

**CITY OF MANOR, TEXAS
ANNUAL FINANCIAL REPORT
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2014**

CITY OF MANOR, TEXAS

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CITY OF MANOR, TEXAS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manor, Texas (the City), as of and for the year ended September 30, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors consider internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 to 8, budgetary comparison information on page 37, and Texas Municipal Retirement System Schedule of Funding Progress on page 39 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Austin, Texas

DATE

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MANOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

This section of the City of Manor's (City) annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2014. This discussion and analysis should be read in conjunction with the City's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and the required supplementary information. The basic financial statements include two types of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- Governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- The financial statements also include notes to the financial statements explaining some of the information in the financial statements and provide more detailed data.
- The report also contains other supplementary information in addition to the basic financial statements themselves.

FIGURE A-1
REQUIRED COMPONENTS OF THE
CITY'S ANNUAL FINANCIAL REPORT

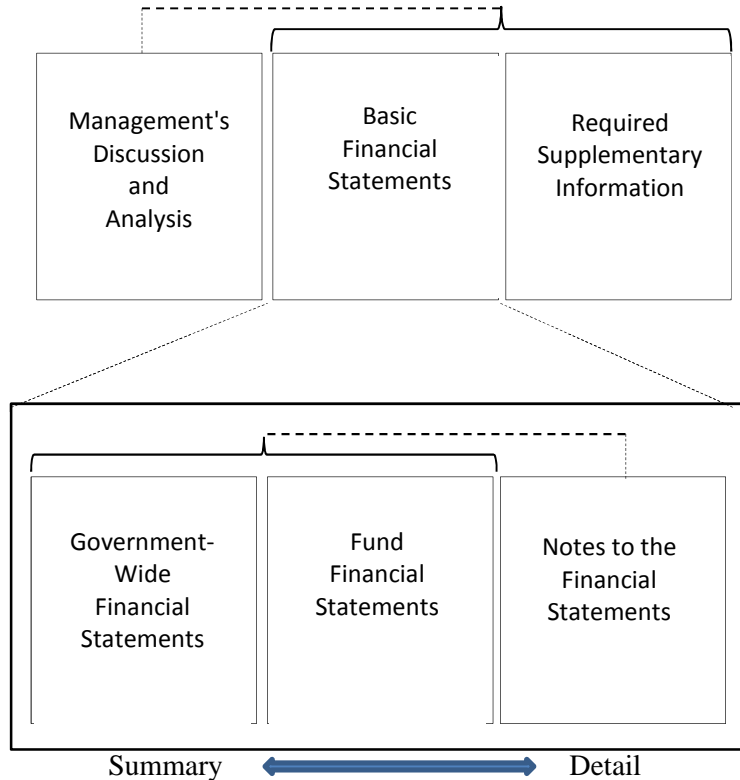


Figure A-1 shows how the parts of this annual report are arranged and related to one another.

The remainder of this overview explains the structure and contents of each of the statements.

CITY OF MANOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector businesses. The statement of net position includes all of the government's assets and liabilities. In the statement of activities, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid, and all of the City's governmental activities and City services are combined and show how they are financed.

Both government-wide statements report the City's net position and how it has changed. Net position, the difference between the City's assets plus deferred outflows and liabilities plus deferred inflows, is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant (major) funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific revenue sources and spending for particular purposes.

All cities have at least one major fund:

- Governmental fund – The City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because these funds do not encompass the additional long-term focus of the government-wide statements, additional information is provided following each fund statement that explains the relationship (or difference) between them.

Other common major funds:

- Some common funds are required by State law, such as the debt service fund, special revenues fund and capital projects fund.
- Management may establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenue resources, such as special revenue, capital project, and grant funds.

CITY OF MANOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover, and the types of information they contain.

Figure A-2 - Major Features of the City's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Government-Wide	Fund Statements	
		Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private business: utilities
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses & Changes in Fund Balances • Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year end; expenditures when goods or services have been received and payment is made during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

THE CITY AS A WHOLE (GOVERNMENT-WIDE)

FINANCIAL HIGHLIGHTS

- The City's total combined net position was \$12,945,171 at September 30, 2014. (See Figure A-3).
- Current year activity resulted in an increase in the City's net position by \$1,597,030 (see Figure A-4).

CITY OF MANOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Figure A-3
City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 1,927,272	\$ 2,508,969	\$ 6,087,750	\$ 4,804,090	\$ 8,015,022	\$ 7,313,059
Noncurrent assets	6,360,419	6,194,118	10,341,121	10,632,259	16,701,540	16,826,377
Total assets	8,287,691	8,703,087	16,428,871	15,436,349	24,716,562	24,139,436
Liabilities:						
Current liabilities	841,052	1,147,620	397,811	465,434	1,238,863	1,613,054
Long-term liabilities	5,960,815	6,347,447	4,571,713	4,808,840	10,532,528	11,156,287
Total liabilities	6,801,867	7,495,067	4,969,524	5,274,274	11,771,391	12,769,341
Net position:						
Investment in capital assets	(95,544)	(573,749)	5,879,061	5,818,187	5,783,517	5,244,438
Restricted	801,419	691,259	2,151,954	1,951,912	2,953,373	2,643,171
Unrestricted	779,949	1,090,510	3,428,332	2,391,976	4,208,281	3,482,486
Total net position	\$ 1,485,824	\$ 1,208,020	\$ 11,459,347	\$ 10,162,075	\$ 12,945,171	\$ 11,370,095

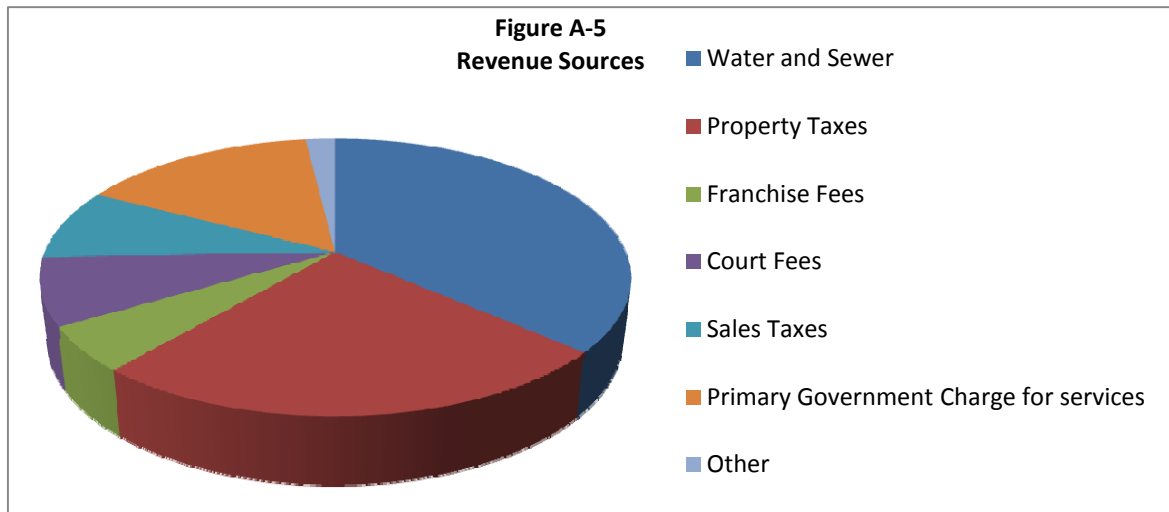
Figure A-4
Changes in City Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 2,022,437	\$ 1,904,309	\$ 3,154,248	\$ 3,099,216	\$ 5,176,685	\$ 5,003,525
General revenues:						
Taxes	3,410,467	2,819,583	-	-	3,410,467	2,819,583
Fines and penalties	-	-	-	-	-	-
Interest and penalties	5,259	3,495	762	370	6,021	3,865
Other	57,061	49,142	-	-	57,061	49,142
Total revenues	5,495,224	4,776,529	3,155,010	3,099,586	8,650,234	7,876,115
Expenses						
General government	978,417	700,437	-	-	978,417	700,437
Public safety	1,606,896	1,288,335	-	-	1,606,896	1,288,335
Streets	826,005	659,782	-	-	826,005	659,782
Municipal court	363,148	354,851	-	-	363,148	354,851
Development services	292,327	183,802	-	-	292,327	183,802
Sanitation	508,362	455,911	-	-	508,362	455,911
Bond Issue Cost	-	-	-	-	-	-
Interest and fiscal charges	191,981	208,195	200,168	191,173	392,149	399,368
Water and sewer	-	-	2,085,900	2,133,296	2,085,900	2,133,296
Total expenses	4,767,136	3,851,313	2,286,068	2,324,469	7,053,204	6,175,782
Revenues over(under)						
Expenses	728,088	925,216	868,942	775,117	1,597,030	1,700,333
Capital contributions	-	-	-	-	-	-
Transfers	(450,284)	(437,845)	450,284	437,845	-	-
Change in net position	277,804	487,371	1,319,226	1,212,962	1,597,030	1,700,333
Beginning net position	1,208,020	720,649	10,162,075	8,949,113	11,370,095	9,669,762
Restatement	-	-	(21,954)	-	(21,954)	-
Ending net position	\$ 1,485,824	\$ 1,208,020	\$ 11,459,347	\$ 10,162,075	\$ 12,945,171	\$ 11,370,095

CITY OF MANOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

CITY REVENUES

The majority of the City's revenue is generated from charges for water and sewer services (36%), property taxes (25%), and primary government charges for services (15%). The remaining is obtained from the grants, contributions, sales taxes, franchise fees, court fees and other sources (See Figure A-5).



GROWTH TRENDS

Governmental Activities

The City's property tax rate for maintenance and operations decreased from \$.4137 to \$.3940 in the current fiscal year generating \$1,032,324 in M&O taxes, an increase of \$123,209 over the previous fiscal year. While the City's franchise fees increased \$110,168, or 33% and sales taxes increased by \$199,744, or 39%.

Business-Type Activities

Water sales increased by \$22,692, or 1%, while sewer sales increased by \$32,340, or 2%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

General Fund revenues exceeded expenditures and transfers by \$168,758 which was \$141,215 more than budgeted. Management's overall activities increased the General Fund's total fund balance by \$168,758 with operating transfers to other funds of \$39,600. See details of budget and actual revenues on page 37.

Capital Assets

During the year ended September 30, 2014, the City invested \$736,634 in a broad range of capital assets, including infrastructure, equipment and buildings (see Figure A-6). These additions were funded from bond proceeds and notes payables.

CITY OF MANOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Figure A-6
City's Capital Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 470,607	\$ 118,947	\$ 406,816	\$ 406,816	\$ 877,423	\$ 525,763
Buildings and equipment	3,688,567	1,448,754	272,633	253,640	3,961,200	1,702,394
Sidewalks	244,164	244,164	-	-	244,164	244,164
Streets and improvements	5,283,124	5,283,124	12,992	12,992	5,296,116	5,296,116
Water system	-	-	7,465,930	7,465,930	7,465,930	7,465,930
Sewer system	-	-	5,692,383	5,692,383	5,692,383	5,692,383
Construction in progress	-	1,873,832	-	-	-	1,873,832
Total at historical cost	9,686,462	8,968,821	13,850,754	13,831,761	23,537,216	22,800,582
Accumulated depreciation	(3,326,043)	(2,774,703)	(3,509,633)	(3,221,456)	(6,835,676)	(5,996,159)
Net capital assets	\$ 6,360,419	\$ 6,194,118	\$ 10,341,121	\$ 10,610,305	\$ 16,701,540	\$ 16,804,423

Debt Administration

At year end, the City had \$10,918,023 in outstanding debt. More detailed information about the City's debt is presented in the Notes to the Financial Statements.

Figure A-7
City's Long-Term Debt

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Notes payable	\$ 416,550	\$ 199,327	\$ -	\$ 102,612	\$ 416,550	\$ 169,786
Bonds payable	6,039,413	6,568,540	4,462,060	4,711,460	10,501,473	11,280,000
Total	\$ 6,455,963	\$ 6,767,867	\$ 4,462,060	\$ 4,814,072	\$ 10,918,023	\$ 11,449,786

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Next year's proposed General Fund budget is projected to remain consistent with this year's actual revenues.

General fund proposed expenditures are expected to increase by approximately \$939,691, resulting in an overall operating deficit of approximately \$435,862 to be offset with operating transfers from the City's business-type activities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Any questions about this report or need for additional financial information should be addressed to the City of Manor, Attn: City Manager, P.O. Box 387, Manor, TX 78653.

BASIC FINANCIAL STATEMENTS

CITY OF MANOR, TEXAS
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,038,029	\$ 3,334,417	\$ 4,372,446
Receivables, net	87,824	249,295	337,119
Restricted assets:			
Cash and cash equivalents	161,771	2,061,386	2,223,157
Investments	639,648	442,652	1,082,300
Non-current assets:			
Capital assets:			
Non-depreciable	470,607	406,816	877,423
Depreciable, net	5,889,812	9,934,305	15,824,117
Total Assets	<u>8,287,691</u>	<u>16,428,871</u>	<u>24,716,562</u>
LIABILITIES			
Current Liabilities			
Payable from unrestricted assets:			
Accounts payable	267,616	105,566	373,182
Unearned Revenue	5,000	-	5,000
Payable from restricted assets:			
Interest payable	23,009	24,145	47,154
Notes payable, due within one year	98,527	-	98,527
Bonds payable, due within one year	446,900	268,100	715,000
Non-current liabilities:			
Payable from unrestricted assets:			
Compensated absences	50,279	25,669	75,948
Payable from restricted assets:			
Customer deposits	-	352,084	352,084
Notes payable, due more than one year	318,023	-	318,023
Bonds payable, due more than one year	5,592,513	4,193,960	9,786,473
Total Liabilities	<u>6,801,867</u>	<u>4,969,524</u>	<u>11,771,391</u>
NET POSITION			
Net investment in capital assets	(95,544)	5,879,061	5,783,517
Restricted	801,419	2,151,954	2,953,373
Unrestricted	779,949	3,428,332	4,208,281
Total Net Position	<u>\$ 1,485,824</u>	<u>\$ 11,459,347</u>	<u>\$ 12,945,171</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF MANOR, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2014**

Function/Program Activities	Expenses	Charges for Services
Primary Government:		
Government activities:		
General government	\$ 978,417	\$ 304
Public Safety	1,606,896	99,339
Streets	826,005	487
Municipal court	363,148	683,181
Development services	292,327	632,155
Sanitation	508,362	606,971
Interest on long-term debt	191,981	-
Total governmental activities	4,767,136	2,022,437
Business-type activities:		
Water	1,249,390	1,606,971
Sewer	836,510	1,547,277
Interest and amortization on long-term debt	200,168	-
Total business-type activities	2,286,068	3,154,248
Total Primary Government	\$ 7,053,204	\$ 5,176,685

General Revenues:

Taxes:

 Property

 Sales

 Franchise

 Other

Investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Changes In Net Assets

Net Position - Beginning of Year

As Previously Stated

Restatement

Net Position - End of Year

The accompanying notes are an integral part of this financial statement.

<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
<u>Operating</u>	<u>Capital</u>	<u>Primary Government</u>		
<u>Grants & Contributions</u>	<u>Grants & Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ -	\$ (978,113)	\$ -	\$ (978,113)
-	-	(1,507,557)	-	(1,507,557)
-	-	(825,518)	-	(825,518)
-	-	320,033	-	320,033
-	-	339,828	-	339,828
-	-	98,609	-	98,609
-	-	(191,981)	-	(191,981)
-	-	(2,744,699)	-	(2,744,699)
-	-	-	357,581	357,581
-	-	-	710,767	710,767
-	-	-	(200,168)	(200,168)
-	-	-	868,180	868,180
\$ -	\$ -	\$ (2,744,699)	\$ 868,180	\$ (1,876,519)
		2,148,631	-	2,148,631
		710,438	-	710,438
		449,090	-	449,090
		102,308	-	102,308
		5,259	762	6,021
		57,061	-	57,061
		(450,284)	450,284	-
		3,022,503	451,046	3,473,549
		277,804	1,319,226	1,597,030
		1,208,020	10,162,075	11,370,095
		-	(21,954)	(21,954)
		\$ 1,485,824	\$ 11,459,347	\$ 12,945,171

**CITY OF MANOR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014**

	General Fund	Special Revenues Fund
ASSETS		
Unrestricted		
Cash and cash equivalents	\$ 1,005,207	\$ -
Receivables, net	70,947	-
Intergovernmental receivables	-	-
Due from other funds	-	-
Restricted assets:		
Cash and cash equivalents	-	188,076
Investments	8,427	361,820
	<u>1,084,581</u>	<u>549,896</u>
Total Assets	\$ 1,084,581	\$ 549,896
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 147,792	\$ -
Other liabilities	12,007	97,890
Due to other funds	-	-
Unearned revenue	23,741	-
	<u>183,540</u>	<u>97,890</u>
Total Liabilities	183,540	97,890
 FUND BALANCES		
Restricted	8,423	452,006
Committed	-	-
Unassigned	892,618	-
	<u>901,041</u>	<u>452,006</u>
Total Fund Balances	901,041	452,006
Total Liabilities and Fund Balances	\$ 1,084,581	\$ 549,896

The accompanying notes are an integral part of this financial statement.

Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ -	\$ 32,822	\$ 1,038,029
16,877	-	87,824
-	-	-
-	-	-
(26,305)	-	161,771
269,401	-	639,648
<u>\$ 259,973</u>	<u>\$ 32,822</u>	<u>\$ 1,927,272</u>
\$ -	\$ -	\$ 147,792
-	9,927	119,824
-	-	-
16,877	-	40,618
<u>16,877</u>	<u>9,927</u>	<u>308,234</u>
243,096	-	703,525
-	22,895	22,895
-	-	892,618
<u>243,096</u>	<u>22,895</u>	<u>1,619,038</u>
<u>\$ 259,973</u>	<u>\$ 32,822</u>	<u>\$ 1,927,272</u>

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CITY OF MANOR, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2014

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	1,619,038
<p>Amounts reported for governmental activities in the statement of net position are different due to the following:</p>		
Capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds		6,360,419
Certain receivables are not available to pay current-period expenditures and, therefore, are deferred in the funds. This amount includes deferred property taxes.		35,618
Certain liabilities related to long-term debt are not reported in the funds, such as accrued interest payable.		(23,009)
Compensated absences (liabilities) are not due and payable unless employees are terminating within 60 days of fiscal year-end; therefore, they are not reported in the funds.		(50,279)
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(6,455,963)</u>
NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>1,485,824</u>

The accompanying notes are an integral part of this financial statement.

CITY OF MANOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2014

	<u>General Fund</u>	<u>Special Revenues Fund</u>
REVENUES		
Property taxes	\$ 1,032,324	\$ -
Sales tax	710,438	-
Other taxes	1,807	100,501
Franchise taxes	449,090	-
Charge for services	606,971	-
Interest	2,006	3,112
Interest - restricted	9	-
Court and police	683,181	-
Public safety	99,339	-
Licenses and permits	632,155	-
Other	57,852	-
Total Revenues	<u>\$ 4,275,172</u>	<u>\$ 103,613</u>
EXPENDITURES		
Current:		
General government	884,371	8,500
Public safety	1,437,395	-
Streets	500,606	-
Municipal court	363,148	-
Development services	287,752	-
Sanitation	508,362	-
Capital outlay	219,113	-
Debt service:		
Principal	-	-
Interest	-	-
Total Expenditures	<u>4,200,747</u>	<u>8,500</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>74,425</u>	<u>95,113</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	(39,600)	-
Total Other Financing Sources (Uses)	<u>(39,600)</u>	<u>-</u>
Net Change in Fund Balances	34,825	95,113
Fund Balances - Beginning of Year	<u>866,216</u>	<u>356,893</u>
Fund Balances - End of Year	<u>\$ 901,041</u>	<u>\$ 452,006</u>

The accompanying notes are an integral part of this financial statement.

Debt Services Fund	Capital Projects Fund	Total Governmental Funds
\$ 1,068,205	\$ -	\$ 2,100,529
-	-	710,438
-	-	102,308
-	-	449,090
-	-	606,971
91	41	5,250
-	-	9
-	-	683,181
-	-	99,339
-	-	632,155
-	-	57,852
<u>\$ 1,068,296</u>	<u>\$ 41</u>	<u>\$ 5,447,122</u>
449	-	893,320
-	-	1,437,395
-	40,447	541,053
-	-	363,148
-	-	287,752
-	-	508,362
-	334,898	554,011
430,600	-	430,600
193,526	-	193,526
<u>624,575</u>	<u>375,345</u>	<u>5,209,167</u>
<u>443,721</u>	<u>(375,304)</u>	<u>237,955</u>
-	39,600	39,600
(450,284)	-	(489,884)
<u>(450,284)</u>	<u>39,600</u>	<u>(450,284)</u>
(6,563)	(335,704)	(212,329)
249,659	358,599	1,831,367
<u>\$ 243,096</u>	<u>\$ 22,895</u>	<u>\$ 1,619,038</u>

CITY OF MANOR, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (212,329)

Amounts reported for *governmental activities* in the statement of activities are different due to the following:

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. This is the amount by which capital outlay exceeded depreciation expenses in the current period. 2,671

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include the recognition of unearned revenue. 48,102

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the long-term liabilities in the statement of net assets. This is the amount by which payments exceeded debt proceeds. 430,600

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These expenditures include changes in accrued interest and accrued compensation. 8,760

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 277,804

The accompanying notes are an integral part of this financial statement.

CITY OF MANOR, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2014

	<u>Water and Sewer System</u>	<u>Capital Impact Fees</u>	<u>Total</u>
ASSETS			
Current Assets:			
Unrestricted assets:			
Cash and cash equivalents	\$ 3,334,417	\$ -	\$ 3,334,417
Accounts receivable, net	249,295	-	249,295
Restricted assets:			
Cash and cash equivalents	352,084	1,709,302	2,061,386
Investments	-	442,652	442,652
Total Current Assets	<u>3,935,796</u>	<u>2,151,954</u>	<u>6,087,750</u>
Non-Current Assets:			
Non-depreciable assets, net	406,816	-	406,816
Depreciable assets, net	9,934,305	-	9,934,305
Total Non-Current Assets	<u>10,341,121</u>	<u>-</u>	<u>10,341,121</u>
Total Assets	<u><u>14,276,917</u></u>	<u><u>2,151,954</u></u>	<u><u>16,428,871</u></u>
LIABILITIES			
Current Liabilities:			
Accounts payable	105,566	-	105,566
Interest payable	24,145	-	24,145
Bonds payable, due within one year	268,100	-	268,100
Total Current Liabilities	<u>397,811</u>	<u>-</u>	<u>397,811</u>
Non-Current Liabilities:			
Compensated absences	25,669	-	25,669
Customer deposits	352,084	-	352,084
Notes payable, due after one year	-	-	-
Bonds payable, due after one year	4,193,960	-	4,193,960
Total Non-Current Liabilities	<u>4,571,713</u>	<u>-</u>	<u>4,571,713</u>
Total Liabilities	4,969,524	-	4,969,524
NET POSITION			
Investment in Capital Assets	5,879,061	-	5,879,061
Restricted	-	2,151,954	2,151,954
Unrestricted	3,428,332	-	3,428,332
Total Net Assets	<u><u>\$ 9,307,393</u></u>	<u><u>\$ 2,151,954</u></u>	<u><u>\$ 11,459,347</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF MANOR, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended September 30, 2014

	<u>Water and Sewer System</u>	<u>Capital Impact Fees</u>	<u>Total</u>
OPERATING REVENUES			
Water service	\$ 1,336,553	\$ -	\$ 1,336,553
Sewer service	1,135,442	-	1,135,442
Penalties	56,700	-	56,700
Miscellaneous	735	-	735
Capital impact fees	-	624,818	624,818
Total Revenues	<u>2,529,430</u>	<u>624,818</u>	<u>3,154,248</u>
OPERATING EXPENSES			
Personnel services	419,627	-	419,627
Operations	84,305	2,800	87,105
Utilities	126,612	-	126,612
Professional services	100	-	100
Insurance	23,945	-	23,945
Materials and supplies	58,178	-	58,178
Maintenance	59,030	-	59,030
Water fees	556,927	-	556,927
Wastewater fees	466,199	-	466,199
Depreciation	288,177	-	288,177
Total Operating Expenses	<u>2,083,100</u>	<u>2,800</u>	<u>2,085,900</u>
OPERATING INCOME	<u>446,330</u>	<u>622,018</u>	<u>1,068,348</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	-	762	762
Interest expense	(200,168)	-	(200,168)
Total Non-Operating Revenues (Expenses)	<u>(200,168)</u>	<u>762</u>	<u>(199,406)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	246,162	622,780	868,942
CONTRIBUTIONS AND TRANSFERS			
Transfers in (out)	450,284	214,775	665,059
Transfers from (to) primary government	(214,775)	-	(214,775)
CHANGE IN NET POSITION	481,671	837,555	1,319,226
NET POSITION - BEGINNING OF YEAR			
As Previously Stated	8,847,676	1,314,399	10,162,075
Restatement	(21,954)	-	(21,954)
NET POSITION - END OF YEAR	<u>\$ 9,307,393</u>	<u>\$ 2,151,954</u>	<u>\$ 11,459,347</u>

The accompanying notes are an integral part of this financial statement.

CITY OF MANOR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended September 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	Proprietary Fund
Receipts from customers	\$ 3,162,368
Payments to suppliers	(1,379,394)
Payments to employees and contractors	(407,312)
Net Cash Flows From Operating Activities	<u>1,375,662</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Increase in customer deposits	37,558
Increase in restricted assets	(552,126)
Net Cash Flows From Non-Capital Financing Activities	<u>(514,568)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers from primary government for payment of debt obligations	450,284
Additions to capital assets	(18,993)
Principal payments on debt	(352,012)
Interest payments on debt	(201,481)
Net Cash Flows From Capital and Related Financing Activities	<u>(122,202)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	762
Net Cash Flows From Investing Activities	<u>762</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	739,654
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,594,763</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,334,417</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Operating income	\$ 1,068,348
Adjustments not affecting cash:	
Depreciation	288,177
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts receivable	8,120
Accounts payable	(1,298)
Compensated absences	12,315
Net Cash Flows From Operating Activities	<u><u>\$ 1,375,662</u></u>

The accompanying notes are an integral part of this financial statement.

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City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Manor, Texas (City) is a Home Rule city which citizens elect the mayor and six council members at large by place. The City operates under the Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting and reporting policies and practices used by the City are described below.

Reporting Entity

The City's basic financial statements include all activities, organizations, and functions for which the City is considered to be financially accountable. The criteria considered in determining activities to be reported within the City's basic financial statements include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization of the City

The above criteria were applied to potential organizations to determine if the entity should be reported as part of the City. It was determined that the City has no component units or related organizations that should be reported within the City's basic financial statements.

Financial Statement Presentation

The City has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the City beginning fiscal year 2014. This statement establishes standards for reclassifying certain assets and liabilities as deferred outflows of resources and deferred inflows of resources (*See Note O - Prior Period Adjustment* for financial statement impact of implementing GASB 65).

The City has implemented GASB Statement No. 66, *Technical Corrections-2012*, an amendment of GASB Statements No. 10 and No. 62, effective for the City beginning fiscal year 2014. As per the title, this statement contains technical corrections for conflicting guidance that occurred due to the issuances of GASB Statements No. 54 and No. 62. This statement also amends GASB Statement No. 10 by removing the provision that requires an entity to account for its risk financing activity in the General Fund. The implementation of this statement had no effect on the financial reporting of the City.

The City follows GASB Statement no. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). This statement amends the net asset reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the net assets and by renaming that measure as net position.

The City follows GASB Statement No. 62 (GASB 62) *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporated certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued prior to December 1, 1989, into the GASB Codification as long as they don't conflict or contradict GASB literature.

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Government-wide financial statements do not provide information by individual fund or fund types, but distinguish between the City's governmental activities and business-type activities on the Statement of Net Position and Statement of Activities. The statements report information on all of the non-fiduciary activities of the primary government and its component units. The City's Statement of Net Position includes both non-current assets and non-current liabilities of the City. Accrual accounting reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. Additionally, the government-wide financial Statement of Activities reflects depreciation expense on the City's capital assets, including infrastructure.

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

Statement of Net Position

The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). The City reports all capital assets, including infrastructure, in the government-wide Statement of Net Position and reports depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of the City is broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Long-term liabilities are reported in two categories: 1) the amount due within one year; and 2) the amount due in more than one year.

Statement of Activities

The government-wide Statement of Activities reports net (expense) revenue in a format that focuses on the cost of each of the City's governmental activities and for each of the business-type activities of the City's. The expense of individual functions is compared to revenues generated directly by the function (for instance, through user charges or intergovernmental grants). General revenues (including all taxes), investment earnings, special and extraordinary items, and transfers between governmental and business-type activities are reported separately after the total net expenses of the government's functions, ultimately arriving at the change in net position of the period. Program revenues are segregated into three categories: 1) charges for services; 2) program-specific operating grants and contributions; and 3) program-specific capital grants and contributions. Indirect costs are allocated amount functions based on use.

Fund Level Financial Statements

In addition to the government-wide financial statements, the City prepares fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The focus on the fund financial statements is on the major individual funds of the governmental and business-type activities, as well as any fiduciary funds (by category) and any component units. Fund financial accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The City reports the following major governmental funds:

General Fund

Reports as the primary fund of the City. This fund is used to account for all financial resources not reported in any other funds.

Special Revenue Fund

Established to account for revenues assessed and collected for specific purposes.

Debt Service Fund

Established to account for the accumulation of financial resources for the payment of principal and interest of the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds and interest. This fund reports ad valorem taxes collected for debt purposes only.

Capital Projects Fund

Bond Management - Established to account for the capital expenditures of general obligation bond proceeds.

Grants Management - Established to account for the City's capital grants and contributions which fund the acquisition, constructions, or the rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses.

The City reports the following major enterprise funds:

Water and Sewer Fund

Accounts for the operating activities of the City's water and sewer services.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within fund). Proprietary fund level financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year in which they are levied while grants are recognized when grantor eligibility requirements are met.

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within sixty days of the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for debt principal and interest which are reported expenditures in the year due.

Major revenue sources susceptible to accrual include sales and property taxes. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and included administrative expenses and depreciation of capital assets.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. See Note D for information describing the City's restricted assets.

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

The City's capital assets and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective funds. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$5,000 or more as purchases and outlays occur. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. For information describing capital assets, see Note E.

Estimated useful lives, in years, for depreciable assets are as follows:

Vehicles	5
Software	5
Machinery and equipment	5-7
Buildings and improvements	10
Infrastructure	20-50

Long-term Debt

In the government-wide and proprietary fund level financial statements, outstanding debt is reported as liabilities. Outstanding debt is reported within governmental activities and business-type activities based on use of proceeds. Bond issue costs are expensed when incurred.

Fund Balance/Net Position

Fund balances/net position are divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable

The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Prior to the adoption of GASB No. 54, non-spendable fund balance/net assets were reported as "invested in capital assets, net of related debt," which consisted of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

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 restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Revenues and Expenditures/Expenses

Inter-Fund Activity

Inter-fund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers-in and transfers-out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, inter-fund receivables and payables, if applicable, are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

Compensated Absences

Compensated absences are reported as accrued in the government-wide financial statements. In the fund level financial statements, only matured compensated absences payable to currently terminating employees are reported.

Use of 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 and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Final amounts could differ from those estimates.

B. DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

Cash Deposits

At September 30, 2014, carrying amounts of the City's cash deposits were \$6,595,603 and bank balances were \$6,684,549. The City's cash deposits at September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2014, are shown below.

Investment or Investment Type	Maturity	Fair Value
TexPool Investment	N/A	\$ 1,082,300

Analysis of Specific Deposit and Investment Risks

Professional standards require a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not exposed to a significant amount of credit risk.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At September 30, 2014, the City's deposits were entirely covered by depository insurance or collateralized with securities held by the pledging financial institution in the City's name.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

C. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

Sales Tax Receivable

Sales taxes are collected and remitted to the City by the State Comptroller's Office. All sales taxes are collected within sixty days of year end. At fiscal year end, the receivables represent taxes collected but not yet received by the City and are recorded as revenue.

Property Taxes Receivable and Deferred Revenue

Property taxes are assessed and remitted to the City by the Travis County Tax Assessor's Office. Taxes, levied annually on October 1, are due by January 31. Major tax payments are received December through March. Lien dates for real property are July.

Allowances for uncollectible tax receivables reported in the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off when deemed uncollectible; however, state statutes prohibit writing off real property taxes without specific authority from the Texas Legislation.

In the governmental fund level financial statements, property taxes receivable are recorded in the General Fund when assessed (October 1). At fiscal year end, property taxes receivables represent delinquent taxes. If delinquent taxes are not paid within sixty days of fiscal year end, they are recorded as deferred revenue.

In the government-wide financial statements, property tax receivables and related revenues include all amounts due to the City regardless of when cash is received.

At September 30, 2014, receivables for governmental activities are summarized in the government-wide financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Sales tax receivable	\$ 50,826	\$ -	\$ 50,826
Property tax receivable	111,561	(75,943)	35,618
Employee receivables	1,961	-	1,961
Court fines receivable	872,373	(860,453)	11,920
Other	(12,501)	-	(12,501)
Total receivables	<u>\$ 1,024,220</u>	<u>\$ (936,396)</u>	<u>\$ 87,824</u>

Enterprise Receivables

Receivables represent amounts due from customers for water, wastewater, and sanitation services. These receivables are due within one month. Receivables are reported net of an allowance for uncollectible accounts and revenues net of what is estimated to be uncollectible. The allowance is estimated using accounts receivable past due more than ninety days.

At September 30, 2014, enterprise receivables are summarized in the financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Customer receivables	\$ 263,306	\$ (15,214)	\$ 248,092
NSF Checks	1,203	-	1,203
Total receivables	<u>\$ 264,509</u>	<u>\$ (15,214)</u>	<u>\$ 249,295</u>

D. RESTRICTED ASSETS

At September 30, 2014, restricted assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents:			
Debt service	\$ (26,305)	\$ -	\$ (26,305)
Other	90,186	-	90,186
Rose Hill Public Improvement District	97,890	-	97,890
Customer deposits	-	352,084	352,084
Capital improvements - water system	-	803,958	803,958
Capital improvements - sewer system	-	905,344	905,344
Total cash and cash equivalents	<u>\$ 161,771</u>	<u>\$ 2,061,386</u>	<u>\$ 2,223,157</u>

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

Investments:	Governmental Activities	Business-Type Activities	Total
Parks	\$ 8,427	\$ -	\$ 8,427
Debt service	269,401	-	269,401
Tourism	361,820	-	361,820
Capital improvements - sewer system	-	442,652	442,652
Total investments	<u>\$ 639,648</u>	<u>\$ 442,652</u>	<u>\$ 1,082,300</u>

E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions/ Releass	Ending Balance
Non-depreciable assets:				
Land	\$ 118,947	\$ -	\$ 351,660	\$ 470,607
Construction in process	1,873,832	-	(1,873,832)	-
Total non-depreciable assets	<u>\$ 1,992,779</u>	<u>\$ -</u>	<u>\$ (1,522,172)</u>	<u>\$ 470,607</u>
Depreciable assets:				
Buildings	\$ 511,248	\$ 296,627	\$ 1,439,524	\$ 2,247,399
Equipment	937,506	421,014	82,648	1,441,168
Sidewalks	244,164	-	-	244,164
Streets and improvements	5,283,124	-	-	5,283,124
Total depreciable assets	6,976,042	717,641	1,522,172	9,215,855
Accumulated depreciation	(2,774,703)	(551,340)	-	(3,326,043)
Depreciable assets, net	<u>\$ 4,201,339</u>	<u>\$ 166,301</u>	<u>\$ 1,522,172</u>	<u>\$ 5,889,812</u>
Business-Type Activities				
Non-depreciable assets:				
Land	\$ 406,816	\$ -	\$ -	\$ 406,816
Construction in process	-	-	-	-
Total non-depreciable assets	<u>\$ 406,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,816</u>
Depreciable assets:				
Machinery and equipment	\$ 253,640	\$ 18,993	\$ -	\$ 272,633
Culverts	12,992	-	-	12,992
Infrastructure - water system	7,465,930	-	-	7,465,930
Infrastructure - sewer system	5,692,383	-	-	5,692,383
Total depreciable assets	13,424,945	18,993	-	13,443,938
Accumulated depreciation	(3,221,456)	(288,177)	-	(3,509,633)
Depreciable assets, net	<u>\$ 10,203,489</u>	<u>\$ (269,184)</u>	<u>\$ -</u>	<u>\$ 9,934,305</u>

Depreciation expense was charged to the functions as follows:

Function:	Governmental Activities	Business-Type Activities	Total
General government	\$ 92,312	\$ -	\$ 92,312
Public safety	169,501	-	169,501
Streets	284,952	-	284,952
Development services	4,575	-	4,575
Water	-	182,341	182,341
Sewer	-	105,836	105,836
Total depreciation expense	<u>\$ 551,340</u>	<u>\$ 288,177</u>	<u>\$ 839,517</u>

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

F. INTER-FUND BALANCES AND ACTIVITY

Transfers (To)From Other Funds

Purpose	Governmental Activities	Business-Type Activities
Property taxes collected for debt payments	\$ 450,284	\$ (450,284)

G. LONG-TERM DEBT

Long-Term Debt Activity

Changes in long-term debt obligations for the year ended September 30, 2014 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 199,327	\$ 201,811	\$ (83,115)	\$ 318,023	\$ 98,527
Bonds Payable	6,568,540	-	(430,600)	6,137,940	446,900
Total governmental activities	<u>\$ 6,767,867</u>	<u>\$ 201,811</u>	<u>\$ (513,715)</u>	<u>\$ 6,455,963</u>	<u>\$ 545,427</u>
Business-Type Activities:					
Notes Payable	\$ 102,612	\$ -	\$ (102,612)	\$ -	\$ -
Bonds Payable	4,711,460	-	(249,400)	4,462,060	268,100
Total business-type activities	<u>\$ 4,814,072</u>	<u>\$ -</u>	<u>\$ (352,012)</u>	<u>\$ 4,462,060</u>	<u>\$ 268,100</u>

Debt Service Requirements

Notes Payable

On September 30, 2002, the City of Manor entered into an agreement with the City of Austin to provide wholesale wastewater service to the City. As part of this agreement, the City agreed to reimburse Austin for costs incurred by them to (1) close lagoons; (2) construct an 18-inch interceptor; (3) construct metering facilities; and (4) decommission Manor's existing wastewater plant. Total costs were \$298,975 to be paid monthly over 84 months at an interest rate of 7% per annum from wastewater capital impact fees. This note was paid in full during the year ended September 30, 2014.

In connection with the agreement, the City was also required to purchase capacity in the City of Austin's existing wastewater facility. The cost was \$328,250 to be paid monthly over 84 months at an interest rate of 7% per annum from wastewater impact fees. This note was paid in full during the year ended September 30, 2014.

On September 25, 2012, the City entered into financing agreements for vehicles totaling \$220,522 at 3.36% fixed interest rate with yearly payments of \$47,228 due in November. The City's balance remaining on the note payable at September 30, 2014, is \$132,673.

On February 5, 2013, the City entered into financing agreements for vehicles totaling \$31,688 at 5.03% fixed interest rate with yearly payments of \$7,133 due in February. The City's balance remaining on the note payable at September 30, 2014, is \$19,412.

On October 15, 2013, the City entered into financing agreements for vehicles totaling \$168,695 at 3.58% fixed interest rate with yearly payments of \$36,151 due in February. The City's balance remaining on the note payable at September 30, 2014, is \$132,822.

On May 23, 2014, the City entered into financing agreements for vehicles totaling \$33,116 at 5.35% fixed interest rate with yearly payments of \$7,469 due in February. The City's balance remaining on the note payable at September 30, 2014, is \$33,116.

Debt service requirements on long-term notes payable at September 30, 2014, were as follows:

For the year ending September 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 98,527	\$ 10,531	\$ 109,058
2016	100,952	8,105	109,057
2017	104,719	4,787	109,506
2018	6,733	736	7,469
2019	7,092	377	7,469
	<u>\$ 318,023</u>	<u>\$ 24,536</u>	<u>\$ 342,559</u>

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

Bonds Payable

Certificates of Obligation, Series 2007

On September 20, 2007, the City issued \$3,525,000 of certificates of obligation bonds, proceeds to be used for improvements to the City's water and wastewater systems, certain street and drainage improvements, and costs of issuance. Bond interest rates are 4.26% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2027 or prior redemption.

Certificates of Obligation, Series 2007

On September 20, 2007, the City issued \$2,975,000 of certificates of obligation bonds, proceeds to be used for improvements to the City's water and wastewater systems, certain street and drainage improvements, and costs of issuance. Bond interest rates are 4.27% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2027 or prior redemption. This bond is split between the governmental and business-type activities on a 63% and 37%, respectively, basis and future payments are shown in full below.

General Obligation Refunding Bonds, Series 2010

On May 15, 2011, the City issued \$935,000 in general obligation bonds, proceeds to be used to refund Series 2009 revenue bonds. Bond interest rates range from 2.83% to 4.70% with semi-annual payments due on March 1 and September 1 of each year until maturity in 2024 or prior redemption.

General Obligation Refunding Bonds, Series 2012

On April 1, 2012, the City issued \$3,510,000 in general obligation bonds, proceeds to be used to refund Series 2001 and 2004 revenue bonds. Bond interest rate of 2.55% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2026 or prior redemption.

Certificate of Obligation Bonds, Series 2012

On September 1, 2012, the City issued \$1,835,000 in certificate of obligation, proceeds to be used to for City construction. Bond interest rate of 2.49% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2027 or prior redemption.

Debt service requirements on long-term bond debt at September 30, 2013, were as follows:

		Series 2007 - \$3,525,000		
		Principal	Interest	Total
For the year ending September 30,				
	2015	\$ 160,000	\$ 122,050	\$ 282,050
	2016	170,000	115,234	285,234
	2017	175,000	107,992	282,992
	2018	185,000	100,536	285,536
	2019	190,000	92,655	282,655
	2020-2024	1,145,000	331,215	1,476,215
	2025-2027	840,000	72,846	912,846
	<u>Total</u>	<u>\$ 2,865,000</u>	<u>\$ 942,528</u>	<u>\$ 3,807,528</u>
		Series 2007 - \$2,975,000		
		Principal	Interest	Total
For the year ending September 30,				
	2015	\$ 130,000	\$ 101,412	\$ 231,412
	2016	140,000	95,862	235,862
	2017	145,000	89,884	234,884
	2018	155,000	83,692	238,692
	2019	160,000	77,074	237,074
	2020-2024	940,000	274,988	1,214,988
	2025-2027	705,000	61,061	766,061
	<u>Total</u>	<u>\$ 2,375,000</u>	<u>\$ 783,973</u>	<u>\$ 3,158,973</u>
		Series 2010 - \$935,000		
		Principal	Interest	Total
For the year ending September 30,				
	2015	\$ 60,000	\$ 27,432	\$ 87,432
	2016	60,000	26,598	86,598
	2017	65,000	25,260	90,260
	2018	65,000	23,219	88,219
	2019	70,000	21,338	91,338
	2020-2024	400,000	18,800	418,800
	<u>Total</u>	<u>\$ 720,000</u>	<u>\$ 142,647</u>	<u>\$ 862,647</u>

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

For the year ending September 30,	Series 2012 - \$3,510,000		
	Principal	Interest	Total
2015	\$ 260,000	\$ 76,882	\$ 336,882
2016	265,000	70,252	335,252
2017	270,000	63,496	333,496
2018	280,000	56,610	336,610
2019	285,000	49,470	334,470
2020-2024	1,530,000	134,640	1,664,640
2025-2026	125,000	4,845	129,845
Total	\$ 3,015,000	\$ 456,195	\$ 3,471,195

For the year ending September 30,	Series 2012 - \$1,835,000		
	Principal	Interest	Total
2015	\$ 105,000	\$ 40,463	\$ 145,463
2016	110,000	37,848	147,848
2017	110,000	35,109	145,109
2018	115,000	32,370	147,370
2019	120,000	29,507	149,507
2020-2024	640,000	101,593	741,593
2025-2027	425,000	21,291	446,291
Total	\$ 1,625,000	\$ 298,181	\$ 1,923,181

Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Disclosure Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operation of the City.

H. RESTRICTED NET ASSETS

At September 30, 2014, net assets restricted by enabling legislation consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Rose Hill Public Improvement District	\$ 97,890	\$ -	\$ 97,890
Tourism	361,820	-	361,820
Debt service	243,096	-	243,096
Other	98,613	-	98,613
Capital improvements	-	2,151,954	2,151,954
Total restricted net assets	\$ 801,419	\$ 2,151,954	\$ 2,953,373

I. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

J. PENSION PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. This report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153, or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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 are as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, -/25	60/5, -/25
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Fiscal year ended September 30,	Annual Pension Cost (APC)	Actual Contributions Made	Percentage of APC Contributed	Net Pension Obligation (Asset)
2012	\$ 33,898	\$ 33,898	100%	\$ -
2013	41,188	41,188	100%	-
2014	43,831	43,831	100%	-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GA SB 25 Equivalent Single Amortization Period	25.5 years: closed period	24.9 years: closed period	24.9 years: closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.50%	7.00%	7.00%

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0%	0%	0%

Funded Status and Funding Process

The fund status as of December 31, 2013 is presented as follows:

(a)	(b)	(c)	(d)	(e)	(f)	
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (a)/(b)	Unfunded AAL (UAAL) (b) - (a)	Covered Payroll	UAAL as of % of Covered Payroll (d)/(e)
12/31/2011	\$ 1,155,291	\$ 1,049,733	110.1%	\$ (105,558)	\$ 1,437,146	-7.3%
12/31/2012	1,310,569	1,169,342	112.1%	(141,227)	1,437,093	-9.8%
12/31/2013	1,513,074	1,407,531	107.5%	(105,543)	1,575,984	-6.7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual amounts are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility actuarial in accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

K. SUPPLEMENTAL DEATH BENEFITS FUND (SDBF)

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

L. HEALTH CARE COVERAGE

During the year ended September 30, 2014, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$223,151 to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable October 1, and terms of coverage and premium costs and included in the contractual provisions.

M. COMMITMENTS AND CONTINGENCIES

Presidential Glen, LTD Agreement

On May 5, 2004, the City entered into a ten-year development agreement (Project) with Presidential Glen, LTD (Developer) for the Presidential Glen Utility District (District), which consists of approximately 212 acres of land for development. Pursuant to this agreement, the Developer will request the property be annexed into the City's extraterritorial jurisdiction (ETJ) and then into the City's corporate boundaries. The City will benefit from this agreement through (1) the control over the development standards for the Developer; (2) by extension of its water and wastewater systems and customer base; and (3) the increase in valuation of property for taxing purposes.

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2014

The City fulfilled the above commitments; however, on June 19, 2009, the above agreement was revised, restated and amended due to default by the Developer. Based on the new agreement, the City paid the first \$250,000 of the hard construction costs of a water line and sewer line (Utility Project) from existing impact fees. The Developer was required to pay remaining \$567,982 to complete the Utility Project and will be reimbursed by the City from new water and sewer impact fees collected from District property. The City will reimburse the Developer quarterly based on a percentage of actual impact fees collected up to \$567,982 or until May 5, 2019, whichever comes first.

The City will also construct a 16-inch water line connecting the City's new water tank to District Property. The cost of this water line will be deducted from the amounts owed to the Developer for the Utility Project (above paragraph). If fewer than 700 living units are connected to the City's water system during the term of this agreement, the Developer will reimburse the City a portion of the costs to construct the City's new water tank.

Grant Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Litigation

The City is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

Arbitrage Rebates

The City invests portions of bond proceeds during construction of related projects and as reserves for debt retirement after construction is complete. Any interest earned on invested bond proceeds over interest paid on bonds must be paid back to the Federal government ever five years. As of September 30, 2014, the City's arbitrage liability was \$0.

N. SUBSEQUENT EVENTS

There were no subsequent events identified by management as of the issuance date of these financial statements that require disclosure.

O. PRIOR PERIOD ADJUSTMENT

At September 30, 2014, prior period adjustments consisted of the following:

This adjustment was the result of the City implementing GASB 65 in which bond and debt issuance costs are expensed when incurred. This change in accounting policy requires a retrospective change and as such a prior period adjustment is necessary.

Government-Wide Financial Statements and Proprietary Fund Statements

Unamortized bond costs	\$ (21,954)
Prior year ending Net Position - Investment in Capital Assets	
As Previously Stated	5,920,799
After Restatement	5,898,845
Change in Net Position - Investment in Capital Assets	<u>\$ (21,954)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014

	Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes -----	\$ 1,062,000	\$ 1,047,000	\$ 1,032,324	\$ (14,676)
Sales taxes -----	570,000	585,000	710,438	125,438
Other taxes -----	2,250	2,250	1,807	(443)
Franchise taxes -----	379,500	482,500	449,090	(33,410)
Charge for services -----	573,500	572,000	606,971	34,971
Interest -----	400	400	2,015	1,615
Court and police -----	653,200	690,200	683,181	(7,019)
Public safety -----	30,450	32,000	99,339	67,339
Licenses and permits -----	381,500	569,425	632,155	62,730
Other -----	25,750	92,990	57,852	(35,138)
Total Revenues -----	<u>3,678,550</u>	<u>4,073,765</u>	<u>4,275,172</u>	<u>201,407</u>
EXPENDITURES				
General government -----	831,477	826,590	884,371	(57,781)
Public safety -----	1,436,305	1,459,685	1,437,395	22,290
Streets -----	450,265	485,302	500,606	(15,304)
Municipal court -----	426,490	309,275	363,148	(53,873)
Development services -----	323,820	302,595	287,752	14,843
Sanitation -----	477,500	477,500	508,362	(30,862)
Capital outlay -----	87,275	87,275	219,113	(131,838)
Debt payments -----	-	-	-	-
Interest -----	-	-	-	-
Total Expenditures -----	<u>4,033,132</u>	<u>3,948,222</u>	<u>4,200,747</u>	<u>(252,525)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(354,582)</u>	<u>125,543</u>	<u>74,425</u>	<u>(51,118)</u>
OTHER FINANCING SOURCES (USES)				
Capital grants and contributions -----	-	-	-	-
Transfers (to) from other funds:				
Water and sewer fund -----	-	-	-	-
Capital projects fund -----	-	(98,000)	(39,600)	58,400
Total Other Financing Sources (Uses) -----	<u>-</u>	<u>(98,000)</u>	<u>(39,600)</u>	<u>58,400</u>
NET CHANGE IN FUND BALANCE	<u>(354,582)</u>	<u>27,543</u>	<u>34,825</u>	<u>7,282</u>
FUND BALANCE - BEGINNING OF YEAR ---	866,216	866,216	866,216	-
FUND BALANCE - END OF YEAR -----	<u>\$ 511,634</u>	<u>\$ 893,759</u>	<u>\$ 901,041</u>	<u>\$ 7,282</u>

CITY OF MANOR, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2014

A. GENERAL FUND BUDGETARY ANALYSIS

Budgetary Information

The City Council adopts an annual budget prepared on a non-GAAP cash basis. City management may transfer part or all of any unencumbered appropriation balance within specific categories (i.e., personnel, operations, supplies, or capital outlay) within programs; however, any revisions that alter the total expenditures of the categories must be approved by the City Council. The City, for management purposes, adopts budgets for all funds. Legal budgets are also adopted for all funds, and the legal level of control is the fund level.

Capital projects are funded through capital grants or general obligation debt authorized for specific purposes.

All unused appropriations, except appropriations for capital expenditures, lapse at the close of the fiscal year to the extent they have not been expended or encumbered. An appropriation for capital expenditures shall continue in force until the purpose for which it was made is accomplished or abandoned. No supplemental budgetary appropriations occurred in the debt service fund or in the general fund. Revised budgets, if any, are used for budget versus actual comparisons.

B. BUDGET VERSUS ACTUAL RESULTS

Operating revenues in the general fund were more than budgeted by \$201,407, and operating expenditures were more than budgeted by \$252,525, resulting in an overall operating variance (favorable) of \$51,118. Due to favorable operating results and after operating transfers between the general funds and other funds, the overall increase in fund balance of \$34,825 for the City's general fund.

CITY OF MANOR, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(Unaudited)

(a)	(b)	(c)	(d)	(e)	(f)	
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (a)/(b)	Unfunded AAL (UAAL) (b) - (a)	Covered Payroll	UAAL as a Percentage of Covered Payroll (d)/(e)
12/31/2011	\$ 1,155,291	\$ 1,049,733	110.1%	\$ (105,558)	\$ 1,437,146	-7.3%
12/31/2012	1,310,569	1,169,342	112.1%	(141,227)	1,437,093	-9.8%
12/31/2013	1,513,074	1,407,531	107.5%	(105,543)	1,575,984	-6.7%

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manor, Texas (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated DATE.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Austin, Texas

DATE

**CITY OF MANOR, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2014**

Financial Statement Findings

None

**CITY OF MANOR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2014**

Prior Audit Findings

None