

CITY OF MANVEL, TEXAS
ANNUAL FINANCIAL REPORT
Year Ended September 30, 2008



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CITY OF MANVEL, TEXAS
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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Manvel, Texas (the "City"), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis pages 3 through 10 and the budgetary comparison information and the supplementary pension information on pages 44 through 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and
Members of City Council of
City of Manvel, Texas
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Null & Zais, P.C." in a cursive, flowing script.

Houston, Texas
March 31, 2009

CITY OF MANVEL, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2008.

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, and 3) 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 statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 (e.g. uncollected taxes and earned but unused vacation leave).

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, library, and parks and recreation. The business-type activity of the City is comprised of water and sewer operations.

The government-wide financial statements include the City (known as the primary government), and a legally separate component unit. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found 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

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 six 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, debt service, and capital project funds, which are considered to be major funds. Data from the other three 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 41 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 44 through 46 of this report.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

Net assets 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 \$5.1 million. Of this amount, \$2.3 million was invested in capital assets, net of related debt, approximately \$2.5 million was unrestricted and the balance was restricted for a combination of debt service, court related projects, and amounts due to other governmental entities.

Below is a condensed schedule of net assets as of September 30, 2008:

City of Manvel, Texas

Net Assets (in thousands)

September 30, 2008 and 2007

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 4,087	\$ 4,526	\$ (107)	\$ (131)	\$ 3,980	\$ 4,395
Capital assets	3,045	1,617	2,664	2,728	5,709	4,345
Total Assets	7,132	6,143	2,557	2,597	9,689	8,740
Current liabilities	1,101	805	49	25	1,150	830
Long-term liabilities	3,427	3,591			3,427	3,591
Total Liabilities	4,528	4,396	49	25	4,577	4,421
Net assets:						
Invested in capital assets, net of related debt	(343)	(161)	2,664	2,728	2,321	2,567
Restricted	326	152			326	152
Unrestricted	2,621	1,756	(156)	(156)	2,465	1,600
Total Net Assets	\$ 2,604	\$ 1,747	\$ 2,508	\$ 2,572	\$ 5,112	\$ 4,319

The government's net assets increased by \$793,000 during the current fiscal year. A significant portion of this increase is a result of the construction activities the City of Manvel has undertaken. Construction of City facilities results in capital assets which then increase the government's net assets. Activities currently include construction in progress for the Wastewater Treatment Plant expansion, the extension of the West 16" Water Main, and the expansion of the School Road Water Plant.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table summarizes the changes in net assets for the City for the year ended September 30, 2008:

City of Manvel, Texas

Changes in Net Assets (in thousands)

For the Fiscal Years Ended September 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	\$ 1,452	\$ 1,190	\$ 212	\$ 211	\$ 1,664	\$ 1,401
Capital grants		119				119
Operating grants	163		3		166	
General revenues:						
Property taxes	1,731	1,695			1,731	1,695
Franchise taxes	298	264			298	264
Sales taxes	671	676			671	676
Other	150	221			150	221
Total Revenues	4,465	4,165	215	211	4,680	4,376
Expenses:						
General government	1,182	1,089			1,182	1,089
Public safety	922	885			922	885
Public works	1,177	1,242			1,177	1,242
Library, Parks, and Recreation	67	59			67	59
Interest on long-term debt	185	194			185	194
Water & Sewer			354	301	354	301
Total Expenses	3,533	3,469	354	301	3,887	3,770
Transfer in (out)	(75)	(485)	75	485		
Change in net assets	857	211	(64)	395	793	606
Beginning net assets	1,747	1,536	2,572	2,177	4,319	3,713
Ending Net Assets	\$ 2,604	\$ 1,747	\$ 2,508	\$ 2,572	\$ 5,112	\$ 4,319

Governmental activities. Governmental activities increased the City's net assets by \$857,000 during the current fiscal year. New development within the jurisdiction of the City increased revenues through the issuance of building permits. In addition, the increased development has increased the property tax base for the City which in turn has decreased the City's property tax rates over the last few years.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

City of Manvel, Texas

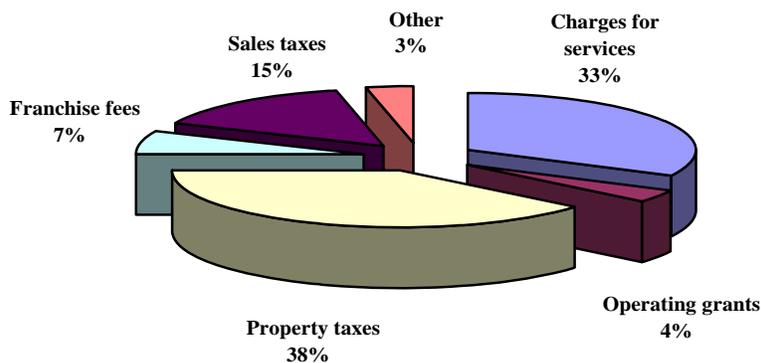
*Expenses, Program Revenues, and Net Cost of Services -
 Governmental Activities (in thousands)*

For the Fiscal Years Ended September 30, 2008 and 2007

Program:	Expenses		Program Revenues		Net (Cost) of Services	
	2008	2007	2008	2007	2008	2007
General government	\$ 1,076	\$ 1,089	\$ 1,404	\$ 894	\$ 328	\$ (195)
Public safety	922	885	207	173	(715)	(712)
Public works	1,177	1,242	4	242	(1,173)	(1,000)
Library, Parks, and Recreation	67	59			(67)	(59)
Economic development	106				(106)	
Interest on long-term debt	185	194			(185)	(194)
	<u>\$ 3,533</u>	<u>\$ 3,469</u>	<u>\$ 1,615</u>	<u>\$ 1,309</u>	<u>\$ (1,918)</u>	<u>\$ (2,160)</u>

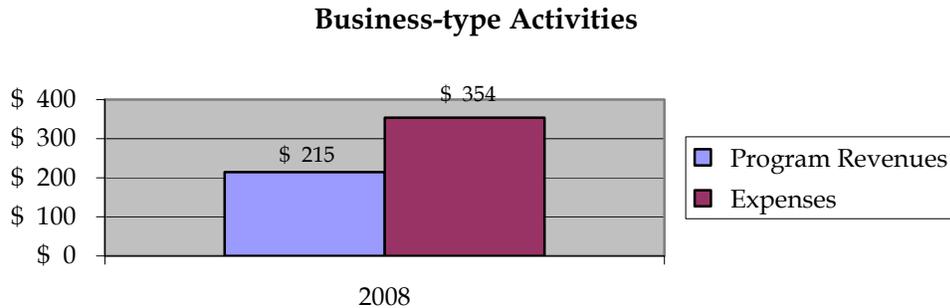
As indicated above, governmental program expenses were supported by program revenues including permits and fines and forfeitures. The balance of the program expenses were supported by general revenues.

Revenue sources for governmental activities were distributed as follows:



CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type Activities. The net assets of the City's business-type activities decreased by \$64 thousand. 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 \$75,000 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, unreserved 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 \$2.9 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 \$1.6 million. This balance represents an increase of \$31 thousand from the prior year.

The Debt Service fund had a total fund balance of \$127 thousand, all of which is reserved for the payment of debt service. The net increase in fund balance from the prior year of approximately \$6 thousand was primarily due to an increase in the collection of property taxes.

The Capital Projects fund balance of \$1.0 million represents unspent debt proceeds from the issuance of bonds.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 assets of the Water and Sewer Enterprise fund at the end of the year was in a deficit position of \$155 thousand despite having an over all positive net asset balance of \$2.5 million. The net assets balance includes the completion of capital assets which were transferred from the capital projects fund.

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, 2008 amounted to \$5.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, park facilities, water and sewer plant and service lines, machinery and equipment, and construction in progress. Capital assets increased slightly during the year, primarily due to construction in progress of approximately \$1.2 million.

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 \$3.4 million. All of the long-term debt is payable from general governmental revenues.

City of Manvel, Texas
Outstanding Debt (in thousands)
September 30, 2008 and 2007

	Governmental Activities	
	2008	2007
Note Payable	\$ 6	\$ 8
Capital Lease Obligations	83	150
Certificates of Obligation	2,975	3,015
General Obligation Bonds	370	430
Compensated Absences	34	34
	<u>\$ 3,468</u>	<u>\$ 3,637</u>

The City's total debt decreased by approximately \$169 thousand during the fiscal year primarily due to the planned retirement of outstanding debt. 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

General Fund Budgetary Highlights

The final amended budgeted appropriations for the general fund increased by approximately \$12 thousand over the original budget. This increase represented an increase in other revenues. The final amended budgeted expenditures for the general fund increased by approximately \$168,000. Surplus funds were approved for the purchase of equipment for the police department, municipal park, and the road department, including an increase in road maintenance expenditures.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2009 general fund budget increased by approximately \$190 thousand over the fiscal year 2008 budget. The 2009 budget anticipated the following:

- An increase in property tax values because of recent development within the city.

City of Manvel, Texas
Budget Totals (in thousands)
September 30, 2009 and 2008

	Fiscal Year 2009	Fiscal Year 2008	Increase (Decrease)
General Fund			
Revenues	\$ 3,311	\$ 3,121	6%
Expenditures	3,311	3,277	1%

BASIC FINANCIAL STATEMENTS

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CITY OF MANVEL, TEXAS

STATEMENT OF NET ASSETS

September 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Manvel Economic Development Corporation
ASSETS				
Cash and temporary investments	\$ 3,174,394	\$ 52,869	\$ 3,227,263	\$ 720,892
Receivables, net of allowance for uncollectibles	312,892	21,808	334,700	55,844
Due from other governments	162,825	2,501	165,326	
Due from component unit	252,590		252,590	
Internal balances	183,806	(183,806)		
Capital assets not being depreciated	2,325,738	175,000	2,500,738	
Capital assets net of accumulated depreciation	719,751	2,488,941	3,208,692	
Total Assets	7,131,996	2,557,313	9,689,309	776,736
LIABILITIES				
Accounts payable and accrued expenses	975,357	48,820	1,024,177	600
Due to other governmental agencies	106,314		106,314	
Deferred revenues				
Due to primary government				252,590
Accrued interest payable	19,997		19,997	
Noncurrent liabilities:				
Due within one year	207,215		207,215	
Due in more than one year	3,219,373		3,219,373	
Total Liabilities	4,528,256	48,820	4,577,076	253,190
NET ASSETS				
Invested in capital assets, net of related debt	(343,060)	2,663,941	2,320,881	
Restricted for:				
Other governments	106,314		106,314	
Debt service	127,378		127,378	
Development	64,060		64,060	
Public safety / municipal court	28,021		28,021	
Unrestricted	2,621,027	(155,448)	2,465,579	523,546
Total Net Assets	\$ 2,603,740	\$ 2,508,493	\$ 5,112,233	\$ 523,546

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS
STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government			
Governmental Activities			
General Government	\$ 1,076,265	\$ 1,241,541	\$
Public Safety	922,203	207,105	
Public Works	1,177,440	3,350	162,825
Library, parks and recreation	66,576		
Economic development	106,105		
Interest on long-term debt	185,105		
Total governmental activities	<u>3,533,694</u>	<u>1,451,996</u>	<u>162,825</u>
Business-type activities			
Water and sewer	353,939	211,892	2,501
Total business-type activities	<u>353,939</u>	<u>211,892</u>	<u>2,501</u>
Total primary government	<u>\$ 3,887,633</u>	<u>\$ 1,663,889</u>	<u>\$ 165,326</u>
Component Unit			
Manvel Economic Development Corporation	<u>\$ 484,607</u>		

General revenues:

Taxes:

Property taxes

Franchise taxes

Sales taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Manvel Economic Development Corporation
\$ 165,276	\$	\$ 165,276	
(715,098)		(715,098)	
(1,011,265)		(1,011,265)	
(66,576)		(66,576)	
(106,105)		(106,105)	
(185,105)		(185,105)	
<u>(1,918,873)</u>		<u>(1,918,873)</u>	
	(139,546)	(139,546)	
	<u>(139,546)</u>	<u>(139,546)</u>	
<u>\$ (1,918,873)</u>	<u>\$ (139,546)</u>	<u>\$ (2,058,419)</u>	
			<u>\$ (484,607)</u>
\$ 1,730,718	\$	\$ 1,730,718	
297,941		297,941	
671,225		671,225	335,612
120,975	1,108	122,083	23,231
29,376		29,376	37,216
(75,000)	75,000	0	
<u>2,775,235</u>	<u>76,108</u>	<u>2,851,343</u>	<u>396,059</u>
856,362	(63,438)	792,924	(88,548)
<u>1,747,378</u>	<u>2,571,931</u>	<u>4,319,309</u>	<u>612,094</u>
<u>\$ 2,603,740</u>	<u>\$ 2,508,493</u>	<u>\$ 5,112,233</u>	<u>\$ 523,546</u>

CITY OF MANVEL, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2008

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current assets:					
Cash and temporary investments	\$ 1,898,819	\$ 136,917	\$ 1,042,110	\$ 96,548	\$ 3,174,394
Due from other funds	264,625		252,270	15,207	532,102
Due from other governments	162,825				162,825
Accounts receivable, less allowance for doubtful accounts	296,304	16,588			-
	<u>296,304</u>	<u>16,588</u>			<u>312,892</u>
Total Assets	<u>\$ 2,622,573</u>	<u>\$ 153,505</u>	<u>\$ 1,294,380</u>	<u>\$ 111,755</u>	<u>\$ 4,182,213</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 623,539	\$	\$ 204,930	\$ 16,386	\$ 844,855
Due to other funds	13,773	9,539	69,107	3,288	95,707
Due to other governments	106,314				106,314
Other liabilities	130,501				130,501
Deferred revenue	93,052	16,588			109,640
	<u>967,179</u>	<u>26,127</u>	<u>274,037</u>	<u>19,674</u>	<u>1,287,017</u>
Total Liabilities	<u>967,179</u>	<u>26,127</u>	<u>274,037</u>	<u>19,674</u>	<u>1,287,017</u>
FUND BALANCE					
Reserved:	106,314	127,378	1,020,343	92,081	1,346,116
Unreserved:	1,549,080				1,549,080
	<u>1,655,394</u>	<u>127,378</u>	<u>1,020,343</u>	<u>92,081</u>	<u>2,895,196</u>
Total Fund Balances	<u>1,655,394</u>	<u>127,378</u>	<u>1,020,343</u>	<u>92,081</u>	<u>2,895,196</u>
Total Liabilities and Fund Balances	<u>\$ 2,622,573</u>	<u>\$ 153,505</u>	<u>\$ 1,294,380</u>	<u>\$ 111,755</u>	<u>\$ 4,182,213</u>

See Notes to Financial Statements.

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

September 30, 2008

Total fund balance, governmental funds	\$ 2,895,196
Amounts reported for governmental activities in the Statement of Net Assets 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 Assets.	3,045,489
Certain other long-term receivables are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	109,640
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 Assets.	
Note payable	(615)
Capital leases	(83,145)
Certificates of obligation	(2,975,000)
General obligation bonds	(370,000)
Deferred issuance costs	40,211
Compensated absences payable	(38,039)
Accrued interest payable	(19,997)
	<hr/>
Net Assets of Governmental Activities	\$ 2,603,740
	<hr/> <hr/>

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, 2008

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 1,462,154	\$ 277,301	\$	\$	\$ 1,739,455
Sales and use taxes	671,225				671,225
Franchise taxes	297,941				297,941
Licenses and permits	573,451				573,451
Sale of capacity in detention pond			464,708		464,708
Fines and forfeitures	175,218			11,879	187,097
Earnings on investments	57,696	5,285	55,680	2,314	120,975
Intergovernmental	163,998				163,998
Other	123,431			131,512	254,943
Total Revenues	3,525,114	282,586	520,388	145,705	4,473,793
EXPENDITURES:					
Current:					
General government	905,618			144,571	1,050,189
Public safety	893,298				893,298
Public works	1,047,341		104,444		1,151,785
Library, parks and recreation	66,576				66,576
Economic development	106,105				106,105
Debt service:					
Principal		100,000		7,519	107,519
Interest and fees		176,801		10	176,811
Bond issuance costs					-
Capital Outlay	340,328		1,234,316		1,574,644
Total Expenditures	3,359,266	276,801	1,338,760	152,100	5,126,927
Revenues Over (Under) Expenditures	165,848	5,785	(818,372)	(6,395)	(653,134)
OTHER FINANCING SOURCES (USES)					
Operating transfers in			59,388		59,388
Operating transfers out	(134,388)				(134,388)
Total Other Financing Sources (Uses)	(134,388)	-	59,388	-	(75,000)
Changes in Fund Balance	31,460	5,785	(758,984)	(6,395)	(728,134)
Fund balances - Beginning of Year	1,623,934	121,593	1,779,327	98,476	3,623,330
Fund Balances - End of Year	\$ 1,655,394	\$ 127,378	\$ 1,020,343	\$ 92,081	\$ 2,895,196

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, 2008

Net change in fund balances - total government funds:	\$ (728,134)
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 contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount capital outlay in the current period exceeded depreciation.	1,428,232
Property Tax Revenues in the statement of activities that do not provide current financial resources are deferred as revenues in the fund statements.	(8,737)
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.	173,774
The issuance of long-term debt provides current financial resources to governmental funds. In contrast, the Statement of Activities reports the amount as long-term debt instead of proceeds.	(5,026)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Increase in accrued compensated absences	(4,244)
Decrease in accrued interest payable	497
	856,362
Change in net assets of governmental activities	\$ 856,362

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS
ENTERPRISE FUND
STATEMENT OF NET ASSETS
September 30, 2008

ASSETS

Current assets:

Cash and temporary investments	\$ 52,869
Accounts receivable, less allowance for doubtful accounts	21,808
Due from other governments	2,501
Due from other funds	75,000
Total Current Assets	<u>152,178</u>

Capital Assets:

Land	175,000
Buildings and equipment, net of accumulated depreciation	2,488,941
Total Capital Assets	<u>2,663,941</u>
Total Assets	<u>2,816,119</u>

LIABILITIES AND NET ASSETS

Liabilities:

Current Liabilities:

Accounts payable	34,510
Refundable deposits	14,310
Due to other funds	258,806
Total Liabilities	<u>307,626</u>

Net Assets:

Invested in capital assets, net of related debt	2,663,941
Unrestricted	(155,448)
Total Net Assets	<u>\$ 2,508,493</u>

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS
For The Year Ended September 30, 2008

OPERATING REVENUES

Charges for services	\$ 211,892
Grant proceeds	2,501
Operating Revenues	<u>214,393</u>

OPERATING EXPENSES

Personnel services	83,220
Professional services	931
Services	36,099
Supplies	38,518
Repair and maintenance	121,934
Insurance	2,074
Grant costs	5,001
Depreciation	66,162
Operating Expenses	<u>353,939</u>
Operating Income (Loss)	(139,546)

NON-OPERATING REVENUES (EXPENSES)

Earning on investments	1,108
Total Non-Operating Revenues (Expenses)	<u>1,108</u>

**OPERATING TRANSFERS IN (OUT) AND
CAPITAL CONTRIBUTIONS**

Transfers in	75,000
Total Operating Transfers	<u>75,000</u>
Decrease in Net Assets	(63,438)
Net assets at beginning of year	<u>2,571,931</u>
NET ASSETS at End of Year	<u><u>\$ 2,508,493</u></u>

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS
ENTERPRISE FUND
COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
For the Year ended September 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users		\$ 229,704
Payments to suppliers		(265,094)
	Net cash provided (used) by operating activities	<u>(35,390)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from other funds		75,000
	Net cash provided (used) by non-capital financing activities	<u>75,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction or purchase of assets		(1,800)
	Net cash provided (used) by capital and related financing activities	<u>(1,800)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		1,108
	Net cash provided by investing activities	<u>1,108</u>
	Net increase in cash and cash equivalents	38,918
Cash and cash equivalents, beginning of year		<u>13,951</u>
Cash and cash equivalents, end of year		<u><u>\$ 52,869</u></u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)		\$ (139,546)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		66,162
Changes in current assets and liabilities:		
(Increase) Decrease in accounts receivable		(9,348)
(Increase) Decrease in due from other funds		23,534
Increase (Decrease) in accounts payable and accrued expenses		22,683
Increase (Decrease) in customer deposits		1,125
	Net cash flows from operating activities	<u><u>\$ (35,390)</u></u>

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

The City of Manvel (the “City”) is a political subdivision of the State of Texas and is considered a primary government. An elected Mayor and five members of City Council govern the municipal government. The Mayor, as the official head of City government, presides at all meetings of Council and signs all official documents.

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. 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

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.

B. Government-Wide and Fund Financial Statements (continued)

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) 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.

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

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 are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivable have been recorded as deferred revenues at year-end. Property taxes collected within 60 days subsequent to September 30, 2008 have not been recorded as revenue as the amount is not considered material. Franchise taxes and Sales taxes relating to underlying transactions that occurred prior to September 30, 2008, 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.

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.

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The *Debt Service Fund* is used to account for the accumulation of resources for the retirement of general long-term debt and related costs. The primary source of revenue for the Debt Service Fund is local property taxes.

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.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets and a statement of activities. It requires the reclassification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are as follows:

- Invested in capital assets, net of related debt – 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Restricted – This component of net assets consists of constraints placed on net asset 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 assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital assets (continued)

<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. Vacation time must be taken in the year in which it is earned. Unused vacation time can be rolled forward to the next year with supervisor approval. Sick leave is accrued at the rate of twelve work days each year of employment and may accumulate until a maximum of thirty-six days have accumulated. In accordance with GAAP, the liability for accumulated compensated absences as of September 30, 2008, 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.

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. Restricted assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements, or as designated by City Council.

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fund equity

In the fund financial statement, the City reserves or designates all or portions of fund equity in the various governmental fund financial statements. The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

M. 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.

N. 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.

NOTE 3 – CASH AND TEMPORARY INVESTMENTS (CASH EQUIVALENTS)

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.

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

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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

Authorization for Deposits and Investments (continued)

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.

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).

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

	<u>Primary Government</u>	<u>MEDC</u>	<u>Average Weighted Average Maturity</u>
Cash and deposits	\$ 253,146	\$ 35,886	N/A
Balances in public funds investment pools			
TexStar	654,239		34
TexPool	<u>2,319,879</u>	<u>685,007</u>	<u>42</u>
Totals	<u>\$ 3,227,263</u>	<u>\$ 720,893</u>	40

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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

Investment Risks

Interest Rate Risk

At year end, the City's investments in Texpool and Texstar had an average weighted average maturity of 42 days, and an average weighted average maturity of 34 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 August 31, 2008, the District's investments included TexPool and Lone Star Public Funds Investment Pools. The investment pools 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.

The value of District portions in TexPool and Lone Star 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 Lone Star have weighted average maturities greater than one, the District 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, 2008 was \$0.587831. The tax rate to finance general governmental services was set at \$0.494359, and the tax rate for debt service purposes, was set at \$0.093472 per \$100 of assessed valuation.

Property taxes receivable as of September 30, 2008 includes penalty and interest on delinquent accounts and an estimated allowance for uncollectible as follows:

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 – PROPERTY TAX (continued)

Fiscal Year	Taxes	Penalty and Interest	Less Allowance for Uncollectible Accounts	Net Property Taxes Receivable - Governmental Funds
Prior	\$ 11,497	\$ 16,780	\$ (22,100)	\$ 6,177
2000	3,326	3,858	(3,700)	3,484
2001	7,230	7,520	(7,100)	7,650
2002	5,380	4,949	(4,600)	5,729
2003	5,281	4,225	(3,800)	5,706
2004	7,063	4,803	(4,300)	7,566
2005	7,380	4,133	(3,600)	7,913
2006	7,189	3,163	(2,900)	7,452
2007	14,561	4,659	(4,600)	14,620
2008	45,119	9,024	(10,800)	43,343
	<u>\$ 114,026</u>	<u>\$ 63,114</u>	<u>\$ (67,500)</u>	<u>\$ 109,640</u>

NOTE 5 – RECEIVABLES

Amounts recorded as receivables as of September 30, 2008 for the government’s individual major and nonmajor funds, including the applicable allowance for uncollectible accounts, are as follows:

	General	Debt Service	Water and Wastewater	Discretely Presented Component Unit
Receivables:				
Property taxes	\$ 150,952	\$ 26,188	\$	\$
Franchise taxes	85,284			
Sales taxes	111,689			55,844
Other	6,280		28,808	
Gross receivables	<u>354,204</u>	<u>26,188</u>	<u>28,808</u>	<u>55,844</u>
Less: allowance for uncollectibles	<u>(57,900)</u>	<u>(9,600)</u>	<u>(7,000)</u>	
Net total receivables	<u>\$ 296,304</u>	<u>\$ 16,588</u>	<u>\$ 21,808</u>	<u>\$ 55,844</u>

Deferred Revenues

Delinquent property tax revenue of \$109,640 at September 30, 2008 has been deferred in the fund financial statements until collected. Delinquent tax collections during the first sixty days subsequent to September 30, 2008 have not been recorded as revenue as of September 30, 2008, as the amount is not considered material.

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS

A summary of activity for capital assets for the year ended September 30, 2008 follows:

	Balance 09/30/2007	Additions	Balance 09/30/2008
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$ 215,752	\$ 62,960	\$ 278,712
Construction in progress	812,710	1,234,316	2,047,026
Total capital assets not being depreciated	1,028,462	1,297,276	2,325,738
Capital assets being depreciated:			
Buildings, improvements and roads	283,525	165,557	449,082
Machinery and equipment	1,104,646	111,811	1,216,457
Total capital assets being depreciated	1,388,171	277,368	1,665,539
Less accumulated depreciation for:			
Building, improvements and roads	(63,100)	(21,349)	(84,449)
Machinery and equipment	(736,276)	(125,063)	(861,339)
Total accumulated depreciation	(799,376)	(146,412)	(945,788)
Total capital assets being depreciated, net	588,795	130,956	719,751
Governmental activities capital assets, net	<u>\$ 1,617,257</u>	<u>\$ 1,428,232</u>	<u>\$ 3,045,489</u>
Business-type activities:			
Capital assets, not being depreciated:			
Land	\$ 175,000	\$	\$ 175,000
Total capital assets not being depreciated	175,000		175,000
Capital assets being depreciated:			
Water/sewer system	2,943,505	1,800	2,945,305
Machinery and equipment	10,870	0	10,870
Total capital assets being depreciated	2,954,375	1,800	2,956,175
Less accumulated depreciation	(401,072)	(66,162)	(467,234)
Total capital assets being depreciated, net	2,553,303	(64,362)	2,488,941
Business-type activities capital assets, net	<u>\$ 2,728,303</u>	<u>\$ (64,362)</u>	<u>\$ 2,663,941</u>

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS (continued)

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

Governmental activities:	
General	\$ 17,459
Public safety	57,660
Public works	71,293
	<u>\$ 146,412</u>
Business-type activities:	
Water and Sewer	<u>\$ 66,162</u>

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. 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, 2008, the following changes occurred in long-term liabilities:

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Governmental Activities					
Note payable	\$ 7,804	\$	\$ (7,189)	\$ 615	\$ 615
Capital leases	149,730		(66,585)	83,145	63,860
Certificates of obligation	3,015,000		(40,000)	2,975,000	50,000
less deferred issuance costs	(45,237)		5,026	(40,211)	
General obligation bonds	430,000		(60,000)	370,000	65,000
Compensated absences payable	33,795			33,795	33,795
	<u>\$ 3,591,092</u>	<u>\$</u>	<u>\$ (168,748)</u>	<u>\$ 3,422,344</u>	<u>\$ 213,270</u>

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT (continued)

The following is a summary of the terms of obligations of certificates of obligation and general obligation bonds outstanding as of September 30, 2008:

<u>Series</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Debt Outstanding</u>
General Obligation Bonds			
General Obligation Refunding Bonds, Series 1998	\$ 810,000	6.50%	\$ 370,000
Certificates of Obligation			
Certificates of Obligation, Series 1998	340,000	6.50%	160,000
Certificates of Obligation, Series 2006 (Water)	2,000,000	5.32%	1,990,000
Certificates of Obligation, Series 2006 (Sewer)	845,000	3.71%	825,000
Notes payable		6.00%	615
Capital leases		5.65%	83,145
Total Governmental Activities			<u><u>\$ 3,428,760</u></u>

Annual debt service requirements to retire outstanding general obligation bonds are as follows:

<u>Year ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 65,000	\$ 21,938
2010	70,000	17,550
2011	70,000	13,000
2012	80,000	8,125
2013	85,000	2,763
Total	<u><u>\$ 370,000</u></u>	<u><u>\$ 63,376</u></u>

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT (continued)

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

Year ending September 30	Governmental Activities	
	Principal	Interest
2009	\$ 50,000	\$ 144,206
2010	50,000	141,699
2011	50,000	139,145
2012	55,000	136,393
2013	55,000	133,448
2014	155,000	131,611
2015	165,000	125,045
2016	170,000	117,861
2017	180,000	110,268
2018	190,000	102,031
2019	195,000	93,180
2020	205,000	83,976
2021	215,000	74,081
2022	225,000	63,554
2023	240,000	52,381
2024	245,000	40,271
2025	260,000	27,731
2026	270,000	14,215
Total	<u>\$ 2,975,000</u>	<u>\$ 1,731,092</u>

Note Payable

During the year ended September 30, 2005 the City entered into a note agreement to purchase an electronic ticket writer for the police department. The note payable is due in monthly installments of \$627, including interest at 6.00% with a final maturity in October 2008.

Annual maturities under this note at September 30, 2008, are as follows:

Year ending September 30	Governmental Activities	
	Principal	Interest
2009	\$ 615	\$ 2
Total	<u>\$ 615</u>	<u>\$ 2</u>

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT (continued)

Capital Lease Payable

The City has entered into lease agreements as the lessee for financing the acquisition of vehicles and equipment for the public works department and the financing of new dispatch software for the police department. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. Approximately \$271,000 has been leased under these agreements as of September 30, 2008.

Annual debt service requirements to retire outstanding capital leases are as follows:

Year ending September 30	Governmental Activities	
	Principal	Interest
2009	\$ 63,860	\$ 3,242
2010	9,334	1,273
2011	9,950	657
Total	<u>\$ 83,145</u>	<u>\$ 5,171</u>

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.

NOTE 8 – INTERFUND TRANSACTIONS

The following is a summary of interfund receivables as of September 30, 2008:

	Interfund	
	Receivable	Payable
General Fund	\$ 339,305	\$ 13,773
Debt Service Fund		9,539
Capital Projects Fund		69,107
Non-Major Governmental Funds	15,207	3,288
Enterprise Fund		258,806
Totals	<u>\$ 354,512</u>	<u>\$ 354,512</u>

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 – INTERFUND TRANSACTIONS (continued)

The amount payable to the General Fund from the Enterprise Fund is due to insufficient revenue collected by the Enterprise Fund. The amount between the Non-Major Government Funds and General Fund is because the money is collected by the General Fund and transferred after year end.

During the year ended September 30, 2008, the City made the following transfers for the following reasons.:

	<u>Transfer in</u>	<u>Transfers Out</u>	<u>Purpose</u>
General Fund	\$	\$ 134,388	To fund operations and construction
Capital Projects Fund	59,388		To fund construction
Enterprise Fund	75,000		To fund operations
Totals	<u>\$ 134,388</u>	<u>\$ 134,388</u>	

NOTE 9 – EMPLOYMENT 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 827 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, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing P.O. Box 149153, Austin, Texas 78714-9153.

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%, 150%, or 200%) 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.

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – EMPLOYMENT RETIREMENT SYSTEM (continued)

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 (as of 4/1/05):

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

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. 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. The unit credit actuarial cost method is used for determining the City contribution 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, 2006 valuation is effective for rates beginning January 2008)

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>2007</u>	<u>2006</u>	<u>2005</u>
Annual required contributions	\$ 30,269	\$ 27,136	\$ 21,399
Percentage of Contributions made	100%	100%	100%

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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 subdivision 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 – TEXAS WATER BOARD

In fiscal year 2005, the City applied to the Texas Water Development Board (the Board) for financial assistance for the construction of Water and Wastewater System improvements. The Board approved the application for financial assistance in the amount of \$2,845,000. The City sold Combination Tax and Revenue Certificates of Obligation, Series 2005 in the amount of \$845,000 for the wastewater improvements and Series 2005A for the water improvements in the amount of \$2,000,000. The Board was the sole purchaser of the City's bonds.

NOTE 12 – HOPE LUMBER COMPANY

City entered into an agreement with Hope Lumber Company whereby Hope would advance the City \$250,000 in order to extend the City's waterline to Hope Lumber for the Company to use. Once Hope Lumber began operations and had generated sufficient sales tax revenues in the first year for the City of Manvel, the City would then pay back Hope Lumber for the full amount advanced over a three year period. Hope Lumber is required to obtain certification of sales tax payments from the State Comptroller and provide the certification to the City of Manvel before reimbursements are made. The second payment of \$83,333 was made this fiscal year. In addition, the MEDC contributed \$175,000 to assist in funding the project. This is not a loan to the City, but a contribution to aid in development.

CITY OF MANVEL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 13 – NEW RODEO 288, LTD

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, and to provide to the District a property tax rebate once the District has sold bonds.

On or before August 15, 2008, the City agrees 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 made its first payment to the Economic Development Fund on August 15, 2008 in the amount of \$106,105.

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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, 2008

	2008			
	Budgeted		Actual	Variance with Final Budget Positive/ (Negative)
	Original Adopted	Final Amended		
REVENUES				
Property taxes	\$ 1,425,000	\$ 1,425,000	\$ 1,462,154	\$ 37,154
Sales and use taxes	700,000	700,000	671,225	(28,775)
Franchise taxes	260,000	260,000	297,941	37,941
Licenses and permits	543,000	543,000	573,451	30,451
Fines and forfeitures	150,000	150,000	175,218	25,218
Earnings on investments	16,000	16,000	57,696	41,696
Intergovernmental	1,100	1,100	163,998	162,898
Other	13,825	26,300	123,431	97,131
Total Revenues	3,108,925	3,121,400	3,525,114	403,714
EXPENDITURES				
Current:				
General government	943,520	949,372	905,618	43,754
Public safety	858,300	873,275	893,298	(20,023)
Public works	873,700	1,003,552	1,047,341	(43,789)
Library, parks and recreation	63,155	63,155	66,576	(3,421)
Economic development	275,000	235,000	106,105	128,895
Capital Outlay	20,250	78,150	340,328	(262,178)
Total Expenditures	3,033,925	3,202,504	3,359,266	(156,762)
Revenues Over (Under) Expenditures	75,000	(81,104)	165,848	246,952
Other Financing Sources (Uses)				
Operating transfers (out)	(75,000)	(75,000)	(134,388)	(59,388)
Total Other Financing Sources (Uses)	(75,000)	(75,000)	(134,388)	(59,388)
Changes in fund balance	0	(156,104)	31,460	187,564
Fund balance, beginning of year	1,623,934	1,623,934	1,623,934	
Fund Balance, End of Year	\$ 1,623,934	\$ 1,467,830	\$ 1,655,394	\$ 187,564

CITY OF MANVEL, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY INFORMATION
Year ended September 30, 2008

A. Legal Compliance – Budgets

Prior to September 1, the departments and agencies of the City transmit their estimates of their budgetary requirements to the Mayor. 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 also increase the total anticipated income. 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 did not make any material amendments to the original budget.

B. Excess of appropriations over expenditures

At September 30, 2008, the City had excess revenues of approximately \$31,000. Actual expenditures exceeded budgeted expenditures by approximately \$50,000. In September 2008, Hurricane Ike hit the Gulf Coast area which included the City of Manvel. The federal government declared the region including the City of Manvel a presidential disaster area. In addition, the mayor declared an emergency which resulted in excess expenditures related to services provided during and after Hurricane Ike. These expenditures total approximately \$67,000.

CITY OF MANVEL, TEXAS
SUPPLEMENTARY PENSION INFORMATION
Year ended September 30, 2008

Texas Municipal Retirement System (unaudited)

Schedule of Funding Progress

	<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/05</u>
Actuarial Value of Assets	\$ 470,167	\$ 403,524	\$ 344,256
Actuarial Accrued Liability (AAL)	483,712	460,818	428,099
Percentage funded	97.20%	87.60%	80.40%
Underfunded (Overfunded) AAL (UAAL)	\$ 13,545	\$ 57,294	\$ 83,843
Annual covered payroll	865,344	800,638	672,007
UAAL as a percentage of covered payroll	2%	7%	12%
Annual required contribution	\$ 30,269	\$ 27,136	\$ 21,399
Percentage of Contributions made	100%	100%	100%
Net Pension Obligation			

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
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2008

SPECIAL REVENUE

	Court Security	Court Technology	Developer Fees	Total Nonmajor Governmental Funds
ASSETS				
Current assets:				
Cash and investments	\$ 21,687	\$ 59	\$ 74,802	\$ 96,548
Due from other funds	9,563		5,644	15,207
Total Assets	\$ 31,250	\$ 59	\$ 80,446	\$ 111,755
LIABILITIES				
Accounts payable	\$	\$	\$ 16,386	\$ 16,386
Due to other funds		3,288		3,288
Total Liabilities		3,288	16,386	19,674
FUND BALANCE				
Reserved for other projects	31,250	(3,229)	64,060	92,081
Unreserved				
Total Fund Balance	31,250	(3,229)	64,060	92,081
Total Liabilities and Fund Balance	\$ 31,250	\$ 59	\$ 80,446	\$ 111,755

CITY OF MANVEL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2008

SPECIAL REVENUE

	Court Security	Court Technology	Developer Fees	Total Nonmajor Governmental Funds
REVENUES				
Fines and forfeitures	\$ 5,104	\$ 6,775	\$	\$ 11,879
Interest on investments	716	1	1,597	2,314
Other			131,512	131,512
Total Revenues	\$ 5,820	\$ 6,776	\$ 133,109	\$ 145,705
EXPENDITURES				
Current:				
General government	\$ 3,208	\$ 1,672	\$ 139,691	\$ 144,571
Public works				
Debt service:				
Principal		7,519		7,519
Interest and fees		10		10
Total Expenditures	3,208	9,201	139,691	152,100
Changes in Fund Balance	2,612	(2,425)	(6,582)	(6,395)
Fund balances, beginning of year	28,638	(804)	70,642	98,476
Fund Balance, End of Year	\$ 31,250	\$ (3,229)	\$ 64,060	\$ 92,081