

THE CITY OF MANOR, TEXAS  
ANNUAL FINANCIAL REPORT  
AND INDEPENDENT AUDITORS' REPORT  
YEAR ENDED SEPTEMBER 30, 2009



CITY OF MANOR, TEXAS

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

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**RSM McGladrey Network**

An Independently Owned Member

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 Armstrong, CPA

## INDEPENDENT AUDITORS' REPORT

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 September 30, 2009, and for the year then ended, 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

In accordance with *Government Auditing Standards*, we have issued our report dated April 4, 2010, on our consideration of the City'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.

Management's Discussion and Analysis on pages 5 through 9, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary to actual comparison listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lockhart, Atchley & Associates, LLP*

Austin, Texas

April 4, 2010

## **MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**



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## MANAGEMENT DISCUSSION AND ANALYSIS

This section of the City of Manor's (City) annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2009. This discussion and analysis should be read in conjunction with the City's financial statements.

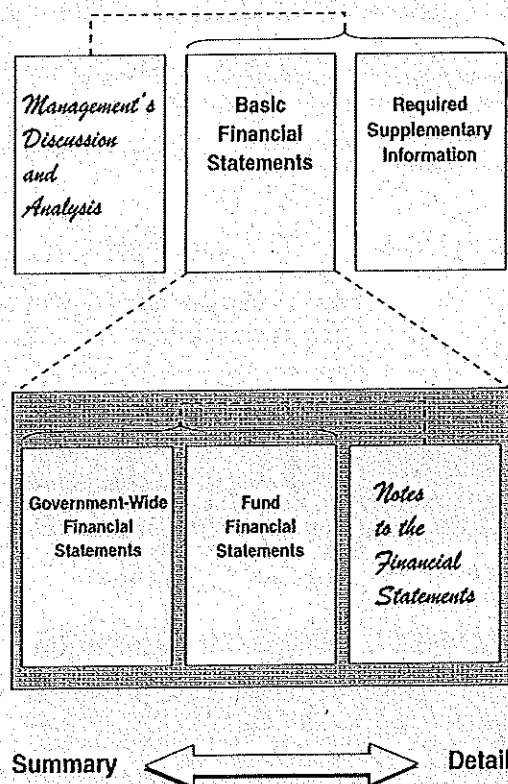
### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



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

#### 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 assets includes *all* of the government's assets and liabilities. In the statement of activities, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid, and all of the City's *governmental activities* and City services are combined and show how they are financed.

Both government-wide statements report the City's *net assets* and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or position. Over time, increases or decreases in the City's net assets 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 differences) between them.

Other common major funds:

- Some funds are required by State law, such as the debt service 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.

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

Type of Statements	Fund Statements	
	Government-Wide	Proprietary Funds
<b>Scope</b>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>◆ Statement of Net Assets</li> <li>◆ Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance Sheet</li> <li>◆ Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> <li>◆ Statement of Net Assets</li> <li>◆ Statement of Revenues, Expenses &amp; Changes in Fund Balance</li> <li>◆ Statement of Cash Flows</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<b>Type of asset/liability information</b>	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 and capital assets included
<b>Type of inflow/outflow information</b>	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

## THE CITY AS A WHOLE (GOVERNMENT-WIDE)

### FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$8,111,402 at September 30, 2009 (see Figure A-3).
- Current year activity resulted in an increase in the City's net assets by \$761,142 (see Figure A-4).

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

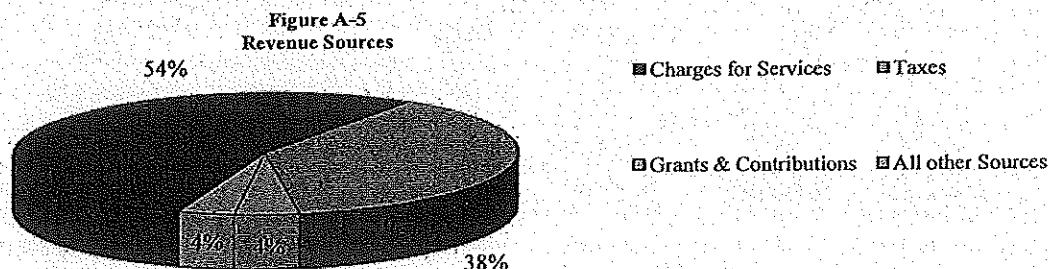
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Assets:</b>						
Current and other assets	\$ 2,962,223	\$ 5,156,238	\$ 1,957,558	\$ 1,721,814	\$ 4,919,781	\$ 6,878,052
Noncurrent assets	5,537,282	3,299,176	9,722,077	8,489,049	15,259,359	11,788,225
<b>Total Assets</b>	<b>8,499,505</b>	<b>8,455,414</b>	<b>11,679,635</b>	<b>10,210,863</b>	<b>20,179,140</b>	<b>18,666,277</b>
<b>Liabilities:</b>						
Current liabilities	525,570	464,002	606,399	216,300	1,131,969	680,302
Long-term liabilities	3,962,654	4,180,513	6,973,115	6,455,202	10,935,769	10,635,715
<b>Total Liabilities</b>	<b>4,488,224</b>	<b>4,644,515</b>	<b>7,579,514</b>	<b>6,671,502</b>	<b>12,067,738</b>	<b>11,316,017</b>
<b>Net Assets:</b>						
Invested in capital assets	1,326,957	(1,100,243)	2,466,221	2,023,688	3,793,178	923,445
Restricted for specific use	2,468,530	3,369,823	1,168,710	959,304	3,637,240	4,329,127
Unrestricted	215,794	1,541,319	465,190	556,369	680,984	2,097,688
<b>Total Net Assets</b>	<b>\$ 4,011,281</b>	<b>\$ 3,810,899</b>	<b>\$ 4,100,121</b>	<b>\$ 3,539,361</b>	<b>\$ 8,111,402</b>	<b>\$ 7,350,260</b>

**Figure A-4**  
**Changes in the City's Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,026,955	\$ 1,146,729	\$ 2,087,154	\$ 1,842,983	\$ 3,114,109	\$ 2,989,712
<b>General Revenues:</b>						
Taxes	2,185,204	2,010,577	-	-	2,185,204	2,010,577
Interest and penalties	47,376	241,324	10,092	-	57,468	241,324
Other	146,971	28,699	1,775	-	148,746	28,699
<b>Total Revenues</b>	<b>3,406,506</b>	<b>3,427,329</b>	<b>2,099,021</b>	<b>1,842,983</b>	<b>5,505,527</b>	<b>5,270,312</b>
<b>Expenses</b>						
General government	498,656	437,772	-	-	498,656	437,772
Public safety	1,123,758	1,204,596	-	-	1,123,758	1,204,596
Streets	455,968	744,544	-	-	455,968	744,544
Municipal court	255,564	289,337	-	-	255,564	289,337
Development services	167,541	212,563	-	-	167,541	212,563
Sanitation	346,760	-	-	-	346,760	-
Interest and fiscal charges	174,268	259,376	260,092	6,745	434,360	266,121
Water and sewer	-	-	1,701,097	1,817,948	1,701,097	1,817,948
<b>Total Expenses</b>	<b>3,022,515</b>	<b>3,148,188</b>	<b>1,961,189</b>	<b>1,824,693</b>	<b>4,983,704</b>	<b>4,972,881</b>
<b>Revenue Over (Under)</b>						
Expenditures	383,991	279,141	137,832	18,290	521,823	297,431
Capital contributions	239,319	112,426	-	-	239,319	112,426
Transfers	(422,928)	(1,489,962)	422,928	1,489,962	-	-
<b>Change in Net Assets</b>	<b>200,382</b>	<b>(1,098,395)</b>	<b>560,760</b>	<b>1,508,252</b>	<b>761,142</b>	<b>409,857</b>
Beginning Net Assets	3,810,899	4,909,294	3,539,361	2,031,109	7,350,260	6,940,403
<b>Ending Net Assets</b>	<b>\$ 4,011,281</b>	<b>\$ 3,810,899</b>	<b>\$ 4,100,121</b>	<b>\$ 3,539,361</b>	<b>\$ 8,111,402</b>	<b>\$ 7,350,260</b>

## CITY REVENUES

The majority of the City's revenue is generated from charges for services (54%) and taxes (38%). The remaining 8% is obtained from grant, contributions and other sources (See Figure A-5).



## GROWTH TRENDS

### Governmental Activities

Recent population growth of the City is reflected in the increase of property taxes and franchise fees when compared to the prior year. While the City's property tax rate for maintenance and operations remained consistent with the prior year (0.3257/\$100), general property tax revenue increased by \$105,095 or 18%. City franchise fees are calculated based on the demand for locally-provided utilities. City franchise fees increased by \$29,135, or 11%.

### Business-type Activities

Water sales increased by \$118,080, or 13%, which is consistent with recent growth trends.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### General Fund Budgetary Highlights

General fund expenditures exceeded revenues by \$152,783 which was significantly less than the budgeted deficit of \$413,049 for operations. Due to the favorable change in the fund's operating activities, \$228,140 was transferred to the Capital Projects Fund to subsidize the construction of certain ongoing capital projects. Management's overall activities reduced the General Fund's total fund balance by \$178,392, which was \$234,657 less (favorable) than originally budgeted. Temporary cash flow deficits were overcome by funding from the City's proprietary fund in the amount of \$160,000. See details of budget and actual revenues and expenditures on page 37.

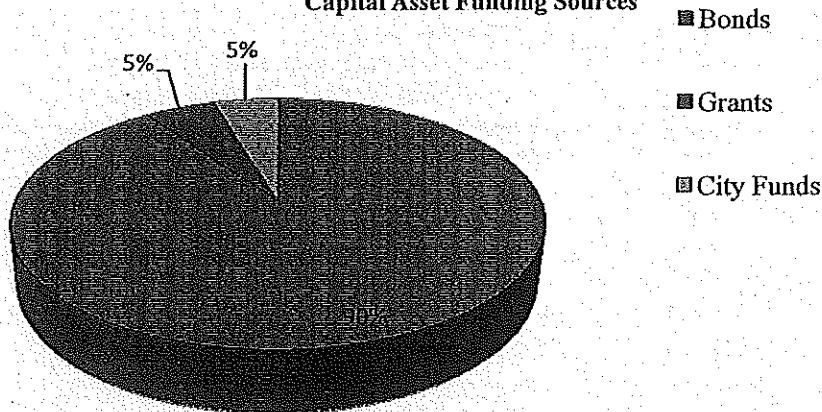
### Capital Assets

During the year ended September 30, 2009, the City invested \$1,326,957 in a broad range of capital assets, including infrastructure, equipment, buildings, and vehicles. (See Figure A-6). The majority of these additions were funded from bond and grant proceeds. Other projects were funded by the General Fund. See Figure A-7 for details of capital project financing sources.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 118,947	\$ 118,947	\$ 406,816	\$ 406,816	\$ 525,763	\$ 525,763
Buildings and Equipment	1,016,122	936,746	253,640	253,640	1,269,762	1,190,386
Street Improvements	4,742,455	2,476,623	12,992	12,992	4,755,447	2,489,615
Water System	-	-	7,037,399	3,379,797	7,037,399	3,379,797
Sewer System	-	-	3,680,257	3,675,910	3,680,257	3,675,910
Construction in progress	383,723	282,243	431,923	2,715,264	815,646	2,997,507
<b>Totals at historical cost</b>	<b>6,261,247</b>	<b>3,814,559</b>	<b>11,823,027</b>	<b>10,444,419</b>	<b>18,084,274</b>	<b>14,258,978</b>
Accumulated depreciation	(723,965)	(515,383)	(2,123,130)	(1,955,370)	(2,847,095)	(2,470,753)
<b>Net capital assets</b>	<b>\$ 5,537,282</b>	<b>\$ 3,299,176</b>	<b>\$ 9,699,897</b>	<b>\$ 8,489,049</b>	<b>\$ 15,237,179</b>	<b>\$ 11,788,225</b>

**Figure A-7**  
**Capital Asset Funding Sources**



#### **DEBT ADMINISTRATION**

At year-end, the City had \$11,275,000 in bonds outstanding as shown in Figure A-8. More detailed information about the City's debt is presented in the Notes to the Financial Statements.

**Figure A-8**  
**City's Long Term Debt**

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Leases Payable	\$ 54,762	\$ 118,856	\$ 13,410	\$ 27,915	\$ 68,172	\$ 146,771
Bonds Payable	4,088,000	4,213,000	7,187,000	6,382,000	11,275,000	10,595,000
<b>Total</b>	<b>\$ 4,142,762</b>	<b>\$ 4,331,856</b>	<b>\$ 7,200,410</b>	<b>\$ 6,409,915</b>	<b>\$ 11,343,172</b>	<b>\$ 10,741,771</b>

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Next year's proposed General Fund budget is based on an overall projected revenue increase of \$17,600 or 2%. The Ad Valorem tax base will remain the same as last year. The increase in projected revenues is based on the increase in property values in the City. Sales and franchise taxes are expected to remain the same.

Court revenue collections are budgeted for a 23% increase in the upcoming budget year while other miscellaneous revenues are expected to decrease by the same amount.

#### **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 City of Manor, Attn: City Manager, P. O. Box 387, Manor, TX 78653.

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## **BASIC FINANCIAL STATEMENTS**

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CITY OF MANOR, TEXAS  
STATEMENT OF NET ASSETS  
September 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents -----	\$ 27,931	\$ 409,480	\$ 437,411
Investments -----	28,823	-	28,823
Receivables, net -----	58,112	106,109	164,221
Prepaid expenses -----	13,778	-	13,778
Due from grantor -----	229,830	-	229,830
Internal balances -----	(34,049)	34,049	-
Restricted assets:			
Cash and cash equivalents -----	1,005,643	664,045	1,669,688
Investments -----	1,632,155	743,875	2,376,030
Non-current assets:			
Capital assets:			
Non-depreciable -----	502,670	838,739	1,341,409
Depreciable, net -----	5,002,506	8,861,159	13,863,665
Unamortized bond costs -----	-	22,179	22,179
<b>Total Assets -----</b>	<b>\$ 8,467,399</b>	<b>\$ 11,679,635</b>	<b>\$ 20,147,034</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable -----	\$ 90,358	\$ 72,314	\$ 162,672
Payable from restricted assets -----	105,214	17,185	122,399
Intergovernmental payables -----	3,753	-	3,753
Interest payable -----	67,563	55,446	123,009
Deferred revenue -----	6,246	-	6,246
Leases payable, due within one year -----	32,858	9,545	42,403
Bonds payable, due within one year -----	147,250	217,750	365,000
Customer deposits -----	-	222,025	222,025
Non-current liabilities:			
Compensated absences -----	40,222	12,134	52,356
Leases payable, due more than one year -----	21,904	3,865	25,769
Bonds payable, due more than one year -----	3,940,750	6,969,250	10,910,000
<b>Total Liabilities -----</b>	<b>\$ 4,456,118</b>	<b>\$ 7,579,514</b>	<b>\$ 12,035,632</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt -----	\$ 1,294,851	\$ 2,466,221	\$ 3,761,072
Restricted for specific purposes -----	2,515,925	1,168,710	3,684,635
Unrestricted and undesignated -----	200,505	465,190	665,695
<b>Total Net Assets -----</b>	<b>\$ 4,011,281</b>	<b>\$ 4,100,121</b>	<b>\$ 8,111,402</b>

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

**CITY OF MANOR, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2009**

<b>Function/Program Activities</b>	<b>Expenses</b>
<b>Primary Government:</b>	
Government activities:	
General government -----	\$ 498,656
Public safety -----	1,123,758
Streets -----	455,968
Municipal court -----	255,564
Development services -----	167,541
Sanitation -----	346,760
Interest on long-term debt -----	174,268
Total government activities -----	3,022,515
Business-type activities:	
Water -----	808,410
Sewer -----	892,687
Interest on long-term debt -----	260,092
Total business-type activities -----	1,961,189
<b>Total Primary Government -----</b>	<b>\$ 4,983,704</b>

**General Revenues:**

Taxes:

Property -----
Sales -----
Franchise -----
Other -----
Penalties and interest -----
Special assessments -----
Other -----
Transfers -----

**Total General Revenues and Transfers -----**

**Change In Net Assets -----**

**Net Assets - Beginning of Year -----**

**Net Assets - End of Year -----**

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

Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
Charges for Services	Capital Contributions	Primary Government		
		Governmental Activities	Business-Type Activities	Total
\$ 129,560	\$ 196,788	\$ (172,308)	\$ -	\$ (172,308)
23,925	42,531	(1,057,302)	-	(1,057,302)
-	-	(455,968)	-	(455,968)
417,357	-	161,793	-	161,793
93,631	-	(73,910)	-	(73,910)
362,482	-	15,722	-	15,722
-	-	(174,268)	-	(174,268)
1,026,955	239,319	(1,756,241)	-	(1,756,241)
1,159,837	-	-	351,427	351,427
927,317	-	-	34,630	34,630
-	-	-	(260,092)	(260,092)
2,087,154	-	-	125,965	125,965
\$ 3,114,109	\$ 239,319	(1,756,241)	125,965	(1,630,276)
		1,466,823	-	1,466,823
		357,994	-	357,994
		314,328	-	314,328
		46,058	-	46,058
		47,375	10,092	57,467
		43,474	-	43,474
		103,499	1,775	105,274
		(422,928)	422,928	-
		1,956,623	434,795	2,391,418
		200,382	560,760	761,142
		3,810,899	3,539,361	7,350,260
		\$ 4,011,281	\$ 4,100,121	\$ 8,111,402

**CITY OF MANOR, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2009

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents -----	\$ 27,930	\$ -	\$ -	\$ 27,930
Investments -----	28,823	-	-	28,823
Receivables, net -----	42,822	15,290	-	58,112
Intergovernmental receivables -----	42,531	-	187,299	229,830
Due from other funds -----	187,299	-	-	187,299
Prepaid expenses -----	13,778	-	-	13,778
Restricted assets:				
Cash and cash equivalents -----	38,162	5,583	961,899	1,005,644
Investments -----	240,995	267,912	1,123,247	1,632,154
<b>Total Assets -----</b>	<b>\$ 622,340</b>	<b>\$ 288,785</b>	<b>\$ 2,272,445</b>	<b>\$ 3,183,570</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable -----	\$ 90,358	\$ -	\$ -	\$ 90,358
Intergovernmental payables -----	3,753	-	-	3,753
Payable from restricted funds -----	-	-	105,214	105,214
Due to other funds -----	2,100	-	219,248	221,348
Deferred revenue -----	21,178	15,290	-	36,468
<b>Total Liabilities -----</b>	<b>117,389</b>	<b>15,290</b>	<b>324,462</b>	<b>457,141</b>
<b>FUND BALANCES</b>				
Restricted for specific purposes -----	279,157	273,495	1,947,983	2,500,635
Unrestricted and undesignated -----	225,794	-	-	225,794
<b>Total Fund Balances -----</b>	<b>504,951</b>	<b>273,495</b>	<b>1,947,983</b>	<b>2,726,429</b>
<b>Total Liabilities and Fund Balances -----</b>	<b>\$ 622,340</b>	<b>\$ 288,785</b>	<b>\$ 2,272,445</b>	<b>\$ 3,183,570</b>

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



**CITY OF MANOR, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**September 30, 2009**

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**TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS ----- \$ 2,726,429**

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

Capital assets, net of accumulated depreciation are not financial resources and, therefore,  
are not reported in the funds ----- 5,505,176

Certain receivables are not available to pay current-period expenditures and, therefore, are  
deferred in the funds. This amount includes deferred property taxes ----- 30,223

Compensated absences (liabilities) are not due and payable unless employees are terminating  
within 60 days of fiscal year-end; therefore, they are not reported in the funds ----- (40,222)

Certain long-term liabilities are not due and payable in the current period and, therefore,  
are not reported in the funds ----- (4,210,325)

**NET ASSETS - GOVERNMENTAL ACTIVITIES ----- \$ 4,011,281**

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*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, 2009**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes -----	\$ 716,010	\$ 730,753	\$ -	\$ 1,446,763
Sales taxes -----	357,994	-	-	357,994
Franchise taxes -----	314,328	-	-	314,328
Other taxes -----	46,058	-	-	46,058
Licenses, permits, and fees -----	223,190	-	-	223,190
Fines and forfeitures -----	417,356	-	-	417,356
Sanitation -----	362,482	-	-	362,482
Penalties and interest -----	21,009	1,055	25,311	47,375
Special assessments -----	43,474	-	-	43,474
Other -----	127,422	-	-	127,422
<b>Total Revenues -----</b>	<b>2,629,323</b>	<b>731,808</b>	<b>25,311</b>	<b>3,386,442</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government -----	481,976	-	75	482,051
Public safety -----	1,069,222	-	-	1,069,222
Streets -----	317,392	-	-	317,392
Municipal court -----	251,586	-	-	251,586
Development services -----	167,774	-	-	167,774
Sanitation -----	346,759	-	-	346,759
Capital outlay -----	79,377	-	2,311,833	2,391,210
<b>Debt service:</b>				
Principal -----	64,094	125,000	-	189,094
Interest -----	3,926	193,717	-	197,643
<b>Total Expenditures -----</b>	<b>2,782,106</b>	<b>318,717</b>	<b>2,311,908</b>	<b>5,412,731</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures -----</b>	<b>(152,783)</b>	<b>413,091</b>	<b>(2,286,597)</b>	<b>(2,026,289)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in -----	160,000	237,276	1,375,814	1,773,090
Operating transfers out -----	(228,140)	(420,696)	(1,547,182)	(2,196,018)
Capital grant proceeds -----	42,531	-	196,788	239,319
<b>Total Other Financing Sources and (Uses) -----</b>	<b>(25,609)</b>	<b>(183,420)</b>	<b>25,420</b>	<b>(183,609)</b>
<b>Net Change in Fund Balances -----</b>	<b>(178,392)</b>	<b>229,671</b>	<b>(2,261,177)</b>	<b>(2,209,898)</b>
<b>Fund Balances - Beginning of Year -----</b>	<b>683,343</b>	<b>43,824</b>	<b>4,209,160</b>	<b>4,936,327</b>
<b>Fund Balances - End of Year -----</b>	<b>\$ 504,951</b>	<b>\$ 273,495</b>	<b>\$ 1,947,983</b>	<b>\$ 2,726,429</b>

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

**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, 2009**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS ----- \$ (2,209,898)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period ----- 2,206,002

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include the recognition of deferred revenue ----- 20,062

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the long-term liabilities in the statement of net assets. This is the amount by which debt proceeds was exceeded by debt payments ----- 189,094

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 expenses include a decrease in accrued interest and a decrease in compensated absences ----- (4,878)

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES ----- \$ 200,382**

**CITY OF MANOR, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**September 30, 2009**

	<b>Water and Sewer System</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents -----	\$ 409,480
Accounts receivable, net -----	106,109
Due from other funds -----	34,049
Restricted assets:	
Cash and cash equivalents -----	664,045
Investments -----	743,875
<b>Total Current Assets</b> -----	<b>1,957,558</b>
Non-Current Assets:	
Non-depreciable assets -----	838,739
Depreciable assets, net -----	8,861,159
Unamortized bond costs -----	22,179
<b>Total Non-Current Assets</b> -----	<b>9,722,077</b>
<b>Total Assets</b> -----	<b>\$ 11,679,635</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable -----	\$ 72,314
Payable from restricted assets -----	17,185
Interest payable -----	55,446
Compensated absences -----	12,134
Leases payable, due within one year -----	9,545
Bonds payable, due within one year -----	217,750
Customer deposits -----	222,025
<b>Total Current Liabilities</b> -----	<b>606,399</b>
Non-Current Liabilities:	
Leases payable, due after one year -----	3,865
Bonds payable, due after one year -----	6,969,250
<b>Total Non-Current Liabilities</b> -----	<b>6,973,115</b>
<b>Total Liabilities</b> -----	<b>\$ 7,579,514</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt -----	\$ 2,466,221
Restricted -----	1,168,710
Unrestricted -----	465,190
<b>Total Net Assets</b> -----	<b>\$ 4,100,121</b>

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

**CITY OF MANOR, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**Year Ended September 30, 2009**

	<b>Water and Sewer System</b>
<b>OPERATING REVENUES</b>	
Water service -----	\$ 1,091,115
Sewer service -----	663,405
Penalties -----	54,810
Capital impact fees -----	279,600
Total Revenues -----	<u>2,088,930</u>
<b>OPERATING EXPENSES</b>	
Personnel services -----	343,083
Operations -----	99,124
Utilities -----	121,703
Professional services -----	13,563
Insurance -----	23,127
Materials and supplies -----	82,094
Maintenance -----	45,924
Water fees -----	296,698
Wastewater fees -----	401,772
Development agreements -----	93,430
Bad debts -----	12,820
Depreciation -----	167,760
Total Operating Expenses -----	<u>1,701,098</u>
<b>OPERATING INCOME</b> -----	<u>387,832</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income -----	10,092
Interest expense -----	(260,092)
Total Non-Operating Revenues (Expenses) -----	<u>(250,000)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b> -----	137,832
<b>CONTRIBUTIONS AND TRANSFERS</b>	
Transfers from primary government -----	422,928
<b>CHANGE IN NET ASSETS</b> -----	560,760
<b>NET ASSETS - BEGINNING OF YEAR</b> -----	<u>3,539,361</u>
<b>NET ASSETS - END OF YEAR</b> -----	<u>\$ 4,100,121</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, 2009**

	<b>Water and Sewer System</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers -----	\$ 2,102,661
Payments to suppliers -----	(1,085,560)
Payments to employees and contractors -----	(338,239)
Net Cash From Operating Activities -----	<u>678,862</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers to primary government -----	(160,000)
Net Cash From Non-Capital Financing Activities -----	<u>(160,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from issuance of debt -----	945,000
Payments for bond issuance costs -----	(22,179)
Proceeds from capital impact fees (restricted cash) -----	86,983
Transfers to primary government for capital-related projects -----	(833,523)
Additions to capital assets -----	(1,378,609)
Transfers from primary government for payment of debt obligations -----	420,696
Principal payments on debt -----	(154,506)
Interest payments on debt -----	(260,092)
Net Cash From Capital and Related Financing Activities -----	<u>(1,196,230)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income -----	10,092
Net Cash From Investing Activities -----	<u>10,092</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS -----</b>	<b>(667,276)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR -----</b>	<b><u>1,076,756</u></b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR -----</b>	<b><u>\$ 409,480</u></b>

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

Operating income -----	\$ 387,832
Adjustments not effecting cash:	
Bad debts -----	12,820
Depreciation -----	167,760
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts receivable -----	(9,444)
Prepaid expenses -----	2,376
Accounts payable -----	89,499
Compensated absences -----	4,844
Customer deposits -----	23,175
Net Cash From Operating Activities -----	<u>\$ 678,862</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, 2009

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. The more significant accounting and reporting policies and practices used by the City are described below.

**Reporting Entity**

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

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

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

**Financial Statement Presentation**

***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 Assets 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 Assets includes both non-current assets and non-current liabilities of the City. Accrual accounting reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. Additionally, the government-wide financial Statement of Activities reflects depreciation expense on the City's capital assets, including infrastructure.

**Statement of Net Assets**

The Statement of Net Assets 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 Assets and reports depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of the City are broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Long-term liabilities are reported in two categories: 1) the amount due within one year; and 2) the amount due in more than one year.

**Statement of Activities**

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

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2009

contributions; and 3) program-specific capital grants and contributions. Indirect costs are allocated among 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.

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.

***Debt Service Fund***

Established to account for the accumulation of financial resources for the payment of principal and interest on 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 the rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses.

The City reports the following major enterprise funds:

***Water and Sewer Fund***

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

**Measurement Focus/Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). 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 a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for 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 as 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 include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2009

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

**Assets, Liabilities, and Net Assets or Equity**

***Cash and cash equivalents***

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

***Inventories and prepaid items***

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

***Capital assets***

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

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

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

***Long-Term Debt***

In the government-wide and proprietary fund level financial statements, outstanding debt is reported as liabilities. Outstanding debt is reported within governmental activities and business-type activities based on use of proceeds. Bond issue costs are capitalized and amortized over the terms of the respective bonds using the straight-line method.

The governmental fund level financial statements recognize the proceeds of debt as other financing sources of the current period. Issuance costs are reported as expenditures.

***Fund Equity***

The government-wide and fund level financial statements report reserved fund balances for amounts not available for appropriation or legally restricted for specific uses.

**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 is reported.

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2009

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Final amounts could differ from those estimates.

**B. DEPOSITS AND INVESTMENTS**

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

***Cash Deposits***

At September 30, 2009, the carrying amount of the City's deposits (cash and interest-bearing savings accounts included in investments) was \$4,511,952 and the bank balance was \$4,694,942. The City's cash deposits at September 30, 2009 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

***Investments***

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

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

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

The City's investments at September 30, 2009 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool Investments	N/A	\$ 2,404,853

**Analysis of Specific Deposit and Investment Risks**

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

***Credit Risk***

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

***Custodial Credit Risk***

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2009

City's name. At September 30, 2009, the City's deposits were entirely covered by depository insurance or collateralized with securities held by the pledging financial institution in the City's name.

***Concentration of Credit Risk***

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

***Interest Rate Risk***

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

***Foreign Currency Risk***

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

**C. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE**

***Sales Taxes Receivable***

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

***Property Taxes Receivable and Deferred Revenue***

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

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 tax receivables represent delinquent taxes. If delinquent taxes are not paid within sixty days of fiscal year end, they are recorded as deferred revenue.

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

At September 30, 2009, receivables for governmental activities are summarized in the government-wide financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Sales tax receivable	\$ 27,684	\$ -	\$ 27,684
Property tax receivable	54,737	(24,517)	30,220
Other receivables	208	-	208
Total receivables	<u>\$ 82,629</u>	<u>\$ (24,517)</u>	<u>\$ 58,112</u>

***Enterprise Receivables***

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

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2009

At September 30, 2009, enterprise receivables are summarized in the financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Accounts receivable from customers	\$ 107,685	\$ (3,447)	\$ 104,238
NSF checks	1,871	-	1,871
Total receivables	<u>\$ 109,556</u>	<u>\$ (3,447)</u>	<u>\$ 106,109</u>

#### D. RESTRICTED ASSETS

At September 30, 2009, restricted assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<b>Cash and cash equivalents:</b>			
Debt service	\$ 5,582	\$ -	\$ 5,582
Rose Hill Public Improvement District	38,162	-	38,162
Capital projects (bond proceeds)	961,899	-	961,899
Customer deposits	-	222,025	222,025
Capital improvements - water system	-	212,795	212,795
Capital improvements - waste water system	-	229,225	229,225
Total cash and cash equivalents	<u>\$ 1,005,643</u>	<u>\$ 664,045</u>	<u>\$ 1,669,688</u>

	Governmental Activities	Business-Type Activities	Total
<b>Investments:</b>			
Parks	\$ 8,379	\$ -	\$ 8,379
Debt service	267,913	-	267,913
Tourism	232,616	-	232,616
Capital projects (bond proceeds)	1,123,247	-	1,123,247
Capital improvements - water system	-	743,875	743,875
Total investments	<u>\$ 1,632,155</u>	<u>\$ 743,875</u>	<u>\$ 2,376,030</u>

#### E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balances	Additions	Deletions	Ending Balances
<b>Governmental activities:</b>				
Non-depreciable assets:				
Land	\$ 118,947	\$ -	\$ -	\$ 118,947
Construction in process	282,243	2,311,832	2,210,352	383,723
Total non-depreciable assets	<u>\$ 401,190</u>	<u>\$ 2,311,832</u>	<u>\$ 2,210,352</u>	<u>\$ 502,670</u>
Depreciable assets:				
Buildings and equipment	\$ 936,746	\$ 79,376	\$ -	\$ 1,016,122
Street improvements	2,476,623	2,233,726	-	4,710,349
Total depreciable assets	3,413,369	2,313,102	-	5,726,471
Accumulated depreciation	(515,383)	(208,582)	-	(723,965)
Depreciable assets, net	<u>\$ 2,897,986</u>	<u>\$ 2,104,520</u>	<u>\$ -</u>	<u>\$ 5,002,506</u>

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2009

	Beginning Balances	Additions	Deletions	Ending Balances
<b>Business-type activities:</b>				
Non-depreciable assets:				
Land	\$ 406,816	\$ -	\$ -	\$ 406,816
Construction in process	2,715,264	1,374,261	3,657,602	431,923
Total non-depreciable assets	<u>\$ 3,122,080</u>	<u>\$ 1,374,261</u>	<u>\$ 3,657,602</u>	<u>\$ 838,739</u>
Depreciable assets:				
Machinery and equipment	\$ 253,640	\$ -	\$ -	\$ 253,640
Culverts	12,992	-	-	12,992
Infrastructure - water system	3,379,797	3,657,602	-	7,037,399
Infrastructure - sewer system	3,675,910	4,348	-	3,680,258
Total depreciable assets	7,322,339	3,661,950	-	10,984,289
Accumulated depreciation	(1,955,370)	(167,760)	-	(2,123,130)
Depreciable assets, net	<u>\$ 5,366,969</u>	<u>\$ 3,494,190</u>	<u>\$ -</u>	<u>\$ 8,861,159</u>

Capitalized interest costs included in constructed infrastructure totaled \$26,753 at September 30, 2009.

Depreciation expense was charged to functions as follows:

Function:	Governmental Activities	Business-Type Activities	Total
General government	\$ 14,685	\$ -	\$ 14,685
Public safety	51,945	-	51,945
Streets	136,564	-	136,564
Municipal court	5,388	-	5,388
Water	-	94,383	94,383
Sewer	-	73,377	73,377
Total depreciation expense	<u>\$ 208,582</u>	<u>\$ 167,760</u>	<u>\$ 376,342</u>

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

##### Internal Balances:

Due From	Due To	Amount
General Fund	Enterprise Fund	\$ 2,100
Capital Projects Fund	Enterprise Fund	31,949
Total internal balances		<u>\$ 34,049</u>

##### Transfers (To) From Other Funds:

Purpose	Governmental Activities	Business-Type Activities
Property taxes collected for debt payments	\$ (420,696)	\$ 420,696
Capitalization of completed projects	(1,294,292)	1,294,292
Cash flow deficit	160,000	(160,000)
Proceeds to fund capital projects under construction	1,132,060	(1,132,060)
Total transfers (to) from other funds	<u>\$ (422,928)</u>	<u>\$ 422,928</u>



City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2009

**G. LONG-TERM OBLIGATIONS**

**Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2009 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 35,344	\$ 4,878	\$ -	\$ 40,222	\$ -
Capital leases	118,856	-	64,094	54,762	32,858
Bonds payable	4,213,000	-	125,000	4,088,000	147,250
<b>Total governmental activities</b>	<b>\$ 4,367,200</b>	<b>\$ 4,878</b>	<b>\$ 189,094</b>	<b>\$ 4,182,984</b>	<b>\$ 180,108</b>

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Business-Type Activities:</b>					
Compensated absences	\$ 7,290	\$ 4,844	\$ -	\$ 12,134	\$ -
Capital leases	27,916	-	14,506	13,410	9,545
Bonds payable	6,382,000	945,000	140,000	7,187,000	217,750
<b>Total business-type activities</b>	<b>\$ 6,417,206</b>	<b>\$ 949,844</b>	<b>\$ 154,506</b>	<b>\$ 7,212,544</b>	<b>\$ 227,295</b>

**Debt Service Requirements**

***Capital Leases***

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2009 as follows:

	Governmental Activities	Business-Type Activities
For the year ending September 30,		
2010	\$ 32,858	\$ 9,545
2011	21,904	3,865
	<b>\$ 54,762</b>	<b>\$ 13,410</b>

The effective interest rate on capital leases outstanding ranges from 3.24% to 4.64%.

***Bonds Payable***

**General Obligation Bonds, Series 2001**

On October 15, 2001, the City issued \$1,800,000 of general obligation bonds, proceeds to be used for street, drainage, water, and wastewater improvements and to pay costs associated with the issuance of the bonds. Interest rates range from 3.75% to 5.40% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2026 or prior redemption.

**Certificates of Obligation, Series 2004**

On May 15, 2004, the City issued \$1,500,000 of certificates of obligation bonds, proceeds to be used for expanding 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. Bond interest rates are 4.50% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2024 or prior redemption.

**General Obligation Bonds, Series 2004**

On November 4, 2004, the City issued \$1,475,000 of general obligation bonds, proceeds to be used for improvements and extensions to the City's streets and costs of issuance. Bond interest rates are 5.0% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2024 or prior redemption.



City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2009

Certificates of Obligation, Series 2007

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

General Obligation Bonds, Series 2007

On September 20, 2007, the City also issued \$2,975,000 of general obligation bonds, proceeds to be used for improvements to the City's water and wastewater systems, certain street and drainage improvements, and costs of issuance. Bond interest rates are 4.27% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2027 or prior redemption.

Water and Wastewater System Revenue Bonds, Series 2009

On September 20, 2009, the City issued \$945,000 in water and wastewater revenue bonds, proceeds to be used to expand the City's capacity for wastewater treatment under a Wholesale Wastewater Service Agreement dated February 13, 2002, and costs of issuance. Bond interest rates are 5.75% with semi-annual interest payments due on February 15 and August 15 of each year until maturity in 2024 or prior redemption.

Debt service requirements on long-term bond debt at September 30, 2009 were as follows:

		Governmental Activities		
For the year ending September 30,		Principal	Interest	Total
	2010	\$ 147,250	\$ 187,856	\$ 335,106
	2011	165,200	180,890	346,090
	2012	173,500	173,274	346,774
	2013	189,450	165,075	354,525
	2014	199,600	156,190	355,790
	2015-2019	1,170,900	628,947	1,799,847
	2020-2024	1,498,200	321,840	1,820,040
	2025-2029	543,900	46,460	590,360
		<u>\$ 4,088,000</u>	<u>\$ 1,860,532</u>	<u>\$ 5,948,532</u>

		Business-Type Activities		
For the year ending September 30,		Principal	Interest	Total
	2010	\$ 217,750	\$ 327,750	\$ 545,500
	2011	249,800	317,489	567,289
	2012	281,500	305,996	587,496
	2013	310,550	292,826	603,376
	2014	335,400	278,559	613,959
	2015-2019	1,979,100	1,139,647	3,118,747
	2020-2024	2,566,800	625,295	3,192,095
	2025-2029	1,246,100	107,427	1,353,527
		<u>\$ 7,187,000</u>	<u>\$ 3,394,989</u>	<u>\$ 10,581,989</u>

Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information 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 operations of the City.

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2009

**H. RESTRICTED NET ASSETS**

At September 30, 2009, restricted net assets consisted of the following:

Restricted for purpose:	Governmental Activities	Business-Type Activities	Total
Parks	\$ 8,379	\$ -	\$ 8,379
Rose Hill Public Improvement District	38,162	-	38,162
Tourism	232,616	-	232,616
Debt service	288,785	-	288,785
Capital projects (bond proceeds)	1,947,983	-	1,947,983
Capital improvements - water system	-	956,670	956,670
Capital improvements - waste water system	-	212,040	212,040
Total restricted net assets	<u>\$ 2,515,925</u>	<u>\$ 1,168,710</u>	<u>\$ 3,684,635</u>

**I. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. During fiscal year 2009, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**J. PENSION PLAN**

**Plan Description**

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

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

**Plan Provisions**

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 2008	Plan Year 2009
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2009

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

Fiscal year ended September 30,	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/(Asset)
2007	\$ 54,042	\$ 54,042	100%	\$ -
2008	68,610	68,610	100%	-
2009	72,112	72,112	100%	-

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	12/31/2006	12/31/2007	12/31/2008
Actuarial Cost Method	Unit Credit	Unit Credit	Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 years: open period	25 years: open period	25 years: open period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	NA	0.0%	0.0%

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows. The schedule of fund progress, presented in TMRS' financial statements as RSI presents multi-year trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to actuarial accrued liability of benefits. This trend information is also included with the most recent actuarial valuation date.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Funded Ratio (a) / (b)	(d) Unfunded AAL (UAAL) (b) - (a)	(e) Covered Payroll	(f) UAAL as a % of Covered Payroll (d) / (e)
12/31/2008	\$ 659,671	\$ 651,575	101.2%	\$ (8,096)	\$ 1,276,190	-0.63%
12/31/2007	\$ 526,652	\$ 585,056	90.0%	\$ 58,404	\$ 1,262,540	4.63%
12/31/2006	\$ 385,408	\$ 395,180	97.5%	\$ 9,772	\$ 1,242,490	0.79%

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2009

**K. HEALTH CARE COVERAGE**

During the year ended September 30, 2009, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$114,860 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.

**L. COMMITMENTS AND CONTINGENCIES**

**Presidential Glen, LTD Agreement**

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

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

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

**Grant Contingencies**

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility 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, 2009, the City's arbitrage liability was \$0.

**M. SUBSEQUENT EVENTS**

On October 1, 2009, under a Wholesale Wastewater Service Agreement dated February 13, 2002, the City paid \$826,000 to repurchase all 200,000 GPD of wastewater treatment capacity that was previously reserved for Travis County Municipal District No. 2. Proceeds from the issuance of water and wastewater revenue bonds were used to fund this transaction (see Note G).

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF MANOR, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**Year Ended September 30, 2009**

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes -----	\$ 715,930	\$ 715,930	\$ 716,010	\$ 80
Sales taxes -----	400,000	400,000	357,994	(42,006)
Franchise taxes -----	256,000	256,000	314,328	58,328
Other taxes -----	37,250	37,250	46,058	8,808
Licenses, permits, and fees -----	123,440	123,440	223,190	99,750
Fines and forfeitures -----	461,750	461,750	417,356	(44,394)
Sanitation -----	342,500	342,500	362,482	19,982
Penalties and interest -----	11,000	11,000	21,009	10,009
Special assessments -----	24,500	24,500	43,474	18,974
Other -----	24,750	24,750	127,422	102,672
Total Revenues -----	2,397,120	2,397,120	2,629,323	232,203
<b>EXPENDITURES</b>				
General government -----	414,126	414,126	481,976	(67,850)
Public safety -----	1,202,863	1,202,863	1,069,222	133,641
Streets -----	336,305	336,305	317,392	18,913
Municipal court -----	248,056	248,056	251,586	(3,530)
Development services -----	202,713	202,713	167,774	34,939
Sanitation -----	310,000	310,000	346,759	(36,759)
Capital outlay:				
Public safety -----	20,300	20,300	74,138	(53,838)
Streets -----	7,000	7,000	5,239	1,761
Municipal court -----	18,750	18,750	-	18,750
Debt payments -----	50,056	50,056	64,094	(14,038)
Interest -----	-	-	3,926	(3,926)
Total Expenditures -----	2,810,169	2,810,169	2,782,106	28,063
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER EXPENDITURES -----</b>	<b>(413,049)</b>	<b>(413,049)</b>	<b>(152,783)</b>	<b>260,266</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital grant proceeds -----	-	-	42,531	42,531
Operating transfers from other funds:				
Proprietary fund -----	-	-	160,000	160,000
Capital Projects Fund -----	-	-	(228,140)	(228,140)
Total Other Financing Sources (Uses) -----	-	-	(25,609)	(25,609)
<b>NET CHANGE IN FUND BALANCE -----</b>	<b>(413,049)</b>	<b>(413,049)</b>	<b>(178,392)</b>	<b>234,657</b>
<b>FUND BALANCE - BEGINNING OF YEAR -----</b>	<b>683,343</b>	<b>683,343</b>	<b>683,343</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR -----</b>	<b>\$ 270,294</b>	<b>\$ 270,294</b>	<b>504,951</b>	<b>\$ 234,657</b>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)</b>				
Invested in capital assets, net of related debt -----			1,294,851	
Revenue accruals -----			14,933	
Expenditure accruals -----			(40,222)	
<b>FUND BALANCE - END OF YEAR (GAAP) -----</b>			<b>1,774,513</b>	
<b>OTHER FUND BALANCES - END OF YEAR (GAAP)</b>				
DEBT SERVICE FUND -----			288,785	
CAPITAL PROJECTS FUND -----			1,947,983	
<b>TOTAL FUND BALANCES - END OF YEAR (GAAP) -----</b>			<b>\$ 4,011,281</b>	

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

City of Manor, Texas  
Notes to Required Supplementary Information  
Year Ended September 30, 2009

**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.

**Reconciliation of Non-GAAP Budgetary Information to GAAP Information**

Because the City budgets on a non-GAAP cash basis, which includes capital outlay expenditures and debt payments in operating expenditure categories, these expenditures were reclassified for budgetary comparison purposes. General fund capital assets purchased in the current year and debt payments related to capital asset purchases are presented as other financing uses. The General Fund non-GAAP fund balance is reconciled to GAAP basis by showing all investments in capital assets net of related debt, revenue accruals, expenditure accruals, and intrafund transfer eliminations.

**B. BUDGET VERSUS ACTUAL RESULTS**

Operating revenues in the general fund were more than budgeted by \$232,203, and operating expenditures were less than budgeted by \$75,428, resulting in an overall variance (favorable) of \$307,631. The City used \$228,140 of this amount to fund ongoing construction projects.





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

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**RSM McGladrey Network**

An Independently Owned Member

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 Armstrong, CPA

## INDEPENDENT AUDITOR'S 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 financial statements of the City of Manor, Texas (the City) as of and for the year ended September 30, 2009, and have issued our report thereon dated April 4, 2010. 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 to be a significant deficiency in internal control over financial reporting. Significant deficiency 09-01.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

We noted certain matters that we reported to management of the City in a separate letter dated April 4, 2010.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

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

*Lockhart, Atchley & Associates, LLP*

Austin, Texas  
April 4, 2010



CITY OF MANOR  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2009

**Financial Statement Findings**

**09-01 Expenditures in Excess of Budget Appropriations**

Criteria: In accordance with the City of Manor Ordinance No. 355, a budget was passed and expenditures appropriated for the General Fund of the City for the year ended September 30, 2009. Expenditures for the year may not exceed appropriated budget amounts.

Condition: The City's expenditures in the General Fund exceeded appropriated amounts in several budgeted line items by \$112,065.

Cause: City personnel indicated that the City incurred expenses that were greater than anticipated.

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 City incurred higher legal and engineering fees related to the contractor's default on the Presidential Glen subdivision creating an overage in the administrative expenses. Judicial expenses exceeded budget due to credit card fees for on-line payments began mid-year and excess overtime was incurred due to the judge's health issues. Sanitation department was budgeted too low by about \$3,500 per month and the revised budget did not reflect this increase.

CITY OF MANOR  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2009

**Findings – Financial Statement Audit**

Finding 08-01 reported in the prior year is reported again as finding 09-01 in the year.