ANNUAL FINANCIAL REPORT

of the

CITY OF MANVEL, TEXAS

For the Year Ended
September 30, 2018

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS

TABLE OF CONTENTS

September 30, 2018

INTRODUCTORY SECTION	**Page**
Principal Officials	3
FINANCIAL SECTION	
Independent Auditors' Report	7
Management's Discussion and Analysis (Required Supplementary Information)	13
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	22
Statement of Activities	24
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet – Governmental Funds	26
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33
Proprietary Funds Financial Statements	
Statement of Net Position	35
Statement of Revenues, Expenses, and Changes in Fund Net Position	37
Statement of Cash Flows	38
Notes to Financial Statements	41
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	73
Schedules of Changes in Net Pension Liability/(Asset) and Related Ratios – Texas Municipal Retirement System	75
Schedule of Contributions – Texas Municipal Retirement System	76
Schedule of Changes in Total OPEB Libility and Related Ratios – Texas Municipal Retirement System	79
COMBINING STATEMENTS AND SCHEDULES	
Combining Balance Sheet – Nonmajor Governmental Funds	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	84

CITY OF MANVEL, TEXAS

TABLE OF CONTENTS

September 30, 2018

	Page
Schedule of Revenues, Expenditures, and Changes in Fund Balances	
Budget and Actual	
Debt Service Fund	87
Nonmajor Special Revenue Funds:	
Hotel Taxes Fund	88
Municipal Court Security Fund	88
Municipal Court Technology Fund	89
TIRZ#3 Property Tax Fund	89
South Manvel Development Authority Fund	90
Community Impact Fund	90
Park Fund	91
PEG fees Fund	91

INTRODUCTORY SECTION

(This page intentionally left bank.)

CITY OF MANVEL, TEXAS
PRINCIPAL OFFICIALS
September 30, 2018

City Officials	Elective Position	Term Expires
Debra Davison	Mayor	2020
Jason Albert	Council Member	2020
Brian Wilmer	Council Member	2020
Melissa Sifuentes	Council Member	2019
Jerome Hudson	Council Member	2019
Larry Akery	Council Member	2021
Lorraine Hehn	Council Member	2021

Key Staff	Position
Kyle Jung	City Manager
Michael Higgins	Director of Finance
Bobby Gervais	City Attorney
Tammy Bell	City Secretary
Keith Traylor	Police Chief
Jay White	Director of Public Works
Annie Torres	Municipal Court Administrator

(This page intentionally left blank.)

FINANCIAL SECTION

(This page intentionally left blank.)

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manvel, Texas (the "City"), as of and for the year ended September 30, 2018, 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.

Houston · Austin · Bellville · Woodville
3210 Bingle Rd., Ste. 300, Houston, TX 77055 // P: 713.263.1123 // info@txauditors.com // www.texasauditors.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

In 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of changes in net pension and total OPEB liability/(asset) and related ratios, and the 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
January 29, 2019

(This page intentionally left blank)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS

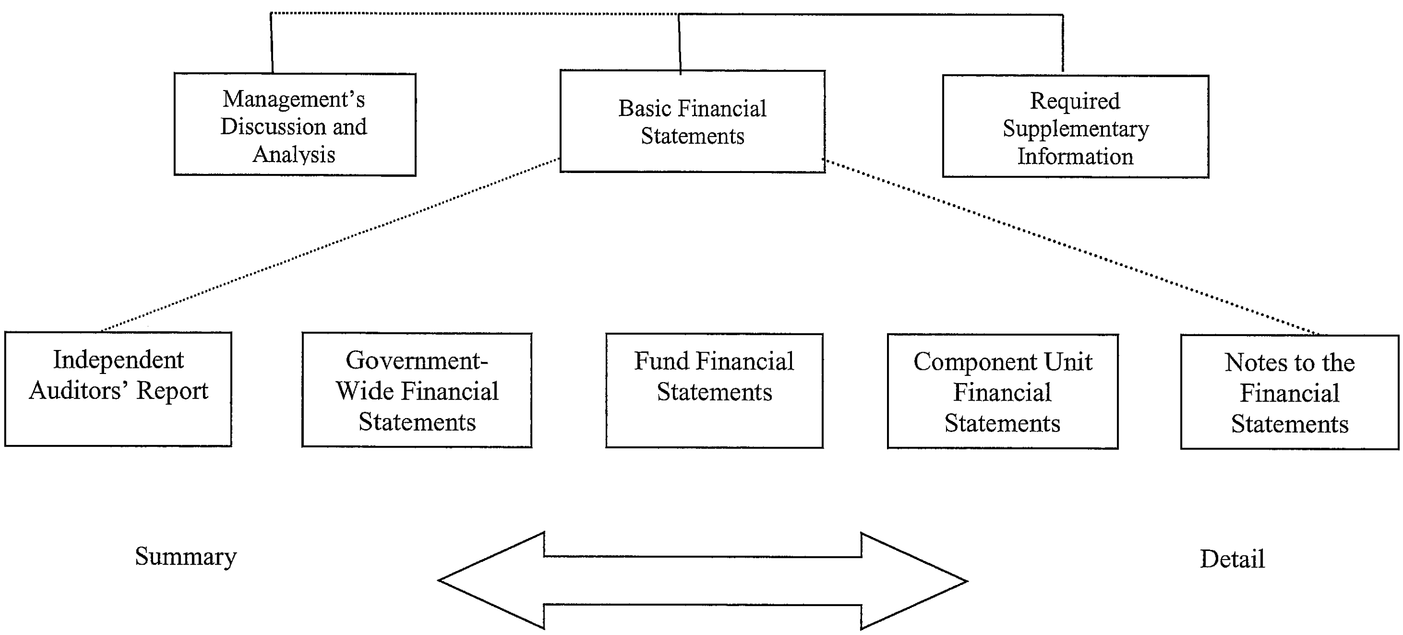
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2018

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Manvel, Texas (the "City") for the year ended September 30, 2018. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



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

<u>Government-Wide Statements</u>

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

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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.

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

Proprietary Funds

The City maintains 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, schedules of changes in net pension and total OPEB liability/(asset) and related ratios, and the schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $17,377,796 as of year end for the primary government. A portion of the City's net position, 60%, 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.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Current and other assets	$ 23,431,010	$ 12,673,604	$ 225,245	$ 233,698
Capital assets, net	8,817,023	4,520,475	10,561,247	9,552,880
Total Assets	32,248,033	17,194,079	10,786,492	9,786,578
Deferred charge on refunding	10,866	12,224	-	-
Deferred outflows - pensions	320,944	427,063	15,370	11,725
Deferred outflows - OPEB	4,992	180	-	-
Total Deferred Outflows of Resources	336,802	439,467	15,370	11,725
Long-term liabilities	23,402,698	10,723,581	50,608	54,109
Other liabilities	2,388,316	1,411,089	95,218	71,046
Total Liabilities	25,791,014	12,134,670	145,826	125,155
Deferred inflows- pensions	66,104	7,862	5,957	-
Total Deferred Inflows of Resources	66,104	7,862	5,957	-
Net Position:				
Net investment in capital assets	2,335,550	2,689,875	10,561,247	9,552,880
Restricted	4,152,674	2,049,724	-	-
Unrestricted	239,493	751,415	88,832	120,268
Total Net Position	$ 6,727,717	$ 5,491,014	$ 10,650,079	$ 9,673,148

	Total Primary Government		Reconciliation		Reconciled Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 23,656,255	$ 12,907,302	$ -	$ -	$ 23,656,255	$ 12,907,302
Capital assets, net	19,378,270	14,073,355	-	-	19,378,270	14,073,355
Total Assets	43,034,525	26,980,657	-	-	43,034,525	26,980,657
Deferred charge on refunding	10,866	12,224	-	-	10,866	12,224
Deferred outflows - pensions	336,314	438,788	-	-	336,314	438,788
Deferred outflows - OPEB	4,992	180	-	-	4,992	180
Total Deferred Outflows of Resources	352,172	451,192	-	-	352,172	451,192
Long-term liabilities	23,453,306	10,777,690	-	-	23,453,306	10,777,690
Other liabilities	2,483,534	1,482,135	-	-	2,483,534	1,482,135
Total Liabilities	25,936,840	12,259,825	-	-	25,936,840	12,259,825
Deferred inflows- pensions	72,061	7,862	-	-	72,061	7,862
Total Deferred Inflows of Resources	72,061	7,862	-	-	72,061	7,862
Net Position:						
Net investment in capital assets	12,896,797	12,242,755	(2,439,643)	(2,844,110)	10,457,154	9,398,645
Restricted	4,152,674	2,049,724	-	-	4,152,674	2,049,724
Unrestricted	328,325	871,683	2,439,643	2,844,110	2,767,968	3,715,793
Total Net Position	$ 17,377,796	$ 15,164,162	$ -	$ -	$ 17,377,796	$ 15,164,162

A portion of the primary government's net position, $4,152,674, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, $2,767,968, may be used to meet the City's ongoing obligation to citizens and creditors. Net position increased by $2,213,634 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 $2,439,643, 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	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Revenues						
Program revenues:						
Charges for services	$ 2,106,279	$ 2,002,671	$ 667,889	$ 513,460	$ 2,774,168	$ 2,516,131
Operating grants and contributions	155,423	283,693	-	-	155,423	283,693
Capital grants and contributions	1,004,317	-	-	-	1,004,317	-
General revenues:						
Property taxes	3,867,165	3,289,544	-	-	3,867,165	3,289,544
Sales taxes	1,622,765	1,452,514	-	-	1,622,765	1,452,514
Franchise and hotel occupancy taxes	626,722	651,405	-	-	626,722	651,405
Investment earnings	240,768	82,015	1,463	-	242,231	82,015
Other revenues	465,603	779,232	-	-	465,603	779,232
Total Revenues	10,089,042	8,541,074	669,352	513,460	10,758,394	9,054,534
Expenses						
General government	2,090,387	2,239,052	-	-	2,090,387	2,239,052
Public safety	2,761,059	3,021,313	-	-	2,761,059	3,021,313
Public works	1,457,663	2,080,891	-	-	1,457,663	2,080,891
Library, parks, and recreation	69,882	61,757	-	-	69,882	61,757
Economic development	564,832	440,887	-	-	564,832	440,887
Interest on long-term debt	661,841	287,988	-	-	661,841	287,988
Water and sewer	-	-	939,096	825,276	939,096	825,276
Total Expenses	7,605,664	8,131,888	939,096	825,276	8,544,760	8,957,164
Increase (Decrease) in Net Position Before Transfers	2,483,378	409,186	(269,744)	(311,816)	2,213,634	97,370
Transfers in (out)	(1,246,675)	(539,992)	1,246,675	539,992	-	-
Change in Net Position	1,236,703	(130,806)	976,931	228,176	2,213,634	97,370
Beginning net position	5,491,014	5,621,820	9,673,148	9,444,972	15,164,162	15,066,792
Ending Net Position	$ 6,727,717	$ 5,491,014	$ 10,650,079	$ 9,673,148	$ 17,377,796	$ 15,164,162

For the year ended September 30, 2018, revenues from governmental activities totaled $10,089,042. Revenues increased $1,547,968 compared to the prior year. This increase was largely due to an increase in property tax revenues resulting from an increase in the assessed values of properties within the City, an increase in sales tax and franchise fees received, and increase in licenses and permits, and increase in grant revenues, an increase in impact fees, and an increase in interest earnings.

For the year ended September 30, 2018, expenses for governmental activities totaled $7,605,664. Total expenses decreased $526,224 compared to the prior year, which can be attributed primarily to the increase in the net pension liability in the prior year. This decrease was partially offset by increases in personnel costs and economic incentive expenses.

Business-type activities net position increased by $976,931. Current year revenues increased $155,892 compared to the prior year due to insurance proceeds received for damaged generators, capital contributions, and an increase in billing revenues. Current year expenses increased by $113,820 primarily due to an increase in personnel costs, depreciation expense, and repair and maintenance costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reflect a combined fund balance of $20,776,551. Of this, $157,321 is restricted for debt service, $640,162 is restricted by enabling legislation, $202,261 is restricted for a tax increment reinvestment zone, $15,649,861 is restricted for capital projects, $621,928 is restricted for special projects, $291,798 is committed for road maintenance, $2,094 is nonspendable in the form of prepaid items, and $3,211,126 is unassigned.

The general fund had a decrease in fund balance of $989,822. The general fund reported a fund balance of $3,505,018, which exceeds approximately 6 months of the general fund's expenditures. Compared to the prior year, revenues increased $81,653 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. These increases were partially offset by the decrease in other revenues. Expenditures decreased $26,277 compared to the prior year. This decrease was the result of decreases in street repairs and road repair and was partially offset by the increase in personnel costs.

The debt service fund had an increase in fund balance of $28,860 largely due to an increase in property tax revenues related to an increase in the assessed values of properties within the City.

The capital projects fund had an increase in fund balance of $10,535,654 due to two new bond issuances and transfers in from other funds 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were less than the final budgeted revenues by $57,329 during the year largely due to less revenue than anticipated for other taxes and fines and forfeitures. General fund expenditures were less than the final budget by $706,112 during the year mainly due to positive budget variances in general government; public works; and library, parks, and recreation.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested $19,378,270 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of $5,304,915 from prior year.

Major capital asset events during the year included the following:

- Purchased land for a municipal complex for $4,696,262
- Purchased three Tahoes for $114,738
- Purchased two Fords for $63,305
- Large Avenue sewer and water line and lift station project costs of $898,009
- Water plant improvement project costs of $360,401
- Rogers waterline project costs of $169,707

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

LONG-TERM DEBT

At the end of the current year, the City had total general obligation bonds, certificates of obligation and tax anticipation notes outstanding of $21,670,000. Of this amount, $1,825,000 represents general obligation bonds, $19,220,000 represents certificates of obligation, and $625,000 represents tax anticipation notes.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council approved a $7,988,242 general fund budget for the 2018-2019 fiscal year. This is a 15.72% increase in revenues and a 1.55% decrease in expenditures from the prior year amended budget. The tax rate adopted for the fiscal year 2018-2019 budget will be $0.69 per $100 in property valuation, which was a 21% increase comparing with fiscal year 2017-2018. The budget will raise more revenue from property taxes than last year's budget by $401,870 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.

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

CITY OF MANVEL, TEXAS

STATEMENT OF NET POSITION

September 30, 2018

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
Assets				
Cash and cash equivalents	$ 22,919,950	$ 70,318	$ -	$ 22,990,268
Receivables, net	508,966	81,069	-	590,035
Due from primary government	-	-	-	-
Due from other governments	-	4,091	-	4,091
Prepaid items	2,094	12	-	2,106
Restricted assets:				
Cash and investments	-	69,755	-	69,755
Total Current Assets	23,431,010	225,245	-	23,656,255
Noncurrent assets				
Nondepreciable	5,857,775	2,379,990	-	8,237,765
Net depreciable	2,959,248	8,181,257	-	11,140,505
Total Noncurrent Assets	8,817,023	10,561,247	-	19,378,270
Total Assets	32,248,033	10,786,492	-	43,034,525
Deferred Outflows of Resources				
Deferred charge on refunding	10,866	-	-	10,866
Deferred outflows - pensions	320,944	15,370	-	336,314
Deferred outflows - OPEB	4,992	-	-	4,992
Total Deferred Outflows of Resources	336,802	15,370	-	352,172
Liabilities				
Accounts payable and accrued liabilities	1,267,821	25,463	-	1,293,284
Customer deposits	-	69,755	-	69,755
Accrued interest payable	126,277	-	-	126,277
Due to component unit	68,415	-	-	68,415
Unearned revenue	925,803	-	-	925,803
Total Current Liabilities	2,388,316	95,218	-	2,483,534
Noncurrent liabilities:				
Long-term liabilities due within one year	1,293,094	18,181	-	1,311,275
Long-term liabilities due in more than one year	20,922,296	2,020	-	20,924,316
Net pension liability	1,129,043	30,407	-	1,159,450
Total OPEB liability	58,265	-	-	58,265
Total Noncurrent Liabilities	23,402,698	50,608	-	23,453,306
Total Liabilities	25,791,014	145,826	-	25,936,840
Deferred Inflows of Resources				
Deferred inflows - pensions	66,104	5,957	-	72,061
Net Position				
Net investment in capital assets	2,335,550	10,561,247	(2,439,643)	10,457,154
Restricted for:				
Debt service	157,321	-	-	157,321
Enabling legislation	640,162	-	-	640,162
Tax increment reinvestment zone	202,261	-	-	202,261
Special projects	621,928	-	-	621,928
Capital projects	2,531,002	-	-	2,531,002
Manvel Economic Development Corporation	-	-	-	-
Unrestricted	239,493	88,832	2,439,643	2,767,968
Total Net Position	$ 6,727,717	$ 10,650,079	$ -	$ 17,377,796

See Notes to Financial Statements.

Component Unit
Manvel Economic Dev. Corp.
$ 1,649,136
145,312
68,415
-
-
-
1,862,863
-
-
-
1,862,863
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
1,862,863
-
$ 1,862,863

CITY OF MANVEL, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 2,090,387	$ -	$ -	$ -
Public safety	2,761,059	284,070	155,423	-
Public works	1,457,663	1,822,209	-	1,004,317
Library, parks, and recreation	69,882	-	-	-
Economic development	564,832	-	-	-
Interest and fiscal agent fees on long-term debt	661,841	-	-	-
Total Governmental Activities	7,605,664	2,106,279	155,423	1,004,317
Business-Type Activities				
Water and sewer	939,096	667,889	-	-
Total Business-Type Activities	939,096	667,889	-	-
Total Primary Government	$ 8,544,760	$ 2,774,168	$ 155,423	$ 1,004,317
Component Unit				
Manvel Economic Development Corporation	$ 979,831	$ -	$ -	$ -
Total Component Unit	$ 979,831	$ -	$ -	$ -

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	
$ (2,090,387)	$ -	$ (2,090,387)	$ -
(2,321,566)	-	(2,321,566)	-
1,368,863	-	1,368,863	-
(69,882)	-	(69,882)	-
(564,832)	-	(564,832)	-
(661,841)	-	(661,841)	-
(4,339,645)	-	(4,339,645)	-
-	(271,207)	(271,207)	-
-	(271,207)	(271,207)	-
(4,339,645)	(271,207)	(4,610,852)	-
-	-	-	(979,831)
-	-	-	(979,831)
3,867,165	-	3,867,165	-
1,622,765	-	1,622,765	811,382
626,722	-	626,722	-
240,768	1,463	242,231	18,011
465,603	-	465,603	-
(1,246,675)	1,246,675	-	-
5,576,348	1,248,138	6,824,486	829,393
1,236,703	976,931	2,213,634	(150,438)
5,491,014	9,673,148	15,164,162	2,013,301
$ 6,727,717	$ 10,650,079	$ 17,377,796	$ 1,862,863

CITY OF MANVEL, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2018

	General	Debt Service	Capital Projects	Nonmajor Governmental
Assets				
Cash and cash equivalents	$ 5,337,391	$ 157,321	$ 15,648,436	$ 1,448,493
Receivables, net	458,776	10,648	13,300	26,242
Prepaid items	2,094	-	-	-
Total Assets	$ 5,798,261	$ 167,969	$ 15,661,736	$ 1,474,735
Liabilities				
Accounts payable and accrued liabilities	$ 1,251,611	$ -	$ 11,875	$ 4,335
Due to component unit	68,415	-	-	-
Unearned revenue	925,803	-	-	-
	2,245,829	-	11,875	4,335
Deferred Inflows of Resources				
Unavailable revenue - property taxes	47,414	10,648	-	6,049
Total Deferred Inflows of Resources	47,414	10,648	-	6,049
Fund Balances				
Nonspendable:				
Prepaid items	2,094	-	-	-
Restricted for:				
Debt service	-	157,321	-	-
Enabling legislation	-	-	-	640,162
Tax increment reinvestment zone	-	-	-	202,261
Capital projects	-	-	15,649,861	-
Special projects	-	-	-	621,928
Committed for:				
Road maintenance	291,798	-	-	-
Unassigned	3,211,126	-	-	-
Total Fund Balances	3,505,018	157,321	15,649,861	1,464,351
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,798,261	$ 167,969	$ 15,661,736	$ 1,474,735

See Notes to Financial Statements.

Total Governmental Funds
$ 22,591,641
508,966
2,094
$ 23,102,701
$ 1,267,821
68,415
925,803
2,262,039
64,111
64,111
2,094
157,321
640,162
202,261
15,649,861
621,928
291,798
3,211,126
20,776,551
$ 23,102,701

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

For the Year Ended September 30, 2018

Total fund balances – total governmental funds	$	20,776,551
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		5,857,775
Capital assets – net depreciable		2,635,222
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		10,866
Accrued interest		(126,277)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		64,111
Internal service fund is used by management to charge the costs of certain capital assets and maintenance to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities in the Statement of Net Position.		652,335
Some items reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported within governmental funds.		
Noncurrent liabilities due in one year		(1,293,094)
Noncurrent liabilities due in more than one year		(20,922,296)
Net pension liability		(1,129,043)
Total OPEB liability		(58,265)
Deferred outflows - pensions		320,944
Deferred outflows - OPEB		4,992
Deferred inflows - pensions		(66,104)
Net Position of Governmental Activities	$	6,727,717

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, 2018

	General	Debt Service	Capital Projects	Nonmajor Governmental
Revenues				
Property taxes	$ 2,873,695	$ 917,274	$ -	$ 73,968
Sales taxes	1,616,716	-	-	6,049
Other taxes	549,453	-	-	77,269
Licenses and permits	1,822,209	-	-	-
Fines and forfeitures	270,701	-	-	13,369
Intergovernmental	62,769	92,654	979,184	-
Investment earnings	83,685	5,006	135,473	16,604
Other revenues	94,553	401	-	386,053
Total Revenues	7,373,781	1,015,335	1,114,657	573,312
Expenditures				
Current:				
General government	2,047,254	-	-	219,590
Public safety	2,804,468	-	-	-
Public works	1,036,476	-	-	-
Library, parks, and recreation	67,047	-	-	-
Economic development	562,548	-	-	-
Capital outlay	-	-	5,922,573	-
Debt service:				
Principal	32,824	700,000	-	-
Interest and fiscal charges	1,186	286,475	-	-
Issuance costs	-	-	282,299	-
Total Expenditures	6,551,803	986,475	6,204,872	219,590
Excess (Deficiency) of Revenues Over (Under) Expenditures	821,978	28,860	(5,090,215)	353,722
Other Financing Sources (Uses)				
Transfers in	-	-	2,035,000	180,057
Transfers (out)	(1,825,000)	-	-	(390,057)
Sale of capital assets	13,200	-	-	-
Bond proceeds	-	-	13,360,000	-
Bond premium	-	-	230,869	-
Total Other Financing Sources (Uses)	(1,811,800)	-	15,625,869	(210,000)
Net Change in Fund Balances	(989,822)	28,860	10,535,654	143,722
Beginning fund balances	4,494,840	128,461	5,114,207	1,320,629
Ending Fund Balances	$ 3,505,018	$ 157,321	$ 15,649,861	$ 1,464,351

See Notes to Financial Statements.

	Total Governmental Funds
	$ 3,864,937
	1,622,765
	626,722
	1,822,209
	284,070
	1,134,607
	240,768
	481,007
	10,077,085
	2,266,844
	2,804,468
	1,036,476
	67,047
	562,548
	5,922,573
	732,824
	287,661
	282,299
	13,962,740
	(3,885,655)
	2,215,057
	(2,215,057)
	13,200
	13,360,000
	230,869
	13,604,069
	9,718,414
	11,058,137
	$ 20,776,551

(This page intentionally left blank.)

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, 2018

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

Net changes in fund balances - total governmental funds	$	9,718,414
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		4,892,397
Capital disposals, net		(28,604)
Depreciation expense		(549,203)
Accounts payable and accrued liabilities are not reported as revenues in the funds.		
Property taxes		2,228
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		(13,360,000)
Premium		(210,934)
Amortization of deferred charge		(1,358)
Accrued interest		(110,458)
Principal payments		732,824
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting and the net changes in pension and OPEB activity and compensated absences.		
Net pension liability		184,300
Total OPEB liability		(11,131)
Deferred outflows - pensions		(50,080)
Deferred outflows - OPEB		4,812
Deferred inflows - pensions		(114,281)
Compensated absences		(14,176)
An internal service fund is used by management to charge the costs of certain capital assets and maintenance to individual funds. The net revenue (expense) is reported with governmental activities.		151,953
Change in Net Position of Governmental Activities	$	1,236,703

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2018

	Business-Type Activities	Governmental Activities
	Enterprise	**Inernal Service**
Assets		
Current assets:		
Cash and cash equivalents	$ 70,318	$ 328,309
Receivables, net	81,069	-
Due from other governments	4,091	-
Prepaid items	12	-
Total Current Assets	155,490	328,309
Restricted cash and cash equivalents:		
Customer deposits	69,755	-
Noncurrent assets:		
Capital assets:		
Land	2,349,652	-
Construction in progress	30,338	-
Water/sewer system	10,092,385	-
Machinery and equipment	150,589	612,407
Less: accumulated depreciation	(2,061,717)	(288,381)
Total Noncurrent Assets	10,561,247	324,026
Total Assets	10,786,492	652,335
Deferred Outflows of Resources		
Deferred outflows - pensions	15,370	-
Total Deferred Outflows of Resources	15,370	-
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	25,463	-
Customer deposits	69,755	-
Total Current Liabilities	95,218	-
Noncurrent liabilities:		
Net pension liability	30,407	-
Long-term debt due in one year	18,181	-
Long-term debt due in more than one year	2,020	-
Total Noncurrent Liabilities	50,608	-
Total Liabilities	145,826	-
Deferred Inflows of Resources		
Deferred inflows - pensions	5,957	-
Net Position		
Net investment in capital assets	10,561,247	324,026
Unrestricted	88,832	328,309
Total Net Position	$ 10,650,079	$ 652,335

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended September 30, 2018

	Business-Type Activities	Governmental Activities
	Enterprise	**Internal Service**
Operating Revenues		
Water charges	$ 268,366	$ -
Sewer charges	245,042	-
Other revenues	154,481	275,133
Total Operating Revenues	667,889	275,133
Operating Expenses		
Personnel services	229,952	-
Utility	60,317	-
Supplies	87,486	-
Repair and maintenance	308,203	-
Capital lease payment	-	3,802
Depreciation	253,138	121,895
Total Operating Expenses	939,096	125,697
Operating Income (Loss)	(271,207)	149,436
Nonoperating Revenues		
Investment earnings	1,463	2,517
Total Nonoperating Revenues	1,463	2,517
Income (Loss) Before Contributions	(269,744)	151,953
Contributions		
Capital contributions	1,246,675	-
Total Contributions	1,246,675	-
Change in Net Position	976,931	151,953
Beginning net position	9,673,148	500,382
Ending Net Position	$ 10,650,079	$ 652,335

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, 2018

	Business-Type Activities Enterprise	Governmental Actitivities Internal Service
Cash Flows from Operating Activities		
Receipts from customers and users	$ 644,850	$ 275,133
Payments to suppliers	(454,508)	(3,802)
Payments to employees	(229,952)	-
Net Cash Provided (Used) by Operating Activities	(39,610)	271,331
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(14,830)	(103,853)
Net Cash (Used) by Capital and Related Financing Activities	-	(103,853)
Cash Flows from Investing Activities		
Interest on investments	1,463	2,517
Net Cash Provided by Investing Activities	1,463	2,517
Net Increase (Decrease) in Cash and Cash Equivalents	(52,977)	169,995
Beginning cash and cash equivalents	193,050	158,314
Ending Cash and Cash Equivalents	$ 140,073	$ 328,309
Ending Cash and Cash Equivalents:		
Unrestricted cash and cash equivalents	$ 70,318	$ 328,309
Restricted cash and cash equivalents	69,755	-
	$ 140,073	$ 328,309

CITY OF MANVEL, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2018

	Business-Type Activities Enterprise	Governmental Activities Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	$ (271,207)	$ 149,436
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	253,138	121,895
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(44,512)	-
Prepaid	(12)	-
Deferred outflows - pensions	(3,645)	-
Increase (Decrease) in:		
Accounts payable and accrued liabilities	6,814	-
Net pension liability	(11,273)	-
Customer deposits	25,130	-
Deferred inflows - pensions	5,957	-
Net Cash Provided (Used) by Operating Activities	$ (39,610)	$ 271,331
Nonoperating Activities:		
Capital contributions	$ 1,246,675	$ -
Net Cash Provided by Nonoperating Activities	$ 1,246,675	$ -

See Notes to Financial Statements.

(This page intentionally left blank.)

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; library, parks, and recreation; water and sewer; economic development; and general administrative services.

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

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

Discretely Presented Component Units

Manvel Economic Development Corporation

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

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 2018.

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 2018.

Blended Component Units

Tax Increment Reinvestment Zone Number Three

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

South Manvel Development Authority

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

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all 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.

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, law enforcement, park, and PEG fee funds. These funds are considered nonmajor funds for reporting purposes.

The City reports the following enterprise fund:

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

Additionally, the City reports the following fund type:

The internal service fund accounts for services provided to other departments of the City, or to other governments, on a cost reimbursement basis. The 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 reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

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

1. Cash and Cash Equivalents

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

Asset Description	Estimated Useful Life
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 four 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 actuarial expectation and actual economic experience related to the City's pension plan. A deferred charge has been recognized for the changes in actuarial assumptions related to the City's defined benefit pension and OPEB plans. These amounts are deferred and amortized over the average of the expected service lives of pension/OPEB plan members. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

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

7. Compensated Employee Absences

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

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

8. Long-Term Obligations

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

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.

12. Estimates

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

13. Pensions

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

14. Other Postemployment Benefits

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. Expenditures in Excess of Appropriations

As of September 30, 2018, expenditures exceeded appropriations at the legal level of control as follows:

General Fund	
Economic development	$125,731
Public safety	$ 5,936
TIRZ No. 3 Fund	
Transfers out	$ 43,557

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2018, the City had the following investments:

Investment Type		Fair Value	Weighted Average Maturity (Years)
TexPool	$	4,367,525	0.00
TexStar		12,843,073	0.00
Total Fair Value	$	17,210,598	
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, 2018, the City's investments in investment pools were rated 'AAAm' by Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of fiscal year end, the fair market values of pledged securities and FDIC coverage were more than the bank balances.

TexPool

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

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, 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 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

TexSTAR

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

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

B. Receivables

The following comprise receivable balances at September 30, 2018:

	Governmental Funds				Proprietary Fund
	General	Debt Service	Capital Projects	Nonmajor Governmental	Enterprise
Accounts	$ 2,979	$ -	$ 13,300	$ -	$ 88,069
Property taxes	94,520	14,701	-	-	-
Sales taxes	290,624	7,708	-	-	-
Hotel occupancy taxes	-	-	-	16,601	-
TIRZ#3	-	-	-	6,049	-
Franchise fees	117,759	-	-	3,592	-
Less Allowances	(47,106)	(11,761)	-	-	(7,000)
	$ 458,776	$ 10,648	$ 13,300	$ 26,242	$ 81,069

C. Capital Assets

A summary of changes in capital assets for governmental activities for the year ended September 30, 2018 is as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 1,119,976	$ 4,696,262	$ -	$ 5,816,238
Construction in progress	15,000	26,537	-	41,537
Total nondepreciable assets	1,134,976	4,722,799	-	5,857,775
Other capital assets:				
Buildings, improvements, and roads	4,510,237	90,851	-	4,601,088
Machinery and equipment	2,799,906	218,103	(64,107)	2,953,902
Total other capital assets	7,310,143	308,954	(64,107)	7,554,990
Total capital assets	8,445,119	5,031,753	(64,107)	13,412,765
Less accumulated depreciation for:				
Buildings, improvements, and roads	(2,190,906)	(387,108)	-	(2,578,014)
Machinery and equipment	(1,733,738)	(319,493)	35,503	(2,017,728)
Total accumulated depreciation	(3,924,644)	(706,601)	35,503	(4,595,742)
Other capital assets, net	3,385,499	(397,647)	(28,604)	2,959,248
Governmental Activities Capital Assets, Net	$ 4,520,475	$ 4,325,152	$ (28,604)	8,817,023
			Less associated debt	(11,590,000)
			Plus unspent bond proceeds	5,108,527
			Net Investment in Capital Assets	$ 2,335,550

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	$ 13,663
Public safety	74,599
Public works	496,444
Internal service	121,895
Total Governmental Activities Depreciation Expense	$ 706,601

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2018:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 2,349,652	$ -	$ -	$ 2,349,652
Construction in progress	417,925	1,076,966	(1,464,553)	30,338
Total nondepreciable assets	2,767,577	1,076,966	(1,464,553)	2,379,990
Other capital assets:				
Water/sewer system	8,458,125	1,634,260	-	10,092,385
Machinery and equipment	135,757	14,832	-	150,589
Total other capital assets	8,593,882	1,649,092	-	10,242,974
Less accumulated depreciation for:				
Water/sewer system	(1,715,812)	(244,801)	-	(1,960,613)
Machinery and equipment	(92,767)	(8,337)	-	(101,104)
Total accumulated depreciation	(1,808,579)	(253,138)	-	(2,061,717)
Other capital assets, net	6,785,303	1,395,954	-	8,181,257
Business-Type Activities Capital Assets, Net	$ 9,552,880	$ 2,472,920	$ (1,464,553)	10,561,247
			Less associated debt	(10,460,841)
			Plus unspent bond proceeds	8,010,332
			Plus deferred charge on refunding	10,866
			Net Investment in Capital Assets	$ 8,121,604

Depreciation was charged to business-type functions as follows:

Water and sewer	$ 253,138

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, 2018. 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:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 2,040,000	$ -	$ 215,000	$ 1,825,000	$ 215,000
Certificates of obligation	6,195,000	13,360,000	335,000	19,220,000	780,000
Tax anticipation notes	775,000	-	150,000	625,000	150,000
Capital leases	32,824	-	32,824	-	-
Net pension liability	1,313,343	-	184,300	1,129,043	-
Total OPEB liability	44,419	13,846	-	58,265	-
Premium	169,907	230,869	19,935	380,841	-
Compensated absences	150,373	128,656	114,480	164,549	148,094
Total Governmental Activities	$ 10,720,866	$ 13,733,371	$ 1,051,539	$ 23,402,698	$ 1,293,094
Long-Term Liabilities Due In More Than One Year				$ 22,109,604	
Debt Associated with Governmental Capital Assets				$ 11,590,000	
Debt Associated with Business-Type Capital Assets				$ 10,460,841	

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Net pension liability	$ 41,680	$ -	$ 11,273	$ 30,407	$ -
Compensated absences	12,429	17,458	9,686	20,201	18,181
Total Business-Type Activities	$ 54,109	$ 17,458	$ 20,959	$ 50,608	$ 18,181
Due In More Than one Year				$ 32,427	

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.

In December 2017, the City Council approved the issuance of Combination Tax and Revenue Certificates of Obligation, Series 2017 (the "2017 Certificates") 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 2017 Certificates will mature on February 15, 2035. The 2017 Certificates shall bear an interest rate ranging from 3.00% to 4.00%.

In June 2018, the City Council approved the issuance of Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "2018 Certificates") in the amount of $9,880,000. Proceeds from the sale of the 2018 Certificates will be used to acquire municipal services sites, to pay for the design and construction of water, wastewater, drainage plants, and improvements, and to pay for the design and construction of roads, bridges, municipal buildings, and related infrastructure. The 2018 Certificates will mature on February 15, 2038. The 2018 Certificates shall bear an interest rate ranging from 3.00% to 3.50%.

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

Description	Interest Rates (%)	Balance
Governmental Activities		
Certificate of obligation bonds		
Certificates of Obligation, Series 2018	3.00-3.50	$ 9,880,000
Certificates of Obligation, Series 2017	3.00-4.00	3,480,000
Certificates of Obligation, Series 2016	3.00	4,150,000
Certificates of Obligation, Series 2013	2.70	1,710,000
Total General Obligation Bonds		19,220,000
General obligation bonds		
Refunding Bonds -Series 2015	2.00	1,825,000
Total General Obligation Bonds		1,825,000
Tax anticipation notes		
Tax Anticipation Notes, Series 2014 (Water & Sewer)	1.95	625,000
Total Tax Notes		625,000
Total Governmental Activities Long-Term Debt		$ 21,670,000

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

Year Ending Sept. 30	Governmental Activities: Certificates of Obligation Principal	Certificates of Obligation Interest	General Obligation Principal	General Obligation Interest	Tax Note Principal	Tax Note Interest
2019	$ 780,000	$ 624,507	$ 215,000	$ 36,500	$ 150,000	$ 10,725
2020	840,000	549,388	220,000	32,200	155,000	7,751
2021	850,000	524,188	220,000	27,800	160,000	4,680
2022	875,000	498,268	225,000	23,400	160,000	1,560
2023	895,000	471,500	235,000	18,900	-	-
2024-2028	4,775,000	1,937,050	710,000	28,600	-	-
2029-2033	5,350,000	1,191,465	-	-	-	-
2034-2038	4,855,000	383,350	-	-	-	-
Total	$ 19,220,000	$ 6,179,716	$ 1,825,000	$ 167,400	$ 625,000	$ 24,716

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

The Corporation agreed to pay a portion of the Tax Anticipation Notes, Series 2014. During the fiscal year ending September 30, 2018, $92,654 was remitted by the Corporation to the debt service fund. The agreement extends through fiscal year 2022.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five 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 (the "Lessee") entered into a commercial lease agreement (the "Lease") to lease a building for use as a public library on July 17, 2017. The Lease term is 24 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 per month for the fiscal year ended September 30, 2018. The future minimum lease payments are as follows:

Fiscal Year Ended September 30	Future Minimum Lease Payments
2019	$ 33,000

F. Interfund Transactions

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

Transfer In	Transfer Out	Amounts
Capital projects	Nonmajor governmental	$ 310,000
Capital projects	General	1,725,000
Nonmajor governmental	Nonmajor governmental	80,057
Nonmajor governmental	General	100,000
		$ 2,215,057

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

G. Conduit Debt

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

H. Fund Equity

As of September 30, 2018, $640,162 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 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.

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 883 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.tmrs.com.

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

Benefits Provided

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

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

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

	2018	2017
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%	100%
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to, but not yet receiving, benefits	31
Active employees	45
Total	83

Contributions

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

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.96% and 12.58% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were $319,360, which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and annuity purchase rate are based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the EAN actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

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

Assets Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate

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

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	$ 327,328	$ -	$ 327,328
Interest	215,662	-	215,662
Change in current period benefits	-	-	-
Difference between expected and actual experience	(9,405)	-	(9,405)
Contributions - employer	-	322,099	(322,099)
Contributions - employee	-	173,979	(173,979)
Net investment income	-	234,361	(234,361)
Benefit payments, including refunds of employee contributions	(41,182)	(41,182)	-
Administrative expense	-	(1,219)	1,219
Other changes	-	(62)	62
Net Changes	492,403	687,976	(195,573)
Balance at December 31, 2016	3,051,921	1,696,898	1,355,023
Balance at December 31, 2017	$ 3,544,324	$ 2,384,874	$ 1,159,450

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	$ 1,704,042	$ 1,159,450	$ 713,360

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.tmrs.com.

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

For the fiscal year ended September 30, 2018, the City recognized pension expense of $290,460.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 86,836	$ 12,622
Changes in actuarial assumptions	18,969	-
Net difference between projected and actual investment earnings	-	59,439
Contributions subsequent to the measurement date	230,509	-
Total	$ 336,314	$ 72,061

$230,509 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2019	$ 34,392
2020	29,458
2021	(4,397)
2022	(25,709)
Total	$ 33,744

D. Other Postemployment Benefits

1. TMRS Supplemental Death Benefits Fund

Plan Description

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

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

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a 5% interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

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

Participation in the SDBF as of December 31, 2017 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to, but not yet receiving, benefits	4
Active employees	45
Total	55

Total OPEB Liability

The City's total OPEB liability of $58,265 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate*	3.31%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.
Mortality - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Changes for the year:	
Service cost	$ 4,225
Interest	1,857
Change of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	5,298
Benefit payments	(249)
Net Changes	11,131
Balance at December 31, 2016	47,134
Balance at December 31, 2017	$ 58,265

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

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

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

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

	1% Decrease (2.31%)	Discount Rate (3.31%)	1% Increase (4.31%)
City's Total OPEB Liability	$ 72,445	$ 58,265	$ 47,727

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

For the year ended September 30, 2018, the City recognized OPEB expense of $6,759. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes in actuarial assumptions	$ 4,621
Contributions subsequent to the measurement date	371
Total	$ 4,992

$371 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the of total OPEB liability for the fiscal year ending September 30, 2018.

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

Year Ended September 30	OPEB Expense Amount
2019	$ 677
2020	677
2021	677
2022	677
2023	677
Thereafter	1,236
Total	$ 4,621

E. Economic Incentive and Development Agreements

1. 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.

The City and the Developer agreed to certain conditions in accordance with the Agreements. 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 Agreements, "net revenues", as outlined below, by August 15 of each year following completion of all phases of the improvements outlined in the Agreements.

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 Agreements 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 these Agreements.
(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 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 Agreements. The improvements consist of acquisition, construction, and development of public improvements within the property boundaries stated within the Agreements consisting of the major thoroughfare known as Rodeo Palms Parkway/Rodeo Drive to County Road 59. The Agreements include 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 Agreements. 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 Agreements. The term of the Agreements expires on the earlier of the date that the developer advances have been repaid in full or January 1, 2034. The City recognized total expenditures of $562,548 owed to the Developer for the fiscal year ended September 30, 2018.

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 the burden of ad valorem taxes among the taxpayers of the City and the District, 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:

Years	Rebate
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 Agreements include an exception using a "Test Rate" calculation as outlined in the Agreement in which the annual payments shall be reduced based upon this calculation. If the annual payment is reduced to zero pursuant to the Agreements 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. The Agreements 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 Agreements.

2. Manvel Economic Development Memorandum of Understanding

This City and the Corporation entered into a Memorandum of Understanding (MOU) on July 1, 2018, where the Corporation has agreed to assist in the future funding to acquiring a certain 150-acre tract (the "Tract") and to construct certain improvements within the Tract to develop a municipal complex, including regional ballfields (i.e. the "Project"). With the common goals of economic synergy, planning efficiency, and prudent budget development, the City and the Corporation agree to set forth their planned joint commitment to fund the development of the Project. The City agrees to continue to take all steps to acquire the property and plan for the Project, including pursuing surveying, environmental assessment, legal, engineering, and estimation of development costs. The MEDC agrees to deposit 90% of sales tax received into a special MEDC fund, beginning with sales tax received after execution of this MOU. MEDC confirms its intent to participate in providing funding for the development of the Project, subject to all procedural and budgetary requirements.

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

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

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

Economic development revenues shall be the increment over the base year of 50% of the ad valorem taxes attributable to maintenance tax and 50% of the sales and use taxes collected during the term of the Agreement, but not to exceed a maximum total payout of $42,035,541. The City will subtract and retain an amount equal to 5% of the increment representing City administrative expenses. The City is required to make payments to the economic development fund by August 15 each year with the first payment due following the receipt of written notice from the District of the commencement of construction of the improvements by or on behalf of the District. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2018.

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

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

The Developer has agreed to advance funds to the City for costs related to the Agreements, which the City will repay with interest. The Developer has also agreed to construct certain public improvements and capital investments of approximately $400,000,000. The City agreed to create an economic development fund once the City starts receiving sales taxes generated within the boundaries noted within the Agreements. The City agreed to deposit 100% of these sales tax revenues into the economic development fund. The District also agreed to participate with sales tax revenues to be generated from this development. The sales tax revenues will be used to repay Developer advances, pay "performance-based grants" to the Developer as outlined in the Agreements, and finance improvements as noted in both Agreements. The maximum payout of the performance-based grants plus all payments made under the Agreement shall not exceed $46,000,000. The Agreement shall remain in effect for an initial term of 35 years, unless earlier terminated for reasons noted in the Agreement. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2018.

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

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

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

Years	Rebate
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 to the Agreement for three years in a row, the annual payment obligation of the City shall be terminated.

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

6. JBB&D Family Limited Partnership

Consistent with Article III, Section 52 of the Texas Constitution, Chapters 501-505 of the Texas Local Government Code, and other law, the Corporation entered into an economic development and performance agreement (the "Agreement") with JBB&D Family Limited Partnership (the "Company") to reimburse certain costs and fees associated with an infrastructure and development project. The Company agreed to invest and expend approximately $5,500,000 to develop a site into a large food service, entertainment, and retail establishment. The Company agreed to hire and maintain staffing of approximately 45 new employees which shall be comprised of 35 full-time employees and 10 seasonal part-time employees. The Company will make good faith efforts to try to utilize, purchase from, and hire local vendors, suppliers, and workers where feasible and practical. The Company must fulfill these commitments within 22 months of the effective date of the Agreement. The Corporation agreed to reimburse the Company for regional detention buy-in fee and cost of the required drainage ditch improvements, water and sewer impact fees, and building permit and plan review fees not to exceed a maximum reimbursement of $100,000. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2018.

7. Brazoria County Municipal Utility District No. 43

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

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

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

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

The District may sell District bonds secured by a pledge of revenues from the Fund (i.e., contract revenue bonds), in additional to a pledge of the District's taxes costs associated. The Fund may have sufficient funds available to reimburse the Developer or the City directly instead of selling District bonds, and thus may take advantage of savings for reduced issuance costs and interest.

F. TIRZ No. 3 Financing Agreements

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

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

G. Pipeline Deposit Agreements

The City has entered into agreements with pipeline companies, such as Phillips 66 Pipeline LLC; EPO Pipeline, LLC; Enterprise Crude Pipeline, LLC; and Lavaca Pipeline, LLC for the purpose of constructing, maintaining, laying, operating, and/or repairing pipelines utilized for the transportation of liquids or gaseous materials along the right-of-ways and/or under certain roads located in the City. During the fiscal year, the City received the deposit of $81,000 from Lavaca Pipeline, LLC. As of September 30, 2018, the balance for the pipeline deposit is $160,241.

H. Prior Period Adjustment

Beginning fund balance for general fund and governmental activities were restated for the reversal of prior years account payables and for the implementation of GASB No. 75.

	General Fund	Governmental Activities
Beginning fund balance/net position - as reported	$ 4,428,569	$ 5,471,697
Total OPEB liability	-	(47,134)
Deferred outflows - contributions after measurement (OPEB)	-	180
Reverse prior years accounts payables	66,271	66,271
Beginning fund balance/net position - as restated	$ 4,494,840	$ 5,491,014

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended September 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original Budget	Budget as Amended	Actual	Positive (Negative)
Revenues				
Property taxes	$ 3,034,536	$ 2,854,136	$ 2,873,695	$ 19,559
Sales taxes	1,468,350	1,577,350	1,616,716	39,366
Other taxes	483,000	637,300	549,453	(87,847)
Licenses and permits	1,670,000	1,851,500	1,822,209	(29,291)
Fines and forfeitures	178,700	317,700	270,701	(46,999)
Intergovernmental	2,000	62,979	62,769	(210)
Investment earnings	30,000	30,000	83,685	53,685
Other revenues	30,600	100,145	94,553	(5,592)
Total Revenues	6,897,186	7,431,110	7,373,781	(57,329)
Expenditures				
Current:				
General government	2,167,353	2,222,183	2,047,254	174,929
Public safety	2,673,670	2,798,532	2,804,468	(5,936) *
Public works	1,418,339	1,429,043	1,036,476	392,567
Library, parks, and recreation	294,506	337,329	67,047	270,282
Economic development	436,817	436,817	562,548	(125,731) *
Debt service:				
Principal	-	32,824	32,824	-
Interest and fiscal charges	-	1,187	1,186	1
Total Expenditures	6,990,685	7,257,915	6,551,803	706,112
Excess (Deficiency) of Revenues Over (Under) Expenditures	(93,499)	173,195	821,978	648,783
Other Financing Sources(Uses)				
Transfers (out)	(825,000)	(1,825,000)	(1,825,000)	-
Sale of capital assets	-	13,000	13,200	200
Total Other Financing (Uses)	(825,000)	(1,812,000)	(1,811,800)	200
Net Change in Fund Balance	$ (918,499)	$ (1,638,805)	(989,822)	$ 648,983
Beginning fund balance			4,494,840	
Ending Fund Balance			$ 3,505,018	

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.

(This page intentionally left blank.)

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, 2018

	Measurement Year *			
	2017	**2016**	**2015**	**2014**
Total Pension Liability				
Service cost	$ 327,328	$ 278,209	$ 217,485	$ 98,272
Interest (on the total pension liability)	215,662	176,347	90,331	76,628
Changes of benefit terms	-	999,103	-	46,383
Difference between expected and actual experience	(9,405)	149,739	(13,322)	7,393
Change of assumptions	-	-	49,239	-
Benefit payments, including refunds of employee contributions	(41,182)	(51,625)	(50,564)	(41,731)
Net Change in Total Pension Liability	492,403	1,551,773	293,169	186,945
Beginning total pension liability	3,051,921	1,500,148	1,206,979	1,020,034
Ending Total Pension Liability	$ 3,544,324	$ 3,051,921	$ 1,500,148	$ 1,206,979
Plan Fiduciary Net Position				
Contributions - employer	$ 322,099	$ 117,468	$ 95,238	$ 34,683
Contributions - employee	173,979	145,550	121,889	63,755
Net investment income	234,361	94,003	1,807	63,289
Benefit payments, including refunds of employee contributions	(41,182)	(51,625)	(50,564)	(41,731)
Administrative expense	(1,219)	(1,063)	(1,101)	(661)
Other	(62)	(57)	(54)	(54)
Net Change in Plan Fiduciary Net Position	687,976	304,276	167,215	119,281
Beginning plan fiduciary net position	1,696,898	1,392,622	1,225,407	1,106,126
Ending Plan Fiduciary Net Position	$ 2,384,874	$ 1,696,898	$ 1,392,622	$ 1,225,407
Net Pension Liability (Asset)	$ 1,159,450	$ 1,355,023	$ 107,526	$ (18,428)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	67.29%	55.60%	92.83%	101.53%
Covered Payroll	2,485,407	$ 2,079,289	$ 1,741,276	$ 1,275,100
Net Pension Liability (Asset) as a Percentage of Covered Payroll	46.65%	65.17%	6.18%	(1.45%)

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

CITY OF MANVEL, TEXAS

SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2018

	Fiscal Year *			
	2018	**2017**	**2016**	**2015**
Actuarially determined contribution	$ 319,360	$ 267,555	$ 109,865	$ 76,909
Contributions in relation to the actuarially determined contribution	319,360	267,555	109,865	76,909
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 2,538,625	$ 2,406,957	$ 1,960,061	$ 1,560,104
Contributions as a percentage of covered payroll	12.58%	11.12%	5.61%	4.93%

*Only five years of information is currently available. The City will build this schedule over the next five-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	24 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

3. Other Information:

There were no benefit changes during the year.

	2014
$	31,916
	31,916
$	-
$	1,232,533
	2.59%

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2018

		Measurement Year * 2017
Total OPEB Liability		
Service cost	$	4,225
Interest (on the total OPEB liability)		1,857
Change of assumptions		5,298
Benefit payments, including refunds of employee contributions **		(249)
Net Change in Total OPEB Liability		11,131
Beginning total OPEB liability		47,134
Ending Total OPEB Liability	$	58,265
Covered Payroll	$	2,485,407
Total OPEB Liability as a Percentage of Covered Payroll		2.34%

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

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

Notes to Required Supplementary Information:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate	3.31%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.
Mortality - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information:

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

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

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

There were no benefit changes during the year.

(This page intentionally left blank.)

COMBINING STATEMENTS AND SCHEDULES

City of Manvel, Texas

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2018

	Special Revenue Funds			
	Hotel Taxes	Court Security	Court Technology	TIRZ No. 3
Assets				
Cash	$ 483,550	$ 11,616	$ 24,254	$ -
Receivables, net	16,601	-	-	6,049
Total Assets	$ 500,151	$ 11,616	$ 24,254	$ 6,049
Liabilities				
Accounts payable and accrued liabilities	$ -	$ 160	$ -	$ -
Total Liabilities	-	160	-	-
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	6,049
Total Deferred Inflows of Resources	-	-	-	6,049
Fund Balances				
Restricted for:				
Enabling legislation	500,151	11,456	24,254	-
Tax increment reinvestment zone	-	-	-	-
Special projects	-	-	-	-
Total Fund Balances	500,151	11,456	24,254	-
Total Liabilities and Fund Balances	$ 500,151	$ 11,616	$ 24,254	$ -

Special Revenue Funds					
South Manvel Dev. Auth.	Community Impact	Law Enforcement	Park	PEG Fee	Total Nonmajor Governmental Funds
$ 204,949	$ 513,675	$ 2,357	$ 109,740	$ 98,352	$ 1,448,493
-	-	-	-	3,592	26,242
$ 204,949	$ 513,675	$ 2,357	$ 109,740	$ 101,944	$ 1,474,735
$ 2,688	$ -	$ -	$ 1,487	$ -	$ 4,335
2,688	-	-	1,487	-	4,335
-	-	-	-	-	6,049
-	-	-	-	-	6,049
-	-	2,357	-	101,944	640,162
202,261	-	-	-	-	202,261
-	513,675	-	108,253	-	621,928
202,261	513,675	2,357	108,253	101,944	1,464,351
$ 204,949	$ 513,675	$ 2,357	$ 109,740	$ 101,944	$ 1,468,686

CITY OF MANVEL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2018

	Special Revenue Funds			
	Hotel Taxes	Court Security	Court Technology	TIRZ No. 3
Revenues				
Property taxes	$ -	$ -	$ -	$ 73,968
Sales taxes	-	-	-	6,049
Fines and forfeitures	-	5,741	7,628	-
Hotel taxes	77,269	-	-	-
Investment earnings	5,169	112	225	40
Other revenues	-	-	-	-
Total Revenues	82,438	5,853	7,853	80,057
Expenditures				
General government	419	161	-	-
Total Expenditures	419	161	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	82,019	5,692	7,853	80,057
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(80,057)
Total Other Financing Sources (Uses)	-	-	-	(80,057)
Net Change in Fund Balances	82,019	5,692	7,853	-
Beginning fund balances	418,132	5,764	16,401	-
Ending Fund Balances	$ 500,151	$ 11,456	$ 24,254	$ -

Special Revenue Funds					Total
South Manvel Dev. Auth.	Community Impact	Law Enforcement	Park	PEG Fee	Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 73,968
-	-	-	-	-	6,049
-	-	-	-	-	13,369
-	-	-	-	-	77,269
2,083	7,975	9	-	991	16,604
-	368,728	1,504	1,375	14,446	386,053
2,083	376,703	1,513	1,375	15,437	573,312
2,688	123,200	-	93,122	-	219,590
2,688	123,200	-	93,122	-	219,590
(605)	253,503	1,513	(91,747)	15,437	353,722
80,057	-	-	100,000	-	180,057
-	(310,000)	-	-	-	(390,057)
80,057	(310,000)	-	100,000	-	(210,000)
79,452	(56,497)	1,513	8,253	15,437	143,722
122,809	570,172	844	100,000	86,507	1,320,629
$ 202,261	$ 513,675	$ 2,357	$ 108,253	$ 101,944	$ 1,464,351

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended September 30, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	$ 924,844	$ 879,594	$ 917,274	$ 37,680
Intergovernmental	92,654	92,654	92,654	-
Investment income	1,000	1,000	5,006	4,006
Other revenues	-	-	401	401
Total Revenues	1,018,498	973,248	1,015,335	42,087
Expenditures				
Current:				
Principal	727,824	700,024	700,000	24
Interest and fiscal charges	221,300	288,735	286,475	2,260
Total Expenditures	949,124	988,759	986,475	2,284
Net Change in Fund Balance	$ 69,374	$ (15,511)	28,860	$ 44,371
Beginning fund balance			128,461	
Ending Fund Balance			$ 157,321	

CITY OF MANVEL, TEXAS

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

For the Year Ended September 30, 2018

	Hotel Taxes			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Hotel taxes	$ 66,000	$ 66,000	$ 77,269	$ 11,269
Investment earnings	50	50	5,169	5,119
Total Revenues	66,050	66,050	82,438	16,388
Expenditures				
Current:				
General government	1,000	1,000	419	581
Total Expenditures	1,000	1,000	419	581
Net Change in Fund Balance	$ 65,050	$ 65,050	82,019	$ 16,969
Beginning fund balance			418,132	
Ending Fund Balance			$ 500,151	

	Court Security			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	$ 5,000	$ 5,000	$ 5,741	$ 741
Investment earnings	10	10	112	102
Total Revenues	5,010	5,010	5,853	843
Expenditures				
Current:				
Public safety	4,589	4,589	161	4,428
Total Expenditures	4,589	4,589	161	4,428
Net Change in Fund Balance	$ 421	$ 421	5,692	$ 5,271
Beginning fund balance			5,764	
Ending Fund Balance			$ 11,456	

CITY OF MANVEL, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended September 30, 2018

	Court Technology			
	Original Budget Amounts	**Final Budget Amounts**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
Revenues				
Fines and forfeitures	$ 6,000	$ 6,000	$ 7,628	$ 1,628
Investment earnings	10	10	225	215
Total Revenues	6,010	6,010	7,853	1,843
Expenditures				
Current:				
General government	15,000	15,000	-	15,000
Total Expenditures	15,000	15,000	-	15,000
Net Change in Fund Balance	$ (8,990)	$ (8,990)	7,853	$ 16,843
Beginning fund balance			16,401	
Ending Fund Balance			$ 24,254	

	TIRZ No.3			
	Original Budget Amounts	**Final Budget Amounts**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
Revenues				
Property taxes	$ 30,000	$ 30,000	$ 73,968	$ 43,968
Sales taxes	6,500	6,500	6,049	(451)
Investment earnings	-	-	40	40
Total Revenues	36,500	36,500	80,057	43,557
Other Financing Sources				
Transfers (out)	(36,500)	(36,500)	(80,057)	(43,557) *
Total Other Financing Sources	(36,500)	(36,500)	(80,057)	(43,557)
Net Change in Fund Balance	$ 73,000	$ 73,000	-	$ -
Beginning fund balance			-	
Ending Fund Balance			$ -	

Notes to supplementary information:

* Expenditures exceeded appropriations at the legal level of control.

CITY OF MANVEL, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended September 30, 2018

	South Manvel Development Authority			
	Original Budget Amounts	**Final Budget Amounts**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
Revenues				
Property taxes	$ 30,000	$ 30,000	$ -	$ (30,000)
Investment earnings	10	10	2,083	2,073
Total Revenues	30,010	30,010	2,083	(27,927)
Expenditures				
Current:				
General government	5,300	5,300	2,688	2,612
Total Expenditures	5,300	5,300	2,688	2,612
Other Financing Sources (Uses)				
Transfers in	36,500	36,500	80,057	43,557
Total Other Financing (Uses)	36,500	36,500	80,057	43,557
Net Change in Fund Balance	$ 61,210	$ 61,210	79,452	$ 18,242
Beginning fund balance			122,809	
Ending Fund Balance			$ 202,261	

	Community Impact			
	Original Budget Amounts	**Final Budget Amounts**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
Revenues				
Investment earnings	$ -	$ -	$ 7,975	$ 7,975
Other revenues	202,479	348,359	368,728	20,369
Total Revenues	202,479	348,359	376,703	28,344
Expenditures				
Current:				
General government	140,800	123,200	123,200	-
Total Expenditures	140,800	123,200	123,200	-
Other Financing Sources				
Transfers (out)	(310,000)	(310,000)	(310,000)	-
Total Other Financing Sources	(310,000)	(310,000)	(310,000)	-
Net Change in Fund Balance	$ (248,321)	$ (84,841)	(56,497)	$ 28,344
Beginning fund balance			570,172	
Ending Fund Balance			$ 513,675	

CITY OF MANVEL, TEXAS

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

For the Year Ended September 30, 2018

	Park			
	Original Budget Amounts	**Final Budget Amounts**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
Revenues				
Other revenues	$ -	$ -	$ 1,375	$ 1,375
Total Revenues	-	-	1,375	1,375
Expenditures				
Current:				
General government	118,850	118,850	93,122	25,728
Total Expenditures	118,850	118,850	93,122	25,728
Other Financing Sources				
Transfers in	100,000	100,000	100,000	-
Total Other Financing Sources	100,000	100,000	100,000	-
Net Change in Fund Balance	$ (18,850)	$ (18,850)	8,253	$ 27,103
Beginning fund balance			100,000	
Ending Fund Balance			$ 108,253	

	PEG Fee			
	Original Budget Amounts	**Final Budget Amounts**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
Revenues				
Investment earnings	$ 5	$ 5	$ 991	$ 986
Other revenues	8,000	8,000	14,446	6,446
Total Revenues	8,005	8,005	15,437	7,432
Expenditures				
Current:				
General government	50,000	50,000	-	50,000
Total Expenditures	50,000	50,000	-	50,000
Net Change in Fund Balance	$ (41,995)	$ (41,995)	15,437	$ 57,432
Beginning fund balance			86,507	
Ending Fund Balance			$ 101,944	

(This page intentionally left blank.)