

*ANNUAL FINANCIAL REPORT*

of the

**CITY OF MANVEL, TEXAS**

For the Year Ended  
September 30, 2017

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# CITY OF MANVEL, TEXAS

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September 30, 2017

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***INTRODUCTORY SECTION***

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**CITY OF MANVEL, TEXAS**  
**PRINCIPAL OFFICIALS**  
 September 30, 2017

<b>City Officials</b>	<b>Elective Position</b>	<b>Term Expires</b>
Debra Davison	Mayor	2020
Jason Albert	Council Member	2020
Brian Wilmer	Council Member	2020
Melissa Sifuentes	Council Member	2019
Jerome Hudson	Council Member	2019
Adrian Gasper	Council Member	2018
Lorraine Hehn	Council Member	2018

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

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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 units, 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, 2017, 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 units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, 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  
March 21, 2018

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





**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2017

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

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

1. *Governmental Activities* – Most of the City's basic services are reported here including general government; public safety; public works; economic development; and library, parks, and recreation. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise 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 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds for reporting purposes.

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2017**

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 \$15,144,845 as of year end for the primary government. A portion of the City's net position, 62%, 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, 2017

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities	
	2017	2016	2017	2016
Current and other assets	\$ 12,673,604	\$ 9,205,661	\$ 233,698	\$ 198,898
Capital assets, net	4,520,475	4,803,311	9,552,880	9,323,563
<b>Total Assets</b>	<b>17,194,079</b>	<b>14,008,972</b>	<b>9,786,578</b>	<b>9,522,461</b>
Deferred charge on refunding	12,224	13,583	-	-
Deferred outflows - pension	427,063	202,279	11,725	-
<b>Total Deferred Outflows of Resources</b>	<b>439,287</b>	<b>215,862</b>	<b>11,725</b>	<b>-</b>
Long-term liabilities	9,807,920	4,778,589	42,923	806
Other liabilities	2,345,887	3,833,150	82,232	76,683
<b>Total Liabilities</b>	<b>12,153,807</b>	<b>8,611,739</b>	<b>125,155</b>	<b>77,489</b>
Deferred inflows- pension	7,862	10,592	-	-
<b>Total Deferred Inflows of Resources</b>	<b>7,862</b>	<b>10,592</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>				
Net investment in capital assets	2,689,875	2,818,757	9,552,880	9,323,563
Restricted	2,049,724	1,641,888	-	-
Unrestricted	732,098	1,141,858	120,268	121,409
<b>Total Net Position</b>	<b>\$ 5,471,697</b>	<b>\$ 5,602,503</b>	<b>\$ 9,673,148</b>	<b>\$ 9,444,972</b>

	Total Primary Government		Reconciliation		Reconciled Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 12,907,302	\$ 9,404,559	\$ -	\$ -	\$ 12,907,302	\$ 9,404,559
Capital assets, net	14,073,355	14,126,874	-	-	14,073,355	14,126,874
<b>Total Assets</b>	<b>26,980,657</b>	<b>23,531,433</b>	<b>-</b>	<b>-</b>	<b>26,980,657</b>	<b>23,531,433</b>
Deferred charge on refunding	12,224	13,583	-	-	12,224	13,583
Deferred outflows - pension	438,788	202,279	-	-	438,788	202,279
<b>Total Deferred Outflows of Resources</b>	<b>451,012</b>	<b>215,862</b>	<b>-</b>	<b>-</b>	<b>451,012</b>	<b>215,862</b>
Long-term liabilities	9,850,843	4,779,395	-	-	9,850,843	4,779,395
Other liabilities	2,428,119	3,909,833	-	-	2,428,119	3,909,833
<b>Total Liabilities</b>	<b>12,278,962</b>	<b>8,689,228</b>	<b>-</b>	<b>-</b>	<b>12,278,962</b>	<b>8,689,228</b>
Deferred inflows- pension	7,862	10,592	-	-	7,862	10,592
<b>Total Deferred Inflows of Resources</b>	<b>7,862</b>	<b>10,592</b>	<b>-</b>	<b>-</b>	<b>7,862</b>	<b>10,592</b>
<b>Net Position:</b>						
Net investment in capital assets	12,242,755	12,142,320	(2,844,110)	(3,170,000)	9,398,645	8,972,320
Restricted	2,049,724	1,641,888	-	-	2,049,724	1,641,888
Unrestricted	852,366	1,263,267	2,844,110	3,170,000	3,696,476	4,433,267
<b>Total Net Position</b>	<b>\$ 15,144,845</b>	<b>\$ 15,047,475</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,144,845</b>	<b>\$ 15,047,475</b>

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2017

A portion of the primary government's net position, \$2,049,724 or 14%, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,696,476, may be used to meet the City's ongoing obligation to citizens and creditors. Net position increased by \$97,370 compared to the prior year.

The City has issued and repaid debt in its governmental activities for which the proceeds were used to construct capital assets for the business-type activities. With one activity carrying the capital asset and another carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Net debt associated with governmental activities, in the amount of \$2,844,110, 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.

**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	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,002,671	\$ 1,798,724	\$ 513,460	\$ 524,223	\$ 2,516,131	\$ 2,322,947
Operating grants and contributions	283,693	96,964	-	-	283,693	96,964
General revenues:						
Property taxes	3,289,544	2,781,101	-	-	3,289,544	2,781,101
Sales taxes	1,452,514	1,352,408	-	-	1,452,514	1,352,408
Franchise and hotel occupancy taxes	651,405	522,458	-	-	651,405	522,458
Investment earnings	82,015	25,042	-	382	82,015	25,424
Other revenues	779,232	335,611	-	-	779,232	335,611
<b>Total Revenues</b>	<b>8,541,074</b>	<b>6,912,308</b>	<b>513,460</b>	<b>524,605</b>	<b>9,054,534</b>	<b>7,436,913</b>
<b>Expenses</b>						
General government	2,239,052	1,830,799	-	-	2,239,052	1,830,799
Public safety	3,021,313	1,937,295	-	-	3,021,313	1,937,295
Public works	2,080,891	1,564,439	-	-	2,080,891	1,564,439
Library, parks, and recreation	61,757	78,504	-	-	61,757	78,504
Economic development	440,887	341,187	-	-	440,887	341,187
Interest on long-term debt	287,988	169,961	-	-	287,988	169,961
Water and sewer	-	-	825,276	723,885	825,276	723,885
<b>Total Expenses</b>	<b>8,131,888</b>	<b>5,922,185</b>	<b>825,276</b>	<b>723,885</b>	<b>8,957,164</b>	<b>6,646,070</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>409,186</b>	<b>990,123</b>	<b>(311,816)</b>	<b>(199,280)</b>	<b>97,370</b>	<b>790,843</b>
Transfers	(539,992)	191,450	539,992	(191,450)	-	-
<b>Change in Net Position</b>	<b>(130,806)</b>	<b>1,181,573</b>	<b>228,176</b>	<b>(390,730)</b>	<b>97,370</b>	<b>790,843</b>
Beginning net position	5,602,503	4,420,930	9,444,972	9,835,702	15,047,475	14,256,632
<b>Ending Net Position</b>	<b>\$ 5,471,697</b>	<b>\$ 5,602,503</b>	<b>\$ 9,673,148</b>	<b>\$ 9,444,972</b>	<b>\$ 15,144,845</b>	<b>\$ 15,047,475</b>

**CITY OF MANVEL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2017**

For the year ended September 30, 2017, revenues from governmental activities totaled \$8,541,074. Revenues increased \$1,628,766 compared to the prior year. This increase was largely due to an increase in the other revenue related to pipeline crossing fees, an increase in licenses and permits issued as a result of an increase in related activities within the City, an increase in property tax revenues resulting from an increase in the assessed values of properties within the City, and an increase in sales tax and franchise fees received.

For the year ended September 30, 2017, expenses for governmental activities totaled \$8,131,888. Total expenses increased \$2,209,703 compared to the prior year, which can be attributed primarily to an increase in personnel costs, pension expense, Hurricane Harvey related expenses, and repair and maintenance projects.

Business-type activities net position increased by \$228,176. Current year revenues were comparable to the prior year, decreasing by \$11,145. Current year expenses increased by \$101,391 primarily due to an increase in personnel costs, pension expense, and electricity costs.

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

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

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

The City's governmental funds reflect a combined fund balance of \$10,991,866. Of this, \$128,461 is restricted for debt service, \$527,648 is restricted by enabling legislation, \$122,809 is restricted for a tax increment reinvestment zone, \$5,114,207 is restricted for capital projects, \$670,172 is restricted for special projects, \$291,798 is committed for road maintenance, \$65 is nonspendable in the form of prepaid items, and \$4,136,706 is unassigned.

The general fund had an increase in fund balance of \$120,047. The general fund reports a healthy fund balance of \$4,428,569, which exceeds approximately 8 months of the general fund's expenditures. Compared to the prior year, revenues increased \$1,340,458 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 fees and sales tax collections, and an increase in license and permit revenues from an increase in related activities. Expenditures increased \$671,191 compared to the prior year. This increase was the result of increases in street repairs, road repair – pipeline reimbursement, Hurricane Harvey related expenditures, inspections, and personnel costs.

The debt service fund had a decrease in fund balance of \$97,583 largely due to transfers to other funds.

The capital projects fund had an increase in fund balance of \$4,621,273 due to new bonds issued and transfers in for capital projects.

**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, 2017

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were more than the final budgeted revenues by \$314,416 during the year largely due to more than expected revenues for other tax, licenses and permits, other revenues, and investment earnings. General fund expenditures were less than the final budget by \$530,944 during the year mainly due to positive budget variances in general government, public works, and library, parks, and recreations.

**CAPITAL ASSETS**

At the end of the year, the City's governmental and business-type activities had invested \$14,073,355 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net decrease of \$53,519 from prior year.

Major capital asset events during the year included the following:

- City hall parking lot improvement for \$55,005
- Purchased two Tahoes for \$76,299
- Purchased a loader for \$115,252
- Purchased a Freightliner for \$99,641
- Water plant improvement project costs of \$177,675
- Rogers water and sewer project costs of \$206,143

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 \$9,042,824. Of this amount, \$2,040,000 represents general obligation bonds, \$6,195,000 represents certificates of obligation, \$775,000 represents tax anticipation notes, and \$32,824 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 \$7,815,685 general fund budget for the 2017-2018 fiscal year. This is a 9% decrease from the prior year. The tax rate adopted for the fiscal year 2017-2018 budget will be \$0.57 per \$100 in property value, which is the same rate as fiscal year 2016-2017. The budget will raise more revenue from property taxes than last year's budget by about \$424,749 due to property appraisal value increases and new property added to the tax roll.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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***BASIC FINANCIAL STATEMENTS***

# CITY OF MANVEL, TEXAS

## STATEMENT OF NET POSITION

September 30, 2017

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 12,167,748	\$ 148,425	\$ -	\$ 12,316,173
Receivables, net	503,523	36,557	-	540,080
Due from component unit	2,268	-	-	2,268
Due from other governments	-	4,091	-	4,091
Prepaid items	65	-	-	65
Restricted assets:				
Cash and investments	-	44,625	-	44,625
<b>Total Current Assets</b>	12,673,604	233,698	-	12,907,302
Noncurrent assets				
Nondepreciable	1,134,976	2,767,577	-	3,902,553
Net depreciable	3,385,499	6,785,303	-	10,170,802
<b>Total Noncurrent Assets</b>	4,520,475	9,552,880	-	14,073,355
<b>Total Assets</b>	17,194,079	9,786,578	-	26,980,657
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	12,224	-	-	12,224
Deferred outflows - pensions	427,063	11,725	-	438,788
<b>Total Deferred Outflows of Resources</b>	439,287	11,725	-	451,012
<b>Liabilities</b>				
Accounts payable and accrued liabilities	882,262	26,421	-	908,683
Customer deposits	-	44,625	-	44,625
Accrued interest payable	15,819	-	-	15,819
Due to primary government	-	-	-	-
Unearned revenue	579,279	-	-	579,279
<b>Total Current Liabilities</b>	1,477,360	71,046	-	1,548,406
Noncurrent liabilities:				
Long-term liabilities due within one year	868,527	11,186	-	879,713
Long-term liabilities due in more than one year	8,494,577	1,243	-	8,495,820
Net pension liability - TMRS	1,313,343	41,680	-	1,355,023
<b>Total Noncurrent Liabilities</b>	10,676,447	54,109	-	10,730,556
<b>Total Liabilities</b>	12,153,807	125,155	-	12,278,962
<b>Deferred Inflows of Resources</b>				
Deferred inflows - pensions	7,862	-	-	7,862
<b>Net Position</b>				
Net investment in capital assets	2,689,875	9,552,880	(2,844,110)	9,398,645
Restricted for:				
Debt service	128,461	-	-	128,461
Enabling legislation	527,648	-	-	527,648
Tax increment reinvestment zone	122,809	-	-	122,809
Special projects	670,172	-	-	670,172
Capital projects	600,634	-	-	600,634
Manvel Economic Development Corporation	-	-	-	-
Unrestricted	732,098	120,268	2,844,110	3,696,476
<b>Total Net Position</b>	\$ 5,471,697	\$ 9,673,148	\$ -	\$ 15,144,845

See Notes to Financial Statements.

<b>Component Unit</b>	
<b>Manvel Economic Dev. Corp.</b>	
\$	1,885,019
	130,550
	-
	-
	-
	<u>2,015,569</u>
	-
	-
	-
	<u>2,015,569</u>
	-
	-
	-
	-
	2,268
	-
	<u>2,268</u>
	-
	-
	-
	-
	<u>2,268</u>
	-
	-
	-
	-
	-
	2,013,301
	-
\$	<u><u>2,013,301</u></u>

# CITY OF MANVEL, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 2,239,052	\$ -	\$ -
Public safety	3,021,313	262,745	283,693
Public works	2,080,891	1,739,926	-
Library, parks, and recreation	61,757	-	-
Economic development	440,887	-	-
Interest and fiscal agent fees on long-term debt	287,988	-	-
<b>Total Governmental Activities</b>	<b>8,131,888</b>	<b>2,002,671</b>	<b>283,693</b>
<b>Business -Type Activities</b>			
Water and sewer	825,276	513,460	-
<b>Total Business-Type Activities</b>	<b>825,276</b>	<b>513,460</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 8,957,164</b>	<b>\$ 2,516,131</b>	<b>\$ 283,693</b>
 <b>Component Unit</b>			
Manvel Economic Development Corporation	\$ 319,387	\$ -	\$ -
<b>Total Component Unit</b>	<b>\$ 319,387</b>	<b>\$ -</b>	<b>\$ -</b>

**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.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Manvel Economic Dev. Corp.
Governmental Activities	Business-Type Activities	Total	
\$ (2,239,052)	\$ -	\$ (2,239,052)	\$ -
(2,474,875)	-	(2,474,875)	-
(340,965)	-	(340,965)	-
(61,757)	-	(61,757)	-
(440,887)	-	(440,887)	-
(287,988)	-	(287,988)	-
<u>(5,845,524)</u>	<u>-</u>	<u>(5,845,524)</u>	<u>-</u>
-	(311,816)	(311,816)	-
-	(311,816)	(311,816)	-
<u>(5,845,524)</u>	<u>(311,816)</u>	<u>(6,157,340)</u>	<u>-</u>
-	-	-	(319,387)
-	-	-	(319,387)
3,289,544	-	3,289,544	-
1,452,514	-	1,452,514	726,290
651,405	-	651,405	-
82,015	-	82,015	16,237
779,232	-	779,232	-
(539,992)	539,992	-	-
<u>5,714,718</u>	<u>539,992</u>	<u>6,254,710</u>	<u>742,527</u>
(130,806)	228,176	97,370	423,140
<u>5,602,503</u>	<u>9,444,972</u>	<u>15,047,475</u>	<u>1,590,161</u>
<u>\$ 5,471,697</u>	<u>\$ 9,673,148</u>	<u>\$ 15,144,845</u>	<u>\$ 2,013,301</u>

# CITY OF MANVEL, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2017

	General	Debt Service	Capital Projects	Nonmajor Governmental
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 8,309,175	\$ 703,461	\$ 1,703,102	\$ 1,293,696
Receivables, net	449,263	9,008	13,300	31,952
Due from other funds	-	-	3,475,000	-
Due from component unit	2,268	-	-	-
Prepaid items	65	-	-	-
<b>Total Assets</b>	<b>\$ 8,760,771</b>	<b>\$ 712,469</b>	<b>\$ 5,191,402</b>	<b>\$ 1,325,648</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 805,067	\$ -	\$ 77,195	\$ -
Due to other funds	2,900,000	575,000	-	-
Unearned revenue	579,279	-	-	-
	4,284,346	575,000	77,195	-
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	47,856	9,008	-	5,019
<b>Total Deferred Inflows of Resources</b>	47,856	9,008	-	5,019
<b><u>Fund Balances</u></b>				
Nonspendable:				
Prepaid items	65	-	-	-
Restricted for:				
Debt service	-	128,461	-	-
Enabling legislation	-	-	-	527,648
Tax increment reinvestment zone	-	-	-	122,809
Capital projects	-	-	5,114,207	-
Special projects	-	-	-	670,172
Committed for:				
Road maintenance	291,798	-	-	-
Unassigned	4,136,706	-	-	-
<b>Total Fund Balances</b>	4,428,569	128,461	5,114,207	1,320,629
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 8,760,771</b>	<b>\$ 712,469</b>	<b>\$ 5,191,402</b>	<b>\$ 1,325,648</b>

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

\$ 12,009,434  
503,523  
3,475,000  
2,268  
65  
\$ 15,990,290

\$ 882,262  
3,475,000  
579,279  
4,936,541

61,883  
61,883

65

128,461  
527,648  
122,809  
5,114,207  
670,172

291,798  
4,136,706  
10,991,866

\$ 15,990,290

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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, 2017**

Total fund balances – total governmental funds \$ 10,991,866

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	7,936,565
Capital assets – net depreciable	(3,758,158)

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

Deferred charge on refunding	12,224
Accrued interest	(15,819)

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 61,883

Internal service funds are used by management to charge the costs of certain capital assets and maintenance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. 500,382

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	(868,527)
Noncurrent liabilities due in more than one year	(8,494,577)
Net pension liability	(1,313,343)
Deferred outflows - pensions	427,063
Deferred inflows - pensions	(7,862)

**Net Position of Governmental Activities** **\$ 5,471,697**

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, 2017

	General	Debt Service	Capital Projects	Nonmajor Governmental
<b>Revenues</b>				
Property taxes	\$ 2,595,400	\$ 652,243	\$ -	\$ 50,470
Sales taxes	1,446,522	-	-	5,992
Other taxes	575,946	-	-	75,459
Licenses and permits	1,739,926	-	-	-
Fines and forfeitures	251,235	-	-	11,510
Intergovernmental	1,834	94,311	187,548	-
Investment earnings	76,909	5,106	-	-
Other revenues	604,356	-	29	174,847
<b>Total Revenues</b>	7,292,128	751,660	187,577	318,278
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,881,835	-	-	22,995
Public safety	2,502,665	-	-	-
Public works	1,668,279	-	-	-
Library, parks, and recreation	57,261	-	-	-
Economic development	403,872	-	-	-
<b>Capital outlay</b>	-	-	604,106	-
<b>Debt service:</b>				
Principal	60,313	500,000	-	-
Interest and fiscal charges	3,855	187,490	-	-
Issuance costs	-	-	107,300	-
Other costs	-	-	-	-
<b>Total Expenditures</b>	6,578,080	687,490	711,406	22,995
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	714,048	64,170	(523,829)	295,283
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	631,251	158,898
Transfers (out)	(594,001)	(161,753)	(100,000)	(56,462)
Bond proceeds	-	-	4,435,000	-
Bond premium	-	-	178,851	-
<b>Total Other Financing Sources (Uses)</b>	(594,001)	(161,753)	5,145,102	102,436
<b>Net Change in Fund Balances</b>	120,047	(97,583)	4,621,273	397,719
Beginning fund balances	4,308,522	226,044	492,934	922,910
<b>Ending Fund Balances</b>	\$ 4,428,569	\$ 128,461	\$ 5,114,207	\$ 1,320,629

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

\$ 3,298,113  
1,452,514  
651,405  
1,739,926  
262,745  
283,693  
82,015  
779,232  
8,549,643

1,904,830  
2,502,665  
1,668,279  
57,261  
403,872  
604,106

560,313  
191,345  
107,300

7,999,971

549,672

790,149  
(912,216)  
4,435,000  
178,851  
4,491,784

5,041,456  
5,950,410  
\$ 10,991,866

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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, 2017**

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

Net changes in fund balances - total governmental funds	\$ 5,041,456
---	--------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	241,299
Depreciation expense	(604,757)

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

Property taxes	(8,569)
----------------	---------

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.

Debt issued	(4,435,000)
Premium	(169,907)
Amortization of deferred charge	(1,359)
Accrued interest	3,072
Principal expenditures	560,313

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.

Net pension liability	(1,205,817)
Deferred outflows - pensions	224,784
Deferred inflows - pensions	2,730
Compensated absences	(17,987)

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

	238,936
--	---------

<b>Change in Net Position of Governmental Activities</b>	<b>\$ (130,806)</b>
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See Notes to Financial Statements.

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# CITY OF MANVEL, TEXAS

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

September 30, 2017

	<b>Business-Type Activities Enterprise</b>	<b>Governmental Activities Internal Service</b>
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 148,425	\$ 158,314
Receivables, net	36,557	-
Due from other governments	4,091	-
<b>Total Current Assets</b>	<b>189,073</b>	<b>158,314</b>
Restricted cash and cash equivalents:		
Customer deposits	44,625	-
Noncurrent assets:		
Capital assets:		
Land	2,349,652	-
Construction in progress	417,925	-
Water/sewer system	8,458,125	-
Machinery and equipment	135,757	508,554
Less: accumulated depreciation	(1,808,579)	(166,486)
<b>Total Noncurrent Assets</b>	<b>9,552,880</b>	<b>342,068</b>
<b>Total Assets</b>	<b>9,786,578</b>	<b>500,382</b>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred outflows - pensions	11,725	-
<b><u>Liabilities</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	26,421	-
Customer deposits	44,625	-
<b>Total Current Liabilities</b>	<b>71,046</b>	<b>-</b>
Noncurrent liabilities:		
Net pension liability	41,680	-
Long-term debt due in one year	11,186	-
Long-term debt due in more than one year	1,243	-
<b>Total Noncurrent Liabilities</b>	<b>54,109</b>	<b>-</b>
<b>Total Liabilities</b>	<b>125,155</b>	<b>-</b>
<b><u>Net Position</u></b>		
Net investment in capital assets	9,552,880	342,068
Unrestricted	120,268	158,314
<b>Total Net Position</b>	<b>\$ 9,673,148</b>	<b>\$ 500,382</b>

See Notes to Financial Statements.

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# CITY OF MANVEL, TEXAS

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

For the Year Ended September 30, 2017

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<b><u>Operating Revenues</u></b>		
Water charges	\$ 231,567	\$ -
Sewer charges	211,740	-
Other revenues	70,153	343,560
<b>Total Operating Revenues</b>	513,460	343,560
<b><u>Operating Expenses</u></b>		
Personnel services	207,410	-
Utility	67,408	-
Supplies	71,850	-
Repair and maintenance	290,000	-
Capital lease payment	-	3,500
Depreciation	188,608	101,124
<b>Total Operating Expenses</b>	825,276	104,624
<b>Operating Income (Loss)</b>	(311,816)	238,936
<b>Income (Loss) Before Transfers</b>	(311,816)	238,936
<b><u>Nonoperating Revenues</u></b>		
Capital contributions	417,925	-
Transfers in	122,067	-
<b>Total Nonoperating Revenues</b>	539,992	
<b>Change in Net Position</b>	228,176	238,936
Beginning net position	9,444,972	261,446
<b>Ending Net Position</b>	\$ 9,673,148	\$ 500,382

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, 2017

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from customers and users	\$ 501,695	\$ 343,560
Payments to suppliers	(382,290)	(3,500)
Payments to employees	(207,410)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(88,005)</b>	<b>340,060</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>		
Transfers in from other funds	122,067	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>122,067</b>	<b>-</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Purchase of capital assets	-	(181,746)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(181,746)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	34,062	158,314
Beginning cash and cash equivalents	158,988	-
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 193,050</b>	<b>\$ 158,314</b>
<b>Ending Cash and Cash Equivalents:</b>		
Unrestricted cash and cash equivalents	\$ 148,425	\$ 158,314
Restricted cash and cash equivalents	44,625	-
	<b>\$ 193,050</b>	<b>\$ 158,314</b>

# CITY OF MANVEL, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2017

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<b><u>Reconciliation of Operating Income (Loss)</u></b>		
<b><u>to Net Cash Provided (Used) by Operating Activities</u></b>		
Operating income (loss)	\$ (311,816)	\$ 238,936
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Depreciation	188,608	101,124
<b>Changes in Operating Assets and Liabilities:</b>		
<b>(Increase) Decrease in:</b>		
Accounts receivable	(738)	-
Deferred outflows	(11,725)	-
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued liabilities	5,288	-
Net pension liability	41,680	-
Customer deposits	698	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (88,005)</b>	<b>\$ 340,060</b>
 <b>Nonoperating Activities:</b>		
Capital contributions	\$ 417,925	\$ -
 <b>Net Cash Provided by Nonoperating Activities</b>	<b>\$ 417,925</b>	<b>\$ -</b>

See Notes to Financial Statements.

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# **CITY OF MANVEL, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended September 30, 2017

### **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, parks and recreation, water and sewer, economic development, and general administrative services.

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

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

#### **Discretely Presented Component Units**

##### **Manvel Economic Development Corporation**

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

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

**Manvel Cultural Education Facilities Finance Corporation**

The Manvel Cultural Education Facilities Finance Corporation (MCEFFC) was organized on September 23, 2002 pursuant to the Texas Cultural Education Facilities Finance Corporation Act. The members of the Board are appointed by City Council. The MCEFFC does not pass an annual budget and has a September 30 year end. The MCEFFC issues bonds to finance or refinance educational facilities. The borrower receives a more favorable interest rate and the MCEFFC receives a fee for issuing these bonds. These bonds are limited obligations of the MCEFFC, payable solely from revenues received by the MCEFFC pursuant to a loan agreement by and between the MCEFFC and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. Therefore, the MCEFFC has no responsibility for the payment of this debt. The related loan agreements and bonds payable have not been recorded in the financial statements of the City. The only activity reported in the financial statements of the City are fees relating to issuance of the debt obligations. These fees are reported in the City's general fund. The City did not report any activities for the MCEFFC during fiscal year 2017.

**Manvel Education Facilities Corporation**

The Manvel Education Facilities Corporation (MEFC) was organized on June 12, 2001 pursuant to the Higher Education Authority Act. The members of the Board are appointed by City Council. The MEFC does not pass an annual budget and has a September 30 year end. The MEFC issues bonds to finance or refinance educational facilities. The borrower receives a more favorable interest rate and the MEFC receives a fee for issuing these bonds. These bonds are limited obligations of the MEFC, payable solely from revenues received by the MEFC pursuant to a loan agreement by and between the MEFC and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. Therefore, the MEFC has no responsibility for the payment of this debt. The related loan agreements and bonds payable have not been recorded in the financial statements of the City. The only activity reported in the financial statements of the City are fees relating to issuance of the debt obligations. These fees are reported in the City's general fund. The City did not report any activities for the MEFC during fiscal year 2017.

**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.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**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, 2017**

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

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

The City reports the following enterprise fund:

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

Additionally, the City reports the following fund type:

*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.

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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

**1. Cash and Cash Equivalents**

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

**2. Investments**

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

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

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

**3. Prepaid Items**

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

**4. Restricted Assets**

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the enterprise fund are restricted by bond covenants for repayment of debt and to finance construction projects.

**5. Capital Assets**

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

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

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

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

**7. Compensated Employee Absences**

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

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

**8. Long-Term Obligations**

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**9. Net Position Flow Assumption**

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

**10. Fund Balance Flow Assumptions**

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

**11. Fund Balance Policies**

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

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

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**12. Estimates**

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

**13. Pensions**

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

**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.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**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**

As of September 30, 2017, expenditures exceeded appropriations at the legal level of control as follows:

General Fund	
Economic development	\$20,872
Transfers (out)	\$ 802

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 9,220,469	0.00
<b>Total Fair Value</b>	<u>\$ 9,220,469</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, 2017, the City's investments in TexPool and was 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 fiscal year end, the fair market values of pledged securities and FDIC coverage was less than the bank balances.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**TexPool**

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

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

**B. Receivables**

The following comprise receivable balances at September 30, 2017:

	<b>Governmental Funds</b>				<b>Proprietary Fund</b>
	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental</b>	<b>Enterprise</b>
Accounts	\$ 5,578	\$ -	\$ 13,300	\$ -	\$ 43,557
Property taxes	98,129	13,233	-	-	-
Sales taxes	261,100	6,361	-	-	-
Hotel occupancy taxes	-	-	-	23,475	-
TIRZ#3	-	-	-	5,019	-
Franchise fees	134,729	-	-	3,458	-
Less Allowances	(50,273)	(10,586)	-	-	(7,000)
	<u>\$ 449,263</u>	<u>\$ 9,008</u>	<u>\$ 13,300</u>	<u>\$ 31,952</u>	<u>\$ 36,557</u>

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**C. Capital Assets**

A summary of changes in capital assets for governmental activities for the year ended September 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,119,976	\$ -	\$ -	\$ 1,119,976
Construction in progress	-	15,000	-	15,000
<b>Total nondepreciable assets</b>	<u>1,119,976</u>	<u>15,000</u>	<u>-</u>	<u>1,134,976</u>
Other capital assets:				
Buildings, improvements, and roads	4,455,232	55,005	-	4,510,237
Machinery and equipment	2,446,866	353,040	-	2,799,906
<b>Total other capital assets</b>	<u>6,902,098</u>	<u>408,045</u>	<u>-</u>	<u>7,310,143</u>
<b>Total capital assets</b>	<u>8,022,074</u>	<u>423,045</u>	<u>-</u>	<u>8,445,119</u>
Less accumulated depreciation for:				
Buildings, improvements, and roads	(1,798,881)	(392,025)	-	(2,190,906)
Machinery and equipment	(1,419,882)	(313,856)	-	(1,733,738)
<b>Total accumulated depreciation</b>	<u>(3,218,763)</u>	<u>(705,881)</u>	<u>-</u>	<u>(3,924,644)</u>
<b>Other capital assets, net</b>	<u>3,683,335</u>	<u>(297,836)</u>	<u>-</u>	<u>3,385,499</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 4,803,311</u>	<u>\$ (282,836)</u>	<u>\$ -</u>	<u>4,520,475</u>
			Less associated debt	(1,842,824)
			Plus deferred charge on refunding	12,224
			<b>Net Investment in Capital Assets</b>	<u>\$ 2,689,875</u>

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

Depreciation was charged to governmental functions as follows:

General government	\$ 19,072
Public safety	122,846
Public works	462,839
Internal service	101,124
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 705,881</u>

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2017:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Ending Balance</b>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,349,652	\$ -	\$ -	\$ 2,349,652
Construction in progress	-	417,925	-	417,925
<b>Total nondepreciable assets</b>	2,349,652	417,925	-	2,767,577
Other capital assets:				
Water/sewer system	8,458,125	-	-	8,458,125
Machinery and equipment	135,757	-	-	135,757
<b>Total other capital assets</b>	8,593,882	-	-	8,593,882
Less accumulated depreciation for:				
Water/sewer system	(1,532,575)	(183,237)	-	(1,715,812)
Machinery and equipment	(87,396)	(5,371)	-	(92,767)
<b>Total accumulated depreciation</b>	(1,619,971)	(188,608)	-	(1,808,579)
<b>Other capital assets, net</b>	6,973,911	(188,608)	-	6,785,303
<b>Business-Type Activities Capital Assets, Net</b>	\$ 9,323,563	\$ 229,317	\$ -	9,552,880
			Less associated debt	(7,369,907)
			Plus unspent bond proceeds	4,513,573
			Plus deferred charge on refunding	12,224
			<b>Net Investment in Capital Assets</b>	<b>\$ 6,708,770</b>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 188,608
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**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**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, 2017. 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>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 2,245,000	\$ -	\$ 205,000	\$ 2,040,000	\$ 215,000
Certificates of obligation	1,905,000	4,435,000	145,000	6,195,000	330,000
Tax anticipation notes	925,000	-	150,000	775,000	150,000
Capital leases	93,137	-	60,313	32,824	32,824
Net pension liability	107,526	1,205,817	-	1,313,343	-
Premium	-	178,850	8,943	169,907	-
Compensated absences	132,386	87,353	69,366	150,373	140,703
<b>Total Governmental Activities</b>	<u>\$ 5,408,049</u>	<u>\$ 5,907,020</u>	<u>\$ 638,622</u>	<u>\$ 10,676,447</u>	<u>\$ 868,527</u>
				<u>\$ 9,807,920</u>	
				<u>\$ 1,842,824</u>	
				<u>\$ 7,369,907</u>	

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type Activities:</b>					
Net pension liability	\$ -	\$ 41,680	\$ -	\$ 41,680	\$ -
Compensated absences	8,055	8,667	4,293	12,429	11,186
<b>Total Business-type Activities</b>	<u>\$ 8,055</u>	<u>\$ 50,347</u>	<u>\$ 4,293</u>	<u>\$ 54,109</u>	<u>\$ 11,186</u>
				<u>\$ 42,923</u>	

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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

Description	Interest Rates (%)	Balance
<b>Governmental Activities</b>		
<b>Certificate of obligation bonds</b>		
Certificates of Obligation, Series 2016	3.00	\$ 4,385,000
<b>Total General Obligation Bonds</b>		<u>4,385,000</u>
<b>General obligation bonds</b>		
Refunding Bonds -Series 2015	2.00	2,040,000
<b>Total General Obligation Bonds</b>		<u>2,040,000</u>
<b>Certificate of obligation bonds</b>		
Certificates of Obligation, Series 2013 (Land)	2.70	1,810,000
<b>Total General Obligation Bonds</b>		<u>1,810,000</u>
<b>Tax anticipation notes</b>		
Tax Anticipation Notes, Series 2014 (Water & Sewer)	1.95	775,000
<b>Total Tax Notes</b>		<u>775,000</u>
<b>Capital leases</b>		
Police Vehicles/Equipment	3.93	32,824
<b>Total Capital Leases</b>		<u>32,824</u>
<b>Total Governmental Activities Long-Term Debt</b>		<u>\$ 9,042,824</u>

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 Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 215,000	\$ 40,800	\$ 330,000	\$ 166,850	\$ 150,000	\$ 13,650
2019	215,000	36,500	330,000	158,625	150,000	10,725
2020	220,000	32,200	335,000	150,200	155,000	7,751
2021	220,000	27,800	330,000	141,650	160,000	4,680
2022	225,000	23,400	335,000	132,980	160,000	1,560
2023-2027	945,000	47,500	1,700,000	528,720	-	-
2028-2033	-	-	1,780,000	286,800	-	-
2034-2036	-	-	1,055,000	54,157	-	-
<b>Total</b>	<u>\$ 2,040,000</u>	<u>\$ 208,200</u>	<u>\$ 6,195,000</u>	<u>\$ 1,619,982</u>	<u>\$ 775,000</u>	<u>\$ 38,366</u>

  

Year Ending Sept. 30	Governmental Activities	
	Capital Leases	
	Principal	Interest
2018	\$ 32,824	\$ 1,288
<b>Total</b>	<u>\$ 32,824</u>	<u>\$ 1,288</u>

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

Machinery and equipment acquired under current capital lease obligations totaled \$111,258. This is from the issuance of one capital lease to acquire three police vehicles and related equipment. At year end, the vehicles and equipment had accumulated depreciation of \$66,755 and a net value of \$44,503.

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, 2017, \$94,311 was remitted by the Corporation to the debt service fund. The agreement extends through fiscal year 2022.

**Bond Issuance**

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 and bear an interest rate of 3.00%.

**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. Operating Leases**

The City ("Lessee") entered into a commercial lease agreement to lease a building for use as a public library on July 17, 2017. The lease term is twenty-four months, from August 1, 2017 to June 30, 2019. The City agreed to pay a minimum rent of \$3,300 monthly to the lessor. The cost of the lease was \$6,600 for the fiscal year ended September 30, 2017. The future minimum lease payments are as follows:

Fiscal Year Ended <u>September 30</u>	Future Minimum Lease Payments
2018	\$ 39,600
2019	33,000
<b>Total</b>	<b>\$ 72,600</b>

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**F. 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.

**G. Interfund Transactions**

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
Capital projects	Debt service	\$ 138,053
Capital projects	General	493,198
Enterprise	General	98,367
Enterprise	Debt service	23,700
Nonmajor governmental	General	2,436
Nonmajor governmental	Capital projects	100,000
Nonmajor governmental	Nonmajor governmental	56,462
		<u>\$ 912,216</u>

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
Capital projects	General	\$ 2,900,000
Capital projects	Debt service	575,000
		<u>\$ 3,475,000</u>

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

**H. Fund Equity**

As of September 30, 2017, \$527,648 of the City's total fund balance is restricted by enabling legislation.

**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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

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

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

Benefits Provided

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

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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:

	<b>2017</b>	<b>2016</b>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	10
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%	0%
Annuity increase (to retirees)	70% of CPI	0% of CPI

Employees Covered by Benefit Terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to, but not yet receiving, benefits	29
Active employees	41
<b>Total</b>	<b>78</b>

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 5.65% and 12.96% in calendar years 2016, and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$267,555, which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016 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, 2016 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

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**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. In addition, a three percent 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 three percent floor.

Actuarial assumptions used in the December 31, 2016 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

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

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
<b>Total</b>	<u><u>100.0%</u></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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(A)	(B)	(A) - (B)
Changes for the year:			
Service cost	\$ 278,209	\$ -	\$ 278,209
Interest	176,347	-	176,347
Change in current period benefits	999,103	-	999,103
Difference between expected and actual experience	149,739	-	149,739
Contributions - employer	-	117,468	(117,468)
Contributions - employee	-	145,550	(145,550)
Net investment income	-	94,003	(94,003)
Benefit payments, including refunds of employee contributions	(51,625)	(51,625)	-
Administrative expense	-	(1,063)	1,063
Other changes	-	(57)	57
<b>Net Changes</b>	<b>1,551,773</b>	<b>304,276</b>	<b>1,247,497</b>
Balance at December 31, 2015	1,500,148	1,392,622	107,526
<b>Balance at December 31, 2016</b>	<b>\$ 3,051,921</b>	<b>\$ 1,696,898</b>	<b>\$ 1,355,023</b>

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 1,825,659	\$ 1,355,023	\$ 970,933

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended September 30, 2017, the City recognized net pension expense of \$1,275,815.

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**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 120,442	\$ 7,862
Changes in actuarial assumptions	29,059	-
Difference between projected and actual investment earnings	56,039	-
Contributions subsequent to the measurement date	233,248	-
<b>Total</b>	<b>\$ 438,788</b>	<b>\$ 7,862</b>

\$233,248 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:

<b>Fiscal Year Ended September 30</b>	<b>Pension Expense</b>
2018	\$ 60,588
2019	60,271
2020	55,337
2021	21,482
<b>Total</b>	<b>\$ 197,678</b>

**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, 2017, 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

**CITY OF MANVEL, TEXAS**  
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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 2017, 2016, and 2015 were \$301, \$392, and \$312, respectively. The City's contribution rates for the past three years are shown below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual Req. Contrib. (Rate)	0.01%	0.02%	0.02%
Actual Contribution Made	0.01%	0.02%	0.02%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

**E. Tax Abatements/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"). The agreements empower the City to provide economic development incentives in accordance with Chapter 380, Texas Local Government Code. The Agreements, pursuant to Chapter 380, have terms of 25 years.

**Economic Development Agreement**

The City and the Developer agreed to certain conditions in accordance with the economic development agreement. On or before August 15, 2008, the City agreed to create an economic development fund and to deposit into such fund annually, during the term of the economic development agreement, "net revenues" as outlined below by August 15 of each year following completion of all phases of the improvements outlined in the economic development agreement.

The "net revenues" shall be computed each year by:

- (1) taking the total amount of ad valorem taxes levied by the City against the properties previously located within the boundaries identified within the economic development agreement for such year (net of penalty and interest) and multiplying such amount by the rate of ad valorem tax collection of the District as of June 30 of each year;
- (2) then subtracting \$10,000 per year for the years 2008 through and including 2012 for the City to retain to pay the costs of administering this agreement,
- (3) and then subtracting each of the following:
  - a. the revenues attributable to taxes levied on the base year value of the properties (net of penalty and interest),
  - b. the rebate amount paid to the District by the City in such year, and
  - c. \$525.00 per single family residence for which certificates of occupancy have been issued by the City.

The Developer agreed to provide sufficient funds for all project costs for the improvements and project administration costs which will be considered developer advances. Interest will accrue on the developer advances at a rate defined in the agreement. The improvements consist of acquisition,

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**For the Year Ended September 30, 2017**

construction, and development of public improvements within the property boundaries stated within the economic development agreement consisting of the major thoroughfare known as Rodeo Palms Parkway/Rodeo Drive to County Road 59. The agreement includes completed public improvement projects with actual project costs of \$3,403,793, proposed public improvement projects with estimated project costs of \$521,010, and project administration costs of \$93,603.

The City will reimburse the Developer for the developer advances not to exceed \$4,068,406 plus interest. Reimbursement payments will be applied first to the repayment of the project administration costs and after those costs are reimbursed, to the project costs subject to an audit as outlined in the agreement. Payments to the Developer shall begin on the earliest date that funds are available from the Economic Development Fund, after all phases of the improvements are completed, and shall continue as such funds accrue until the earlier of repayment in full of the developer advances or the termination of the agreement. The term of the agreement expires on the earlier of the date that the developer advances have been repaid in full or January 1, 2034. The City recognized expenditures payable to the Developer of \$403,872 for the fiscal year ended September 30, 2017.

**Interlocal Agreement**

In consideration of the development of land within the District and the related increase in the taxable values and the desire to more equitably distribute among the taxpayers of the City and the District the burden of ad valorem taxes, the City has agreed to make annual tax “rebate” payments to the District.

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

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

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

All City payments received by the District shall be deposited into the District’s debt service fund to be used solely for the payment of the District’s bonded indebtedness. Annual payments shall begin on August 15 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 August 15 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.

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

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

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 will subtract and retain an amount equal to five percent of the increment representing City administrative expenses. The City is required to make payments to the economic development fund by August 15 each year with the first payment due following the receipt of written notice from the District of the commencement of construction of the improvements by or on behalf of the District. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2017.

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 “Agreement”). 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 and capital investments of approximately \$400,000,000. The City agreed to create an economic development fund once the City starts receiving sales taxes generated within the boundaries noted within the Agreements. The City agreed to deposit 100% of these sales tax revenues into the economic development fund. The District also agreed to participate with sales tax revenues to be generated from this development. The sales tax revenues will be used to repay Developer advances, pay “performance based grants” to the Developer as outlined in the Agreement, and finance improvements as noted in both Agreements. The maximum payout of the performance based grants plus all payments made under the Agreement shall not exceed \$46,000,000. The Agreement shall remain in effect for an initial term of 35 years, unless earlier terminated for reasons noted in the Agreement. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2017.

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

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

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

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

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

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

JBB&D Family Limited Partnership

Consistent with Article III, Section 52- of the Texas Constitution, Chapters 501-505 of the Texas Local Government Code, and other law, the Manvel Economic Development Corporation (the “Corporation”) entered into an economic development and performance agreement with JBB&D Family Limited Partnership (the “Company”) to reimburse certain costs and fees associated with an infrastructure and development project. The Company agreed to invest and expend approximately \$5,500,000 to develop a site into a large food service, entertainment, and retail establishment. The Company agreed to hire and maintain staffing of approximately 45 new employees which shall be comprised of 35 full-time employees and 10 seasonal part-time employees. The Company will make good faith efforts to try to utilize, purchase from, and hire local vendors, suppliers, and workers where feasible and practical. The Company must fulfill these commitments within 22 months of the effective date of the agreement. The Corporation agreed to reimburse the Company for regional detention buy-in fee and cost of the required drainage ditch improvements, water and sewer impact fees, and building permit and plan review fees not to exceed a maximum reimbursement of \$100,000. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2017.

**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.

**CITY OF MANVEL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**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 of \$2.6 million for Phillips 66 Pipeline, LLC. As of September 30, 2017, the balance for the pipeline deposit is \$79,241.

**H. Subsequent Event**

In December 2017, the City Council approved the issuance of Combination Tax and Revenue Certificates of Obligation, Series 2017 in the amount of \$3,480,000. Proceeds from the sale of the certificates will be used for the acquisition of sites for a water and wastewater treatment plant, water and wastewater and drainage facilities, and for professional services. The certificates will mature on February 15, 2035. The certificates shall bear an interest rate ranging from 3.00% to 4.00%.

***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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
<b>Revenues</b>				
Property taxes	\$ 2,593,002	\$ 2,593,002	\$ 2,595,400	\$ 2,398
Sales taxes	1,370,000	1,427,114	1,446,522	19,408
Other taxes	412,000	459,300	575,946	116,646
Licenses and permits	1,132,500	1,704,631	1,739,926	35,295
Fines and forfeitures	160,000	228,024	251,235	23,211
Intergovernmental	1,200	1,700	1,834	134
Investment earnings	10,000	10,000	76,909	66,909
Other revenues	52,400	553,941	604,356	50,415
<b>Total Revenues</b>	<u>5,731,102</u>	<u>6,977,712</u>	<u>7,292,128</u>	<u>314,416</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,634,446	2,016,730	1,881,835	134,895
Public safety	2,228,631	2,548,230	2,502,665	45,565
Public works	1,496,027	1,880,331	1,668,279	212,052
Library, parks, and recreation	259,438	280,733	57,261	223,472
Economic development	340,000	383,000	403,872	(20,872) *
<b>Total Expenditures</b>	<u>5,958,542</u>	<u>7,109,024</u>	<u>6,578,080</u>	<u>530,944</u>
<b>Excess ( Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(227,440)</u>	<u>(131,312)</u>	<u>714,048</u>	<u>845,360</u>
<b>Other Financing Sources(Uses)</b>				
Transfers (out)	(120,000)	(593,199)	(594,001)	(802) *
<b>Total Other Financing (Uses)</b>	<u>(120,000)</u>	<u>(593,199)</u>	<u>(594,001)</u>	<u>(802)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (347,440)</u>	<u>\$ (724,511)</u>	120,047	<u>\$ 844,558</u>
Beginning fund balance			<u>4,308,522</u>	
<b>Ending Fund Balance</b>			<u>\$ 4,428,569</u>	

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, 2017

	Measurement Year *		
	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 278,209	\$ 217,485	\$ 98,272
Interest (on the total pension liability)	176,347	90,331	76,628
Changes of benefit terms	999,103	-	46,383
Difference between expected and actual experience	149,739	(13,322)	7,393
Change of assumptions	-	49,239	-
Benefit payments, including refunds of employee contributions	(51,625)	(50,564)	(41,731)
<b>Net Change in Total Pension Liability</b>	<u>1,551,773</u>	<u>293,169</u>	<u>186,945</u>
Beginning total pension liability	<u>1,500,148</u>	<u>1,206,979</u>	<u>1,020,034</u>
<b>Ending Total Pension Liability</b>	<u>\$ 3,051,921</u>	<u>\$ 1,500,148</u>	<u>\$ 1,206,979</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 117,468	\$ 95,238	\$ 34,683
Contributions - employee	145,550	121,889	63,755
Net investment income	94,003	1,807	63,289
Benefit payments, including refunds of employee contributions	(51,625)	(50,564)	(41,731)
Administrative expense	(1,063)	(1,101)	(661)
Other	(57)	(54)	(54)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>304,276</u>	<u>167,215</u>	<u>119,281</u>
Beginning plan fiduciary net position	<u>1,392,622</u>	<u>1,225,407</u>	<u>1,106,126</u>
<b>Ending Plan Fiduciary Net Position</b>	<u>\$ 1,696,898</u>	<u>\$ 1,392,622</u>	<u>\$ 1,225,407</u>
<b>Net Pension Liability (Asset)</b>	<u>\$ 1,355,023</u>	<u>\$ 107,526</u>	<u>\$ (18,428)</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)</b>	55.60%	92.83%	102%
<b>Covered Employee Payroll</b>	\$ 2,079,289	\$ 1,741,276	\$ 1,275,100
<b>Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	65.17	6.18%	(1.45%)

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

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**CITY OF MANVEL, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**For the Year Ended September 30, 2017**

	Fiscal Year *			
	2017	2016	2015	2014
Actuarially determined contribution	\$ 267,555	\$ 109,865	\$ 76,909	\$ 31,916
Contributions in relation to the actuarially determined contribution	267,555	109,865	76,909	31,916
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,406,957	\$ 1,960,061	\$ 1,560,104	\$ 1,232,533
Contributions as a percentage of covered employee payroll	11.12%	5.61%	4.93%	2.59%

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

- 1) Grantede 100% ad hoc USC with transfer.
- 2) Granted 70% ad hoc COLA.

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***COMBINING STATEMENTS AND SCHEDULES***

# CITY OF MANVEL, TEXAS

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

September 30, 2017

Special Revenue Funds				
	Hotel Taxes	Court Security	Court Technology	TIRZ No. 3
<b><u>Assets</u></b>				
Cash	\$ 394,657	\$ 5,764	\$ 16,401	\$ -
Receivables, net	23,475	-	-	5,019
<b>Total Assets</b>	\$ 418,132	\$ 5,764	\$ 16,401	\$ 5,019
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	\$ -	\$ -	\$ -	\$ 5,019
<b>Total Deferred Inflows of Resources</b>	-	-	-	5,019
<b><u>Fund Balances</u></b>				
Restricted for:				
Enabling legislation	418,132	5,764	16,401	-
Tax increment reinvestment zone	-	-	-	-
Special projects	-	-	-	-
<b>Total Fund Balances</b>	418,132	5,764	16,401	-
<b>Total Liabilities and Fund Balances</b>	\$ 418,132	\$ 5,764	\$ 16,401	\$ -

**Special Revenue Funds**

<b>South Manvel Dev. Auth.</b>	<b>Community Impact</b>	<b>Law Enforcement</b>	<b>Park</b>	<b>PEG Fee</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 122,809	\$ 570,172	\$ 844	\$ 100,000	\$ 83,049	\$ 1,293,696
-	-	-	-	3,458	31,952
<u>\$ 122,809</u>	<u>\$ 570,172</u>	<u>\$ 844</u>	<u>\$ 100,000</u>	<u>\$ 86,507</u>	<u>\$ 1,325,648</u>
-	-	-	-	-	5,019
-	-	-	-	-	5,019
-	-	844	-	86,507	527,648
122,809	-	-	-	-	122,809
-	570,172	-	100,000	-	670,172
<u>122,809</u>	<u>570,172</u>	<u>844</u>	<u>100,000</u>	<u>86,507</u>	<u>1,320,629</u>
<u>\$ 122,809</u>	<u>\$ 570,172</u>	<u>\$ 844</u>	<u>\$ 100,000</u>	<u>\$ 86,507</u>	<u>\$ 1,320,629</u>

**CITY OF MANVEL, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2017

		Special Revenue Funds			
		Hotel Taxes	Court Security	Court Technology	TIRZ No. 3
<b>Revenues</b>					
Property taxes		\$ -	\$ -	\$ -	\$ 50,470
Sales taxes		-	-	-	5,992
Fines and forfeitures		-	4,933	6,577	-
Hotel taxes		75,459	-	-	-
Other revenues		-	-	-	-
	<b>Total Revenues</b>	75,459	4,933	6,577	56,462
<b>Expenditures</b>					
General government		3,700	7,088	710	-
	<b>Total Expenditures</b>	3,700	7,088	710	-
	<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	71,759	(2,155)	5,867	56,462
<b>Other Financing Sources (Uses)</b>					
Transfers in		-	2,436	-	-
Transfers (out)		-	-	-	(56,462)
	<b>Total Other Financing Sources (Uses)</b>	-	2,436	-	(56,462)
	<b>Net Change in Fund Balances</b>	71,759	281	5,867	-
Beginning fund balances		346,373	5,483	10,534	-
	<b>Ending Fund Balances</b>	\$ 418,132	\$ 5,764	\$ 16,401	\$ -

**Special Revenue Funds**

<b>South Manvel Dev. Auth.</b>	<b>Community Impact</b>	<b>Law Enforcement</b>	<b>Park</b>	<b>PEG Fee</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,470
-	-	-	-	-	5,992
-	-	-	-	-	11,510
-	-	-	-	-	75,459
-	159,650	-	-	15,197	174,847
-	159,650	-	-	15,197	318,278
2,415	9,082	-	-	-	22,995
2,415	9,082	-	-	-	22,995
(2,415)	150,568	-	-	15,197	295,283
56,462	-	-	100,000	-	158,898
-	-	-	-	-	(56,462)
56,462	-	-	100,000	-	102,436
54,047	150,568	-	100,000	15,197	397,719
68,762	419,604	844	-	71,310	922,910
\$ 122,809	\$ 570,172	\$ 844	\$ 100,000	\$ 86,507	\$ 1,320,629

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