

**CITY OF MANOR, TEXAS  
ANNUAL FINANCIAL REPORT  
AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED SEPTEMBER 30, 2015**



# **CITY OF MANOR, TEXAS**

## **TABLE OF CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT   | 1           |
| MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)   | 3           |
| BASIC FINANCIAL STATEMENTS   |             |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS   |             |
| Statement of Net Position  | 9           |
| Statement of Activities  | 10          |
| FUND-LEVEL FINANCIAL STATEMENTS  |             |
| Balance Sheet - Governmental Funds   | 12          |
| Reconciliation of the Balance Sheet - Governmental Funds to the<br>Statement of Net Position   | 15          |
| Statement of Revenues, Expenditures, and Changes in Fund Balances -<br>Governmental Funds  | 16          |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes<br>in Fund Balances - Governmental Funds to the Statement of Activities | 18          |
| Statement of Net Position - Proprietary Fund   | 19          |
| Statement of Revenues, Expenses, and Changes in Net Position -<br>Proprietary Fund   | 20          |
| Statement of Cash Flows - Proprietary Fund   | 21          |
| NOTES TO THE FINANCIAL STATEMENTS  | 23          |

**CITY OF MANOR, TEXAS**

**TABLE OF CONTENTS - Continued**

|  | <u>Page</u> |
|--|-------------|
| REQUIRED SUPPLEMENTARY INFORMATION   |             |
| Statement of Revenues, Expenditures, and Changes in Fund Balances -<br>Budget and Actual (Non-GAAP Budgetary Basis)  | 39          |
| Notes to Required Supplementary Information  | 40          |
| Schedule of Changes in the City's Net Pension Asset/Liability<br>and Related Ratios - Last Ten Years (Unaudited)   | 41          |
| Texas Municipal Retirement System - Schedule of Funding Progress<br>(Unaudited)  | 42          |
| INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER<br>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER<br>MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS<br>PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING<br/>STANDARDS</i> | 43          |
| SCHEDULE OF FINDINGS AND RESPONSES   | 45          |
| SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS   | 46          |



## **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, 2015, 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, 2015, 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 39, schedule of changes in the City's net pension asset/liability and related ratios - last ten years on page 41, and Texas Municipal Retirement System schedule of funding progress on page 42 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 April 11, 2016, 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.

*Atteley & Associates, LLP*

Austin, Texas  
April 11, 2016

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





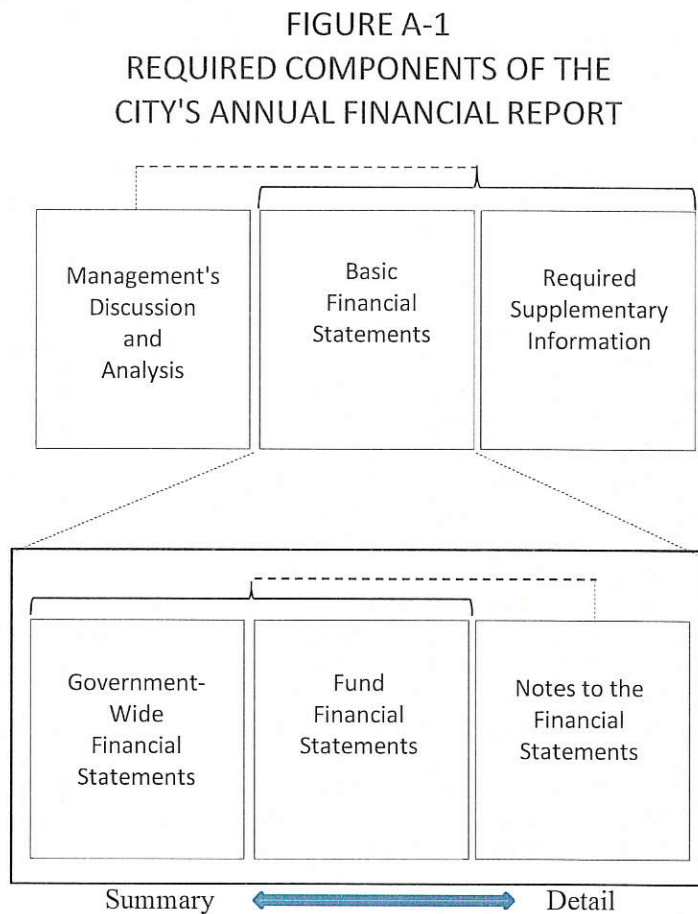
**CITY OF MANOR, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**September 30, 2015**

This section of the City of Manor's (the City) annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2015. 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** 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 (UNAUDITED)**  
**September 30, 2015**

**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 (UNAUDITED)**  
**September 30, 2015**

**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>                     | <b>Government-Wide</b>   | <b>Fund Statements</b>   |  |
|---|--|--|--|
|   |  | <b>Governmental Funds</b>  | <b>Proprietary Funds</b>   |
| <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>          | Statement of Net Position<br>Statement of Activities                               | Balance Sheet<br>Statement of Revenues, Expenditures & Changes in Fund Balances  | Statement of Net Position<br>Statement of Revenues, Expenses & Changes in Fund Balances<br>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 \$14,793,806 at September 30, 2015 (See Figure A-3).
- Current year activity resulted in an increase in the City's net position by \$1,628,021 (See Figure A-4).

**CITY OF MANOR, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**September 30, 2015**

**Figure A-3**  
**City's Net Position**

|                              | Governmental<br>Activities |              | Business-Type<br>Activities |               | Total         |               |
|------------------------------|----------------------------|--------------|-----------------------------|---------------|---------------|---------------|
|                              | 2015                       | 2014         | 2015                        | 2014          | 2015          | 2014          |
| <b>Assets:</b>               |                            |              |                             |               |               |               |
| Current and other assets     | \$ 1,474,120               | \$ 1,927,272 | \$ 7,399,964                | \$ 6,087,750  | \$ 8,874,084  | \$ 8,015,022  |
| Noncurrent assets            | 7,262,595                  | 6,360,419    | 10,063,225                  | 10,341,121    | 17,325,820    | 16,701,540    |
| Total assets                 | 8,736,715                  | 8,287,691    | 17,463,189                  | 16,428,871    | 26,199,904    | 24,716,562    |
| Deferred outflows            | 450,808                    | -            | -                           | -             | 450,808       | -             |
| <b>Liabilities:</b>          |                            |              |                             |               |               |               |
| Current liabilities          | 948,165                    | 841,052      | 449,531                     | 397,811       | 1,397,696     | 1,238,863     |
| Long-term liabilities        | 9,211,879                  | 5,960,815    | 1,247,331                   | 4,571,713     | 10,459,210    | 10,532,528    |
| Total liabilities            | 10,160,044                 | 6,801,867    | 1,696,862                   | 4,969,524     | 11,856,906    | 11,771,391    |
| Deferred inflows             | -                          | -            | -                           | -             | -             | -             |
| <b>Net position:</b>         |                            |              |                             |               |               |               |
| Investment in capital assets | (2,731,877)                | (95,544)     | 8,954,465                   | 5,879,061     | 6,222,588     | 5,783,517     |
| Restricted                   | 796,775                    | 801,419      | 2,926,650                   | 2,151,954     | 3,723,425     | 2,953,373     |
| Unrestricted                 | 962,581                    | 779,949      | 3,885,212                   | 3,428,332     | 4,847,793     | 4,208,281     |
| Total net position           | \$ (972,521)               | \$ 1,485,824 | \$ 15,766,327               | \$ 11,459,347 | \$ 14,793,806 | \$ 12,945,171 |

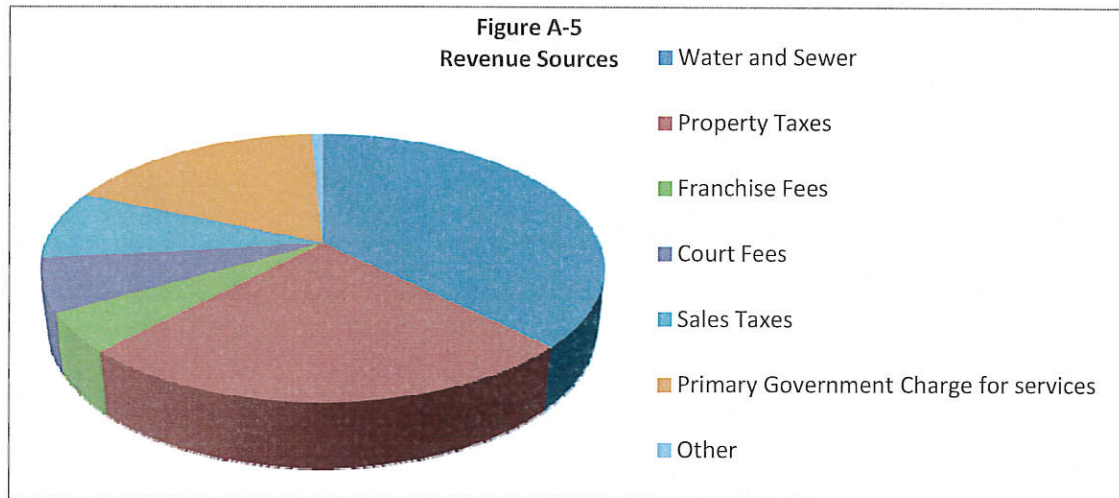
**Figure A-4**  
**Changes in City Net Position**

|                                  | Governmental<br>Activities |              | Business-Type<br>Activities |               | Total         |               |
|----------------------------------|----------------------------|--------------|-----------------------------|---------------|---------------|---------------|
|                                  | 2015                       | 2014         | 2015                        | 2014          | 2015          | 2014          |
| <b>Revenues:</b>                 |                            |              |                             |               |               |               |
| Program revenues                 |                            |              |                             |               |               |               |
| Charges for services             | \$ 2,376,669               | \$ 2,022,437 | \$ 3,652,657                | \$ 3,154,248  | \$ 6,029,326  | \$ 5,176,685  |
| General revenues:                |                            |              |                             |               |               |               |
| Taxes                            | 3,734,807                  | 3,410,467    | -                           | -             | 3,734,807     | 3,410,467     |
| Interest and penalties           | 3,214                      | 5,259        | 1,496                       | 762           | 4,710         | 6,021         |
| Other                            | 33,484                     | 57,061       | -                           | -             | 33,484        | 57,061        |
| Total revenues                   | 6,148,174                  | 5,495,224    | 3,654,153                   | 3,155,010     | 9,802,327     | 8,650,234     |
| <b>Expenses:</b>                 |                            |              |                             |               |               |               |
| General government               | 1,058,125                  | 978,417      | -                           | -             | 1,058,125     | 978,417       |
| Public safety                    | 2,035,132                  | 1,606,896    | -                           | -             | 2,035,132     | 1,606,896     |
| Streets                          | 806,536                    | 826,005      | -                           | -             | 806,536       | 826,005       |
| Municipal court                  | 377,537                    | 363,148      | -                           | -             | 377,537       | 363,148       |
| Development services             | 267,616                    | 292,327      | -                           | -             | 267,616       | 292,327       |
| Sanitation                       | 556,638                    | 508,362      | -                           | -             | 556,638       | 508,362       |
| Bond issue cost                  | 56,820                     | -            | -                           | -             | 56,820        | -             |
| Interest and fiscal charges      | 124,762                    | 191,981      | 181,628                     | 200,168       | 306,390       | 392,149       |
| Water and sewer                  | -                          | -            | 2,709,512                   | 2,085,900     | 2,709,512     | 2,085,900     |
| Total expenses                   | 5,283,166                  | 4,767,136    | 2,891,140                   | 2,286,068     | 8,174,306     | 7,053,204     |
| Revenues over(under)<br>expenses | 865,008                    | 728,088      | 763,013                     | 868,942       | 1,628,021     | 1,597,030     |
| Capital contributions            | -                          | -            | -                           | -             | -             | -             |
| Transfers                        | (3,543,967)                | (450,284)    | 3,543,967                   | 450,284       | -             | -             |
| Change in net position           | (2,678,959)                | 277,804      | 4,306,980                   | 1,319,226     | 1,628,021     | 1,597,030     |
| Beginning net position           | 1,485,824                  | 1,208,020    | 11,459,347                  | 10,162,075    | 12,945,171    | 11,370,095    |
| Restatement                      | 220,614                    | -            | -                           | (21,954)      | 220,614       | (21,954)      |
| Ending net position              | \$ (972,521)               | \$ 1,485,824 | \$ 15,766,327               | \$ 11,459,347 | \$ 14,793,806 | \$ 12,945,171 |

**CITY OF MANOR, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**September 30, 2015**

**CITY REVENUES**

The majority of the City's revenue is generated from charges for water and sewer services (37%), property taxes (25%), and primary government charges for services (18%). 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 \$0.3940 to \$0.3801 in the current fiscal year generating \$1,297,560 in M&O taxes, an increase of \$265,236 over the previous fiscal year. While the City's franchise fees increased \$7,316, or 2%, and sales taxes increased by \$95,736, or 19%.

**Business-Type Activities**

Water sales increased by \$218,054, or 14%, while sewer sales increased by \$280,355, or 18%.

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

**General Fund Budgetary Highlights**

General Fund expenditures exceeded revenues and transfers by \$151,271 which was \$40,664 more than budgeted. See details of budget and actual revenues on page 39.

**Capital Assets**

During the year ended September 30, 2015, the City invested \$1,257,904 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 (UNAUDITED)**  
**September 30, 2015**

**Figure A-6**  
**City's Capital Assets**

|                                 | Governmental<br>Activities |                     | Business-Type<br>Activities |                      | Total                |                      |
|---------------------------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
|                                 | <u>2015</u>                | <u>2014</u>         | <u>2015</u>                 | <u>2014</u>          | <u>2014</u>          | <u>2013</u>          |
| Land                            | \$ 470,607                 | \$ 470,607          | \$ 406,816                  | \$ 406,816           | \$ 877,423           | \$ 877,423           |
| Buildings and equipment         | 4,938,980                  | 3,688,567           | 280,124                     | 272,633              | 5,219,104            | 3,961,200            |
| 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            |
| <b>Total at historical cost</b> | <b>10,936,875</b>          | <b>9,686,462</b>    | <b>13,858,245</b>           | <b>13,850,754</b>    | <b>24,795,120</b>    | <b>23,537,216</b>    |
| Accumulated depreciation        | (3,809,373)                | (3,326,043)         | (3,795,020)                 | (3,509,633)          | (7,604,393)          | (6,835,676)          |
| <b>Net capital assets</b>       | <b>\$ 7,127,502</b>        | <b>\$ 6,360,419</b> | <b>\$ 10,063,225</b>        | <b>\$ 10,341,121</b> | <b>\$ 17,190,727</b> | <b>\$ 16,701,540</b> |

**Debt Administration**

At year end, the City had \$10,613,494 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<br>Activities |                     | Business-Type<br>Activities |                     | Total                |                      |
|---------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
|               | <u>2015</u>                | <u>2014</u>         | <u>2015</u>                 | <u>2014</u>         | <u>2015</u>          | <u>2014</u>          |
| Notes payable | \$ 683,140                 | \$ 416,550          | \$ -                        | \$ -                | \$ 683,140           | \$ 416,550           |
| Bonds payable | 8,821,594                  | 6,039,413           | 1,108,760                   | 4,462,060           | 9,930,354            | 10,501,473           |
| <b>Total</b>  | <b>\$ 9,504,734</b>        | <b>\$ 6,455,963</b> | <b>\$ 1,108,760</b>         | <b>\$ 4,462,060</b> | <b>\$ 10,613,494</b> | <b>\$ 10,918,023</b> |

**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 decrease by \$127,770, resulting in an overall operating deficit of approximately \$417,705 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, 2015**

|  | Primary Government         |                             |                      |
|--|----------------------------|-----------------------------|----------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>ASSETS</b>                          |                            |                             |                      |
| Current assets:                        |                            |                             |                      |
| Cash and cash equivalents              | \$ 585,248                 | \$ 3,808,212                | \$ 4,393,460         |
| Receivables, net                       | 92,097                     | 273,563                     | 365,660              |
| Restricted assets:                     |                            |                             |                      |
| Cash and cash equivalents              | 156,725                    | 2,875,240                   | 3,031,965            |
| Investments                            | 640,050                    | 442,949                     | 1,082,999            |
| Non-current assets:                    |                            |                             |                      |
| Net pension asset                      | 135,093                    | -                           | 135,093              |
| Capital assets:                        |                            |                             |                      |
| Non-depreciable                        | 470,607                    | 406,816                     | 877,423              |
| Depreciable, net                       | 6,656,895                  | 9,656,409                   | 16,313,304           |
| <b>Total assets</b>                    | <b>8,736,715</b>           | <b>17,463,189</b>           | <b>26,199,904</b>    |
| <b>Deferred outflows</b>               |                            |                             |                      |
| Deferred outflows related to refunding | 354,645                    | -                           | 354,645              |
| Deferred outflows related to pensions  | 96,163                     | -                           | 96,163               |
| Total deferred outflows                | 450,808                    | -                           | 450,808              |
| <b>LIABILITIES</b>                     |                            |                             |                      |
| Current liabilities:                   |                            |                             |                      |
| Payable from unrestricted assets:      |                            |                             |                      |
| Accounts payable                       | 193,299                    | 162,479                     | 355,778              |
| Unearned revenue                       | 5,000                      | -                           | 5,000                |
| Payable from restricted assets:        |                            |                             |                      |
| Interest payable                       | 29,248                     | 6,942                       | 36,190               |
| Notes payable, due within one year     | 200,728                    | -                           | 200,728              |
| Bonds payable, due within one year     | 519,890                    | 280,110                     | 800,000              |
| Non-current liabilities:               |                            |                             |                      |
| Payable from unrestricted assets:      |                            |                             |                      |
| Compensated absences                   | 73,118                     | 27,142                      | 100,260              |
| Payable from restricted assets:        |                            |                             |                      |
| Customer deposits                      | -                          | 391,539                     | 391,539              |
| Notes payable, due more than one year  | 482,411                    | -                           | 482,411              |
| Bonds payable, due more than one year  | 8,656,350                  | 828,650                     | 9,485,000            |
| <b>Total liabilities</b>               | <b>10,160,044</b>          | <b>1,696,862</b>            | <b>11,856,906</b>    |
| <b>Deferred inflows</b>                | <b>-</b>                   | <b>-</b>                    | <b>-</b>             |
| <b>NET POSITION</b>                    |                            |                             |                      |
| Net investment in capital assets       | (2,731,877)                | 8,954,465                   | 6,222,588            |
| Restricted                             | 796,775                    | 2,926,650                   | 3,723,425            |
| Unrestricted                           | 962,581                    | 3,885,212                   | 4,847,793            |
| <b>Total net position</b>              | <b>\$ (972,521)</b>        | <b>\$ 15,766,327</b>        | <b>\$ 14,793,806</b> |

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

**CITY OF MANOR, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2015**

| <b>Function/program activities</b>          | <b>Expenses</b>  | <b>Charges for<br/>Services</b> |
|---|------------------|---------------------------------|
| <b>Primary government:</b>                  |                  |                                 |
| Government activities:                      |                  |                                 |
| General government                          | \$ 1,058,125     | \$ 346                          |
| Public safety                               | 2,035,132        | 60,459                          |
| Streets                                     | 806,536          | 16                              |
| Municipal court                             | 377,537          | 632,139                         |
| Development services                        | 267,616          | 1,039,341                       |
| Sanitation                                  | 556,638          | 644,368                         |
| Bond issuance costs                         | 56,820           | -                               |
| Interest on long-term debt                  | 124,762          | -                               |
| Total governmental activities               | <u>5,283,166</u> | <u>2,376,669</u>                |
| Business-type activities:                   |                  |                                 |
| Water                                       | 1,656,013        | 1,825,025                       |
| Sewer                                       | 1,053,499        | 1,827,632                       |
| Interest and amortization on long-term debt | 181,628          | -                               |
| Total business-type activities              | <u>2,891,140</u> | <u>3,652,657</u>                |
| <b>Total primary government</b>             | <u>8,174,306</u> | <u>6,029,326</u>                |

**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.

| Program Revenues                       |                                      | Net (Expenses) Revenues and Changes in Net Assets |                             |                      |
|--|--------------------------------------|---|-----------------------------|----------------------|
| Operating<br>Grants &<br>Contributions | Capital<br>Grants &<br>Contributions | Primary Government                                |                             |                      |
|  |                                      | Governmental<br>Activities                        | Business-Type<br>Activities | Total                |
| \$ -                                   | \$ -                                 | \$ (1,057,779)                                    | \$ -                        | \$ (1,057,779)       |
| -                                      | -                                    | (1,974,673)                                       | -                           | (1,974,673)          |
| -                                      | -                                    | (806,520)   | -                           | (806,520)            |
| -                                      | -                                    | 254,602   | -                           | 254,602              |
| -                                      | -                                    | 771,725   | -                           | 771,725              |
| -                                      | -                                    | 87,730  | -                           | 87,730               |
| -                                      | -                                    | (56,820)  | -                           | (56,820)             |
| -                                      | -                                    | (124,762)   | -                           | (124,762)            |
| -                                      | -                                    | (2,906,497)                                       | -                           | (2,906,497)          |
| -                                      | -                                    | -   | 169,012                     | 169,012              |
| -                                      | -                                    | -   | 774,133                     | 774,133              |
| -                                      | -                                    | -   | (181,628)                   | (181,628)            |
| -                                      | -                                    | -   | 761,517                     | 761,517              |
| -                                      | -                                    | (2,906,497)                                       | 761,517                     | (2,144,980)          |
|  |                                      | 2,435,030   | -                           | 2,435,030            |
|  |                                      | 806,174   | -                           | 806,174              |
|  |                                      | 456,406   | -                           | 456,406              |
|  |                                      | 37,197  | -                           | 37,197               |
|  |                                      | 3,214   | 1,496                       | 4,710                |
|  |                                      | 33,484  | -                           | 33,484               |
|  |                                      | (3,543,967)                                       | 3,543,967                   | -                    |
|  |                                      | 227,538   | 3,545,463                   | 3,773,001            |
|  |                                      | (2,678,959)                                       | 4,306,980                   | 1,628,021            |
|  |                                      | 1,485,824   | 11,459,347                  | 12,945,171           |
|  |                                      | 220,614   | -                           | 220,614              |
|  |                                      | <u>\$ (972,521)</u>                               | <u>\$ 15,766,327</u>        | <u>\$ 14,793,806</u> |

**CITY OF MANOR, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2015**

|  | <u>General Fund</u>      | <u>Special<br/>Revenues Fund</u> |
|--|--------------------------|----------------------------------|
| <b>ASSETS</b>                              |                          |                                  |
| Unrestricted                               |                          |                                  |
| Cash and cash equivalents                  | \$ 824,878               | \$ -                             |
| Receivables, net                           | 87,580                   | -                                |
| Intergovernmental receivables              | -                        | -                                |
| Due from other funds                       | -                        | -                                |
| Restricted assets:                         |                          |                                  |
| Cash and cash equivalents                  | -                        | 140,447                          |
| Investments                                | 8,432                    | 362,048                          |
|  | <u>8,432</u>             | <u>362,048</u>                   |
| <b>Total assets</b>                        | <u><u>\$ 920,890</u></u> | <u><u>\$ 502,495</u></u>         |
| <b>LIABILITIES AND FUND BALANCES</b>       |                          |                                  |
| <b>LIABILITIES</b>                         |                          |                                  |
| Accounts payable                           | \$ 137,897               | \$ -                             |
| Other liabilities                          | 11,177                   | 34,298                           |
| Due to other funds                         | -                        | -                                |
| Unearned revenue                           | 22,046                   | -                                |
|  | <u>22,046</u>            | <u>-</u>                         |
| <b>Total liabilities</b>                   | <u>171,120</u>           | <u>34,298</u>                    |
| <b>FUND BALANCES</b>                       |                          |                                  |
| Restricted                                 | 8,423                    | 468,197                          |
| Committed                                  | -                        | -                                |
| Unassigned                                 | 741,347                  | -                                |
|  | <u>741,347</u>           | <u>-</u>                         |
| <b>Total fund balances</b>                 | <u>749,770</u>           | <u>468,197</u>                   |
| <b>Total liabilities and fund balances</b> | <u><u>\$ 920,890</u></u> | <u><u>\$ 502,495</u></u>         |

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

| <b>Debt Service<br/>Fund</b> | <b>Capital Projects<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|------------------------------|----------------------------------|---|
| \$ -                         | \$ (239,630)                     | \$ 585,248                              |
| 4,517                        | -                                | 92,097                                  |
| -                            | -                                | -                                       |
| -                            | -                                | -                                       |
| 16,278                       | -                                | 156,725                                 |
| 269,570                      | -                                | 640,050                                 |
| <u>\$ 290,365</u>            | <u>\$ (239,630)</u>              | <u>\$ 1,474,120</u>                     |
|                              |                                  |   |
| \$ -                         | \$ -                             | \$ 137,897                              |
| -                            | 9,927                            | 55,402                                  |
| -                            | -                                | -                                       |
| 4,517                        | -                                | 26,563                                  |
| <u>4,517</u>                 | <u>9,927</u>                     | <u>219,862</u>                          |
|                              |                                  |   |
| 285,848                      | -                                | 762,468                                 |
| -                            | (249,557)                        | (249,557)                               |
| -                            | -                                | 741,347                                 |
| <u>285,848</u>               | <u>(249,557)</u>                 | <u>1,254,258</u>                        |
| <u>\$ 290,365</u>            | <u>\$ (239,630)</u>              | <u>\$ 1,474,120</u>                     |

*This page was intentionally left blank.*

**CITY OF MANOR, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**September 30, 2015**

|  |                     |
|--|---------------------|
| <b>TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS</b> | <b>\$ 1,254,258</b> |
|--|---------------------|

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

|   |           |
|---|-----------|
| Capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds | 7,127,502 |
|---|-----------|

|   |        |
|---|--------|
| Certain receivables are not available to pay current-period expenditures and, therefore, are deferred in the funds. This amount includes deferred property taxes. | 21,563 |
|---|--------|

|  |          |
|--|----------|
| Certain liabilities related to long-term debt are not reported in the funds, such as accrued interest payable. | (29,248) |
|--|----------|

|   |          |
|---|----------|
| 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. | (73,118) |
|---|----------|

|  |         |
|--|---------|
| Deferred outflows represent the consumption of net position that is applicable to a future reporting period and are not reported in the funds. | 585,901 |
|--|---------|

|  |                    |
|--|--------------------|
| Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(9,859,379)</u> |
|--|--------------------|

|   |                                   |
|---|-----------------------------------|
| <b>NET POSITION - GOVERNMENTAL ACTIVITIES</b> | <b><u><u>\$ (972,521)</u></u></b> |
|---|-----------------------------------|

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<br/>Revenues Fund</u> |
|---|---------------------|----------------------------------|
| <b>REVENUES</b>                             |                     |                                  |
| Property taxes                              | \$ 1,297,560        | \$ -                             |
| Sales tax                                   | 806,174             | -                                |
| Franchise taxes                             | 456,406             | -                                |
| Other taxes                                 | 4,147               | 33,050                           |
| Licenses and permits                        | 1,039,341           | -                                |
| Charge for services                         | 644,368             | -                                |
| Court and police                            | 632,139             | -                                |
| Public safety                               | 60,459              | -                                |
| Interest                                    | 2,761               | 274                              |
| Interest - restricted                       | 9                   | -                                |
| Other                                       | 21,483              | -                                |
| <b>Total revenues</b>                       | <u>\$ 4,964,847</u> | <u>\$ 33,324</u>                 |
| <b>EXPENDITURES</b>                         |                     |                                  |
| Current:                                    |                     |                                  |
| General government                          | 926,404             | 17,133                           |
| Public safety                               | 1,848,227           | -                                |
| Streets                                     | 492,325             | -                                |
| Municipal court                             | 377,537             | -                                |
| Development services                        | 262,571             | -                                |
| Sanitation                                  | 556,638             | -                                |
| Capital outlay                              | 652,416             | -                                |
| Debt service:                               |                     |                                  |
| Principal                                   | -                   | -                                |
| Interest                                    | -                   | -                                |
| <b>Total expenditures</b>                   | <u>5,116,118</u>    | <u>17,133</u>                    |
| <b>Excess (deficiency) of revenues</b>      |                     |                                  |
| <b>Over expenditures</b>                    | <u>(151,271)</u>    | <u>16,191</u>                    |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                     |                                  |
| Bond proceeds                               | -                   | -                                |
| Bond issuance costs                         | -                   | -                                |
| Transfers in                                | -                   | -                                |
| Transfers out                               | -                   | -                                |
| <b>Total other financing sources (uses)</b> | <u>-</u>            | <u>-</u>                         |
| <b>Net change in fund balances</b>          | (151,271)           | 16,191                           |
| <b>Fund balances - beginning of year</b>    | <u>901,041</u>      | <u>452,006</u>                   |
| <b>Fund balances - end of year</b>          | <u>\$ 749,770</u>   | <u>\$ 468,197</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, 2015

| <b>Debt Services<br/>Fund</b> | <b>Capital Projects<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|-------------------------------|----------------------------------|---|
| \$ 1,115,907                  | \$ -                             | \$ 2,413,467                            |
| -                             | -                                | 806,174                                 |
| -                             | -                                | 456,406                                 |
| -                             | -                                | 37,197                                  |
| -                             | -                                | 1,039,341                               |
| -                             | -                                | 644,368                                 |
| -                             | -                                | 632,139                                 |
| -                             | -                                | 60,459                                  |
| 170                           | -                                | 3,205                                   |
| -                             | -                                | 9                                       |
| -                             | 27,554                           | 49,037                                  |
| <u>\$ 1,116,077</u>           | <u>\$ 27,554</u>                 | <u>\$ 6,141,802</u>                     |
| 600                           | -                                | 944,137                                 |
| -                             | -                                | 1,848,227                               |
| -                             | -                                | 492,325                                 |
| -                             | -                                | 377,537                                 |
| -                             | -                                | 262,571                                 |
| -                             | -                                | 556,638                                 |
| -                             | 300,006                          | 952,422                                 |
| 1,711,700                     | -                                | 1,711,700                               |
| 137,058                       | -                                | 137,058                                 |
| <u>1,849,358</u>              | <u>300,006</u>                   | <u>7,282,615</u>                        |
| <u>(733,281)</u>              | <u>(272,452)</u>                 | <u>(1,140,813)</u>                      |
| 4,750,000                     | -                                | 4,750,000                               |
| (430,000)                     | -                                | (430,000)                               |
| -                             | -                                | -                                       |
| <u>(3,543,967)</u>            | <u>-</u>                         | <u>(3,543,967)</u>                      |
| <u>776,033</u>                | <u>-</u>                         | <u>776,033</u>                          |
| 42,752                        | (272,452)                        | (364,780)                               |
| <u>243,096</u>                | <u>22,895</u>                    | <u>1,619,038</u>                        |
| <u>\$ 285,848</u>             | <u>\$ (249,557)</u>              | <u>\$ 1,254,258</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, 2015**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS**      \$      (364,780)

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. (767,083)

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. 21,563

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 debt proceeds exceeded payments. 2,608,300

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, accrued compensation, and changes in pension benefits and related inflows and outflows. 130,021

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES**      \$      1,628,021

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

**CITY OF MANOR, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2015**

|                                      | <u>Water and Sewer<br/>System</u> | <u>Capital Impact<br/>Fees</u> | <u>Total</u>         |
|--------------------------------------|-----------------------------------|--------------------------------|----------------------|
| <b>ASSETS</b>                        |                                   |                                |                      |
| Current assets:                      |                                   |                                |                      |
| Unrestricted assets:                 |                                   |                                |                      |
| Cash and cash equivalents            | \$ 3,808,212                      | \$ -                           | \$ 3,808,212         |
| Accounts receivable, net             | 273,563                           | -                              | 273,563              |
| Restricted assets:                   |                                   |                                |                      |
| Cash and cash equivalents            | 391,539                           | 2,483,701                      | 2,875,240            |
| Investments                          | -                                 | 442,949                        | 442,949              |
| <b>Total current assets</b>          | <u>4,473,314</u>                  | <u>2,926,650</u>               | <u>7,399,964</u>     |
| Non-current assets:                  |                                   |                                |                      |
| Non-depreciable assets, net          | 406,816                           | -                              | 406,816              |
| Depreciable assets, net              | 9,656,409                         | -                              | 9,656,409            |
| <b>Total non-current assets</b>      | <u>10,063,225</u>                 | <u>-</u>                       | <u>10,063,225</u>    |
| <b>Total assets</b>                  | <u>14,536,539</u>                 | <u>2,926,650</u>               | <u>17,463,189</u>    |
| <b>LIABILITIES</b>                   |                                   |                                |                      |
| Current liabilities:                 |                                   |                                |                      |
| Accounts payable                     | 162,479                           | -                              | 162,479              |
| Interest payable                     | 6,942                             | -                              | 6,942                |
| Bonds payable, due within one year   | 280,110                           | -                              | 280,110              |
| <b>Total current liabilities</b>     | <u>449,531</u>                    | <u>-</u>                       | <u>449,531</u>       |
| Non-current liabilities:             |                                   |                                |                      |
| Compensated absences                 | 27,142                            | -                              | 27,142               |
| Customer deposits                    | 391,539                           | -                              | 391,539              |
| Notes payable, due after one year    | -                                 | -                              | -                    |
| Bonds payable, due after one year    | 828,650                           | -                              | 828,650              |
| <b>Total non-current liabilities</b> | <u>1,247,331</u>                  | <u>-</u>                       | <u>1,247,331</u>     |
| <b>Total liabilities</b>             | 1,696,862                         | -                              | 1,696,862            |
| <b>NET POSITION</b>                  |                                   |                                |                      |
| Investment in capital assets         | 8,954,465                         | -                              | 8,954,465            |
| Restricted                           | -                                 | 2,926,650                      | 2,926,650            |
| Unrestricted                         | 3,885,212                         | -                              | 3,885,212            |
| <b>Total net assets</b>              | <u>\$ 12,839,677</u>              | <u>\$ 2,926,650</u>            | <u>\$ 15,766,327</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, 2015**

|  | Water and Sewer<br>System | Capital Impact<br>Fees | Total                |
|--|---------------------------|------------------------|----------------------|
| <b>OPERATING REVENUES</b>                |                           |                        |                      |
| Water service                            | \$ 1,457,408              | \$ -                   | \$ 1,457,408         |
| Sewer service                            | 1,320,223                 | -                      | 1,320,223            |
| Penalties                                | 61,126                    | -                      | 61,126               |
| Miscellaneous                            | 700                       | -                      | 700                  |
| Capital impact fees                      | -                         | 813,200                | 813,200              |
| Total revenues                           | <u>2,839,457</u>          | <u>813,200</u>         | <u>3,652,657</u>     |
| <b>OPERATING EXPENSES</b>                |                           |                        |                      |
| Personnel services                       | 458,745                   | -                      | 458,745              |
| Operations                               | 83,812                    | 40,000                 | 123,812              |
| Utilities                                | 137,230                   | -                      | 137,230              |
| Professional services                    | 707                       | -                      | 707                  |
| Insurance                                | 27,134                    | -                      | 27,134               |
| Materials and supplies                   | 81,801                    | -                      | 81,801               |
| Maintenance                              | 138,903                   | -                      | 138,903              |
| Water fees                               | 836,160                   | -                      | 836,160              |
| Wastewater fees                          | 619,633                   | -                      | 619,633              |
| Depreciation                             | 285,387                   | -                      | 285,387              |
| Total operating expenses                 | <u>2,669,512</u>          | <u>40,000</u>          | <u>2,709,512</u>     |
| <b>OPERATING INCOME</b>                  | <u>169,945</u>            | <u>773,200</u>         | <u>943,145</u>       |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                           |                        |                      |
| Interest income                          | -                         | 1,496                  | 1,496                |
| Interest expense                         | (181,628)                 | -                      | (181,628)            |
| Total non-operating revenues (expenses)  | <u>(181,628)</u>          | <u>1,496</u>           | <u>(180,132)</u>     |
| <b>INCOME (LOSS) BEFORE</b>              |                           |                        |                      |
| <b>CONTRIBUTIONS &amp; TRANSFERS</b>     | (11,683)                  | 774,696                | 763,013              |
| <b>CONTRIBUTIONS AND TRANSFERS</b>       |                           |                        |                      |
| Transfers in (out)                       | 3,543,967                 | -                      | 3,543,967            |
| Transfers from (to) primary government   | <u>-</u>                  | <u>-</u>               | <u>-</u>             |
| <b>CHANGE IN NET POSITION</b>            | 3,532,284                 | 774,696                | 4,306,980            |
| <b>NET POSITION - BEGINNING OF YEAR</b>  | <u>9,307,393</u>          | <u>2,151,954</u>       | <u>11,459,347</u>    |
| <b>NET POSITION - END OF YEAR</b>        | <u>\$ 12,839,677</u>      | <u>\$ 2,926,650</u>    | <u>\$ 15,766,327</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, 2015**

|   |                            |
|---|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       | <b>Proprietary Fund</b>    |
| Receipts from customers   | \$ 3,628,389               |
| Payments to suppliers   | (1,908,467)                |
| Payments to employees and contractors                             | (457,272)                  |
| Net cash flows from operating activities                          | <u>1,262,650</u>           |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>           |                            |
| Increase in customer deposits                                     | 39,455                     |
| Increase in restricted assets                                     | (814,151)                  |
| Net cash flows from non-capital financing activities              | <u>(774,696)</u>           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                            |
| Transfers from primary government for payment of debt obligations | 3,543,967                  |
| Additions to capital assets                                       | (7,491)                    |
| Principal payments on debt  | (3,353,300)                |
| Interest payments on debt   | (198,831)                  |
| Net cash flows from capital and related financing activities      | <u>(15,655)</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |                            |
| Interest income   | <u>1,496</u>               |
| Net cash flows from investing activities                          | <u>1,496</u>               |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                    | 473,795                    |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>              | <u>3,334,417</u>           |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                    | <u><u>\$ 3,808,212</u></u> |

---

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH FROM OPERATING ACTIVITIES**

|   |                            |
|---|----------------------------|
| Operating income  | \$ 943,145                 |
| Adjustments not affecting cash:                                       |                            |
| Depreciation  | 285,387                    |
| (Increase) decrease in assets and increase (decrease) in liabilities: |                            |
| Accounts receivable   | (24,268)                   |
| Accounts payable  | 56,913                     |
| Compensated absences  | 1,473                      |
| Net cash flows from operating activities                              | <u><u>\$ 1,262,650</u></u> |

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

*This page was intentionally left blank.*

**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Manor, Texas (City) is a Home Rule city in 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.

**Implementation of New Standards**

In fiscal year 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 (GASB 68), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68 (GASB 71). GASB 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for pensions provided to the employees of state and local governments through pension plans administered through trusts with certain characteristics. GASB 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts (*See Note O - Prior Period Adjustment* for financial statement impact of implementing GASB 68).

The provisions of GASB 71 were required to be applied simultaneously with the provisions of GASB 68 and as a result, beginning net position of the government-wide financial statements was adjusted and restated (*See Note O - Prior Period Adjustment* for financial statement impact of implementing GASB 68).

**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, 2015**

**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 revenue (expense) in a format that focuses on the cost of each of the City's governmental activities and for each of the City's business-type activities. 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, construction, or 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, 2015**

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 |

***Deferred Inflows/Outflows of Resources***

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows, found on the government-wide statement of net position, consist of deferred losses on refundings and deferred outflows related to pensions. A deferred loss on refunding occurs when there is a difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Deferred outflows related to pensions consist of amounts paid into the retirement system after the prescribed measurement date plus the net difference between projected and actual earnings.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows, found on the government-wide statement of net position, consist of deferred inflows related to pensions and deferred professional prosecutor revenue. On the governmental funds balance sheet, deferred inflows consist of deferred property tax revenue, deferred special assessment revenue, and deferred professional prosecutor revenue. All amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

***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.

**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

***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.

***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 the City Council. Those committed amounts cannot be used for any other purpose unless the 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 the 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, the assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the 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.

**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

***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.

***Cash Deposits***

At September 30, 2015, carrying amounts of the City's cash deposits were \$7,473,927 and bank balances were \$7,425,425. The City's cash deposits at September 30, 2015, 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, 2015, are shown below.

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|--------------------------------------|-----------------|-------------------|
| TexPool Investment                   | N/A             | \$ 1,082,999      |

**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, 2015, 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.

**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

***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.

**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, 2015, receivables for governmental activities are summarized in the government-wide financial statements as follows:

|                         | Receivables         | Allowance for<br>Uncollectible<br>Accounts | Net Receivables  |
|-------------------------|---------------------|--|------------------|
| Sales tax receivable    | \$ 59,106           | \$ -                                       | \$ 59,106        |
| Property tax receivable | 92,505              | (70,942)                                   | 21,563           |
| Employee receivable     | 1,961               | -  | 1,961            |
| Court fines receivable  | 1,054,761           | (1,023,118)                                | 31,643           |
| Other                   | (22,176)            | -  | (22,176)         |
| Total receivables       | <u>\$ 1,186,157</u> | <u>\$ (1,094,060)</u>                      | <u>\$ 92,097</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, 2015, enterprise receivables are summarized in the financial statements as follows:

|                      | Receivables       | Allowance for<br>Uncollectible<br>Accounts | Net Receivables   |
|----------------------|-------------------|--|-------------------|
| Customer receivables | \$ 279,154        | \$ (6,790)                                 | \$ 272,364        |
| Employee receivables | (4)               | -  | (4)               |
| NSF checks           | 1,203             | -  | 1,203             |
| Total receivables    | <u>\$ 280,353</u> | <u>\$ (6,790)</u>                          | <u>\$ 273,563</u> |

**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

**D. RESTRICTED ASSETS**

At September 30, 2015, restricted assets consisted of the following:

|                                       | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|---------------------------------------|----------------------------|-----------------------------|---------------------|
| <b>Cash and cash equivalents:</b>     |                            |                             |                     |
| Debt service                          | \$ 16,278                  | \$ -                        | \$ 16,278           |
| Other                                 | 106,149                    | -                           | 106,149             |
| Rose Hill Public Improvement District | 34,298                     | -                           | 34,298              |
| Customer deposits                     | -                          | 391,539                     | 391,539             |
| Capital improvements - water system   | -                          | 1,124,983                   | 1,124,983           |
| Capital improvements - sewer system   | -                          | 1,358,718                   | 1,358,718           |
| Total cash and cash equivalents       | <u>\$ 156,725</u>          | <u>\$ 2,875,240</u>         | <u>\$ 3,031,965</u> |
| <b>Investments:</b>                   |                            |                             |                     |
| Parks                                 | \$ 8,432                   | \$ -                        | \$ 8,432            |
| Debt service                          | 269,570                    | -                           | 269,570             |
| Tourism                               | 362,048                    | -                           | 362,048             |
| Capital improvements - sewer system   | -                          | 442,949                     | 442,949             |
| Total investments                     | <u>\$ 640,050</u>          | <u>\$ 442,949</u>           | <u>\$ 1,082,999</u> |

**E. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015 was as follows:

|                                  | Beginning<br>Balance | Additions           | Deletions/<br>Releass | Ending Balance      |
|----------------------------------|----------------------|---------------------|-----------------------|---------------------|
| <b>Governmental Activities:</b>  |                      |                     |                       |                     |
| Non-depreciable assets:          |                      |                     |                       |                     |
| Land                             | \$ 470,607           | \$ -                | \$ -                  | \$ 470,607          |
| Total non-depreciable assets     | <u>\$ 470,607</u>    | <u>\$ -</u>         | <u>\$ -</u>           | <u>\$ 470,607</u>   |
| Depreciable assets:              |                      |                     |                       |                     |
| Buildings                        | \$ 2,247,399         | \$ 683,634          | \$ -                  | \$ 2,931,033        |
| Equipment                        | 1,441,168            | 691,401             | (124,622)             | 2,007,947           |
| Sidewalks                        | 244,164              | -                   | -                     | 244,164             |
| Streets and improvements         | 5,283,124            | -                   | -                     | 5,283,124           |
| Total depreciable assets         | 9,215,855            | 1,375,035           | (124,622)             | 10,466,268          |
| Accumulated depreciation         | (3,326,043)          | (607,952)           | 124,622               | (3,809,373)         |
| Depreciable assets, net          | <u>\$ 5,889,812</u>  | <u>\$ 767,083</u>   | <u>\$ -</u>           | <u>\$ 6,656,895</u> |
| <b>Business-Type Activities:</b> |                      |                     |                       |                     |
| Non-depreciable assets:          |                      |                     |                       |                     |
| Land                             | \$ 406,816           | \$ -                | \$ -                  | \$ 406,816          |
| Total non-depreciable assets     | <u>\$ 406,816</u>    | <u>\$ -</u>         | <u>\$ -</u>           | <u>\$ 406,816</u>   |
| Depreciable assets:              |                      |                     |                       |                     |
| Machinery and equipment          | \$ 272,633           | \$ 7,491            | \$ -                  | \$ 280,124          |
| 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         | 13,443,938           | 7,491               | -                     | 13,451,429          |
| Accumulated depreciation         | (3,509,633)          | (285,387)           | -                     | (3,795,020)         |
| Depreciable assets, net          | <u>\$ 9,934,305</u>  | <u>\$ (277,896)</u> | <u>\$ -</u>           | <u>\$ 9,656,409</u> |

**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

Depreciation expense was charged to the functions as follows:

| Function:                  | Governmental<br>Activities | Business-Type<br>Activities | Total      |
|----------------------------|----------------------------|-----------------------------|------------|
| General government         | \$ 101,791                 | \$ -                        | \$ 101,791 |
| Public safety              | 186,905                    | -                           | 186,905    |
| Streets                    | 314,211                    | -                           | 314,211    |
| Development services       | 5,045                      | -                           | 5,045      |
| Water                      | -                          | 180,576                     | 180,576    |
| Sewer                      | -                          | 104,811                     | 104,811    |
| Total depreciation expense | \$ 607,952                 | \$ 285,387                  | \$ 893,339 |

**F. INTER-FUND BALANCES AND ACTIVITY**

**Transfers (To) From Other Funds**

| Purpose                                    | Governmental<br>Activities | Business-Type<br>Activities |
|--|----------------------------|-----------------------------|
| Property taxes collected for debt payments | \$ 3,543,967               | \$ (3,543,967)              |

**G. LONG-TERM DEBT**

**Long-Term Debt Activity**

Changes in long-term debt obligations for the year ended September 30, 2015 are as follows:

|                                  | Beginning<br>Balances | Increases    | Decreases      | Ending Balances | Amounts Due Within<br>One Year |
|----------------------------------|-----------------------|--------------|----------------|-----------------|--------------------------------|
| <b>Governmental Activities:</b>  |                       |              |                |                 |                                |
| Notes payable                    | \$ 318,023            | \$ 585,706   | \$ (220,590)   | \$ 683,139      | \$ 200,728                     |
| Bonds payable                    | 6,137,940             | 4,750,000    | (1,711,700)    | 9,176,240       | 519,890                        |
| Total governmental activities    | \$ 6,455,963          | \$ 5,335,706 | \$ (1,932,290) | \$ 9,859,379    | \$ 720,618                     |
|                                  |                       |              |                |                 |                                |
| <b>Business-Type Activities:</b> |                       |              |                |                 |                                |
| Bonds payable                    | \$ 4,462,060          | \$ -         | \$ (3,353,300) | \$ 1,108,760    | \$ 280,110                     |
| Total business-type activities   | \$ 4,462,060          | \$ -         | \$ (3,353,300) | \$ 1,108,760    | \$ 280,110                     |

**Debt Service Requirements**

***Notes Payable***

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, 2015, is \$89,902.

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, 2015, is \$13,256.

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, 2015, is \$101,304.

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, 2015, is \$26,288.

On March 24, 2014, the City entered into financing agreements for radios totaling \$59,941 at 4.74% fixed interest rate with yearly payments of \$13,427 due in April. The City's balance remaining on the note payable at September 30, 2015, is \$36,620.

On April 1, 2015, the City entered into financing agreements for vehicles totaling \$525,764 at 4.67% fixed interest rate with yearly payments of \$111,203 due in May. The City's balance remaining on the note payable at September 30, 2015, is \$415,770.

Debt service requirements on long-term notes payable at September 30, 2015, were as follows:

**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

| For the year ending September 30, | Governmental Activities |                  |                   |
|-----------------------------------|-------------------------|------------------|-------------------|
|                                   | Principal               | Interest         | Total             |
| 2016                              | \$ 200,728              | \$ 21,882        | \$ 222,610        |
| 2017                              | 207,321                 | 15,590           | 222,911           |
| 2018                              | 159,779                 | 8,470            | 168,249           |
| 2019                              | 115,311                 | 3,361            | 118,672           |
|                                   | <u>\$ 683,139</u>       | <u>\$ 49,303</u> | <u>\$ 732,442</u> |

***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. The 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 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.

General Obligation Refunding Bonds, Series 2015

On February 15, 2015, the City issued \$4,750,000 in general obligation bonds, proceeds to be used to partially refund Series 2007 revenue bonds. Bond interest rate of 2.29% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2026 or prior redemption. The City realized an economic gain of \$222,761 on a savings of \$256,319.

Debt service requirements on long-term bond debt at September 30, 2015, were as follows:

| For the year ending September 30, | Series 2007 - \$3,525,000 |                  |                   |
|-----------------------------------|---------------------------|------------------|-------------------|
|                                   | Principal                 | Interest         | Total             |
| 2016                              | \$ 170,000                | \$ 14,697        | \$ 184,697        |
| 2017                              | 175,000                   | 7,455            | 182,455           |
| Total                             | <u>\$ 345,000</u>         | <u>\$ 22,152</u> | <u>\$ 367,152</u> |

| For the year ending September 30, | Series 2007 - \$2,975,000 |                  |                   |
|-----------------------------------|---------------------------|------------------|-------------------|
|                                   | Principal                 | Interest         | Total             |
| 2016                              | \$ 140,000                | \$ 12,170        | \$ 152,170        |
| 2017                              | 145,000                   | 6,192            | 151,192           |
| Total                             | <u>\$ 285,000</u>         | <u>\$ 18,362</u> | <u>\$ 303,362</u> |

| For the year ending September 30, | Series 2010 - \$935,000 |                   |                   |
|-----------------------------------|-------------------------|-------------------|-------------------|
|                                   | Principal               | Interest          | Total             |
| 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                              | 70,000                  | 18,000            | 88,000            |
| 2021-2024                         | 330,000                 | 15,510            | 345,510           |
| Total                             | <u>\$ 660,000</u>       | <u>\$ 129,925</u> | <u>\$ 789,925</u> |

**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

|                                   |              | Series 2012 - \$3,510,000 |                   |                     |
|-----------------------------------|--------------|---------------------------|-------------------|---------------------|
|                                   |              | Principal                 | Interest          | Total               |
| For the year ending September 30, |              |                           |                   |                     |
|                                   | 2016         | \$ 265,000                | \$ 70,253         | \$ 335,253          |
|                                   | 2017         | 270,000                   | 63,496            | 333,496             |
|                                   | 2018         | 280,000                   | 56,610            | 336,610             |
|                                   | 2019         | 285,000                   | 49,470            | 334,470             |
|                                   | 2020         | 290,000                   | 42,203            | 332,203             |
|                                   | 2021-2025    | 1,300,000                 | 95,625            | 1,395,625           |
|                                   | 2026         | 65,000                    | 1,658             | 66,658              |
|                                   | <u>Total</u> | <u>\$ 2,755,000</u>       | <u>\$ 379,315</u> | <u>\$ 3,134,315</u> |

|                                   |              | Series 2012 - \$1,835,000 |                   |                     |
|-----------------------------------|--------------|---------------------------|-------------------|---------------------|
|                                   |              | Principal                 | Interest          | Total               |
| For the year ending September 30, |              |                           |                   |                     |
|                                   | 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         | 120,000                   | 26,519            | 146,519             |
|                                   | 2021-2025    | 660,000                   | 85,657            | 745,657             |
|                                   | 2026-2027    | 285,000                   | 10,708            | 295,708             |
|                                   | <u>Total</u> | <u>\$ 1,520,000</u>       | <u>\$ 257,718</u> | <u>\$ 1,777,718</u> |

|                                   |              | Series 2015 - \$4,750,000 |                   |                     |
|-----------------------------------|--------------|---------------------------|-------------------|---------------------|
|                                   |              | Principal                 | Interest          | Total               |
| For the year ending September 30, |              |                           |                   |                     |
|                                   | 2016         | \$ 55,000                 | \$ 108,088        | \$ 163,088          |
|                                   | 2017         | 60,000                    | 106,809           | 166,809             |
|                                   | 2018         | 400,000                   | 105,455           | 505,455             |
|                                   | 2019         | 405,000                   | 96,295            | 501,295             |
|                                   | 2020         | 420,000                   | 87,020            | 507,020             |
|                                   | 2021-2025    | 2,335,000                 | 206,444           | 2,541,444           |
|                                   | 2026-2030    | 1,045,000                 | 36,068            | 1,081,068           |
|                                   | <u>Total</u> | <u>\$ 4,720,000</u>       | <u>\$ 746,179</u> | <u>\$ 5,466,179</u> |

**Deferred Outflow on Refunding**

The City has deferred outflow of \$373,180 related to the Series 2015 refunding. This outflow represents the amount of the new bond principal, less issuance costs, that was greater than the current principal balance of the bonds refunded and will be amortized, straight-line, over the life of the Series 2015 Bond. The deferred outflow remaining balance at September 30, 2015 was \$354,645.

**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, 2015, net assets restricted by enabling legislation consisted of the following:

|                                       | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|---------------------------------------|----------------------------|-----------------------------|---------------------|
| Rose Hill Public Improvement District | \$ 34,298                  | \$ -                        | \$ 34,298           |
| Tourism                               | 362,048                    | -                           | 362,048             |
| Debt service                          | 285,848                    | -                           | 285,848             |
| Other                                 | 114,581                    | -                           | 114,581             |
| Capital improvements                  | -                          | 2,926,650                   | 2,926,650           |
| <u>Total restricted net assets</u>    | <u>\$ 796,775</u>          | <u>\$ 2,926,650</u>         | <u>\$ 3,723,425</u> |



**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

**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 2015, 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.

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](http://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:

|  | Plan Year 2013 | Plan Year 2014 |
|--|----------------|----------------|
| 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      |

At December 31, 2014, the following employees were covered by the benefit terms:

|  |          |
|--|----------|
| Inactive employees or beneficiaries currently receiving benefits | 3        |
| Inactive employees entitled to but not yet receiving benefits    | 31       |
| Active employees   | 42       |
|  | <hr/> 76 |

**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 actuarially determined required employer contribution rates for calendar years 2015, 2014, and 2013 were 3.41%, 2.21% and 2.79%, respectively. The required contribution rate payable by the employee members for calendar year 2015, 2014, and 2013 were 5%.

**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

**Net Pension Asset**

The City's net pension asset was measured as of December 31, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

|                               |  |
|-------------------------------|--|
| Actuarial valuation date      | 12/31/2014   |
| Actuarial cost method         | Entry Age Normal   |
| Amortization method           | Level Percentage of Payroll, Closed  |
| Remaining amortization period | 25 years   |
| Asset valuation method        | 10 Year smoothed market; 15.00% soft corridor  |
| Inflation                     | 3.00%  |
| Salary increases              | 3.50% to 12.00% including inflation  |
| Investment rate of return     | 7.00%  |
| Retirement age                | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009              |
| 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 |
| Other Information:            |  |
| Notes                         | 1) Adopted 20 yr, any age retirement eligibility.<br>2) Adopted restricted prior service credit.   |

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2006 - December 31, 2009.

**Discount Rate**

The discount rate used to measure the total pension asset was 7.00%. System-wide Investment Return Assumption: 7.00% per year, compounded annually, composed of an assumed 3.00% inflation rate and a 4.00% net real rate of return. This rate represents the assumed return, net of all investment expenses.

**Change in Net Pension Asset**

|  | Increase (Decrease)               |                        |                                 |
|--|-----------------------------------|------------------------|---------------------------------|
|  | Total Pension Liability / (Asset) | Fiduciary Net Position | Net Pension Liability / (Asset) |
|  | (a)                               | (b)                    | (a-b)                           |
| Balances as of December 31, 2013               | \$ 1,407,531                      | \$ 1,596,396           | \$ (188,865)                    |
| Changes for the year:                          |                                   |                        |                                 |
| Service cost                                   | 131,462                           | -                      | 131,462                         |
| Interest on total pension liability            | 103,455                           | -                      | 103,455                         |
| Effect of plan changes                         | 25,647                            | -                      | 25,647                          |
| Effect of economic/demographic gains or losses | -                                 | -                      | -                               |
| Effect of assumptions changes or inputs        | 26,291                            | -                      | 26,291                          |
| Refund of contributions                        | -                                 | -                      | -                               |
| Benefit payments                               | (41,958)                          | (41,958)               | -                               |
| Administrative expenses                        | -                                 | (953)                  | 953                             |
| Member contributions                           | -                                 | 42,366                 | (42,366)                        |
| Net investment income                          | -                                 | 91,356                 | (91,356)                        |
| Employer contributions                         | -                                 | 100,392                | (100,392)                       |
| Other  | -                                 | (78)                   | 78                              |
| Net changes                                    | 244,897                           | 191,125                | 53,772                          |
| Balances as of December 31, 2014               | \$ 1,652,428                      | \$ 1,787,521           | \$ (135,093)                    |

**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

|                                 | 1%<br>Decrease<br>6.00% | Current<br>Discount Rate<br>7.00% | 1%<br>Increase<br>8.00% |
|---------------------------------|-------------------------|-----------------------------------|-------------------------|
| Net pension liability / (asset) | \$ 129,318              | \$ (135,093)                      | \$ (349,741)            |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued TMRS' comprehensive annual financial report.

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended September 30, 2015, the City recognized pension expense of \$58,734. At September 30, 2015, deferred outflows and inflows of resources related to pensions were reported from the following sources:

|   | Deferred Inflows<br>of Resources | Deferred Outflows<br>of Resources |
|---|----------------------------------|-----------------------------------|
| Differences between expected and actual earnings  | \$ -                             | \$ 37,404                         |
| Contributions made subsequent to measurement date | -                                | 58,759                            |
|   | \$ -                             | \$ 96,163                         |

The \$58,759 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

| Year Ended<br>September 30, |           |
|-----------------------------|-----------|
| 2016                        | \$ 9,279  |
| 2017                        | 9,279     |
| 2018                        | 9,279     |
| 2019                        | 9,281     |
| 2020                        | 286       |
|                             | \$ 37,404 |

**Funded Status and Funding Process**

The fund status as of December 31, 2014 is presented as follows:

|                             | (a)                          | (b)                                     | (c)                     | (d)                              | (e)                | (f)  |
|-----------------------------|------------------------------|---|-------------------------|----------------------------------|--------------------|--|
| Actuarial<br>Valuation Date | Actuarial Value<br>of Assets | Actuarial<br>Accrued<br>Liability (AAL) | Funded Ratio<br>(a)/(b) | Unfunded AAL<br>(UAAL) (b) - (a) | Covered<br>Payroll | UAAL as of % of<br>Covered Payroll (d)/(e) |
| 12/31/2012                  | \$ 1,310,569                 | \$ 1,169,342                            | 112.1%                  | \$ (141,227)                     | \$ 1,437,093       | -9.8%                                      |
| 12/31/2013                  | 1,596,396                    | 1,407,531                               | 113.4%                  | (188,865)                        | 1,575,984          | -12.0%                                     |
| 12/31/2014                  | 1,787,521                    | 1,652,428                               | 108.2%                  | (135,093)                        | 2,007,847          | -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.

**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

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, 2015, 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.

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.

**City of Manor, Texas**  
**Notes to the Financial Statements**  
**Year Ended September 30, 2015**

**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 every five years. As of September 30, 2015, 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, 2015, prior period adjustments consisted of the following:

This adjustment was the result of the City implementing GASB 68. 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**

|   |                      |
|---|----------------------|
| Net position - beginning of year before restatement | \$ 12,945,171        |
| Beginning net pension asset                         | 188,865              |
| Deferred outflows for contributions                 | <u>31,749</u>        |
| Total prior period adjustment                       | 220,614              |
| Net position - beginning of year after restatement  | <u>\$ 13,165,785</u> |

*This page was intentionally left blank.*

## **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, 2015**

|  | <u>Budget</u>            | <u>Final<br/>Budget</u>  | <u>Actual</u>            | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|--------------------------|--------------------------|--------------------------|---|
| <b>REVENUES</b>  |                          |                          |                          |   |
| Property taxes -----   | \$ 1,325,058             | \$ 1,581,533             | \$ 1,297,560             | \$ (283,973)                                    |
| Sales taxes -----  | 615,000                  | 832,015                  | 806,174                  | (25,841)  |
| Other taxes -----  | 2,400                    | 2,474                    | 4,147                    | 1,673   |
| Franchise taxes -----  | 502,000                  | 460,243                  | 456,406                  | (3,837)   |
| Charge for services -----                                    | 672,500                  | 652,398                  | 644,368                  | (8,030)   |
| Interest -----   | 475                      | 475                      | 2,770                    | 2,295   |
| Court and police -----                                       | 703,200                  | 703,300                  | 632,139                  | (71,161)  |
| Public safety -----  | 32,950                   | 40,387                   | 60,459                   | 20,072  |
| Licenses and permits -----                                   | 710,925                  | 774,275                  | 1,039,341                | 265,066   |
| Other -----  | 6,135                    | 6,135                    | 21,483                   | 15,348  |
| Total revenues -----   | <u>4,570,643</u>         | <u>5,053,235</u>         | <u>4,964,847</u>         | <u>(88,388)</u>                                 |
| <b>EXPENDITURES</b>  |                          |                          |                          |   |
| General government -----                                     | 907,345                  | 1,027,488                | 926,404                  | 101,084   |
| Public safety -----  | 1,694,026                | 1,750,302                | 1,848,227                | (97,925)  |
| Streets -----  | 545,535                  | 548,222                  | 492,325                  | 55,897  |
| Municipal court -----  | 398,020                  | 396,326                  | 377,537                  | 18,789  |
| Development services -----                                   | 326,635                  | 293,490                  | 262,571                  | 30,919  |
| Sanitation -----   | 517,500                  | 530,570                  | 556,638                  | (26,068)  |
| Capital outlay -----   | 617,444                  | 617,444                  | 652,416                  | (34,972)  |
| Debt payments -----  | -                        | -                        | -                        | -   |
| Interest -----   | -                        | -                        | -                        | -   |
| Total expenditures -----                                     | <u>5,006,505</u>         | <u>5,163,842</u>         | <u>5,116,118</u>         | <u>47,724</u>                                   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> |                          |                          |                          |   |
|  | <u>(435,862)</u>         | <u>(110,607)</u>         | <u>(151,271)</u>         | <u>(40,664)</u>                                 |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                          |                          |                          |   |
| Capital grants and contributions -----                       | -                        | -                        | -                        | -   |
| Transfers (to) from other funds:                             |                          |                          |                          |   |
| Water and sewer fund -----                                   | -                        | -                        | -                        | -   |
| Capital projects fund -----                                  | (98,000)                 | -                        | -                        | -   |
| Total other financing sources (uses) -----                   | <u>(98,000)</u>          | <u>-</u>                 | <u>-</u>                 | <u>-</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <u>(533,862)</u>         | <u>(110,607)</u>         | <u>(151,271)</u>         | <u>(40,664)</u>                                 |
| <b>FUND BALANCE - BEGINNING OF YEAR --</b>                   | <u>901,041</u>           | <u>901,041</u>           | <u>901,041</u>           | <u>-</u>  |
| <b>FUND BALANCE - END OF YEAR -----</b>                      | <u><u>\$ 367,179</u></u> | <u><u>\$ 790,434</u></u> | <u><u>\$ 749,770</u></u> | <u><u>\$ (40,664)</u></u>                       |

**CITY OF MANOR, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2015**

**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 less than budgeted by \$88,388, and operating expenditures were less than budgeted by \$47,724, resulting in an overall operating variance (unfavorable) of \$40,664. Due to unfavorable operating results, there was an overall decrease in fund balance of \$151,271 for the City's general fund.

**CITY OF MANOR, TEXAS**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION ASSET**  
**AND RELATED RATIOS**  
**LAST TEN YEARS\***  
**(Unaudited)**

|  | 2015                       |
|--|----------------------------|
| <b>Total Pension Liability (Asset)</b>                           |                            |
| Service cost   | \$ 131,462                 |
| Interest on total pension liability                              | 103,455                    |
| Effect of plan changes   | 25,647                     |
| Effect of economic/demographic (gains) or losses                 | 26,291                     |
| Effect of assumptions changes or inputs                          | -                          |
| Benefit payments, including refunds of employee contributions    | (41,958)                   |
| Net change in total pension liability (asset)                    | <u>244,897</u>             |
| Total pension liability (asset), beginning                       | 1,407,531                  |
| Total pension liability (asset), ending (a)                      | <u><u>\$ 1,652,428</u></u> |
| <b>Fiduciary Net Position</b>                                    |                            |
| Employer contributions   | \$ 42,366                  |
| Member contributions   | 100,392                    |
| Net investment income  | 91,356                     |
| Benefit payments, including refunds of employee contributions    | (41,958)                   |
| Administrative expenses  | (953)                      |
| Other  | (78)                       |
| Net change in fiduciary net position                             | <u>191,125</u>             |
| Fiduciary net position, beginning                                | 1,596,396                  |
| Fiduciary net position, ending (b)                               | <u><u>\$ 1,787,521</u></u> |
| Net pension liability (asset), ending = (a) - (b)                | <u><u>\$ (135,093)</u></u> |
| Fiduciary net position as a % of total pension liability (asset) | 108.18%                    |
| Pensionable covered payroll                                      | 2,007,847                  |
| Net pension liability (asset) as a % of covered payroll          | -6.73%                     |

\* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

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

|                             | (a)                             | (b)  | (c)                     | (d)                                 | (e)                | (f)   |
|-----------------------------|---------------------------------|--|-------------------------|-------------------------------------|--------------------|---|
| Actuarial<br>Valuation Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Funded Ratio<br>(a)/(b) | Unfunded<br>AAL (UAAL)<br>(b) - (a) | Covered<br>Payroll | UAAL as a<br>Percentage of<br>Covered<br>Payroll<br>(d)/(e) |
| 12/31/2012                  | \$ 1,310,569                    | \$ 1,169,342                               | 112.1%                  | \$ (141,227)                        | \$ 1,437,093       | -9.8%   |
| 12/31/2013                  | 1,596,396                       | 1,407,531                                  | 113.4%                  | (188,865)                           | 1,575,984          | -12.0%  |
| 12/31/2014                  | 1,787,521                       | 1,652,428                                  | 108.2%                  | (135,093)                           | 2,007,847          | -6.7%   |



**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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 11, 2016.

**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.

*Atchley & Associates, LLP*

Austin, Texas  
April 11, 2016

**CITY OF MANOR, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2015**

Financial Statement Findings

None





**CITY OF MANOR, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2015**

Prior Audit Findings

None

