

*ANNUAL FINANCIAL REPORT*

of the

**CITY OF MANVEL, TEXAS**

**For the Year Ended  
September 30, 2019**

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# CITY OF MANVEL, TEXAS

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September 30, 2019

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***INTRODUCTORY SECTION***

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# CITY OF MANVEL, TEXAS

## PRINCIPAL OFFICIALS

September 30, 2019

<b>City Officials</b>	<b>Elective Position</b>	<b>Term Expires</b>
Debra Davison	Mayor	2020
Jason Albert	Council Member	2020
Brian Wilmer	Council Member	2020
Dan Davis	Council Member	2022
Jerome Hudson	Council Member	2022
Larry Akery	Council Member	2021
Lorraine Hehn	Council Member	2021

<b>Key Staff</b>	<b>Position</b>
Kyle Jung	City Manager
Chris Thomas	Director of Finance
Bobby Gervais	City Attorney
Tammy Bell	City Secretary
Keith Traylor	Police Chief
Jay White	Director of Public Works
Annie Torres	Municipal Court Administrator

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***FINANCIAL SECTION***

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## *INDEPENDENT AUDITORS' REPORT*

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manvel, Texas (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
February 25, 2020

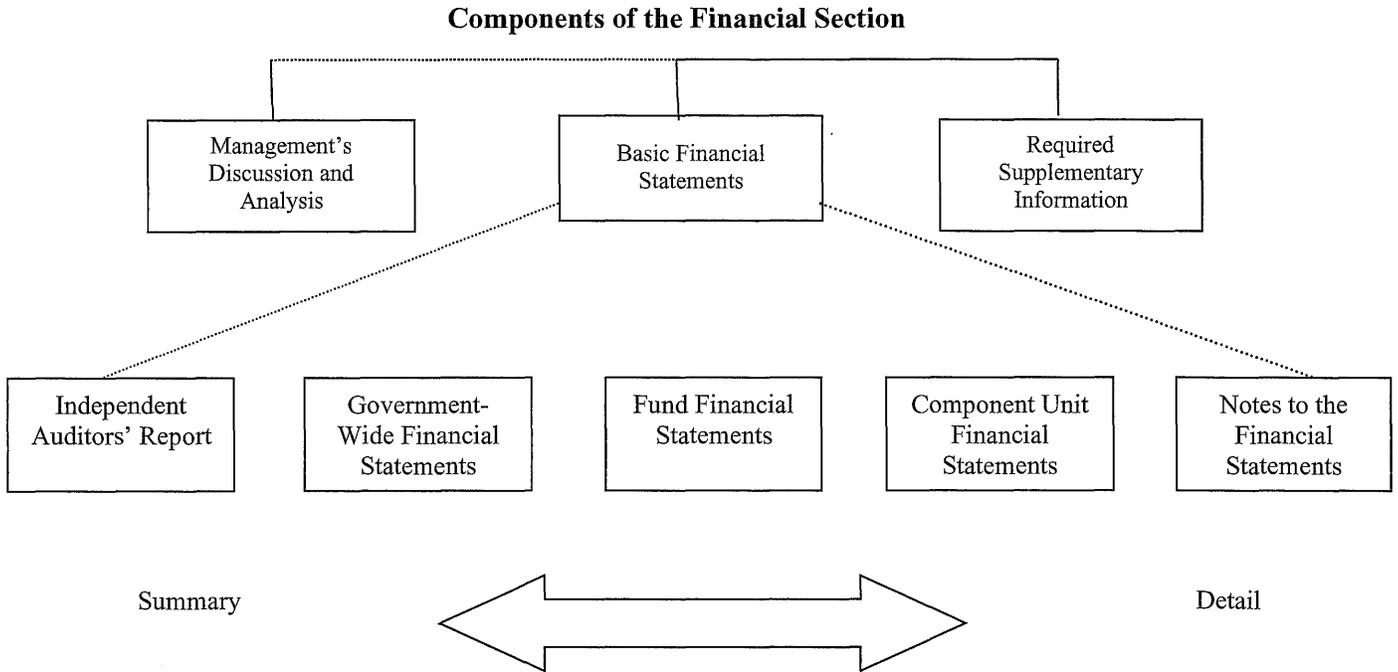
***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2019

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Manvel, Texas (the "City") for the year ended September 30, 2019. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

**THE STRUCTURE OF OUR ANNUAL REPORT**



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-Wide Statements**

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference 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. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2019

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

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

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

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

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

## **FUND FINANCIAL STATEMENTS**

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

### **Governmental Funds**

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

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

The City maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds for reporting purposes.

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2019

The City adopts an annual appropriated budget for its general fund, debt service fund, hotel taxes fund, court security fund, court technology fund, TIRZ No. 3 fund, South Manvel Redevelopment Authority fund, community impact fund, park fund, and the PEG fees fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with the budgets.

**Proprietary Funds**

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

The City also uses an internal service fund to account for vehicle and equipment replacement costs. This internal service fund has been included within governmental activities in the government-wide financial statements.

**Notes to Financial Statements**

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

**Other Information**

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, schedules of changes in net pension and total other postemployment benefits liability/(asset) and related ratios, and the schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$21,473,215 as of year end for the primary government. A portion of the City's net position, 58%, reflects its investments in capital assets (e.g., land, buildings, equipment, streets, and drainage systems) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2019

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

	Governmental		Business-Type		Reconciliation		Reconciled	
	Activities		Activities				Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 25,034,766	\$ 23,431,010	\$ 280,952	\$ 225,245	\$ -	\$ -	\$ 25,315,718	\$ 23,656,255
Capital assets, net	9,276,527	8,817,023	10,821,095	10,561,247	-	-	20,097,622	19,378,270
<b>Total Assets</b>	<b>34,311,293</b>	<b>32,248,033</b>	<b>11,102,047</b>	<b>10,786,492</b>	<b>-</b>	<b>-</b>	<b>45,413,340</b>	<b>43,034,525</b>
Deferred charge on refunding	9,508	10,866	-	-	-	-	9,508	10,866
Deferred outflows - pensions	419,991	320,944	24,765	15,370	-	-	444,756	336,314
Deferred outflows - OPEB	5,792	4,992	-	-	-	-	5,792	4,992
<b>Total Deferred Outflows of</b>								
<b>Resources</b>	<b>435,291</b>	<b>336,802</b>	<b>24,765</b>	<b>15,370</b>	<b>-</b>	<b>-</b>	<b>460,056</b>	<b>352,172</b>
Long-term liabilities	22,353,275	23,402,698	55,748	50,608	-	-	22,409,023	23,453,306
Other liabilities	1,836,285	1,421,896	123,718	95,218	-	-	1,960,003	1,517,114
<b>Total Liabilities</b>	<b>24,189,560</b>	<b>24,824,594</b>	<b>179,466</b>	<b>145,826</b>	<b>-</b>	<b>-</b>	<b>24,369,026</b>	<b>24,970,420</b>
Deferred inflows - pensions	24,758	66,104	1,713	5,957	-	-	26,471	72,061
Deferred inflows - OPEB	4,684	-	-	-	-	-	4,684	-
<b>Total Deferred Inflows of</b>								
<b>Resources</b>	<b>29,442</b>	<b>66,104</b>	<b>1,713</b>	<b>5,957</b>	<b>-</b>	<b>-</b>	<b>31,155</b>	<b>72,061</b>
<b>Net Position:</b>								
Net investment in capital								
assets	3,695,245	2,335,550	10,821,095	10,561,247	(1,983,403)	(2,439,643)	12,532,937	10,457,154
Restricted	4,437,753	4,152,674	-	-	-	-	4,437,753	4,152,674
Unrestricted	2,394,584	1,205,913	124,538	88,832	1,983,403	2,439,643	4,502,525	3,734,388
<b>Total Net Position</b>	<b>\$ 10,527,582</b>	<b>\$ 7,694,137</b>	<b>\$ 10,945,633</b>	<b>\$ 10,650,079</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,473,215</b>	<b>\$ 18,344,216</b>

A portion of the primary government's net position, \$4,437,753, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,502,525, may be used to meet the City's ongoing obligation to citizens and creditors. Net position increased by \$3,128,999 compared to the prior year.

The City has issued and repaid debt in its governmental activities for which the proceeds were used to construct capital assets for the business-type activities. With one activity carrying the capital asset and another carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Net debt associated with governmental activities, in the amount of \$1,983,403, is being used to finance capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

Compared to the prior year, current and other assets increased from an increase in cash and cash equivalents resulting from an operating surplus and an increase in prepaids related to a system water availability agreement. Capital assets increased due to the current year construction and purchase of various capital assets. Long-term liabilities decreased due to current year principal payments on debt. Other liabilities increased due to an increase in accounts payable related to various outstanding projects.

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2019

**Statement of Activities:**

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,386,848	\$ 2,106,279	\$ 720,495	\$ 667,889	\$ 4,107,343	\$ 2,774,168
Operating grants and contributions	107,369	155,423	-	-	107,369	155,423
Capital grants and contributions	-	1,004,317	-	-	-	1,004,317
General revenues:						
Property taxes	5,150,900	3,867,165	-	-	5,150,900	3,867,165
Sales taxes	1,666,969	1,622,765	-	-	1,666,969	1,622,765
Other taxes and fees	668,718	626,722	-	-	668,718	626,722
Investment earnings	494,453	240,768	336	1,463	494,789	242,231
Gain on disposal of capital assets	17,299	-	-	-	17,299	-
Other revenues	268,758	465,603	-	-	268,758	465,603
<b>Total Revenues</b>	<u>11,761,314</u>	<u>10,089,042</u>	<u>720,831</u>	<u>669,352</u>	<u>12,482,145</u>	<u>10,758,394</u>
<b>Expenses</b>						
General government	2,511,525	2,090,387	-	-	2,511,525	2,090,387
Public safety	2,965,886	2,761,059	-	-	2,965,886	2,761,059
Public works	1,910,204	1,457,663	-	-	1,910,204	1,457,663
Library, parks, and recreation	84,113	69,882	-	-	84,113	69,882
Economic development	-	564,832	-	-	-	564,832
Interest on long-term debt	629,435	661,841	-	-	629,435	661,841
Water and sewer	-	-	1,251,983	939,096	1,251,983	939,096
<b>Total Expenses</b>	<u>8,101,163</u>	<u>7,605,664</u>	<u>1,251,983</u>	<u>939,096</u>	<u>9,353,146</u>	<u>8,544,760</u>
<b>Increase (Decrease) in Net Position Before Transfers</b>	3,660,151	2,483,378	(531,152)	(269,744)	3,128,999	2,213,634
Transfers in (out)	(826,706)	(1,246,675)	826,706	1,246,675	-	-
<b>Change in Net Position</b>	2,833,445	1,236,703	295,554	976,931	3,128,999	2,213,634
Beginning net position	7,694,137	6,457,434	10,650,079	9,673,148	18,344,216	16,130,582
<b>Ending Net Position</b>	<u>\$ 10,527,582</u>	<u>\$ 7,694,137</u>	<u>\$ 10,945,633</u>	<u>\$ 10,650,079</u>	<u>\$ 21,473,215</u>	<u>\$ 18,344,216</u>

For the year ended September 30, 2019, revenues from governmental activities totaled \$11,761,314. Revenues increased \$1,672,272 compared to the prior year. This increase was largely due to an increase in property tax revenues resulting from both an increase in the tax rate and the assessed values of properties within the City, as well as an increases in charges for services from an increase in permits issued and plan reviews, right-of way revenues, and in interest earnings.

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2019

For the year ended September 30, 2019, expenses for governmental activities totaled \$8,101,163. Total expenses increased \$495,499 compared to the prior year, which can be attributed primarily to increases in personnel costs, contracted inspections, and street reconstruction projects.

Business-type activities net position increased by \$295,554. Current year revenues increased \$51,479 compared to the prior year mainly due to an increase in total billings. Current year expenses increased by \$312,887 primarily due to an increase in repair and maintenance costs.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

The City's governmental funds reflect a combined fund balance of \$22,620,708. Of this, \$334,598 is restricted for debt service, \$740,237 is restricted by enabling legislation, \$299,204 is restricted for a tax increment reinvestment zone, \$15,385,459 is restricted for capital projects, \$719,781 is restricted for special projects, \$291,798 is committed for road maintenance, \$270,908 is nonspendable in the form of prepaid items, and \$4,578,723 is unassigned.

The general fund had a decrease in fund balance of \$399,804. The general fund reported a fund balance of \$4,871,242, which exceeds approximately 8 months of the general fund's expenditures. Compared to the prior year, revenues increased \$1,268,236 due to an increase in property tax revenues related to an increase in the tax rate and the assessed values of properties within the City, as well as an increase in permits issues, plan reviews, right-of-way revenues, and investment earnings. Expenditures increased \$644,460 compared to the prior year. This increase was the result of increases personnel costs, contracted inspections, and street reconstruction projects.

The debt service fund had an increase in fund balance of \$177,277 largely due to an increase in property tax revenues related to an increase in the tax rate and the assessed values of properties within the City.

The capital projects fund had a fund balance of \$15,385,459 which was an increase of \$5,785 compared to the prior year due to transfers in from other funds.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were more than the final budgeted revenues by \$162,775 during the year largely due to more revenue than anticipated for other revenues. General fund expenditures were less than the final budget by \$381,156 during the year mainly due to positive budget variances in general government, public safety, and public works.

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2019

**CAPITAL ASSETS**

At the end of the year, the City's governmental and business-type activities had invested \$20,097,622 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$719,352 from prior year.

Major capital asset events during the year included the following:

- Purchased 2.197 acres land at Highway 6 for \$495,000
- Purchased three Tahoes for \$113,649
- Purchased three Fords for \$84,260
- Large Avenue sewer and water line and lift station project costs of \$117,506
- Water plant improvement project costs of \$305,800
- City Hall design for \$413,572

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

**LONG-TERM DEBT**

At the end of the current year, the City had total general obligation bonds, certificates of obligation, and tax anticipation notes outstanding of \$20,525,000. Of this amount, \$1,610,000 represents general obligation bonds, \$18,440,000 represents certificates of obligation, and \$475,000 represents tax anticipation notes.

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City Council approved a \$8,735,956 general fund budget for the 2019-2020 fiscal year. This is an 8.7% increase in revenues and a 2.9% increase in expenditures from the prior year amended budget. The tax rate adopted for the fiscal year 2019-2020 budget will be \$0.64 per \$100 in property valuation, which was a 7% decrease comparing with fiscal year 2018-2019. The budget will raise more revenue from property taxes than last year's budget by \$450,000 due to property appraisal value increases and new property added to the tax roll.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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***BASIC FINANCIAL STATEMENTS***

# CITY OF MANVEL, TEXAS

## STATEMENT OF NET POSITION

September 30, 2019

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 11,169,455	\$ 158,012	\$ -	\$ 11,327,467
Receivables, net	528,627	61,244	-	589,871
Due from other governments	-	4,091	-	4,091
Internal balances	20,150	(20,150)	-	-
Prepaid items	270,908	-	-	270,908
Restricted assets:				
Cash and investments	13,045,626	77,755	-	13,123,381
<b>Total Current Assets</b>	<b>25,034,766</b>	<b>280,952</b>	<b>-</b>	<b>25,315,718</b>
Noncurrent assets				
Net pension asset	-	-	-	-
Nondepreciable	6,779,347	2,831,696	-	9,611,043
Net depreciable	2,497,180	7,989,399	-	10,486,579
<b>Total Noncurrent Assets</b>	<b>9,276,527</b>	<b>10,821,095</b>	<b>-</b>	<b>20,097,622</b>
<b>Total Assets</b>	<b>34,311,293</b>	<b>11,102,047</b>	<b>-</b>	<b>45,413,340</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	9,508	-	-	9,508
Deferred outflows - pensions	419,991	24,765	-	444,756
Deferred outflows - OPEB	5,792	-	-	5,792
<b>Total Deferred Outflows of Resources</b>	<b>435,291</b>	<b>24,765</b>	<b>-</b>	<b>460,056</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	755,007	45,963	-	800,970
Customer deposits	-	77,755	-	77,755
Accrued interest payable	100,407	-	-	100,407
Unearned revenue	980,871	-	-	980,871
<b>Total Current Liabilities</b>	<b>1,836,285</b>	<b>123,718</b>	<b>-</b>	<b>1,960,003</b>
Noncurrent liabilities:				
Long-term liabilities due within one year	1,352,728	14,518	-	1,367,246
Long-term liabilities due in more than - one year	19,686,209	1,613	-	19,687,822
Net pension liability	1,252,845	39,617	-	1,292,462
Total OPEB liability	61,493	-	-	61,493
<b>Total Noncurrent Liabilities</b>	<b>22,353,275</b>	<b>55,748</b>	<b>-</b>	<b>22,409,023</b>
<b>Total Liabilities</b>	<b>24,189,560</b>	<b>179,466</b>	<b>-</b>	<b>24,369,026</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - pensions	24,758	1,713	-	26,471
Deferred inflows - OPEB	4,684	-	-	4,684
<b>Total Deferred Inflows of Resources</b>	<b>29,442</b>	<b>1,713</b>	<b>-</b>	<b>31,155</b>
<b>Net Position</b>				
Net investment in capital assets	3,695,245	10,821,095	(1,983,403)	12,532,937
Restricted for:				
Debt service	334,598	-	-	334,598
Enabling legislation	740,237	-	-	740,237
Tax increment reinvestment zone	299,204	-	-	299,204
Special projects	719,781	-	-	719,781
Capital projects	2,343,933	-	-	2,343,933
Manvel Economic Development Corporation	-	-	-	-
Unrestricted	2,394,584	124,538	1,983,403	4,502,525
<b>Total Net Position</b>	<b>\$ 10,527,582</b>	<b>\$ 10,945,633</b>	<b>\$ -</b>	<b>\$ 21,473,215</b>

See Notes to Financial Statements.

**Component  
Unit**

**Manvel  
Economic  
Dev. Corp.**

\$ 1,720,603  
132,619

-  
-  
-

750,137  
2,603,359

-  
-

-  
2,603,359

-  
-

-  
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-

-  
-

2,603,359  
-  
\$ 2,603,359

# CITY OF MANVEL, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 2,511,525	\$ -	\$ 103,996
Public safety	2,965,886	254,628	3,373
Public works	1,910,204	3,132,220	-
Library, parks, and recreation	84,113	-	-
Interest and fiscal agent fees on long-term debt	629,435	-	-
<b>Total Governmental Activities</b>	<b>8,101,163</b>	<b>3,386,848</b>	<b>107,369</b>
<b>Business-Type Activities</b>			
Water and sewer	1,251,983	720,495	-
<b>Total Business-Type Activities</b>	<b>1,251,983</b>	<b>720,495</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 9,353,146</b>	<b>\$ 4,107,343</b>	<b>\$ 107,369</b>
<b>Component Unit</b>			
Manvel Economic Development Corporation	\$ 130,030	\$ -	\$ -
<b>Total Component Unit</b>	<b>\$ 130,030</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues:**

- Taxes
  - Property taxes
  - Sales taxes
  - Other taxes and fees
- Investment earnings
- Other revenues
- Gain on disposal of capital assets
- Transfers

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning net position

**Ending Net Position**

See Notes to Financial Statements.

<b>Net (Expense) Revenue and Changes in Net Position</b>			<b>Component</b>
<b>Primary Government</b>			<b>Unit</b>
<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>	<b>Manvel</b>
<b>Activities</b>	<b>Activities</b>		<b>Economic</b>
			<b>Dev. Corp.</b>
\$ (2,407,529)	\$ -	\$ (2,407,529)	\$ -
(2,707,885)	-	(2,707,885)	-
1,222,016	-	1,222,016	-
(84,113)	-	(84,113)	-
(629,435)	-	(629,435)	-
(4,606,946)	-	(4,606,946)	-
-	(531,488)	(531,488)	-
-	(531,488)	(531,488)	-
(4,606,946)	(531,488)	(5,138,434)	-
-	-	-	(130,030)
-	-	-	(130,030)
5,150,900	-	5,150,900	-
1,666,969	-	1,666,969	833,486
668,718	-	668,718	-
494,453	336	494,789	37,040
268,758	-	268,758	-
17,299	-	17,299	-
(826,706)	826,706	-	-
7,440,391	827,042	8,267,433	870,526
2,833,445	295,554	3,128,999	740,496
7,694,137	10,650,079	18,344,216	1,862,863
\$ 10,527,582	\$ 10,945,633	\$ 21,473,215	\$ 2,603,359

# CITY OF MANVEL, TEXAS

## BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2019

	General	Debt Service	Capital Projects	Nonmajor Governmental
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 6,403,332	\$ 334,598	\$ 2,116,945	\$ 1,740,156
Restricted cash and cash equivalents	-	-	13,045,626	-
Receivables, net	467,310	22,236	13,300	25,781
Due from other funds	57,725	-	350,000	-
Prepaid items	721	-	270,187	-
<b>Total Assets</b>	<b>\$ 6,929,088</b>	<b>\$ 356,834</b>	<b>\$ 15,796,058</b>	<b>\$ 1,765,937</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 652,170	\$ -	\$ 102,837	\$ -
Due to other funds	350,000	-	37,575	-
Unearned revenue	980,871	-	-	-
	1,983,041	-	140,412	-
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	74,805	22,236	-	6,715
<b>Total Deferred Inflows of Resources</b>	74,805	22,236	-	6,715
<b><u>Fund Balances</u></b>				
Nonspendable:				
Prepaid items	721	-	270,187	-
Restricted for:				
Debt service	-	334,598	-	-
Enabling legislation	-	-	-	740,237
Tax increment reinvestment zone	-	-	-	299,204
Capital projects	-	-	15,385,459	-
Special projects	-	-	-	719,781
Committed for:				
Road maintenance	291,798	-	-	-
Unassigned	4,578,723	-	-	-
<b>Total Fund Balances</b>	4,871,242	334,598	15,655,646	1,759,222
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 6,929,088</b>	<b>\$ 356,834</b>	<b>\$ 15,796,058</b>	<b>\$ 1,765,937</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

\$ 10,595,031  
13,045,626  
528,627  
407,725  
270,908  
\$ 24,847,917

\$ 755,007  
387,575  
980,871  
2,123,453

103,756  
103,756

270,908

334,598  
740,237  
299,204  
15,385,459  
719,781

291,798  
4,578,723  
22,620,708

\$ 24,847,917

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**CITY OF MANVEL, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**For the Year Ended September 30, 2019**

Total fund balances – total governmental funds \$ 22,620,708

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

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

Capital assets – nondepreciable	6,779,347
Capital assets – net depreciable	2,198,130

The issuance of long-term debt (e.g., bonds, certificates of obligation, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Deferred charge on refunding	9,508
Accrued interest	(100,407)

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 103,756

An internal service fund is used by management to charge the costs of certain capital assets and maintenance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position. 873,474

Some items reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported within governmental funds.

Noncurrent liabilities due in one year	(1,352,728)
Noncurrent liabilities due in more than one year	(19,686,209)
Net pension liability	(1,252,845)
Total OPEB liability	(61,493)
Deferred outflows - pensions	419,991
Deferred outflows - OPEB	5,792
Deferred inflows - pensions	(24,758)
Deferred inflows - OPEB	(4,684)

**Net Position of Governmental Activities** \$ 10,527,582

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, 2019

	General	Debt Service	Capital Projects	Nonmajor Governmental
<b>Revenues</b>				
Property taxes	\$ 3,159,141	\$ 1,866,152	\$ -	\$ 85,962
Sales taxes	1,660,254	-	-	6,715
Other taxes and fees	586,215	-	-	82,503
Charges for services	20,675	-	-	497,496
Licenses and permits	2,614,049	-	-	-
Fines and forfeitures	243,179	-	-	11,449
Intergovernmental	14,710	90,996	-	1,663
Investment earnings	106,036	39,011	335,176	14,230
Other revenues	237,758	-	-	31,000
<b>Total Revenues</b>	8,642,017	1,996,159	335,176	731,018
<b>Expenditures</b>				
<b>Current:</b>				
General government	2,643,368	-	-	51,647
Public safety	2,941,453	-	-	-
Public works	1,527,329	-	-	-
Library, parks, and recreation	84,113	-	-	-
<b>Capital outlay</b>	-	-	1,424,391	-
<b>Debt service:</b>				
Principal	-	1,145,000	-	-
Interest and fiscal charges	-	673,882	-	-
<b>Total Expenditures</b>	7,196,263	1,818,882	1,424,391	51,647
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	1,445,754	177,277	(1,089,215)	679,371
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	1,095,000	108,237
Transfers (out)	(1,085,500)	-	-	(492,737)
Sale of capital assets	39,550	-	-	-
<b>Total Other Financing Sources (Uses)</b>	(1,045,950)	-	1,095,000	(384,500)
<b>Net Change in Fund Balances</b>	399,804	177,277	5,785	294,871
Beginning fund balances	4,471,438	157,321	15,649,861	1,464,351
<b>Ending Fund Balances</b>	\$ 4,871,242	\$ 334,598	\$ 15,655,646	\$ 1,759,222

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

\$ 5,111,255  
1,666,969  
668,718  
518,171  
2,614,049  
254,628  
107,369  
494,453  
268,758  
11,704,370

2,695,015  
2,941,453  
1,527,329  
84,113  
1,424,391

1,145,000  
673,882  
10,491,183

1,213,187

1,203,237  
(1,578,237)  
39,550  
(335,450)

877,737  
21,742,971  
\$ 22,620,708

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**CITY OF MANVEL, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2019**

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

Net changes in fund balances - total governmental funds	\$	877,737
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		1,005,179
Capital disposals, net		(22,251)
Depreciation expense		(498,448)

Accounts payable and accrued liabilities are not reported as revenues in the funds.

Property taxes		39,645
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Premium		19,935
Amortization of deferred charge		(1,358)
Accrued interest		25,870
Principal payments		1,145,000

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 the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting and the net changes in pension and OPEB activity and compensated absences.

Net pension liability		(123,802)
Total OPEB liability		(3,228)
Deferred outflows - pensions		152,961
Deferred outflows - OPEB		800
Deferred inflows - pensions		(12,568)
Deferred inflows - OPEB		(4,684)
Compensated absences		11,518

An internal service fund is used by management to charge the costs of certain capital assets and maintenance to individual funds. The net revenue (expense) is reported with governmental activities.

		221,139
--	--	---------

		221,139
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,833,445</b>

See Notes to Financial Statements.

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# CITY OF MANVEL, TEXAS

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

September 30, 2019

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 158,012	\$ 574,424
Receivables, net	61,244	-
Due from other governments	4,091	-
<b>Total Current Assets</b>	<b>223,347</b>	<b>574,424</b>
Restricted cash and cash equivalents:		
Customer deposits	77,755	-
Noncurrent assets:		
Capital assets:		
Land	2,349,652	-
Construction in progress	482,044	-
Water/sewer system	10,092,385	-
Machinery and equipment	227,189	726,057
Less: accumulated depreciation	(2,330,175)	(427,007)
<b>Total Noncurrent Assets</b>	<b>10,821,095</b>	<b>299,050</b>
<b>Total Assets</b>	<b>11,122,197</b>	<b>873,474</b>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred outflows - pensions	24,765	-
<b>Total Deferred Outflows of Resources</b>	<b>24,765</b>	<b>-</b>
<b><u>Liabilities</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	45,963	-
Due to other funds	20,150	-
Customer deposits	77,755	-
<b>Total Current Liabilities</b>	<b>143,868</b>	<b>-</b>
Noncurrent liabilities:		
Net pension liability	39,617	-
Long-term debt due in one year	14,518	-
Long-term debt due in more than one year	1,613	-
<b>Total Noncurrent Liabilities</b>	<b>55,748</b>	<b>-</b>
<b>Total Liabilities</b>	<b>199,616</b>	<b>-</b>
<b><u>Deferred Inflows of Resources</u></b>		
Deferred inflows - pensions	1,713	-
<b><u>Net Position</u></b>		
Net investment in capital assets	10,821,095	299,050
Unrestricted	124,538	574,424
<b>Total Net Position</b>	<b>\$ 10,945,633</b>	<b>\$ 873,474</b>

See Notes to Financial Statements.

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# CITY OF MANVEL, TEXAS

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

For the Year Ended September 30, 2019

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<b><u>Operating Revenues</u></b>		
Water charges	\$ 300,268	\$ -
Sewer charges	282,475	-
Other revenues	137,752	358,223
<b>Total Operating Revenues</b>	720,495	358,223
<b><u>Operating Expenses</u></b>		
Personnel services	232,928	-
Utilities	71,930	-
Supplies	123,733	-
Repair and maintenance	554,934	-
Depreciation	268,458	138,626
<b>Total Operating Expenses</b>	1,251,983	138,626
<b>Operating Income (Loss)</b>	(531,488)	219,597
<b><u>Nonoperating Revenues</u></b>		
Investment earnings	336	1,542
<b>Total Nonoperating Revenues</b>	336	1,542
<b>Income (Loss) Before Contributions and Transfers</b>	(531,152)	221,139
<b><u>Contributions and Transfers</u></b>		
Capital contributions	451,706	-
Transfers in	375,000	-
<b>Total Contributions and Transfers</b>	826,706	-
<b>Change in Net Position</b>	295,554	221,139
Beginning net position	10,650,079	652,335
<b>Ending Net Position</b>	\$ 10,945,633	\$ 873,474

See Notes to Financial Statements.

# CITY OF MANVEL, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2019

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from customers and users	\$ 738,937	\$ 358,223
Payments to suppliers	(709,051)	-
Payments to employees	(232,928)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(203,042)</b>	<b>358,223</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>		
Transfer in	375,000	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>375,000</b>	<b>-</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Purchase of capital assets	(76,600)	(113,650)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(76,600)</b>	<b>(113,650)</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Interest on investments	336	1,542
<b>Net Cash Provided by Investing Activities</b>	<b>336</b>	<b>1,542</b>
<b>Net Increase in Cash and Cash Equivalents</b>	95,694	246,115
Beginning cash and cash equivalents	140,073	328,309
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 235,767</b>	<b>\$ 574,424</b>
<b>Ending Cash and Cash Equivalents:</b>		
Unrestricted cash and cash equivalents	\$ 158,012	\$ 574,424
Restricted cash and cash equivalents	77,755	-
	<b>\$ 235,767</b>	<b>\$ 574,424</b>

# CITY OF MANVEL, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2019

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<b><u>Reconciliation of Operating Income (Loss)</u></b>		
<b><u>to Net Cash Provided (Used) by Operating Activities</u></b>		
Operating income (loss)	\$ (531,488)	\$ 219,597
<b>Adjustments to Reconcile Operating Income</b>		
<b>(Loss) to Net Cash Provided (Used)</b>		
<b>by Operating Activities:</b>		
Depreciation	268,458	138,626
<b>Changes in Operating Assets and Liabilities:</b>		
<b>(Increase) Decrease in:</b>		
Accounts receivable	19,825	-
Prepaid items	12	-
Deferred outflows - pensions	(9,395)	-
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued liabilities	36,580	-
Net pension liability	9,210	-
Customer deposits	8,000	-
Deferred inflows - pensions	(4,244)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (203,042)</b>	<b>\$ 358,223</b>
 <b>Nonoperating Activities:</b>		
Capital contributions	\$ 451,706	\$ -
 <b>Net Cash Provided by Nonoperating Activities</b>	 <b>\$ 451,706</b>	 <b>\$ -</b>

See Notes to Financial Statements.

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**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2019

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Manvel (the “City”) is a political subdivision of the State of Texas and is considered a primary government. The voters elected on May 14, 2011 to adopt a Home Rule Charter for the City, 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 Council members. The Council, by majority vote of the entire Council, shall appoint a City manager, who shall be the chief administrative officer of the City. The City appointed a full-time City manager on January 16, 2012.

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

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

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

**Discretely Presented Component Units**

**Manvel Economic Development Corporation**

The Manvel Economic Development Corporation (the “Corporation”) has been included in the reporting entity as a discretely presented component unit. The mission of the Corporation is to promote economic development within the City and surrounding areas. In 1998, the City’s voters authorized a 0.5% increase in the City’s sales tax rate to provide funding for the Corporation. The Board of Directors (the “Board”) 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.

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For the Year Ended September 30, 2019

**Manvel Cultural Education Facilities Finance Corporation**

The Manvel Cultural Education Facilities Finance Corporation (MCEFFC) was organized on September 23, 2002 pursuant to the Texas Cultural Education Facilities Finance Corporation Act. The members of the Board are appointed by City Council. The MCEFFC does not pass an annual budget and has a September 30 year end. The MCEFFC issues bonds to finance or refinance educational facilities. The borrower receives a more favorable interest rate and the MCEFFC receives a fee for issuing these bonds. These bonds are limited obligations of the MCEFFC, payable solely from revenues received by the MCEFFC pursuant to a loan agreement by and between the MCEFFC and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. Therefore, the MCEFFC has no responsibility for the payment of this debt. The related loan agreements and bonds payable have not been recorded in the financial statements of the City. The only activity reported in the financial statements of the City are fees relating to issuance of the debt obligations. These fees are reported in the City's general fund. The City did not report any activities for the MCEFFC during fiscal year 2019.

**Manvel Education Facilities Corporation**

The Manvel Education Facilities Corporation (MEFC) was organized on June 12, 2001 pursuant to the Higher Education Authority Act. The members of the Board are appointed by City Council. The MEFC does not pass an annual budget and has a September 30 year end. The MEFC issues bonds to finance or refinance educational facilities. The borrower receives a more favorable interest rate and the MEFC receives a fee for issuing these bonds. These bonds are limited obligations of the MEFC, payable solely from revenues received by the MEFC pursuant to a loan agreement by and between the MEFC and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. Therefore, the MEFC has no responsibility for the payment of this debt. The related loan agreements and bonds payable have not been recorded in the financial statements of the City. The only activity reported in the financial statements of the City are fees relating to issuance of the debt obligations. These fees are reported in the City's general fund. The City did not report any activities for the MEFC during fiscal year 2019.

**Blended Component Units**

**Tax Increment Reinvestment Zone Number Three**

During fiscal year 2010, the City passed an ordinance creating a tax increment reinvestment zone ("TIRZ No. 3"), in accordance with Section 311.005 of the Texas Tax Code. TIRZ No. 3 consists of approximately 2,403.78 acres, which will be developed into the Seven Oaks/Meridiana Project. TIRZ No. 3 will provide the financing and management tools needed to help stimulate the development of commercial and residential areas within TIRZ No. 3 is managed by a five member Board, of which the City Council appoints positions one through four and position five is appointed by Brazoria County. TIRZ No. 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% 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.

**South Manvel Development Authority**

Upon the recommendation of the TIRZ No. 3 Board, the City Council authorized the submission of an application for formation of the South Manvel Development Authority (SMDA). SMDA is organized for the purpose of aiding, assisting, and acting on behalf of the City in the performance of

**CITY OF MANVEL, TEXAS**  
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For the Year Ended September 30, 2019

its governmental functions to promote the common good and general welfare of the area included in TIRZ No. 3, as such boundaries may be amended from time to time, and neighboring areas and to promote, develop, encourage, and maintain housing, educational facilities, employment, commerce, and economic development in the City. SMDA was created on February 14, 2011, pursuant to the provisions of Subchapter D of Chapter 431, Texas Transportation Code, and Chapter 394, Texas Local Government Code. All powers of SMDA shall be vested in a board comprised of the same five Board members as TIRZ No. 3.

**B. Government-Wide Financial Statements**

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

**C. Basis of Presentation – Government-Wide Financial Statements**

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

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

**D. Basis of Presentation – Fund Financial Statements**

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

The City reports the following governmental funds:

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

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

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

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

The City reports the following enterprise fund:

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

Additionally, the City reports the following fund type:

The *internal service fund* accounts for services provided to other departments of the City, or to other governments, on a cost reimbursement basis. The internal service fund is used to account for vehicle and equipment costs.

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

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

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

*current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

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

**1. Cash and Cash Equivalents**

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

**2. Investments**

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

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**For the Year Ended September 30, 2019**

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

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

**3. Prepaid Items**

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

**4. 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. Restricted assets of the capital projects fund, enterprise fund, and the MEDC are restricted by bond covenants, customers deposits, and contractual agreements.

**5. Capital Assets**

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

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

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

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

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

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**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

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

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**7. Compensated Employee Absences**

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

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

**8. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable

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**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of applicable bond premium or discount.

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

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

**9. Net Position Flow Assumption**

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

**10. Fund Balance Flow Assumptions**

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

**11. Fund Balance Policies**

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

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The

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City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

**12. Estimates**

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

**13. Pensions**

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

**14. Other Postemployment Benefits**

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

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For the Year Ended September 30, 2019

**2. Property Taxes**

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

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 436,009	0.00
TexSTAR	13,142,945	0.00
LOGIC	8,242,054	0.00
<b>Total Fair Value</b>	<u>\$ 21,821,008</u>	
Portfolio weighted average maturity		0.00

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

*Credit risk.* The City’s investment policy limits investments in public fund investment pools rated as to investment quality not less than ‘AAA’ or ‘AAA-m’, or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2019, the City’s investments in investment pools were rated ‘AAAm’ by Standard & Poor’s.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on

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**For the Year Ended September 30, 2019**

deposit at the depository bank to be collateralized by securities. As of fiscal year end, the fair market values of pledged securities and FDIC coverage were more than the bank balances.

**TexPool**

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

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

**TexSTAR**

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

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

**LOGIC**

The Local Government Investment Cooperative (LOGIC) was created in 1994 by Texas local government officials who understand the specific needs and challenges of investing public funds. LOGIC is administered by Hilltop Securities and JPMorgan Chase. Together these organizations

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bring to the LOGIC program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management and extensive industry resources. LOGIC was rated “AAA” by Standard & Poor’s.

**B. Receivables**

The following comprise receivable balances at September 30, 2019:

	Governmental Funds				Proprietary Fund
	General	Debt Service	Capital	Nonmajor	Enterprise
			Projects	Governmental	
Accounts	\$ 33,120	\$ -	\$ 13,300	\$ -	\$ 68,244
Property taxes	160,514	52,743	-	-	-
Sales taxes	265,236	-	-	-	-
Hotel occupancy taxes	-	-	-	15,339	-
TIRZ#3	-	-	-	6,715	-
Franchise fees	94,150	-	-	3,727	-
Less Allowances	(85,710)	(30,507)	-	-	(7,000)
	<u>\$ 467,310</u>	<u>\$ 22,236</u>	<u>\$ 13,300</u>	<u>\$ 25,781</u>	<u>\$ 61,244</u>

**C. Capital Assets**

A summary of changes in capital assets for governmental activities for the year ended September 30, 2019 is as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 5,816,238	\$ 495,000	\$ -	\$ 6,311,238
Construction in progress	41,537	426,572	-	468,109
<b>Total nondepreciable assets</b>	<u>5,857,775</u>	<u>921,572</u>	<u>-</u>	<u>6,779,347</u>
Other capital assets:				
Buildings, improvements, and roads	4,601,088	-	-	4,601,088
Machinery and equipment	2,953,902	286,264	(111,258)	3,128,908
<b>Total other capital assets</b>	<u>7,554,990</u>	<u>286,264</u>	<u>(111,258)</u>	<u>7,729,996</u>
<b>Total capital assets</b>	<u>13,412,765</u>	<u>1,207,836</u>	<u>(111,258)</u>	<u>14,509,343</u>
Less accumulated depreciation for:				
Buildings, improvements, and roads	(2,578,014)	(379,263)	-	(2,957,277)
Machinery and equipment	(2,017,728)	(346,818)	89,007	(2,275,539)
<b>Total accumulated depreciation</b>	<u>(4,595,742)</u>	<u>(726,081)</u>	<u>89,007</u>	<u>(5,232,816)</u>
<b>Other capital assets, net</b>	<u>2,959,248</u>	<u>(439,817)</u>	<u>(22,251)</u>	<u>2,497,180</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 8,817,023</u>	<u>\$ 481,755</u>	<u>\$ (22,251)</u>	<u>\$ 9,276,527</u>
			Less associated debt	(11,165,000)
			Plus unspent bond proceeds	5,583,718
			<b>Net Investment in Capital Assets</b>	<u>\$ 3,695,245</u>

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

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

Depreciation was charged to governmental functions as follows:

General government	\$	21,440
Public safety		105,606
Public works		460,409
Internal service		138,626
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$</b>	<b><u>726,081</u></b>

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,349,652	\$ -	\$ -	\$ 2,349,652
Construction in progress	30,338	451,706	-	482,044
<b>Total nondepreciable assets</b>	<u>2,379,990</u>	<u>451,706</u>	<u>-</u>	<u>2,831,696</u>
Other capital assets:				
Water/sewer system	10,092,385	-	-	10,092,385
Machinery and equipment	150,589	76,600	-	227,189
<b>Total other capital assets</b>	<u>10,242,974</u>	<u>76,600</u>	<u>-</u>	<u>10,319,574</u>
Less accumulated depreciation for:				
Water/sewer system	(1,960,613)	(244,801)	-	(2,205,414)
Machinery and equipment	(101,104)	(23,657)	-	(124,761)
<b>Total accumulated depreciation</b>	<u>(2,061,717)</u>	<u>(268,458)</u>	<u>-</u>	<u>(2,330,175)</u>
<b>Other capital assets, net</b>	<u>8,181,257</u>	<u>(191,858)</u>	<u>-</u>	<u>7,989,399</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 10,561,247</u>	<u>\$ 259,848</u>	<u>\$ -</u>	<u>\$ 10,821,095</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$	<u>268,458</u>
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**D. Long-Term Debt**

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2019. In general, the City uses the general and debt service funds to liquidate long-term liabilities.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

The long-term liabilities for the governmental activities at year end are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Certificates of obligation	\$ 17,510,000	\$ -	\$ 680,000	\$ 16,830,000	\$ 740,000
Direct borrowings/placements:					
Certificates of obligation	1,710,000	-	100,000	1,610,000	100,000
Tax anticipation notes	625,000	-	150,000	475,000	155,000
General obligation bonds	1,825,000	-	215,000	1,610,000	220,000
Net pension liability	1,129,043	123,802	-	1,252,845	-
Total OPEB liability	58,265	3,228	-	61,493	-
Premium	380,841	-	19,935	360,906	-
Compensated absences	164,549	101,573	113,091	153,031	137,728
<b>Total Governmental Activities</b>	<u>\$ 23,402,698</u>	<u>\$ 228,603</u>	<u>\$ 1,278,026</u>	<u>\$ 22,353,275</u>	<u>\$ 1,352,728</u>
<b>Long-Term Liabilities Due In More Than One Year</b>				<u>\$ 21,000,547</u>	
<b>Debt Associated with Governmental Capital Assets</b>				<u>\$ 11,165,000</u>	
<b>Debt Associated with Business-Type Capital Assets</b>				\$ 9,720,906	
Less: Deferred loss on refunding				(9,508)	
Less: Unspent bond proceeds				(7,727,995)	
<b>Business-Type Activities Net Related Debt</b>				<u>\$ 1,983,403</u>	

The long-term liabilities for the business-type activities at year end are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
Net pension liability	\$ 30,407	\$ 9,210	\$ -	\$ 39,617	\$ -
Compensated absences	20,201	5,749	9,819	16,131	14,518
<b>Total Business-Type Activities</b>	<u>\$ 50,608</u>	<u>\$ 14,959</u>	<u>\$ 9,819</u>	<u>\$ 55,748</u>	<u>\$ 14,518</u>
<b>Due In More Than one Year</b>				<u>\$ 41,230</u>	

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

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

Description	Interest Rates (%)	Balance
<b>Governmental Activities</b>		
<b>Certificate of obligation bonds</b>		
Certificates of Obligation, Series 2018	3.00-3.50	\$ 9,555,000
Certificates of Obligation, Series 2017	3.00-4.00	3,360,000
Certificates of Obligation, Series 2016	3.00	3,915,000
From direct borrowings/placements:		
Certificates of Obligation, Series 2013	2.70	1,610,000
<b>Total Certificate of Obligation Bonds</b>		<u>18,440,000</u>
<b>General obligation bonds from direct borrowings/placements</b>		
Refunding Bonds -Series 2015	2.00	1,610,000
<b>Total General Obligation Bonds</b>		<u>1,610,000</u>
<b>Tax anticipation notes from direct borrowings/placements</b>		
Tax Anticipation Notes, Series 2014 (Water and Sewer)	1.95	475,000
<b>Total Tax Anticipation Notes</b>		<u>475,000</u>
<b>Total Governmental Activities Long-Term Debt</b>		<u>\$ 20,525,000</u>

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

Certificates of Obligation			
Year Ending Sept. 30	Principal	Interest	Total Requirements
2020	\$ 740,000	\$ 513,112	\$ 1,253,112
2021	750,000	489,487	1,239,487
2022	770,000	465,337	1,235,337
2023	790,000	440,512	1,230,512
2024	805,000	415,112	1,220,112
2025-2029	4,305,000	1,687,288	5,992,288
2030-2034	4,825,000	1,001,553	5,826,553
2035-2038	3,845,000	242,424	4,087,424
<b>Total</b>	<u>\$ 16,830,000</u>	<u>\$ 5,254,825</u>	<u>\$ 22,084,825</u>

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

The annual requirements to amortize debt issues outstanding for the direct borrowings/placements at year end are as follows:

<b>Certificates of Obligation From Direct Borrowings/Placements</b>			
Year			
Ending			Total
Sept. 30	Principal	Interest	Requirements
2020	\$ 100,000	\$ 36,275	\$ 136,275
2021	100,000	34,700	134,700
2022	105,000	32,930	137,930
2023	105,000	30,987	135,987
2024	110,000	28,835	138,835
2025-2029	575,000	106,777	681,777
2030-2034	515,000	29,879	544,879
<b>Total</b>	<b>\$ 1,610,000</b>	<b>\$ 300,383</b>	<b>\$ 1,910,383</b>

<b>Tax Anticipation Notes From Direct Borrowings/Placements</b>			
Year			
Ending			Total
Sept. 30	Principal	Interest	Requirements
2020	\$ 155,000	\$ 7,751	\$ 162,751
2021	160,000	4,680	164,680
2022	160,000	1,560	161,560
<b>Total</b>	<b>\$ 475,000</b>	<b>\$ 13,991</b>	<b>\$ 488,991</b>

<b>General Obligation Bonds From Direct Borrowings/Placements</b>			
Year			
Ending			Total
Sept. 30	Principal	Interest	Requirements
2020	\$ 220,000	\$ 32,200	\$ 252,200
2021	220,000	27,800	247,800
2022	225,000	23,400	248,400
2023	235,000	18,900	253,900
2024	230,000	14,200	244,200
2025-2029	480,000	14,400	494,400
<b>Total</b>	<b>\$ 1,610,000</b>	<b>\$ 130,900</b>	<b>\$ 1,740,900</b>

General obligation bonds, certificates of obligation, and tax anticipation notes are direct obligations of the City for which its full faith and credit are pledged. Repayment is from taxes levied on all taxable property located within the City.

The Corporation agreed to pay a portion of the Tax Anticipation Notes, Series 2014. During the fiscal year ending September 30, 2019, \$90,996 was remitted by the Corporation to the debt service fund. The agreement extends through fiscal year 2022.

**Federal Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

**E. Operating Leases**

The City entered into a commercial lease (the "Lease") to lease a building for use as a public library on July 1, 2018. The Lease term is 24 months, from August 1, 2018 to June 30, 2020. The cost of the Lease was \$5,500 per month for the fiscal year ended June 30, 2020. The future minimum lease payments are as follows:

<u>Fiscal Year Ended September 30</u>	<u>Future Minimum Lease Payments</u>
2020	\$ 49,500

**F. Interfund Transactions**

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
Capital projects	Nonmajor governmental	\$ 400,000
Capital projects	General	695,000
Nonmajor governmental	Nonmajor governmental	92,737
Nonmajor governmental	General	15,500
Utility	General	375,000
		<u>\$ 1,578,237</u>
		<u>\$ 1,578,237</u>

<u>Due from</u>	<u>Due to</u>	<u>Amounts</u>
General	Capital projects	350,000
Capital projects	General	37,575
Utility	General	20,150
		<u>\$ 407,725</u>
		<u>\$ 407,725</u>

Amounts transferred between funds related to capital contributions, fund reclassification of prior years activities, and amounts collected for general activities.

**G. Conduit Debt**

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

**H. Fund Equity**

As of September 30, 2019, \$740,237 of the City’s total fund balance is restricted by enabling legislation.

**I. Restricted Assets**

The balances of the restricted cash accounts recognized by the City are as follows:

	<b>Capital Projects</b>	<b>Enterprise</b>	<b>Manvel Economic Dev. Corp.</b>
Restricted for capital projects	\$ 13,045,626	\$ -	\$ -
Restricted for customer deposits	-	77,755	-
Restricted for intergovernmental agreements	-	-	750,137
<b>Total Cash and Cash Equivalents</b>	<b>\$ 13,045,626</b>	<b>\$ 77,755</b>	<b>\$ 750,137</b>

**J. Prior Period Adjustments**

Beginning fund balance for the general fund and net position for governmental activities were restated for the reversal of prior years’ accounts payables.

	<b>General Fund</b>	<b>Governmental Activities</b>
Beginning fund balance/net position - as reported	\$ 3,505,018	\$ 6,727,717
Reverse prior years' accounts payables	966,420	966,420
<b>Beginning fund balance/net position - as restated</b>	<b>\$ 4,471,438</b>	<b>\$ 7,694,137</b>

**IV. OTHER INFORMATION**

**A. Risk Management**

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

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

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

**C. Pension Plan**

**Texas Municipal Retirement System**

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the “TMRS Act”) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the “Board”). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at [www.tmr.com](http://www.tmr.com).

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

Benefits Provided

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

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

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

	<u>2019</u>	<u>2018</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%	100%
Annuity increase (to retirees)	70% of CPI	70% of CPI

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

Employees Covered by Benefit Terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9	
Inactive employees entitled to, but not yet receiving, benefits	37	
Active employees	49	
<b>Total</b>	95	

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City-matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.44% and 11.60% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were \$350,542, which were greater than the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year	
Overall payroll growth	3.00% per year	
Investment rate of return	6.75%, net of pension plan investment expense, including inflation	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a three-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and annuity purchase rate are based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the EAN actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
<b>Total</b>	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(A)	(B)	(A) - (B)
Changes for the year:			
Service cost	\$ 346,152	\$ -	\$ 346,152
Interest	247,393	-	247,393
Change in current period benefits	-	-	-
Difference between expected and actual experience	(22,918)	-	(22,918)
Contributions - employer	-	326,460	(326,460)
Contributions - employee	-	183,704	(183,704)
Net investment income	-	(71,097)	71,097
Benefit payments, including refunds of employee contributions	(104,642)	(104,642)	-
Administrative expense	-	(1,381)	1,381
Other changes	-	(71)	71
<b>Net Changes</b>	<b>465,985</b>	<b>332,973</b>	<b>133,012</b>
Balance at December 31, 2017	3,544,324	2,384,874	1,159,450
<b>Balance at December 31, 2018</b>	<b>\$ 4,010,309</b>	<b>\$ 2,717,847</b>	<b>\$ 1,292,462</b>

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	(5.75%)	(6.75%)	(7.75%)
	Rate	Rate	Rate
City's Net Pension Liability	\$ 1,904,221	\$ 1,292,462	\$ 792,363

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$326,698.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 53,547	\$ 26,471
Changes in actuarial assumptions	8,879	-
Net difference between projected and actual investment earnings	130,564	-
Contributions subsequent to the measurement date	251,766	-
<b>Total</b>	<b>\$ 444,756</b>	<b>\$ 26,471</b>

\$251,766 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ended September 30</b>	<b>Pension Expense</b>
2020	\$ 71,449
2021	37,594
2022	16,282
2023	41,992
2024	(798)
Thereafter	-
<b>Total</b>	<b>\$ 166,519</b>

**D. Other Postemployment Benefits**

**TMRS Supplemental Death Benefit**

Plan Description

The City participates in a defined benefit OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a 5% interest credit from

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2018 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	8	
Inactive employees entitled to, but not yet receiving, benefits	7	
Active employees	49	
<b>Total</b>	64	

Total OPEB Liability

The City's total OPEB liability of \$61,493 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%	
Salary increases	3.5% to 10.5% including inflation	
Discount rate*	3.71%	
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.	
Mortality - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.	
Mortality - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.	

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

Changes in the Total OPEB Liability

	<b>Increase (Decrease)</b>
	<b>Total OPEB Liability</b>
Changes for the year:	
Service cost	\$ 5,249
Interest	2,007
Change of benefit terms	-
Difference between expected and actual experience	1,868
Changes of assumptions	(5,371)
Benefit payments	(525)
<b>Net Changes</b>	<b>3,228</b>
Balance at December 31, 2017	58,265
<b>Balance at December 31, 2018</b>	<b>\$ 61,493</b>

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

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

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

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

	<b>1% Decrease (2.71%)</b>	<b>Discount Rate (3.71%)</b>	<b>1% Increase (4.71%)</b>
City's Total OPEB Liability	\$ 76,168	\$ 61,493	\$ 50,513

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$7,485. The City reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 1,629	\$ -
Changes in actuarial assumptions	3,944	4,684
Contributions subsequent to the measurement date	219	-
<b>Total</b>	<b>\$ 5,792</b>	<b>\$ 4,684</b>

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

\$219 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2020.

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

<u>Year Ended</u> <u>September 30</u>	<u>OPEB Expense</u> <u>Amount</u>
2020	\$ 229
2021	229
2022	229
2023	229
2024	229
Thereafter	(256)
<b>Total</b>	<b>\$ 889</b>

**E. Economic Incentive and Development Agreements**

**1. Manvel Economic Development Memorandum of Understanding**

The City and the Corporation entered into a Memorandum of Understanding (MOU) on July 2, 2018, where the Corporation has agreed to assist in the future funding to acquiring a certain 150-acre tract (the “Tract”) and to construct certain improvements within the Tract to develop a municipal complex, including regional ballfields (i.e. the “Project”). With the common goals of economic synergy, planning efficiency, and prudent budget development, the City and the Corporation agree to set forth their planned joint commitment to fund the development of the Project. The City agrees to continue to take all steps to acquire the property and plan for the Project, including pursuing surveying, environmental assessment, legal, engineering, and estimation of development costs. The Corporation agrees to deposit 90% of sales tax received into a special Corporation fund, beginning with sales tax received during fiscal year 2019. The Corporation confirms its intent to participate in providing funding for the development of the Project, subject to all procedural and budgetary requirements. During the fiscal year ending September 30, 2019, The Corporation received, and restricted, \$750,137 related to this MOU.

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

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

The Agreement shall remain in effect until December 31, 2044, unless earlier terminated for reasons noted in the Agreement. On or before August 15, 2015, the City agreed to create the economic development fund and to deposit into such fund annually during the term of the Agreement, the calculated annual payment as provided by the terms of the Agreement. The Agreement, pursuant to Chapter 380, has a term of 30 years with the base year beginning January 1, 2014.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

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 will subtract and retain an amount equal to 5% of the increment representing City administrative expenses. The City is required to make payments to the economic development fund by August 15 each year with the first payment due following the receipt of written notice from the District of the commencement of construction of the improvements by or on behalf of the District. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2019.

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

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

The Developer has agreed to advance funds to the City for costs related to the Agreements, which the City will repay with interest. The Developer has also agreed to construct certain public improvements and capital investments of approximately \$400,000,000. The City agreed to create an economic development fund once the City starts receiving sales taxes generated within the boundaries noted within the Agreements. The City agreed to deposit 100% of these sales tax revenues into the economic development fund. The District also agreed to participate with sales tax revenues to be generated from this development. The sales tax revenues will be used to repay Developer advances, pay “performance-based grants” to the Developer as outlined in the Agreements, and finance improvements as noted in both Agreements. The maximum payout of the performance-based grants plus all payments made under the Agreement shall not exceed \$46,000,000. The Agreement shall remain in effect for an initial term of 35 years, unless earlier terminated for reasons noted in the Agreement. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2019.

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

The City entered into a development agreement (the “Agreement”) with Milestone South Six Development, Ltd. (the “Developer”), and Brazoria County Municipal Utility District No. 30 (the “District”) dated February 9, 2004. Under this Agreement, the Developer agreed to reimburse the City for expenses relating to the creation of the District. The District has agreed to construct water, wastewater, and drainage facilities as outlined in the Agreement financed through the issuance of bonds. In consideration of the development of land within the District and the related increase in the taxable values and the desire to more equitably distribute among the taxpayers of the City and the District the burden of ad valorem taxes, the City has agreed to make annual tax “rebate” payments to the District.

Annual tax “rebates” are determined using the lower of either the rate per \$100 of taxable assessed valuation, or a percentage of the then-current City tax rate as follows:

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2019

The Agreement includes an exception using a “Test Rate” calculation as outlined in the Agreement in which the annual payments shall be reduced based upon this calculation. If the annual payment is reduced to zero pursuant to the Agreement for three years in a row, the annual payment obligation of the City shall be terminated.

All City payments received by the District shall be deposited into the District’s debt service fund to be used solely for the payment of the District’s bonded indebtedness. Annual payments shall begin on May 1 in the calendar year following the calendar year in which the District delivers its first series of bonds to which its ad valorem taxes are pledged and shall be payable each May 1 thereafter. This Agreement shall remain in effect until the earlier of the dissolution of the District by the City or the expiration of 40 years from the effective date of the Agreement. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2019.

**5. JBB&D Family Limited Partnership**

Consistent with Article III, Section 52 of the Texas Constitution, Chapters 501-505 of the Texas Local Government Code, and other law, the Corporation entered into an economic development and performance agreement (the “Agreement”) with JBB&D Family Limited Partnership (the “Company”) to reimburse certain costs and fees associated with an infrastructure and development project. The Company agreed to invest and expend approximately \$5,500,000 to develop a site into a large food service, entertainment, and retail establishment. The Company agreed to hire and maintain staffing of approximately 45 new employees which shall be comprised of 35 full-time employees and 10 seasonal part-time employees. The Company will make good faith efforts to try to utilize, purchase from, and hire local vendors, suppliers, and workers where feasible and practical. The Company must fulfill these commitments within 22 months of the effective date of the Agreement. The Corporation agreed to reimburse the Company for regional detention buy-in fee and cost of the required drainage ditch improvements, water and sewer impact fees, and building permit and plan review fees not to exceed a maximum reimbursement of \$100,000. The City recognized \$16,710 in expenditures related to this Agreement during the fiscal year ended September 30, 2019.

**6. Brazoria County Municipal Utility District No. 43**

The City entered into a Memorandum of Interlocal and Development Agreement with the Brazoria County Municipal Utility District No. 43 (the “District”) on April 2, 2018, for the design, financing, and construction of certain public improvements on the 267.7 acres located in the District (the “Property”). The City has agreed to provide regional improvement incentives in the form of financial assistance and the construction of certain improvements to the District to induce the District to provide valuable goods and development services to the City and to finance the construction of valuable public improvements on behalf of the City and to encourage and promote the development of the District. The District is willing to construct or cause to be constructed certain additional public improvements of behalf of the City in exchange for the City’s participation in funding such improvements.

The City and the District anticipate that the improvements will be built by the District using funds advanced to the District from the Developer for eligible project costs, and the District will reimburse the Developer. The City anticipates that the District will develop the Property in the near future.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2019**

It is anticipated that the District will finance, with no assistance from the City, public improvements in addition to the improvements that are subject to the Agreement at an estimated cost of approximately \$27 million. Included in the facility costs funded by the City are the design/phasing costs, sanitary sewer collection facilities, wastewater treatment plant facilities, water distribution, water supply facilities, regional road improvements (Del Bello Boulevard, Manvel Parkway, TxDOT Ramps at State Highway 288, Del Bello Bridge over GWCA canal), Dogwood Bridge over GWCA canal, and any additional projects mutually agreed to. The costs of the Del Bello Boulevard and Dogwood Bridges are reimbursable expenses that will be paid to the City from the Brazoria County 43 Regional Improvements Fund (the "Fund"). The District agrees to furnish all goods, materials, and services as and when required in connection with the construction of its improvements. Upon completion, all constructed facilities shall be conveyed to the City.

The Fund is established by the City, and the City has agreed to pay the Fund the increment based on the actual collection for each year such funds are collected. The first payment to the Fund shall be March 1, 2020 for the tax year 2019 and include all sales tax increments effective from that date. The payments shall be made semi-annually. The Property improvements will be built by the District using the funds advanced, and the District will reimburse the Developer with interest.

The District may sell District bonds secured by a pledge of revenues from the Fund (i.e., contract revenue bonds), in addition to a pledge of the District's taxes costs associated. The Fund may have sufficient funds available to reimburse the Developer or the City directly instead of selling District bonds, and thus may take advantage of savings for reduced issuance costs and interest. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2019.

**F. TIRZ No. 3 Financing Agreements**

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

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

**G. Pipeline Deposit Agreements**

The City has entered into agreements with pipeline companies, such as Phillips 66 Pipeline LLC; EPO Pipeline, LLC; Enterprise Crude Pipeline, LLC; and Lavaca Pipeline, LLC for the purpose of constructing, maintaining, laying, operating, and/or repairing pipelines utilized for the transportation of liquids or gaseous materials along the right-of-ways and/or under certain roads located in the City. During the fiscal year, the City received the deposit of \$5,000 from EPO Pipeline LLC. As of September 30, 2019, the balance for the pipeline deposit is \$165,241.

**CITY OF MANVEL, TEXAS**  
***NOTES TO FINANCIAL STATEMENTS (Continued)***  
**For the Year Ended September 30, 2019**

**H. Subsequent Event**

On December 12, 2019, the City issued a combination tax and revenue certificate of obligation, series 2019 (the "Certificates") for \$3,445,000. The interest rate was between 2% to 4%. Interest will be payable on February 15 and August 15 of each year commencing August 15, 2020. The Certificates will mature on August 15, 2029. The proceeds from the sale of the Certificates will be used to pay all or any part of the contractual obligations incurred for the acquisition of municipal services sites located in the vicinity of the intersection of Jordan Street and Masters within the City limits of Manvel, (2) to pay for the design and construction of related municipal infrastructure, (3) to pay for the design and construction of municipal facilities, and (4) for professional services.

***REQUIRED SUPPLEMENTARY INFORMATION***

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

For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
<b>Revenues</b>				
Property taxes	\$ 3,122,507	\$ 3,122,507	\$ 3,159,141	\$ 36,634
Sales taxes	1,625,635	1,625,635	1,660,254	34,619
Other taxes and fees	541,000	541,000	586,215	45,215
Charges for services	15,500	15,500	20,675	5,175
Licenses and permits	2,226,200	2,717,200	2,614,049	(103,151)
Fines and forfeitures	344,000	344,000	243,179	(100,821)
Intergovernmental	54,000	54,000	14,710	(39,290)
Investment earnings	50,000	50,000	106,036	56,036
Other revenues	9,400	9,400	237,758	228,358
<b>Total Revenues</b>	<u>7,988,242</u>	<u>8,479,242</u>	<u>8,642,017</u>	<u>162,775</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	2,636,436	2,712,927	2,643,368	69,559
Public safety	3,256,881	3,183,326	2,941,453	241,873
Public works	1,406,499	1,595,533	1,527,329	68,204
Library, parks, and recreation	80,943	85,633	84,113	1,520
Economic development	475,000	-	-	-
<b>Total Expenditures</b>	<u>7,855,759</u>	<u>7,577,419</u>	<u>7,196,263</u>	<u>381,156</u>
<b>Excess of Revenues Over Expenditures</b>	<u>132,483</u>	<u>901,823</u>	<u>1,445,754</u>	<u>543,931</u>
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	(250,000)	(1,086,000)	(1,085,500)	500
Sale of capital assets	117,517	184,177	39,550	(144,627)
<b>Total Other Financing (Uses)</b>	<u>(132,483)</u>	<u>(901,823)</u>	<u>(1,045,950)</u>	<u>(144,127)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>399,804</u>	<u>\$ 399,804</u>
Beginning fund balance			<u>4,471,438</u>	
<b>Ending Fund Balance</b>			<u>\$ 4,871,242</u>	

Notes to Required Supplementary Information:

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

# CITY OF MANVEL, TEXAS

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS

### TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2019

	Measurement Year *			
	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service cost	\$ 346,152	\$ 327,328	\$ 278,209	\$ 217,485
Interest (on the total pension liability)	247,393	215,662	176,347	90,331
Changes of benefit terms	-	-	999,103	-
Difference between expected and actual experience	(22,918)	(9,405)	149,739	(13,322)
Change of assumptions	-	-	-	49,239
Benefit payments, including refunds of employee contributions	(104,642)	(41,182)	(51,625)	(50,564)
<b>Net Change in Total Pension Liability</b>	<b>465,985</b>	<b>492,403</b>	<b>1,551,773</b>	<b>293,169</b>
Beginning total pension liability	3,544,324	3,051,921	1,500,148	1,206,979
<b>Ending Total Pension Liability</b>	<b>4,010,309</b>	<b>\$ 3,544,324</b>	<b>\$ 3,051,921</b>	<b>\$ 1,500,148</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 326,460	\$ 322,099	\$ 117,468	\$ 95,238
Contributions - employee	183,704	173,979	145,550	121,889
Net investment income	(71,097)	234,361	94,003	1,807
Benefit payments, including refunds of employee contributions	(104,642)	(41,182)	(51,625)	(50,564)
Administrative expense	(1,381)	(1,219)	(1,063)	(1,101)
Other	(71)	(62)	(57)	(54)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>332,973</b>	<b>687,976</b>	<b>304,276</b>	<b>167,215</b>
Beginning plan fiduciary net position	2,384,874	1,696,898	1,392,622	1,225,407
<b>Ending Plan Fiduciary Net Position</b>	<b>2,717,847</b>	<b>\$ 2,384,874</b>	<b>\$ 1,696,898</b>	<b>\$ 1,392,622</b>
<b>Net Pension Liability (Asset)</b>	<b>1,292,462</b>	<b>\$ 1,159,450</b>	<b>\$ 1,355,023</b>	<b>\$ 107,526</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	67.77%	67.29%	55.60%	92.83%
<b>Covered Payroll</b>	\$ 2,624,349	\$ 2,485,407	\$ 2,079,289	\$ 1,741,276
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	49.25%	46.65%	65.17%	6.18%

\*Only five years of information is currently available.

The City will build this schedule over the next five-year period.

**Measurement Year\***  
**2014**

\$ 98,272  
76,628  
46,383  
  
7,393  
-  
  
(41,731)  
186,945  
  
1,020,034  
  
\$ 1,206,979

\$ 34,683  
63,755  
63,289  
  
(41,731)  
(661)  
(54)  
119,281  
  
1,106,126  
  
\$ 1,225,407  
  
\$ (18,428)

101.53%

\$ 1,275,100  
  
(1.45%)

**CITY OF MANVEL, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
For the Year Ended September 30, 2019

	Fiscal Year *			
	2019	2018	2017	2016
Actuarially determined contribution	\$ 347,650	\$ 319,360	\$ 267,555	\$ 109,865
Contributions in relation to the actuarially determined contribution	350,542	319,360	267,555	109,865
Contribution deficiency (excess)	<u>\$ (2,892)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,966,052	\$ 2,538,625	\$ 2,406,957	\$ 1,960,061
Contributions as a percentage of covered payroll	11.72%	12.58%	11.12%	5.61%

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

**Notes to Required Supplementary Information:**

1. Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

3. Other Information:

There were no benefit changes during the year.

**Fiscal Year\***

<u>2015</u>	<u>2014</u>
\$ 76,909	\$ 31,916
<u>76,909</u>	<u>31,916</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 1,560,104	\$ 1,232,533
4.93%	2.59%

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**CITY OF MANVEL, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**For the Year Ended September 30, 2019**

	Measurement Year *	
	2018	2017
<b>Total OPEB Liability</b>		
Service cost	\$ 5,249	\$ 4,225
Interest (on the total OPEB liability)	2,007	1,857
Changes of benefit terms	-	-
Difference between expected and actual experience	1,868	-
Change of assumptions	(5,371)	5,298
Benefit payments, including refunds of employee contributions **	(525)	(249)
<b>Net Change in Total OPEB Liability</b>	<u>3,228</u>	<u>11,131</u>
Beginning total OPEB liability	<u>58,265</u>	<u>47,134</u>
<b>Ending Total OPEB Liability</b>	<u>\$ 61,493</u>	<u>\$ 58,265</u>
<b>Covered Payroll</b>	\$ 2,624,349	\$ 2,485,407

**Total OPEB Liability as a Percentage**

<b>of Covered Payroll</b>	2.34%	2.34%
---------------------------	-------	-------

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

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

**Notes to Required Supplementary Information:**

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.71%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.
Mortality - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Changes in assumptions is the annual change in the municipal bond index rate.

There were no benefit changes during the year.

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***COMBINING STATEMENTS AND SCHEDULES***

# CITY OF MANVEL, TEXAS

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

September 30, 2019

#### Special Revenue Funds

	Hotel Taxes	Court Security	Court Technology	TIRZ No. 3
<b><u>Assets</u></b>				
Cash	\$ 553,910	\$ 15,453	\$ 30,804	\$ -
Receivables, net	15,339	-	-	6,715
<b>Total Assets</b>	<b>\$ 569,249</b>	<b>\$ 15,453</b>	<b>\$ 30,804</b>	<b>\$ 6,715</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	-	-	-	6,715
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,715</b>
<b><u>Fund Balances</u></b>				
Restricted for:				
Enabling legislation	\$ 569,249	\$ 15,453	\$ 30,804	\$ -
Tax increment reinvestment zone	-	-	-	-
Special projects	-	-	-	-
<b>Total Fund Balances</b>	<b>569,249</b>	<b>15,453</b>	<b>30,804</b>	<b>-</b>
<b>Total Deferred Inflows and Fund Balances</b>	<b>\$ 569,249</b>	<b>\$ 15,453</b>	<b>\$ 30,804</b>	<b>\$ 6,715</b>

**Special Revenue Funds**

<b>South Manvel Dev. Auth.</b>	<b>Community Impact</b>	<b>Law Enforcement</b>	<b>Park</b>	<b>PEG Fee</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 299,204	\$ 611,437	\$ 4,020	\$ 108,344	\$ 116,984	\$ 1,740,156
-	-	-	-	3,727	25,781
<u>\$ 299,204</u>	<u>\$ 611,437</u>	<u>\$ 4,020</u>	<u>\$ 108,344</u>	<u>\$ 120,711</u>	<u>\$ 1,765,937</u>
-	-	-	-	-	6,715
-	-	-	-	-	6,715
\$ -	\$ -	\$ 4,020	\$ -	\$ 120,711	\$ 740,237
299,204	-	-	-	-	299,204
-	611,437	-	108,344	-	719,781
<u>299,204</u>	<u>611,437</u>	<u>4,020</u>	<u>108,344</u>	<u>120,711</u>	<u>1,759,222</u>
<u>\$ 299,204</u>	<u>\$ 611,437</u>	<u>\$ 4,020</u>	<u>\$ 108,344</u>	<u>\$ 120,711</u>	<u>\$ 1,765,937</u>

**CITY OF MANVEL, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2019

	<u>Special Revenue Funds</u>			
	<u>Hotel Taxes</u>	<u>Court Security</u>	<u>Court Technology</u>	<u>TIRZ No. 3</u>
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 85,962
Sales taxes	-	-	-	6,715
Other fees	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	4,908	6,541	-
Intergovernmental	-	-	-	-
Hotel taxes	63,774	-	-	-
Investment earnings	9,010	228	9	60
Other revenues	-	-	-	-
<b>Total Revenues</b>	<u>72,784</u>	<u>5,136</u>	<u>6,550</u>	<u>92,737</u>
<b>Expenditures</b>				
General government	3,686	1,139	-	-
<b>Total Expenditures</b>	<u>3,686</u>	<u>1,139</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>69,098</u>	<u>3,997</u>	<u>6,550</u>	<u>92,737</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(92,737)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,737)</u>
<b>Net Change in Fund Balances</b>	<u>69,098</u>	<u>3,997</u>	<u>6,550</u>	<u>-</u>
Beginning fund balances	500,151	11,456	24,254	-
<b>Ending Fund Balances</b>	<u>\$ 569,249</u>	<u>\$ 15,453</u>	<u>\$ 30,804</u>	<u>\$ -</u>

**Special Revenue Funds**

<b>South Manvel Dev. Auth.</b>	<b>Community Impact</b>	<b>Law Enforcement</b>	<b>Park</b>	<b>PEG Fee</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,962
-	-	-	-	-	6,715
-	-	-	-	18,729	18,729
-	497,496	-	-	-	497,496
-	-	-	-	-	11,449
-	-	1,663	-	-	1,663
-	-	-	-	-	63,774
4,566	266	-	53	38	14,230
-	-	-	31,000	-	31,000
<u>4,566</u>	<u>497,762</u>	<u>1,663</u>	<u>31,053</u>	<u>18,767</u>	<u>731,018</u>
360	-	-	46,462	-	51,647
<u>360</u>	<u>-</u>	<u>-</u>	<u>46,462</u>	<u>-</u>	<u>51,647</u>
4,206	497,762	1,663	(15,409)	18,767	679,371
92,737	-	-	15,500	-	108,237
-	(400,000)	-	-	-	(492,737)
<u>92,737</u>	<u>(400,000)</u>	<u>-</u>	<u>15,500</u>	<u>-</u>	<u>(384,500)</u>
96,943	97,762	1,663	91	18,767	294,871
202,261	513,675	2,357	108,253	101,944	1,464,351
<u>\$ 299,204</u>	<u>\$ 611,437</u>	<u>\$ 4,020</u>	<u>\$ 108,344</u>	<u>\$ 120,711</u>	<u>\$ 1,759,222</u>

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**CITY OF MANVEL, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL**

**DEBT SERVICE FUND**

For the Year Ended September 30, 2019

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Revenues</u></b>				
Property taxes	\$ 1,836,533	\$ 1,836,533	\$ 1,866,152	\$ 29,619
Intergovernmental	-	-	90,996	90,996
Investment income	3,500	3,500	39,011	35,511
<b>Total Revenues</b>	<u>1,840,033</u>	<u>1,840,033</u>	<u>1,996,159</u>	<u>156,126</u>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
Principal	1,140,000	1,145,000	1,145,000	-
Interest and fiscal charges	677,483	673,882	673,882	-
<b>Total Expenditures</b>	<u>1,817,483</u>	<u>1,818,882</u>	<u>1,818,882</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	<u>22,550</u>	<u>21,151</u>	<u>177,277</u>	<u>156,126</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	835,996	835,996	-	(835,996)
<b>Total Other Financing</b>	<u>835,996</u>	<u>835,996</u>	<u>-</u>	<u>(835,996)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 858,546</u>	<u>\$ 857,147</u>	177,277	<u>\$ (679,870)</u>
Beginning fund balance			<u>157,321</u>	
<b>Ending Fund Balance</b>			<u>\$ 334,598</u>	

**CITY OF MANVEL, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended September 30, 2019

Hotel Taxes				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Hotel taxes	\$ 75,000	\$ 75,000	\$ 63,774	\$ (11,226)
Investment earnings	200	200	9,010	8,810
<b>Total Revenues</b>	75,200	75,200	72,784	(2,416)
<b>Expenditures</b>				
<b>Current:</b>				
General government	10,000	10,000	3,686	6,314
<b>Total Expenditures</b>	10,000	10,000	3,686	6,314
<b>Net Change in Fund Balance</b>	\$ 65,200	\$ 65,200	69,098	\$ 3,898
Beginning fund balance			500,151	
<b>Ending Fund Balance</b>			\$ 569,249	

Court Security				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Fines and forfeitures	\$ 5,052	\$ 5,052	\$ 4,908	\$ (144)
Investment earnings	20	20	228	208
<b>Total Revenues</b>	5,072	5,072	5,136	64
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	5,072	5,072	1,139	3,933
<b>Total Expenditures</b>	5,072	5,072	1,139	3,933
<b>Net Change in Fund Balance</b>	\$ -	\$ -	3,997	\$ 3,997
Beginning fund balance			11,456	
<b>Ending Fund Balance</b>			\$ 15,453	

**CITY OF MANVEL, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL (Continued)**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Year Ended September 30, 2019

<u>Court Technology</u>				
	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Fines and forfeitures	\$ 6,000	\$ 6,000	\$ 6,541	\$ 541
Investment earnings	15	15	9	(6)
<b>Total Revenues</b>	<u>6,015</u>	<u>6,015</u>	<u>6,550</u>	<u>535</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	25,000	25,000	-	25,000
<b>Total Expenditures</b>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
<b>Net Change in Fund Balance</b>	<u>\$ (18,985)</u>	<u>\$ (18,985)</u>	6,550	<u>\$ 25,535</u>
Beginning fund balance			<u>24,254</u>	
<b>Ending Fund Balance</b>			<u>\$ 30,804</u>	

<u>TIRZ No.3</u>				
	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 57,000	\$ 85,962	\$ 85,962	\$ -
Sales taxes	7,000	6,715	6,715	-
Investment earnings	100	60	60	-
<b>Total Revenues</b>	<u>64,100</u>	<u>92,737</u>	<u>92,737</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	(64,000)	(92,737)	(92,737)	-
<b>Total Other Financing Sources</b>	<u>(64,000)</u>	<u>(92,737)</u>	<u>(92,737)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 100</u>	<u>\$ -</u>	-	<u>\$ -</u>
Beginning fund balance			<u>-</u>	
<b>Ending Fund Balance</b>			<u>\$ -</u>	

**CITY OF MANVEL, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL (Continued)**  
**NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended September 30, 2019

<b>South Manvel Development Authority</b>				
	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Investment earnings	\$ 20	\$ 20	\$ 4,566	\$ 4,546
<b>Total Revenues</b>	<b>20</b>	<b>20</b>	<b>4,566</b>	<b>4,546</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	5,500	5,500	360	5,140
<b>Total Expenditures</b>	<b>5,500</b>	<b>5,500</b>	<b>360</b>	<b>5,140</b>
<b>(Deficiency) of Revenues Under Expenditures</b>	<b>(5,480)</b>	<b>(5,480)</b>	<b>4,206</b>	<b>9,686</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	64,000	64,000	92,737	28,737
<b>Total Other Financing Sources</b>	<b>64,000</b>	<b>64,000</b>	<b>92,737</b>	<b>28,737</b>
<b>Net Change in Fund Balance</b>	<b>\$ 58,520</b>	<b>\$ 58,520</b>	<b>96,943</b>	<b>\$ 38,423</b>
Beginning fund balance			202,261	
<b>Ending Fund Balance</b>			<b>\$ 299,204</b>	

<b>Community Impact</b>				
	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Investment earnings	\$ 2,000	\$ 2,000	\$ 266	\$ (1,734)
Charges for services	440,000	440,000	497,496	57,496
<b>Total Revenues</b>	<b>442,000</b>	<b>442,000</b>	<b>497,762</b>	<b>55,762</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	10,000	10,000	-	10,000
<b>Total Expenditures</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>
<b>Excess of Revenues Over Expenditures</b>	<b>432,000</b>	<b>432,000</b>	<b>497,762</b>	<b>65,762</b>
<b>Other Financing Sources</b>				
Transfers (out)	(400,000)	(400,000)	(400,000)	-
<b>Total Other Financing (Uses)</b>	<b>(400,000)</b>	<b>(400,000)</b>	<b>(400,000)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ 32,000</b>	<b>\$ 32,000</b>	<b>97,762</b>	<b>\$ 65,762</b>
Beginning fund balance			513,675	
<b>Ending Fund Balance</b>			<b>\$ 611,437</b>	

**CITY OF MANVEL, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL (Continued)**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Year Ended September 30, 2019

	Park			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Investment earnings	\$ 750	\$ 750	\$ 53	\$ (697)
Other revenues	-	-	31,000	31,000
<b>Total Revenues</b>	<u>750</u>	<u>750</u>	<u>31,053</u>	<u>30,303</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	282,200	284,236	46,462	237,774
<b>Total Expenditures</b>	<u>282,200</u>	<u>284,236</u>	<u>46,462</u>	<u>237,774</u>
<b>(Deficiency) of Revenues Under Expenditures</b>	<u>(281,450)</u>	<u>(283,486)</u>	<u>(15,409)</u>	<u>268,077</u>
<b>Other Financing Sources</b>				
Transfers in	50,000	50,000	15,500	(34,500)
<b>Total Other Financing Sources</b>	<u>50,000</u>	<u>50,000</u>	<u>15,500</u>	<u>(34,500)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (231,450)</u>	<u>\$ (233,486)</u>	91	<u>\$ 233,577</u>
Beginning fund balance			108,253	
<b>Ending Fund Balance</b>			<u>\$ 108,344</u>	

	PEG Fee			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Investment earnings	\$ 25	\$ 25	\$ 38	\$ 13
Other fees	18,000	18,000	18,729	729
<b>Total Revenues</b>	<u>18,025</u>	<u>18,025</u>	<u>18,767</u>	<u>742</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	50,000	50,000	-	50,000
<b>Total Expenditures</b>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>Net Change in Fund Balance</b>	<u>\$ (31,975)</u>	<u>\$ (31,975)</u>	18,767	<u>\$ 50,742</u>
Beginning fund balance			101,944	
<b>Ending Fund Balance</b>			<u>\$ 120,711</u>	

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