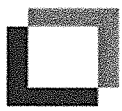




City of Johnson City, Texas
Request for Qualifications
Independent Professional Auditing Services
Due Date: May 27th

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Beasley, Mitchell & Co.
Certified Public Accountants

Brad Beasley, CPA, Partner
Christine Wright, CPA, Partner
Tony Morán, CPA, Partner
Christopher Salcido, CPA, Partner

May 25, 2021

Rick Schroder
Chief Administrative Officer
City of Johnson City, Texas
303 E. Pecan Dr.
Johnson City, Texas 78636

Re: Request for Qualifications

Dear Rick Schroder,

I am pleased to present our qualifications to provide audit services for the City of Johnson City, Texas (the City) for the fiscal year ending September 30, 2020 with an option to extend to 2021, 2022, 2023 and 2024, in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, Audit of State and Local Governments.

We take pride in our service and are confident that you will find our services to be of the highest degree of professionalism and quality. I believe that with our experience with municipalities, governmental funding and single audits, and overall knowledge and audit experience, we are an excellent choice for the City. Beasley, Mitchell & Co., LLP understands the services outlined in the request for qualifications and can perform them within the time period specified. This response to the request for qualifications is valid for ninety (90) days after the deadline for submission of the request for qualifications, or sixty (60) days after receipt of a best and final offer if one is submitted.

We look forward to building such a relationship with you. If you have any questions, please contact me at 575-528-6700 or by e-mail at brad@bmc-cpa.com, or Dahlia Garcia, CPA, Senior Audit Manager, at 915-831-9253 or by email at garciadp@bmc-cpa.com. Dahlia Garcia will be your main point of contact. Brad Beasley is authorized to make representations for Beasley, Mitchell, & Co., LLP and to bind our firm to a contract.

Very truly yours,

Brad Beasley, CPA, CGMA
Audit Partner



Find us on Forbes 2021 "America's BEST Accounting Firms" List

4487 N Mesa Street • Suite 101 • El Paso TX 79902
Telephone 915.702.7931 • Facsimile 575.528.6775



Member Crowe Global

FIRM QUALIFICATIONS AND EXPERIENCE

ABOUT BEASLEY, MITCHELL & CO., LLP

In 1987, Don Beasley and Paul Mitchell started Beasley, Mitchell & Co., LLP, an independent, regional certified public accounting firm with offices in New Mexico, Texas, and Arizona. Beasley, Mitchell & Co., LLP is the largest accounting firm in Southern New Mexico employing over 60 team members, including eighteen CPAs, two Certified Fraud Examiners and six bookkeepers, including several certified bookkeepers. There are eleven full-time professional staff in the audit department that will be utilized for the City. Work for this engagement will be performed from our El Paso office.

Beasley, Mitchell & Co., LLP is guided by the following mission statement:

*Our mission is to provide exceptional quality client services,
allowing our clients and our firm to prosper
and for all of us to enjoy the journey.*

Beasley, Mitchell and Co., LLP has expanded services offered as demands for these services have increased due to the economic growth in New Mexico and Texas. The audit, assurance, and monitoring work is all supervised and reviewed to meet the highest quality control standards. Our firm provides national firm resources and experience, as identified under the engagement tools, with a local firm feel. We are dedicated to providing timely service, and quality work.

FIRM INDEPENDENCE

Beasley, Mitchell & Co., LLP is independent in all respects to City of Johnson City, Texas, both in fact and appearance, and exceeds all independence requirements set forth under Generally Accepted Auditing Standards (GAAS) as issued by the American Institute of Certified Public Accountants.

EXTERNAL QUALITY CONTROL REVIEW

Beasley, Mitchell & Co., LLP is committed to provide quality work and excellent service. We accomplish this by participating in the American Institute of Certified Public Accountants (AICPA) Peer Review Program. Further, our firm has a written quality control document which requires the firm to perform annual reviews of both the quality control process related to the auditing and accounting services provided, and also a review of select engagements performed during the last year. A copy of our latest peer review, dated August 22, 2017, is provided in the appendix. There is no disciplinary action taken or pending against Beasley, Mitchell & Co., LLP during the past three (3) years with state regulatory bodies or professional organizations.

CONTINUING PROFESSIONAL EDUCATION

Our firm stresses the importance of adequate training by having a partner in charge of overseeing all continuing professional education. This ensures staff that requires specific training to perform their normal tasks receives the necessary training. The individuals who perform Single Audits and/or Yellow Book audits attend courses that directly relate to governmental auditing and accounting, or courses that qualify for Yellow Book credit. We do not allow any staff to perform any services that are not directly supervised by a supervisor that meets the minimum standards as established by the AICPA.

FIRM QUALIFICATIONS AND EXPERIENCE (Continued)

EXPERIENCE

Beasley, Mitchell & Co., LLP is a full service CPA firm. The firm has performed approximately 80 governmental audits in the last 3 years including several single audits. The management assigned to your audit specialize in governmental audits.

CLIENT LIST

CLIENT REFERENCE:

City of Artesia
Summer Galvan, Finance Supervisor
sgalvan@artesianm.gov
(575) 746-2122

City of Portales
Marilyn Rapp, Finance Director
mrapp@portalesnm.gov
(575) 356-6662

City of Sunland Park
Raquel Alarcon, Finance Director
raquel.alarcon@sunlandpark-nm.gov
(575) 589-7565

Hidalgo County
Tisha Green, County Manager
tisha.green@hidalgocounty.org
(575) 542-9428

City of Elephant Butte
Rani Buch, Clerk
cityclerk@cityofeb.com
(575) 744-4892

SERVICES PROVIDED:

Financial statement audit
Financial statement preparation
Lodger's tax audit

Financial statement audit
Financial statement preparation
Federal single audit
Lodger's tax audit

Financial statement audit
Financial statement preparation
HUD filing - housing authority

Financial statement audit
Financial statement preparation

Financial statement audit
Financial statement preparation

TEAM QUALIFICATIONS AND EXPERIENCE

Competence is derived from a combination of education and experience. All the employees at Beasley, Mitchell & Co., LLP are evaluated and assigned to projects that are within their level of education and experience. As a result, the City of Johnson City, Texas will work with competent, technical employees that will provide quality service. Beasley, Mitchell & Co., LLP currently provides Auditing and Assurance services to over 200 clients. Among these, we have extensive experience in financial statement audits, evaluations of internal control, compliance audits, single audits, agreed upon procedures, and program specific audits for various schools. Furthermore, the audit supervisor has received continuing education specific to Municipalities.

Beasley, Mitchell & Co., LLP believes staff continuity provides better services to our clients. We realize that continued use of new staff on engagements results in additional work and time spent by both the firm and the client, so we strive to limit the turnover in staffing. The firm has experienced low turnover rates in its auditing and accounting practice. All of our staff assigned to this engagement is licensed to practice in the state of Texas.

OUR SERVICE TEAM FOR THE CITY OF JOHNSON CITY, TEXAS

Audit team assigned to the City:

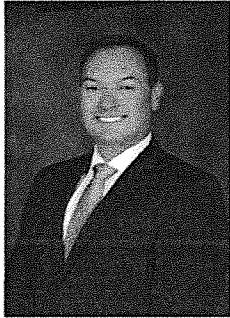
- Brad Beasley, CPA, CGMA, Audit Partner
- Dahlia Garcia, CPA, Senior Audit Manager
- J.J. Griego, CPA, Quality Control Manager
- Avi Chetry, CPA, MACC, Senior Auditor
- Jesse Oliver, MACC, Staff I Auditor

Audit team not assigned to the City but available:

- Juan Garcia, MBA, Audit Specialist
- Amr Sakka, CPA, MSc, MACC, Senior Auditor
- Ashley Tierney, CFE, CGFM, MACC, Staff II Auditor
- Itza Sosa, MACC, Staff I Auditor

TEAM QUALIFICATIONS AND EXPERIENCE (Continued)

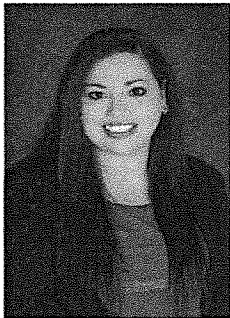
Brad M. Beasley, CPA, CGMA, Partner



Qualifications

Brad has been with Beasley, Mitchell & Co., LLP since 2004, and a partner since 2008. Brad has more than twenty years of audit experience. At Beasley, Mitchell & Co., LLP, Brad manages the Audit and Assurance practice and provides accounting and tax services to a broad range of clients with concentration in government, not-for-profit, and commercial and residential construction. He worked in Internal Audit and SEC compliance while working in the gaming industry for Harrah's Entertainment (now Caesars' Entertainment). Brad has serviced many governmental entities including the City of Portales, Hidalgo County and City of Sunland Park and many more. He serves on the AICPA Assurance Services Executive Committee and is on the Audit Committee of New Mexico State University. Brad has well over 120 hours of CPE in the last 3 years, which includes 36 hours of yellow book CPE.

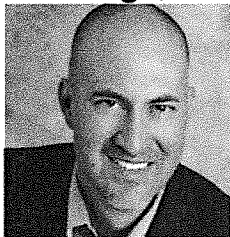
Dahlia Garcia, CPA, Senior Audit Manager



Qualifications

Dahlia serves as a manager in the assurance and audit department, having joined Beasley, Mitchell & Co., LLP in 2015 after working for four years at an accounting firm in El Paso. Dahlia has over nine years of New Mexico Government audit experience. Dahlia is licensed in Texas. She has not-for-profit and governmental experience, and receives extensive yellow book training on a regular basis. Dahlia has provided external audit, risk assessment, and control assurance to many governmental entities. Dahlia has been auditing schools since 2011 and manages a large book of business. Dahlia has serviced the City of Portales, the City of Sunland Park, and the City of Jal. Dahlia has well over 120 hours of CPE in the last 3 years, which includes over 60 hours of yellow book CPE.

J.J. Griego, CPA, Quality Control Manager

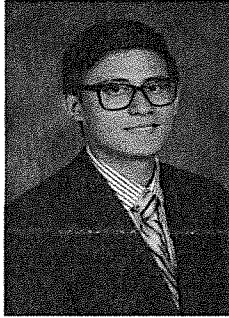


Qualifications

J.J. serves as the quality control manager in the assurance and audit department. J.J. is licensed in New Mexico and earned his Bachelor's degree from the University of New Mexico. He has over twenty years of experience serving governmental entities including; counties, municipalities, HUD entities, tribal entities, and school districts, and has received over 200 hours of continuing professional education over the last three years. J.J. is extremely active in the community having served as a member of Board of Directors for the New Mexico Society of CPAs, New Mexico Sports Hall of Fame, and Albuquerque Public Schools Education Foundation. J.J. will be actively involved in the supervision of field work.

TEAM QUALIFICATIONS AND EXPERIENCE (Continued)

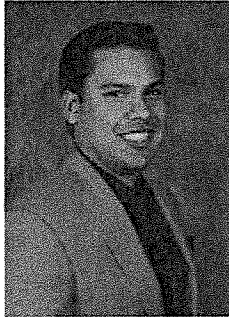
Avi Chetty, CPA, MACC, Senior Auditor



Qualifications

Avi Chetty serves as a Senior auditor in the assurance and audit department, having joined Beasley, Mitchell & Co., LLP in 2015 after working for a year and a half in internal audit at University of New Mexico Internal Audit Department. Avi has five years of New Mexico Government audit experience. He has for profit, not-for-profit and governmental experience, and receives yellow book training on a regular basis. Avi has serviced the City of Jal, Hidalgo County and the Village of Columbus. Avi has well over 120 hours of CPE in the last 3 years, which includes 36 hours of yellow book CPE.

Jesse Olivar, MACC, Staff I Auditor



Qualifications

Jesse serves as a staff auditor in the assurance and audit department, having joined Beasley, Mitchell & Co., LLP in 2018 after working for a year and a half as a graduate assistant at New Mexico State University and three years for a financial institution. Jesse has serviced Burrell College of Osteopathic Medicine, City of Sunland Park, and City of Artesia. Jesse has well over 80 hours of CPE in the last 2 years, which includes 24 hours of yellow book CPE.

OTHER STAFF THAT IS AVAILABLE:

Juan Garcia, MBA, Audit Specialist

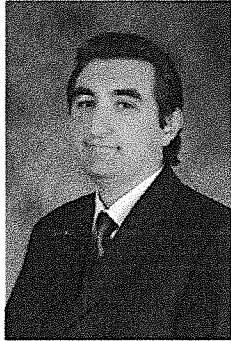


Qualifications

Juan serves as a audit specialist in the assurance and audit department. Juan has not-for-profit and governmental experience, and has earned the Advanced Single Audit Certification. Juan also has experience in external audit and risk assessment. Juan has serviced many governmental entities, including the City of Anthony, City of Sunland Park, and City of Portales. He has six years of New Mexico Government auditing experience. Juan will be actively involved in the field work. Juan has well over 120 hours of CPE in the last 3 years, which includes 36 hours of yellow book CPE.

TEAM QUALIFICATIONS AND EXPERIENCE (Continued)

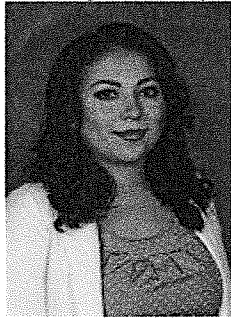
Amr Sakka, CPA, MSc, MACC, Senior Auditor



Qualifications

Amr has been with Beasley, Mitchell & Co., LLP since October 2014. Amr works on audits for government, for-profit and not-for profit entities and Single Audits. Amr spent four years working for PricewaterhouseCoopers in Syria. He was an Assistant Audit Manager and was in charge of auditing multi-international clients in Telecommunication, Oil and Gas, and Hotels. Amr was in-charge of the audit of some local banks and brokerage companies in Syria. Amr managed the Initial Public Offering of one of the biggest insurance companies in 2010, listing in the Damascus Securities Exchange. Amr has over ten years of audit experience including five years auditing New Mexico Governments. Amr has provided services for North Central Solid Waste Authority, Hondo Valley Public Schools, Village of Reserve and many more. Amr has well over 120 hours of CPE in the last 3 years, which includes 36 hours of yellow book CPE.

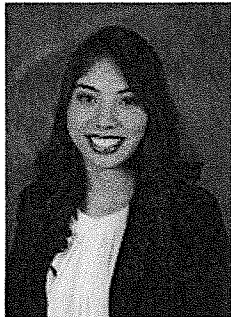
Ashley Tierney, CFE, CGFM, MACC, Staff II Auditor



Qualifications

Ashley serves as a Staff II Auditor in the assurance and audit department, having joined Beasley Mitchell & Co., LLP in mid-2018 after working in government for 6 years. She has experience in both federal and municipal government contract compliance as well as municipal governmental accounting. She has serviced the City of Elephant Butte, Village of Tularosa, and the City of Jal. Ashley receives yellow book training on a regular basis. Ashley has well over 80 hours of CPE in the last 2 years, which includes 24 hours of yellow book CPE.

Itza Sosa, MACC, Staff I Auditor



Qualifications

Itza serves as a staff auditor in the assurance and audit department, having joined Beasley, Mitchell & Co., LLP as an intern in 2017 and promoted to Staff upon completion of her Master's degree. Itza worked as an intern for a large regional firm, in the summer of 2018 and as a graduate assistant for the accounting department at New Mexico State University for a year. Itza has held leadership positions as an accounting tutoring lab manager. Itza has serviced the Village of Mosquero, Village of Columbus, City of Anthony, South Central Transit District, and Hidalgo County. Itza has well over 80 hours of CPE in the last 2 years, which includes 24 hours of yellow book CPE.

AUDIT APPROACH

SCOPE OF WORK

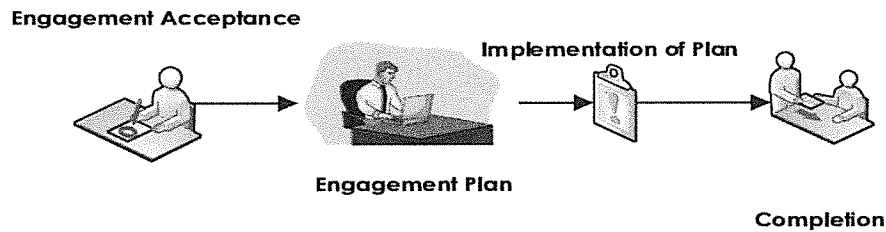
Beasley, Mitchell & Co., LLP will audit in accordance with generally accepted auditing standards and Government Auditing standards issued by the Comptroller general of the United States, and all federal and state single audit requirements. We will express an opinion on the fair presentation of its financial statements, in all material respects, the financial position of the City of Johnson City, Texas and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. The Financial Statements will be presented in a format in accordance with the Governmental Accounting, Auditing, and Financial Reporting Standards.

Beasley, Mitchell & Co., LLP will issue a:

- Report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
- Report on the 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.
- Report on compliance for each major program and on internal control over compliance in accordance with Uniform Grants Management Standards and the State of Texas Single Audit Circular and on the Schedule of Expenditures of Federal and State Awards.
- Required communication to those in charge of governance.

AUDIT APPROACH AND PROPOSED SCHEDULE

We believe a properly planned audit is important not only to the auditor, but also to the City being audited. Time spent with the City of Johnson City, Texas's management and finance department staff during the planning stages will result in a better understanding of the City, thus providing for the development of a custom risk-based audit plan specifically for the City of Johnson City, Texas, which will allow for the maximization of efficiency and effectiveness of the audit, while complying with U.S. GAAP, GAGAS and the Uniform Grant Guidance for Single Audit.



AUDIT APPROACH (Continued)

Engagement Acceptance

Initial meetings with the City of Johnson City, Texas's management and finance department staff will help us evaluate the organizational structure, and we will come to a mutual agreement on the timeline for the various steps of the engagement process. We will share our expectations of management and staff, while allowing management and staff to share their expectations of us. Our goal is not to second-guess management and staff, but to form independent conclusions resulting from our procedures. We will conduct the audit in accordance with GAAS, GAGAS and any other respective regulatory agencies.

Engagement Plan

The extent and nature of the procedures designed and applied are customized to you, based on size, complexity, and structure. Based on the information provided and observation of operations, we will modify our approach in order to meet the objectives of the engagement. We will perform an assessment of inherent and control risk.

In assessing inherent risk we will consider the susceptibility of error in account balances and transactions that would result in material misstatement. Factors include but are not limited to the nature of the City, the skills, knowledge and experience of employees, and prior year noncompliance identified, if any.

Control risk would then be assessed by identifying and evaluating the control system in place, and the effectiveness of those controls. We will become familiar with the internal policies and procedures, and we will identify and consider significant risks. Significant transaction classes will be walked through allowing us to understand the entity and its internal control environment. Subsequently, we will observe and test key controls that help prevent, detect and correct material misstatements and noncompliance.

Implementation of Plan

Once the risk assessment is complete, sampling and substantive testing will be determined. Our sampling will be statistical based to ensure a representative population sample is tested. Some nonstatistical sampling may be used as deemed necessary. Test of details will be applied in the transactions and balances that have been determined to be of higher risk. Analytical procedures will be applied and evaluated to establish expectations and determine the plausible relationships, both financial and nonfinancial. With a dedicated IT company, BMC Technologies, Beasley, Mitchell & Co., LLP will evaluate internal controls throughout various audit areas including computer systems and IT security.

Completion

After performing our audit procedures, the engagement team will perform concluding steps, including but not limited to, writing up the audit report to meet the engagement objectives, complete final analytics to ensure that the information tested and the reports are complete, accurate, and identify any anomalies. We will present the audit results to the respective members of management and governance, as designated by the City.

AUDIT APPROACH (Continued)

ENGAGEMENT TOOLS

We utilize Case Ware, an electronic audit engagement and financial statement preparation platform. Using Internet access, we are able to share work with staff members located at our offices. Clients can either provide us with original source documents, which we scan into our system, or provide us with electronic versions using a secure transfer service. Beasley, Mitchell & Co., LLP complies with all professional standards regarding confidentiality of client information.

We use Checkpoint, a group of tools that provide a web based data search engine which includes the auditing standards and other rules and regulations that are applicable to some audits. The tools and software used are updated frequently, and provide guidance in the application of the entity being audited. These tools allow us to better serve the City.

Beasley, Mitchell & Co., LLP is a member of CPAmerica (CPAmerica) and Horwath International (Horwath). CPAmerica is an exclusive international organization of independent certified public accounting firms, and Horwath is the second largest accounting association in the world. These affiliations guarantee our clients access to the advice and resources of more than 10,000 industry professionals in over 90 countries around the world. These affiliations allow us to share best practices and technical and industry resources, as well as allow us to leverage resources for interactive national training to small groups of professionals.

TIMELINE

Communications before, during, and after fieldwork are important to both the firm and the client. We do not believe in holding things back, then "surprising" the client with findings or issues. Findings, if any, will be discussed with the appropriate level of management as they are discovered. The in-charge of the engagement will hold an exit conference at the end of field work with selected members of management to ensure open communication. With our numerous resources, and qualified staff, we can complete the engagement(s) in the time table prescribed by the City as long as all information is available for us. We are committed to exceed your expectations, and our proposed timeline can be modified:

Proposed Timeline

Planning	November 2021
Fieldwork	December 27 - 31, 2021
Preliminary Draft	February 21, 2022
Final Report	March 07, 2022
Report Presented to City Council	March 2022

AUDIT APPROACH (Continued)

TASK ACTIVITY PLAN

Below is our task activity plan:

	<u>Brad Beasley</u>	<u>Dahlia Garcia /J.J. Griego</u>	<u>Avi Chetry</u>	<u>Jesse Olivar</u>	<u>TOTAL HOURS</u>
Planning and Risk Assessment	5	10	-	-	15
Review and Supervision	5	10	-	-	15
Internal Controls	-	-	8	8	16
Cash and Cash Equivalents	-	-	6	6	12
Receivables	-	-	4	4	8
Capital Assets	-	-	4	4	8
Other Assets	-	-	5	5	10
Accounts Payable	-	-	4	4	8
Long Term Debt	-	-	4	4	8
Other Liabilities	-	-	4	4	8
Net Position	-	-	4	4	8
Revenue	-	-	6	6	12
Expense	-	-	6	6	12
Financial Statement Preparation	<u>-</u>	<u>20</u>	<u>10</u>	<u>10</u>	<u>40</u>
Total Budgeted Hours	<u>10</u>	<u>40</u>	<u>65</u>	<u>65</u>	<u>180</u>

PROPOSED FEES

SERVICES OFFERED AND RELATED FEES

Annual Fees 2020		
	<u>Hours</u>	<u>Cost</u>
Financial Statement Audit and Compliance	140	\$ 20,580
Financial Statement Preparation	40	5,880
Travel Cost		4,000
Sub-total	<u>180</u>	<u>30,460</u>
Total	<u>180</u>	<u>\$ 30,460</u>

Annual Fees 2021		
	<u>Hours</u>	<u>Cost</u>
Financial Statement Audit and Compliance	140	\$ 21,197
Financial Statement Preparation	40	6,056
Travel Cost		4,120
Sub-total	<u>180</u>	<u>31,373</u>
Total	<u>180</u>	<u>\$ 31,373</u>

Annual Fees 2022		
	<u>Hours</u>	<u>Cost</u>
Financial Statement Audit and Compliance	140	\$ 21,833
Financial Statement Preparation	40	6,238
Travel Cost		4,244
Sub-total	<u>180</u>	<u>32,315</u>
Total	<u>180</u>	<u>\$ 32,315</u>

Annual Fees 2023		
	<u>Hours</u>	<u>Cost</u>
Financial Statement Audit and Compliance	140	\$ 22,488
Financial Statement Preparation	40	6,425
Travel Cost		4,371
Sub-total	<u>180</u>	<u>33,284</u>
Total	<u>180</u>	<u>\$ 33,284</u>

PROPOSED FEES (Continued)

SERVICES OFFERED AND RELATED FEES

Annual Fees 2024		
	<u>Hours</u>	<u>Cost</u>
Financial Statement Audit and Compliance	140	\$ 23,163
Financial Statement Preparation	40	6,618
Travel Cost		4,502
	<u>180</u>	<u>34,283</u>
Total	<u>180</u>	<u>\$ 34,283</u>

These fees are fixed based on our average hourly rate. If the professional effort required differs from our estimate, the City of Johnson City, Texas is not at risk. It is important to note that our bid is based on the market value of the audit services, as outlined. We do not bill in excess of our quoted fees for the outlined services.

From time to time, you may have a question or issue that you would like to discuss immediately. We are always available via phone or email. We are prompt in responding to your needs and are able to respond quickly to both routine requests and requests for special services. We anticipate a customary level of incidental questions and research, which is provided at no additional charge. For special projects, in a manner similar to our proposal for the audit, we can provide fixed price bid(s) for each project as requested.

CONCLUSION

WHY BEASLEY, MITCHELL & CO., LLP IS YOUR BEST CHOICE

We are a regional firm with national resources. What this means for the City of Johnson City, Texas, is that upper management is involved in every step of the engagement process. This approach ensures the utmost professionalism and care for the City. Further, our extensive national resources allow us to provide you with technical expertise that would be difficult to attain otherwise. Beasley, Mitchell & Co., LLP differentiates itself from others in the accounting profession by providing exceptional service and premium technical services.

Our engagement strategy is specifically designed for the City to ensure that as our client you receive the best quality and service. Your ultimate success and growth is our personal goal as your accounting firm and professional advisor.

Our firm has a dedicated audit department which performs audit and accounting services throughout the year, while many other firms our size do not have dedicated audit staff. Many firms our size provide audit services, especially for governmental agencies with fiscal year-ends, to "fill in" their year, since it is a down-time for tax preparation. Therefore, you may end up with staff that do not have the experience, background, knowledge, training, or continuing professional education that our dedicated audit team possesses.


Since communication is a key component in any business relationship, we have set expectations for all employees in the firm at all levels regarding client responsiveness. We are determined to answer emails, and phone calls as quickly as possible. We encourage all our clients to set up face to face meetings with us as deemed necessary. As a result of our commitment to excellent communication, we know the City of Johnson City, Texas will receive optimum service.

Beasley, Mitchell & Co., LLP appreciates the opportunity to provide this response to the request for qualifications. We would enjoy having the City of Johnson City, Texas as a client of our firm.

"Beasley, Mitchell & Co. is not my auditor, they are a bucket of knowledge and support available for me and my city."
-Raquel Alarcon, Finance Director, City of Sunland Park

Proposer Warranties

- A. Proposer warrants that it is willing and able to comply with State of Texas laws.
- B. Proposer warrants that it is willing and able to obtain errors and omissions insurance coverage providing a prudent amount of coverage for the willful or negligent acts or omissions of any officers, employees, or agents thereof.
- C. Proposer warrants it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of Johnson City.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: 

Name (typed): Brad Beasley, CPA

Title: Partner

Firm: Beasley, Mitchell & Co.,LLP

Date: 5/25/2021



Texas State Board of Public Accountancy

333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900

William Treacy, Executive Director


10/29/2019

BEASLEY, MITCHELL & CO., LLP
OFFICE
509 S MAIN ST STE A
PO BOX 550
LAS CRUCES NM 88004

→

FOLD FORM
HERE AND
PULL CARD
BACK TO
RELEASE

→




Texas State Board of Public Accountancy
333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900
The office is licensed to practice in Texas.

BEASLEY, MITCHELL & CO., LLP
OFFICE
509 S MAIN ST STE A
PO BOX 550
LAS CRUCES NM 88004

Firm License ID: P05459	Expires: 11/30/2020
Office License ID: W06511	Form No: 20014428

By receipt of this license card, requirements for licensing by the Texas State Board of Public Accountancy have been met. The license card can be easily removed from the sheet and can be used as identification as a licensee in Texas. After removing your license card, retain this mailer as a FILE COPY of the license card.

As a licensed firm, a 7-digit number (*Firm Control Number*) has been assigned to your firm as an alternative method of unique identification, in addition to your *Firm License ID*. **The *Firm License ID* and *Firm Control Number* are required to access information on the Board's website, and are shown below on the file copy of your license card.** (Note that each office of your firm is assigned a unique *Office License ID*.)



Texas State Board of Public Accountancy
333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900
The office is licensed to practice in Texas.

BEASLEY, MITCHELL & CO., LLP
OFFICE
509 S MAIN ST STE A
PO BOX 550
LAS CRUCES NM 88004

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Report on the Firm's System of Quality Control

August 22, 2017

To Beasley, Mitchell & Co., LLP
and the Peer Review Committee of the Colorado Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Beasley, Mitchell & Co. LLP (the firm) in effect for the year ended March 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountant (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards* including compliance audits under the Single Audit Act and audits of employee benefit plans.

As a part of our review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Deficiencies Identified in the Firm's System of Quality Control

We noted the following deficiencies during our review:

1. The firm is not in compliance with its quality control policies and procedures requiring documentation of all required audit procedures. As a result, during our review of an employee benefit plan audit, we noted several required procedures that were not documented, rendering the engagement nonconforming. An expansion of scope to a similar audit revealed the same omissions. The omitted documentations are as follows:

1. Identification of all parties-in-interest

2. Testing of Design and implementation of internal controls over participant data, allocations and contributions
 3. Understanding of design and implementation of relevant complementary user entity controls identified by the service organization, required despite the fact that this plan was terminated prior to the audit
 4. Test of proper allocation of individual contributions to investments selected by the participants
 5. Reconciliation of sum of participant accounts with total net assets available for plan benefits
 6. Plan certification
 7. Test of receipt of benefit payments
 8. Consideration of subsequent events
 9. Auditor's report does not cover all financial statements presented
-
2. The firm's quality control policies and procedures requires partner review of compilation engagements prior to issuance, However, on a personal financial statement compilation we reviewed, the firm was not in compliance with that policy. As a result, the statement of financial condition did not include a material amount of estimated tax on net appreciation of assets as required by professional standards, rendering the engagement nonconforming. The firm was able to provide examples of similar engagements that were infact performed in conformity with standards as to this issue, so this issue is considered isolated to this engagement. Further, the engagement letter referred to a special purpose framework but the financials were prepared pursuant to GAAP.

Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of Beasley, Mitchell & Co., LLP in effect for the year ended March 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Beasley, Mitchell & Co., LLP has received a peer review rating of *pass with deficiency*.

Donna Kinard & Co., PC
Certified Public Accountants



**CAMICO MUTUAL INSURANCE COMPANY
DECLARATIONS**

ACCOUNTANTS PROFESSIONAL LIABILITY INSURANCE POLICY

Policy Number: NML01403-18

Effective Date: 12/12/2020 at 12:01 A.M. Standard time at the address shown below
Expiration Date: 12/12/2021 at 12:01 A.M. Standard time at the address shown below
Retroactive Date: 11/12/1987

Item 1 - Named Insured: Beasley, Mitchell & Co., LLP

Item 2 - Business Address: 509 South Main Street, Suite A
Las Cruces, NM 88001

Item 3 - Limits of Liability: \$2,000,000 Per Claim
\$2,000,000 Policy Aggregate

Item 4 - Deductibles: \$10,000 Per Claim Deductible

Item 5 - Total Premium: \$33,536

Item 6 - The policy consists of this Declarations page, and the following policy forms and endorsements:

PL-1000-A 07/14 Accountants Professional Liability Insurance Policy
PL-2039-A (NM) 07/14 State Endorsement - New Mexico
PL-2042-A (NM) 07/14 Disclosure Notice
PL-1004-A 07/14 Dollar One Defense Endorsement
PL-1007-A 07/14 Exclusion - Claims Following Insureds Suit for Fees
PL-1034-A 07/14 Excluded Entities
PL-1039-A 07/14 Computer Consulting Endorsement
PL-1047-A 07/14 Lawyer Attorney Exclusion
PL-1049-A 07/2014 Privacy and Client Network Damage Endorsement
PL-1056-A 06/16 Multiple Claims and Related Acts, Errors and Omissions Amendment

PLEASE READ THESE DECLARATIONS, THE POLICY AND ENDORSEMENTS CAREFULLY.

CAMICO Mutual Insurance Company

Authorized Representative

**STATEMENT OF QUALIFICATIONS
FOR AUDIT SERVICES
FOR
THE CITY OF JOHNSON CITY, TEXAS**

Submitted by:



Jeremy Myers, CPA, Senior Manager

And

Ronny Armstrong, CPA, Partner

*Atchley & Associates, LLP
Certified Public Accountants and Business Advisors*

1005 La Posada Drive
Austin, Texas 78752
(512) 346-2086; (512) 338-9883 Fax
www.atchleycpas.com

May 27, 2021

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May 27, 2021

Rick Schroder
City Administrator Officer
303 E Pecan Dr.
Johnson City, Texas 78636

Thank you for inviting us to submit a proposal to provide independent auditing services for the City of Johnson City, Texas (the City). We are pleased to answer your request with this statement of qualifications and to demonstrate our desire to serve you.

The accompanying Statement of Qualifications highlights the qualifications and achievements of Atchley & Associates, LLP and the engagement team, which will be responsible for satisfying your auditing requirements. It also describes our proposed approach to serving the City and provides further information on our firm.

We appreciate this opportunity to present this proposal to you and would be pleased to meet with you to provide any additional information. I am authorized to represent our firm and to make this offer. I can be reached at 1005 La Posada Drive, Austin, Texas 78728, by phone at (512) 346-2086 or by email at ramstrong@atchleycpas.com.

Very truly yours,

Ronny Armstrong, CPA, Partner
Atchley & Associates, LLP

EXECUTIVE SUMMARY

We propose to perform the services and provide the resources set forth in the City of Johnson City, Texas (the City) Request for Qualifications – Audit Services (RFP) dated May 6, 2021.

We will audit the financial statements of the City for the fiscal year ending September 30, 2020, with the option of 4 subsequent years. We understand the financial statements will be prepared in conformity with accounting principles generally accepted in the United States. Our audits will be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) *Government Auditing Standards*, as well as examination for compliance with procedures established by State and Federal laws and regulations, OMB Uniform Guidance (Single Audits) and the *State of Texas Single Audit Circular*, as applicable.

As shown in our proposal, we are very qualified to perform the work you are requesting. We have experienced personnel who will be assigned to your audits. We have the resources, personnel and expertise to perform the most effective and efficient audit. We will use current Knowledge-Based Audit (KBA) methodology, computer hardware, auditing software, and data analysis software to achieve the objectives of this proposal in an efficient and timely manner.

Some of the reasons we are best qualified to meet your objectives include the following:

- Atchley & Associates, LLP is one of the larger local firms in the Austin area. Several of our partners and many of our employees have national firm experience. Thus, we have the resources and experience of a larger firm while also providing the close personal attention that has helped us develop and maintain a wide client base.
- A highly qualified team has been selected to serve the City. The team will be led by Jeremy Myers, CPA, the senior manager and Ronny Armstrong, partner, responsible for many of our governmental and nonprofit clients. The other team members have experience in auditing governmental and nonprofit organizations, including single audits.
- We believe in an interactive business relationship with our clients for the entire year, not just during the audit fieldwork. We believe in sharing accounting, audit and tax information with client personnel on a timely basis throughout the year, because by providing such support, both our clients and our firm benefit.
- You will receive an objective, outsider's point of view of your organization. We will bring our knowledge and experience gained from our audits of government and non-profit organizations to your engagement. This too may result in suggestions for improvements in accounting and administrative areas.
- Finally, you will be an important client of Atchley & Associates, LLP. Our firm has determined that we want to work with clients where our services make a difference and who share the values that are important to us. We have determined that governmental and non-profit organizations meet those criteria. Accordingly, large portions of our services are provided to organizations such as yours. You will receive attention from partners and staff who are familiar with local governments and who are interested in the success of the City.

TECHNICAL COMPONENT

Technical Approach

General Requirements: The audit work plan for the City will involve many aspects and organizational/operational layers, all of which will be tailored to the conditions and circumstances unique to the City.

Audit Approach: From our years of auditing governmental and non-profit organizations, we have developed an approach that we believe provides the most effective and efficient audits. Through proper planning, frequent communication and coordination of timing of work with you and your staff, we provide the highest quality audit with the least disruptions to your normal operations at the most efficient cost to you. Some of the key elements of our audits are as follows:

Audit Programs: We use specialized audit programs tailored for governmental organizations to include all financial, compliance and internal control requirements of GAAS.

Communication: Finally, even though we will assist you as necessary in developing the financial statements, the resulting financial statements are your financial statements. Accordingly, we emphasize communicating our progress and findings with you throughout the audit process. This helps insure that the information presented in the financial statements is as accurate as possible.

Personnel Assigned to Your Audit: Our philosophy is to assign only partners, managers, and staff who are experienced with the unique requirements and demands of governmental and non-profit audits. We try to maintain consistency in our staffing from year to year. This enables us, and you, to spend time on the audit rather than in training our staff in governmental accounting and reporting requirements or other unique aspects of your engagement. We do not anticipate major changes in the audit process from year to year. If changes occur, we will adapt as needed and inform the City's personnel of any potential adjustments.

Use of City Personnel: We will attempt to maximize the assistance from your staff while causing as little disruption to your normal operations as possible. We would expect your staff to provide assistance in pulling supporting documents, preparing various work-papers and report schedules. We would provide the City with a list of these items well in advance of our starting our fieldwork.

Report: We understand that we will prepare and provide to the City the final comprehensive annual financial report, including the financial statements, notes to the financial statements, all required supplementary schedules, and statistical data. We will also provide to the City an electronic version (PDF file) of the final report. Although we will provide assistance with the development of the management discussion section, it is understood that city personnel will be responsible for information contained within, as well as any statistical information included within the annual financial report.

Staffing / Key Personnel

Audit Team: We feel that the successful performance of an engagement is directly related to the personnel assigned to it. As with all of our engagements, we have selected a seasoned, professional team with skills, which are directly related to the City's requirements. Each of the selected members has extensive governmental and non-profit experience and will be available for your audits.

Engagement Partner: The partner assigned to your engagement will be Ronny Armstrong, CPA (License # 046675). He will be the primary client contact and will be responsible for:

- Overall planning and coordination of all professional services rendered to you as a client.
- Final approval of overall scope of the examination, audit objectives of the current period and areas of special attention.
- Final review of all reports and work papers related to specific, critical or key areas.
- On-going communications with the City throughout the year.
- Ronny has 30+ years auditing governmental and non-profit entities.

Engagement Senior Manager: The senior manager assigned to your engagement will be Jeremy Myers, CPA (License # 095508). He will be responsible for:

- Preparing the detailed engagement plan and budget.
- Determining the overall scope of examination, audit objectives of the current period and areas requiring special attention.
- Coordinating the work of the audit staff.
- Providing direct and frequent communication regarding the progress of the engagement during the course of the examination.
- Direct participation in the execution of the audit.
- Jeremy has 9+ years auditing governmental and non-profit entities.

Resumes of Other Non-Supervisory Staff: In addition to the foregoing personnel, we would use such other non-supervisory staff members as necessary to perform the assignment on a timely basis. All of our staff members are college graduates, and most are Certified Public Accountants. We have sufficient staff to perform this engagement within the time frame stated in this proposal. In the event of an unexpected personnel change on the audit team, we would inform you immediately and make certain changes to ensure the competency and continuance of the audit.

Other Partners: The other partners at Atchley & Associates, LLP are Tyler Mosley, Harold Ingersoll, Jay Mezera, Renae Duncan, Melinda Oster, and Sherrill Morales. Although not specifically assigned to the City's engagement, all partners are available to assist with any technical issue that may arise.

Technical Qualifications / Audit Approach

Audit Methodology: Atchley & Associates, LLP will use the Knowledge-Based Audit (KBA) methodology which is designed to help us efficiently and effectively perform financial statement audits of state and local governments, in accordance with auditing standards generally accepted in the United States of America (GAAS), generally accepted *Government Auditing Standards (GAS)*, and generally accepted governmental accounting standards in the United States of America (GAGAS).

If the City has expenditures of Federal Funds of \$750,000 or more for the fiscal year ending September 30, then we will apply the requirements of The Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*.

Opinion Units: GASB Statement No. 34, requires us to render opinions on more than a single set of financial statements. Our opinion will include an opinion for each opinion unit, as applicable, including

the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information. Audit materiality will be based on materiality for each opinion unit independent of any other opinion unit.

Major Funds: Our audit will also consider whether the City has properly segregated its activities into separate funds as required by laws, regulations, contracts and grant agreements and properly reported these funds by fund-type classification. We will evaluate the City's determination of major funds and ensure they are reported in a separate column within the fund financial statements.

Compliance Requirements: We will apply audit procedures to identify the applicable direct and material effect laws and regulations, contracts, and grant agreement provisions, and apply tests of compliance over such requirements to provide reasonable assurance the financial statements are free of material misstatement resulting from noncompliance.

Accounting and Reporting Alternatives: The accounting standards of the GASB permit state and local governments to select from a number of accounting and financial reporting alternatives. These alternatives include such matters as: budgetary comparison information presentations; financial statement presentations and level of detail in both government-wide and fund financial statements; identification of major funds; and infrastructure reporting and depreciation. Atchley & Associates, LLP will evaluate the appropriateness of the City's selection of the available alternatives.

The Knowledge-Based Audit is a risk-based audit methodology that emphasizes using knowledge of the entity to make the risk assessments in connection with a financial statement audit. All audits are risk based to some extent because an auditor does not test 100% of the transactions of an entity. The more accurately an auditor assesses an entity's risks of material misstatement, the more assurance the auditor has that the procedures performed in response to the risk assessments will detect material misstatements.

MANAGEMENT COMPONENT

Firm Qualifications and Experience

Our Services: The following is a partial listing of the services we currently provide to our clients. Because we are committed to providing services tailored to individual needs, we adapt our services to meet new requirements.

- Attestation services – audit, reviews, compilations and agreed-upon procedures
- Tax services – tax planning, tax return preparation and IRS representation
- Business consulting services – valuations, mergers and acquisitions, benchmarking, profit improvement, systems design and fraud prevention
- Client outsourcing services – bookkeeping, benefits and payroll processing
- Political campaign services – federal and state election reporting, tax filings, accounting, caging and disbursements
- Litigation support services – expert witness, forensic accounting and attorney consultant

Our Mission: We will provide exceptional services to our clients by developing long-term relationships that enable us to assist our clients in anticipating and proactively managing their most important business challenges. We will provide opportunities for our people to grow and to be rewarded.

Our Core Values: Individually and as a firm, we share the following values:

- Exhibiting personal and professional integrity
- Providing service with care and concern for others - services that really meet the needs of our clients
- Committing individually and collectively to work to the best of our abilities
- Developing relationships that will benefit our people and our clients
- Encouraging open and honest communications that result in positive outcomes
- Providing opportunities for challenges, growth, and rewards

Our Clients: We work with clients where our services make a difference and who share the values that are important to us. This includes clients in both the public and private sector, in a wide range of industries, and in varying sizes.

Services: We offer a wide range of services to clients in a broad range of industries. Although the individual services may vary depending on our client's specific needs, there are several constants in all of the services we perform.

- Our services are individually tailored for each client to meet that client's needs.
- All of our services are performed with quality and client satisfaction in mind.
- Our services provide positive solutions.
- Our services will be cost-effective.
- Our services are performed by qualified, experienced people who understand that service is more than just completing a tax return or preparing a financial statement.

Licensing, Peer Review and Quality Control: Atchley & Associates, LLP is licensed by the Texas State Board of Public Accountancy as a practice unit to practice public accountancy in Texas. Our identification number is P04905-001 (V09692). We are not now, nor have we ever been, under the

terms of a public or private reprimand by the Texas State Board of Public Accountancy and/or licensing boards of other states.

We are in compliance with State regulations governing the practice of Public Accountancy. No disciplinary action has been asserted against Atchley & Associates, LLP, or any of its partners, by the AICPA, a state society of CPAs, the Federal government, or any state agency.

Atchley & Associates, LLP participates in the American Institute of Certified Public Accountants' Peer Review Program that is administered by the Texas Society of Certified Public Accountants. Under this program, every three years we are audited by another CPA firm, that reviews the quality of our procedures and performance. Our most recent completed quality control review was for the year ended April 30, 2019. The report was dated October 24, 2019, and can be found at the end of this proposal.

Type of business entity: Atchley & Associates, LLP is a full-service public accounting firm offering auditing, accounting, governmental, tax and management consulting services. We serve hundreds of clients in both the public and private sector in a wide range of industries, both nationally and on a local basis. It is our philosophy to provide the full range of services and in-depth industry experience our clients expect and to retain the personal responsiveness our clients deserve.

Size of firm: We have 51 people in our office. Forty-three provide direct professional services to our clients. 21 of our professional staff are CPAs.

Affirmative Action: Atchley & Associates, LLP's policy is to recruit, hire, train, and promote individuals, as well as administer any and all personnel actions, without regard to race, color, religion, national origin, age, sexual orientation or status as a qualified individual with a disability.

Subcontractors: We do not anticipate the use of any subcontractors to enable us to complete the proposed engagement.

Educational Background and Continuing Professional Education: All staff members are degreed accountants; most senior staff and above are also CPAs. All professional personnel are required to participate in at least 20 hours of continuing professional education every year aggregating to at least 120 hours in the three most recent educational years. Individuals responsible for planning, directing, reporting or working on government audits receive at least 24 hours every two years of continuing education in subjects directly relating to the government environment and government auditing. In addition, most of the CPAs at our firm not only meet the requirements for obtaining continuing professional education, they exceed the minimum educational requirements issued by the State of Texas. We are in compliance with the continuing education requirements of the Texas State Board of Public Accountancy and the AICPA.

We would use other non-supervisory staff as necessary to complete the audit in a timely and efficient manner. We are proud of all of our team members because each one brings specific strengths that benefit the entire organization.

Similar Engagements with Other Government Entities

We have performed auditing and other accounting services for many non-profit and governmental entities, some of which are: The City of Manor, Texas, Travis County, and the Capital Area Rural Transportation Services (CARTS).

Independence

We certify that we are independent of the City of as defined by governmental auditing standards.

We will remain independent with respect to the City, its officers, and key employees in its financial operations, as defined by 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.

There are not now nor for the previous five (5) years have there been any professional relationships involving the City.

We affirm that we will give the City written notice of any professional relationship which might be entered into during the period of this agreement with any of its subdivisions or component units.

TASK/ACTIVITY PLAN

The audit activity for the City is divided into four significant phases: *Planning and Review*, *Testing Sample Transactions*, *Account Balances Testing*, and *Report and Exit Interviews*. Each of these phases are herein discussed briefly.

Planning and Review: The planning phase is a key element in our audit approach. During this phase, our efforts would be concentrated on reviewing and documenting your accounting system and internal control structure and tailoring the detailed audit plan in accordance with risk assessment standards. These standards require the auditors to fully document our understanding of your controls, document our assessment of the risks of material misstatement, and tailor the audit program based on our understanding and assessment. This would also include a review of the prior auditors' workpapers. This would be done early in the audit, during interim fieldwork.

Testing Sample Transactions: Based on the results of our review of the accounting system and controls, we will select a number of sample transactions to test internal controls, to test compliance with any Federal and State grant provisions and to test for financial statement propriety. Statistical sampling techniques would be utilized for a major portion of this task. At the conclusion of this task we would make any necessary revisions to our detailed audit plan as a result of our findings in these tests of transactions.

Account Balances Testing: This phase would be primarily directed at testing account balances as of September 30, and would include confirmation of selected accounts, account reconciliations, and analyses.

Reports and Exit Interviews: Upon completion of the fieldwork, we would draft the City's Comprehensive Annual Financial Report and prepare our opinion on the fairness of the financial statements, our reports on compliance with the various funding agency requirements and our reports on the internal control structure. During this period, we would also conduct our exit interviews, which would include discussions of draft copies of the financial statements and our reports with representatives of the City.

Communication: Finally, even though we will assist you as necessary in developing the financial statements, the resulting financial statements are your financial statements. Accordingly, we emphasize communicating our progress and findings with you throughout the audit process. This helps insure that the information presented in the financial statements is as accurate as possible.

CONCLUDING REMARKS

We appreciate the opportunity to respond to your request for proposal with this statement of qualifications. We believe that we are a firm that can bring value to the City of Johnson City, Texas and be a valuable resource to your financial operations.

ATTACHMENTS

RESUMES

- Ronny Armstrong, CPA/Partner - Ronny earned his B.B.A. in accounting from Texas State University and has spent over 30 years in the accounting profession. He is a member of the American Institute of Certified Public Accountants (AICPA), the Texas Society of CPAs, and the Austin Chapter of the TXCPAs. He is also a member of the National Association of Church Business Administration (NACBA) including the Texas Capital Area Chapter, and the Swedish American Chamber of Commerce.

Prior to joining Atchley & Associates, LLP, Ronny spent many years in the grocery business. Following his time in the grocery industry, he shifted to public accounting and began work at Faske Lay & Co., LLP in Austin, Texas. He continued with that firm until 1999 and then joined Atchley & Associates, LLP. Ronny focuses his practice in audit, accounting, and consulting with various clients including non-profit organizations, governmental, religious organizations, labor management organizations, financial institutions, private companies, and employee benefit plans. Ronny's skills in the accounting field are representative of his extensive client base and his continuing client relationships.

- Jeremy Myers, CPA/Senior Manager – Jeremy earned his Bachelor's Degree in Business Administration and Master's Degree in Professional Accounting from The University of Texas at Austin. Before joining Atchley & Associates, LLP in 2010, Jeremy was with the firm of PricewaterhouseCoopers in Dallas, Texas. His public accounting experience includes serving a wide range of clients in audit and general accounting services. Jeremy has extensive experience with non-profit organizations, governmental entities, compliance specific audits under Uniform Guidance, the State of Texas Single Audit Circular, and other compliance requirements based on grant funding, employee benefit plans, and other engagements. Jeremy is a member of the Texas Society of Certified Public Accountants (TXCPA) and serves on the State Board as well as the President for TXCPA Austin during the 2020-2021 year, the American Institute of Certified Public Accountants (AICPA).

Report on the Firm's System of Quality Control

October 24, 2019

To the partners of Atchley & Associates, LLP
and the Peer Review Committee of the Texas Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Atchley & Associates, LLP in effect for the year ending April 30, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards* including a compliance audit under the Single Audit Act, and audits of employee benefit plans.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Atchley & Associates, LLP in effect for the year ended April 30, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Atchley & Associates, LLP has received a peer review rating of *pass*.

Condley and Company, L.L.P.

Certified Public Accountants

**CITY OF MANOR, TEXAS
ANNUAL FINANCIAL REPORT
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2019**

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, 2019, 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, 2019, 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 3-10, 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, Texas Municipal Retirement System schedule of funding progress on page 52, and Schedule of Changes in the City's Total OPEB Liability and Related Ratios on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Austin, Texas
April 30, 2020

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

CITY OF MANOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2019

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, 2019. 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

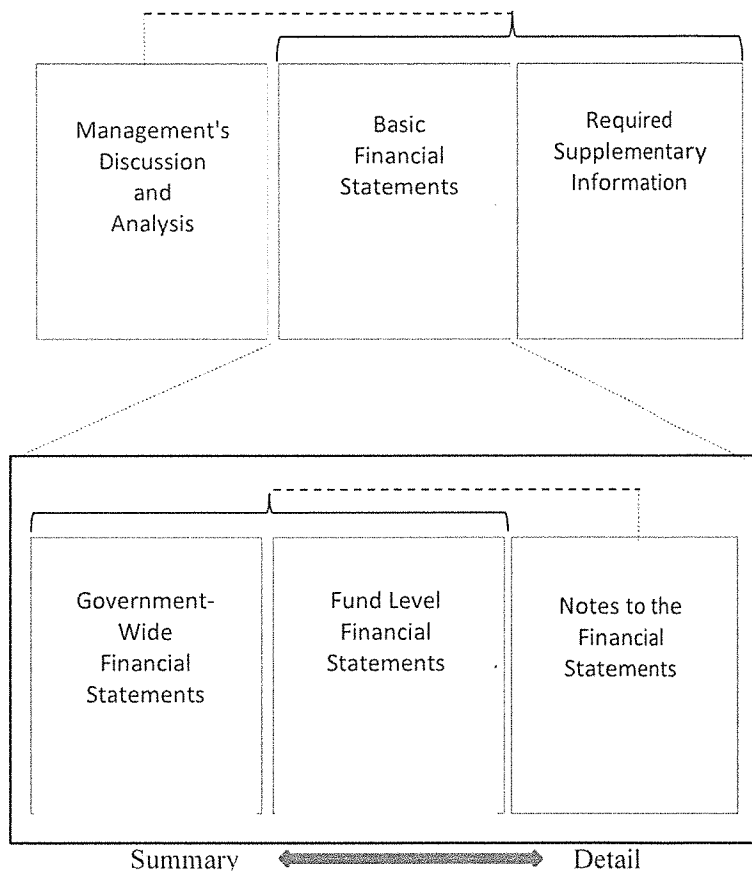


Figure A-1 shows how the parts of this annual report are arranged and related to one another.

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, 2019

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, 2019

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

<i>Type of Statements</i>	Fund Statements		
	Government-Wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private business: utilities
<i>Required financial statements</i>	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 \$29,679,720 at September 30, 2019 (See Figure A-3).
- Current year activity resulted in an increase in the City's net position by \$4,615,495 (See Figure A-4).

CITY OF MANOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2019

Figure A-3
City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets:						
Current and other assets	\$5,403,303	\$ 3,503,520	\$29,019,293	\$29,954,492	\$34,422,596	\$33,458,012
Noncurrent assets	6,754,155	7,125,882	14,774,316	11,226,609	21,528,471	18,352,491
Total assets	<u>12,157,458</u>	<u>10,629,402</u>	<u>43,793,609</u>	<u>41,181,101</u>	<u>55,951,067</u>	<u>51,810,503</u>
Deferred outflows	702,130	406,377	58,121	9,192	760,251	415,569
Liabilities:						
Current liabilities	1,744,351	1,814,077	942,879	1,024,130	2,687,230	2,838,207
Long-term liabilities	8,089,282	7,626,927	16,152,100	16,696,713	24,241,382	24,323,640
Total liabilities	<u>9,833,633</u>	<u>9,441,004</u>	<u>17,094,979</u>	<u>17,720,843</u>	<u>26,928,612</u>	<u>27,161,847</u>
Deferred inflows	89,525	-	13,461	-	102,986	-
Net position:						
Investment in capital assets	(676,204)	(1,340,143)	7,438,707	10,557,336	6,762,503	9,217,193
Restricted	338,669	239,650	16,852,254	23,696,907	17,190,923	23,936,557
Unrestricted	3,273,965	2,695,268	2,452,329	(10,784,793)	5,726,294	(8,089,525)
Total net position	<u>\$2,936,430</u>	<u>\$ 1,594,775</u>	<u>\$26,743,290</u>	<u>\$23,469,450</u>	<u>\$29,679,720</u>	<u>\$25,064,225</u>

CITY OF MANOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2019

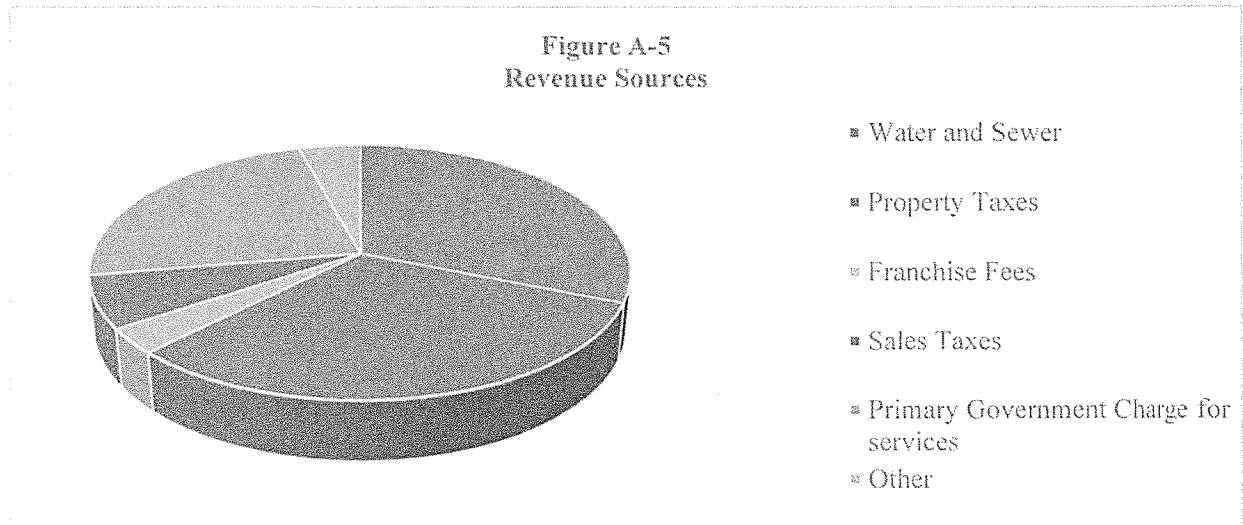
Figure A-4
Changes in City Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$4,628,578	\$ 3,687,885	\$ 6,144,084	\$ 5,770,628	\$10,772,662	\$ 9,458,513
General revenues:						
Taxes	8,172,022	6,447,490	-	-	8,172,022	6,447,490
Interest income	206,490	15,153	339,623	18,415	546,113	33,568
Other	236,442	134,390	-	-	236,442	134,390
Total revenues	<u>13,243,532</u>	<u>10,284,918</u>	<u>6,483,707</u>	<u>5,789,043</u>	<u>19,727,239</u>	<u>16,073,961</u>
Expenses:						
General government	3,484,607	1,923,252	-	-	3,484,607	1,923,252
Public safety	3,664,149	3,287,081	-	-	3,664,149	3,287,081
Streets	1,130,854	951,265	-	-	1,130,854	951,265
Municipal court	662,491	630,168	-	-	662,491	630,168
Development services	640,228	557,354	-	-	640,228	557,354
Sanitation	937,134	479,285	-	-	937,134	479,285
Interest and fiscal charges	213,213	229,075	404,175	414,919	617,388	643,994
Water and sewer	-	-	3,974,893	3,330,823	3,974,893	3,330,823
Total expenses	<u>10,732,676</u>	<u>8,057,480</u>	<u>4,379,068</u>	<u>3,745,742</u>	<u>15,111,744</u>	<u>11,803,222</u>
Revenues over(under) expenses	2,510,856	2,227,438	2,104,639	2,043,301	4,615,495	4,270,739
Capital contributions	-	-	-	-	-	-
Transfers	(1,169,201)	(857,996)	1,169,201	857,996	-	-
Change in net position	1,341,655	1,369,442	3,273,840	2,901,297	4,615,495	4,270,739
Beginning net position	1,594,775	225,333	23,469,450	20,568,153	25,064,225	20,793,486
Ending net position	<u>\$2,936,430</u>	<u>\$ 1,594,775</u>	<u>\$26,743,290</u>	<u>\$23,469,450</u>	<u>\$29,679,720</u>	<u>\$25,064,225</u>

CITY OF MANOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2019

CITY REVENUES

The majority of the City's revenue is generated from charges for water and sewer services (31%), property taxes (31%), 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) increased from \$0.4132 to \$0.4807 in the current fiscal year generating \$3,959,924 in M&O taxes, an increase of \$1,434,920 over the previous fiscal year. While the City's franchise fees increased \$866,241, or 12%, and sales taxes increased by \$167,083, or 15%. The new M&O tax rate for the year beginning October 1, 2019 is \$0.5845.

Business-Type Activities

Water sales increased by \$227,327 or 10%, while sewer sales increased by \$103,337, or 5%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

General Fund revenues exceeded expenditures and transfers by \$1,815,824 which was \$49,208 more than budgeted. See details of budget and actual revenues on page 47.

Capital Assets

During the year ended September 30, 2019, the City invested \$5,780,633 in a broad range of capital assets, including infrastructure, equipment and buildings (See Figure A-6). These additions were funded from bond proceeds, capital impact fees, general budgeted expenditures, and notes payables.

CITY OF MANOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2019

Figure A-6
City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 470,607	\$ 470,607	\$ 406,816	\$ 406,816	\$ 877,423	\$ 877,423
Construction in progress	208,810	990,997	4,843,659	1,273,924	5,052,469	2,264,921
Buildings and equipment	6,114,082	5,816,026	1,251,464	1,102,707	7,365,546	6,918,733
Sidewalks	244,164	244,164	-	-	244,164	244,164
Streets and improvements	6,482,888	5,383,195	12,992	12,992	6,495,880	5,396,187
Water system	-	-	7,465,930	7,465,930	7,465,930	7,465,930
Sewer system	-	-	5,875,654	5,692,383	5,875,654	5,692,383
Total at historical cost	13,520,551	12,904,989	19,856,515	15,954,752	33,377,066	28,859,741
Accumulated depreciation	(6,766,396)	(5,779,107)	(5,082,199)	(4,728,143)	(11,848,595)	(10,507,250)
Net capital assets	\$ 6,754,155	\$ 7,125,882	\$ 14,774,316	\$ 11,226,609	\$ 21,528,471	\$ 18,352,491

Debt Administration

The City's property tax rate for debt services decreased from \$0.3590 to \$0.2715 in the current fiscal year generating \$2,215,513 in debt service taxes, an increase of \$45,971 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 \$0.2316.

Figure A-7
City's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Notes payable	\$ 672,009	\$ 886,800	\$ -	\$ -	\$ 672,009	\$ 886,800
Bonds payable	6,758,350	7,850,085	16,051,650	16,835,775	22,810,000	24,685,860
Total	\$ 7,430,359	\$ 8,736,885	\$ 16,051,650	\$ 16,835,775	\$ 23,482,009	\$ 25,572,660

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 \$1,452,212, resulting in an overall operating surplus of approximately \$198,923.

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, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,440,692	\$ 6,637,070	\$ 11,077,762
Receivables, net	623,942	463,914	1,087,856
Restricted assets:			
Cash and cash equivalents	(333,035)	16,387,399	16,054,364
Investments	671,704	5,530,910	6,202,614
Non-current assets:			
Capital assets:			
Non-depreciable	679,417	5,250,475	5,929,892
Depreciable, net	6,074,738	9,523,841	15,598,579
Total assets	12,157,458	43,793,609	55,951,067
DEFERRED OUTFLOWS			
Deferred outflows related to refunding	241,203	-	241,203
Deferred outflows related to OPEB	3,784	617	4,401
Deferred outflows related to pensions	457,143	57,504	514,647
Total deferred outflows	702,130	58,121	760,251
LIABILITIES			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable	290,904	93,044	383,948
Unearned revenue	264,552	-	264,552
Passthrough liabilities	222,502	-	222,502
Payable from restricted assets:			
Interest payable	23,188	46,010	69,198
Notes payable, due within one year	102,030	-	102,030
Bonds payable, due within one year	841,175	803,825	1,645,000
Non-current liabilities:			
Payable from unrestricted assets:			
Compensated absences	205,569	53,299	258,868
Payable from restricted assets:			
Customer deposits	-	614,933	614,933
Notes payable, due more than one year	569,979	-	569,979
Bonds payable, due more than one year	5,917,175	15,247,825	21,165,000
Net OPEB liability	45,875	7,406	53,281
Net pension liability	1,350,684	228,637	1,579,321
Total liabilities	9,833,633	17,094,979	26,928,612

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

CITY OF MANOR, TEXAS
STATEMENT OF NET POSITION
September 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
DEFERRED INFLOWS			
Deferred inflows related to OPEB	6,067	912	6,979
Deferred inflows related to pensions	83,458	12,549	96,007
Total deferred inflows	<u>89,525</u>	<u>13,461</u>	<u>102,986</u>
NET POSITION			
Net investment in capital assets	(676,204)	7,438,707	6,762,503
Restricted	338,669	16,852,254	17,190,923
Unrestricted	3,273,965	2,452,329	5,726,294
Total net position	<u>\$ 2,936,430</u>	<u>\$ 26,743,290</u>	<u>\$ 29,679,720</u>

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

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CITY OF MANOR, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2019

Function/program activities	Expenses	Charges for Services
Primary government:		
Government activities:		
General government	\$ 3,484,607	\$ 967
Public safety	3,664,149	232,727
Streets	1,130,854	-
Municipal court	662,491	1,060,761
Development services	640,228	2,319,518
Sanitation	937,134	1,014,605
Interest on long-term debt	213,213	-
Total government activities	10,732,676	4,628,578
Business-type activities:		
Water	2,404,329	2,812,351
Sewer	1,570,564	3,331,733
Interest on long-term debt	404,175	-
Total business-type activities	4,379,068	6,144,084
Total primary government	15,111,744	10,772,662

General revenues:

Taxes:

Property
Sales
Franchise
Other

Interest income

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net position - beginning of year

Net position - end of year

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

Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
		Governmental Activities	Business-Type Activities	Total
\$ -	\$ -	\$ (3,483,640)	\$ -	\$ (3,483,640)
-	-	(3,431,422)	-	(3,431,422)
-	-	(1,130,854)	-	(1,130,854)
-	-	398,270	-	398,270
-	-	1,679,290	-	1,679,290
-	-	77,471	-	77,471
-	-	(213,213)	-	(213,213)
-	-	(6,104,098)	-	(6,104,098)
-	-	-	408,022	408,022
-	-	-	1,761,169	1,761,169
-	-	-	(404,175)	(404,175)
-	-	-	1,765,016	1,765,016
-	-	(6,104,098)	1,765,016	(4,339,082)
		6,175,437	-	6,175,437
		1,309,647	-	1,309,647
		632,127	-	632,127
		54,811	-	54,811
		206,490	339,623	546,113
		236,442	-	236,442
		(1,169,201)	1,169,201	-
		7,445,753	1,508,824	8,954,577
		1,341,655	3,273,840	4,615,495
		1,594,775	23,469,450	25,064,225
		\$ 2,936,430	\$ 26,743,290	\$ 29,679,720

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

**CITY OF MANOR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2019**

	<u>General Fund</u>	<u>Special Revenues Fund</u>
ASSETS		
Unrestricted		
Cash and cash equivalents	\$ 4,440,690	\$ -
Receivables, net	569,857	-
Restricted assets:		
Cash and cash equivalents	-	307,254
Investments	8,849	379,952
Total assets	<u>5,019,396</u>	<u>687,206</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	290,904	-
Passthrough liabilities	96,081	116,494
Unearned revenue	260,162	-
Total liabilities	<u>647,147</u>	<u>116,494</u>
 FUND BALANCES		
Restricted	8,849	570,712
Committed	-	-
Unassigned	4,363,400	-
Total fund balances	<u>4,372,249</u>	<u>570,712</u>
Total liabilities and fund balances	<u>\$ 5,019,396</u>	<u>\$ 687,206</u>

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

Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ -	\$ 2	\$ 4,440,692
54,085	-	623,942
(640,289)	-	(333,035)
282,903	-	671,704
<u>(303,301)</u>	<u>2</u>	<u>5,403,303</u>
-	-	290,904
-	9,927	222,502
18,476	-	278,638
<u>18,476</u>	<u>9,927</u>	<u>792,044</u>
(321,777)	-	257,784
-	(9,925)	(9,925)
-	-	4,363,400
<u>(321,777)</u>	<u>(9,925)</u>	<u>4,611,259</u>
<u>\$ (303,301)</u>	<u>\$ 2</u>	<u>\$ 5,403,303</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, 2019

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	4,611,259
<p>Amounts reported for governmental activities in the statement of net position are different due to the following:</p>		
Capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.		6,754,155
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 and inflows represent the consumption of net position that is applicable to a future reporting period and are not reported in the funds.		612,605
Certain liabilities related to long-term debt are not reported in the funds, such as accrued interest payable.		(23,188)
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(9,032,487)</u>
NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>2,936,430</u>

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

CITY OF MANOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2019

	General Fund	Special Revenues Fund
REVENUES		
Property taxes	\$ 3,959,924	\$ -
Sales tax	1,309,647	-
Franchise taxes	632,127	-
Other taxes	18,300	36,511
Licenses and permits	2,319,518	-
Charge for services	1,014,605	-
Court and police	1,060,761	-
Public safety	232,727	-
Interest income	191,332	8,683
Interest income - restricted	9	-
Other	237,409	-
Total revenues	10,976,359	45,194
 EXPENDITURES		
Current:		
General government	2,364,994	31,048
Public safety	3,432,094	-
Streets	1,020,855	-
Municipal court	662,491	-
Development services	632,036	-
Sanitation	937,134	-
Capital outlay	110,931	-
Debt service:		
Principal	-	-
Interest	-	-
Total expenditures	9,160,535	31,048
Excess (deficiency) of revenues over expenditures	1,815,824	14,146
 OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	-	-
Total other financing sources (uses)	-	-
 Net change in fund balances	1,815,824	14,146
 Fund balances - beginning of year	2,556,425	556,566
 Fund balances - end of year	\$ 4,372,249	\$ 570,712

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

Debt Services Fund	Capital Projects Fund	Total Governmental Funds
\$ 2,215,513	\$ -	\$ 6,175,437
-	-	1,309,647
-	-	632,127
-	-	54,811
-	-	2,319,518
-	-	1,014,605
-	-	1,060,761
-	-	232,727
6,466	-	206,481
-	-	9
-	-	237,409
<u>2,221,979</u>	<u>-</u>	<u>13,243,532</u>
1,269	-	2,397,311
-	-	3,432,094
-	-	1,020,855
-	-	662,491
-	-	632,036
-	-	937,134
-	-	110,931
820,875	-	820,875
184,496	-	184,496
<u>1,006,640</u>	<u>-</u>	<u>10,198,223</u>
<u>1,215,339</u>	<u>-</u>	<u>3,045,309</u>
-	6,271	6,271
(1,175,472)	-	(1,175,472)
<u>(1,175,472)</u>	<u>6,271</u>	<u>(1,169,201)</u>
39,867	6,271	1,876,108
(361,644)	(16,196)	2,735,151
<u>\$ (321,777)</u>	<u>\$ (9,925)</u>	<u>\$ 4,611,259</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, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,876,108

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. (371,727)

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. 1,006,949

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. (1,169,675)

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 1,341,655

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

CITY OF MANOR, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2019

	<u>Water and Sewer System</u>	<u>Capital Impact Fees</u>	<u>Total</u>
ASSETS			
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	\$ 6,637,070	\$ -	\$ 6,637,070
Accounts receivable, net	463,914	-	463,914
Restricted assets:			
Cash and cash equivalents	9,330,974	7,056,425	16,387,399
Investments	5,066,055	464,855	5,530,910
Total current assets	<u>21,498,013</u>	<u>7,521,280</u>	<u>29,019,293</u>
Non-current assets:			
Non-depreciable assets, net	5,250,475	-	5,250,475
Depreciable assets, net	9,523,841	-	9,523,841
Total non-current assets	<u>14,774,316</u>	<u>-</u>	<u>14,774,316</u>
Total assets	<u>36,272,329</u>	<u>7,521,280</u>	<u>43,793,609</u>
DEFERRED OUTFLOWS			
Deferred outflow related to OPEB	617	-	617
Deferred outflow related to pension	57,504	-	57,504
Total deferred outflows	<u>58,121</u>	<u>-</u>	<u>58,121</u>
LIABILITIES			
Current liabilities:			
Accounts payable	93,044	-	93,044
Interest payable	46,010	-	46,010
Bonds payable, due within one year	803,825	-	803,825
Total current liabilities	<u>942,879</u>	<u>-</u>	<u>942,879</u>
Non-current liabilities:			
Compensated absences	53,299	-	53,299
Customer deposits	614,933	-	614,933
Bonds payable, due after one year	15,247,825	-	15,247,825
Net OPEB liability	7,406	-	7,406
Net pension liability	228,637	-	228,637
Total non-current liabilities	<u>16,152,100</u>	<u>-</u>	<u>16,152,100</u>
Total liabilities	17,094,979	-	17,094,979
DEFERRED INFLOWS			
Deferred inflow related to OPEB	912	-	912
Deferred inflow related to pensions	12,549	-	12,549
Total deferred inflows	<u>13,461</u>	<u>-</u>	<u>13,461</u>
NET POSITION			
Investment in capital assets	7,438,707	-	7,438,707
Restricted	9,330,974	7,521,280	16,852,254
Unrestricted	2,452,329	-	2,452,329
Total net assets	<u>\$ 19,222,010</u>	<u>\$ 7,521,280</u>	<u>\$ 26,743,290</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, 2019

	<u>Water and Sewer System</u>	<u>Capital Impact Fees</u>	<u>Total</u>
OPERATING REVENUES			
Water service	\$ 2,401,359	\$ -	\$ 2,401,359
Sewer service	1,993,868	-	1,993,868
Penalties	92,560	-	92,560
Miscellaneous	945	-	945
Capital impact fees	-	1,655,352	1,655,352
Total operating revenues	<u>4,488,732</u>	<u>1,655,352</u>	<u>6,144,084</u>
OPERATING EXPENSES			
Personnel services	883,666	-	883,666
Operations	82,559	67,305	149,864
Utilities	173,335	-	173,335
Insurance	33,391	-	33,391
Materials and supplies	78,660	-	78,660
Maintenance	129,434	-	129,434
Water fees	1,486,082	-	1,486,082
Wastewater fees	638,211	-	638,211
Depreciation	354,056	-	354,056
Bad debt	48,194	-	48,194
Total operating expenses	<u>3,907,588</u>	<u>67,305</u>	<u>3,974,893</u>
OPERATING INCOME	<u>581,144</u>	<u>1,588,047</u>	<u>2,169,191</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	231,052	108,571	339,623
Interest expense	(404,175)	-	(404,175)
Total non-operating revenues (expenses)	<u>(173,123)</u>	<u>108,571</u>	<u>(64,552)</u>
INCOME (LOSS) BEFORE			
CONTRIBUTIONS & TRANSFERS	408,021	1,696,618	2,104,639
CONTRIBUTIONS AND TRANSFERS			
Transfers in (out)	1,137,548	(1,137,548)	-
Transfers from (to) primary government	1,169,201	-	1,169,201
CHANGE IN NET POSITION	2,714,770	559,070	3,273,840
NET POSITION - BEGINNING OF YEAR	16,507,240	6,962,210	23,469,450
NET POSITION - END OF YEAR	<u>\$ 19,222,010</u>	<u>\$ 7,521,280</u>	<u>\$ 26,743,290</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, 2019

	Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,057,393
Payments to suppliers	(2,787,756)
Payments to employees and contractors	(706,660)
Net cash flows from operating activities	<u>2,562,977</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Increase in customer deposits	46,738
Increase in restricted assets	1,778,598
Net cash flows from non-capital financing activities	<u>1,825,336</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers from primary government	1,175,472
Transfers to primary government	(6,271)
Additions to capital assets	(3,901,763)
Principal payments on debt	(784,125)
Interest payments on debt	(406,347)
Net cash flows from capital and related financing activities	<u>(3,923,034)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	339,623
Net cash flows from investing activities	<u>339,623</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	804,902
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,832,168</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,637,070</u>
<hr/>	
RECONCILIATION OF OPERATING INCOME TO NET	
CASH FROM OPERATING ACTIVITIES	
Operating income	\$ 2,169,191
Adjustments not affecting cash:	
Depreciation	354,056
Bad Debt	48,194
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts receivable	(86,691)
Accounts payable	(98,779)
Compensated absences	8,474
Deferred outflows	(48,929)
Deferred inflows	13,461
Net OPEB liability	10
Net pension liability	203,990
Net cash flows from operating activities	<u>\$ 2,562,977</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, 2019

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 2019, the City implemented:

GASB Statement No. 83 (GASB 83), *Certain Asset Retirement Obligations (ARO)*. This statement establishes the criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for certain asset retirements. In addition, disclosures related to the nature of the AROs, the assumptions used in the estimates of the liabilities, and the estimated remaining useful life of the tangible capital assets are required. This statement had no impact on the City.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. This statement improves disclosures related to debt, including direct borrowings and direct placements. In addition, it also clarifies which liabilities governments should include when disclosing information related to debt. The disclosure effects of this statement can be found in Note H of the Notes to the Financial Statements

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.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Statement of Net Position

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

Statement of Activities

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

Fund Level Financial Statements

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

The City reports the following major governmental funds:

General Fund

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

Special Revenue Fund

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

Debt Service Fund

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

Capital Projects Fund

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

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

The City reports the following major enterprise funds:

Water and Sewer Fund

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

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Assets, Liabilities, and Net Position or Equity - Continued

Fund Balance/Net Position - Continued

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.

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, 2019, carrying amounts of the City's cash deposits were \$27,123,126 and bank balances were \$27,971,971. The City's cash deposits at September 30, 2019, were in excess of FDIC insurance and bank pledges securities by \$1,705,385.

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.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

B. DEPOSITS AND INVESTMENTS - CONTINUED

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, 2019, 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	\$ 1,136,559
CDARS Account	March 19, 2020	5,066,055
		\$ 6,202,614

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.

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.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

B. DEPOSITS AND INVESTMENTS - CONTINUED

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, 2019, the City's investment 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.

Governmental fund balance		\$ 4,611,259
<u>Difference due to capital assets</u>		
Capital assets	13,520,551	
Accumulated depreciation	<u>(6,766,396)</u>	6,754,155
<u>Difference due to unearned revenue</u>		
Unearned Revenues		14,086
<u>Difference due to deferred outflows</u>		
Deferred outflows related to pensions	457,143	
Deferred outflows related to OPEB	3,784	
Deferred loss on refunding	<u>241,203</u>	702,130
<u>Difference due to current liabilities</u>		
Interest payable		(23,188)
<u>Difference due to non-current liabilities</u>		
Compensated absences	(205,569)	
Net pension liability	(1,350,684)	
Net OPEB liability	(45,875)	
Notes payable	(672,009)	
Bonds payable	<u>(6,758,350)</u>	<u>(9,032,487)</u>
<u>Difference due to deferred inflows</u>		
Deferred inflows related to pensions	(83,458)	
Deferred inflows related to OPEB	<u>(6,067)</u>	<u>(89,525)</u>
Government-wide net position		<u>\$ 2,936,430</u>

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

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

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.

Change in governmental fund balance		\$ 1,876,108
<u>Amount by which depreciation exceeds capital outlay expense and other capital related transactions</u>		
Capital outlay	615,562	
Depreciation expense	(987,289)	(371,727)
<u>Long-term debt and related items</u>		
Debt payments	1,035,666	
Accrued interest adjustment	940	
Amortization of loss on refunding	(29,657)	1,006,949
<u>Expenses that do not require the use of current financial resources or have not matured</u>		
Changes in pension expense and deferred outflows and inflows	(1,030,781)	
Changes in pension expense and deferred outflows and inflows	(90,094)	
Compensated absence adjustment	(48,800)	(1,169,675)
Change in government-wide net position		<u>\$ 1,341,655</u>

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.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

D. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE - CONTINUED

At September 30, 2019, receivables for governmental activities are summarized in the government-wide financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Sales tax receivable	\$ 104,974	\$ -	\$ 104,974
Property tax receivable	214,862	(88,858)	126,004
Employee receivable	1,961	-	1,961
Court fines receivable	1,087,910	(981,929)	105,981
Other	285,022	-	285,022
Total receivables	<u>\$ 1,694,729</u>	<u>\$ (1,070,787)</u>	<u>\$ 623,942</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, 2019, Business-type activities receivables are summarized in the financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Customer receivables	\$ 473,741	\$ (11,027)	\$ 462,714
NSF checks	1,200	-	1,200
Total receivables	<u>\$ 474,941</u>	<u>\$ (11,027)</u>	<u>\$ 463,914</u>

E. RESTRICTED ASSETS

At September 30, 2019, restricted assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents:			
Debt service (deficit)	\$ (640,289)	\$ -	\$ (640,289)
Other	190,686	-	190,686
Rose Hill Public Improvement District	116,568	-	116,568
Customer deposits	-	614,933	614,933
Capital improvements - water system	-	10,512,406	10,512,406
Capital improvements - sewer system	-	5,260,060	5,260,060
Total cash and cash equivalents	<u>\$ (333,035)</u>	<u>\$ 16,387,399</u>	<u>\$ 16,054,364</u>
Investments:			
Parks	\$ 8,849	\$ -	\$ 8,849
Debt service	282,903	-	282,903
Tourism	379,952	-	379,952
Capital improvements - sewer system	-	464,855	464,855
2016 CO Bonds	-	5,066,055	5,066,055
Total investments	<u>\$ 671,704</u>	<u>\$ 5,530,910</u>	<u>\$ 6,202,614</u>

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

F. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Deletions/ Reclass	Ending Balance
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 470,607	\$ -	\$ -	\$ 470,607
Construction in progress	990,997	297,850	(1,080,037)	208,810
Total non-depreciable assets	<u>\$ 1,461,604</u>	<u>\$ 297,850</u>	<u>\$ (1,080,037)</u>	<u>\$ 679,417</u>
Depreciable assets:				
Buildings	\$ 2,419,785	\$ -	\$ -	\$ 2,419,785
Equipment	3,396,241	298,056	-	3,694,297
Sidewalks	244,164	-	-	244,164
Streets and improvements	5,383,195	19,656	1,080,037	6,482,888
Total depreciable assets	11,443,385	317,712	1,080,037	12,841,134
Accumulated depreciation	(5,779,107)	(987,289)	-	(6,766,396)
Depreciable assets, net	<u>\$ 5,664,278</u>	<u>\$ (669,577)</u>	<u>\$ 1,080,037</u>	<u>\$ 6,074,738</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 406,816	\$ -	\$ -	\$ 406,816
Construction in progress	1,273,924	3,753,006	(183,271)	4,843,659
Total non-depreciable assets	<u>\$ 1,680,740</u>	<u>\$ 3,753,006</u>	<u>\$ (183,271)</u>	<u>\$ 5,250,475</u>
Depreciable assets:				
Machinery and equipment	\$ 1,102,707	\$ 148,757	\$ -	\$ 1,251,464
Culverts	12,992	-	-	12,992
Infrastructure - water system	7,465,930	-	-	7,465,930
Infrastructure - sewer system	5,692,383	183,271	-	5,875,654
Total depreciable assets	14,274,012	332,028	-	14,606,040
Accumulated depreciation	(4,728,143)	(354,056)	-	(5,082,199)
Depreciable assets, net	<u>\$ 9,545,869</u>	<u>\$ (22,028)</u>	<u>\$ -</u>	<u>\$ 9,523,841</u>

Depreciation expense was charged to the functions as follows:

Function:	Governmental Activities	Business-Type Activities	Total
General government	\$ 165,304	\$ -	\$ 165,304
Public safety	303,527	-	303,527
Streets	510,266	-	510,266
Development services	8,192	-	8,192
Water	-	224,025	224,025
Sewer	-	130,031	130,031
Total depreciation expense	<u>\$ 987,289</u>	<u>\$ 354,056</u>	<u>\$ 1,341,345</u>

G. INTER-FUND BALANCES AND ACTIVITY

Transfers (To)From Other Funds

Purpose	General Fund	Debt Service Fund	Proprietary Fund	Capital Projects Fund
Property taxes collected for debt payments	\$ -	\$ 1,175,472	\$ (1,175,472)	\$ -
Funds for capital projects	-	-	(6,271)	6,271
Transfer of expenses	(1,834,925)	-	1,834,925	-
Reimbursement of expenses	1,834,925	-	(1,834,925)	-

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

H. LONG-TERM DEBT

Long-Term Debt Activity

Changes in long-term debt obligations for the year ended September 30, 2019, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Notes payable	\$ 886,800	\$ -	\$ (214,791)	\$ 672,009	\$ 102,030
Bonds payable	7,579,225	-	(820,875)	6,758,350	841,175
Loss on refunding	270,860	-	(29,657)	241,203	29,657
Total governmental activities	<u>\$ 8,736,885</u>	<u>\$ -</u>	<u>\$ (1,065,323)</u>	<u>\$ 7,671,562</u>	<u>\$ 972,862</u>
Business-Type Activities:					
Bonds payable	\$ 16,835,775	\$ -	\$ (784,125)	\$ 16,051,650	\$ 803,825
Total business-type activities	<u>\$ 16,835,775</u>	<u>\$ -</u>	<u>\$ (784,125)</u>	<u>\$ 16,051,650</u>	<u>\$ 803,825</u>

Debt Service Requirements

Notes Payable

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, 2019, is \$135,670.

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, 2019, is \$12,830.

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, 2019, is \$166,465.

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, 2019, is \$357,044.

Debt service requirements on long-term notes payable at September 30, 2019, were as follows:

For the years ending September 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 187,932	\$ 17,218	\$ 205,150
2021	192,751	12,398	205,149
2022	198,648	7,451	206,099
2023	92,678	2,375	95,053
	<u>\$ 672,009</u>	<u>\$ 39,442</u>	<u>\$ 711,451</u>

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

H. LONG-TERM DEBT - CONTINUED

Bonds Payable

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.

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, 2019, were as follows:

		Series 2010 - \$935,000		
		Principal	Interest	Total
For the years ending September 30,				
	2020	\$ 70,000	\$ 14,982	\$ 84,982
	2021	-	15,510	15,510
	2022	-	15,510	15,510
	2023	-	15,510	15,510
	2024	330,000	7,755	337,755
	Total	\$ 400,000	\$ 69,267	\$ 469,267
		Series 2012 - \$3,510,000		
		Principal	Interest	Total
For the years ending September 30,				
	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	315,000	11,220	326,220
	2025-2026	125,000	4,905	129,905
	Total	\$ 1,655,000	\$ 139,547	\$ 1,794,547

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

H. LONG-TERM DEBT - CONTINUED

Bonds Payable - Continued

		Series 2012 - \$1,835,000		
		Principal	Interest	Total
For the years ending September 30,				
	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	135,000	13,944	148,944
	2025-2027	425,000	21,291	446,291
	<u>Total</u>	<u>\$ 1,065,000</u>	<u>\$ 122,884</u>	<u>\$ 1,187,884</u>
		Series 2015 - \$4,750,000		
		Principal	Interest	Total
For the years ending September 30,				
	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	485,000	46,487	531,487
	2025-2027	1,545,000	71,448	1,616,448
	<u>Total</u>	<u>\$ 3,800,000</u>	<u>\$ 406,934</u>	<u>\$ 4,206,934</u>
		Series 2016 - \$18,000,000		
		Principal	Interest	Total
For the years ending September 30,				
	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	800,000	294,265	1,094,265
	2025-2029	5,675,000	938,900	6,613,900
	2030-2031	6,375,000	294,494	6,669,494
	<u>Total</u>	<u>\$ 15,890,000</u>	<u>\$ 2,880,019</u>	<u>\$ 18,770,019</u>

Deferred Outflow on Refunding

The City has deferred outflow of \$373,180 related to the Series 2015 refunding. This outflow represents the amount of the new bond principal, less issuance costs, that was greater than the current principal balance of the bonds refunded and will be amortized, straight-line, over the life of the Series 2015 Bond. The deferred outflow remaining balance at September 30, 2019, was \$241,203.

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.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

I. RESTRICTED NET ASSETS

At September 30, 2019, net assets restricted by enabling legislation consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Rose Hill Public Improvement District	\$ 116,568	\$ -	\$ 116,568
Tourism	379,952	-	379,952
Debt service	(357,386)	-	(357,386)
Other	199,535	-	199,535
Capital improvements	-	16,852,254	16,852,254
Total restricted net assets	<u>\$ 338,669</u>	<u>\$ 16,852,254</u>	<u>\$ 17,190,923</u>

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.

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.

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

	Plan Year 2017	Plan Year 2018
Employee deposit rate	5.0%	7.0%
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, 2018, 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	35
Active employees	71
	<u>113</u>

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

K. PENSION PLAN - CONTINUED

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 2017 and 2016 was 5% and in 2018 the rate was changed to 7%.

Net Pension Asset

The City's net pension asset was measured as of December 31, 2018, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	December 31, 2018
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	1) Granted 100% ad hoc USC. 2) Increased employee contribution rate from 5% to 7%.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study for the period December 31, 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.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

K. PENSION PLAN - CONTINUED

	<u>Change in Net Pension Asset</u>		
	Increase (Decrease)		
	Total Pension Liability / (Asset) (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a-b)
Balances as of December 31, 2017	\$ 2,842,347	\$ 2,823,706	\$ 18,641
Changes for the year:			
Service cost	473,885	-	473,885
Interest on total pension liability	276,744	-	276,744
Change in benefit terms including substantively automatic status	1,049,303	-	1,049,303
Difference between expected and actual experience	22,226	-	22,226
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(57,375)	-	(57,375)
Administrative expenses	-	(1,635)	1,635
Contributions - employer	-	160,213	(160,213)
Contributions - employee	-	187,603	(187,603)
Net investment income	-	(84,618)	84,618
Benefit payments	-	(57,375)	57,375
Other	-	(85)	85
Net changes	<u>1,764,783</u>	<u>204,103</u>	<u>1,560,680</u>
Balances as of December 31, 2018	<u>\$ 4,607,130</u>	<u>\$ 3,027,809</u>	<u>\$ 1,579,321</u>

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)	<u>\$ 2,391,256</u>	<u>\$ 1,579,321</u>	<u>\$ 927,339</u>

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, 2019, the City recognized pension expense of \$316,619. At September 30, 2019, 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	\$ 96,007	\$ 244,672
Differences between projected and actual earnings	-	55,389
Changes in assumptions	-	19,045
Contributions made subsequent to measurement date	-	195,541
	<u>\$ 96,007</u>	<u>\$ 514,647</u>

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

K. PENSION PLAN - CONTINUED

The \$195,541 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	\$ 74,372
2020	42,538
2021	33,844
2022	64,494
2023	5,035
Thereafter	2,816
	\$ 223,099

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 Liability (AAL)	Funded Ratio (a)/(b)	Unfunded AAL (UAAL) (b) - (a)	Covered Payroll	UAAL as of % of Covered Payroll (d)/(e)
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%
12/31/2018	3,027,809	4,607,130	65.7%	1,579,321	3,752,058	42.1%

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.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

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

At December 31, 2018, 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	5	
Active employees	71	
	81	

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, 2019, the City has not made any contributions to the SDBF.

Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	December 31, 2018
Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.71%*
Retirees' share of benefit-related costs	\$0
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, 2018.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study for the period December 31, 2010 – December 31, 2014.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

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

	<u>Change in Net Pension Asset</u>		
	Increase (Decrease)		
	Total Pension Liability / (Asset) (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a-b)
Balances as of December 31, 2017	\$ 53,201	\$ -	\$ 53,201
Changes for the year:			
Service cost	6,003	-	6,003
Interest on total pension liability	1,860	-	1,860
Difference between expected and actual experience	(2,490)	-	(2,490)
Effect of assumptions changes or inputs	(5,293)	-	(5,293)
Benefit payments	-	-	-
Administrative expenses	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Benefit payments	-	-	-
Other	-	-	-
Net changes	<u>80</u>	<u>-</u>	<u>80</u>
Balances as of December 31, 2018	<u>\$ 53,281</u>	<u>\$ -</u>	<u>\$ 53,281</u>

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 3.71%, 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 (2.71%) or one percentage point higher (4.71%) than the current rate.

	1% Decrease 2.71%	Current Discount Rate 3.71%	1% Increase 4.71%
Net pension liability / (asset)	<u>\$ 67,871</u>	<u>\$ 53,281</u>	<u>\$ 42,482</u>

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, 2019, the City recognized pension expense of \$316,619. At September 30, 2019, 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 experience	\$ 2,233	\$ -
Changes in assumptions and other inputs	4,746	4,401
Contributions made subsequent to measurement date	-	-
	<u>\$ 6,979</u>	<u>\$ 4,401</u>

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2019

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

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	\$	(230)
2020		(230)
2021		(230)
2022		(230)
2023		(230)
Thereafter		<u>(1,428)</u>
	<u>\$</u>	<u>(2,578)</u>

M. HEALTH CARE COVERAGE

During the year ended September 30, 2019, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$416,868 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.

N. COMMITMENTS AND CONTINGENCIES

Construction Commitments

On April 3, 2019, the City approved a contract with Excel Construction Services LLC for \$16,722,300 for Wilbarger Creek wastewater treatment and collection system. This project is still on-going.

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, 2019, the City's arbitrage liability was \$0.

O. SUBSEQUENT EVENTS

On November 6, 2019, the City entered into a contract for street reconstruction and resurfacing. This contract has an estimated cost of \$346,600, of which the City is responsible for \$240,600 and Capital Metro is responsible for \$106,000 and construction will start later in 2020.

On February 5, 2020, the City entered into a contract for the construction of 2 lift stations. This contract has an estimated cost of \$1,931,100 and construction will start later in 2020.

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, 2019

	<u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 3,900,331	\$ 3,934,068	\$ 3,959,924	\$ 25,856
Sales taxes	1,020,000	1,290,307	1,309,647	19,340
Franchise taxes	502,000	633,156	632,127	(1,029)
Other taxes	6,000	18,081	18,300	219
Licenses and permits	1,635,575	2,324,072	2,319,518	(4,554)
Charge for services	762,000	1,014,612	1,014,605	(7)
Court and police	717,100	942,134	1,060,761	118,627
Public safety	104,753	234,774	232,727	(2,047)
Interest	-	192,000	191,341	(659)
Other	163,698	2,119,754	237,409	(1,882,345)
Total revenues	<u>8,811,457</u>	<u>12,702,958</u>	<u>10,976,359</u>	<u>(1,726,599)</u>
EXPENDITURES				
General government	2,343,387	4,257,346	2,364,994	1,892,352
Public safety	3,454,331	3,430,200	3,432,094	(1,894)
Streets	768,183	928,131	1,020,855	(92,724)
Municipal court	583,337	598,265	662,491	(64,226)
Development services	699,695	616,404	632,036	(15,632)
Sanitation	975,000	975,000	937,134	37,866
Capital outlay	157,470	130,996	110,931	20,065
Debt payments	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>8,981,403</u>	<u>10,936,342</u>	<u>9,160,535</u>	<u>1,775,807</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(169,946)</u>	<u>1,766,616</u>	<u>1,815,824</u>	<u>49,208</u>
OTHER FINANCING SOURCES (USES)				
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>
NET CHANGE IN FUND BALANCE	<u>(169,946)</u>	<u>1,766,616</u>	<u>1,815,824</u>	<u>49,208</u>
FUND BALANCE - BEGINNING OF YEAR	2,556,425	2,556,425	2,556,425	-
FUND BALANCE - END OF YEAR	<u>\$ 2,386,479</u>	<u>\$ 4,323,041</u>	<u>\$ 4,372,249</u>	<u>\$ 49,208</u>

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CITY OF MANOR, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2019

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 \$1,726,599, and operating expenditures were less than budgeted by \$1,775,807, resulting in an overall operating variance favorable of \$49,208. Due to favorable operating results, there was an overall increase in fund balance of \$1,815,824 for the City's general fund.

There was a budgeted transaction for \$1,834,925 in both revenue and expenses that was the result of an expense and related reimbursement between the General Fund and Water and Sewer System Fund. This amount would be a transfer between funds that nets to zero instead of revenue and expenses. This is the main cause for the variances noted above.

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)

	2019	2018
Total Pension Liability (Asset)		
Service cost	\$ 473,885	\$ 312,499
Interest on total pension liability	276,744	169,207
Change in benefit terms including substantively automatic status	1,049,303	-
Effect of plan changes	-	-
Difference between expected and actual experience	22,226	39,102
Effect of assumptions changes or inputs	-	-
Benefit payments, including refunds of employee contributions	<u>(57,375)</u>	<u>(57,953)</u>
Net change in total pension liability (asset)	1,764,783	462,855
Total pension liability (asset), beginning	<u>2,842,347</u>	<u>2,379,492</u>
Total pension liability (asset), ending (a)	<u><u>\$ 4,607,130</u></u>	<u><u>\$ 2,842,347</u></u>
Fiduciary Net Position		
Employer contributions	\$ 160,213	\$ 145,755
Employee contributions	187,603	171,891
Net investment income	(84,618)	312,128
Benefit payments, including refunds of employee contributions	(57,375)	(57,953)
Administrative expenses	(1,635)	(1,619)
Other	<u>(85)</u>	<u>(82)</u>
Net change in fiduciary net position	204,103	570,120
Fiduciary net position, beginning	<u>2,823,706</u>	<u>2,253,586</u>
Fiduciary net position, ending (b)	<u><u>\$ 3,027,809</u></u>	<u><u>\$ 2,823,706</u></u>
Net pension liability (asset), ending = (a) - (b)	<u><u>\$ 1,579,321</u></u>	<u><u>\$ 18,641</u></u>
Fiduciary net position as a % of total pension liability (asset)	65.72%	99.34%
Covered employee payroll	\$ 3,752,058	\$ 3,437,829
Net pension liability (asset) as a % of covered employee payroll	42.09%	0.54%

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

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 263,418	\$ 217,127	\$ 131,462
144,524	122,699	103,455
-	-	-
-	-	25,647
11,751	14,209	26,291
-	68,829	-
<u>(99,189)</u>	<u>(16,304)</u>	<u>(41,958)</u>
320,504	406,560	244,897
<u>2,058,988</u>	<u>1,652,428</u>	<u>1,407,531</u>
<u>\$ 2,379,492</u>	<u>\$ 2,058,988</u>	<u>\$ 1,652,428</u>
\$ 96,836	\$ 81,392	\$ 42,366
144,102	126,237	100,392
133,631	2,638	91,356
(99,189)	(16,304)	(41,958)
(1,511)	(1,607)	(953)
<u>(81)</u>	<u>(79)</u>	<u>(78)</u>
273,788	192,277	191,125
<u>1,979,798</u>	<u>1,787,521</u>	<u>1,596,396</u>
<u>\$ 2,253,586</u>	<u>\$ 1,979,798</u>	<u>\$ 1,787,521</u>
<u>\$ 125,906</u>	<u>\$ 79,190</u>	<u>\$ (135,093)</u>
94.71%	96.15%	108.18%
\$ 2,882,032	\$ 2,524,736	\$ 2,007,847
4.37%	3.14%	-6.73%

**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)
12/31/2016	\$ 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%
12/31/2018	3,027,809	4,607,130	65.7%	1,579,321	3,752,058	42.1%

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)

	2019	2018
Total OPEB Liability (Asset)		
Service cost	\$ 6,003	\$ 4,813
Interest on total OPEB liability	1,860	1,648
Effect of plan changes	-	-
Difference between expected and actual experience	(2,490)	-
Effect of assumptions changes or inputs	(5,293)	5,549
Benefit payments	-	-
Net change in total OPEB liability (asset)	80	12,010
Total OPEB liability (asset), beginning	53,201	41,191
Total OPEB liability (asset), ending (a)	\$ 53,281	\$ 53,201

Covered payroll	\$ 3,752,058	\$ 3,437,829
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Net OPEB liability (asset) as a % of covered payroll	1.42%	1.55%
--	-------	-------

* Fiscal year 2018 was the first year of implementation, therefore only two years are 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 30, 2020.

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

April 30, 2020

CITY OF MANOR, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2019

Financial Statement Findings

None

CITY OF MANOR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2019

Prior Audit Findings

None

**City of Johnson City, Texas
Items Needed From Client
Year Ended September 30, 2020**

Items needed in electronic format prior to field work

1. Copies of organizational documents and bylaws of the City, if any changes since previous audit fieldwork.
2. Copies of bond instruments, notes payable, and lines of credit, existing during or at year end, if any changes or new issues since last audit fieldwork.
3. Organizational chart as of 9/30/2020.
4. Copies of accounting policy and procedures manuals and personnel policies, if any new or changes to policies existing as of last audit fieldwork.
5. Listing of City employees and members of the City Council. For employees, please provide description of position. For all individuals, please provide an email address. For City Council list, designate which member is the Chair of the Finance Committee.
6. Copy of trial balance as of 9/30/2020. Please provide in excel format.
7. Confirmations (Banking, Lending Institutions, and Tax Assessor) completed and returned to us. **We will mail all confirmations from your office.**
8. Copies of approved City budgets for the fiscal years 2020, 2021.

Items needed on first day of field work (Please provide in electronic format, Excel or .pdf)

General

1. Access to year-to-date general ledger for the year ended 9/30/2020.
2. Access to minutes of all City Council and Finance Committee meetings held from 10/1/19 through the end of our fieldwork

Cash and Cash Equivalents

3. Copy of bank reconciliations for all bank accounts as of 9/30/2020.
4. Access to bank statements and reconciliations from 10/1/19 through 11/30/2020.

Investment Securities

5. Detail of investment securities as of 9/30/2020. List should include security description, date acquired, amortized cost and fair value at 9/30/2020, and maturity date.

Taxes, Accounts Receivable and Other Assets

6. Detail listing and aging reports for all receivables as of 9/30/2020.
7. Detail schedule and aging schedule of receivables.
8. Detail schedules for prepaid expenses and other assets.

**City of Johnson City, Texas
Items Needed From Client
Year Ended September 30, 2020**

Property and Equipment

9. Schedule of fixed assets purchased and deleted/removed from service during the fiscal year.

Accounts Payable and Accrued Liabilities

10. Detail listing of all accounts payable and accrued expenses at 9/30/2020.

11. Detail listing of other payables as of 9/30/2020.

12. Listing of employee's accrued leave (in Excel format if possible) at 9/30/2020.

13. Access to any unpaid invoices as of the date of our fieldwork.

14. Detail of property claims paid in the year-ended 9/30/2020.

15. Detail of calculation of reserve for losses as of 9/30/2020.

Long-term Debt

16. Roll-forward of notes and bonds payable that includes beginning balance, payments, new borrowings (if applicable), and ending balance. Include accrued interest payable and interest paid during the year.

Fund Balances

17. Roll-forward of fund balances from 10/01/19 to 9/30/2020. Schedule should include for each (including those with restrictions):

Balance 10/01/19	2020 Receipts/Revenues	2020 Expenditures/Releases	2020 Transfers	Balance 9/30/2020
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Revenues, Receipts and Expenses

18. Access to all payroll journals for the year-ended 9/30/2020 and access to all payroll returns filed for the year.

19. Detail of legal expenses for the year-ended 9/30/2020.

20. Access to cash disbursement and receipt records for the year-ended 9/30/2020.


21. Electronic copies of cash disbursement and cash receipt registers, in excel.

22. Names and addresses of any attorneys consulted during the year-ended 9/30/2020.

23. GASB 68 and 75 reports, both from the TMRS and internal Payroll reports: GASB 68 and 75 Census Item Descriptions for Employer Auditors for 2019, and calendar year 2020 payroll information (TMRS Contributions) from January 1 through September 2020.

Proposer Warranties

- A. Proposer warrants that it is willing and able to comply with State of Texas laws.
- B. Proposer warrants that it is willing and able to obtain errors and omissions insurance coverage providing a prudent amount of coverage for the willful or negligent acts or omissions of any officers, employees, or agents thereof.
- C. Proposer warrants it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of Johnson City.
- D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: 

Name (typed): Ronny Armstrong

Title: Partner

Firm: Atchley & Associates, LLP

Date: May 27, 2021