

THE CITY OF MANOR, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2008

**CITY OF MANOR, TEXAS
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SEPTEMBER 30, 2008**

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Lockart, Atchley & Associates, L.L.P.

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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 the accompanying financial statements of the governmental activities and the business-type activities of the City of Manor, Texas (the City) as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the the City's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of findings and Responses as item 08-01 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF CHEMISTRY

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Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Manor's basic financial statements. The combining and individual fund financial schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Lockart, Atchley & Associates, LLP

Austin, Texas

June 2, 2009

CITY OF MANOR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

In this section of the Annual Financial Report, we, the managers of the City of Manor, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2008. Please read it in conjunction with the independent auditors' report on page 1, and the City's Financial Statements which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$2,266,743. Of this amount, \$409,857 was a result of this year's operations, while \$1,856,886 was a result of prior period adjustments. Net assets of business-type activities increased by \$1,508,252 from operations and decreased by \$1,786,184 from prior period adjustments for an overall decrease in net assets of \$277,932 (7.3%). Net assets of governmental activities decreased \$1,098,395 (87%) from operations and increased by \$3,643,070 from prior period adjustments for an overall increase of \$2,544,675 (300%). Prior period adjustments were a result of (1) recording of capital assets not on previous statements,; (2) reclassification of capital assets and related debt to the proper funds, and (3) the elimination of prior year intrafund payables recorded in error. The reclassification of related debt and the elimination of intrafund payables were presented in the current year's financial statements as part of operations as transfers in (out) between governmental activities and business-type activities.
- In the governmental activities during the year, tax revenue accounted for 56.8% of all the revenue or \$2,010,577. Charges for services accounted for 32.4% of revenue, or \$1,146,729, and interest income accounted for 6.4% of revenue or \$226,264.
- Charges for services in the business-type activities were \$290,297 more than the expenses paid for those services.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities on pages 11 and 12-13. These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements starting on page 14 report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

CITY OF MANOR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

The notes to the financial statements starting on page 21 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the City's individual funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

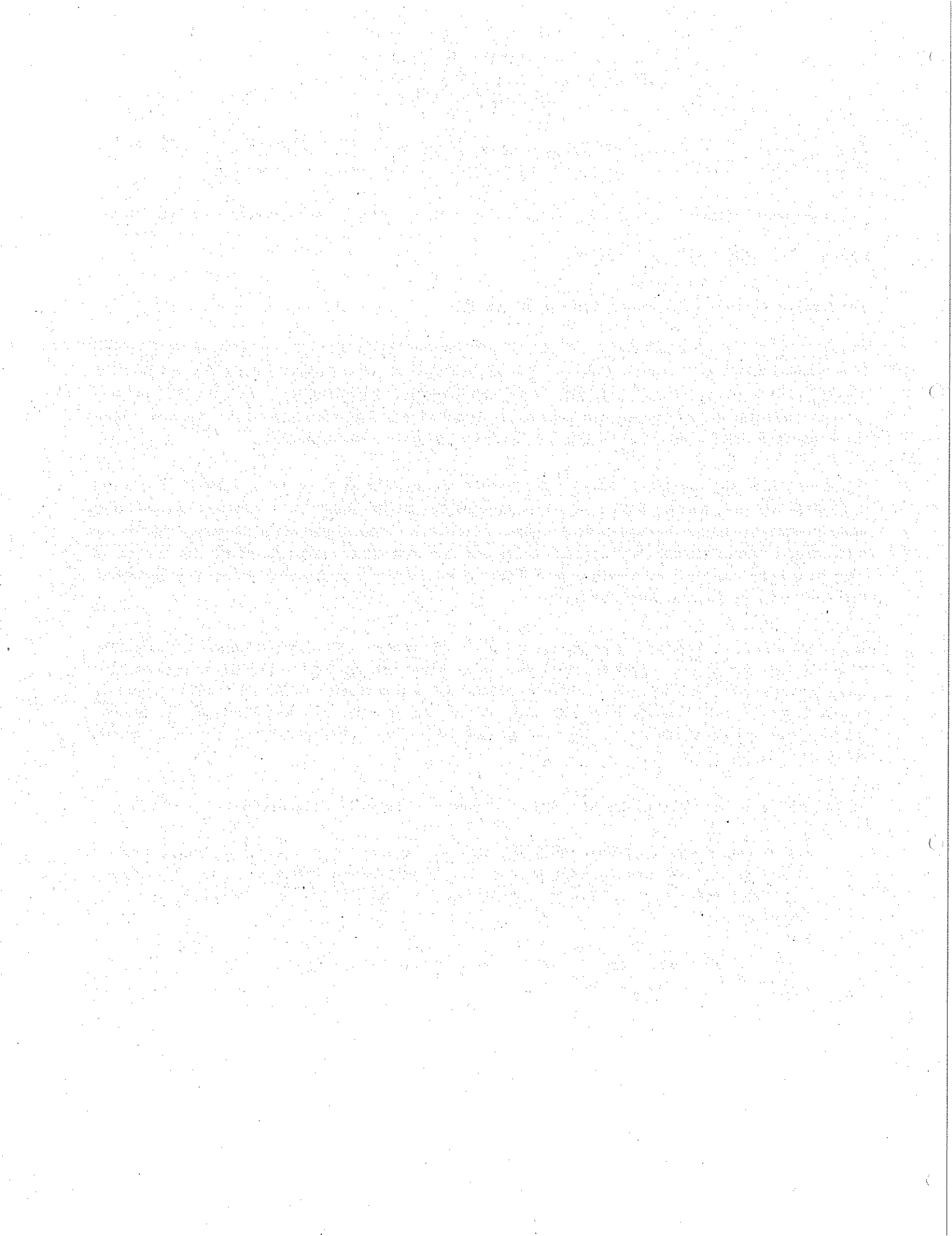
The analysis of the City's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the financial position of the City has improved or declined as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who pay for the costs of some programs (such as utility funds) and grants provided by the outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's average daily attendance or its property tax base and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities**—Most of the City's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- **Business-type activities**—The City charges a fee to “customers” to help it cover all or most of the cost of services it provides in the utility fund.



CITY OF MANOR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the City as a whole. Laws and contracts require the City to establish some funds, such as grants received from a government agency. The City's administration establishes many other funds to help it control and manage money for particular purposes. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- **Governmental funds**—Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- **Proprietary funds**—The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the City's proprietary funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the City's other programs and activities—such as the City's self-insurance programs, the print shop, and transportation.
- **Notes to the financial statements**—The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-40 of this report.

CITY OF MANOR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a city's financial position. The City of Manor's assets exceeded liabilities by \$7,350,260 at the close of the most recent fiscal year.

Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2008	9/30/2007	9/30/2008	9/30/2007	9/30/2008	9/30/2007
<u>Assets:</u>						
Current and Other Assets	\$ 5,156,238	\$ 7,053,916	\$ 1,721,814	\$ 1,366,111	\$ 6,878,052	\$ 8,420,027
Capital Assets	3,299,176	3,668,734	8,489,049	4,500,834	11,788,225	8,169,568
Total Assets	<u>\$ 8,455,414</u>	<u>\$ 10,722,650</u>	<u>\$ 10,210,863</u>	<u>\$ 5,866,945</u>	<u>\$ 18,666,277</u>	<u>\$ 16,589,595</u>
<u>Liabilities:</u>						
Current and Other Liabilities	\$ 464,002	\$ 358,325	\$ 216,300	\$ 227,172	\$ 680,302	\$ 585,497
Long-term Debt Outstanding	4,180,513	9,098,101	6,455,202	1,822,480	10,635,715	10,920,581
Total Liabilities	<u>4,644,515</u>	<u>9,456,426</u>	<u>6,671,502</u>	<u>2,049,652</u>	<u>11,316,017</u>	<u>11,506,078</u>
<u>Net Assets:</u>						
Invested in capital assets, net of debt	(1,100,243)	(5,700,185)	2,023,688	1,988,677	923,445	(3,711,508)
Restricted for:						
Park	-	500,000	-	-	-	500,000
CIF Funds	3,369,823	-	959,304	-	4,329,127	-
Unrestricted	1,541,319	6,466,409	556,369	1,828,616	2,097,688	8,295,025
Total Net Assets	<u>3,810,899</u>	<u>1,266,224</u>	<u>3,539,361</u>	<u>3,817,293</u>	<u>7,350,260</u>	<u>5,083,517</u>
Total Liabilities and Net Assets	<u>\$ 8,455,414</u>	<u>\$ 10,722,650</u>	<u>\$ 10,210,863</u>	<u>\$ 5,866,945</u>	<u>\$ 18,666,277</u>	<u>\$ 16,589,595</u>

CITY OF MANOR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2008	9/30/2007	9/30/2008	9/30/2007	9/30/2008	9/30/2007
Program Revenue	\$ 1,146,729	\$ 1,345,754	\$ -	\$ -	\$ 1,146,729	\$ 1,345,754
Water and Wastewater Revenue			1,842,983	1,807,743	1,842,983	1,807,743
General Revenue						
Property Taxes	1,256,917	705,400	-	-	1,256,917	705,400
Sales Taxes	467,252	527,083	-	-	467,252	527,083
Other Taxes	286,408	213,015	-	-	286,408	213,015
Other Income	382,449	144,370	(6,745)	163,349	375,704	307,719
Total General Revenues	2,393,026	1,589,868	(6,745)	163,349	2,386,281	1,753,217
Total Revenues	3,539,755	2,935,622	1,836,238	1,971,092	5,375,993	4,906,714
Expenses						
General Government	2,782,129	2,568,968	-	-	2,782,129	2,568,968
Community Development	174,246	374,362	-	-	174,246	374,362
Debt Service and Interest	191,813	123,110	-	-	191,813	123,110
Water and Wastewater	-	-	1,817,948	1,605,569	1,817,948	1,605,569
Total Expenses	3,148,188	3,066,440	1,817,948	1,605,569	4,966,136	4,672,009
Revenues Over (Under) Expenses	391,567	(130,818)	18,290	365,523	409,857	234,705
Transfers						
Operating transfers in (out)	(1,489,962)	-	1,489,962	-	-	-
Total Transfers	(1,489,962)	-	1,489,962	-	-	-
Increase (Decrease) in Net Assets	\$ (1,098,395)	\$ (130,818)	\$ 1,508,252	\$ 365,523	\$ 409,857	\$ 234,705

CITY OF MANOR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$683,343. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents over 25% of total General Fund expenditures.

Utility Fund: This fund is used to account for operations that are financed and operated in a manner similar to private business enterprise where the cost (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

At the end of the current fiscal year, unrestricted fund balance of the Utility Fund was \$556,369 and invested in capital assets, net of debt and depreciation was \$2,023,688. As a measure of the Utility Fund's liquidity, it may be useful to compare unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 31% of total Utility Fund expenditures.

As the City completed the year, its governmental funds as presented in the Balance Sheet on page 14 reported a combined fund balance of \$4,936,327, which is below last year's total of \$6,956,250. Included in this year's total change in fund balance is a decrease of \$1,043,315 in the City's Capital Projects Fund. This amount represents the construction of \$2,127,823 in capital assets which the majority was constructed using bond revenues recognized in prior years. This decrease also includes the elimination of prior year reclassifications via transfers in totaling \$831,852.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant differences between the original budget and the final budget can be briefly described as follows:

- Judicial court costs paid to the State is directly related to the amount of fines and forfeitures collected during the year. Fines and forfeiture revenues were budgeted at \$310,750 and actual was \$601,732. Related court costs were budgeted at \$130,000 and actual was \$171,666, resulting in a variance of \$41,666 for this expense. Overall judicial savings in other areas offset this variance resulting in an overall judicial expense variance of only \$17,434.

CITY OF MANOR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

- In total, General Fund revenues were budgeted at \$2,998,499 but actual was \$2,665,337. This shortfall was due primarily to the decrease in construction by developers resulting in an unfavorable variance of \$773,069 in license and permit fees. However, the majority of this variance was offset by the favorable variance in fines and forfeitures.
- In total, General Fund expenditures were budgeted to be \$2,918,422 and actual was \$2,699,853. This favorable variance was due to decreased expenditures across all departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—Governmental Activities

At the end of 2008, the governmental activities had \$3,299,176 invested in a broad range of capital assets (net of accumulated depreciation), including facilities and equipment for public safety, administration, and maintenance. This amount represents a net decrease of approximately \$370,000, or 10% below last year.

	Balance 10/1/2007	Prior Period Adjustments	Additions	Retirements	Balance 9/30/2008
Land	\$ 118,947	\$ -	\$ -	\$ -	\$ 118,947
Buildings & Equipment	892,961	-	43,785	-	936,746
Street Improvements	2,296,537	177,587	2,499	-	2,476,623
Construction in Progress	591,932	(450,639)	140,950	-	282,243
	3,900,377	(273,052)	187,234	-	3,814,559
Less Accumulated Depreciation	231,643	-	283,740	-	515,383
Total Fixed Assets	\$ 3,668,734	\$ (273,052)	\$ (96,506)	\$ -	\$ 3,299,176

Capital Assets – Business-Type Activities

	Balance 10/1/2007	Prior Period Adjustments	Additions	Retirements	Balance 9/30/2008
Land	\$ 406,816	\$ -	\$ -	\$ -	\$ 406,816
Machinery & Equipment	253,640	-	-	-	253,640
Culverts	12,992	-	-	-	12,992
Water Mains & Systems	1,720,754	1,610,602	48,441	-	3,379,797
Sewer Systems	2,174,334	1,470,501	31,075	-	3,675,910
Construction in Progress	1,643,343	(951,165)	2,023,086	-	2,715,264
	6,211,879	2,129,938	2,102,602	-	10,444,419
Less Accumulated Depreciation	1,711,045	-	244,325	-	1,955,370
Total Fixed Assets	\$ 4,500,834	\$ 2,129,938	\$ 1,858,277	\$ -	\$ 8,489,049

**CITY OF MANOR, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Long-term Debt

In the governmental activities, at the end of the current fiscal year, the City had capital leases payable of \$118,856 and general obligation bonds of \$4,213,000. The Utility Fund at September 30, 2008 had capital leases payable of \$27,915 and general obligation bonds of \$6,382,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Mayor and the City Council adopted a resolution for approval of an ad valorem tax rate of \$.6582 per \$100 valuation of the appraised property within the boundaries of the City for the next fiscal year. The tax will be split \$.3257 per \$100 valuation of property for general fund operations of the City and \$.3325 per \$100 valuation of property to finance debt service.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Manor, Texas' finances and the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact: City of Manor, Attn: City Manager, PO Box 387, Manor, TX 78653.

CITY OF MANOR, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

		Primary Government	
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 368,066	\$ 1,301,731	\$ 1,669,797
Investments - Current	3,755,626	1,269,927	5,025,553
Receivables (net of allowance for uncollectibles)	61,549	109,486	171,035
Internal Balances	961,706	(961,706)	-
Prepaid Items	9,291	2,376	11,667
Capital Assets:			
Land	118,947	406,816	525,763
Infrastructure, net	2,476,623	7,068,699	9,545,322
Buildings, net	528,640	-	528,640
Improvements other than Buildings, net	232,265	-	232,265
Machinery and Equipment, net	175,841	253,640	429,481
Accumulated Depreciation	(515,383)	(1,955,370)	(2,470,753)
Construction in Progress	282,243	2,715,264	2,997,507
Total Assets	<u>8,455,414</u>	<u>10,210,863</u>	<u>18,666,277</u>
LIABILITIES			
Accounts Payable	6,354	7,290	13,644
Intergovernmental Payable	102,271	-	102,271
Accrued Interest Payable	67,563	55,446	123,009
Deferred Revenues	72,287	-	72,287
Payable from Restricted Assets	28,840	-	28,840
Noncurrent Liabilities			
Due Within One Year	186,687	153,564	340,251
Due in More Than One Year	4,180,513	6,455,202	10,635,715
Total Liabilities	<u>4,644,515</u>	<u>6,671,502</u>	<u>11,316,017</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(1,100,243)	2,023,688	923,445
Restricted for Specific Purpose	3,369,823	959,304	4,329,127
Unrestricted Net Assets	1,541,319	556,369	2,097,688
Total Net Assets	<u>\$ 3,810,899</u>	<u>\$ 3,539,361</u>	<u>\$ 7,350,260</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF MANOR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

		Program Revenues
	Expenses	Charges for Services
Primary Government:		
GOVERNMENTAL ACTIVITIES:		
Legislative	\$ 437,772	\$ 23,168
Judicial	289,337	601,732
Police	1,204,596	19,674
Highways and Streets	744,544	345,095
Conservation and Development	212,563	157,060
Bond Interest	259,376	-
Total Governmental Activities:	<u>3,148,188</u>	<u>1,146,729</u>
BUSINESS-TYPE ACTIVITIES:		
Water and Wastewater	<u>1,817,948</u>	<u>1,842,983</u>
Total Business-Type Activities:	<u>1,817,948</u>	<u>1,842,983</u>
TOTAL PRIMARY GOVERNMENT:	<u>\$ 4,966,136</u>	<u>\$ 2,989,712</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Hotel Occupancy Tax

Franchise Taxes

Other Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets--Beginning

Prior Period Adjustment

Net Assets--Ending

The notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets.

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (414,604)	\$ -	\$ (414,604)
312,395	-	312,395
(1,184,922)	-	(1,184,922)
(399,449)	-	(399,449)
(55,503)	-	(55,503)
(259,376)	-	(259,376)
(2,001,459)	-	(2,001,459)
-	25,035	25,035
-	25,035	25,035
(2,001,459)	25,035	(1,976,424)
619,751	-	619,751
637,166	-	637,166
399,774	-	399,774
67,478	-	67,478
285,193	-	285,193
1,215	-	1,215
15,060	-	15,060
28,699	-	28,699
112,426	(6,745)	105,681
226,264	-	226,264
(1,489,962)	1,489,962	-
903,064	1,483,217	2,386,281
(1,098,395)	1,508,252	409,857
1,266,224	3,817,293	5,083,517
3,643,070	(1,786,184)	1,856,886
\$ 3,810,899	\$ 3,539,361	\$ 7,350,260

CITY OF MANOR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	General Fund	Debt Service Fund	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 192,074	\$ 5,925	\$ 170,067	\$ 368,066
Investments - Current	543,439	35,031	3,177,156	3,755,626
Taxes Receivable	32,565	19,756	-	52,321
Allowance for Uncollectible Taxes (credit)	(27,193)	-	-	(27,193)
Receivables (Net)	32,772	-	-	32,772
Intergovernmental Receivables	-	-	3,649	3,649
Due from Other Funds	68,929	-	961,706	1,030,635
Prepaid Items	9,291	-	-	9,291
Total Assets	<u>\$ 851,877</u>	<u>\$ 60,712</u>	<u>\$ 4,312,578</u>	<u>\$ 5,225,167</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Wages and Salaries Payable	\$ 6,354	\$ -	\$ -	\$ 6,354
Intergovernmental Payable	102,271	-	-	102,271
Due to Other Funds	-	-	68,929	68,929
Deferred Revenues	31,069	16,888	34,489	82,446
Liabilities Payable from Restricted Assets	28,840	-	-	28,840
Total Liabilities	<u>168,534</u>	<u>16,888</u>	<u>103,418</u>	<u>288,840</u>
Fund Balances:				
Unreserved and Undesignated:				
Reported in the General Fund	683,343	43,824	-	727,167
Reported in the Debt Service Fund	-	-	4,209,160	4,209,160
Total Fund Balances	<u>683,343</u>	<u>43,824</u>	<u>4,209,160</u>	<u>4,936,327</u>
Total Liabilities and Fund Balances	<u>\$ 851,877</u>	<u>\$ 60,712</u>	<u>\$ 4,312,578</u>	<u>\$ 5,225,167</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF MANOR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Total Fund Balances - Governmental Funds	\$ 4,936,327
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$3,900,377 and the accumulated depreciation was \$231,643. In addition, long-term liabilities, including bonds payable of \$9,125,264, capital leases of \$196,690, and accrued compensated absences of \$46,965, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net assets.	(5,700,185)
Net effect of current year capital outlays, \$187,234 and prior period reclassifications, (\$273,052) are revenues in the fund financial statements, but they should be shown as decreases in capital assets in the government-wide financial statements. The net effect of including the 2008 capital outlays and prior period adjustments is to decrease net assets.	(85,818)
Transfer of bonds to the Proprietary Fund of \$4,747,970 and current year long-term debt principal payments, bonds \$125,000 and leases \$117,128, are expenditures in the fund financial statements, but they should be shown as reductions in long-term debt in the government-wide financial statements. The net effect of including the 2008 debt principal payments is to increase net assets.	4,990,098
The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(283,740)
Bond and capital lease interest expense increases Accrued Interest Payable. The net effect of the current year's interest expense is to decrease net assets.	(67,563)
The 2008 compensated absences expense increases accrued compensated absences. The net effect is to decrease net assets.	11,621
Other adjustments are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. Property taxes receivable were unavailable to pay for current period expenditures and are deferred in the funds, but included in the statement of net assets.	10,159
Net Assets of Governmental Activities	\$ 3,810,899

The notes to the Financial Statements are an integral part of this statement.

CITY OF MANOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Debt Service Fund	Capital Projects	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 610,915	\$ 646,002	\$ -	\$ 1,256,917
General Sales and Use Taxes	399,774	-	-	399,774
Hotel Occupancy Tax	67,478	-	-	67,478
Franchise Tax	285,193	-	-	285,193
Other Taxes	1,215	-	-	1,215
Penalty and Interest on Taxes	15,060	-	-	15,060
Licenses and Permits	158,380	-	-	158,380
Intergovernmental Revenue and Grants	-	-	28,699	28,699
Charges for Services	966,151	-	-	966,151
Fines	350	-	-	350
Special Assessments	21,848	-	-	21,848
Investment Earnings	26,547	17,457	182,260	226,264
Other Revenue	112,426	-	-	112,426
Total Revenues	2,665,337	663,459	210,959	3,539,755
EXPENDITURES:				
Current:				
General Government:				
Legislative	440,524	-	-	440,524
Judicial	290,241	-	-	290,241
Public Safety:				
Police	1,134,504	-	-	1,134,504
Public Works:				
Highways and Streets	621,853	-	-	621,853
Conservation and Development	212,731	-	-	212,731
Debt Service:				
Bond Principal	-	125,000	-	125,000
Bond Interest	-	191,813	-	191,813
Issuance Costs	-	-	2,500	2,500
Capital Outlay:				
Capital Outlay	-	-	179,408	179,408
Total Expenditures	2,699,853	316,813	181,908	3,198,574
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,516)	346,646	29,051	341,181
OTHER FINANCING SOURCES (USES):				
Non-Current Loans	(39,294)	-	-	(39,294)
Transfers Out (Use)	263,083	(680,679)	(1,072,366)	(1,489,962)
Total Other Financing Sources (Uses)	223,789	(680,679)	(1,072,366)	(1,529,256)
Net Change in Fund Balances	189,273	(334,033)	(1,043,315)	(1,188,075)
Fund Balance - October 1 (Beginning)	1,325,918	377,857	5,252,475	6,956,250
Prior Period Adjustment	(831,848)	-	-	(831,848)
Fund Balance - September 30 (Ending)	\$ 683,343	\$ 43,824	\$ 4,209,160	\$ 4,936,327

The notes to the Financial Statements are an integral part of this statement.

CITY OF MANOR, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Total Net Change in Fund Balances - Governmental Funds	\$ (1,188,075)
Current year capital outlays of \$187,234 and long-term debt principal payments of \$242,128 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2008 capital outlays and debt principal payments is to increase net assets.	429,362
Accrued interest expense is not recognized as an expense in governmental fund financial statements since it does not require the use of current financial resources. The net effect of the current year's accrual for interest expense is to decrease net assets.	(67,563)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(283,740)
Compensated absences is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's compensated absences is to increase net assets.	11,621
Change in Net Assets of Governmental Activities	\$ (1,098,395)

The notes to the Financial Statements are an integral part of this statement.

CITY OF MANOR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

	Business Type Activities
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,301,731
Investments - Current	1,269,927
Accounts Receivable-Net of Uncollectible Allowance	109,486
Prepaid Items	2,376
Total Current Assets	<u>2,683,520</u>
Noncurrent Assets:	
Capital Assets:	
Land Purchase and Improvements	406,816
Infrastructure	7,068,699
Machinery and Equipment	253,640
Accumulated Depreciation - Capital Assets	(1,955,370)
Construction in Progress	2,715,264
Total Noncurrent Assets	<u>8,489,049</u>
Total Assets	<u>11,172,569</u>
LIABILITIES	
Current Liabilities:	
Compensated Absences Payable	7,290
Due to Other Funds	961,706
Accrued Interest Payable	55,446
Bonds Payable - Current:	
General Obligation Bonds Payable	140,000
Capital Leases Payable - Current	13,564
Total Current Liabilities	<u>1,178,006</u>
NonCurrent Liabilities:	
Bonds Payable - Noncurrent	6,242,000
Capital Leases Payable - Noncurrent	14,352
Other Noncurrent Liabilities	198,850
Total Noncurrent Liabilities	<u>6,455,202</u>
Total Liabilities	<u>7,633,208</u>
NET ASSETS	
Investments in Capital Assets, Net of Debt	2,023,688
Restricted for Capital Improvements	959,304
Unrestricted Net Assets	556,369
Total Net Assets	<u>\$ 3,539,361</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF MANOR, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business Type Activities
<hr/>	
OPERATING REVENUES:	
Charges for Water Services	\$ 1,061,846
Charges for Sewerage Service	781,137
Investment Earnings	34,427
Other Revenue	(41,172)
Total Operating Revenues	<u>1,836,238</u>
OPERATING EXPENSES:	
Water	
Personnel Services - Salaries and Wages	87,698
Personnel Services - Employee Benefits	31,298
Purchased Professional & Technical Services	55,922
Purchased Property Services	11,431
Other Operating Expenses	38,358
Supplies	217,019
Total Water	<u>441,726</u>
Proprietary Fund Function - Sewerage	
Personnel Services - Salaries and Wages	46,190
Personnel Services - Employee Benefits	16,430
Purchased Property Services	424,260
Other Operating Expenses	147,703
Supplies	33,340
Total Proprietary Fund Function - Sewerage	<u>667,923</u>
Proprietary Fund Function - Public Works	
Personnel Services - Salaries and Wages	107,005
Personnel Services - Employee Benefits	32,283
Purchased Property Services	15,945
Other Operating Expenses	12,855
Supplies	23,879
Total Proprietary Fund Function - Public Works	<u>191,967</u>
Depreciation	244,325
Interest Expense	272,007
Total Operating Expenses	<u>1,817,948</u>
Income Before Transfers	18,290
Non-Operating Transfer In(Out)	<u>1,489,962</u>
Change in Net Assets	1,508,252
Total Net Assets - October 1 (Beginning)	3,817,293
Prior Period Adjustment	(1,786,184)
Total Net Assets - September 30 (Ending)	<u>\$ 3,539,361</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF MANOR
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Business Type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income	\$ 1,508,252
Adjustments to Reconcile Change in Net Assets to Net	
Cash Provided by Operating Activities	
Depreciation	244,325
(Increase)Decrease in Accounts Receivable	33,500
(Increase)Decrease in Prepaid Expenses	1,713
(Increase)Decrease in Due from Other Funds	(2,395,245)
Increase(Decrease) in Accounts Payable	2,382
Increase(Decrease) in Due to Other Funds	129,859
Increase(Decrease) in Accrued Interest Payable	55,446
Increase(Decrease) in Compensated Absences	<u>521</u>
Net Cash Used for Operating Activities	(419,247)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Customer Deposits Received	<u>21,909</u>
Net Cash Provided by Non-Capital Financing Activities	21,909
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(2,102,602)
Payments on Bonds	(140,000)
Payments on Capital Leases	(13,251)
Bond Proceeds	<u>4,694,843</u>
Net Cash Provided by Financing Activities	<u>2,438,990</u>
Net Increase in Cash and Cash Equivalents	2,041,652
Cash and Cash Equivalents at Beginning of Year	<u>530,006</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,571,658</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest Paid During the Year	<u>\$ 272,007</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Manor (the City) is a municipal corporation operating under the applicable laws and regulations of the State of Texas. It has a Mayor - Council form of government with the mayor and five council members elected by registered voters of the City. The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Council and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas' uniform accounting requirements and the requirements of contracts and grants of agencies from which it receives funds.

Financial Reporting Entity

The Mayor and Council are elected by the public and they have the authority to make decisions, appoint administrators and managers, and significantly influence operations. They also have the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Council (GASB) in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity. The City provides the following services as authorized by its Articles of Incorporation: public safety (police), streets, public improvements, parks, water, wastewater, and general administrative services.

Basis of Presentation—Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City of Manor nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the governmental fund Balance Sheet and proprietary fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and proprietary funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers.

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation—Government-Wide and Fund Financial Statements (continued)

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and proprietary.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials, labor, and direct overhead. Other expenses are non-operating.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. It recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Council pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Budgets and Budgetary Accounting

The City Council adopts an annual budget for the general fund and proprietary fund. The annual budget for the general fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the proprietary fund is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and expense items are not considered. The City is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures/expenses must be approved by the City Council. Subsequent to year-end, the City Council adopts an amended budget approving such additional expenditures/expenses. The budget for the general fund is presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual—General Fund. All annual appropriations lapse at fiscal year end.

Property Tax

Ad valorem taxes, penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the City.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants

The City participates in numerous State and Federal 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 collection of any related receivable at September 30, 2008 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 combined financial statements for such contingencies.

Cash and Cash Equivalents

For the purpose of the Statement of Net Assets, cash includes all demand, savings accounts, and certificates of deposits of the City. For purposes of the proprietary fund Statement of Cash Flows, the proprietary fund type considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash with an original maturity date of three months or less.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The proprietary fund reports utility income as their major receivable.

Fund Accounting

The City reports the following major governmental funds:

The General Fund – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the City reports the following fund types:

Debt Service Funds – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Capital Projects Funds – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

Proprietary Fund – The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in a proprietary fund.

Cash Flow

For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Long-Term Debt and Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

It is the City's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City made the decision not to depreciate all buildings, equipment, and roadways in the general fund purchased or constructed before the required GASB 34 implementation. The total value of buildings and equipment not depreciated is \$490,181 and roadways is \$265,576.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Software	5
Machinery and equipment	5-7
Building improvements	10
Street improvements and culverts	20
Water mains and systems	40
Sewer system	50

NOTE 2 -RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

As of September 30, 2008, interfund receivables and payables resulting from various transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Funds	\$ 961,706	\$ -
Proprietary Fund	-	961,706
	<u>\$ 961,706</u>	<u>\$ 961,706</u>

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 3 – CAPITAL ASSETS

Governmental Funds

The following is a summary of changes in the capital assets for the year:

	Balance 10/1/2007	Prior Period Adjustments	Additions	Retirements	Balance 9/30/2008
Land	\$ 118,947	\$ -	\$ -	\$ -	\$ 118,947
Buildings & Equipment	892,961	-	43,785	-	936,746
Street Improvements	2,296,537	177,587	2,499	-	2,476,623
Construction in Progress	591,932	(450,639)	140,950	-	282,243
	3,900,377	(273,052)	187,234	-	3,814,559
Less Accumulated Depreciation	231,643	-	283,740	-	515,383
Total Fixed Assets	<u>\$ 3,668,734</u>	<u>\$ (273,052)</u>	<u>\$ (96,506)</u>	<u>\$ -</u>	<u>\$ 3,299,176</u>

Proprietary Fund

The following is a summary of changes in the capital assets for the year:

	Balance 10/1/2007	Prior Period Adjustments	Additions	Retirements	Balance 9/30/2008
Land	\$ 406,816	\$ -	\$ -	\$ -	\$ 406,816
Machinery & Equipment	253,640	-	-	-	253,640
Culverts	12,992	-	-	-	12,992
Water Mains & Systems	1,720,754	1,610,602	48,441	-	3,379,797
Sewer Systems	2,174,334	1,470,501	31,075	-	3,675,910
Construction in Progress	1,643,343	(951,165)	2,023,086	-	2,715,264
	6,211,879	2,129,938	2,102,602	-	10,444,419
Less Accumulated Depreciation	1,711,045	-	244,325	-	1,955,370
Total Fixed Assets	<u>\$ 4,500,834</u>	<u>\$ 2,129,938</u>	<u>\$ 1,858,277</u>	<u>\$ -</u>	<u>\$ 8,489,049</u>

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 4 – COMMITMENTS UNDER CAPITAL LEASE

Governmental Funds

The City is obligated under certain leases accounted for as capital leases. Leased assets and related obligations are accounted for in the governmental activities column in the government-wide financial statements and divided accordingly between due within one year and due in more than one year and totaled \$118,856 at September 30, 2008.

Following is a summarization of capital lease transactions for the year ended September 30, 2008:

Balance, October 1, 2007	\$ 196,690
Addition of Debt	-
Retirement of Debt	<u>(77,834)</u>
Balance, September 30, 2008	<u>\$ 118,856</u>

Lease payment obligations in the General Fund are funded from general revenue sources.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2008:

<u>Year Ending September 30,</u>	<u>Amount</u>
2009	\$ 68,784
2010	37,650
2011	24,675
2012	-
2013	-
Thereafter	<u>-</u>
Minimum Lease Payments for All Capital Leases	131,109
Less: Amount representing interest at the City's incremental borrowing rate	<u>(12,253)</u>
Present Value of Minimum Lease Payments	<u>\$ 118,856</u>

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 4 – COMMITMENTS UNDER CAPITAL LEASE (continued)

Proprietary Fund

The City's utility fund is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the business-type activities column in the government-wide financial statements and divided accordingly between due within one year and due in more than one year and totaled \$27,915 at September 30, 2008.

Following is a summarization of capital lease transactions for the year ended September 30, 2008:

Balance, October 1, 2007	\$ 41,167
Addition of Debt	-
Retirement of Debt	<u>(13,252)</u>
Balance, September 30, 2008	<u>\$ 27,915</u>

Lease payment obligations in the utility fund are funded from utility revenue sources.

The following is a schedule of future minimum lease payments under capital leases in the utility fund, together with the net present value of the minimum lease payments as of September 30, 2008:

<u>Year Ending September 30,</u>	<u>Amount</u>
2009	\$ 14,782
2010	11,227
2010	5,008
2011	-
2012	-
Thereafter	<u>-</u>
Minimum Lease Payments for All Capital Leases	31,017
Less: Amount representing interest at the City's incremental borrowing rate	<u>(3,102)</u>
Present Value of Minimum Lease Payments	<u>\$ 27,915</u>

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 5 - GENERAL OBLIGATION BONDS

General Obligation Bonds, Series 2001

On October 15, 2001, the City issued \$1,800,000 of general obligation bonds. Interest will be payable on February 15 and August 15 each year, until maturity or prior redemption. Proceeds from the sale of the bonds were used for the purpose of street, drainage, water and wastewater improvements and to pay the costs associated with the issuance of the bonds.

The annual requirements to amortize the note are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 55,000	\$ 76,488	\$ 131,488
2010	55,000	74,150	129,150
2011	60,000	71,703	131,703
2012	65,000	69,033	134,033
2013	65,000	65,978	130,978
2014-2018	380,000	279,235	659,235
2019-2023	475,000	172,958	647,958
2024-2026	355,000	39,094	394,094
	<u>\$ 1,510,000</u>	<u>\$ 848,639</u>	<u>\$ 2,358,639</u>

Certificates of Obligation Bonds, Series 2004

On May 15, 2004, the City issued \$1,500,000 of certificates of obligation bonds. Interest will be payable on February 15 each year, until maturity or prior redemption. Proceeds from the sale of the bonds were used for the construction of improvements to the City's waterworks and wastewater system including additions and improvements, the acquisition of land and right-of-way for such purposes, the construction and equipping of a new City Hall, professional services, and costs of issuance.

The annual requirements to amortize the note are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 55,000	\$ 57,938	\$ 112,938
2010	60,000	55,350	115,350
2011	65,000	52,538	117,538
2012	65,000	49,613	114,613
2013	70,000	46,575	116,575
2014-2018	390,000	182,698	572,698
2019-2023	500,000	83,250	583,250
2024	110,000	2,475	112,475
	<u>\$ 1,315,000</u>	<u>\$ 530,437</u>	<u>\$ 1,845,437</u>

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 5 - GENERAL OBLIGATION BONDS (continued)

General Obligation Bonds, Series 2004-2

On November 4, 2004, the City issued \$1,475,000 of general obligation bonds. Interest will be payable on February 15 and March 15 each year, until maturity or prior redemption. Proceeds from the sale of the bonds will be used for the improvements and extensions to the City's streets and payment of costs of issuance.

The annual requirements to amortize the note are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 55,000	\$ 67,125	\$ 122,125
2010	60,000	64,250	124,250
2011	65,000	61,125	126,125
2012	65,000	57,875	122,875
2013	70,000	54,500	124,500
2014-2018	410,000	214,250	624,250
2019-2023	525,000	98,125	623,125
2024	120,000	3,000	123,000
	<u>\$ 1,370,000</u>	<u>\$ 620,250</u>	<u>\$ 1,990,250</u>

Certificates of Obligation Bonds, Series 2007

On September 20, 2008, the City issued \$3,525,000 of certificates of obligation bonds. Interest will be payable on February 15 and August 15 each year, until maturity or prior redemption. Proceeds from the sale of the bonds will be used for capital improvements to the City's water and wastewater systems and certain street and drainage improvements, and payment of costs of issuance.

The annual requirements to amortize the note are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 50,000	\$ 148,035	\$ 198,035
2010	75,000	145,905	220,905
2011	90,000	142,710	232,710
2012	115,000	138,876	253,876
2013	130,000	133,977	263,977
2014-2018	840,000	574,248	1,414,248
2019-2023	1,080,000	377,223	1,457,223
2024-2026	1,095,000	119,493	1,214,493
	<u>\$ 3,475,000</u>	<u>\$ 1,780,467</u>	<u>\$ 5,255,467</u>

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 5 - GENERAL OBLIGATION BONDS (continued)

General Obligation Bonds, Series 2007-2

On September 20, 2008, the City issued \$2,975,000 of general obligation bonds. Interest will be payable on February 15 and August 15 each year, until maturity or prior redemption. Proceeds from the sale of the bonds will be used for capital improvements to the City's water and wastewater systems and certain street and drainage improvements, and payment of costs of issuance.

The annual requirements to amortize the note are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 50,000	\$ 124,898	\$ 174,898
2010	75,000	122,763	197,763
2011	90,000	119,560	209,560
2012	100,000	115,717	215,717
2013	115,000	111,447	226,447
2014-2018	690,000	477,386	1,167,386
2019-2023	890,000	312,991	1,202,991
2024-2026	915,000	100,132	1,015,132
	<u>\$ 2,925,000</u>	<u>\$ 1,484,894</u>	<u>\$ 4,409,894</u>

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 6 - CHANGES IN LONG-TERM LIABILITIES

Bond and capital lease activity for the year ended September 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation Bonds	\$ 9,085,970	\$ -	\$ (4,872,970)	\$ 4,213,000	\$ 125,000
Other Liabilities					
Capital Leases	235,984	-	(117,128)	118,856	61,687
Compensated Absences	46,965	-	(11,621)	35,344	-
Total Governmental Activities					
Long-term Liabilities	<u>\$ 9,368,919</u>	<u>\$ -</u>	<u>\$ (5,001,719)</u>	<u>\$ 4,367,200</u>	<u>\$ 186,687</u>
Business-type Activities					
Bonds and Notes Payable					
General Obligation Bonds	\$ 1,827,157	\$ 4,750,289	\$ (195,446)	\$ 6,382,000	\$ 140,000
Other Liabilities					
Deposits Payable	176,941	21,909		198,850	-
Capital Leases	41,167	-	(13,251)	27,916	13,564
Total Business-type Activities					
Long-term Liabilities	<u>\$ 2,045,265</u>	<u>\$ 4,772,198</u>	<u>\$ (208,697)</u>	<u>\$ 6,608,766</u>	<u>\$ 153,564</u>

NOTE 7 - PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Travis Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The City levies taxes based upon the appraised values. The Travis County Tax Assessor/Collector bills and collects the City's property taxes. The property tax rates, established in accordance with state laws, were based on 100% of the net assessed valuation of real property within the City on the 2007 tax roll. The assessed value of the 2007 tax roll upon which the levy for the 2008 fiscal year was based was \$209,853,884.

The tax rate assessed for the year ended September 30, 2008 was \$.6135 per \$100 valuation. The assessment to finance General Fund operations was \$.3025 per \$100 valuation and to finance debt service was \$.3110 per \$100 valuation.

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 7 - PROPERTY TAXES (continued)

At September 30, 2008, an allowance for uncollectible taxes was provided in the amount of \$27,193. Property taxes receivable at September 30, 2008 consisted of the following:

Current year levy	\$	30,137
Prior years' levy		22,184
Allowance for uncollectible taxes		<u>(27,193)</u>
Net property taxes receivable at September 30, 2008	\$	<u>25,128</u>

NOTE 8 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits (cash and certificates of deposit) are carried at cost, which approximates market value. At September 30, 2008, the carrying amount of the City's deposits was \$1,758,760. All of the City's deposits were covered by federal depository insurance and collateral (par value of \$2,435,000 and market value of \$2,467,536) held by the City's depository agent in the City's name.

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (B) secured by obligations that are described by (1) – (4); or (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with a third party selected or approved by the City, and placed through a primary government securities dealer. The carrying amount of the City's investments are \$5,025,553.

NOTE 9 - PENSION PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 currently administered by TMRS, an agent multiple-employer public employee retirement system.

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 9 - PENSION PLAN (continued)

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Deposit Rate:	5.0%
Matching Ratio (City to Employee):	2 to 1
A Member is Vested After:	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City (expressed as years of service/age) are:

5 yrs/age 60
25 yrs/any age

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period.

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 9 - PENSION PLAN (continued)

Changes in Actuarial Cost Method and Assumptions

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

The unit credit actuarial cost method is used for determining the City contribution 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 (i.e. December 31, 2007 valuation is effective for rates beginning January 2008).

Actuarial Assumptions

Actuarial Cost Method	-	Projected
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	25 Years – Closed Period
Asset Valuation Method	-	Amortized Cost (to accurately reflect the requirements of GASB Stmnt. No. 25, paragraphs 36e and 138.)
Investment Rate of Return	-	7%
Projected Salary Increases	-	None
Includes Inflation	-	3.0%
At-Cost-of-Living Adjustments	-	None

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 9 - PENSION PLAN (continued)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2007
Actuarial Value of Assets	\$ 526,652
Actuarial Accrued Liabilities	\$ 585,056
Percentage Funded	90.0%
Unfunded (Overfunded)	
Actuarial Accrued Liability (UAAL)	\$ 58,404
Annual Covered Payroll	\$ 1,262,540
UAAL as a Percentage of Covered Payroll	4.6%

Trend Information

Fiscal Year Ending	9/30/2007
Annual Pension Cost	\$ 68,610
Percentage of APC Contributed	100%
Net Pension Obligation	\$ -

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$21,076, and the funded ratio would have been 96.2%.

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of governmental units located within the State. TML Intergovernmental Risk Pool is considered a self-sustaining risk pool that will provide coverage for its members. All risk management activities are accounted for in the general fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the claims, events that might create claims, but for which none have been reported, are considered. The City's attorney estimates that the amount of actual or potential claims against the City as of September 30, 2008, will not materially affect the financial condition of the City. Therefore, the general fund contains no provision for estimated claims. Settled claims have not exceeded insurance coverage limits for the past three years.

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

	Governmental Funds	Proprietary Fund
Net Assets-Ending 9/30/07	\$ 1,266,224	\$ 3,817,293
Intrafund Transfers	3,916,122	(3,916,122)
Restate Capital Assets	(273,052)	2,129,938
Prior Period Adjustment	3,643,070	(1,786,184)
Restated Net Assets - Ending 9/30/07	<u>\$ 4,909,294</u>	<u>\$ 2,031,109</u>

Capital asset purchases made prior to 2005 were not recorded in the fixed asset ledger in the financial statements in prior years. These amounts were identified and are reported as adjustments to Net Assets at the beginning of the year.

NOTE 12 - RESTRICTED NET ASSETS

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

In the government-wide Statement of Net Assets the invested in capital assets, net of related debt is a surplus of \$923,445. GASB Stmt. No. 34, paragraph 33, requires the net asset balance representing invested in capital assets, net of related debt be calculated based on capital asset balances in the Statement of Net Assets, including restricted capital assets less the amount reported as accumulated depreciation less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

	Governmental Funds	Proprietary Funds	Total
Invested in Capital Assets	\$ 3,814,559	\$ 10,444,419	\$ 14,258,978
Accumulated Depreciation	(515,383)	(1,955,370)	(2,470,753)
Net Capital Assets	3,299,176	8,489,049	11,788,225
Capital Lease Debt	(118,856)	(27,915)	(146,771)
Outstanding Bonds	(4,213,000)	(6,382,000)	(10,595,000)
Accrued Interest Expense	(67,563)	(55,446)	(123,009)
Invested in Capital Assets, Net of Related Debt	<u>\$ (1,100,243)</u>	<u>\$ 2,023,688</u>	<u>\$ 923,445</u>

CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 12 - RESTRICTED NET ASSETS (continued)

NET ASSETS RESTRICTED FOR SPECIFIC PURPOSE

As of September 30, 2008, Net Assets were restricted for the following purposes:

Governmental Activities

2004 GO Bonds	\$ 135,578
Rose Hill PID	13,746
Debt Service Fund	35,031
Park Funds	8,312
City Hall Project	411,948
2007 GO Bonds	2,595,624
2007 CO Bonds	169,584
	<u>\$ 3,369,823</u>

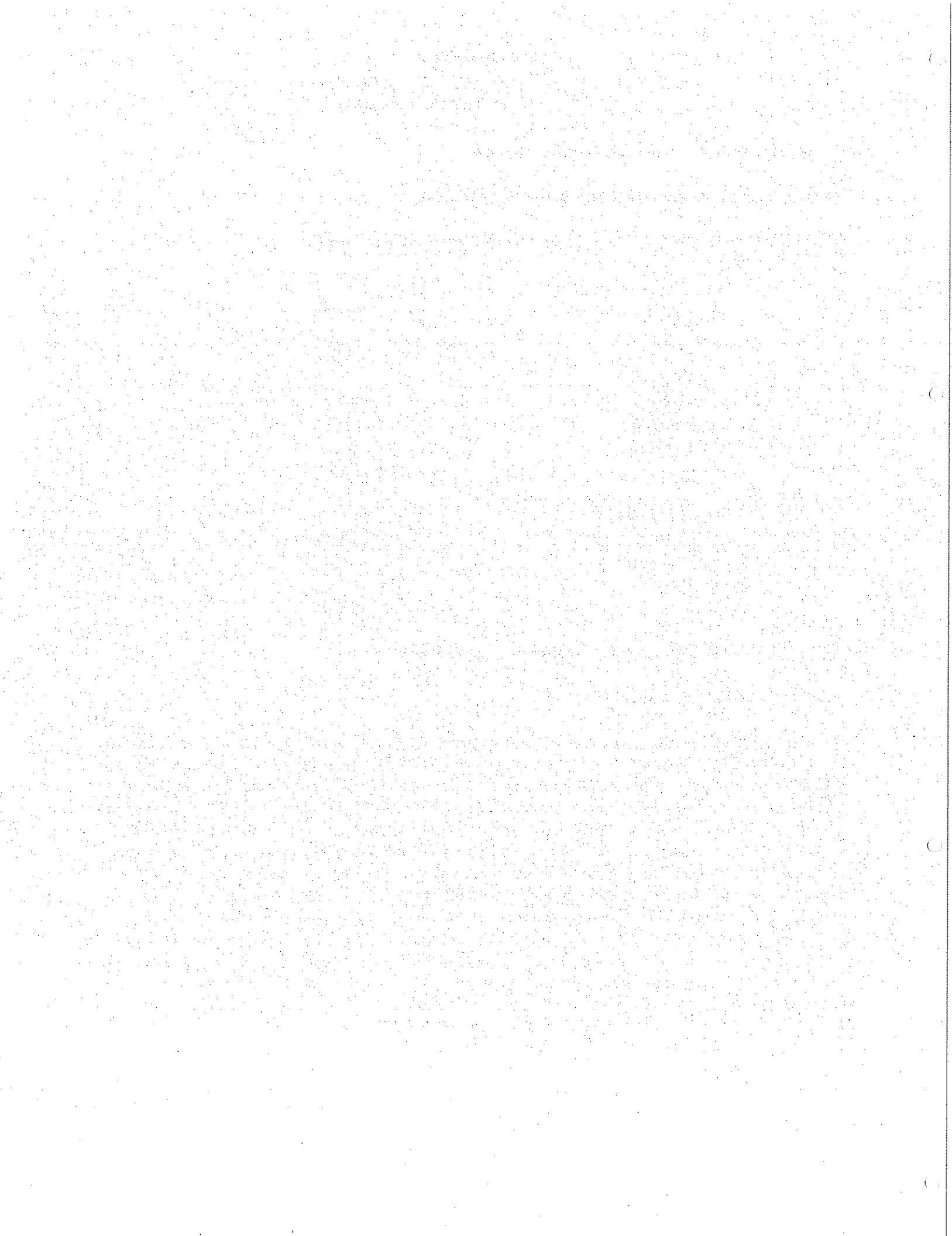
Business-Type Activities

CIF Water	\$ 176,472
CIF Wastewater	48,504
CIF Water	734,328
	<u>\$ 959,304</u>

NOTE 13 - CONTINGENT LIABILITIES AND COMMITMENTS

Presidential Glen, Ltd. Agreement

On May 5, 2004, the City entered into a development agreement with Presidential Glen, Ltd., (the Developer) for the Presidential Glen Subdivision (the Development), 212 acres, more or less (the Property), owned by the Developer. The term of the agreement is 10 years. Pursuant to this agreement, the Developer will request that the Property be annexed into the City's extraterritorial jurisdiction (ETJ) and then into the corporate boundaries. The City will benefit from the agreement through the control over the development standards for the Property, by the extension of its water and wastewater systems, and the expanded customer base. The Presidential Glen Municipal Utility District (the District) may issue up to \$15,000,000 in principal amount of new money bonds, notes, and other obligations, including bond anticipation notes for the purpose of purchasing, constructing, acquiring, owning, improving or extending a water works, sanitary sewer and drainage, storm sewer, and water quality systems and parks and recreational facilities. The District must notify the City of its intent to issue bonds. The total City contribution for debt service on the bonds issued to finance the infrastructure for the Development, during the term of the agreement shall not exceed \$6,100,000, and is to be paid out of an interest and sinking fund that is to be established pursuant to the agreement. The City is not obligated to make any debt payments unless the District has issued bonds. As of September 30, 2008, the District has not issued bonds.



CITY OF MANOR
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

NOTE 13 - CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Wastewater Treatment Capacity Repurchase Agreement

Subsequent to year end the City received notification of a requirement to buyback all 200,000 GPD of wastewater treatment capacity that had been reserved for Travis County Municipal Utility District No. 2 under the Wholesale Wastewater Service Agreement dated February 13, 2002. The City will be required to repurchase the capacity, at an estimated cost of approximately \$826,000 by October 2009. The City plans to issue Certificates of Obligation Bonds to fund this repurchase.

NOTE 14 – CONTINGENT ARBITRAGE LIABILITIES

The City has invested a portion of revenue bond proceeds as a reserve for the retirement of the bonds. Any excess of interest revenue earned on invested proceeds over interest paid on the bonds must be rebated to the federal government every five years.

CITY OF MANOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 569,600	\$ 569,600	\$ 610,915	\$ 41,315
General Sales and Use Taxes	465,000	465,000	399,774	(65,226)
Hotel Occupancy Tax	40,000	40,000	67,478	27,478
Franchise Tax	226,000	226,000	285,193	59,193
Other Taxes	-	-	1,215	1,215
Penalty and Interest on Taxes	7,000	7,000	15,060	8,060
Licenses and Permits	931,449	931,449	158,380	(773,069)
Charges for Services	633,223	633,223	966,151	332,928
Fines	-	-	350	350
Special Assessments	34,227	34,227	21,848	(12,379)
Investment Earnings	77,000	77,000	26,547	(50,453)
Other Revenue	15,000	15,000	112,426	97,426
Total Revenues	2,998,499	2,998,499	2,665,337	(333,162)
EXPENDITURES:				
Current:				
General Government:				
Legislative	514,464	514,464	440,524	73,940
Judicial	272,806	272,806	290,241	(17,435)
Public Safety:				
Police	1,202,961	1,202,961	1,134,504	68,457
Public Works:				
Highways and Streets	629,911	629,911	621,853	8,058
Conservation and Development	298,280	298,280	212,731	85,549
Total Expenditures	2,918,422	2,918,422	2,699,853	218,569
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,077	80,077	(34,516)	(114,593)
OTHER FINANCING SOURCES (USES):				
Non-Current Loans	-	-	(39,294)	(39,294)
Transfers Out (Use)	(231,295)	(231,295)	263,083	494,378
Total Other Financing Sources (Uses)	(231,295)	(231,295)	223,789	455,084
Net Change	(151,218)	(151,218)	189,273	340,491
Fund Balance - October 1 (Beginning)	1,325,918	1,325,918	1,325,918	-
Prior Period Adjustment	-	-	(831,848)	(831,848)
Fund Balance - September 30 (Ending)	\$ 1,174,700	\$ 1,174,700	\$ 683,343	\$ (491,357)



Lockart, Atchley & Associates, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

RSM McGladrey Network

An Independently Owned Member

INDEPENDENT AUDITORS' REPORT

James E. Lockart, CPA

Karen E. Atchley, CPA

Nancy E. Boyd, CPA

Dan A. Shaner, CPA

Evonne G. Jones, CPA

Joyce J. Smith, CPA

Harold F. Ingersoll, CPA

Ronny Armsstrong, CPA

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

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the City of Manor, Texas (the City) as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 City of Manor as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 10, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2009 on our consideration of the City of Manor's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the members of the City Council, management, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Lockart, Atchley & Associates, LLP

Austin, Texas

June 2, 2009

CITY OF MANOR
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2008

I. Financial Statement Findings

08-01 Expenditures in Excess of Budget Appropriations

Criteria: In accordance with City of Manor Ordinance No. 329, a budget was passed and expenditures appropriated for the General Fund of the City for the year ended September 30, 2008. Expenditures for the year may not exceed appropriated budget amounts.

Condition: The City's expenditures in the General Fund exceeded appropriated amounts by \$17,435.

Cause: City personnel indicate that court fine revenues were greater than budgeted.

Effect: The budget serves as a guide for the City's activities. Over expending the budget in one area could lead to a shortage in other areas.

Recommendation: We recommend that the City closely monitor its compliance with budget appropriations and avoid over expending these appropriations.

Management's Response:

The increased judicial expenses compared to budget of \$17,434.13 is the net of reduced expenses in all areas of the department except in payments due to the State of Texas for its portion of collected fines. That expense was over by \$41,666.19 and was a direct result of an intensive warrant collection effort during the year which brought in an additional \$269,000 in fines and other revenues.

CITY OF MANOR
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

I. Findings - Financial Statement Audit

No matters were reported

