

ANNUAL FINANCIAL REPORT

of the

CITY OF MANVEL, TEXAS

**For the Year Ended
September 30, 2016**

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CITY OF MANVEL, TEXAS

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INTRODUCTORY SECTION

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CITY OF MANVEL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2016

City Officials	Elective Position	Term Expires
Delores Martin	Mayor	2017
Larry Akery	Council Member	2017
John Cox	Council Member	2017
Melissa Sifuentes	Council Member	2019
Jerome Hudson	Council Member	2019
Adrian Gasper	Council Member	2018
Lorraine Hehn	Council Member	2018

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

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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, 2016, 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, 2016, 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, schedule of changes in Net Pension 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
June 7, 2017

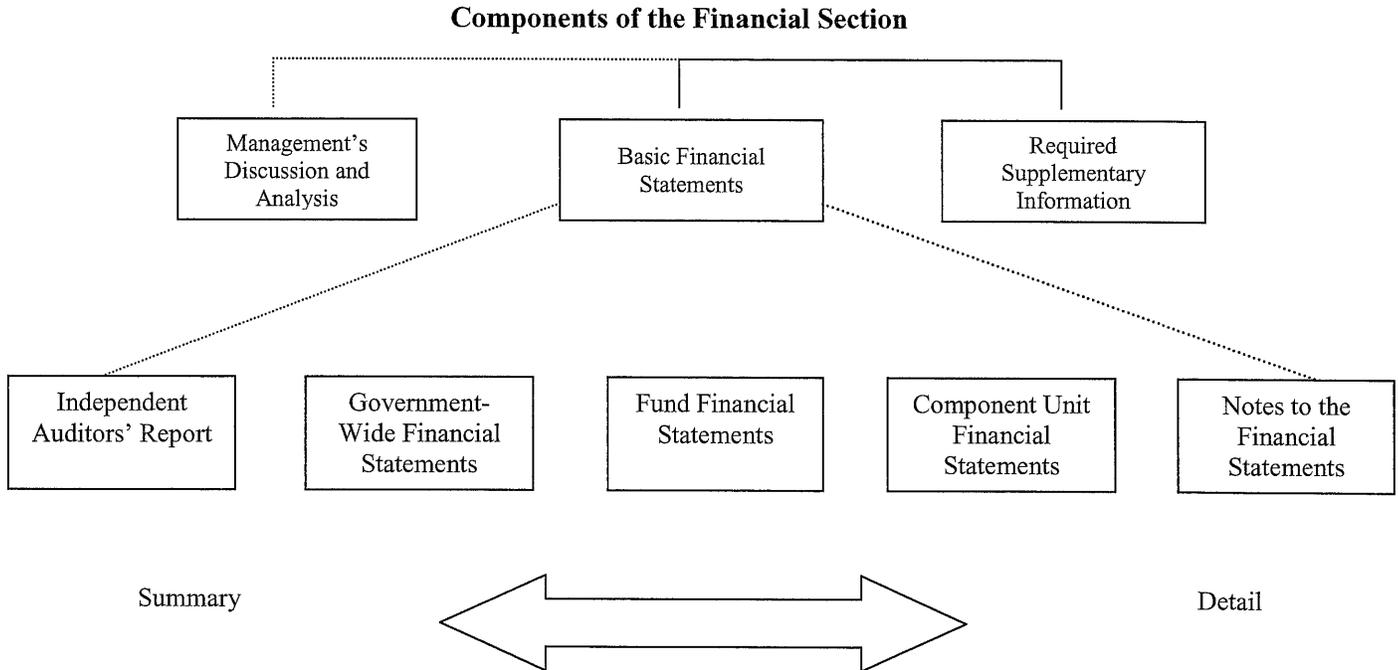
***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

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, 2016. 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'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

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

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, 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 11 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 (considered a nonmajor fund for reporting purposes, but the City has elected to present as major due to its significance), which are considered to be major funds for reporting purposes.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

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

Proprietary Funds

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

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 and a schedule of changes in net pension liability/asset and related ratios and 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 \$15,047,475 as of year end for the primary government. The largest portion of the City's net position, 60 percent, reflects its investments in capital assets (e.g., land, buildings, equipment, streets, and drainage systems) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	September 30, 2016			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 9,205,661	\$ 198,898	\$ -	\$ 9,404,559
Capital assets, net	4,803,311	9,323,563	-	14,126,874
Total Assets	<u>14,008,972</u>	<u>9,522,461</u>	<u>-</u>	<u>23,531,433</u>
Deferred charge on refunding	13,583	-	-	13,583
Deferred outflows - pension	202,279	-	-	202,279
Total Deferred Outflows of Resources	<u>215,862</u>	<u>-</u>	<u>-</u>	<u>215,862</u>
Long-term liabilities	4,778,589	806	-	4,779,395
Other liabilities	3,833,150	76,683	-	3,909,833
Total Liabilities	<u>8,611,739</u>	<u>77,489</u>	<u>-</u>	<u>8,689,228</u>
Deferred inflows- pension	10,592	-	-	10,592
Total Deferred Inflows of Resources	<u>10,592</u>	<u>-</u>	<u>-</u>	<u>10,592</u>
Net Position:				
Net investment in capital assets	2,818,757	9,323,563	(3,170,000)	8,972,320
Restricted	1,641,888	-	-	1,641,888
Unrestricted	1,141,858	121,409	3,170,000	4,433,267
Total Net Position	<u>\$ 5,602,503</u>	<u>\$ 9,444,972</u>	<u>\$ -</u>	<u>\$ 15,047,475</u>

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

September 30, 2015

	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 9,817,532	\$ 370,254	\$ -	\$ 10,187,786
Capital assets, net	4,544,458	9,503,262	-	14,047,720
Total Assets	14,361,990	9,873,516	-	24,235,506
Deferred outflows - pensions	85,720	-	-	85,720
Total Deferred Outflows of Resources	85,720	-	-	85,720
Long-term liabilities	5,714,946	-	-	5,714,946
Other liabilities	4,311,834	37,814	-	4,349,648
Total Liabilities	10,026,780	37,814	-	10,064,594
Net Position:				
Net investment in capital assets	4,393,300	9,503,262	(5,465,000)	8,431,562
Restricted	997,640	-	-	997,640
Unrestricted	(970,010)	332,440	5,465,000	4,827,430
Total Net Position	\$ 4,420,930	\$ 9,835,702	\$ -	\$ 14,256,632

A portion of the primary government's net position, \$1,641,888 or 11%, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,433,267, may be used to meet the City's ongoing obligation to citizens and creditors. Net position increased by \$790,843 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. Debt associated with governmental activities, in the amount of \$3,170,000, is being used to finance capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

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	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 1,798,724	\$ 1,330,185	\$ 524,223	\$ 527,875	\$ 2,322,947	\$ 1,858,060
Operating grants and contributions	96,964	28,557	-	-	96,964	28,557
General revenues:						
Property taxes	2,781,101	2,393,285	-	-	2,781,101	2,393,285
Sales taxes	1,352,408	1,496,839	-	-	1,352,408	1,496,839
Franchise and hotel occupancy taxes	522,458	369,222	-	-	522,458	369,222
Investment earnings	25,042	20,320	382	2,543	25,424	22,863
Miscellaneous	335,611	1,211,467	-	-	335,611	1,211,467
Total Revenues	<u>6,912,308</u>	<u>6,849,875</u>	<u>524,605</u>	<u>530,418</u>	<u>7,436,913</u>	<u>7,380,293</u>
Expenses						
General government	1,830,799	1,680,639	-	-	1,830,799	1,680,639
Public safety	1,937,295	1,175,986	-	-	1,937,295	1,175,986
Public works	1,564,439	1,449,355	-	-	1,564,439	1,449,355
Library, parks, and recreation	78,504	63,632	-	-	78,504	63,632
Economic development	341,187	316,358	-	-	341,187	316,358
Interest on long-term debt	169,961	214,164	-	-	169,961	214,164
Water and sewer	-	-	723,885	592,757	723,885	592,757
Total Expenses	<u>5,922,185</u>	<u>4,900,134</u>	<u>723,885</u>	<u>592,757</u>	<u>6,646,070</u>	<u>5,492,891</u>
Increase (Decrease) in Net Position Before Transfers	990,123	1,949,741	(199,280)	(62,339)	790,843	1,887,402
Transfers	191,450	(2,024,147)	(191,450)	2,024,147	-	-
Change in Net Position	1,181,573	(74,406)	(390,730)	1,961,808	790,843	1,887,402
Beginning net position	4,420,930	4,495,336	9,835,702	7,873,894	14,256,632	12,369,230
Ending Net Position	<u>\$ 5,602,503</u>	<u>\$ 4,420,930</u>	<u>\$ 9,444,972</u>	<u>\$ 9,835,702</u>	<u>\$ 15,047,475</u>	<u>\$ 14,256,632</u>

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

For the year ended September 30, 2016, revenues from governmental activities totaled \$6,912,308. Revenues increased \$62,433 compared to the prior year. This increase was largely due to an increase in licenses and permits issued as a result of an increase in related activity within the City, an increase in court fines, an increase in property tax revenues resulting from an increase in the assessed values of properties within the City, and an increase in franchise and hotel occupancy taxes received. These increases in revenues were partially offset by decreases in revenues related to a prior year capital contribution from the Manvel Economic Development Corporation and a decrease in sales within the City resulting in lower sales tax revenues.

For the year ended September 30, 2016, expenses for governmental activities totaled \$5,922,185. Total expenses increased \$1,022,051 compared to the prior year, which can be attributed primarily to an increase in repair and maintenance projects and an increase in personnel related costs and benefits.

Business-type activities net position decreased by \$390,730. Current year revenues were comparable to the prior year, decreasing by one percent. Current year expenses increased by \$131,128 primarily due to an increase in repair and maintenance costs, personnel costs, and noncapital purchases.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reflect a combined fund balance of \$5,950,410. Of this, \$226,044 is restricted for debt service, \$434,544 is restricted by enabling legislation, \$68,762 is restricted for a tax increment reinvestment zone, \$492,934 is restricted for capital projects, \$419,604 is restricted for special projects, \$291,798 is committed for road maintenance, \$397 is nonspendable in the form of prepaid items, and \$4,016,327 is unassigned.

The general fund had a decrease in fund balance of \$146,353. The general fund reports a healthy fund balance of \$4,308,522, which exceeds approximately 9 months of the general fund's expenditures. Compared to the prior year, revenues increased \$574,642 due to an increase in property tax revenues related to an increase in the assessed values of properties within the City, an increase in franchise tax collections, and an increase in license and permit revenues from an increase in related activities. Expenditures decreased \$1,116,052 compared to the prior year. This decrease was the result of an increase in personnel costs, insurance premiums, and capital purchases.

The debt service fund had an increase in fund balance of \$154,909 largely due to transfers in from other funds.

The capital projects fund had a decrease in fund balance of \$87,321 due to capital expenditures during the fiscal year and transfers to 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.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were less than the final budgeted revenues by \$123,958 during the year largely due to less than expected revenues for licenses and permits which was partially offset by positive variances for sales and other taxes. General fund expenditures were more than the final budget by \$297,177 during the year due to negative budget variances in general government and debt service.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$14,126,874 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$79,154 from prior year.

Major capital asset events during the year included the following:

- Purchased land for extra parking lots and future development for \$381,942
- Purchased a police vehicle and related equipment for \$140,466
- Purchased a Moto grader for \$231,000
- Purchased radio equipment and three vehicles for \$154,008

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, tax anticipation notes, and capital leases outstanding of \$5,168,137. Of this amount, \$2,245,000 represents general obligation bonds, \$1,905,000 represents certificates of obligation, \$925,000 represents tax anticipation notes, and \$93,137 represents capital leases.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council approved a \$5,763,436 general fund budget for the 2016-2017 fiscal year. This is a 0.7% decrease from the prior year. The tax rate adopted for the fiscal year 2016-2017 budget will be \$0.58 per \$100 in property value, which is the same rate as fiscal year 2015-2016. The budget will raise more revenue from property taxes than last year's budget by about \$224,332 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.

BASIC FINANCIAL STATEMENTS

CITY OF MANVEL, TEXAS

STATEMENT OF NET POSITION

September 30, 2016

Primary Government				
	Governmental Activities	Business-Type Activities	Reconciliation	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 8,781,888	\$ 115,061	\$ -	\$ 8,896,949
Receivables, net	423,128	35,819	-	458,947
Due from component unit	248	-	-	248
Due from other governments	-	4,091	-	4,091
Prepaid items	397	-	-	397
Restricted assets:				
Cash and investments	-	43,927	-	43,927
Total Current Assets	9,205,661	198,898	-	9,404,559
Noncurrent assets				
Nondepreciable	1,119,976	2,349,652	-	3,469,628
Net depreciable	3,683,335	6,973,911	-	10,657,246
Total Assets	14,008,972	9,522,461	-	23,531,433
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	13,583	-	-	13,583
Deferred outflows - pension	202,279	-	-	202,279
Total Deferred Outflows of Resources	215,862	-	-	215,862
<u>Liabilities</u>				
Accounts payable and accrued liabilities	304,014	25,507	-	329,521
Customer deposits	-	43,927	-	43,927
Accrued interest payable	18,891	-	-	18,891
Due to primary government	-	-	-	-
Unearned revenue	2,880,785	-	-	2,880,785
Total Current Liabilities	3,203,690	69,434	-	3,273,124
Noncurrent liabilities:				
Long-term liabilities due within one year	629,460	7,249	-	636,709
Long-term liabilities due in more than one year	4,671,063	806	-	4,671,869
Net pension liability - TMRS	107,526	-	-	107,526
Total Noncurrent Liabilities	5,408,049	8,055	-	5,416,104
Total Liabilities	8,611,739	77,489	-	8,689,228
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pension	10,592	-	-	10,592
<u>Net Position</u>				
Net investment in capital assets	2,818,757	9,323,563	(3,170,000)	8,972,320
Restricted for:				
Debt service	226,044	-	-	226,044
Enabling legislation	434,544	-	-	434,544
Tax increment reinvestment zone	68,762	-	-	68,762
Special projects	419,604	-	-	419,604
Capital projects	492,934	-	-	492,934
Manvel Economic Development Corporation	-	-	-	-
Unrestricted	1,141,858	121,409	3,170,000	4,433,267
Total Net Position	\$ 5,602,503	\$ 9,444,972	\$ -	\$ 15,047,475

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 1,830,799	\$ -	\$ -
Public safety	1,937,295	247,084	96,964
Public works	1,564,439	1,551,640	-
Library, parks, and recreation	78,504	-	-
Economic development	341,187	-	-
Interest and fiscal agent fees on long-term debt	169,961	-	-
Total Governmental Activities	5,922,185	1,798,724	96,964
Business -Type Activities			
Water and sewer	723,885	524,223	-
Total Business-Type Activities	723,885	524,223	-
Total Primary Government	\$ 6,646,070	\$ 2,322,947	\$ 96,964
Component Unit			
Manvel Economic Development Corporation	\$ 164,499	\$ -	\$ -
Total Component Unit	\$ 164,499	\$ -	\$ -

General Revenues:

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

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component</u>
<u>Primary Government</u>			<u>Unit</u>
<u>Governmental</u>	<u>Business-Type</u>		<u>Manvel</u>
<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Economic</u>
			<u>Dev. Corp.</u>
\$ (1,830,799)	\$ -	\$ (1,830,799)	\$ -
(1,593,247)	-	(1,593,247)	-
(12,799)	-	(12,799)	-
(78,504)	-	(78,504)	-
(341,187)	-	(341,187)	-
(169,961)	-	(169,961)	-
<u>(4,026,497)</u>	<u>-</u>	<u>(4,026,497)</u>	<u>-</u>
-	(199,662)	(199,662)	-
-	(199,662)	(199,662)	-
<u>(4,026,497)</u>	<u>(199,662)</u>	<u>(4,226,159)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (164,499)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (164,499)</u>
2,781,101	-	2,781,101	-
1,352,408	-	1,352,408	676,170
522,458	-	522,458	-
25,042	382	25,424	12,076
335,611	-	335,611	-
191,450	(191,450)	-	-
<u>5,208,070</u>	<u>(191,068)</u>	<u>5,017,002</u>	<u>688,246</u>
1,181,573	(390,730)	790,843	523,747
4,420,930	9,835,702	14,256,632	1,066,414
<u>\$ 5,602,503</u>	<u>\$ 9,444,972</u>	<u>\$ 15,047,475</u>	<u>\$ 1,590,161</u>

CITY OF MANVEL, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2016

	General	Debt Service	Capital Projects	Nonmajor Governmental
<u>Assets</u>				
Cash and cash equivalents	\$ 7,682,934	\$ 221,264	\$ 84,054	\$ 793,636
Receivables, net	387,414	9,706	-	26,008
Due from other funds	2,682	4,780	408,880	112,601
Due from component unit	248	-	-	-
Prepaid items	397	-	-	-
Total Assets	\$ 8,073,675	\$ 235,750	\$ 492,934	\$ 932,245
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 304,014	\$ -	\$ -	\$ -
Due to other funds	526,261	-	-	2,682
Unearned revenue	2,880,785	-	-	-
	3,711,060	-	-	2,682
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	54,093	9,706	-	6,653
Total Deferred Inflows of Resources	54,093	9,706	-	6,653
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	397	-	-	-
Restricted for:				
Debt service	-	226,044	-	-
Enabling legislation	-	-	-	434,544
Tax increment reinvestment zone	-	-	-	68,762
Capital projects	-	-	492,934	-
Special projects	-	-	-	419,604
Committed for:				
Road maintenance	291,798	-	-	-
Unassigned	4,016,327	-	-	-
Total Fund Balances	4,308,522	226,044	492,934	922,910
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,073,675	\$ 235,750	\$ 492,934	\$ 932,245

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 8,781,888
423,128
528,943
248
397
\$ 9,734,604

\$ 304,014
528,943
2,880,785
3,713,742

70,452
70,452

397

226,044
434,544
68,762
492,934
419,604

291,798
4,016,327
5,950,410

\$ 9,734,604

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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, 2016

Total fund balances – total governmental funds	\$	5,950,410
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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		1,119,976
Capital assets – net depreciable		3,683,335

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 change on refunding		13,583
Accrued interest		(18,891)

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		70,452
--	--	--------

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

Noncurrent liabilities due in one year		(629,460)
Noncurrent liabilities due in more than one year		(4,671,063)
Net pension liability		(107,526)
Deferred outflows - pension		202,279
Deferred inflows - pension		(10,592)

Net Position of Governmental Activities	\$	<u>5,602,503</u>
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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, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>
Revenues				
Property taxes	\$ 2,262,260	\$ 499,657	\$ -	\$ 22,879
Sales taxes	1,346,102	-	-	6,306
Other taxes	453,360	-	-	69,098
Licenses and permits	1,551,640	-	-	-
Fines and forfeitures	237,126	-	-	9,958
Intergovernmental	6,438	90,526	-	-
Investment earnings	19,913	788	1,643	2,393
Other revenues	74,831	4,989	1	255,790
Total Revenues	<u>5,951,670</u>	<u>595,960</u>	<u>1,644</u>	<u>366,424</u>
Expenditures				
Current:				
General government	1,737,203	-	-	30,119
Public safety	1,954,163	-	-	-
Public works	1,361,659	-	-	-
Library, parks, and recreation	70,106	-	-	-
Economic development	719,774	-	-	-
Capital outlay		-	45,864	-
Debt service:				
Principal	58,021	465,000	-	-
Payment to escrow agent	-	2,409,941	-	-
Interest and fiscal charges	5,963	123,399	-	-
Issuance costs	-	55,419	-	-
Total Expenditures	<u>5,906,889</u>	<u>3,053,759</u>	<u>45,864</u>	<u>30,119</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>44,781</u>	<u>(2,457,799)</u>	<u>(44,220)</u>	<u>336,305</u>
Other Financing Sources (Uses)				
Transfers in	-	142,708	80,000	273,912
Transfers (out)	(191,134)	-	(123,101)	(29,235)
Refunding bonds issued	-	2,470,000	-	-
Total Other Financing Sources (Uses)	<u>(191,134)</u>	<u>2,612,708</u>	<u>(43,101)</u>	<u>244,677</u>
Net Change in Fund Balances	(146,353)	154,909	(87,321)	580,982
Beginning fund balances	4,454,875	71,135	580,255	341,928
Ending Fund Balances	<u>\$ 4,308,522</u>	<u>\$ 226,044</u>	<u>\$ 492,934</u>	<u>\$ 922,910</u>

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 2,784,796
1,352,408
522,458
1,551,640
247,084
96,964
24,737
335,611

6,915,698

1,767,322
1,954,163
1,361,659
70,106
719,774
45,864

523,021
2,409,941
129,362
55,419

9,036,631

(2,120,933)

496,620
(343,470)
2,470,000

2,623,150

502,217
5,448,193

\$ 5,950,410

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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, 2016

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

Net changes in fund balances - total governmental funds	\$	502,217
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		914,396
Depreciation expense		(655,543)
<p>Accounts payable and accrued liabilities are not reported as revenues in the funds.</p>		
Property taxes		(3,695)
<p>The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Debt issued		(2,470,000)
Payment to refunded bond escrow agent		2,409,941
Amortization of deferred charge		(1,358)
Accrued interest		16,178
Principal expenditures		523,021
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting and the net changes in pension activity and compensated absences.</p>		
Net pension liability		(125,954)
Deferred outflows - pension		116,560
Deferred inflows - pension		(10,592)
Compensated absences		(33,598)
Change in Net Position of Governmental Activities	\$	<u>1,181,573</u>

See Notes to Financial Statements.

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CITY OF MANVEL, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2016

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 115,061	\$ -
Receivables, net	35,819	-
Due from other governments	4,091	-
Total Current Assets	154,971	-
Restricted cash and cash equivalents:		
Customer deposits	43,927	-
Noncurrent assets:		
Capital assets:		
Land	2,349,652	-
Water/sewer system	8,458,125	-
Machinery and equipment	135,757	326,808
Less: accumulated depreciation	(1,619,971)	(65,362)
Total Noncurrent Assets	9,323,563	261,446
Total Assets	9,522,461	261,446
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	25,507	-
Customer deposits	43,927	-
Total Current Liabilities	69,434	-
Noncurrent liabilities:		
Long-term debt due in one year	7,249	-
Long-term debt due in more than one year	806	-
Total Noncurrent Liabilities	8,055	-
Total Liabilities	77,489	-
<u>Net Position</u>		
Net investment in capital assets	9,323,563	261,446
Unrestricted	121,409	-
Total Net Position	\$ 9,444,972	\$ 261,446

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, 2016

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<u>Operating Revenues</u>		
Water charges	\$ 206,367	\$ -
Sewer charges	178,273	-
Other revenues	139,583	290,449
Total Operating Revenues	524,223	290,449
<u>Operating Expenses</u>		
Personnel services	145,741	-
Professional services	3,725	-
Services	50,990	-
Supplies	44,414	-
Repair and maintenance	290,316	-
Vehicle expense	-	2,246
Depreciation	188,699	65,362
Total Operating Expenses	723,885	67,608
Operating Income (Loss)	(199,662)	222,841
<u>Nonoperating Revenues</u>		
Investment earnings	382	305
Total Nonoperating Revenues	382	305
Income (Loss) Before Transfers	(199,280)	223,146
Transfers in	-	38,300
Transfers (out)	(191,450)	-
Total Transfers	(191,450)	38,300
Change in Net Position	(390,730)	261,446
Beginning net position	9,835,702	-
Ending Net Position	\$ 9,444,972	\$ 261,446

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, 2016

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<u>Cash Flows from Operating Activities</u>		
Receipts from customers and users	\$ 557,678	\$ 290,449
Payments to suppliers	(572,839)	(2,246)
Payments to employees	(145,741)	-
Net Cash Provided (Used) by Operating Activities	(160,902)	288,203
<u>Cash Flows from Noncapital Financing Activities</u>		
Transfers in from other funds	-	38,300
Transfers (out) to other funds	(191,450)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(191,450)	38,300
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of capital assets	(9,000)	(326,808)
Net Cash (Used) by Capital and Related Financing Activities	(9,000)	(326,808)
<u>Cash Flows from Investing Activities</u>		
Interest on investments	382	305
Net Cash Provided by Investing Activities	382	305
Net Decrease in Cash and Cash Equivalents	(360,970)	-
Beginning cash and cash equivalents	519,958	-
Ending Cash and Cash Equivalents	\$ 158,988	\$ -
Ending Cash and Cash Equivalents:		
Unrestricted cash and cash equivalents	\$ 115,061	\$ -
Restricted cash and cash equivalents	43,927	-
	\$ 158,988	\$ -

CITY OF MANVEL, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2016

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<u>Reconciliation of Operating Income (Loss)</u>		
<u>to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ (199,662)	\$ 222,841
Adjustments to Reconcile Operating Income		
(Loss) to Net Cash Provided (Used)		
by Operating Activities:		
Depreciation	188,699	65,362
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	27,048	-
Increase (Decrease) in:		
Accounts payable and accrued liabilities	33,268	-
Due to other funds	(216,662)	-
Customer deposits	6,407	-
Net Cash Provided (Used) by Operating Activities	\$ (160,902)	\$ 288,203

See Notes to Financial Statements.

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CITY OF MANVEL, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

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 (6) Council members. The Council, by majority vote of the entire Council, shall appoint a City manager, who shall be the chief administrative officer of the City. The City appointed a full-time City manager on January 16, 2012.

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

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

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

Discretely Presented Component Unit

Manvel Economic Development Corporation

The Manvel Economic Development Corporation (the “Corporation”) has been included in the reporting entity as a discretely presented component unit. The mission of the Corporation is to promote economic development within the City and surrounding areas. In 1998, the City’s voters authorized 0.5 percent increase in the City’s sales tax rate to provide funding for the Corporation. The Board of Directors of the Corporation is appointed and may be terminated by City Council. The Board is comprised of seven directors elected to serve two-year terms. The Corporation is required to prepare an annual budget that is approved by City Council. As a discretely presented component

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

unit, the Corporation is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Units

Tax Increment Reinvestment Zone Number Three

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

Manvel Cultural Education Facilities Finance Corporation

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

Manvel Education Facilities Corporation

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

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

South Manvel Development Authority

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

B. Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and intergovernmental 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 service is local property taxes. The debt service 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 fee fund, Law enforcement fund, and PEG fee fund. These funds are considered nonmajor funds for reporting purposes.

The *capital projects fund* is used to account for the expenditures of resources accumulated from the sales of bonds, as well as related interest earnings for capital improvement projects. The capital projects fund is considered a nonmajor fund for reporting purposes, but the City has elected to present it as major due to its significance.

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:

Internal service funds account for services provided to other departments of the City, or to other governments, on a cost reimbursement basis. The vehicle and equipment replacement 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.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

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

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

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

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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 are stated at fair value, except for investment pools, which are stated at either amortized costs or net asset value. Investment income from the pools are allocated back to the respective funds based on each fund's equity in the pool.

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, fully collateralized certificates of deposit and money market accounts, and 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. Capital Assets

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

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

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

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

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

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

5. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that qualifies for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized for the differences between the actuarial expectations and the actual economic experience related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Employee Absences

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

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

7. Long-Term Obligations

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

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

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

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

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

10. Fund Balance Policies

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

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

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

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

11. Estimates

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

12. Pensions

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

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. Expenditures in Excess of Appropriations

For the year ended September 30, 2016, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:

General Government	\$318,196
Debt Service – Principal	\$ 58,021
Debt Service – Interest	\$ 5,963

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2016, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 8,589,324	0.00
TexSTAR	161,507	0.00
Total Fair Value	<u>\$ 8,750,831</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, 2016, the City’s investments in TexPool and TexSTAR 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 deposit at the depository bank to be collateralized by securities. As of year end, fair market values of pledged securities and FDIC coverage exceeded 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 rate TexPool ‘AAAm’. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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. J.P. Morgan Investment Management Inc. (JPMIM) and Hilltop Securities Inc. (HTS) serve as co-administrators. JPMIM provides investment management services and FirstSouthwest, a division of HTS, provides participant service and marketing. Custodial, fund accounting, and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary, J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc.

TexPool and TexSTAR seek to maintain a net asset value at \$1.00. The investment pools have a redemption notice of one day, which may be redeemed daily. Each of the investment pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or a national state of emergency that affects the pool's liquidity. The City has no unfunded commitments related to the investment pools.

B. Receivables

The following comprise receivable balances at September 30, 2016:

	<u>Governmental Funds</u>			<u>Proprietary Fund</u>
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Enterprise</u>
Accounts	\$ 3,954	\$ -	\$ -	\$ 42,819
Property taxes	107,887	12,755	6,653	-
Sales taxes	252,412	7,155	-	-
Hotel occupancy taxes	-	-	15,138	-
Franchise fees	76,956	-	4,217	-
Less:				
Allowances	(53,795)	(10,204)	-	(7,000)
	<u>\$ 387,414</u>	<u>\$ 9,706</u>	<u>\$ 26,008</u>	<u>\$ 35,819</u>

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

C. Capital Assets

A summary of changes in capital assets for governmental activities for the year ended September 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 738,034	\$ 381,942	\$ -	\$ 1,119,976
Total nondepreciable assets	738,034	381,942	-	1,119,976
Other capital assets:				
Buildings, improvements, and roads	4,455,232	-	-	4,455,232
Machinery and equipment	1,914,412	532,454	-	2,446,866
Total other capital assets	6,369,644	532,454	-	6,902,098
Less accumulated depreciation for:				
Buildings, improvements, and roads	(1,400,126)	(398,755)	-	(1,798,881)
Machinery and equipment	(1,163,094)	(256,788)	-	(1,419,882)
Total accumulated depreciation	(2,563,220)	(655,543)	-	(3,218,763)
Other capital assets, net	3,806,424	(123,089)	-	3,683,335
Governmental Activities Capital Assets, Net	\$ 4,544,458	\$ 258,853	\$ -	4,803,311
			Less associated debt	(1,998,137)
			Plus deferred charge on refunding	13,583
			Net Investment in Capital Assets	\$ 2,818,757

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	\$ 20,200
Public safety	104,420
Public works	530,923
Total Governmental Activities Depreciation Expense	\$ 655,543

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,349,652	\$ -	\$ -	\$ 2,349,652
Total nondepreciable assets	<u>2,349,652</u>	<u>-</u>	<u>-</u>	<u>2,349,652</u>
Other capital assets:				
Water/sewer system	8,458,125	-	-	8,458,125
Machinery and equipment	126,757	9,000	-	135,757
Total other capital assets	<u>8,584,882</u>	<u>9,000</u>	<u>-</u>	<u>8,593,882</u>
Less accumulated depreciation for:				
Water/sewer system	(1,349,338)	(183,237)	-	(1,532,575)
Machinery and equipment	(81,934)	(5,462)	-	(87,396)
Total accumulated depreciation	<u>(1,431,272)</u>	<u>(188,699)</u>	<u>-</u>	<u>(1,619,971)</u>
Other capital assets, net	<u>7,153,610</u>	<u>(179,699)</u>	<u>-</u>	<u>6,973,911</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,503,262</u>	<u>\$ (179,699)</u>	<u>\$ -</u>	<u>\$ 9,323,563</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	<u>\$ 188,699</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, 2016. In general, the City uses the general and debt service funds to liquidate long-term liabilities.

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>
Governmental Activities:					
General obligation bonds	\$ -	\$ 2,470,000	\$ 225,000	\$ 2,245,000 ⁽²⁾	\$ 205,000
Certificates of obligation	4,395,000	-	2,490,000	1,905,000 ⁽¹⁾	95,000
Tax anticipation notes	1,070,000	-	145,000	925,000 ⁽²⁾	150,000
Capital leases	151,158	-	58,021	93,137 ⁽¹⁾	60,313
Net pension liability	-	107,526	-	107,526	-
Compensated absences	98,788	142,633	109,035	132,386	119,147
Total Governmental Activities	<u>\$ 5,714,946</u>	<u>\$ 2,720,159</u>	<u>\$ 3,027,056</u>	<u>\$ 5,408,049</u>	<u>\$ 629,460</u>
Long-Term Liabilities Due In More Than One Year	<u>\$ 4,778,589</u>				
⁽¹⁾ Debt Associated with Governmental Capital Assets	<u>\$ 1,998,137</u>				
⁽²⁾ Debt Associated with Business-Type Capital Assets	<u>\$ 3,170,000</u>				

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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>
Business-type Activities:					
Compensated absences	\$ -	\$ 10,109	\$ 2,054	\$ 8,055	\$ 7,249
Total Governmental Activities	<u>\$ -</u>	<u>\$ 10,109</u>	<u>\$ 2,054</u>	<u>\$ 8,055</u>	<u>\$ 7,249</u>
Long-Term Liabilities Due In More Than One Year				<u>\$ 806</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.

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

<u>Description</u>	<u>Interest Rates (%)</u>	<u>Balance</u>
Governmental Activities		
General obligation bonds		
Refunding Bonds -Series 2015	2.00	\$ 2,245,000
Total General Obligation Bonds		<u>2,245,000</u>
Certificates of obligation		
Certificates of Obligation, Series 2013 (Land)	2.70	1,905,000
Total General Obligation Bonds		<u>1,905,000</u>
Tax anticipation notes		
Tax Anticipation Notes, Series 2014 (Water & Sewer)	1.95	925,000
Total Tax Notes		<u>925,000</u>
Capital leases		
Police Vehicles/Equipment	3.93	64,408
Police Vehicles/Equipment	3.98	28,729
Total Capital Leases		<u>93,137</u>
Total Governmental Activities Long-Term Debt		<u>\$ 5,168,137</u>

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

Year Ending Sept. 30	Governmental Activities					
	General Obligation		Certificates of Obligation		Tax Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 205,000	\$ 44,900	\$ 95,000	\$ 39,803	\$ 150,000	\$ 16,575
2018	215,000	40,800	95,000	38,825	150,000	13,650
2019	215,000	36,500	95,000	37,650	150,000	10,725
2020	220,000	32,200	100,000	36,275	155,000	7,751
2021	220,000	27,800	100,000	34,700	160,000	4,680
2022-2026	1,170,000	70,900	540,000	143,383	160,000	1,560
2027-2031	-	-	610,000	78,267	-	-
2032-2033	-	-	270,000	7,757	-	-
Total	\$ 2,245,000	\$ 253,100	\$ 1,905,000	\$ 416,660	\$ 925,000	\$ 54,941

Year Ending Sept. 30	Governmental Activities Capital Leases	
	Principal	Interest
	2017	\$ 60,313
2018	32,824	1,288
Total	\$ 93,137	\$ 4,959

Machinery and equipment acquired under current capital lease obligations totaled \$267,705. This is from the issuance of two capital leases to acquire six police vehicles and related equipment. At year end, the vehicles and equipment had accumulated depreciation of \$109,327 and a net value of \$158,378.

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.

Manvel Economic Development Corporation (the "Corporation") agreed to pay a portion of the Tax Anticipation Notes, Series 2014. During the fiscal year ending September 30, 2016, \$90,526 was remitted by the Corporation to the debt service fund. The agreement extends through fiscal year 2022.

Current Refunding

The City issued \$2,470,000 of General Obligation Refunding Bonds, Series 2015 to provide resources for all future debt service payments of \$655,000 of Combination Tax and Revenue Certificates of Obligation, Series 2005 and \$1,740,000 of Combination Tax and Revenue Certificates of Obligation, Series 2005A. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition prices exceeded the net carrying amount of the old debt by \$14,941. This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This current refunding was undertaken to reduce total debt service payments over the next 11 years by \$388,587 and resulted in an economic gain of \$337,159. At September 30, 2016, \$655,000 of Combination Tax and Revenue Certificates of Obligation, Series 2005 and \$1,740,000 of Combination Tax and Revenue Certificates of Obligation, Series 2005A were considered defeased.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Federal Arbitrage

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

E. Conduit Debt

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

F. 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>
Nonmajor governmental	Enterprise	\$ 191,450
Capital projects	General	80,000
Debt service	General	19,607
Internal service	General	38,300
Nonmajor governmental	General	53,227
Debt service	Capital projects	123,101
Nonmajor governmental	Nonmajor governmental	29,235
		<u>\$ 534,920</u>

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General	Nonmajor governmental	\$ 2,682
Capital	General	408,880
Debt service	General	4,780
Nonmajor governmental	General	112,601
		<u>\$ 528,943</u>

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

G. Fund Equity

As of September 30, 2016, \$434,544 of the City's total fund balance is restricted by enabling legislation.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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.

The City is a defendant in one lawsuit. Although the outcome of the lawsuit is not presently determinable, it is the opinion of the City's counsel that resolution of this matter will not have a material adverse effect on the financial condition of the City.

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

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 866 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.

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

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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>2016</u>	<u>2015</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to, but not yet receiving, benefits	30
Active employees	38
Total	<u><u>75</u></u>

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 5.47% and 5.65% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were \$109,865, which were equal to the required contributions.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015 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, 2015 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 3-year set-forward for both males and females. In addition, a 3.0% 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 3.0% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7.00% to 6.75%. 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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	<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.

Changes in the NPL

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Changes for the year:			
Service cost	\$ 217,485	\$ -	\$ 217,485
Interest	90,331	-	90,331
Difference between expected and actual experience	(13,322)	-	(13,322)
Changes of assumptions	49,239	-	49,239
Contributions - employer	-	95,238	(95,238)
Contributions - employee	-	121,889	(121,889)
Net investment income	-	1,807	(1,807)
Benefit payments, including refunds of employee contributions	(50,564)	(50,564)	-
Administrative expense	-	(1,101)	1,101
Other changes	-	(54)	54
Net Changes	<u>293,169</u>	<u>167,215</u>	<u>125,954</u>
Balance at December 31, 2014	1,206,979	1,225,407	(18,428)
Balance at December 31, 2015	<u>\$ 1,500,148</u>	<u>\$ 1,392,622</u>	<u>\$ 107,526</u>

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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 (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 319,239	\$ 107,526	\$ (68,462)

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.

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

For the fiscal year ended September 30, 2016, the City recognized net pension expense of \$129,828.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,309	\$ 10,592
Changes in actuarial assumptions	39,149	-
Difference between projected and actual investment earnings	75,662	-
Contributions subsequent to the measurement date	83,159	-
Total	\$ 202,279	\$ 10,592

\$83,159 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2017	\$ 28,524
2018	28,524
2019	28,207
2020	23,273
Total	\$ 108,528

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

D. Other Post Employment Benefits

TMRS Supplemental Death Benefits Fund

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other post employment benefit,” or OPEB. For the year ended September 30, 2016, the City offered the supplemental death benefit to both active and retired employees.

Contributions

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

The City’s contributions to the TMRS SDBF for the fiscal years ended 2016, 2015, and 2014 were \$392, \$312, and \$220, respectively. The City’s contribution rates for the past three years are shown below:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Req. Contrib. (Rate)	0.02%	0.02%	0.02%
Actual Contribution Made	0.02%	0.02%	0.02%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

E. Economic Incentive/Development Agreements

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

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

On or before August 15, 2008, the City agreed to create the economic development fund and to deposit into such fund annually during the term of the agreements the calculated annual payment as provided by the terms of the agreements. The agreements, pursuant to Chapter 380, have terms of 25 years. The City is required to make payments to the economic development fund by August 15 each

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

year. The first payment was made on August 15, 2008. As of September 30, 2016, the balance in the fund is \$4,941.

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

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

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

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

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

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

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

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

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

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

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

F. TIRZ No. 3 Financing Agreements

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

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

G. Pipeline Deposit Agreements

The City has entered into agreements with Phillips 66 Pipeline LLC, EPO Pipeline LLC, and Enterprise Crude Pipeline, LLC for the purpose of constructing, maintaining, laying, operating and/or repairing, pipelines utilized for the transportation of liquids or gaseous materials along the right-of-ways and/or under certain roads located in the City. During the fiscal year, the City reimbursed the deposit \$1.4 million for Enterprise Crude Pipeline, LLC. As of September 30, 2016, the balance for pipeline deposit is \$2,679,241.

H. Subsequent Event

In November 2016, the City Council approved the issuance of Combination Tax and Revenue Certificates of Obligation, Series 2016 in the amount of \$4,435,000. Proceeds from the sale of the Certificates will be used for the design and construction of wastewater treatment facilities and water storage facilities and the acquisition of surface water supplies. The Certificates will mature on February 15, 2036. The Certificates shall bear an interest rate of 3.00 percent.

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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, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended	Actual	
Revenues				
Property taxes	\$ 2,256,168	\$ 2,256,168	\$ 2,262,260	\$ 6,092
Sales taxes	1,310,000	1,310,000	1,346,102	36,102
Other taxes	385,000	385,000	453,360	68,360
Licenses and permits	916,500	1,828,700	1,551,640	(277,060)
Fines and forfeitures	160,500	220,500	237,126	16,626
Intergovernmental	-	-	6,438	6,438
Investment earnings	7,500	17,500	19,913	2,413
Other revenues	45,760	57,760	74,831	17,071
Total Revenues	5,081,428	6,075,628	5,951,670	(123,958)
Expenditures				
Current:				
General government	1,355,056	1,419,007	1,737,203	(318,196) *
Public safety	1,954,172	1,961,172	1,954,163	7,009
Public works	1,272,102	1,368,103	1,361,659	6,444
Library, parks, and recreation	71,285	71,285	70,106	1,179
Economic development	503,145	790,145	719,774	70,371
Debt service:				
Principal	-	-	58,021	(58,021) *
Interest and fiscal charges	-	-	5,963	(5,963) *
Total Expenditures	5,155,760	5,609,712	5,906,889	(297,177)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(74,332)	465,916	44,781	(421,135)
Other Financing (Uses)				
Transfers (out)	(453,287)	(441,287)	(191,134)	250,153
Total Other Financing (Uses)	(453,287)	(441,287)	(191,134)	250,153
Net Change in Fund Balance	\$ (527,619)	\$ 24,629	(146,353)	\$ (170,982)
Beginning fund balance			4,454,875	
Ending Fund Balance			\$ 4,308,522	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at the legal level of control.

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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, 2016

	Measurement Year *	
	2015	2014
Total Pension Liability		
Service cost	\$ 217,485	\$ 98,272
Interest (on the total pension liability)	90,331	76,628
Changes of benefit terms	-	46,383
Difference between expected and actual experience	(13,322)	7,393
Change of assumptions	49,239	-
Benefit payments, including refunds of employee contributions	(50,564)	(41,731)
Net Change in Total Pension Liability	293,169	186,945
Beginning total pension liability	1,206,979	1,020,034
Ending Total Pension Liability	\$ 1,500,148	\$ 1,206,979
Plan Fiduciary Net Position		
Contributions - employer	\$ 95,238	\$ 34,683
Contributions - employee	121,889	63,755
Net investment income	1,807	63,289
Benefit payments, including refunds of employee contributions	(50,564)	(41,731)
Administrative expense	(1,101)	(661)
Other	(54)	(54)
Net Change in Plan Fiduciary Net Position	167,215	119,281
Beginning plan fiduciary net position	1,225,407	1,106,126
Ending Plan Fiduciary Net Position	\$ 1,392,622	\$ 1,225,407
Net Pension Liability (Asset)	\$ 107,526	\$ (18,428)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	92.83%	102%
Covered Employee Payroll	\$ 1,741,276	\$ 1,275,100
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	6.18%	(1.45%)

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

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CITY OF MANVEL, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2016

	Fiscal Year *		
	2016	2015	2014
Actuarially determined contribution	\$ 109,865	\$ 76,909	\$ 31,916
Contributions in relation to the actuarially determined contribution	109,865	76,909	31,916
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,960,061	\$ 1,560,104	\$ 1,232,533
Contributions as a percentage of covered employee payroll	5.61%	4.93%	2.59%

*Only three years of information is currently available. The City will build this schedule over the next seven-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	25 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.

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COMBINING STATEMENTS AND SCHEDULES

CITY OF MANVEL, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2016

	Special Revenue Funds			
	Hotel Taxes	Court Security	Court Technology	TIRZ No. 3
<u>Assets</u>				
Cash	\$ 223,576	\$ 8,165	\$ 5,592	\$ -
Receivables, net	15,138	-	-	6,653
Due from other funds	107,659	-	4,942	-
Total Assets	\$ 346,373	\$ 8,165	\$ 10,534	\$ 6,653
<u>Liabilities</u>				
Due to other funds	\$ -	\$ 2,682	\$ -	\$ -
Total Liabilities	-	2,682	-	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	-	-	-	6,653
Total Deferred Inflows of Resources	-	-	-	6,653
<u>Fund Balances</u>				
Restricted for:				
Enabling legislation	346,373	5,483	10,534	-
Tax increment reinvestment zone	-	-	-	-
Special projects	-	-	-	-
Total Fund Balances	346,373	5,483	10,534	-
Total Liabilities and Fund Balances	\$ 346,373	\$ 8,165	\$ 10,534	\$ -

Special Revenue Funds				Total
South Manvel Dev. Auth.	Community Impact	Law Enforcement	PEG Fee	Nonmajor Governmental Funds
\$ 68,762	\$ 419,604	\$ 844	\$ 67,093	\$ 793,636
-	-	-	4,217	26,008
-	-	-	-	112,601
<u>\$ 68,762</u>	<u>\$ 419,604</u>	<u>\$ 844</u>	<u>\$ 71,310</u>	<u>\$ 932,245</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,682
-	-	-	-	2,682
-	-	-	-	6,653
-	-	-	-	6,653
-	-	844	71,310	434,544
68,762	-	-	-	68,762
-	419,604	-	-	419,604
<u>68,762</u>	<u>419,604</u>	<u>844</u>	<u>71,310</u>	<u>922,910</u>
<u>\$ 68,762</u>	<u>\$ 419,604</u>	<u>\$ 844</u>	<u>\$ 71,310</u>	<u>\$ 925,592</u>

CITY OF MANVEL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2016

	<u>Special Revenue Funds</u>			
	<u>Hotel Taxes</u>	<u>Court Security</u>	<u>Court Technology</u>	<u>TIRZ No. 3</u>
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 22,879
Sales taxes	-	-	-	6,306
Fines and forfeitures	-	4,279	5,679	-
Hotel taxes	69,098	-	-	-
Investment earnings	903	16	27	50
Other revenues	-	-	-	-
Total Revenues	<u>70,001</u>	<u>4,295</u>	<u>5,706</u>	<u>29,235</u>
Expenditures				
General government	3,643	4,070	114	-
Total Expenditures	<u>3,643</u>	<u>4,070</u>	<u>114</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>66,358</u>	<u>225</u>	<u>5,592</u>	<u>29,235</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(29,235)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,235)</u>
Net Change in Fund Balances	<u>66,358</u>	<u>225</u>	<u>5,592</u>	<u>-</u>
Beginning fund balances	280,015	5,258	4,942	-
Ending Fund Balances	<u>\$ 346,373</u>	<u>\$ 5,483</u>	<u>\$ 10,534</u>	<u>\$ -</u>

Special Revenue Funds				Total
South Manvel Dev. Auth.	Community Impact	Law Enforcement	PEG Fee	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 22,879
-	-	-	-	6,306
-	-	-	-	9,958
-	-	-	-	69,098
106	1,110	2	179	2,393
-	237,044	842	17,904	255,790
<u>106</u>	<u>238,154</u>	<u>844</u>	<u>18,083</u>	<u>366,424</u>
12,292	10,000	-	-	30,119
<u>12,292</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>30,119</u>
(12,186)	228,154	844	18,083	336,305
29,235	191,450	-	53,227	273,912
-	-	-	-	(29,235)
<u>29,235</u>	<u>191,450</u>	<u>-</u>	<u>53,227</u>	<u>244,677</u>
17,049	419,604	844	71,310	580,982
51,713	-	-	-	341,928
<u>\$ 68,762</u>	<u>\$ 419,604</u>	<u>\$ 844</u>	<u>\$ 71,310</u>	<u>\$ 922,910</u>

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