

**CITY OF MANOR, TEXAS  
ANNUAL FINANCIAL REPORT  
AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED SEPTEMBER 30, 2018**



# CITY OF MANOR, TEXAS

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## CITY OF MANOR, TEXAS

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manor, Texas (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 to 10, budgetary comparison information on page 47, schedule of changes in the City's net pension asset/liability and related ratios - last ten years on page 50-51, and Texas Municipal Retirement System schedule of funding progress on page 52 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 July 8, 2019, 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.

## Emphasis of Matter

As discussed in Note A to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (GASB 75). GASB 75 revises requirements for recognition and disclosure of postemployment benefits other than pensions liabilities and expenditures in the basic financial statements of governmental entities. The net position on the government-wide financial statements as of the beginning of the year ended September 30, 2018, was restated to account for this change in accounting principle. Our opinion is not modified with respect to this matter.



Austin, Texas  
July 8, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**





**CITY OF MANOR, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**September 30, 2018**

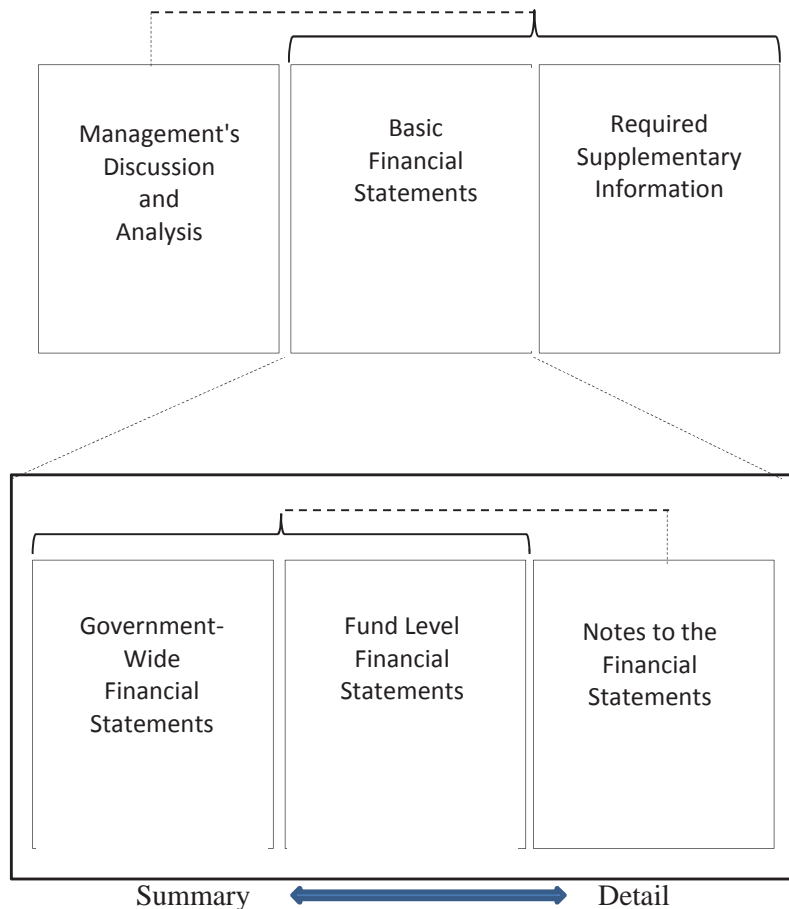
This section of the City of Manor's (the City) annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2018. This discussion and analysis should be read in conjunction with the City's financial statements.

**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 required supplementary information in addition to the basic financial statements themselves. This contains additional information about the City's General Fund budget and information about the City's pension plan.

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



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

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

**CITY OF MANOR, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**September 30, 2018**

**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 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.

**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.

**CITY OF MANOR, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**September 30, 2018**

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

<i>Type of Statements</i>	<b>Fund Statements</b>		
	<b>Government-Wide</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 Statement of Activities	Balance Sheet Statement of Revenues, Expenditures & Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses & Changes in Net Position 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 or long-term debt 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 \$25,064,225 at September 30, 2018 (See Figure A-3).
- Current year activity resulted in an increase in the City's net position by \$4,270,739 (See Figure A-4).

**CITY OF MANOR, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**September 30, 2018**

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets:						
Current and other assets	\$3,503,520	\$3,216,563	\$29,954,492	\$28,887,426	\$33,458,012	\$32,103,989
Noncurrent assets	7,125,882	6,515,580	11,226,609	10,146,687	18,352,491	16,662,267
Total assets	<u>10,629,402</u>	<u>9,732,143</u>	<u>41,181,101</u>	<u>39,034,113</u>	<u>51,810,503</u>	<u>48,766,256</u>
Deferred outflows	<u>406,377</u>	<u>539,989</u>	<u>9,192</u>	<u>25,976</u>	<u>415,569</u>	<u>565,965</u>
Liabilities:						
Current liabilities	1,814,077	1,862,972	1,024,130	1,073,405	2,838,207	2,936,377
Long-term liabilities	7,626,927	8,148,362	16,696,713	17,412,805	24,323,640	25,561,167
Total liabilities	<u>9,441,004</u>	<u>10,011,334</u>	<u>17,720,843</u>	<u>18,486,210</u>	<u>27,161,847</u>	<u>28,497,544</u>
Deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position:						
Investment in capital assets	(1,340,143)	(2,419,106)	10,557,336	9,573,655	9,217,193	7,154,549
Restricted	239,650	241,428	23,696,907	22,861,845	23,936,557	23,103,273
Unrestricted	2,695,268	2,438,476	(10,784,793)	(11,861,621)	(8,089,525)	(9,423,145)
Total net position	<u>\$1,594,775</u>	<u>\$ 260,798</u>	<u>\$23,469,450</u>	<u>\$20,573,879</u>	<u>\$25,064,225</u>	<u>\$20,834,677</u>

**CITY OF MANOR, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**September 30, 2018**

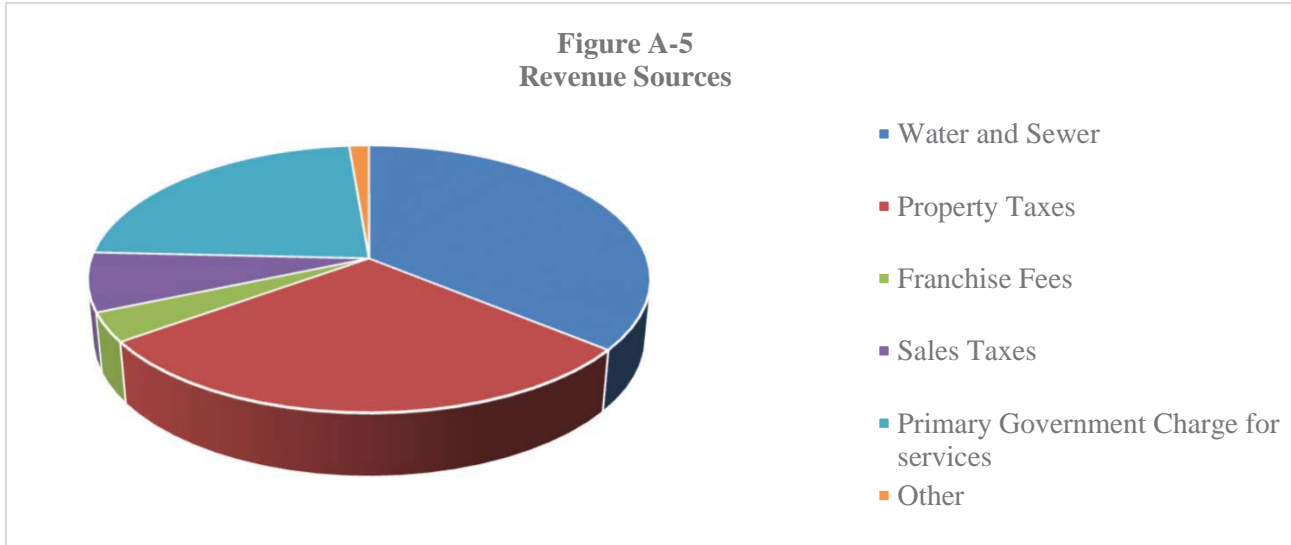
**Figure A-4**  
**Changes in City Net Position**

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues						
Charges for services	\$3,687,885	\$3,518,820	\$ 5,770,628	\$ 5,813,620	\$ 9,458,513	\$ 9,332,440
General revenues:						
Taxes	6,447,490	5,403,973	-	-	6,447,490	5,403,973
Interest and penalties	15,153	15,211	18,415	7,394	33,568	22,605
Other	134,390	425,906	-	-	134,390	425,906
Total revenues	<u>10,284,918</u>	<u>9,363,910</u>	<u>5,789,043</u>	<u>5,821,014</u>	<u>16,073,961</u>	<u>15,184,924</u>
Expenses:						
General government	1,923,252	1,786,174	-	-	1,923,252	1,786,174
Public safety	3,287,081	2,698,071	-	-	3,287,081	2,698,071
Streets	951,265	1,297,508	-	-	951,265	1,297,508
Municipal court	630,168	446,366	-	-	630,168	446,366
Development services	557,354	392,115	-	-	557,354	392,115
Sanitation	479,285	542,985	-	-	479,285	542,985
Bond issue cost	-	-	-	-	-	-
Interest and fiscal charges	229,075	239,747	414,919	447,353	643,994	687,100
Water and sewer	-	-	3,330,823	3,021,960	3,330,823	3,021,960
Total expenses	<u>8,057,480</u>	<u>7,402,966</u>	<u>3,745,742</u>	<u>3,469,313</u>	<u>11,803,222</u>	<u>10,872,279</u>
Revenues over(under) expenses	2,227,438	1,960,944	2,043,301	2,351,701	4,270,739	4,312,645
Capital contributions	-	-	-	-	-	-
Transfers	(857,996)	(1,297,679)	857,996	1,297,679	-	-
Change in net position	1,369,442	663,265	2,901,297	3,649,380	4,270,739	4,312,645
Beginning net position						
Prior to restatement	260,798	(402,467)	20,573,879	16,924,499	20,834,677	16,522,032
Effect of GASB 75	(35,465)	-	(5,726)	-	(41,191)	-
As restated	<u>225,333</u>	<u>(402,467)</u>	<u>20,568,153</u>	<u>16,924,499</u>	<u>20,793,486</u>	<u>16,522,032</u>
Ending net position	<u>\$1,594,775</u>	<u>\$ 260,798</u>	<u>\$23,469,450</u>	<u>\$20,573,879</u>	<u>\$25,064,225</u>	<u>\$20,834,677</u>

**CITY OF MANOR, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**September 30, 2018**

**CITY REVENUES**

The majority of the City's revenue is generated from charges for water and sewer services (36%), property taxes (29%), and primary government charges for services (23%). 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 (M&O) decreased from \$0.4381 to \$0.4132 in the current fiscal year generating \$2,525,004 in M&O taxes, an increase of \$353,019 over the previous fiscal year. While the City's franchise fees increased \$83,931, or 17%, and sales taxes increased by \$85,980, or 8%. The new M&O tax rate for the year beginning October 1, 2018 is \$0.4807.

**Business-Type Activities**

Water sales increased by \$110,945 or 5%, while sewer sales increased by \$64,282, or 4%.

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

**General Fund Budgetary Highlights**

General Fund revenues exceeded expenditures and transfers by \$343,978 which was \$106,436 less than budgeted. See details of budget and actual revenues on page 47.

**Capital Assets**

During the year ended September 30, 2018, the City invested \$2,923,117 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, 2018**

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 470,607	\$ 470,607	\$ 406,816	\$ 406,816	\$ 877,423	\$ 877,423
Construction in progress	990,997	303,346	1,273,924	308,220	2,264,921	611,566
Buildings and equipment	5,816,026	4,999,815	1,102,707	649,156	6,918,733	5,648,971
Sidewalks	244,164	244,164	-	-	244,164	244,164
Streets and improvements	5,383,195	5,383,195	12,992	12,992	5,396,187	5,396,187
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>12,904,989</b>	<b>11,401,127</b>	<b>15,954,752</b>	<b>14,535,497</b>	<b>28,859,741</b>	<b>25,936,624</b>
Accumulated depreciation	(5,779,107)	(4,885,547)	(4,728,143)	(4,388,810)	(10,507,250)	(9,274,357)
<b>Net capital assets</b>	<b>\$ 7,125,882</b>	<b>\$ 6,515,580</b>	<b>\$ 11,226,609</b>	<b>\$ 10,146,687</b>	<b>\$ 18,352,491</b>	<b>\$ 16,662,267</b>

**Debt Administration**

The City's property tax rate for debt services increased from \$0.3357 to \$0.3590 in the current fiscal year generating \$2,169,542 in debt service taxes, an increase of \$525,362 over the previous fiscal year. More detailed information about the City's debt is presented in the Notes to the Financial Statements. The new debt service tax rate for the year beginning October 1, 2018 is \$0.2715.

**Figure A-7**  
**City's Long-Term Debt**

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Notes payable	\$ 886,800	\$ 549,961	\$ -	\$ -	\$ 886,800	\$ 549,961
Bonds payable	7,579,225	8,685,242	16,835,775	17,590,275	24,415,000	26,275,517
<b>Total</b>	<b>\$ 8,466,025</b>	<b>\$ 9,235,203</b>	<b>\$ 16,835,775</b>	<b>\$ 17,590,275</b>	<b>\$ 25,301,800</b>	<b>\$ 26,825,478</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 increase by \$1,253,080, resulting in an overall operating deficit of approximately \$169,946.

**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.

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## **BASIC FINANCIAL STATEMENTS**



**CITY OF MANOR, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2018**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,999,182	\$ 5,832,168	\$ 8,831,350
Receivables, net	264,688	425,417	690,105
Restricted assets:			
Cash and cash equivalents	(416,703)	23,242,676	22,825,973
Investments	656,353	454,231	1,110,584
Non-current assets:			
Capital assets:			
Non-depreciable	1,461,604	1,680,740	3,142,344
Depreciable, net	5,664,278	9,545,869	15,210,147
<b>Total assets</b>	<u>10,629,402</u>	<u>41,181,101</u>	<u>51,810,503</u>
<b>Deferred outflows</b>			
Deferred outflows related to refunding	270,860	-	270,860
Deferred outflows related to OPEB	4,283	692	4,975
Deferred outflows related to pensions	131,234	8,500	139,734
Total deferred outflows	<u>406,377</u>	<u>9,192</u>	<u>415,569</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable	612,518	191,823	804,341
Unearned revenue	141,765	-	141,765
Payable from restricted assets:			
Interest payable	24,128	48,182	72,310
Notes payable, due within one year	214,791	-	214,791
Bonds payable, due within one year	820,875	784,125	1,605,000
Non-current liabilities:			
Payable from unrestricted assets:			
Compensated absences	156,769	44,825	201,594
Payable from restricted assets:			
Customer deposits	-	568,195	568,195
Notes payable, due more than one year	672,009	-	672,009
Bonds payable, due more than one year	6,758,350	16,051,650	22,810,000
Net OPEB liability	45,805	7,396	53,201
Net pension liability	(6,006)	24,647	18,641
<b>Total liabilities</b>	<u>9,441,004</u>	<u>17,720,843</u>	<u>27,161,847</u>
<b>Deferred inflows</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	(1,340,143)	10,557,336	9,217,193
Restricted	239,650	23,696,907	23,936,557
Unrestricted	2,695,268	(10,784,793)	(8,089,525)
<b>Total net position</b>	<u>\$ 1,594,775</u>	<u>\$ 23,469,450</u>	<u>\$ 25,064,225</u>

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

**CITY OF MANOR, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2018**

<b>Function/program activities</b>	<b>Expenses</b>	<b>Charges for Services</b>
<b>Primary government:</b>		
Government activities:		
General government	\$ 1,923,252	\$ 1,005
Public safety	3,287,081	130,302
Streets	951,265	-
Municipal court	630,168	839,561
Development services	557,354	1,830,523
Sanitation	479,285	886,494
Interest on long-term debt	229,075	-
Total government activities	8,057,480	3,687,885
Business-type activities:		
Water	1,653,598	2,781,685
Sewer	1,677,225	2,988,943
Interest on long-term debt	414,919	-
Total business-type activities	3,745,742	5,770,628
<b>Total primary government</b>	<b>11,803,222</b>	<b>9,458,513</b>

**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 prior to restatement**

Cumulative effect of adopting GASB Statement No. 75 (See Note A)

**Net position - beginning of year after restatement**

**Net position - end of year**

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

<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	<u>Primary Government</u>		
		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ -	\$ (1,922,247)	\$ -	\$ (1,922,247)
-	-	(3,156,779)	-	(3,156,779)
-	-	(951,265)	-	(951,265)
-	-	209,393	-	209,393
-	-	1,273,169	-	1,273,169
-	-	407,209	-	407,209
-	-	(229,075)	-	(229,075)
-	-	(4,369,595)	-	(4,369,595)
-	-	-	1,128,087	1,128,087
-	-	-	1,311,718	1,311,718
-	-	-	(414,919)	(414,919)
-	-	-	2,024,886	2,024,886
-	-	(4,369,595)	2,024,886	(2,344,709)
		4,694,546	-	4,694,546
		1,142,564	-	1,142,564
		565,886	-	565,886
		44,494	-	44,494
		15,153	18,415	33,568
		134,390	-	134,390
		(857,996)	857,996	-
		5,739,037	876,411	6,615,448
		1,369,442	2,901,297	4,270,739
		260,798	20,573,879	20,834,677
		(35,465)	(5,726)	(41,191)
		225,333	20,568,153	20,793,486
		<u>\$ 1,594,775</u>	<u>\$ 23,469,450</u>	<u>\$ 25,064,225</u>

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

**CITY OF MANOR, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2018**

	<b>General Fund</b>	<b>Special Revenues Fund</b>
<b>ASSETS</b>		
Unrestricted		
Cash and cash equivalents	\$ 3,005,451	\$ -
Receivables, net	244,211	-
Restricted assets:		
Cash and cash equivalents	-	223,379
Investments	8,647	371,269
	<b>Total assets</b>	<b>594,648</b>
	<b>3,258,309</b>	<b>594,648</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	557,821	-
Other liabilities	6,688	38,082
Unearned revenue	137,375	-
	<b>Total liabilities</b>	<b>38,082</b>
	<b>701,884</b>	<b>38,082</b>
 <b>FUND BALANCES</b>		
Restricted	8,647	556,566
Committed	-	-
Unassigned	2,547,778	-
	<b>Total fund balances</b>	<b>556,566</b>
	<b>2,556,425</b>	<b>556,566</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,258,309</b>	<b>\$ 594,648</b>

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

<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$ -	\$ (6,269)	\$ 2,999,182
20,477	-	264,688
(640,082)	-	(416,703)
276,437	-	656,353
<u>(343,168)</u>	<u>(6,269)</u>	<u>3,503,520</u>
-	-	557,821
-	9,927	54,697
18,476	-	155,851
<u>18,476</u>	<u>9,927</u>	<u>768,369</u>
(361,644)	-	203,569
-	(16,196)	(16,196)
-	-	2,547,778
<u>(361,644)</u>	<u>(16,196)</u>	<u>2,735,151</u>
<u>\$ (343,168)</u>	<u>\$ (6,269)</u>	<u>\$ 3,503,520</u>

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

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**CITY OF MANOR, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**September 30, 2018**

<b>TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS</b>	\$	2,735,151
<p>Amounts reported for governmental activities in the statement of net position are different due to the following:</p>		
Capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.		7,125,882
Certain receivables are not available to pay current-period expenditures and, therefore, are deferred in the funds. This amount includes deferred property taxes.		14,086
Deferred outflows represent the consumption of net position that is applicable to a future reporting period and are not reported in the funds.		406,377
Certain liabilities related to long-term debt are not reported in the funds, such as accrued interest payable.		(24,128)
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(8,662,593)
<b>NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>1,594,775</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, 2018**

	<b>General Fund</b>	<b>Special Revenues Fund</b>
<b>REVENUES</b>		
Property taxes	\$ 2,525,004	\$ -
Sales tax	1,142,564	-
Franchise taxes	565,886	-
Other taxes	11,281	33,213
Licenses and permits	1,830,523	-
Charge for services	886,494	-
Court and police	839,561	-
Public safety	130,302	-
Interest	5,282	5,653
Interest - restricted	9	-
Other	135,395	-
<b>Total revenues</b>	<b>8,072,301</b>	<b>38,866</b>
<b>EXPENDITURES</b>		
Current:		
General government	2,171,365	8,027
Public safety	2,978,086	-
Streets	489,442	-
Municipal court	630,168	-
Development services	549,939	-
Sanitation	856,477	-
Capital outlay	52,846	-
Debt service:		
Principal	-	-
Interest	-	-
<b>Total expenditures</b>	<b>7,728,323</b>	<b>8,027</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>343,978</b>	<b>30,839</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	-
Transfers out	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>343,978</b>	<b>30,839</b>
<b>Fund balances - beginning of year</b>	<b>2,212,447</b>	<b>525,727</b>
<b>Fund balances - end of year</b>	<b>\$ 2,556,425</b>	<b>\$ 556,566</b>

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

<b>Debt Services Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$ 2,169,542	\$ -	\$ 4,694,546
-	-	1,142,564
-	-	565,886
-	-	44,494
-	-	1,830,523
-	-	886,494
-	-	839,561
-	-	130,302
4,209	-	15,144
-	-	9
-	-	135,395
<u>2,173,751</u>	<u>-</u>	<u>10,284,918</u>
1,200	-	2,180,592
-	-	2,978,086
-	-	489,442
-	-	630,168
-	-	549,939
-	-	856,477
-	310,459	363,305
805,500	-	805,500
200,404	-	200,404
<u>1,007,104</u>	<u>310,459</u>	<u>9,053,913</u>
<u>1,166,647</u>	<u>(310,459)</u>	<u>1,231,005</u>
-	310,459	310,459
(1,168,455)	-	(1,168,455)
<u>(1,168,455)</u>	<u>310,459</u>	<u>(857,996)</u>
(1,808)	-	373,009
<u>(359,836)</u>	<u>(16,196)</u>	<u>2,362,142</u>
<u>\$ (361,644)</u>	<u>\$ (16,196)</u>	<u>\$ 2,735,151</u>

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

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**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, 2018**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS**                   \$           373,009

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 depreciation exceeded capital outlay expenses in the current period. 610,302

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 payments exceeded proceeds and changes in accrued interest and amortization of deferred outflows from refunding. 439,990

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 compensation and changes in pension and OPEB benefits and related inflows and outflows. (53,859)

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES** \$           1,369,442

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

**CITY OF MANOR, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2018**

	<u>Water and Sewer System</u>	<u>Capital Impact Fees</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	\$ 5,832,168	\$ -	\$ 5,832,168
Accounts receivable, net	425,417	-	425,417
Restricted assets:			
Cash and cash equivalents	16,734,697	6,507,979	23,242,676
Investments	-	454,231	454,231
<b>Total current assets</b>	<u>22,992,282</u>	<u>6,962,210</u>	<u>29,954,492</u>
Non-current assets:			
Non-depreciable assets, net	1,680,740	-	1,680,740
Depreciable assets, net	9,545,869	-	9,545,869
<b>Total non-current assets</b>	<u>11,226,609</u>	<u>-</u>	<u>11,226,609</u>
<b>Total assets</b>	<u>34,218,891</u>	<u>6,962,210</u>	<u>41,181,101</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred outflow related to OPEB	692	-	692
Deferred outflow related to pension	8,500	-	8,500
<b>Total deferred outflows</b>	<u>9,192</u>	<u>-</u>	<u>9,192</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	191,823	-	191,823
Interest payable	48,182	-	48,182
Bonds payable, due within one year	784,125	-	784,125
<b>Total current liabilities</b>	<u>1,024,130</u>	<u>-</u>	<u>1,024,130</u>
Non-current liabilities:			
Compensated absences	44,825	-	44,825
Customer deposits	568,195	-	568,195
Bonds payable, due after one year	16,051,650	-	16,051,650
Net OPEB liability	7,396	-	7,396
Net pension liability	24,647	-	24,647
<b>Total non-current liabilities</b>	<u>16,696,713</u>	<u>-</u>	<u>16,696,713</u>
<b>Total liabilities</b>	17,720,843	-	17,720,843
<b>NET POSITION</b>			
Investment in capital assets	10,557,336	-	10,557,336
Restricted	16,734,697	6,962,210	23,696,907
Unrestricted	(10,784,793)	-	(10,784,793)
<b>Total net assets</b>	<u>\$ 16,507,240</u>	<u>\$ 6,962,210</u>	<u>\$ 23,469,450</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, 2018**

	<u>Water and Sewer System</u>	<u>Capital Impact Fees</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Water service	\$ 2,174,032	\$ -	\$ 2,174,032
Sewer service	1,890,531	-	1,890,531
Penalties	85,118	-	85,118
Miscellaneous	805	-	805
Capital impact fees	-	1,620,142	1,620,142
Total operating revenues	<u>4,150,486</u>	<u>1,620,142</u>	<u>5,770,628</u>
<b>OPERATING EXPENSES</b>			
Personnel services	661,490	-	661,490
Operations	87,954	12,784	100,738
Utilities	147,585	-	147,585
Insurance	28,575	-	28,575
Materials and supplies	67,024	-	67,024
Maintenance	97,809	-	97,809
Water fees	1,399,002	-	1,399,002
Wastewater fees	489,267	-	489,267
Depreciation	339,333	-	339,333
Total operating expenses	<u>3,318,039</u>	<u>12,784</u>	<u>3,330,823</u>
<b>OPERATING INCOME</b>	<u>832,447</u>	<u>1,607,358</u>	<u>2,439,805</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	8,476	9,939	18,415
Interest expense	(414,919)	-	(414,919)
Total non-operating revenues (expenses)	<u>(406,443)</u>	<u>9,939</u>	<u>(396,504)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	426,004	1,617,297	2,043,301
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Transfers in (out)	1,168,455	-	1,168,455
Transfers from (to) primary government	(310,459)	-	(310,459)
<b>CHANGE IN NET POSITION</b>	1,284,000	1,617,297	2,901,297
<b>NET POSITION:</b>			
<b>Beginning of year</b>	15,228,966	5,344,913	20,573,879
<b>Restatement related to GASB 75</b>	(5,726)	-	(5,726)
<b>NET POSITION - AS RESTATED</b>	<u>15,223,240</u>	<u>5,344,913</u>	<u>20,568,153</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 16,507,240</u>	<u>\$ 6,962,210</u>	<u>\$ 23,469,450</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, 2018**

	<b>Proprietary Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 5,766,944
Payments to suppliers	(2,402,165)
Payments to employees and contractors	(650,905)
Net cash flows from operating activities	<u>2,713,874</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Increase in customer deposits	68,506
Increase in restricted assets	(835,062)
Net cash flows from non-capital financing activities	<u>(766,556)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Transfers from primary government for payment of debt obligations	1,168,455
Transfers to primary government for payment of debt obligations	(310,459)
Additions to capital assets	(1,419,255)
Principal payments on debt	(754,500)
Interest payments on debt	(421,654)
Net cash flows from capital and related financing activities	<u>(1,737,413)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	18,415
Net cash flows from investing activities	<u>18,415</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	228,320
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>5,603,848</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 5,832,168</u></u>
<hr/>	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES</b>	
Operating income	\$ 2,439,805
Adjustments not affecting cash:	
Depreciation	339,333
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts receivable	(3,684)
Accounts payable	(72,165)
Compensated absences	7,043
Deferred outflows	16,784
Net OPEB liability	1,670
Net pension liability	(14,912)
Net cash flows from operating activities	<u><u>\$ 2,713,874</u></u>

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



**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**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 its 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 2018, the City implemented:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The scope of this statement addresses accounting and financial reporting for other postemployment benefits that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Please see Note L for further details.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Net position - beginning of year prior to restatement</b>	\$ 260,798	\$ 20,573,879	\$ 20,834,677
Cumulative effect of adopting GASB Statement No. 75	(35,465)	(5,726)	(41,191)
<b>Net position - beginning of year after restatement</b>	\$ 225,333	\$ 20,568,153	\$ 20,793,486

GASB Statement 81, *Irrevocable Split-Interest Agreements*. This statement requires a government that receives resources pursuant to an irrevocable split-interest agreement to recognize assets, liabilities, revenues, and deferred inflows at the inception of the agreement. Revenue should be recognized when the resources become applicable to the reporting period. This statement had no impact on the City.

GASB Statement No. 82, *Pension Issues – An amendment of GASB Statements No. 67, 68, and No. 73*. This statement addresses issues regarding: the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. Certain provisions from this statement were applicable to fiscal year 2017 while other provisions are applicable to this fiscal year. Please see Note K for further details.

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Implementation of New Standards - Continued**

GASB Statement No. 85, *Omnibus 2017*. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The effects of this statement that are applicable to the City can be seen throughout the financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This statement provides guidance for transactions in which cash and other monetary assets acquired with only existing resources-other than refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. It also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. Please see Note H for further details.

***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 Statement of Activities reflects depreciation expense on the City's capital assets, including infrastructure.

**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.

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Fund Level Financial Statements - Continued***

**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.

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 E 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.

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Assets, Liabilities, and Net Position or Equity - Continued**

***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 F).

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

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

***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.

**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.

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Assets, Liabilities, and Net Position or Equity - Continued**

*Fund Balance/Net Position - Continued*

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.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP 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.

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**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, 2018, carrying amounts of the City's cash deposits were \$31,657,323 and bank balances were \$31,844,515. The City's cash deposits at September 30, 2018, 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 (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 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.

***Fair Value Hierarchy***

The three levels of the fair value hierarchy under GASB 72 are described as follows:

- Level 1        Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2        Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3        Inputs to the valuation methodology are unobservable and significant and use the best information available under the circumstances.

The City's investments at September 30, 2018, are shown below. These investments are not classified in a level hierarchy as they are recorded at net asset value.

Investment or Investment Type	Maturity	Fair Value
TexPool Investment	N/A	\$ 1,110,584

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). This statement establishes how certain state and local government external investment pools may measure and report their investments. An external investment pool may elect to measure, for reporting purposes, all of its investments at amortized cost if it meets certain criteria. In addition, this statement also establishes additional note disclosures for external investment pools and their participants.

TexPool operates in a manner consistent with the criteria set forth in GASB 79 and therefore uses amortized cost to report net assets to compute share prices. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool does not have any restrictions or limitations on withdrawals.



**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**B. DEPOSITS AND INVESTMENTS - CONTINUED**

TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's for review. TexPool is also required to send portfolio information to the office of the State Comptroller of Public Accounts.

**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, 2018, the City's deposits were entirely covered by depository insurance or collateralized with securities held by the pledging financial institution in the City's name.

***Concentration of Credit Risk***

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

***Interest Rate Risk***

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

***Foreign Currency Risk***

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

**C. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position:**

The governmental fund balance sheet includes a reconciliation between the governmental fund balance on the fund financial statements and total net position of governmental activities on the government-wide financial statements.

<b>Governmental fund balance</b>	\$	2,735,151
<b><u>Difference due to capital assets</u></b>		
Capital assets		12,904,989
Accumulated depreciation		<u>(5,779,107)</u>
		7,125,882
<b><u>Difference due to unearned revenue</u></b>		
Unearned Revenues		14,086

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**C. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED**

**Explanation of differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position - Continued:**

**Difference due to deferred outflows**

Deferred outflows related to pensions	131,234	
Deferred outflows related to OPEB	4,283	
Deferred loss on refunding	270,860	406,377

**Difference due to current liabilities**

Interest payable		(24,128)
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**Difference due to non-current liabilities**

Compensated absences	(156,769)	
Net pension liability	6,006	
Net OPEB liability	(45,805)	
Notes payable	(886,800)	
Bonds payable	(7,579,225)	(8,662,593)

<b>Government-wide net position</b>		<b>\$ 1,594,775</b>
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**Explanation of differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between the change in governmental fund balance on the fund financial statements and change in total net position of governmental activities on the government-wide financial statements.

<b>Change in governmental fund balance</b>		<b>\$ 373,009</b>
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**Amount by which depreciation exceeds capital outlay expense and other capital related transactions**

Capital outlay	785,003	
Capital outlay - current year capital lease additions	718,859	
Depreciation expense	(893,560)	610,302

**Long-term debt and related items**

Debt payments	1,187,520	
Issuance of note payables	(718,859)	
Accrued interest adjustment	986	
Amortization of loss on refunding	(29,657)	439,990

**Expenses that do not require the use of current financial resources or have not matured**

Changes in pension expense and deferred inflows	(15,885)	
Changes in OPEB expense and deferred inflows	(6,057)	
Compensated absence adjustment	(31,917)	(53,859)

<b>Change in government-wide net position</b>		<b>\$ 1,369,442</b>
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**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**D. 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. The majority of 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, 2018, receivables for governmental activities are summarized in the government-wide financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Sales tax receivable	\$ 85,634	\$ -	\$ 85,634
Property tax receivable	136,704	(88,858)	47,846
Employee receivable	1,961	-	1,961
Court fines receivable	1,113,405	(1,080,003)	33,402
Other	95,845	-	95,845
Total receivables	<u>\$ 1,433,549</u>	<u>\$ (1,168,861)</u>	<u>\$ 264,688</u>

***Business-Type Activities Receivables***

Business-type activities 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, 2018, Business-type activities receivables are summarized in the financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Customer receivables	\$ 433,635	\$ (9,418)	\$ 424,217
NSF checks	1,200	-	1,200
Total receivables	<u>\$ 434,835</u>	<u>\$ (9,418)</u>	<u>\$ 425,417</u>

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**E. RESTRICTED ASSETS**

At September 30, 2018, restricted assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<b>Cash and cash equivalents:</b>			
Debt service (deficit)	\$ (640,082)	\$ -	\$ (640,082)
Other	185,223	-	185,223
Rose Hill Public Improvement District	38,156	-	38,156
Customer deposits	-	568,195	568,195
Capital improvements - water system	-	18,682,888	18,682,888
Capital improvements - sewer system	-	3,991,593	3,991,593
Total cash and cash equivalents	<u>\$ (416,703)</u>	<u>\$ 23,242,676</u>	<u>\$ 22,825,973</u>
<b>Investments:</b>			
Parks	\$ 8,647	\$ -	\$ 8,647
Debt service	276,437	-	276,437
Tourism	371,269	-	371,269
Capital improvements - sewer system	-	454,231	454,231
Total investments	<u>\$ 656,353</u>	<u>\$ 454,231</u>	<u>\$ 1,110,584</u>

**F. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions/ Reclass	Ending Balance
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land	\$ 470,607	\$ -	\$ -	\$ 470,607
Construction in progress	303,346	687,651	-	990,997
Total non-depreciable assets	<u>\$ 773,953</u>	<u>\$ 687,651</u>	<u>\$ -</u>	<u>\$ 1,461,604</u>
Depreciable assets:				
Buildings	\$ 2,419,785	\$ -	\$ -	\$ 2,419,785
Equipment	2,580,030	816,211	-	3,396,241
Sidewalks	244,164	-	-	244,164
Streets and improvements	5,383,195	-	-	5,383,195
Total depreciable assets	10,627,174	816,211	-	11,443,385
Accumulated depreciation	(4,885,547)	(893,560)	-	(5,779,107)
Depreciable assets, net	<u>\$ 5,741,627</u>	<u>\$ (77,349)</u>	<u>\$ -</u>	<u>\$ 5,664,278</u>
<b>Business-Type Activities:</b>				
Non-depreciable assets:				
Land	\$ 406,816	\$ -	\$ -	\$ 406,816
Construction in progress	308,220	965,704	-	1,273,924
Total non-depreciable assets	<u>\$ 715,036</u>	<u>\$ 965,704</u>	<u>\$ -</u>	<u>\$ 1,680,740</u>
Depreciable assets:				
Machinery and equipment	\$ 649,156	\$ 453,551	\$ -	\$ 1,102,707
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	13,820,461	453,551	-	14,274,012
Accumulated depreciation	(4,388,810)	(339,333)	-	(4,728,143)
Depreciable assets, net	<u>\$ 9,431,651</u>	<u>\$ 114,218</u>	<u>\$ -</u>	<u>\$ 9,545,869</u>

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**F. CAPITAL ASSETS - CONTINUED**

Depreciation expense was charged to the functions as follows:

Function:	Governmental Activities	Business-Type Activities	Total
General government	\$ 149,611	\$ -	\$ 149,611
Public safety	274,711	-	274,711
Streets	461,823	-	461,823
Development services	7,415	-	7,415
Water	-	214,709	214,709
Sewer	-	124,624	124,624
Total depreciation expense	<u>\$ 893,560</u>	<u>\$ 339,333</u>	<u>\$ 1,232,893</u>

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

**Transfers (To)From Other Funds**

Purpose	Debt Service Fund	Proprietary Fund	Capital Projects Fund
Property taxes collected for debt payments	\$ 1,168,455	\$ (1,168,455)	\$ -
Funds for capital projects paid out of the same bond issuance	-	(310,459)	310,459

**H. LONG-TERM DEBT**

**Long-Term Debt Activity**

Changes in long-term debt obligations for the year ended September 30, 2018, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Notes payable	\$ 549,961	\$ 718,859	\$ (382,020)	\$ 886,800	\$ 214,791
Bonds payable	8,384,725	-	(805,500)	7,579,225	820,875
Loss on refunding	300,517	-	(29,657)	270,860	29,657
Total governmental activities	<u>\$ 9,235,203</u>	<u>\$ 718,859</u>	<u>\$ (1,217,177)</u>	<u>\$ 8,736,885</u>	<u>\$ 1,065,323</u>
<b>Business-Type Activities:</b>					
Bonds payable	\$ 17,590,275	\$ -	\$ (754,500)	\$ 16,835,775	\$ 784,125
Total business-type activities	<u>\$ 17,590,275</u>	<u>\$ -</u>	<u>\$ (754,500)</u>	<u>\$ 16,835,775</u>	<u>\$ 784,125</u>

**Debt Service Requirements**

***Notes Payable***

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, 2018, is \$7,092.

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, 2018, is \$108,219.

On March 15, 2017, the City entered into financing agreements for vehicles totaling \$222,087 at 2.67% fixed interest rate with yearly payments of \$47,660 due in November. The City's balance remaining on the note payable at September 30, 2018, is \$178,562.

On April 26, 2017, the City entered into financing agreements for equipment totaling \$20,750 with annual payments of \$3,960 due in April. The City's balance remaining on the note payable at September 30, 2018, is \$16,790.

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**H. LONG-TERM DEBT - CONTINUED**

*Notes Payable - Continued*

On November 15, 2017, the City entered into financing agreements for vehicles totaling \$277,570 at 2.67% fixed interest rate with yearly payments of \$58,477 due in November. The City's balance remaining on the note payable at September 30, 2018, is \$219,093.

On November 15, 2017, the City entered into financing agreements for vehicles totaling \$441,289 at 2.56% fixed interest rate with yearly payments of \$95,053 due in November. The City's balance remaining on the note payable at September 30, 2018, is \$357,044.

Debt service requirements on long-term notes payable at September 30, 2018, were as follows:

For the years ending September 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 214,791	\$ 13,978	\$ 228,769
2020	187,932	17,218	205,150
2021	192,751	12,398	205,149
2021	198,648	7,451	206,099
2022	92,678	2,375	95,053
	<u>\$ 886,800</u>	<u>\$ 53,420</u>	<u>\$ 940,220</u>

**Bonds Payable**

Certificates of Obligation, Series 2007

On September 20, 2007, the City issued \$3,525,000 in 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 in 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.

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 bonds, 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.

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**H. LONG-TERM DEBT - CONTINUED**

*Bonds Payable - Continued*

Combination Tax and Revenue Certificate of Obligation Bonds, Series 2016

On August 18, 2016, the City issued \$18,000,000 in certificate of obligation bonds, proceeds to be used for city street and drainage improvements (\$270,000) and water and waste water improvements (\$17,730,000). Bond interest rate of 2.29% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2031 or prior redemption.

Debt service requirements on long-term bond debt at September 30, 2018, were as follows:

		Series 2010 - \$935,000		
		Principal	Interest	Total
For the years ending September 30,				
	2019	\$ 70,000	\$ 16,571	\$ 86,571
	2020	70,000	15,510	85,510
	2021	-	15,510	15,510
	2022	-	15,510	15,510
	2023	-	15,510	15,510
	2024	330,000	7,755	337,755
	Total	\$ 470,000	\$ 86,366	\$ 556,366
		Series 2012 - \$3,510,000		
		Principal	Interest	Total
For the years ending September 30,				
	2019	\$ 285,000	\$ 49,470	\$ 334,470
	2020	290,000	42,203	332,203
	2021	300,000	34,808	334,808
	2022	310,000	27,158	337,158
	2023	315,000	19,253	334,253
	2024-2026	440,000	16,125	456,125
	Total	\$ 1,940,000	\$ 189,017	\$ 2,129,017
		Series 2012 - \$1,835,000		
		Principal	Interest	Total
For the years ending September 30,				
	2019	\$ 120,000	\$ 29,507	\$ 149,507
	2020	120,000	26,519	146,519
	2021	125,000	23,531	148,531
	2022	130,000	20,418	150,418
	2023	130,000	17,181	147,181
	2024-2027	560,000	35,235	595,235
	Total	\$ 1,185,000	\$ 152,391	\$ 1,337,391
		Series 2015 - \$4,750,000		
		Principal	Interest	Total
For the years ending September 30,				
	2019	\$ 405,000	\$ 96,295	\$ 501,295
	2020	420,000	87,020	507,020
	2021	435,000	77,402	512,402
	2022	450,000	67,441	517,441
	2023	465,000	57,136	522,136
	2024-2027	2,030,000	117,935	2,147,935
	Total	\$ 4,205,000	\$ 503,229	\$ 4,708,229

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**H. LONG-TERM DEBT - CONTINUED**

*Bonds Payable - Continued*

For the years ending September 30,	Series 2016 - \$18,000,000		
	Principal	Interest	Total
2019	\$ 725,000	\$ 380,483	\$ 1,105,483
2020	745,000	363,881	1,108,881
2021	755,000	346,821	1,101,821
2022	760,000	329,531	1,089,531
2023	780,000	312,127	1,092,127
2024-2028	6,475,000	1,233,165	7,708,165
2029-2031	6,375,000	294,494	6,669,494
Total	\$ 16,615,000	\$ 3,260,502	\$ 19,875,502

**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, 2018, was \$270,860.

**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.

**I. RESTRICTED NET ASSETS**

At September 30, 2018, net assets restricted by enabling legislation consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Rose Hill Public Improvement District	\$ 38,156	\$ -	\$ 38,156
Tourism	371,269	-	371,269
Debt service	(363,645)	-	(363,645)
Other	193,870	-	193,870
Capital improvements	-	23,696,907	23,696,907
Total restricted net assets	\$ 239,650	\$ 23,696,907	\$ 23,936,557

**J. 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.

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**K. 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's 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:

	<u>Plan Year 2016</u>	<u>Plan Year 2017</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	33
Active employees	<u>67</u>
	<u>107</u>

**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 rate for calendar years 2018, 2017, and 2016 was 4.36%. The required contribution rate payable by the employee members for calendar years 2018, 2017, and 2016 was 5%.

**Net Pension Asset**

The City's net pension asset was measured as of December 31, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**K. PENSION PLAN - CONTINUED**

**Actuarial Assumptions**

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	December 31, 2017
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	2.50%
Salary increases	3.50% to 10.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	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	No benefit changes during the year.

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014.

**Discount Rate**

The discount rate used to measure the total pension asset was 6.75%. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% 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) (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a-b)
Balances as of December 31, 2016	\$ 2,379,492	\$ 2,253,586	\$ 125,906
Changes for the year:			
Service cost	312,499	-	312,499
Interest on total pension liability	169,207	-	169,207
Difference between expected and actual experience	39,102	-	39,102
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(57,953)	-	(57,953)
Administrative expenses	-	(1,619)	1,619
Contributions - employer	-	145,755	(145,755)
Contributions - employee	-	171,891	(171,891)
Net investment income	-	312,128	(312,128)
Benefit payments	-	(57,953)	57,953
Other	-	(82)	82
Net changes	<u>462,855</u>	<u>570,120</u>	<u>(107,265)</u>
Balances as of December 31, 2017	<u>\$ 2,842,347</u>	<u>\$ 2,823,706</u>	<u>\$ 18,641</u>



**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**K. PENSION PLAN - CONTINUED**

**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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability / (asset)	\$ 506,502	\$ 18,641	\$ (373,094)

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$166,038. At September 30, 2018, deferred outflows and inflows of resources related to pensions were reported from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual earnings	\$ -	\$ 9,024
Contributions made subsequent to measurement date	-	130,710
	\$ -	\$ 139,734

The \$130,710 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

Years Ending September 30,		
2019	\$	25,090
2020		16,093
2021		(15,741)
2022		(24,435)
2023		6,217
Thereafter		1,800
	\$	9,024

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**K. PENSION PLAN - CONTINUED**

**Funded Status and Funding Process**

The fund status as of December 31, 2017, is presented as follows:

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (a)/(b)	Unfunded AAL (UAAL) (b) - (a)	Covered Payroll	UAAL as of % of Covered Payroll (d)/(e)
12/31/2015	\$ 1,979,798	\$ 2,058,988	96.2%	\$ 79,190	\$ 2,524,736	3.1%
12/31/2016	2,253,586	2,379,492	94.7%	125,906	2,882,032	4.4%
12/31/2017	2,823,706	2,842,347	99.3%	18,641	3,437,829	0.5%

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

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

**L. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - SUPPLEMENTAL DEATH BENEFITS FUND (SDBF)**

**Plan Description**

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.

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	4
Active employees	67
	76

**Contributions**

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. During the year ended September 30, 2018, the City has not made any contributions to the SDBF.

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**L. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - SUPPLEMENTAL DEATH BENEFITS FUND (SDBF) - CONTINUED**

**Actuarial Assumptions**

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	December 31, 2017
Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.31%*
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.
Other Information:	
Notes	No benefit changes during the year.

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

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014.

**Change in Net Pension Asset**

	Increase (Decrease)		
	Total Pension Liability / (Asset) (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a-b)
Balances as of December 31, 2016	\$ 41,191	\$ -	\$ 41,191
Changes for the year:			
Service cost	4,813	-	4,813
Interest on total pension liability	1,648	-	1,648
Difference between expected and actual experience	-	-	-
Effect of assumptions changes or inputs	5,549	-	5,549
Benefit payments	-	-	-
Administrative expenses	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Benefit payments	-	-	-
Other	-	-	-
Net changes	<u>12,010</u>	<u>-</u>	<u>12,010</u>
Balances as of December 31, 2017	<u>\$ 53,201</u>	<u>\$ -</u>	<u>\$ 53,201</u>

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**L. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - SUPPLEMENTAL DEATH BENEFITS FUND (SDBF) - CONTINUED**

**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 3.31%, 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 (2.31%) or one percentage point higher (4.31%) than the current rate.

	1% Decrease 2.31%	Current Discount Rate 3.31%	1% Increase 4.31%
Net pension liability / (asset)	\$ 68,184	\$ 53,201	\$ 42,182

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$166,038. At September 30, 2018, deferred outflows and inflows of resources related to pensions were reported from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Changes in assumptions and other inputs	\$ -	\$ 4,975
Contributions made subsequent to measurement date	-	-
	\$ -	\$ 4,975

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

<u>Years Ending September 30,</u>		
2019	\$	574
2020		574
2021		574
2022		574
2023		574
Thereafter		2,105
	\$	4,975

**M. HEALTH CARE COVERAGE**

During the year ended September 30, 2018, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$430,223 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 are included in the contractual provisions.

**CITY OF MANOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2018**

**N. COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

On March 21, 2018, the City entered into a contract for the water distribution system improvements. This contract had an remaining cost of \$534,929 and was completed in April 2019.

On March 21, 2018, the City entered into a contract for the Wilbarger Creek Pole Barn construction. This contract had a remaining cost of \$42,319 and was completed in February 2019.

**Grant Contingencies**

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

**Litigation**

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

**Arbitrage Rebates**

The City invests portions of bond proceeds during construction of related projects and as reserves for debt retirement after construction is complete. Any interest earned on invested bond proceeds over interest paid on bonds must be paid back to the federal government every five years. As of September 30, 2018, the City's arbitrage liability was \$0.

**O. SUBSEQUENT EVENTS**

On April 3, 2019, the City entered into a contract for the wastewater plant project. This contract has an estimated expense of \$16,722,300 and an estimated completion date in 2020.

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**REQUIRED SUPPLEMENTARY INFORMATION**





**CITY OF MANOR, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND**  
**Year Ended September 30, 2018**

	<u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property Taxes	\$ 2,547,859	\$ 2,547,859	\$ 2,525,004	\$ (22,855)
Sales taxes	1,013,215	1,135,852	1,142,564	6,712
Franchise taxes	420,500	565,884	565,886	2
Other taxes	5,500	10,815	11,281	466
Licenses and permits	905,680	1,830,118	1,830,523	405
Charge for services	672,500	886,494	886,494	-
Court and police	606,650	844,440	839,561	(4,879)
Public safety	54,000	130,298	130,302	4
Interest	3,100	5,290	5,291	1
Other	153,681	186,875	135,395	(51,480)
Total revenues	<u>6,382,685</u>	<u>8,143,925</u>	<u>8,072,301</u>	<u>(71,624)</u>
<b>EXPENDITURES</b>				
General government	2,106,074	2,136,705	2,171,365	(34,660)
Public safety	2,926,564	2,978,099	2,978,086	13
Streets	667,940	489,603	489,442	161
Municipal court	478,361	630,175	630,168	7
Development services	398,912	549,604	549,939	(335)
Sanitation	690,000	856,478	856,477	1
Capital outlay	82,670	52,847	52,846	1
Debt payments	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>7,350,521</u>	<u>7,693,511</u>	<u>7,728,323</u>	<u>(34,812)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(967,836)</u>	<u>450,414</u>	<u>343,978</u>	<u>(106,436)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital grants and contributions	-	-	-	-
Transfers (to) from other funds:				
Water and sewer fund	-	-	-	-
Capital projects fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(967,836)</u>	<u>450,414</u>	<u>343,978</u>	<u>(106,436)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,212,447</u>	<u>2,212,447</u>	<u>2,212,447</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,244,611</u>	<u>\$ 2,662,861</u>	<u>\$ 2,556,425</u>	<u>\$ (106,436)</u>

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**CITY OF MANOR, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**Year Ended September 30, 2018**

**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 \$71,624, and operating expenditures were more than budgeted by \$34,812, resulting in an overall operating variance unfavorable of \$106,436. Due to favorable operating results, there was an overall increase in fund balance of \$343,978 for the City's general fund.

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

	<u>2018</u>	<u>2017</u>
<b>Total Pension Liability (Asset)</b>		
Service cost	\$ 312,499	\$ 263,418
Interest on total pension liability	169,207	144,524
Effect of plan changes	-	-
Difference between expected and actual experience	39,102	11,751
Effect of assumptions changes or inputs	-	-
Benefit payments, including refunds of employee contributions	<u>(57,953)</u>	<u>(99,189)</u>
Net change in total pension liability (asset)	462,855	320,504
Total pension liability (asset), beginning	<u>2,379,492</u>	<u>2,058,988</u>
Total pension liability (asset), ending (a)	<u><u>\$ 2,842,347</u></u>	<u><u>\$ 2,379,492</u></u>
<b>Fiduciary Net Position</b>		
Employer contributions	\$ 145,755	\$ 96,836
Employee contributions	171,891	144,102
Net investment income	312,128	133,631
Benefit payments, including refunds of employee contributions	(57,953)	(99,189)
Administrative expenses	(1,619)	(1,511)
Other	<u>(82)</u>	<u>(81)</u>
Net change in fiduciary net position	570,120	273,788
Fiduciary net position, beginning	<u>2,253,586</u>	<u>1,979,798</u>
Fiduciary net position, ending (b)	<u><u>\$ 2,823,706</u></u>	<u><u>\$ 2,253,586</u></u>
Net pension liability (asset), ending = (a) - (b)	<u><u>\$ 18,641</u></u>	<u><u>\$ 125,906</u></u>
Fiduciary net position as a % of total pension liability (asset)	99.34%	94.71%
Pensionable covered payroll	\$ 3,437,829	\$ 2,882,032
Net pension liability (asset) as a % of covered payroll	0.54%	4.37%

\* Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

<u>2016</u>	<u>2015</u>
\$ 217,127	\$ 131,462
122,699	103,455
-	25,647
14,209	26,291
68,829	-
<u>(16,304)</u>	<u>(41,958)</u>
406,560	244,897

<u>1,652,428</u>	<u>1,407,531</u>
<u>\$ 2,058,988</u>	<u>\$ 1,652,428</u>

\$ 81,392	\$ 42,366
126,237	100,392
2,638	91,356
(16,304)	(41,958)
(1,607)	(953)
<u>(79)</u>	<u>(78)</u>
192,277	191,125

<u>1,787,521</u>	<u>1,596,396</u>
<u>\$ 1,979,798</u>	<u>\$ 1,787,521</u>

<u>\$ 79,190</u>	<u>\$ (135,093)</u>
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96.15%	108.18%
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\$ 2,524,736	\$ 2,007,847
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3.14%	-6.73%
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**CITY OF MANOR, TEXAS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS  
(Unaudited)**

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (a)/(b)	Unfunded AAL (UAAL) (b) - (a)	Covered Payroll	UAAL as a Percentage of Covered Payroll (d)/(e )
12/31/2015	\$ 1,979,798	\$ 2,058,988	96.2%	\$ 79,190	\$ 2,524,736	3.1%
12/31/2016	2,253,586	2,379,492	94.7%	125,906	2,882,032	4.4%
12/31/2017	2,823,706	2,842,347	99.3%	18,641	3,437,829	0.5%

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

	2018
<b>Total OPEB Liability (Asset)</b>	
Service cost	\$ 4,813
Interest on total OPEB liability	1,648
Effect of plan changes	-
Difference between expected and actual experience	-
Effect of assumptions changes or inputs	5,549
Benefit payments	-
Net change in total OPEB liability (asset)	12,010
Total OPEB liability (asset), beginning	41,191
Total OPEB liability (asset), ending (a)	\$ 53,201
Covered payroll	\$ 3,437,829
Net OPEB liability (asset) as a % of covered payroll	1.55%

\* Fiscal year 2018 was the first year of implementation, therefore only one year is shown.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manor, Texas (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 8, 2019.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



Austin, Texas

July 8, 2019

**CITY OF MANOR, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended September 30, 2018**

Financial Statement Findings

None

**CITY OF MANOR, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended September 30, 2018**

Prior Audit Findings

None