, air release valves and corresponding appurtenances and installation of a Sanitary Sewer Lift Station in the City of Manvel, to further economic development.

This project is a joint project between MEDC and the City of Manvel. Anticipated costs for the project are \$1,665,086, which MEDC has approved to fund up to \$1.6 million. The City of Manvel will provide funding for amounts over the \$1.6 million funded by MEDC. Construction is expected to begin in October 2014. Preliminary costs associated with planning and designing have been capitalized in construction in progress for \$198,045.

Other capitalized construction in progress costs in the amount of \$58,213 represent costs associated with the City of Manvel for repairs and upgrades to its sewer and lift station systems.

**CITY OF MANVEL, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
*September 30, 2013*

**NOTE 16 - SUBSEQUENT EVENT**

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 by a) mutual agreement by both parties, b) failure of the District to sell 380 Revenue Bonds by June 1, 2020, c) failure of the District to substantially begin and diligently pursue construction within the first five years of this agreement, or d) by the dissolution of the District by the City.

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% of the ad valorem taxes attributable to maintenance tax and 50% 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 required to make payments to the Economic Development Fund by August 15 each year. The first payment is not due until August 15, 2015.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MANVEL, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
Year Ended September 30, 2013

	2013			
	Budgeted		Actual	Variance with Final Budget Positive/ (Negative)
	Original Adopted	Final Amended		
<b>REVENUES</b>				
Property taxes	\$ 1,852,106	\$ 1,852,106	\$ 1,920,932	\$ 68,826
Sales and use taxes	906,250	973,125	1,245,085	271,960
Franchise taxes	360,000	360,000	377,277	17,277
Licenses and permits	619,500	619,500	712,789	93,289
Fines and forfeitures	140,750	140,750	122,994	(17,756)
Earnings on investments	5,000	5,000	6,182	1,182
Intergovernmental	13,160	13,160	45,450	32,290
Other	12,600	13,100	60,511	47,411
<b>Total Revenues</b>	<b>3,909,366</b>	<b>3,976,741</b>	<b>4,491,220</b>	<b>514,479</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	1,185,209	1,251,993	1,180,820	71,173
Public safety	975,709	975,709	864,277	111,432
Public works	1,121,479	1,134,854	611,547	523,307
Library, parks and recreation	61,160	61,160	56,732	4,428
Economic development	360,000	360,000	353,607	6,393
<b>Capital Outlay</b>	<b>84,784</b>	<b>72,000</b>	<b>426,952</b>	<b>(354,952)</b>
<b>Total Expenditures</b>	<b>3,788,341</b>	<b>3,855,716</b>	<b>3,493,935</b>	<b>361,781</b>
<b>Revenues Over (Under) Expenditures</b>	<b>121,025</b>	<b>121,025</b>	<b>997,285</b>	<b>876,260</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers (out)	(121,025)	(121,025)	(188,352)	(67,327)
<b>Total Other Financing Sources (Uses)</b>	<b>(121,025)</b>	<b>(121,025)</b>	<b>(188,352)</b>	<b>(67,327)</b>
<b>Changes in fund balance</b>	<b>-</b>	<b>-</b>	<b>808,933</b>	<b>808,933</b>
<b>Fund balance, beginning of year</b>	<b>2,058,235</b>	<b>2,058,235</b>	<b>2,058,235</b>	
<b>Fund Balance, End of Year</b>	<b>\$ 2,058,235</b>	<b>\$ 2,058,235</b>	<b>\$ 2,867,168</b>	<b>\$ 808,933</b>

**CITY OF MANVEL, TEXAS**  
***NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY INFORMATION***  
***Year ended September 30, 2013***

**A. Legal Compliance – Budgets**

Prior to July 1, the departments and agencies of the City transmit their estimates of their budgetary requirements to the City Manager. The Council may revise, alter, increase or decrease the items of the budget, provided that when it shall increase the total proposed expenditures, it shall not increase the proposed expenditures to an amount greater than the total of estimated income, plus funds available from prior years. The Council approves the budget plan prior to September 30. One or more public hearings are conducted to obtain taxpayer comments. City Council members may transfer unencumbered appropriated balances, or portion thereof, from one department to another. During the year, Council members made two separate amendments to the original budget.

**CITY OF MANVEL, TEXAS**  
**SUPPLEMENTARY PENSION INFORMATION**  
*Year ended September 30, 2012*

**Texas Municipal Retirement System (unaudited)**

Schedule of Funding Progress

	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>
Actuarial Value of Assets	\$ 934,977	\$ 872,023	\$ 761,911
Actuarial Accrued Liability (AAL)	882,931	860,012	688,685
Percentage funded	105.90%	101.40%	110.60%
Underfunded (Overfunded) AAL (UAAL)	(\$ 52,046)	(\$ 12,011)	(\$ 73,226)
Annual covered payroll	1,102,456	987,165	961,508
UAAL as a percentage of covered payroll	-4.7%	-1.2%	-7.6%

The City's annual covered payroll and annual pension costs are actuarially valued on a calendar year basis. Because the City makes all of the annually required contributions, no net pension obligation exists.

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF MANVEL, TEXAS**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
*September 30, 2013*

	<b>SPECIAL REVENUE</b>					<b>Total Non-Major Governmental Funds</b>
	<b>Court Security</b>	<b>Court Technology</b>	<b>Hotel Taxes</b>	<b>Developer Fees</b>	<b>Debt Service Fund</b>	
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 7,914	\$ 64	\$ 149,271	\$ 12,873	\$ 76,539	\$ 246,661
Receivables:						
Property taxes					7,340	7,340
Penalty and interest					4,538	4,538
Other receivables			15,386			15,386
Due from other governments				7		7
Due from other funds	479			1,005		1,484
<b>Total Assets</b>	<b>\$ 8,393</b>	<b>\$ 64</b>	<b>\$ 164,657</b>	<b>\$ 13,885</b>	<b>\$ 88,417</b>	<b>\$ 275,416</b>
<b>LIABILITIES</b>						
Accounts payable	\$	\$	\$	\$ 3,376	\$	\$ 3,376
Due to other funds		631			16,065	16,696
<b>Total Liabilities</b>		<b>631</b>		<b>3,376</b>	<b>16,065</b>	<b>20,072</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property Taxes					7,340	7,340
Penalty and Interest on Delinquent Taxes					4,538	4,538
<b>Total Deferred Inflows of Resources</b>					<b>11,878</b>	<b>11,878</b>
<b>FUND BALANCE</b>						
Reserved for other projects	8,393	(567)	164,657	10,509	60,474	243,466
Unreserved						
<b>Total Fund Balance</b>	<b>8,393</b>	<b>(567)</b>	<b>164,657</b>	<b>10,509</b>	<b>60,474</b>	<b>243,466</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 8,393</b>	<b>\$ 64</b>	<b>\$ 164,657</b>	<b>\$ 13,885</b>	<b>\$ 88,417</b>	<b>\$ 275,416</b>

