

THE CITY OF MANOR, TEXAS  
ANNUAL FINANCIAL REPORT  
AND INDEPENDENT AUDITORS' REPORT  
YEAR ENDED SEPTEMBER 30, 2010

**CITY OF MANOR, TEXAS**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b> -----	<b>1</b>
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b> -----	<b>5</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Assets-----	<b>13</b>
Statement of Activities-----	<b>14</b>
<b>FUND-LEVEL FINANCIAL STATEMENTS</b>	
Balance Sheet - Governmental Funds-----	<b>16</b>
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets-----	<b>17</b>
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds-----	<b>18</b>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities-----	<b>19</b>
Statement of Net Assets - Proprietary Fund-----	<b>20</b>
Statement of Revenues, Expenses, and Changes in Fund Net Assets- Proprietary Fund-----	<b>21</b>
Statement of Cash Flows - Proprietary Fund-----	<b>22</b>
<b>NOTES TO FINANCIAL STATEMENTS</b> -----	<b>23</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)-----	<b>37</b>
Notes to Required Supplementary Information-----	<b>38</b>
<b>AUDITORS' REPORT ON FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE     WITH GOVERNMENTAL AUDITING STANDARDS</b> -----	<b>39</b>
<b>SCHEDULE OF FINDINGS AND RESPONSES</b> -----	<b>41</b>

*This page is left blank intentionally.*



## 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, 2010, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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 and the business-type activities of the City, as of September 30, 2010, 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 June 29, 2011, 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.

*Atchley & Associates, LLP*

Austin, Texas  
June 29, 2011

## **MANAGEMENT DISCUSSION AND ANALYSIS**

*This page is left blank intentionally.*

## MANAGEMENT DISCUSSION AND ANALYSIS

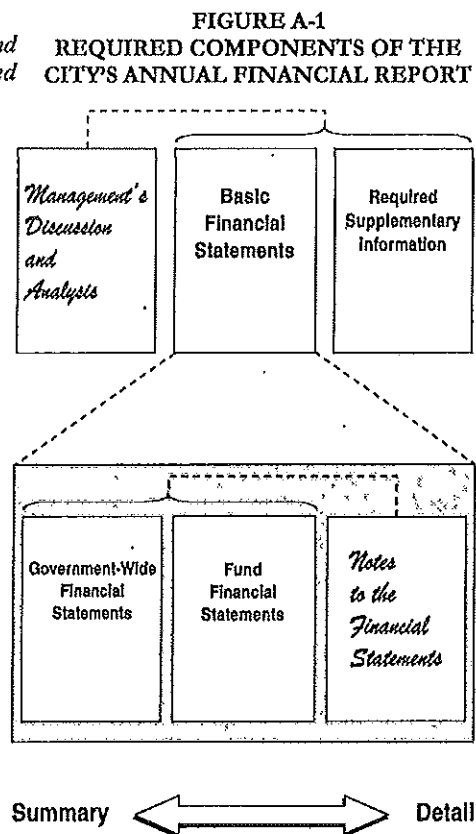
This section of the City of Manor's (City) annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2010. This discussion and analysis should be read in conjunction with the City's financial statements.

### 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.



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**

<i>Type of Statements</i>	<b>Fund Statements</b>	
	<b>Government-Wide</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary
<i>Required financial statements</i>	<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, Expenses &amp; Changes in Fund Balances</li> <li>♦ Statement of Cash Flows</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year end; expenditures when goods or services have been received and payment is made during the year or soon thereafter

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

### FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$8,313,965 at September 30, 2010 (see Figure A-3).
- Current year activity resulted in an increase in the City's net assets by \$44,394 (see Figure A-4).

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets:</b>						
Current and other assets	\$ 1,297,468	\$ 2,962,223	\$ 2,224,934	\$ 1,957,558	\$ 3,522,402	\$ 4,919,781
Noncurrent assets	5,416,822	5,537,282	11,361,373	9,722,077	16,778,195	15,259,359
<b>Total Assets</b>	<b>6,714,290</b>	<b>8,499,505</b>	<b>13,586,307</b>	<b>11,679,635</b>	<b>20,300,597</b>	<b>20,179,140</b>
<b>Liabilities:</b>						
Current liabilities	438,708	525,570	473,347	606,399	912,055	1,131,969
Long-term liabilities	3,815,772	3,962,654	7,258,805	6,973,115	11,074,577	10,935,769
<b>Total Liabilities</b>	<b>4,254,480</b>	<b>4,488,224</b>	<b>7,732,152</b>	<b>7,579,514</b>	<b>11,986,632</b>	<b>12,067,738</b>
<b>Net Assets:</b>						
Invested in capital assets	1,454,168	1,326,957	3,999,157	2,466,221	5,453,325	3,793,178
Restricted for specific use	957,661	2,468,530	437,105	1,168,710	1,394,766	3,637,240
Unrestricted	47,981	215,794	1,417,893	465,190	1,465,874	680,984
<b>Total Net Assets</b>	<b>\$ 2,459,810</b>	<b>\$ 4,011,281</b>	<b>\$ 5,854,155</b>	<b>\$ 4,100,121</b>	<b>\$ 8,313,965</b>	<b>\$ 8,111,402</b>

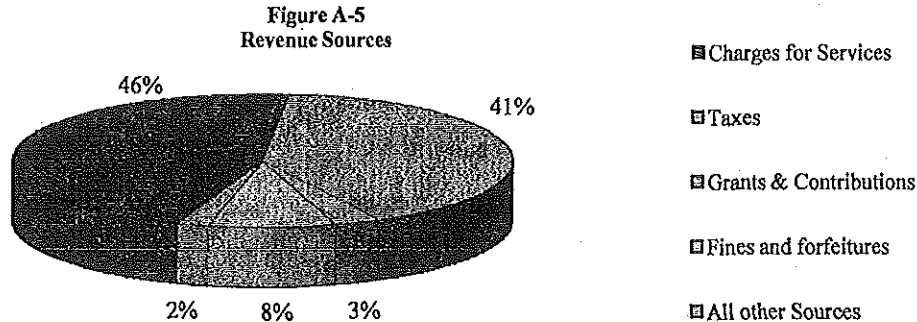
**Figure A-4**  
**Changes in the City's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2010	2009*	2010	2009*	2010	2009*
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 558,198	\$ 609,598	\$ 1,935,121	\$ 2,087,154	\$ 2,493,319	\$ 2,696,752
General Revenues:						
Taxes	2,208,524	2,185,204	-	-	2,208,524	2,185,204
Fines and forfeitures	438,110	417,357	-	-	438,110	417,357
Interest and penalties	15,091	47,376	1,616	10,092	16,707	57,468
Other	94,362	146,971	-	1,775	94,362	148,746
<b>Total Revenues</b>	<b>3,314,285</b>	<b>3,406,506</b>	<b>1,936,737</b>	<b>2,099,021</b>	<b>5,251,022</b>	<b>5,505,527</b>
<b>Expenses</b>						
General government	574,484	498,656	-	-	574,484	498,656
Public safety	1,158,088	1,123,758	-	-	1,158,088	1,123,758
Streets	544,709	455,968	-	-	544,709	455,968
Municipal court	306,191	255,564	-	-	306,191	255,564
Development services	159,803	167,541	-	-	159,803	167,541
Sanitation	366,673	346,760	-	-	366,673	346,760
Interest and fiscal charges	184,498	174,268	374,972	260,092	559,470	434,360
Water and sewer	-	-	1,696,700	1,701,097	1,696,700	1,701,097
<b>Total Expenses</b>	<b>3,294,446</b>	<b>3,022,515</b>	<b>2,071,672</b>	<b>1,961,189</b>	<b>5,366,118</b>	<b>4,983,704</b>
<b>Revenue Over (Under)</b>						
Expenditures	19,839	383,991	(134,935)	137,832	(115,096)	521,823
Capital contributions	159,490	239,319	-	-	159,490	239,319
Transfers	(1,662,298)	(422,928)	1,662,298	422,928	-	-
<b>Change in Net Assets</b>	<b>(1,482,969)</b>	<b>200,382</b>	<b>1,527,363</b>	<b>560,760</b>	<b>44,394</b>	<b>761,142</b>
Beginning Net Assets	4,011,281	3,810,899	4,100,121	3,539,361	8,111,402	7,350,260
Prior Period Adjustments	(68,502)	-	226,671	-	158,169	-
<b>Ending Net Assets</b>	<b>\$ 2,459,810</b>	<b>\$ 4,011,281</b>	<b>\$ 5,854,155</b>	<b>\$ 4,100,121</b>	<b>\$ 8,313,965</b>	<b>\$ 8,111,402</b>

\* Prior year balances reclassified to conform with current year presentation.

## CITY REVENUES

The majority of the City's revenue is generated from charges for services (46%) and taxes (41%). The remaining 13% is obtained from fines and forfeitures, grants, contributions, and other sources (See Figure A-5).



## GROWTH TRENDS

### Governmental Activities

While the City's property tax rate for maintenance and operations remained consistent with the prior year (0.3257/\$100), an increase in property tax values generated an additional \$44,169 in general tax revenues. City franchise fees remained consistent with prior year, and sales taxes decreased by \$28,908 or 9%.

### Business-type Activities

Water sales decreased by \$79,867 or 8%, which is consistent with recent growth trends.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### General Fund Budgetary Highlights

General fund expenditures exceeded revenues by \$470,834 which was significantly less than the budgeted deficit of \$598,493 for operations. Management's overall activities reduced the General Fund's total fund balance by \$144,868, which was \$242,292 less (favorable) than originally budgeted. Operating deficits were funded by the City's proprietary fund in the amount of \$180,377. See details of budget and actual revenues and expenditures on page 37.

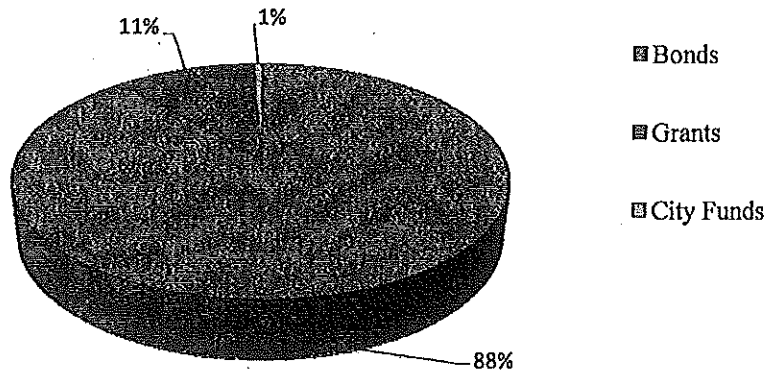
### Capital Assets

During the year ended September 30, 2010, the City invested \$1,480,748 in a broad range of capital assets, including infrastructure, equipment, buildings, and equipment. (See Figure A-6). The majority of these additions were funded from bond and grant proceeds. Other projects were funded by water and sewer impact fees. See Figure A-7 for details of capital project financing sources.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 118,947	\$ 118,947	\$ 406,816	\$ 406,816	\$ 525,763	\$ 525,763
Buildings and Equipment	1,171,614	1,016,122	253,640	253,640	1,425,254	1,269,762
Street Improvements	4,737,141	4,710,349	12,992	12,992	4,750,133	4,723,341
Water System	-	-	7,044,199	7,037,399	7,044,199	7,037,399
Sewer System	-	-	5,656,180	4,307,483	5,656,180	4,307,483
Construction in progress	434,936	383,723	323,677	431,923	758,613	815,646
Totals at historical cost	6,462,638	6,229,141	13,697,504	12,450,253	20,160,142	18,679,394
Accumulated depreciation	(1,045,816)	(723,965)	(2,362,561)	(2,123,130)	(3,408,377)	(2,847,095)
Net capital assets	\$ 5,416,822	\$ 5,505,176	\$ 11,334,943	\$ 10,327,123	\$ 16,751,765	\$ 15,832,299

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



**Debt Administration**

At year-end, the City had \$11,324,870 in outstanding debt 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Leases Payable	\$ 21,904	\$ 54,762	\$ 3,865	\$ 13,410	\$ 25,769	\$ 68,172
Notes Payable	-	-	359,101	444,297	359,101	444,297
Bonds Payable	3,940,750	4,088,000	6,999,250	7,187,000	10,940,000	11,275,000
<b>Total</b>	<b>\$ 3,962,654</b>	<b>\$ 4,142,762</b>	<b>\$ 7,362,216</b>	<b>\$ 7,644,707</b>	<b>\$ 11,324,870</b>	<b>\$ 11,787,469</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 approximately \$120,000, or 5%, due to an increase of 0.0646/\$100 in the maintenance and operations ad valorem tax rate. All other revenues are projected to remain consistent with this year's actual revenues.

General fund proposed expenditures are expected to decrease by approximately \$243,139, resulting in an overall operating deficit of approximately \$57,500, decreasing by \$87,368 when compared to this year's actual fund deficit.

**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.

*This page is left blank intentionally.*

## **BASIC FINANCIAL STATEMENTS**

*This page is left blank intentionally.*

**CITY OF MANOR, TEXAS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2010**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents -----	\$ 50	\$ 1,072,197	\$ 1,072,247
Investments -----	28,879	-	28,879
Receivables, net -----	72,724	124,956	197,680
Due from grantor -----	131,059	-	131,059
Internal balances -----	(2,100)	2,100	-
Restricted assets:			
Cash and cash equivalents -----	140,828	584,959	725,787
Investments -----	926,028	440,722	1,366,750
Non-current assets:			
Capital assets:			
Non-depreciable -----	553,883	730,493	1,284,376
Depreciable, net -----	4,862,939	10,604,450	15,467,389
Unamortized bond costs -----	-	26,430	26,430
<b>Total Assets -----</b>	<b>\$ 6,714,290</b>	<b>\$ 13,586,307</b>	<b>\$ 20,300,597</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable -----	\$ 114,164	\$ 72,881	\$ 187,045
Payable from restricted assets -----	47,385	-	47,385
Intergovernmental payables -----	2,698	-	2,698
Accrued payable -----	546	-	546
Interest payable -----	61,811	55,446	117,257
Deferred revenue -----	25,000	-	25,000
Leases payable, due within one year -----	21,904	3,865	25,769
Notes payable, due within one year -----	-	91,355	91,355
Bonds payable, due within one year -----	165,200	254,800	420,000
Non-current liabilities:			
Compensated absences -----	40,222	12,134	52,356
Customer deposits -----	-	229,475	229,475
Notes payable, due more than one year -----	-	267,746	267,746
Bonds payable, due more than one year -----	3,775,550	6,744,450	10,520,000
<b>Total Liabilities -----</b>	<b>\$ 4,254,480</b>	<b>\$ 7,732,152</b>	<b>\$ 11,986,632</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt -----	\$ 1,454,168	\$ 3,999,157	\$ 5,453,325
Restricted for specific purposes -----	957,661	437,105	1,394,766
Unrestricted and undesignated -----	47,981	1,417,893	1,465,874
<b>Total Net Assets -----</b>	<b>\$ 2,459,810</b>	<b>\$ 5,854,155</b>	<b>\$ 8,313,965</b>

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



**CITY OF MANOR, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2010**

Function/Program Activities	Expenses
<b>Primary Government:</b>	
Government activities:	
General government -----	\$ 574,484
Public safety -----	1,158,088
Streets -----	544,709
Municipal court -----	306,191
Development services -----	159,803
Sanitation -----	366,673
Interest on long-term debt -----	184,498
Total government activities -----	<u>3,294,446</u>
Business-type activities:	
Water -----	938,865
Sewer -----	757,835
Interest and amortization on long-term debt -----	374,972
Total business-type activities -----	<u>2,071,672</u>
<b>Total Primary Government -----</b>	<b><u>\$ 5,366,118</u></b>

**General Revenues:**

**Taxes:**

Property -----
Sales -----
Franchise -----
Other -----
Fines and forfeitures -----
Penalties and interest -----
Miscellaneous -----
Transfers -----

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

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

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

**Prior Period Adjustments -----**

**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		Total
		Governmental Activities	Business-Type Activities	
\$ 1,294	\$ 9,975	\$ (563,215)	\$ -	\$ (563,215)
9,737	73,073	(1,075,278)	-	(1,075,278)
-	76,442	(468,267)	-	(468,267)
15,295	-	(290,896)	-	(290,896)
144,044	-	(15,759)	-	(15,759)
387,828	-	21,155	-	21,155
-	-	(184,498)	-	(184,498)
558,198	159,490	(2,576,758)	-	(2,576,758)
1,101,835	-	-	162,970	162,970
833,286	-	-	75,451	75,451
-	-	-	(374,972)	(374,972)
1,935,121	-	-	(136,551)	(136,551)
\$ 2,493,319	\$ 159,490	(2,576,758)	(136,551)	(2,713,309)
		1,541,057	-	1,541,057
		329,086	-	329,086
		318,891	-	318,891
		19,490	-	19,490
		438,110	-	438,110
		15,091	1,616	16,707
		94,362	-	94,362
		(1,662,298)	1,662,298	-
		1,093,789	1,663,914	2,757,703
		(1,482,969)	1,527,363	44,394
		4,011,281	4,100,121	8,111,402
		(68,502)	226,671	158,169
		\$ 2,459,810	\$ 5,854,155	\$ 8,313,965

**CITY OF MANOR, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2010**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Unrestricted				
Cash and cash equivalents -----	\$ 50	\$ -	\$ -	\$ 50
Investments-----	28,879	-	-	28,879
Receivables, net-----	48,053	24,671	-	72,724
Intergovernmental receivables-----	98,782	-	32,277	131,059
Due from other funds-----	38,472	-	-	38,472
Restricted assets:				
Cash and cash equivalents -----	3,478	11,948	125,402	140,828
Investments -----	241,467	268,436	416,125	926,028
<b>Total Assets -----</b>	<b>\$ 459,181</b>	<b>\$ 305,055</b>	<b>\$ 573,804</b>	<b>\$ 1,338,040</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable -----	\$ 114,164	\$ -	\$ -	\$ 114,164
Intergovernmental payables-----	2,698	-	-	2,698
Payable from restricted funds -----	-	-	47,385	47,385
Accrued payables -----	546	-	-	546
Due to other funds-----	2,100	-	38,472	40,572
Deferred revenue -----	48,091	24,671	-	72,762
<b>Total Liabilities -----</b>	<b>167,599</b>	<b>24,671</b>	<b>85,857</b>	<b>278,127</b>
<b>FUND BALANCES</b>				
Restricted for specific purposes -----	244,945	280,384	487,947	1,013,276
Unrestricted and undesignated -----	46,637	-	-	46,637
<b>Total Fund Balances -----</b>	<b>291,582</b>	<b>280,384</b>	<b>487,947</b>	<b>1,059,913</b>
<b>Total Liabilities and Fund Balances -----</b>	<b>\$ 459,181</b>	<b>\$ 305,055</b>	<b>\$ 573,804</b>	<b>\$ 1,338,040</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, 2010**

---

**TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS ----- \$ 1,059,913**

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. ----- 5,416,822

Certain receivables are not available to pay current-period expenditures and, therefore, are deferred in the funds. This amount includes deferred property taxes. ----- 47,762

Certain liabilities related to long-term debt are not reported in the funds, such as accrued interest payable. ----- (61,811)

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. ----- (3,962,654)

**NET ASSETS - GOVERNMENTAL ACTIVITIES ----- \$ 2,459,810**

*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, 2010**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>				
Property taxes -----	\$ 736,972	\$ 786,541	\$ -	\$ 1,523,513
Sales taxes -----	329,086	-	-	329,086
Franchise taxes -----	318,891	-	-	318,891
Other taxes -----	19,490	-	-	19,490
Charge for services -----	558,198	-	-	558,198
Fines and forfeitures -----	438,110	-	-	438,110
Penalties and interest -----	12,526	523	2,042	15,091
Other -----	94,362	-	-	94,362
<b>Total Revenues -----</b>	<b>2,507,635</b>	<b>787,064</b>	<b>2,042</b>	<b>3,296,741</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government -----	550,018	-	-	550,018
Public safety -----	1,102,559	-	-	1,102,559
Streets -----	311,331	-	-	311,331
Municipal court -----	297,347	-	-	297,347
Development services -----	159,803	-	-	159,803
Sanitation -----	366,673	-	-	366,673
Capital outlay -----	155,492	-	78,005	233,497
<b>Debt service:</b>				
Principal -----	32,858	147,250	-	180,108
Interest -----	2,388	188,224	-	190,612
<b>Total Expenditures -----</b>	<b>2,978,469</b>	<b>335,474</b>	<b>78,005</b>	<b>3,391,948</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures -----</b>	<b>(470,834)</b>	<b>451,590</b>	<b>(75,963)</b>	<b>(95,207)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in -----	180,377	7,571	6,926	194,874
Operating transfers out -----	(6,926)	(452,272)	(1,397,974)	(1,857,172)
Capital contributions -----	152,515	-	6,975	159,490
<b>Total Other Financing Sources and (Uses) -----</b>	<b>325,966</b>	<b>(444,701)</b>	<b>(1,384,073)</b>	<b>(1,502,808)</b>
<b>Net Change in Fund Balances -----</b>	<b>(144,868)</b>	<b>6,889</b>	<b>(1,460,036)</b>	<b>(1,598,015)</b>
<b>Fund Balances - Beginning of Year -----</b>	<b>504,951</b>	<b>273,495</b>	<b>1,947,983</b>	<b>2,726,429</b>
<b>Prior Period Adjustments -----</b>	<b>(68,501)</b>	<b>-</b>	<b>-</b>	<b>(68,501)</b>
<b>Fund Balances - End of Year -----</b>	<b>\$ 291,582</b>	<b>\$ 280,384</b>	<b>\$ 487,947</b>	<b>\$ 1,059,913</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, 2010**

---

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS ----- \$ (1,598,015)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. ----- (88,354)

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. ----- 17,539

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 payments were exceeded by debt proceeds. ----- 180,108

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. ----- 5,753

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES ----- \$ (1,482,969)**

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

**CITY OF MANOR, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
September 30, 2010

	<u>Water and Sewer System</u>
<b>ASSETS</b>	
Current Assets:	
Unrestricted assets:	
Cash and cash equivalents -----	\$ 1,072,197
Accounts receivable, net -----	124,956
Due from other funds -----	2,100
Restricted assets:	
Cash and cash equivalents -----	584,959
Investments -----	440,722
<b>Total Current Assets</b> -----	<b>2,224,934</b>
Non-Current Assets:	
Non-depreciable assets -----	730,493
Depreciable assets, net -----	10,604,450
Unamortized bond costs -----	26,430
<b>Total Non-Current Assets</b> -----	<b>11,361,373</b>
<b>Total Assets</b> -----	<b>\$ 13,586,307</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable -----	\$ 72,881
Interest payable -----	55,446
Leases payable, due within one year -----	3,865
Notes payable, due within one year -----	91,355
Bonds payable, due within one year -----	254,800
<b>Total Current Liabilities</b> -----	<b>478,347</b>
Non-Current Liabilities:	
Compensated absences -----	12,134
Customer deposits -----	229,475
Notes payable, due after one year -----	267,746
Bonds payable, due after one year -----	6,744,450
<b>Total Non-Current Liabilities</b> -----	<b>7,253,805</b>
<b>Total Liabilities</b> -----	<b>\$ 7,732,152</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt -----	\$ 3,999,157
Restricted -----	437,105
Unrestricted -----	1,417,893
<b>Total Net Assets</b> -----	<b>\$ 5,854,155</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, 2010**

	Water and Sewer System
<b>OPERATING REVENUES</b>	
Water service -----	\$ 1,011,248
Sewer service -----	671,376
Penalties -----	54,897
Capital impact fees -----	197,600
Total Revenues -----	<u>1,935,121</u>
<b>OPERATING EXPENSES</b>	
Personnel services -----	331,071
Operations -----	120,681
Utilities -----	101,583
Professional services -----	4,749
Insurance -----	14,368
Materials and supplies -----	62,439
Maintenance -----	37,577
Water fees -----	407,455
Wastewater fees -----	359,002
Development agreements -----	1,400
Bad debts -----	16,944
Depreciation -----	239,431
Total Operating Expenses -----	<u>1,696,700</u>
<b>OPERATING INCOME</b> -----	<u>238,421</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income -----	1,616
Interest expense -----	(374,972)
Total Non-Operating Revenues (Expenses) -----	<u>(373,356)</u>
<b>LOSS BEFORE CONTRIBUTIONS AND TRANSFERS</b> -----	(134,935)
<b>CONTRIBUTIONS AND TRANSFERS</b>	
Transfers from primary government -----	<u>1,662,298</u>
<b>CHANGE IN NET ASSETS</b> -----	1,527,363
<b>NET ASSETS - BEGINNING OF YEAR</b> -----	4,100,121
<b>PRIOR PERIOD ADJUSTMENTS</b> -----	226,671
<b>NET ASSETS - END OF YEAR</b> -----	<u>\$ 5,854,155</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, 2010**

	<b>Water and Sewer System</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers .....	\$ 1,906,780
Payments to suppliers .....	(1,082,129)
Payments to employees and contractors .....	(331,071)
Net Cash From Operating Activities .....	<u>493,580</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Decrease in restricted assets .....	100,511
Operating transfers to primary government .....	(180,377)
Net Cash From Non-Capital Financing Activities .....	<u>(79,866)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Bond proceeds for capital-related projects .....	1,422,352
Proceeds from capital impact fees (restricted cash) .....	281,728
Additions to capital assets .....	(1,247,251)
Transfers from primary government for payment of debt obligations .....	452,272
Net proceeds from issuance of debt .....	908,570
Principal payments on debt .....	(1,217,491)
Interest payments on debt .....	(352,793)
Net Cash From Capital and Related Financing Activities .....	<u>247,387</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income .....	1,616
Net Cash From Investing Activities .....	<u>1,616</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS .....</b>	<b>662,717</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR .....</b>	<b><u>409,480</u></b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR .....</b>	<b><u>\$ 1,072,197</u></b>

**RECONCILIATION OF OPERATING INCOME TO NET**

**CASH FROM OPERATING ACTIVITIES**

Operating income .....	\$ 238,421
Adjustments not effecting cash:	
Bad debts .....	16,944
Depreciation .....	239,431
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts receivable .....	(35,791)
Accounts payable .....	27,125
Customer deposits .....	7,450
Net Cash From Operating Activities .....	<u>\$ 493,580</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, 2010

**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, 2010

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, 2010

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, 2010

***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, 2010, carrying amounts of the City's cash deposits were \$1,797,584 and bank balance were \$1,852,340. The City's cash deposits at September 30, 2010 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, 2010 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool Investments	N/A	\$ 1,395,629

**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, 2010

City's name. At September 30, 2010, 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, 2010, receivables for governmental activities are summarized in the government-wide financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Sales tax receivable	\$ 24,962	\$ -	\$ 24,962
Property tax receivable	73,792	(26,030)	47,762
Total receivables	<u>\$ 98,754</u>	<u>\$ (26,030)</u>	<u>\$ 72,724</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, 2010

At September 30, 2010, enterprise receivables are summarized in the financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Accounts receivable from customers	\$ 125,557	\$ (3,447)	\$ 122,110
NSF checks	2,846	-	2,846
Total receivables	<u>\$ 128,403</u>	<u>\$ (3,447)</u>	<u>\$ 124,956</u>

**D. RESTRICTED ASSETS**

At September 30, 2010, restricted assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<b>Cash and cash equivalents:</b>			
Debt service	\$ 11,948	\$ -	\$ 11,948
Rose Hill Public Improvement District	3,478	-	3,478
Capital projects (bond proceeds)	125,402	-	125,402
Customer deposits	-	229,475	229,475
Capital improvements - water system	-	185,894	185,894
Capital improvements - waste water system	-	169,590	169,590
Total cash and cash equivalents	<u>\$ 140,828</u>	<u>\$ 584,959</u>	<u>\$ 725,787</u>

	Governmental Activities	Business-Type Activities	Total
<b>Investments:</b>			
Parks	\$ 8,396	\$ -	\$ 8,396
Debt service	268,436	-	268,436
Tourism	649,196	-	649,196
Capital improvements - water system	-	440,722	440,722
Total investments	<u>\$ 926,028</u>	<u>\$ 440,722</u>	<u>\$ 1,366,750</u>

**E. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balances	Additions	Reclassification	Ending Balances
<b>Governmental activities:</b>				
Non-depreciable assets:				
Land	\$ 118,947	\$ -	\$ -	\$ 118,947
Construction in process	383,723	78,005	(26,792)	434,936
Total non-depreciable assets	<u>\$ 502,670</u>	<u>\$ 78,005</u>	<u>\$ (26,792)</u>	<u>\$ 553,883</u>
Depreciable assets:				
Buildings and equipment	\$ 1,016,122	\$ 155,492	\$ -	\$ 1,171,614
Street improvements	4,710,349	-	26,792	4,737,141
Total depreciable assets	5,726,471	155,492	26,792	5,908,755
Accumulated depreciation	(723,965)	(321,851)	-	(1,045,816)
Depreciable assets, net	<u>\$ 5,002,506</u>	<u>\$ (166,359)</u>	<u>\$ 26,792</u>	<u>\$ 4,862,939</u>

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2010

	Beginning Balances (Restated)	Additions	Reclassification	Ending Balances
<b>Business-type activities:</b>				
Non-depreciable assets:				
Land	\$ 406,816	\$ -	\$ -	\$ 406,816
Construction in process	431,923	414,451	(522,697)	323,677
Total non-depreciable assets	<u>\$ 838,739</u>	<u>\$ 414,451</u>	<u>\$ (522,697)</u>	<u>\$ 730,493</u>
Depreciable assets:				
Machinery and equipment	\$ 253,640	\$ -	\$ -	\$ 253,640
Culverts	12,992	-	-	12,992
Infrastructure - water system	7,037,399	6,800	-	7,044,199
Infrastructure - sewer system	4,307,483	826,000	522,697	5,656,180
Total depreciable assets	11,611,514	832,800	522,697	12,967,011
Accumulated depreciation	(2,123,130)	(239,431)	-	(2,362,561)
Depreciable assets, net	<u>\$ 9,488,384</u>	<u>\$ 593,369</u>	<u>\$ 522,697</u>	<u>\$ 10,604,450</u>

Depreciation expense was charged to functions as follows:

Function:	Governmental Activities	Business-Type Activities	Total
General government	\$ 24,103	\$ -	\$ 24,103
Public safety	55,529	-	55,529
Streets	233,375	-	233,375
Municipal court	8,844	-	8,844
Water	-	169,055	169,055
Sewer	-	70,376	70,376
Total depreciation expense	<u>\$ 321,851</u>	<u>\$ 239,431</u>	<u>\$ 561,282</u>

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

**Internal Balances:**

Due From	Due To	Amount
General Fund	Enterprise Fund	\$ 2,100
Total internal balances		<u>\$ 2,100</u>

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

Purpose	Governmental Activities	Business-Type Activities
Property taxes collected for debt payments	\$ (452,272)	\$ 452,272
Capitalization of completed projects	(1,390,403)	1,390,403
Operating transfer	180,377	(180,377)
Total transfers (to) from other funds	<u>\$ (1,662,298)</u>	<u>\$ 1,662,298</u>



City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2010

**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, 2010 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Capital leases	54,762	-	32,858	21,904	21,904
Bonds payable	4,088,000	-	147,250	3,940,750	165,200
Total governmental activities	<u>\$ 4,142,762</u>	<u>\$ -</u>	<u>\$ 180,108</u>	<u>\$ 3,962,654</u>	<u>\$ 187,104</u>

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Business-Type Activities:</b>					
Capital leases	13,410	-	9,545	3,865	3,865
Notes payable	444,297	-	85,196	359,101	91,355
Bonds payable	7,187,000	935,000	1,122,750	6,999,250	254,800
Total business-type activities	<u>\$ 7,644,707</u>	<u>\$ 935,000</u>	<u>\$ 1,217,491</u>	<u>\$ 7,362,216</u>	<u>\$ 350,020</u>

**Debt Service Requirements**

***Capital Leases***

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2010 as follows:

	Governmental Activities	Business-Type Activities
For the year ending September 30, 2011	21,904	3,865
	<u>\$ 21,904</u>	<u>\$ 3,865</u>

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

***Notes Payable***

On September 30, 2002, the City of Manor entered into an agreement with the City of Austin to provide wholesale wastewater service to the City. As part of this agreement, the City agreed to reimburse Austin for costs incurred by them to (1) close lagoons; (2) construct an 18-inch interceptor; (3) construct metering facilities; and (4) decommission Manor's existing wastewater plant. Total costs were \$298,975 to be paid monthly over 84 months at an interest rate of 7% per annum from wastewater capital impact fees.

In connection with the agreement, the City was also required to purchase capacity in the City of Austin's existing wastewater facility. The cost was \$328,250 to be paid monthly over 84 months at an interest rate of 7% per annum from wastewater impact fees.

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2010

Debt service requirements on long-term notes payable at September 30, 2010 were as follows:

For the year ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2011	91,355	22,243	113,598
2012	97,960	15,638	113,598
2013	105,041	8,557	113,598
2014	64,745	1,519	66,264
	<u>\$ 359,101</u>	<u>\$ 47,957</u>	<u>\$ 407,058</u>

***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.

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 with the City of Austin 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.

General Obligation Refunding Bonds, Series 2010

On May 15, 2010, the City issued \$935,000 in general obligation bonds, proceeds to be used to refund Series 2009 revenue bonds. Bond interest rates range from 2.83% to 4.70% with semi-annual payments due on March 15 and September 15 of each year until maturity in 2024 or prior redemption.

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2010

Debt service requirements on long-term bond debt at September 30, 2010 were as follows:

		Governmental Activities		
For the year ending September 30,		Principal	Interest	Total
	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>\$ 3,940,750</u>	<u>\$ 1,672,676</u>	<u>\$ 5,613,426</u>

		Business-Type Activities		
For the year ending September 30,		Principal	Interest	Total
	2011	254,800	305,005	559,805
	2012	291,500	294,590	586,090
	2013	315,550	282,465	598,015
	2014	340,400	269,219	609,619
	2015-2019	1,994,100	1,105,414	3,099,514
	2020-2024	2,556,800	613,408	3,170,208
	2025-2029	1,246,100	107,427	1,353,527
		<u>\$ 6,999,250</u>	<u>\$ 2,977,528</u>	<u>\$ 9,976,778</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.

**H. RESTRICTED NET ASSETS**

At September 30, 2010, restricted net assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Restricted for purpose:			
Parks	\$ 8,396	\$ -	\$ 8,396
Rose Hill Public Improvement District	3,478	-	3,478
Tourism	649,196	-	649,196
Debt service	218,574	-	218,574
Capital projects (bond proceeds)	78,017	-	78,017
Capital improvements - water system	-	438,685	438,685
Capital improvements - waste water system	-	(1,580)	(1,580)
Total restricted net assets	<u>\$ 957,661</u>	<u>\$ 437,105</u>	<u>\$ 1,394,766</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 2010, 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

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2010

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 2009	Plan Year 2010
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

**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)
2008	68,610	68,610	100%	-
2009	72,112	72,112	100%	-
2010	56,955	56,955	100%	-

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2010

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	12/31/2007	12/31/2008	12/31/2009
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%	7.5%	7.5%
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	0.0%	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)
12/31/2009	\$ 778,695	\$ 783,364	99.4%	\$ 4,669	\$ 1,314,095	0.36%
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%

#### K. HEALTH CARE COVERAGE

During the year ended September 30, 2010, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$156,503 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

City of Manor, Texas  
Notes to the Financial Statements  
Year Ended September 30, 2010

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, 2010, the City's arbitrage liability was \$0.

**M. PRIOR PERIOD ADJUSTMENTS**

At September 30, 2010, prior period adjustments consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Overstatement of prior year fines and forfeitures	\$ (41,065)		\$ (41,065)
Unspent grant proceeds recorded as revenue in prior year	(25,000)		(25,000)
(Understatement) overstatement of prior year expenditures	(2,437)	43,743	41,306
Proper recording of interlocal agreement with City of Austin		182,928	182,928
	<u>\$ (68,502)</u>	<u>\$ 226,671</u>	<u>\$ 158,169</u>

Other balance sheet effects of prior period adjustment related to interlocal agreement with the City of Austin:

Capital assets beginning balances restated (see Note E)	\$ 627,225
Notes payable beginning balances restated (see Note G)	(444,297)
Net fund balance effect	<u>\$ 182,928</u>

**N. SUBSEQUENT EVENTS**

There were no subsequent events identified by management as of the issuance date of these financial statements.

*This page is left blank intentionally.*

**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, 2010**

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes -----	\$ 742,000	\$ 737,000	\$ 736,972	\$ (28)
Sales taxes -----	375,000	329,000	329,086	86
Franchise taxes -----	281,000	281,000	318,891	37,891
Other taxes -----	750	750	19,490	18,740
Charge for services -----	552,680	557,507	558,198	691
Fines and forfeitures -----	395,000	435,081	438,110	3,029
Penalties and interest -----	11,000	11,000	12,526	1,526
Miscellaneous -----	7,500	7,500	94,362	86,862
Total Revenues -----	2,364,930	2,358,838	2,507,635	148,797
<b>EXPENDITURES</b>				
General government -----	425,592	393,131	550,018	(156,887)
Public safety -----	1,183,896	1,183,896	1,102,559	81,337
Streets -----	325,605	311,259	311,331	(72)
Municipal court -----	284,061	298,061	297,347	714
Development services -----	184,108	184,108	159,803	24,305
Sanitation -----	350,000	366,673	366,673	-
Capital outlay:				
Public safety -----	23,000	98,573	75,505	23,068
Streets -----	7,250	79,987	79,987	-
Municipal court -----	20,750	6,750	-	6,750
Debt payments -----	31,115	32,493	32,857	(364)
Interest -----	2,400	2,400	2,389	11
Total Expenditures -----	2,837,777	2,957,331	2,978,469	(21,138)
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER EXPENDITURES -----</b>	<b>(472,847)</b>	<b>(598,493)</b>	<b>(470,834)</b>	<b>127,659</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital grants and contributions -----	500	152,515	152,515	-
Transfers (to) from other funds:				
Capital projects fund -----	(168,752)	(168,752)	(6,926)	161,826
Proprietary fund -----	227,570	227,570	180,377	(47,193)
Total Other Financing Sources (Uses) -----	59,318	211,333	325,966	114,633
<b>NET CHANGE IN FUND BALANCE -----</b>	<b>(413,529)</b>	<b>(387,160)</b>	<b>(144,868)</b>	<b>242,292</b>
<b>FUND BALANCE - BEGINNING OF YEAR -----</b>	<b>504,951</b>	<b>436,450</b>	<b>436,450</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR -----</b>	<b>\$ 91,422</b>	<b>\$ 49,290</b>	<b>291,582</b>	<b>\$ 242,292</b>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)</b>				
Invested in capital assets, net of related debt -----			1,454,168	
Revenue accruals -----			23,091	
Expenditure accruals -----			(102,033)	
<b>FUND BALANCE - END OF YEAR (GAAP) -----</b>			<b>1,666,808</b>	
<b>OTHER FUND BALANCES - END OF YEAR (GAAP)</b>				
DEBT SERVICE FUND -----			305,055	
CAPITAL PROJECTS FUND -----			487,947	
<b>TOTAL FUND BALANCES - END OF YEAR (GAAP) -----</b>			<b>\$ 2,459,810</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, 2010

**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 \$148,797, and operating expenditures were more than budgeted by \$21,138, resulting in an overall operating variance (favorable) of \$127,659. The City also postponed a capital project to be funded from general funds which favorably increased budget and actual results by \$114,633. Overall results show an increase in fund balance of \$242,292 for the City's general fund.

Departmental actual expenditures exceeded budgeted expenditures for the following reasons:

**General Government**

The City has fiduciary responsibility over a local Public Improvement District (District). Special assessments are collected by the City, and City management disburses these funds at the direction of the District's board. Although the City does not budget for revenues and expenditures related to the District, actual revenues and expenditures are accounted for in the City's general fund. Special assessment revenues account for \$55,309 of the General Fund's miscellaneous revenues, and District expenditures account for \$100,988 of the general government's expenditures. City management changed its method of accounting for District transactions in fiscal year ending September 30, 2011. All District revenues and expenditures are now accounted for separately in a special revenue fund.

The remaining unfavorable variance in the City's general government expenditures (\$55,899) was offset by management's decision not to fund a street project from the City's general fund. Although a budget revision was not formally adopted, management was aware of the availability of these funds throughout the year.

**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, 2010, and have issued our report thereon dated June 29, 2011. 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely manner.

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 designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding 2010 - 1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

### 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 or other matters that are required to be reported under *Government Auditing Standards*. 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 as item 2010-1.

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.

*Atchley & Associates, LLP*

Austin, Texas  
June 29, 2011

CITY OF MANOR  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2010

**Financial Statement Findings**

**10-01 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, 2010 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 \$21,138.

**Cause:** City personnel indicated that the City incurred expenses that were greater than anticipated. Additionally, expenditures related to a local Public Improvement District were accounted for in the City's general fund, but such expenditures were not 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 City has fiduciary responsibility over a local Public Improvement District (District). Special assessments are collected by the City, and City management disburses these funds at the direction of the District's board. Although the City does not budget for revenues and expenditures related to the District, actual revenues and expenditures were accounted for in the City's general fund. City management changed the method of accounting for District transactions beginning October 1, 2010. All District revenues and expenditures will be accounted for separately in a special revenue fund.

CITY OF MANOR  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2010

**Findings – Financial Statement Audit**

Finding 09-01 reported expenditures exceeding appropriated amounts in several budget categories in the General Fund by \$112,065. Although the amount exceeding appropriations significantly decreased in the current year, this finding is reported again in the current year as finding 10-1.