

THE CITY OF MANOR, TEXAS
ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2011

CITY OF MANOR, TEXAS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manor, Texas (the City), as of September 30, 2011, 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, 2011, 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 May 3, 2012, 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 is 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
May 3, 2012

MANAGEMENT DISCUSSION AND ANALYSIS

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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, 2011. This discussion and analysis should be read in conjunction with the City's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

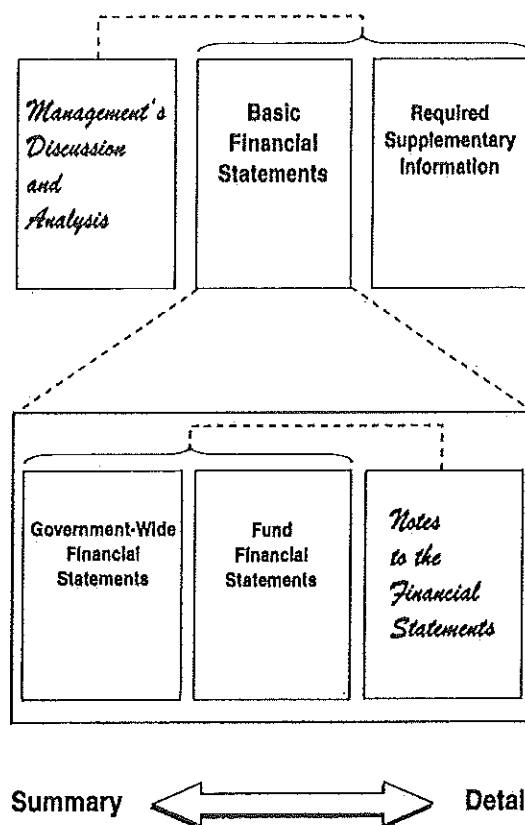
This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of statements that present different views of the City:

- 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.

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



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	Government-Wide	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private business; utilities
Required financial statements	<ul style="list-style-type: none"> ◆ Statement of Net Assets ◆ Statement of Activities 	<ul style="list-style-type: none"> ◆ Balance Sheet ◆ Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> ◆ Statement of Net Assets ◆ Statement of Revenues, Expenses & Changes in Fund Balances ◆ Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	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	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year end; expenditures when goods or services have been received and payment is made during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

THE CITY AS A WHOLE (GOVERNMENT-WIDE)

FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$8,446,969 at September 30, 2011 (see Figure A-3).
- Current year activity resulted in an increase in the City's net assets by \$133,004 (see Figure A-4).

Figure A-3
City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:						
Current and other assets	\$ 1,292,279	\$ 1,297,468	\$ 2,636,375	\$ 2,224,934	\$ 3,928,654	\$ 3,522,402
Noncurrent assets	4,732,777	5,416,822	11,205,661	11,361,373	15,938,438	16,778,195
Total assets	6,025,056	6,714,290	13,842,036	13,586,307	19,867,092	20,300,597
Liabilities:						
Current liabilities	400,217	438,708	484,121	473,347	\$ 884,338	\$ 912,055
Long-term liabilities	3,650,740	3,815,772	6,885,045	7,258,805	10,535,785	11,074,577
Total liabilities	4,050,957	4,254,480	7,369,166	7,732,152	11,420,123	11,986,632
Net assets:						
Non-spendable	1,338,932	1,454,168	4,193,465	3,999,157	\$ 5,532,397	\$ 5,453,325
Restricted	485,927	871,248	644,854	437,105	1,130,781	1,308,353
Unrestricted	149,240	134,394	1,634,551	1,417,893	1,783,791	1,552,287
Total net assets	\$ 1,974,099	\$ 2,459,810	\$ 6,472,870	\$ 5,854,155	\$ 8,446,969	\$ 8,313,965

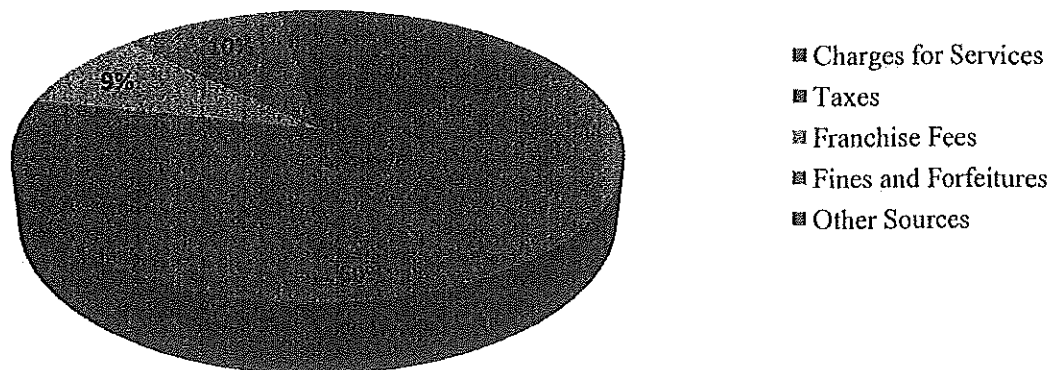
Figure A-4
Changes in City Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 677,833	\$ 558,198	\$ 2,164,285	\$ 1,935,121	\$ 2,842,118	\$ 2,493,319
General revenues:						
Taxes	2,451,464	2,208,524	-	-	2,451,464	2,208,524
Fines and forfeitures	372,168	438,110	-	-	372,168	438,110
Interest and penalties	18,979	15,091	56,230	1,616	75,209	16,707
Other	85,094	94,362	6,583	-	91,677	94,362
Total revenues	3,605,538	3,314,285	2,227,098	1,936,737	5,832,636	5,251,022
Expenses						
General government	894,035	574,484	-	-	894,035	574,484
Public safety	1,219,011	1,158,088	-	-	1,219,011	1,158,088
Streets	799,721	544,709	-	-	799,721	544,709
Municipal court	170,714	306,191	-	-	170,714	306,191
Development services	152,344	159,803	-	-	152,344	159,803
Sanitation	379,921	366,673	-	-	379,921	366,673
Interest and fiscal charges	177,979	184,498	325,455	374,972	503,434	559,470
Water and sewer	-	-	1,774,551	1,696,700	1,774,551	1,696,700
Total Expenses	3,793,725	3,294,446	2,100,006	2,071,672	5,893,731	5,366,118
Revenues over (under)						
Expenses	(188,187)	19,839	127,092	(134,935)	(61,095)	(115,096)
Capital contributions	194,099	159,490	-	-	194,099	159,490
Transfers	(491,623)	(1,662,298)	491,623	1,662,298	-	-
Change in net assets	(485,711)	(1,482,969)	618,715	1,527,363	133,004	44,394
Beginning net assets	2,459,810	3,942,779	5,854,155	4,326,792	8,313,965	8,269,571
Ending net assets	\$ 1,974,099	\$ 2,459,810	\$ 6,472,870	\$ 5,854,155	\$ 8,446,969	\$ 8,313,965

CITY REVENUES

The majority of the City's revenue is generated from taxes (60%) and charges for services (19%). The remaining 21% is obtained from fines and forfeitures, grants, contributions, and other sources (See Figure A-5).

Figure A-5
Revenue Sources



GROWTH TRENDS

Governmental Activities

The City's property tax rate for maintenance and operations increased from \$0.3257 to \$0.3903 in the current fiscal year generating \$876,932 in M&O taxes, an increase of \$139,960 over the previous fiscal year. While the City's franchise fees remained consistent with prior year, sales taxes increased by \$42,960, or 13%. An increase in sanitation fees charged to customers increased sanitation revenue by \$104,908.

Business-type Activities

Water sales increased by \$247,834, or 14%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

General fund revenues exceeded expenditures by \$114,540, which was \$297,038 more than budgeted. Management's overall activities increased the General Fund's total fund balance by \$87,468 without operating transfers from other funds. See details of budget and actual revenues and expenditures on page 39.

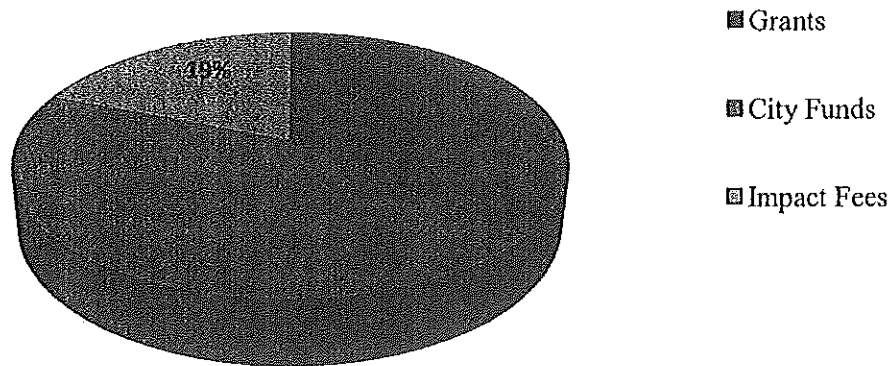
Capital Assets

During the year ended September 30, 2011, the City invested \$507,618 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	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 118,947	\$ 118,947	\$ 406,816	\$ 406,816	\$ 525,763	\$ 525,763
Buildings and equipment	1,202,880	1,171,614	253,640	253,640	1,456,520	1,425,254
Sidewalks	244,164	-	-	-	244,164	-
Streets and improvements	5,270,008	4,737,141	12,992	12,992	5,283,000	4,750,133
Water system	-	-	7,465,930	7,044,199	7,465,930	7,044,199
Sewer system	-	-	5,692,383	5,656,180	5,692,383	5,656,180
Construction in progress	-	434,936	-	323,677	-	758,613
Total at historical cost	6,835,999	6,462,638	13,831,761	13,697,504	20,667,760	20,160,142
Accumulated depreciation	(2,103,222)	(1,045,816)	(2,650,642)	(2,362,561)	(4,753,864)	(3,408,377)
Net capital assets	\$ 4,732,777	\$ 5,416,822	\$ 11,181,119	\$ 11,334,943	\$ 15,913,896	\$ 16,751,765

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



Debt Administration

At year-end, the City had \$10,787,746 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Leases payable	\$ -	\$ 21,904	\$ -	\$ 3,865	\$ -	\$ 25,769
Notes payable	-	-	267,746	359,101	267,746	359,101
Bonds payable	3,775,550	3,940,750	6,744,450	6,999,250	10,520,000	10,940,000
Total	\$ 3,775,550	\$ 3,962,654	\$ 7,012,196	\$ 7,362,216	\$ 10,787,746	\$ 11,324,870

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Next year's proposed General Fund budget is projected to remain consistent with this year's actual revenues.

General fund proposed expenditures are expected to increase by approximately \$355,707, resulting in an overall operating deficit of approximately \$408,055 to be offset with operating transfers from the City's business-type activities.

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, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents -----	\$ 191,996	\$ 1,453,657	\$ 1,645,653
Receivables, net -----	71,098	128,650	199,748
Intergovernmental receivables -----	61,751	-	61,751
Internal balances -----	(5,250)	5,250	-
Restricted assets:			
Cash and cash equivalents -----	23,929	607,169	631,098
Investments -----	948,755	441,649	1,390,404
Non-current assets:			
Capital assets:			
Non-depreciable -----	118,947	406,816	525,763
Depreciable, net -----	4,613,830	10,774,303	15,388,133
Unamortized bond costs -----	-	24,542	24,542
Total Assets -----	\$ 6,025,056	\$ 13,842,036	\$ 19,867,092
LIABILITIES			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable -----	\$ 137,444	\$ -	\$ 137,444
Intergovernmental payables -----	99	-	99
Accrued payables -----	581	-	581
Deferred revenue -----	30,000	-	30,000
Payable from restricted assets:			
Accounts payable -----	-	42,896	42,896
Interest payable -----	58,593	51,765	110,358
Notes payable, due within one year -----	-	97,960	97,960
Bonds payable, due within one year -----	173,500	291,500	465,000
Non-current liabilities:			
Payable from unrestricted assets:			
Compensated absences -----	48,690	14,294	62,984
Payable from restricted assets:			
Customer deposits -----	-	248,015	248,015
Notes payable, due more than one year -----	-	169,786	169,786
Bonds payable, due more than one year -----	3,602,050	6,452,950	10,055,000
Total Liabilities -----	\$ 4,050,957	\$ 7,369,166	\$ 11,420,123
NET ASSETS			
Non-spendable -----	\$ 1,338,932	\$ 4,193,465	\$ 5,532,397
Restricted -----	485,927	644,854	1,130,781
Unrestricted -----	149,240	1,634,551	1,783,791
Total Net Assets -----	\$ 1,974,099	\$ 6,472,870	\$ 8,446,969

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

CITY OF MANOR, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

Function/Program Activities	Expenses	Charges for Services
Primary Government:		
Government activities:		
General government -----	\$ 894,035	\$ 11,043
Public safety -----	1,219,011	11,636
Streets -----	799,721	-
Municipal court -----	170,714	19,553
Development services -----	152,344	147,196
Sanitation -----	379,921	488,405
Interest on long-term debt -----	177,979	-
Total government activities -----	3,793,725	677,833
Business-type activities:		
Water -----	1,032,581	1,187,087
Sewer -----	741,970	977,198
Interest and amortization on long-term debt -----	325,455	-
Total business-type activities -----	2,100,006	2,164,285
Total Primary Government -----	\$ 5,893,731	\$ 2,842,118

General Revenues:

Taxes:

Property -----	
Sales -----	
Franchise -----	
Other -----	
Fines and forfeitures -----	
Investment earnings -----	
Penalties and interest -----	
Miscellaneous -----	
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		
		Primary Government		
Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
\$ -	\$ -	\$ (882,992)	\$ -	\$ (882,992)
-	10,695	(1,196,680)	-	(1,196,680)
-	183,404	(616,317)	-	(616,317)
-	-	(151,161)	-	(151,161)
-	-	(5,148)	-	(5,148)
-	-	108,484	-	108,484
-	-	(177,979)	-	(177,979)
-	194,099	(2,921,793)	-	(2,921,793)
-	-	-	154,506	154,506
-	-	-	235,228	235,228
-	-	-	(325,455)	(325,455)
-	-	-	64,279	64,279
\$ -	\$ 194,099	(2,921,793)	64,279	(2,857,514)
		1,761,220	-	1,761,220
		372,046	-	372,046
		317,305	-	317,305
		893	-	893
		372,168	-	372,168
		1,673	1,088	2,761
		17,306	55,142	72,448
		85,094	6,583	91,677
		(491,623)	491,623	-
		2,436,082	554,436	2,990,518
		(485,711)	618,715	133,004
		2,459,810	5,854,155	8,313,965
		\$ 1,974,099	\$ 6,472,870	\$ 8,446,969

CITY OF MANOR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011

	General Fund	Special Revenues Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Unrestricted					
Cash and cash equivalents -----	\$ 191,996	\$ -	\$ -	\$ -	\$ 191,996
Investments-----	-	-	-	-	-
Receivables, net-----	49,494	-	21,604	-	71,098
Intergovernmental receivables-----	-	-	-	61,751	61,751
Due from other funds-----	64,851	-	-	-	64,851
Restricted assets:					
Cash and cash equivalents -----	-	10,938	12,991	-	23,929
Investments -----	8,407	254,912	268,779	416,657	948,755
Total Assets -----	\$ 314,748	\$ 265,850	\$ 303,374	\$ 478,408	\$ 1,362,380
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable -----	\$ 137,444	\$ -	\$ -	\$ -	\$ 137,444
Intergovernmental payables-----	99	-	-	-	99
Payable from restricted funds -----	-	-	-	-	-
Accrued payables -----	581	-	-	-	581
Due to other funds -----	5,250	3,100	-	61,751	70,101
Deferred revenue -----	50,212	-	21,604	-	71,816
Total Liabilities -----	193,586	3,100	21,604	61,751	280,041
FUND BALANCES					
Restricted -----	8,407	262,750	281,770	381,705	934,632
Committed -----	-	-	-	34,952	34,952
Assigned -----	-	-	-	-	-
Unassigned -----	112,755	-	-	-	112,755
Total Fund Balances -----	121,162	262,750	281,770	416,657	1,082,339
Total Liabilities and Fund Balances --	\$ 314,748	\$ 265,850	\$ 303,374	\$ 478,408	\$ 1,362,380

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, 2011

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS ----- \$ 1,082,339

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. ----- 4,732,777

Certain receivables are not available to pay current-period expenditures and, therefore, are
deferred in the funds. This amount includes deferred property taxes. ----- 41,816

Certain liabilities related to long-term debt are not reported in the funds, such as accrued
interest payable. ----- (58,593)

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. ----- (48,690)

Certain long-term liabilities are not due and payable in the current period and, therefore,
are not reported in the funds. ----- (3,775,550)

NET ASSETS - GOVERNMENTAL ACTIVITIES ----- \$ 1,974,099

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, 2011

	General Fund	Special Revenues Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Property taxes -----	\$ 876,932	\$ -	\$ 907,828	\$ -	\$ 1,784,760
Sales taxes -----	372,046	-	-	-	372,046
Other taxes -----	-	297	-	-	297
Franchise taxes -----	317,305	-	-	-	317,305
Charge for services -----	677,833	-	-	-	677,833
Fines and forfeitures -----	372,168	-	-	-	372,168
Interest -----	788	306	344	541	1,979
Other -----	13,846	71,249	-	-	85,095
Total Revenues -----	2,630,918	71,852	908,172	541	3,611,483
EXPENDITURES					
Current:					
General government -----	368,137	66,990	998	-	436,125
Public safety -----	1,148,597	-	-	-	1,148,597
Streets -----	272,907	-	-	-	272,907
Municipal court -----	163,896	-	-	-	163,896
Development services -----	148,426	-	-	-	148,426
Sanitation -----	379,921	-	-	-	379,921
Capital outlay -----	12,249	-	-	361,111	373,360
Debt service:					
Principal -----	21,904	-	165,200	-	187,104
Interest -----	341	-	180,856	-	181,197
Total Expenditures -----	2,516,378	66,990	347,054	361,111	3,291,533
Excess (Deficiency) of Revenues					
Over Expenditures -----	114,540	4,862	561,118	(360,570)	319,950
OTHER FINANCING SOURCES (USES)					
Transfers in -----	-	-	-	105,876	105,876
Transfers out -----	(37,767)	-	(559,732)	-	(597,499)
Operating grants and contributions -----	10,695	-	-	-	10,695
Capital contributions -----	-	-	-	183,404	183,404
Total Other Financing Sources					
and (Uses) -----	(27,072)	-	(559,732)	289,280	(297,524)
Net Change in Fund Balances -----	87,468	4,862	1,386	(71,290)	22,426
Fund Balances - Beginning of Year -----	291,582	-	280,384	487,947	1,059,913
Reclassifications -----	(257,888)	257,888	-	-	-
Fund Balances - End of Year -----	\$ 121,162	\$ 262,750	\$ 281,770	\$ 416,657	\$ 1,082,339

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, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS ----- \$ 22,426

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. ----- (684,046)

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. ----- (5,945)

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 exceeded debt proceeds. ----- 187,104

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These expenditures include changes in accrued interest and accrued compensation. ----- (5,250)

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES ----- \$ (485,711)

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

CITY OF MANOR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2011

	Water and Sewer System	Capital Impact Fees	Total
ASSETS			
Current Assets:			
Unrestricted assets:			
Cash and cash equivalents -----	\$ 1,453,657	\$ -	\$ 1,453,657
Accounts receivable, net -----	128,650	-	128,650
Due from other funds -----	151,732	5,250	156,982
Restricted assets:			
Cash and cash equivalents -----	248,015	359,154	607,169
Investments -----	-	441,649	441,649
Total Current Assets -----	1,982,054	806,053	2,788,107
Non-Current Assets:			
Non-depreciable assets -----	406,816	-	406,816
Depreciable assets, net -----	10,774,303	-	10,774,303
Unamortized bond costs -----	24,542	-	24,542
Total Non-Current Assets -----	11,205,661	-	11,205,661
Total Assets -----	\$ 13,187,715	\$ 806,053	\$ 13,993,768
LIABILITIES			
Current Liabilities:			
Accounts payable -----	\$ 33,429	\$ 9,467	\$ 42,896
Interest payable -----	51,765	-	51,765
Due to other funds -----	-	151,732	151,732
Notes payable, due within one year -----	-	97,960	97,960
Bonds payable, due within one year -----	291,500	-	291,500
Total Current Liabilities -----	376,694	259,159	635,853
Non-Current Liabilities:			
Compensated absences -----	14,294	-	14,294
Customer deposits -----	248,015	-	248,015
Notes payable, due after one year -----	-	169,786	169,786
Bonds payable, due after one year -----	6,452,950	-	6,452,950
Total Non-Current Liabilities -----	6,715,259	169,786	6,885,045
Total Liabilities -----	\$ 7,091,953	\$ 428,945	\$ 7,520,898
NET ASSETS			
Non-spendable -----	\$ 4,461,211	\$ (267,746)	\$ 4,193,465
Restricted -----	-	644,854	644,854
Unassigned -----	1,634,551	-	1,634,551
Total Net Assets -----	\$ 6,095,762	\$ 377,108	\$ 6,472,870

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, 2011

	Water and Sewer System	Capital Impact Fees	Total
OPERATING REVENUES			
Water service -----	\$ 1,128,087	\$ -	\$ 1,128,087
Sewer service -----	795,543	-	795,543
Penalties -----	55,142	-	55,142
Miscellaneous -----	6,583	-	6,583
Capital impact fees -----	-	240,655	240,655
Total Revenues -----	<u>1,985,355</u>	<u>240,655</u>	<u>2,226,010</u>
OPERATING EXPENSES			
Personnel services -----	390,049	-	390,049
Operations -----	121,659	47,620	169,279
Utilities -----	103,152	-	103,152
Professional services -----	1,650	-	1,650
Insurance -----	20,794	-	20,794
Materials and supplies -----	22,725	-	22,725
Maintenance -----	54,101	-	54,101
Water fees -----	385,415	-	385,415
Wastewater fees -----	323,307	-	323,307
Bad debts -----	15,998	-	15,998
Depreciation -----	288,081	-	288,081
Total Operating Expenses -----	<u>1,726,931</u>	<u>47,620</u>	<u>1,774,551</u>
OPERATING INCOME -----	<u>258,424</u>	<u>193,035</u>	<u>451,459</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income -----	775	313	1,088
Interest expense -----	(303,212)	(22,243)	(325,455)
Total Non-Operating Revenues (Expenses) -----	<u>(302,437)</u>	<u>(21,930)</u>	<u>(324,367)</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS -----	(44,013)	171,105	127,092
CONTRIBUTIONS AND TRANSFERS			
Transfers in (out) -----	134,257	(134,257)	-
Transfers from (to) primary government -----	559,732	(68,109)	491,623
CHANGE IN NET ASSETS -----	649,976	(31,261)	618,715
NET ASSETS - BEGINNING OF YEAR -----	5,854,155	-	5,854,155
RECLASSIFICATIONS -----	(408,369)	408,369	-
NET ASSETS - END OF YEAR -----	<u>\$ 6,095,762</u>	<u>\$ 377,108</u>	<u>\$ 6,472,870</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, 2011

	Water and Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers -----	\$ 2,222,852
Payments to suppliers -----	(1,110,408)
Payments to employees and contractors -----	(387,889)
Net Cash From Operating Activities -----	<u>724,555</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Decrease in restricted assets -----	(188,512)
Net Cash From Non-Capital Financing Activities -----	<u>(188,512)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital impact fees (restricted cash) -----	96,123
Transfers from primary government for payment of debt obligations -----	559,732
Additions to capital assets -----	(134,257)
Principal payments on debt -----	(350,020)
Interest payments on debt -----	(327,249)
Net Cash From Capital and Related Financing Activities -----	<u>(155,671)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income -----	1,088
Net Cash From Investing Activities -----	<u>1,088</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS -----	381,460
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR -----	<u>1,072,197</u>
CASH AND CASH EQUIVALENTS - END OF YEAR -----	<u>\$ 1,453,657</u>

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

Operating income -----	\$ 451,459
Adjustments not effecting cash:	
Bad debts -----	15,998
Depreciation -----	288,081
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts receivable -----	(18,548)
Due to/from other funds -----	(3,150)
Accounts payable -----	(29,985)
Customer deposits -----	18,540
Compensated absences -----	2,160
Net Cash From Operating Activities -----	<u>\$ 724,555</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, 2011

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, 2011

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.

Special Revenue Fund

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

Debt Service Fund

Established to account for the accumulation of financial resources for the payment of principal and interest 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

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2011

administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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 Balance/Net Assets

Fund balances/net assets are divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable

The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Prior to the adoption of GASB No. 54, non-spendable fund balance/net assets were reported as "invested in capital assets, net of related debt," which consisted of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2011

assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Revenues and Expenditures/Expenses

Inter-Fund Activity

Inter-fund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers-in and transfers-out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, inter-fund receivables and payables, if applicable, are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

Compensated Absences

Compensated absences are reported as accrued in the government-wide financial statements. In the fund level financial statements, only matured compensated absences payable to currently terminating employees is reported.

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.

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2011

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, 2011, carrying amounts of the City's cash deposits were \$2,276,751 and bank balance were \$2,266,565. The City's cash deposits at September 30, 2011 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, 2011 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool Investments	N/A	\$ 1,390,404

Analysis of Specific Deposit and Investment Risks

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

Credit Risk

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

Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At September 30, 2011, 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.

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2011

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, 2011, receivables for governmental activities are summarized in the government-wide financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Sales tax receivable	\$ 28,389	\$ -	\$ 28,389
Property tax receivable	72,864	(31,048)	41,816
Employee receivables	893	-	893
Total receivables	<u>\$ 102,146</u>	<u>\$ (31,048)</u>	<u>\$ 71,098</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.

At September 30, 2011, enterprise receivables are summarized in the financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Customer receivables	\$ 128,236	\$ (2,303)	\$ 125,933
NSF Checks	2,717	-	2,717
Total receivables	<u>\$ 130,953</u>	<u>\$ (2,303)</u>	<u>\$ 128,650</u>

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2011

D. RESTRICTED ASSETS

At September 30, 2011, restricted assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents:			
Debt service	\$ 12,991	\$ -	\$ 12,991
Tourism	101	-	101
Rose Hill Public Improvement District	10,837	-	10,837
Customer deposits	-	248,015	248,015
Capital improvements - water system	-	308,615	308,615
Capital improvements - sewer system	-	50,539	50,539
Total cash and cash equivalents	<u>\$ 23,929</u>	<u>\$ 607,169</u>	<u>\$ 631,098</u>

	Governmental Activities	Business-Type Activities	Total
Investments:			
Parks	\$ 8,407	\$ -	\$ 8,407
Debt service	268,779	-	268,779
Tourism	254,912	-	254,912
Capital bond projects	416,657	-	416,657
Capital improvements - sewer system	-	441,649	441,649
Total investments	<u>\$ 948,755</u>	<u>\$ 441,649</u>	<u>\$ 1,390,404</u>

E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Non-depreciable assets:				
Land	\$ 118,947	\$ -	\$ -	\$ 118,947
Construction in process	434,936	-	(434,936)	-
Total non-depreciable assets	<u>\$ 553,883</u>	<u>\$ -</u>	<u>\$ (434,936)</u>	<u>\$ 118,947</u>
Depreciable assets:				
Buildings	\$ 492,231	\$ -	\$ 19,017	\$ 511,248
Equipment	679,383	12,249	-	691,632
Sidewalks	-	190,422	53,742	244,164
Streets and improvements	4,737,141	170,690	362,177	5,270,008
Total depreciable assets	<u>5,908,755</u>	<u>373,361</u>	<u>434,936</u>	<u>6,717,052</u>
Accumulated depreciation	<u>(1,045,816)</u>	<u>(1,057,406)</u>	<u>-</u>	<u>(2,103,222)</u>
Depreciable assets, net	<u>\$ 4,862,939</u>	<u>\$ (684,045)</u>	<u>\$ 434,936</u>	<u>\$ 4,613,830</u>

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2011

Business-Type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets:				
Land	\$ 406,816	\$ -	\$ -	\$ 406,816
Construction in process	323,677	-	(323,677)	-
Total non-depreciable assets	<u>\$ 730,493</u>	<u>\$ -</u>	<u>\$ (323,677)</u>	<u>\$ 406,816</u>
Depreciable assets:				
Machinery and equipment	\$ 253,640	\$ -	\$ -	\$ 253,640
Culverts	12,992	-	-	12,992
Infrastructure - water system	7,044,199	134,257	287,474	7,465,930
Infrastructure - sewer system	5,656,180	-	36,203	5,692,383
Total depreciable assets	12,967,011	134,257	323,677	13,424,945
Accumulated depreciation	(2,362,561)	(288,081)	-	(2,650,642)
Depreciable assets, net	<u>\$ 10,604,450</u>	<u>\$ (153,824)</u>	<u>\$ 323,677</u>	<u>\$ 10,774,303</u>

Depreciation expense was charged to functions as follows:

Function:	Governmental Activities	Business-Type Activities	Total
General government	\$ 458,389	\$ -	\$ 458,389
Public safety	61,431	-	61,431
Streets	526,385	-	526,385
Municipal court	6,041	-	6,041
Development services	5,160	-	5,160
Water	-	177,893	177,893
Sewer	-	110,188	110,188
Total depreciation expense	<u>\$ 1,057,406</u>	<u>\$ 288,081</u>	<u>\$ 1,345,487</u>

F. INTER-FUND BALANCES AND ACTIVITY

Transfers (To) From Other Funds:

Purpose	Governmental Activities	Business-Type Activities
Property taxes collected for debt payments	\$ (559,732)	\$ 559,732
Capitalization of completed projects	68,109	(68,109)
	<u>\$ (491,623)</u>	<u>\$ 491,623</u>

G. LONG-TERM DEBT

Long-Term Debt Activity

Changes in long-term debt obligations for the year ended September 30, 2011 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Capital leases	\$ 21,904	\$ -	\$ (21,904)	\$ -	\$ -
Bonds payable	3,940,750	-	(165,200)	3,775,550	173,500
Total governmental activities	<u>\$ 3,962,654</u>	<u>\$ -</u>	<u>\$ (187,104)</u>	<u>\$ 3,775,550</u>	<u>\$ 173,500</u>

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2011

	Beginning			Ending	Amounts Due
Business-Type Activities:	Balances	Increases	Decreases	Balances	Within One
					Year
Capital leases	\$ 3,865	\$ -	\$ (3,865)	\$ -	
Notes payable	359,101	-	(91,355)	267,746	97,960
Bonds payable	6,999,250	-	(254,800)	6,744,450	291,500
Total governmental activities	<u>\$ 7,362,216</u>	<u>\$ -</u>	<u>\$ (350,020)</u>	<u>\$ 7,012,196</u>	<u>\$ 389,460</u>

Debt Service Requirements

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.

Debt service requirements on long-term notes payable at September 30, 2011 were as follows:

For the year ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2012	\$ 97,960	\$ 15,638	\$ 113,598
2013	105,041	8,557	113,598
2014	64,745	1,519	66,264
	<u>\$ 267,746</u>	<u>\$ 25,714</u>	<u>\$ 293,460</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.

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2011

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 2011

On May 15, 2011, the City issued \$935,000 in general obligation bonds, proceeds to be used to refund Series 2009 revenue bonds. Bond interest rates range from 2.83% to 4.70% with semi-annual payments due on March 15 and September 15 of each year until maturity in 2024 or prior redemption.

Debt service requirements on long-term bond debt at September 30, 2011 were as follows:

		Governmental Activities		
For the year ending September 30,		Principal	Interest	Total
	2012	\$ 173,500	\$ 173,274	\$ 346,774
	2013	189,450	165,075	354,525
	2014	199,600	156,190	355,790
	2015	212,400	146,750	359,150
	2016	222,200	136,848	359,048
	2017-2020	1,294,300	515,366	1,809,666
	2021-2025	1,328,000	191,695	1,519,695
	2026-2029	156,100	6,588	162,688
		<u>\$ 3,775,550</u>	<u>\$ 1,491,786</u>	<u>\$ 5,267,336</u>

		Business-Type Activities		
For the year ending September 30,		Principal	Interest	Total
	2012	\$ 291,500	\$ 294,590	\$ 586,090
	2013	315,550	282,465	598,015
	2014	340,400	269,219	609,619
	2015	362,600	252,145	614,745
	2016	382,800	238,798	621,598
	2017-2020	2,185,700	924,267	3,109,967
	2021-2025	2,482,000	392,250	2,874,250
	2026-2029	383,900	18,789	402,689
		<u>\$ 6,744,450</u>	<u>\$ 2,672,523</u>	<u>\$ 9,416,973</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, 2011

H. RESTRICTED NET ASSETS

At September 30, 2011, net assets restricted by enabling legislation consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Rose Hill Public Improvement District	\$ 10,938	\$ -	\$ 10,938
Tourism	251,812	-	251,812
Debt service	223,177	-	223,177
Capital improvements - water system	-	755,514	755,514
Capital improvements - sewer system	-	(110,660)	(110,660)
Total restricted net assets	<u>\$ 485,927</u>	<u>\$ 644,854</u>	<u>\$ 1,130,781</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 2011, 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 the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, TX 78714-9153, or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	Plan Year 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

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2011

rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

Fiscal year ended September 30,	Annual Pension Cost (APC)	Actual Contributions Made	Percentage of APC Contributed	Net Pension Obligation (Asset)
2009	72,112	72,112	100%	0
2010	56,955	56,955	100%	0
2011	53,490	53,490	100%	0

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/2010 - prior to restructuring	12/31/2010 - restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	24.0 years: closed period	30.0 years: closed period	25.0 years: closed period	25.5 years: closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years	25 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return *	7.5%	7.5%	7.5%	7.5%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.00%	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0%	0%	0%	0%

Funded Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2011

legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

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 of % of Covered Payroll (d) / (e)
12/31/2010 ¹	\$936,502	\$949,095	98.7%	\$12,593	\$1,324,077	1.0%
12/31/2010 ²	\$977,663	\$933,020	104.8%	(\$44,643)	\$1,324,077	-3.4%

¹ Actuarial valuation performed under the original fund structure.

² Actuarial valuation performed under the new fund structure.

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

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

K. SUPPLEMENTAL DEATH BENEFITS FUND (SDBF)

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

L. HEALTH CARE COVERAGE

During the year ended September 30, 2011, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$151,224 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.

M. 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

City of Manor, Texas
Notes to the Financial Statements
Year Ended September 30, 2011

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, 2011, the City's arbitrage liability was \$0.

N. SUBSEQUENT EVENTS

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

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, 2011

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES				
Property taxes -----	\$ 869,882	\$ 869,882	\$ 876,932	\$ 7,050
Sales taxes -----	326,250	326,250	372,046	45,796
Franchise taxes -----	291,000	291,000	317,305	26,305
Charge for services -----	671,900	671,900	677,833	5,933
Fines and forfeitures -----	252,000	252,000	372,168	120,168
Interest -----	300	300	788	488
Miscellaneous -----	1,500	1,500	13,846	12,346
Total Revenues -----	2,412,832	2,412,832	2,630,918	218,086
EXPENDITURES				
General government -----	393,056	393,056	368,137	24,919
Public safety -----	1,216,345	1,188,471	1,148,597	39,874
Streets -----	288,042	272,907	272,907	-
Municipal court -----	117,807	163,896	163,896	-
Development services -----	165,139	162,585	148,426	14,159
Sanitation -----	350,000	379,921	379,921	-
Capital outlay:				
Public safety -----	19,500	12,249	12,249	-
Streets -----	7,000	-	-	-
Municipal court -----	18,750	-	-	-
Debt payments -----	19,350	21,904	21,904	-
Interest -----	341	341	341	-
Total Expenditures -----	2,595,330	2,595,330	2,516,378	78,952
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES -----	(182,498)	(182,498)	114,540	297,038
OTHER FINANCING SOURCES (USES)				
Capital grants and contributions -----	125,000	10,695	10,695	-
Transfers (to) from other funds:				
Water and sewer fund -----	137,861	252,166	-	(252,166)
Capital projects fund -----	(127,000)	(127,000)	(37,767)	89,233
Total Other Financing Sources (Uses) -----	135,861	135,861	(27,072)	(162,933)
NET CHANGE IN FUND BALANCE -----	(46,637)	(46,637)	87,468	134,105
FUND BALANCE - BEGINNING OF YEAR -----	46,637	46,637	33,694	(12,943)
FUND BALANCE - END OF YEAR -----	\$ -	\$ -	\$ 121,162	\$ 121,162
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)				
Invested in capital assets, net of related debt -----			1,338,932	
Revenue accruals -----			20,212	
Expenditure accruals -----			(64,075)	
FUND BALANCE - END OF YEAR (GAAP) -----			1,416,231	
OTHER FUND BALANCES - END OF YEAR (GAAP)				
SPECIAL REVENUE FUND -----			262,750	
DEBT SERVICE FUND -----			260,166	
CAPITAL PROJECTS FUND -----			34,952	
TOTAL FUND BALANCES - END OF YEAR (GAAP) -----			\$ 1,974,099	

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

City of Manor, Texas
Notes to Required Supplementary Information
Year Ended September 30, 2011

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 \$218,086, and operating expenditures were less than budgeted by \$78,952, resulting in an overall operating variance (favorable) of \$297,038. Due to favorable operating results, operating transfers between funds were not necessary, resulting in an overall increase in fund balance of \$87,468 for the City's general fund.

CITY OF MANOR, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(Unaudited)

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (a) / (b)	Unfunded AAL (UAAL) (b) - (a)	Covered Payroll	UAAL as a Percentage of Covered Payroll (d) / (e)
12/31/2008	\$659,671	\$651,575	101.2%	(\$8,096)	\$1,276,190	-0.6%
12/31/2009	778,695	783,364	99.4%	4,669	1,314,095	0.4%
12/31/2010 ¹	936,502	949,095	98.7%	12,593	1,324,077	1.0%
12/31/2010 ²	977,663	933,020	104.8%	(44,643)	1,324,077	-3.4%

¹ Actuarial valuation performed under the original fund structure.

² Actuarial valuation performed under the new fund structure.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Manor, Texas (the City) as of and for the year ended September 30, 2011. These collectively comprise the City's basic financial statements. We have issued our report thereon dated May 3, 2012.

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 be 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.

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*.

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
May 3, 2012

CITY OF MANOR
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2011

Financial Statement Findings

None

CITY OF MANOR
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2011

10-01 Expenditures in Excess of Budget Appropriations

Criteria: In accordance with the City of Manor Ordinance No. 384, a budget was passed and expenditures appropriated for the Utility Fund of the City for the year ended September 30, 2011 Expenditures for the year may not exceed appropriated budget amounts.

Condition: The City's expenditures in the Utility Fund exceeded appropriated amounts in several budgeted line items by \$21,138.

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

Status: Corrected