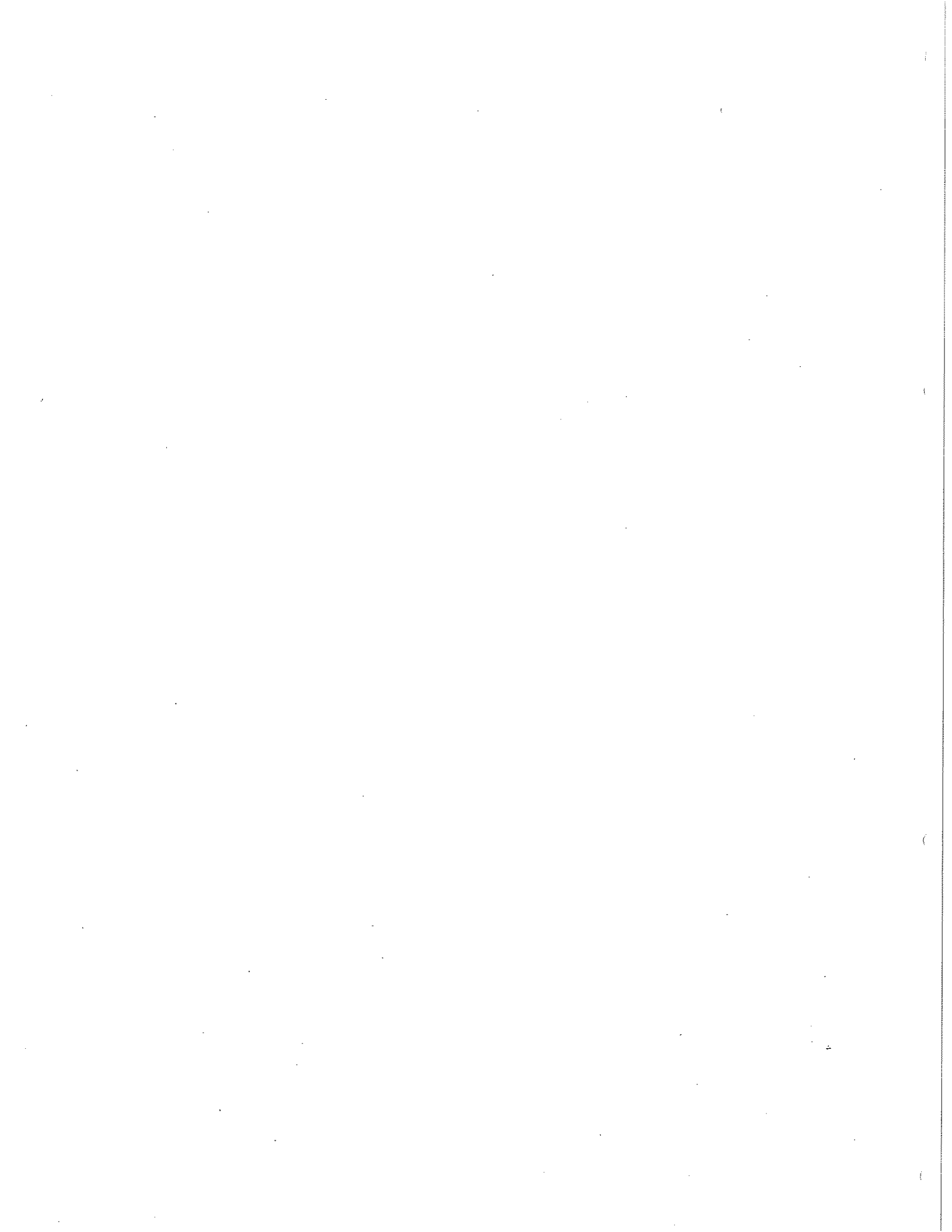


**THE CITY OF MANOR, TEXAS
ANNUAL FINANCIAL REPORT
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2012**



CITY OF MANOR, TEXAS

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CITY OF MANOR, TEXAS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the government activities, the business -type activities, each major fund, and the aggregate remaining fund information of the City of Manor, Texas (the City), as of and for the year ended September 30, 2012, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

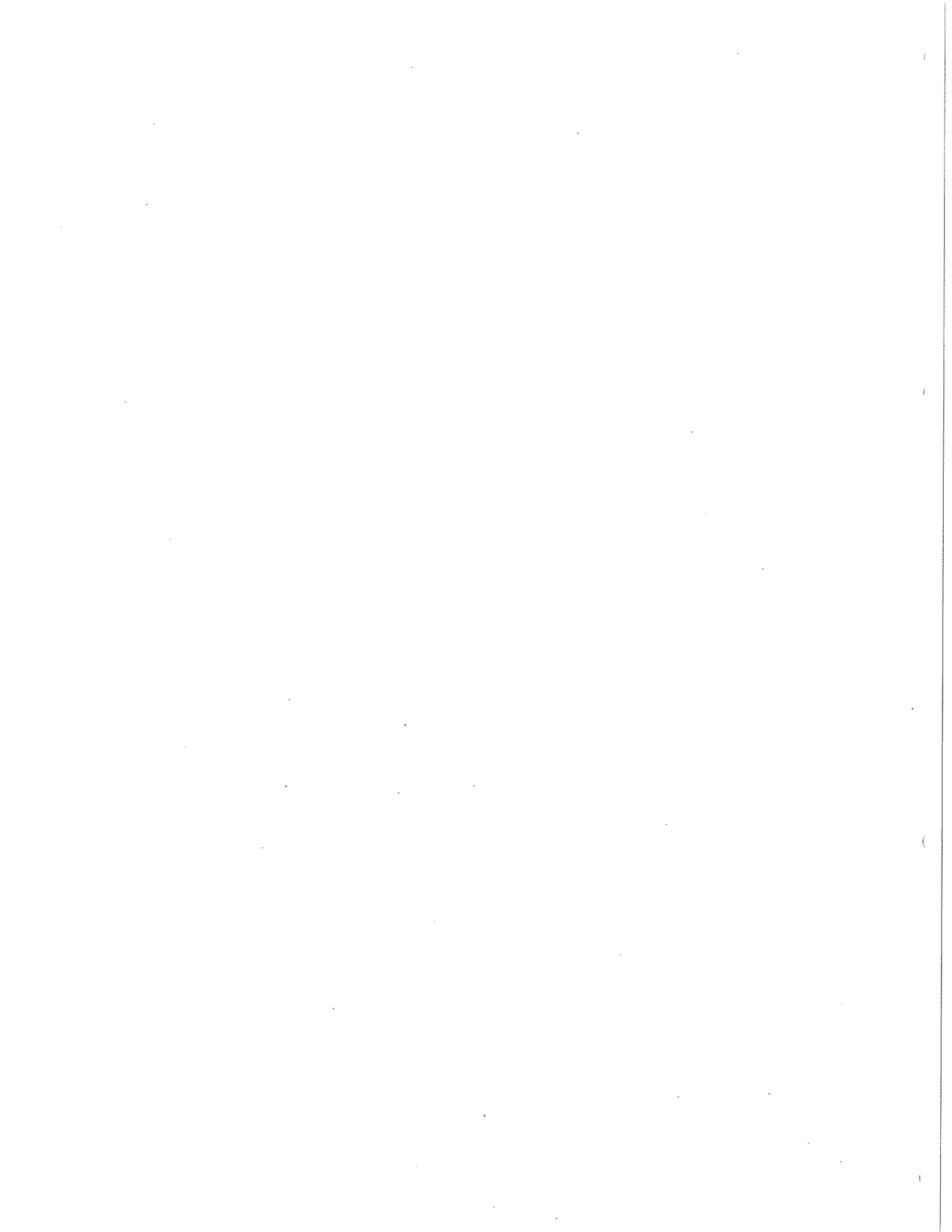
In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 - 8, Budgetary Comparison information on page 39 be presented to supplement the basic financial statements and Texas Municipal Retirement System Schedule of Funding Progress on page 43. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Atchley & Associates, LLC

Austin, Texas
May 29, 2013

MANAGEMENT DISCUSSION AND ANALYSIS



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, 2012. This discussion and analysis should be read in conjunction with the City's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

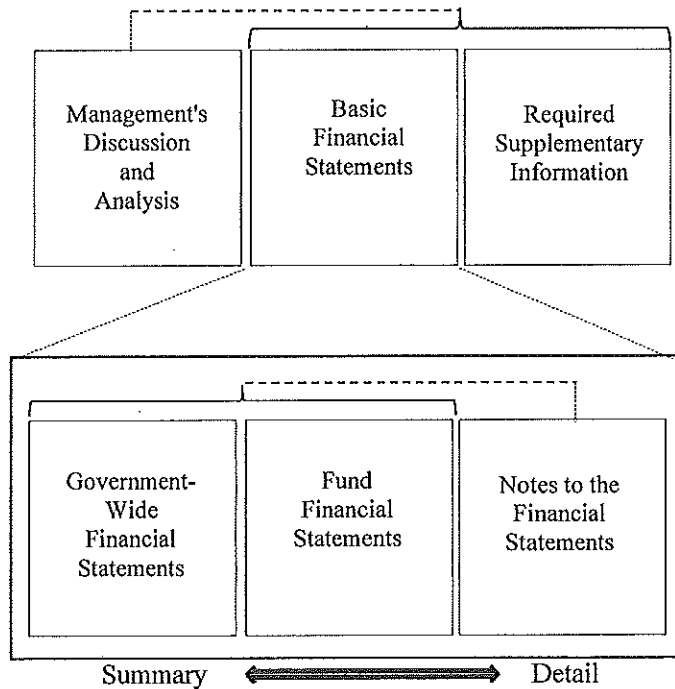


Figure A-1 shows how the parts of this annual report are arranged and related to one another.

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

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 difference) between them.

Other common major funds:

- Some common funds are required by State law, such as the debt service fund, special revenues fund and capital projects fund.
- Management may establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenue resources, such as special revenue, capital project, and grant funds.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover, and the types of information they contain.

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

<i>Type of Statements</i>	Fund Statements	
	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary.
<i>Required financial statements</i>	• Statement of Net Assets • Statement of Activities	Activities the City operates similar to private business: utilities • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances • Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<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	All assets and liabilities, both financial and capital, and short-term and long-term 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 \$9,669,762 at September 30, 2012. (See Figure A-3).
- Current year activity resulted in an increase in the City's net assets by \$1,222,793 (see Figure A-4).

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 3,117,408	\$ 1,292,279	\$ 3,556,179	\$ 2,636,375	\$ 6,673,587	\$ 3,928,654
Noncurrent assets	4,828,995	4,732,777	10,917,407	11,205,661	15,746,402	15,938,438
Total assets	7,946,403	6,025,056	14,473,586	13,842,036	22,419,989	19,867,092
Liabilities:						
Current liabilities	605,625	400,217	463,041	484,121	1,068,666	884,338
Long-term liabilities	6,620,129	3,650,740	5,061,432	6,885,045	11,681,561	10,535,785
Total liabilities	7,225,754	4,050,957	5,524,473	7,369,166	12,750,227	11,420,123
Net assets:						
Investment in capital assets	(337,328)	1,338,932	5,808,611	4,193,465	5,471,283	5,532,397
Restricted	676,166	485,927	895,495	644,854	1,571,661	1,130,781
Unrestricted	381,811	149,240	2,245,007	1,634,551	2,626,818	1,783,791
Total net assets	\$ 720,649	\$ 1,974,099	\$ 8,949,113	\$ 6,472,870	\$ 9,669,762	\$ 8,446,969

**Figure A-4
Changes in City Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 1,449,053	\$ 677,833	\$ 2,639,643	\$ 2,164,285	\$ 4,088,696	\$ 2,842,118
General revenues:						
Taxes	2,658,020	2,451,464	-	-	2,658,020	2,451,464
Fines and penalties	10,819	372,168	-	-	10,819	372,168
Interest and penalties	4,305	18,979	50,582	56,230	54,887	75,209
Other	94,817	85,094	1,206	6,583	96,023	91,677
Total revenues	4,217,014	3,605,538	2,691,431	2,227,098	6,908,445	5,832,636
Expenses						
General government	558,600	894,035	-	-	558,600	894,035
Public safety	1,192,643	1,219,011	-	-	1,192,643	1,219,011
Streets	592,482	799,721	-	-	592,482	799,721
Municipal court	297,823	170,714	-	-	297,823	170,714
Development services	159,032	152,344	-	-	159,032	152,344
Sanitation	399,882	379,921	-	-	399,882	379,921
Bond Issue Cost	125,736	-	-	-	125,736	-
Interest and fiscal charges	187,176	177,979	201,151	325,455	388,327	503,434
Water and sewer	-	-	1,987,881	1,774,551	1,987,881	1,774,551
Total expenses	3,513,374	3,793,725	2,189,032	2,100,006	5,702,406	5,893,731
Revenues over(under)						
Expenses	703,640	(188,187)	502,399	127,092	1,206,039	(61,095)
Capital contributions	16,754	194,099	-	-	16,754	194,099
Transfers	(1,973,844)	(491,623)	1,973,844	491,623	-	-
Change in net assets	(1,253,450)	(485,711)	2,476,243	618,715	1,222,793	133,004
Beginning net assets	1,974,099	2,459,810	6,472,870	5,854,155	8,446,969	8,313,965
Ending net assets	\$ 720,649	\$ 1,974,099	\$ 8,949,113	\$ 6,472,870	\$ 9,669,762	\$ 8,446,969

CITY REVENUES

The majority of the City's revenue is generated from charges for services (59%) and taxes (38%). The remaining is obtained from the grants, contributions, fines, penalties, interest and other sources.

CITY EXPENSES

The majority of the City's expenses are incurred from the administration of the City's water and wastewater services (35%) and public safety (21%). The remaining is incurred through the operations of the general government, streets, and other services.

GROWTH TRENDS

Governmental Activities

The City's property tax rate for maintenance and operations increased from \$.3903 to \$.3904 in the current fiscal year generating \$883,727 in M&O taxes, an increase of \$6,795 over the previous fiscal year. While the City's franchise fees remained consistent with prior year, sales taxes increased by \$51,789 or 14% .

Business-Type Activities

Water sales increased by \$84,920, or 8%, while sewer sales increased by \$172,493, or 22%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

General fund revenues exceeded expenditures by \$308,250 which was \$506,098 more than budgeted. Management's overall activities increased the General Fund's total fund balance by \$308,250 without operating transfers from other funds. See details of budget and actual revenues on page 39.

Capital Assets

During the year ended September 30, 2012, the City invested \$441,417 in a broad range of capital assets, including infrastructure, equipment and buildings (see Figure A-6). These additions were funded from bond proceeds.

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

	Governmental		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 118,947	\$ 118,947	\$ 406,816	\$ 406,816	\$ 525,763	\$ 525,763
Buildings and equipment	1,234,667	1,202,880	253,640	253,640	1,488,307	1,456,520
Sidewalks	244,164	244,164	-	-	244,164	244,164
Streets and improvements	5,283,124	5,270,008	12,992	12,992	5,296,116	5,283,000
Water system	-	-	7,465,930	7,465,930	7,465,930	7,465,930
Sewer system	-	-	5,692,383	5,692,383	5,692,383	5,692,383
Construction in progress	396,514	-	-	-	396,514	-
Total at historical cost	7,277,416	6,835,999	13,831,761	13,831,761	21,109,177	20,667,760
Accumulated depreciation	(2,448,421)	(2,103,222)	(2,937,602)	(2,650,642)	(5,386,023)	(4,753,864)
Net capital assets	\$ 4,828,995	\$ 4,732,777	\$ 10,894,159	\$ 11,181,119	\$ 15,723,154	\$ 15,913,896

Debt Administration

At year-end, the City had \$12,099,786 in outstanding debt as shown by Figure A-7. More detailed information about the City's debt is presented in the Notes to the Financial Statements.

**Figure A-7
City's Long-Term Debt**

	Governmental		Business-Type		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Notes payable	\$ -	\$ -	\$ 169,786	\$ 267,746	\$ 169,786	\$ 267,746
Bonds payable	6,990,990	3,775,550	4,939,010	6,744,450	11,930,000	10,520,000
Total	<u>\$ 6,990,990</u>	<u>\$ 3,775,550</u>	<u>\$ 5,108,796</u>	<u>\$ 7,012,196</u>	<u>\$ 12,099,786</u>	<u>\$ 10,787,746</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

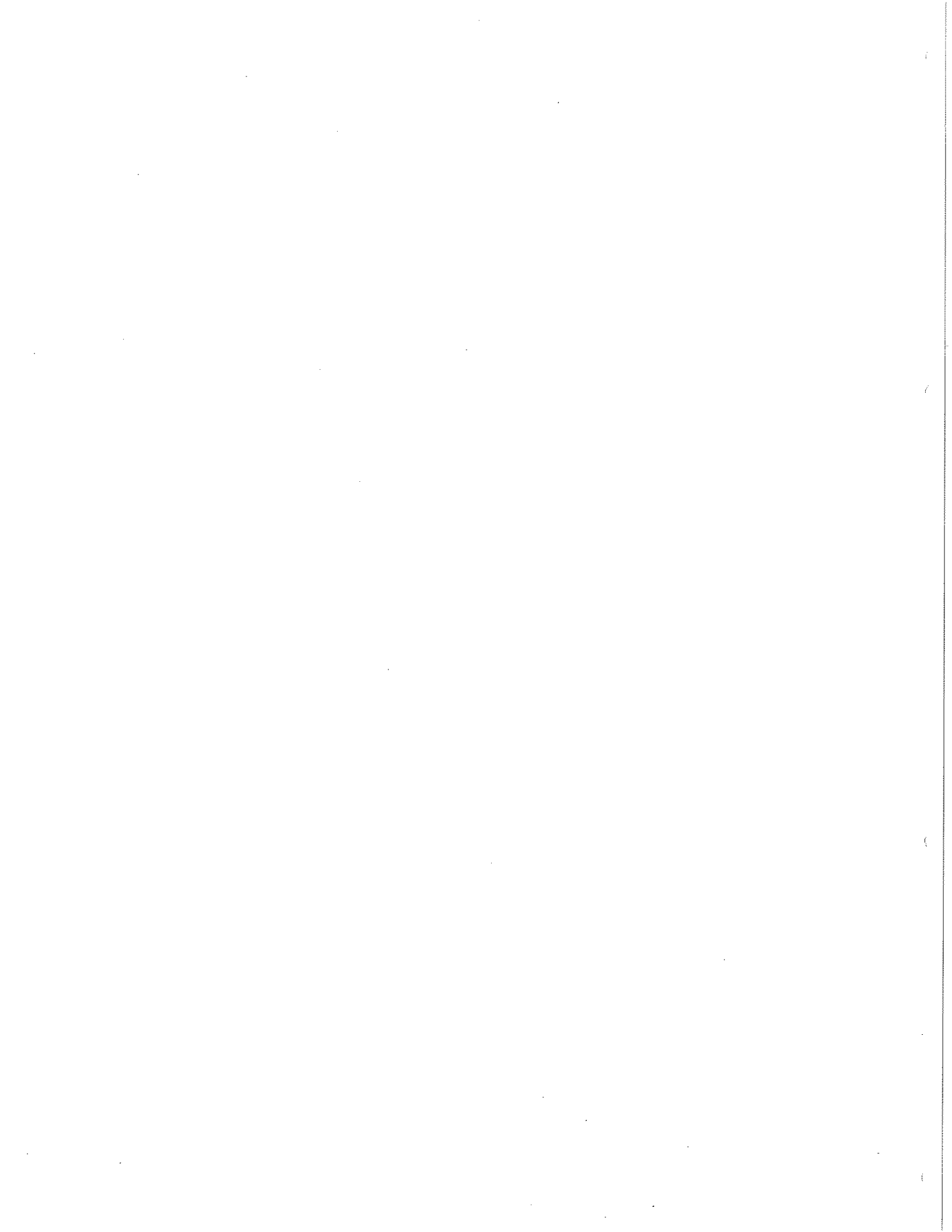
Next year's proposed General Fund budget is projected to remain consistent with this year's actual revenues.

General fund proposed expenditures are expected to increase by approximately \$537,696, resulting in an overall operating deficit of approximately \$412,432 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 the City of Manor, Attn: City Manager, P.O. Box 387, Manor, TX 78653.

BASIC FINANCIAL STATEMENTS



CITY OF MANOR, TEXAS
STATEMENT OF NET ASSETS
September 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,339,348	\$ 1,901,207	\$ 4,240,555
Receivables, net	62,295	252,689	314,984
Intergovernmental receivables	39,600	-	39,600
Restricted assets:			
Cash and cash equivalents	37,340	960,181	997,521
Investments	638,825	442,102	1,080,927
Non-current assets:			
Capital assets:			
Non-depreciable	515,461	406,816	922,277
Depreciable, net	4,313,534	10,487,343	14,800,877
Unamortized bond costs	-	23,248	23,248
Total Assets	\$ 7,946,403	\$ 14,473,586	\$ 22,419,989
LIABILITIES			
Current Liabilities			
Payable from unrestricted assets:			
Accounts payable	\$ 158,983	\$ -	\$ 158,983
Deferred revenue	5,000	-	5,000
Payable from restricted assets:			
Accounts payable	-	75,987	75,987
Interest payable	19,192	54,463	73,655
Notes payable, due within one year	-	105,041	105,041
Bonds payable, due within one year	422,450	227,550	650,000
Non-current liabilities:			
Payable from unrestricted assets:			
Compensated absences	51,589	13,354	64,943
Payable from restricted assets:			
Customer deposits	-	271,873	271,873
Notes payable, due more than one year	-	64,745	64,745
Bonds payable, due more than one year	6,568,540	4,711,460	11,280,000
Total liabilities	\$ 7,225,754	\$ 5,524,473	\$ 12,750,227
NET ASSETS			
Invested in capital assets	\$ (337,328)	\$ 5,808,611	\$ 5,471,283
Restricted	676,166	895,495	1,571,661
Unrestricted	381,811	2,245,007	2,626,818
Total Net Assets	\$ 720,649	\$ 8,949,113	\$ 9,669,762

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

CITY OF MANOR, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

Function/Program Activities	Program Revenues		
	Expenses	Charges for Services	Grants & Contributions
Primary Government:			
Government activities:			
General government	\$ 558,600	\$ 10,681	\$ 16,754
Public Safety	1,192,643	40,971	-
Streets	592,482	-	-
Municipal court	297,823	617,665	-
Development services	159,032	247,330	-
Sanitation	399,882	532,406	-
Bond issue cost	125,736	-	-
Interest on long-term debt	187,176	-	-
Total governmental activities	3,513,374	1,449,053	16,754
Business-type activities:			
Water	1,105,578	1,387,957	-
Sewer	882,303	1,251,686	-
Interest and amortization on long-term debt	201,151	-	-
Total business-type activities	2,189,032	2,639,643	-
Total Primary Government	\$ 5,702,406	\$ 4,088,696	\$ 16,754

General Revenues:

Taxes:

Property
Sales
Franchise
Other

Fines and forfeitures
Investment earnings
Penalties and interest
Miscellaneous
Transfers

Total General Revenues and Transfers

Changes In Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

CITY OF MANOR, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (531,165)	\$ -	\$ (531,165)
(1,151,672)	-	(1,151,672)
(592,482)	-	(592,482)
319,842	-	319,842
88,298	-	88,298
132,524	-	132,524
(125,736)	-	(125,736)
(187,176)	-	(187,176)
<u>(2,047,567)</u>	<u>-</u>	<u>(2,047,567)</u>
-	282,379	282,379
-	369,383	369,383
-	(201,151)	(201,151)
-	<u>450,611</u>	<u>450,611</u>
<u>\$ (2,047,567)</u>	<u>\$ 450,611</u>	<u>\$ (1,596,956)</u>
\$ 1,813,510	\$ -	\$ 1,813,510
426,084	-	426,084
314,660	-	314,660
103,766	-	103,766
10,819	-	10,819
4,305	704	5,009
-	49,878	49,878
94,817	1,206	96,023
<u>(1,973,844)</u>	<u>1,973,844</u>	<u>-</u>
<u>794,117</u>	<u>2,025,632</u>	<u>2,819,749</u>
<u>(1,253,450)</u>	<u>2,476,243</u>	<u>1,222,793</u>
<u>1,974,099</u>	<u>6,472,870</u>	<u>8,446,969</u>
<u>\$ 720,649</u>	<u>\$ 8,949,113</u>	<u>\$ 9,669,762</u>

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

**CITY OF MANOR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012**

	General Fund	Special Revenues Fund
ASSETS		
Unrestricted		
Cash and cash equivalents	\$ 514,681	\$ -
Receivables, net	45,835	-
Intergovernmental receivables	-	-
Due from other funds	39,600	-
Restricted assets:		
Cash and cash equivalents	-	13,920
Investments	8,415	361,355
Total Assets	\$ 608,531	\$ 375,275
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 158,983	\$ -
Due to other funds	-	-
Deferred revenue	20,136	-
Total Liabilities	179,119	-
 FUND BALANCES		
Restricted	8,415	375,275
Committed	-	-
Unassigned	420,997	-
Total Fund Balances	429,412	375,275
 Total Liabilities and Fund Balances	 \$ 608,531	 \$ 375,275

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

**CITY OF MANOR, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012**

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,824,667	\$ 2,339,348
16,460	-	62,295
-	39,600	39,600
-	-	39,600
23,420	-	37,340
269,055	-	638,825
<u>\$ 308,935</u>	<u>\$ 1,864,267</u>	<u>\$ 3,157,008</u>
\$ -	\$ -	\$ 158,983
-	39,600	39,600
<u>16,460</u>	<u>-</u>	<u>36,596</u>
<u>16,460</u>	<u>39,600</u>	<u>235,179</u>
292,475	-	676,165
-	1,824,667	1,824,667
-	-	420,997
<u>292,475</u>	<u>1,824,667</u>	<u>2,921,829</u>
<u>\$ 308,935</u>	<u>\$ 1,864,267</u>	<u>\$ 3,157,008</u>

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

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CITY OF MANOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
TO FUND BALANCES GOVERNMENTAL FUNDS
Year Ended September 30, 2012

	<u>General Fund</u>	<u>Special Revenues Fund</u>
REVENUES		
Property taxes	\$ 883,727	\$ -
Sales tax	426,084	-
Other taxes	810	102,956
Franchise taxes	314,660	-
Charge for services	532,406	-
Fines and forfeitures	-	10,819
Interest	1,430	2,338
Interest - restricted	8	-
Bond proceeds	-	-
Court and police	617,665	-
Public safety	40,971	-
Licenses and permits	247,330	-
Other	43,825	78,426
Total Revenues	<u>\$ 3,108,916</u>	<u>\$ 194,539</u>
EXPENDITURES		
Current:		
General government	\$ 462,606	\$ 82,014
Public safety	1,144,069	-
Streets	310,628	-
Municipal court	295,242	-
Development services	156,452	-
Sanitation	399,882	-
Capital outlay	31,787	-
Bond issue costs	-	-
Debt service		
Principal	-	-
Interest	-	-
Total Expenditures	<u>2,800,666</u>	<u>82,014</u>
Excess (Deficiency) of Revenues		
Over Expenditures	<u>308,250</u>	<u>112,525</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>308,250</u>	<u>112,525</u>
Fund Balances - Beginning of Year	<u>121,162</u>	<u>262,750</u>
Fund Balances - End of Year	<u>\$ 429,412</u>	<u>\$ 375,275</u>

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

CITY OF MANOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
TO FUND BALANCES GOVERNMENTAL FUNDS
Year Ended September 30, 2012

<u>Debt Services Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 940,002	\$ -	\$ 1,823,729
-	-	426,084
-	-	103,766
-	-	314,660
-	-	532,406
-	-	10,819
276	253	4,297
-	-	8
3,510,000	1,835,000	5,345,000
-	-	617,665
-	-	40,971
-	-	247,330
-	-	122,251
<u>\$ 4,450,278</u>	<u>\$ 1,835,253</u>	<u>\$ 9,588,986</u>
\$ 1,469	\$ -	\$ 546,089
-	-	1,144,069
-	-	310,628
-	-	295,242
-	-	156,452
-	-	399,882
-	409,630	441,417
95,007	30,729	125,736
2,129,560	-	2,129,560
226,577	-	226,577
<u>2,452,613</u>	<u>440,359</u>	<u>5,775,652</u>
<u>1,997,665</u>	<u>1,394,894</u>	<u>3,813,334</u>
-	13,116	13,116
<u>(1,986,960)</u>	<u>-</u>	<u>(1,986,960)</u>
<u>(1,986,960)</u>	<u>13,116</u>	<u>(1,973,844)</u>
<u>10,705</u>	<u>1,408,010</u>	<u>1,839,490</u>
<u>281,770</u>	<u>416,657</u>	<u>1,082,339</u>
<u>\$ 292,475</u>	<u>\$ 1,824,667</u>	<u>\$ 2,921,829</u>

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, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,839,490

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. 96,218

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. (10,219)

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. (3,215,440)

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. 36,501

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ (1,253,450)

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

CITY OF MANOR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2012

	<u>Water and Sewer System</u>	<u>Capital Impact Fees</u>	<u>Total</u>
ASSETS			
Current Assets:			
Unrestricted assets:			
Cash and cash equivalents	\$ 1,901,207	\$ -	\$ 1,901,207
Accounts receivable, net	252,689	-	252,689
Due from other funds	214,775	-	214,775
Restricted assets:			
Cash and cash equivalents	271,873	688,308	960,181
Investments	-	442,102	442,102
Total Current Assets	<u>2,640,544</u>	<u>1,130,410</u>	<u>3,770,954</u>
Non-Current Assets:			
Non-depreciable assets, net	406,816	-	406,816
Depreciable assets, net	10,487,343	-	10,487,343
Unamortized bond costs	23,248	-	23,248
Total Non-Current Assets	<u>10,917,407</u>	<u>-</u>	<u>10,917,407</u>
Total Assets	<u>\$ 13,557,951</u>	<u>\$ 1,130,410</u>	<u>\$ 14,688,361</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 55,847	\$ 20,140	\$ 75,987
Interest payable	54,463	-	54,463
Due to other funds	-	214,775	214,775
Notes payable, due within one year	-	105,041	105,041
Bonds payable, due within one year	227,550	-	227,550
Total Current Liabilities	<u>337,860</u>	<u>339,956</u>	<u>677,816</u>
Non-Current Liabilities:			
Compensated absences	13,354	-	13,354
Customer deposits	271,873	-	271,873
Notes payable, due after one year	-	64,745	64,745
Bonds payable, due after one year	4,711,460	-	4,711,460
Total Non-Current Liabilities	<u>4,996,687</u>	<u>64,745</u>	<u>5,061,432</u>
Total Liabilities	<u>5,334,547</u>	<u>404,701</u>	<u>5,739,248</u>
NET ASSETS			
Invested in capital assets	5,978,397	(169,786)	5,808,611
Restricted	-	895,495	895,495
Unrestricted	2,245,007	-	2,245,007
Total Net Assets	<u>\$ 8,223,404</u>	<u>\$ 725,709</u>	<u>\$ 8,949,113</u>

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, 2012

	Water and Sewer System	Capital Impact Fees	Total
OPERATING REVENUES			
Water service	\$ 1,213,006	\$ -	\$ 1,213,006
Sewer service	968,036	-	968,036
Penalties	49,878	-	49,878
Miscellaneous	1,206	-	1,206
Capital impact fees	-	458,601	458,601
Total Revenues	<u>2,232,126</u>	<u>458,601</u>	<u>2,690,727</u>
OPERATING EXPENSES			
Personnel services	337,250	-	337,250
Operations	111,855	81,950	193,805
Utilities	103,333	-	103,333
Professional services	260	-	260
Insurance	24,172	-	24,172
Materials and supplies	44,592	-	44,592
Maintenance	91,939	-	91,939
Water fees	472,337	-	472,337
Wastewater fees	422,841	-	422,841
Bad debts	10,392	-	10,392
Depreciation	286,960	-	286,960
Total Operating Expenses	<u>1,905,931</u>	<u>81,950</u>	<u>1,987,881</u>
OPERATING INCOME	<u>326,195</u>	<u>376,651</u>	<u>702,846</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	-	704	704
Interest expense	(185,513)	(15,638)	(201,151)
Total Non-Operating Revenues (Expenses)	<u>(185,513)</u>	<u>(14,934)</u>	<u>(200,447)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	140,682	361,717	502,399
CONTRIBUTIONS AND TRANSFERS			
Transfers in (out)	1,986,960	-	1,986,960
Transfers from (to) primary government	-	(13,116)	(13,116)
CHANGE IN NET ASSETS	2,127,642	348,601	2,476,243
NET ASSETS - BEGINNING OF YEAR	<u>6,095,762</u>	<u>377,108</u>	<u>6,472,870</u>
NET ASSETS - END OF YEAR	<u>\$ 8,223,404</u>	<u>\$ 725,709</u>	<u>\$ 8,949,113</u>

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

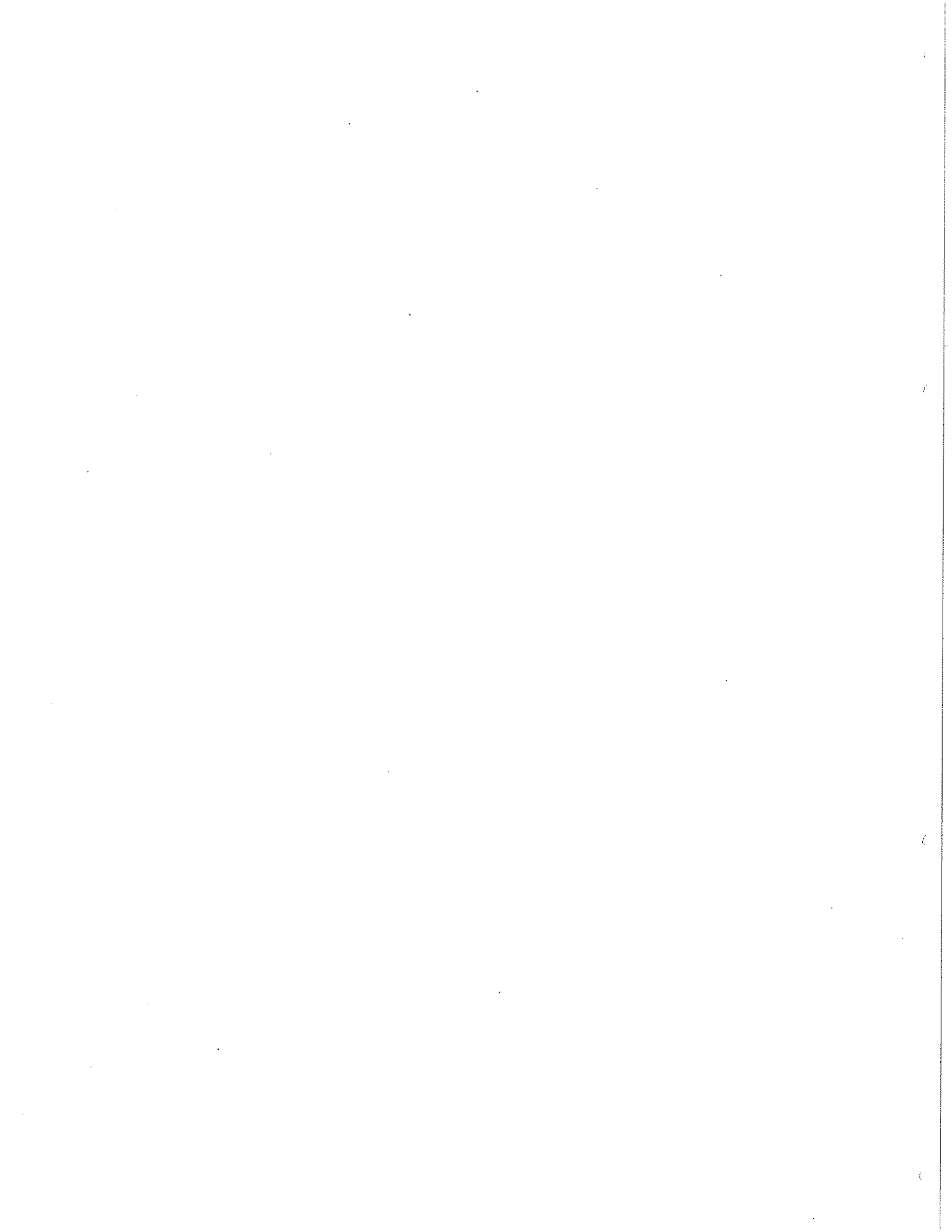
CITY OF MANOR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended September 30, 2012

	Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,556,296
Payments to suppliers	(1,320,188)
Payments to employees and contractors	(338,190)
Net Cash From Operating Activities	<u>897,918</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Increase in customer deposits	23,858
Increase in restricted assets	(353,465)
Net Cash From Non-Capital Financing Activities	<u>(329,607)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers from primary government for payment of debt obligations	1,979,094
Principal payments on debt	(1,903,400)
Interest payments on debt	(197,159)
Net Cash From Capital and Related Financing Activities	<u>(121,465)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	704
Net Cash From Financing Activities	<u>704</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	447,550
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,453,657</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,901,207</u>
<hr/>	
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Operating income	\$ 702,846
Adjustments not effecting cash:	
Bad debts	10,392
Depreciation	286,960
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts receivable	(134,431)
Accounts payable	33,091
Compensated absences	(940)
Net Cash From Operating Activities	<u>\$ 897,918</u>

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

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NOTES TO THE FINANCIAL STATEMENTS



CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

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 organization's that should be reporting 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.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

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 of the period. Program revenues are segregated into three categories: 1) charges for services; 2) program-specific operating grants and contributions; and 3) program-specific capital grants and contributions. Indirect costs are allocated amount functions based on use.

Fund Level Financial Statements

In addition to the government-wide financial statements, the City prepares fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The focus on the fund financial statements is on the major individual funds of the governmental and business-type activities, as well as any fiduciary funds (by category) and any component units.

The City reports the following major governmental funds:

General Fund

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

Special Revenue Fund

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

Debt Service Fund

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

Capital Projects Fund

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

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

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

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 fund). Proprietary fund level financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year in which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within sixty days of the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for debt principal and interest which are reported 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.

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.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

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.

Fund Balance/Net Assets

For the government-wide financial statements, restricted net assets represent assets that have externally imposed restrictions by creditors, grantors, contributors, or laws or regulations of other governments. Assets may also be restricted as imposed by law through constitutional provisions or enabling legislation. Invested in capital assets, net of related debt represents capital assets, net of accumulated depreciation and is reduced by outstanding balances for bonds, certificates of obligation, and other debt that is attributed to the acquisition, construction, or improvement of those assets.

When both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

In fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"), for its governmental funds. Under GASB 54, fund balances are reported in the following classifications:

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.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of 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

Amounts that have not been restricted, committed, or assigned. The General Fund is the only fund that reports unassigned fund balance.

For the classification of fund balances in the governmental funds, the City considers an expenditure to be funded from the most restrictive category first when more than once classification is available.

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.

**CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

Compensated Absences

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

Use of Estimates

The preparation of financial statements in conformity with 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, 2012, carrying amounts of the City's cash deposits were \$5,238,076 and bank balance were \$5,255,985. The City's cash deposits at September 30, 2012 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, 2012 are shown below.

Investment or Investment Type	Maturity	Fair Value
TexPool Investment	N/A	\$ 1,080,927

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

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, 2012, 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 tax Receivable

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

Property Taxes Receivable and Deferred Revenue

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

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

Allowances for uncollectible tax receivables reported in the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off when deemed uncollectible; however, state statutes prohibit writing off real property taxes without specific authority from the Texas Legislation.

In the governmental fund level financial statements, property taxes receivable are recorded in the General Fund and Debt Service Fund when assessed (October 1). At fiscal year end, property taxes receivables represent delinquent taxes. If delinquent taxes are not paid within sixty days of fiscal year end, they are recorded as deferred revenue.

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

At September 30, 2012, receivables for governmental activities are summarized in the government-wide financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Sales tax receivable	\$ 30,638	\$ -	\$ 30,638
Property tax receivable	87,463	(55,867)	31,596
Employee receivables	61	-	61
Total receivables	<u>\$ 118,162</u>	<u>\$ (55,867)</u>	<u>\$ 62,295</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, 2012, enterprise receivables are summarized in the financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Customer receivables	\$ 264,696	\$ (13,209)	\$ 251,487
NSF Checks	1,202	-	1,202
Total receivables	<u>\$ 265,898</u>	<u>\$ (13,209)</u>	<u>\$ 252,689</u>

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

D. RESTRICTED ASSETS

At September 30, 2012, restricted assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents:			
Debt service	\$ 23,420	\$ -	\$ 23,420
Tourism	-	-	-
Rose Hill Public Improvement District	13,920	-	13,920
Customer Deposits	-	271,873	271,873
Capital improvements - water system	-	440,517	440,517
Capital improvements - sewer system	-	247,791	247,791
Total cash and cash equivalents	<u>\$ 37,340</u>	<u>\$ 960,181</u>	<u>\$ 997,521</u>

	Governmental Activities	Business-Type Activities	Total
Investments:			
Parks	\$ 8,415	\$ -	\$ 8,415
Debt service	269,055	-	269,055
Tourism	361,355	-	361,355
Capital improvements - sewer system	-	442,102	442,102
Total investments	<u>\$ 638,825</u>	<u>\$ 442,102</u>	<u>\$ 1,080,927</u>

E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Non-depreciable assets:				
Land	\$ 118,947	\$ -	\$ -	\$ 118,947
Construction in process	-	396,514	-	396,514
Total non-depreciable assets	<u>\$ 118,947</u>	<u>\$ 396,514</u>	<u>\$ -</u>	<u>\$ 515,461</u>
Depreciable assets:				
Buildings	\$ 511,248	\$ -	\$ -	\$ 511,248
Equipment	691,632	31,787	-	723,419
Sidewalks	244,164	-	-	244,164
Streets and improvements	5,270,008	13,116	-	5,283,124
Total depreciable assets	6,717,052	44,903	-	6,761,955
Accumulated depreciation	(2,103,222)	(345,199)	-	(2,448,421)
Depreciable assets, net	<u>\$ 4,613,830</u>	<u>\$ (300,296)</u>	<u>\$ -</u>	<u>\$ 4,313,534</u>

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

Business-Type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable assets:				
Land	\$ 406,816	\$ -	\$ -	\$ 406,816
Total non-depreciable assets	<u>\$ 406,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,816</u>
Depreciable assets:				
Machinery and equipment	\$ 253,640	\$ -	\$ -	\$ 253,640
Culverts	12,992	-	-	12,992
Infrastructure - water system	7,465,930	-	-	7,465,930
Infrastructure - sewer system	5,692,383	-	-	5,692,383
Total depreciable assets	13,424,945	-	-	13,424,945
Accumulated depreciation	(2,650,642)	(286,960)	-	(2,937,602)
Depreciable assets, net	<u>\$ 10,774,303</u>	<u>\$ (286,960)</u>	<u>\$ -</u>	<u>\$ 10,487,343</u>

Depreciation expense was charged to the functions as follows:

Function:	Governmental Activities	Business-Type Activities	Total
General government	\$ 9,608	\$ -	\$ 9,608
Public safety	48,450	-	48,450
Streets	281,981	-	281,981
Municipal court	2,580	-	2,580
Development services	2,580	-	2,580
Water	-	179,966	179,966
Sewer	-	106,994	106,994
Total depreciation expense	<u>\$ 345,199</u>	<u>\$ 286,960</u>	<u>\$ 632,159</u>

F. INTER-FUND BALANCES AND ACTIVITY

Transfers(To) From Other Funds

Purpose	Governmental Activities	Business-Type Activities
Property taxes collected for debt payments	\$ (1,986,960)	\$ 1,986,960
Capitalization of completed projects	13,116	(13,116)
	<u>\$ (1,973,844)</u>	<u>\$ 1,973,844</u>

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

G. LONG-TERM DEBT

Long-Term Debt Activity

Changes in long-term debt obligations for the year ended September 30, 2012 are as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Bonds Payable	\$ 3,775,550	\$ 5,345,000	\$ (2,129,560)	\$ 6,990,990	\$ 422,450
Total governmental activities	<u>\$ 3,775,550</u>	<u>\$ 5,345,000</u>	<u>\$ (2,129,560)</u>	<u>\$ 6,990,990</u>	<u>\$ 422,450</u>

Business-Type Activities:	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Notes Payable	\$ 267,746	\$ -	\$ (97,960)	\$ 169,786	\$ 105,041
Bonds Payable	6,744,450	-	(1,805,440)	4,939,010	227,550
Total governmental activities	<u>\$ 7,012,196</u>	<u>\$ -</u>	<u>\$ (1,903,400)</u>	<u>\$ 5,108,796</u>	<u>\$ 332,591</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, 2012 were as follows:

For the year ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2013	\$ 105,041	\$ 8,557	\$ 113,598
2014	64,745	1,520	66,265
	<u>\$ 169,786</u>	<u>\$ 10,077</u>	<u>\$ 179,863</u>

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

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. Refunded on April 26, 2012.

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. Refunded on April 26, 2012.

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. Refunded on April 26, 2012.

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.

Certificates of Obligation, Series 2007

On September 20, 2007, the city issued \$2,975,000 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 4.27% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2027 or prior redemption.

General Obligation Refunding Bonds, Series 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.

General Obligation Refunding Bonds, Series 2012

On April 26, 2012, the City issued \$3,510,000 in general obligation bonds, proceeds to be used to refund Series 2001 and 2004 revenue bonds. Bond interest rates are 2.55% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2026 or prior redemption.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

Certificates of Obligation, Series 2012

On September 1, 2012, the city issued \$1,835,000 of certificates of obligation bonds, proceeds to be used for the construction of a new City Hall building and costs of issuance. Bond interest rates are 2.49% with semi-annual payments due on February 15 and August 15 of each year until maturity in 2027 or prior redemption.

Debt service requirements on long-term bond debt at September 30, 2012 were as follows:

For the year ending September 30,	Governmental Activities		
	Principal	Interest	Total
2013	422,450	201,982	624,432
2014	430,600	193,453	624,053
2015	446,900	181,236	628,136
2016	463,200	168,494	631,694
2017	471,350	155,231	626,581
2018-2022	2,610,500	562,643	3,173,143
2023-2027	2,145,990	180,677	2,326,667
<u>Total</u>	<u>\$ 6,990,990</u>	<u>\$ 1,643,716</u>	<u>\$ 8,634,706</u>

For the year ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2013	227,550	200,973	428,523
2014	249,400	194,244	443,644
2015	268,100	185,861	453,961
2016	281,800	176,091	457,891
2017	293,650	165,140	458,790
2018-2022	1,539,500	608,623	2,148,123
2023-2027	2,079,010	238,918	2,317,928
<u>Total</u>	<u>\$ 4,939,010</u>	<u>\$ 1,769,850</u>	<u>\$ 6,708,860</u>

Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Disclosure Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operation of the City.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

H. RESTRICTED NET ASSETS

At September 30, 2012 net assets restricted by enabling legislation consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Rose Hill Public Improvement District	\$ 13,868	\$ -	\$ 13,868
Tourism	361,408	-	361,408
Debt service	292,475	-	292,475
Other	8,415	-	8,415
Capital improvements - water system	-	830,130	830,130
Capital improvements - sewer system	-	65,365	65,365
Total restricted net assets	<u>\$ 676,166</u>	<u>\$ 895,495</u>	<u>\$ 1,571,661</u>

I. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. During fiscal year 2012, 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:

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

	Plan Year 2010	Plan Year 2011
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 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)
2010	\$ 56,955	\$ 56,955	100%	-
2011	53,490	53,490	100%	-
2012	33,898	33,898	100%	-

The funded status as of December 31, 2011 is presented as follows:

(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (a)/(b)	Unfunded AAL (UAAL) (b) - (a)	Covered Payroll	UAAL as of % of Covered Payroll (d)/(e)
\$ 1,155,291	\$ 1,049,733	110.1%	\$ (105,558)	\$ 1,437,146	-7.3%

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

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

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

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

Valuation Date	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GA SB 25 Equivalent Single Amortization Period	30.0 years: closed period	25.5 years: closed period	25.5 years: closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.50%	7.50%	7.50%
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%

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

K. SUPPLEMENTAL DEATH BENEFITS FUND (SDBF)

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

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

L. HEALTH CARE COVERAGE

During the year ended September 30, 2012, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$145,051 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 and 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 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.

CITY OF MANOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

Grant Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Litigation

The City is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

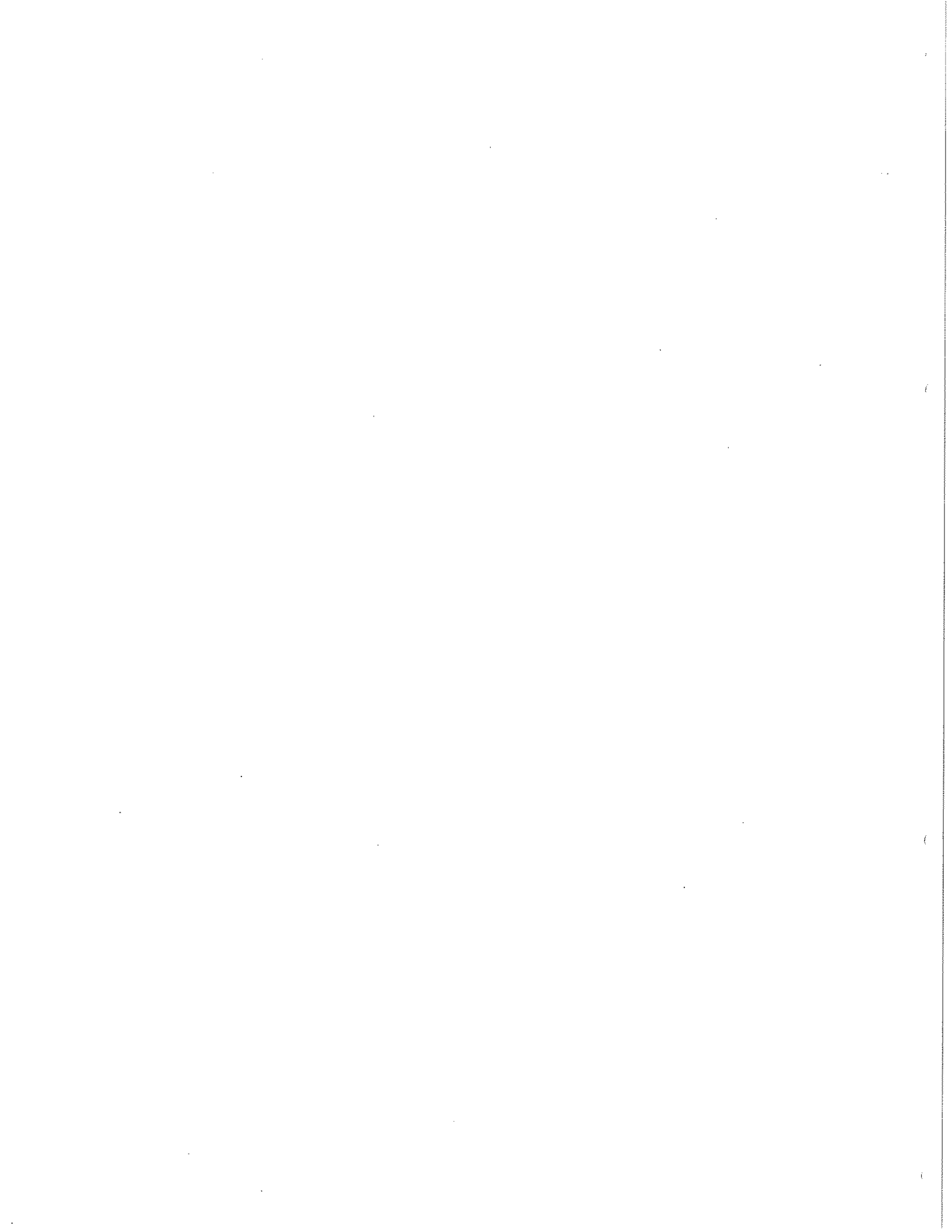
Arbitrage Rebates

The City invests portions of bond proceeds during construction of related projects and as reserves for debt retirement after construction is complete. Any interest earned on invested bond proceeds over interest paid on bonds must be paid back to the Federal government ever five years. As of September 30, 2012, 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



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, 2012

	Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes -----	\$ 869,882	\$ 870,882	\$ 883,727	\$ 12,845
Sales taxes -----	350,000	346,000	426,084	80,084
Franchise taxes -----	330,000	345,000	314,660	(30,340)
Charge for services -----	495,000	499,900	532,406	32,506
Fines and forfeitures -----	10,000	11,500	-	(11,500)
Interest -----	300	1,100	1,438	338
Miscellaneous -----	487,800	652,624	950,601	297,977
Total Revenues -----	2,542,982	2,727,006	3,108,916	381,910
EXPENDITURES				
General government -----	514,642	534,569	462,606	71,963
Public safety -----	1,184,064	1,180,920	1,144,069	36,851
Streets -----	354,605	328,013	310,628	17,385
Municipal court -----	271,174	275,927	295,242	(19,315)
Development services -----	156,497	146,575	156,452	(9,877)
Sanitation -----	405,000	400,000	399,882	118
Capital outlay -----				
Public safety -----	23,000	22,000	8,496	13,504
Streets -----	18,000	24,500	23,291	1,209
Municipal court -----	18,750	9,450	-	9,450
Development services -----	3,200	1,400	-	1,400
Debt payments -----	-	-	-	-
Interest -----	2,105	1,500	-	1,500
Total Expenditures -----	2,951,037	2,924,854	2,800,666	124,188
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES -----	(408,055)	(197,848)	308,250	506,098
OTHER FINANCING SOURCES (USES)				
Capital grants and contributions -----	-	-	-	-
Transfers (to) from other funds:				
Water and sewer fund -----	-	-	-	-
Capital projects fund -----	(9,500)	(9,500)	-	9,500
Total Other Financing Sources (Uses) -----	(9,500)	(9,500)	-	9,500
NET CHANGE IN FUND BALANCE	(417,555)	(207,348)	308,250	515,598
FUND BALANCE - BEGINNING OF YEAR -----	121,162	121,162	121,162	-
FUND BALANCE - END OF YEAR -----	\$ (296,393)	\$ (86,186)	\$ 429,412	\$ 515,598

CITY OF MANOR, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED SEPTEMBER 30, 2012

A. GENERAL FUND BUDGETARY ANALYSIS

Budgetary Information

The City Council adopts an annual budget prepared on a non-GAAP cash basis. City management may transfer part or all of any unencumbered appropriation balance within specific categories (i.e., personnel, operations, supplies, or capital outlay) within programs; however, any revisions that alter the total expenditures of the categories must be approved by the City Council. The City, for management purposes, adopts budgets for all funds. Legal budgets are also adopted for all funds, and the legal level of control is the fund level.

Capital projects are funded through capital grants or general obligation debt authorized for specific purposes.

All unused appropriations, except appropriations for capital expenditures, lapse at the close of the fiscal year to the extent they have not been expended or encumbered. An appropriation for capital expenditures shall continue in force until the purpose for which it was made is accomplished or abandoned. No supplemental budgetary appropriations occurred in the debt service fund or in the general fund. Revised budgets, if any, are used for budget versus actual comparisons.

B. BUDGET VERSUS ACTUAL RESULTS

Operating revenues in the general fund were more than budgeted by \$381,910, and operating expenditures were less than budgeted by \$124,188, resulting in an overall operating variance (favorable) of \$506,098. Due to favorable operating results, operating transfers between funds were not necessary, resulting in overall increase in fund balance of \$308,250 for the City's general fund.

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

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 Percentage of Covered Payroll (d)/(e)
12/31/2009	\$ 778,695	\$ 783,364	99.4%	\$ 4,669	\$ 1,314,095	0.4%
12/31/2010	977,663	933,020	104.8%	(44,643)	1,324,077	-3.4%
12/31/2011	1,155,291	1,049,733	110.1%	(105,558)	1,437,146	-7.3%

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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, 2012. These collectively comprise the City's basic financial statements. We have issued our report thereon dated May 29, 2013.

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

Management of the City is responsible for establishing and maintaining effective 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 29, 2013

**CITY OF MANOR
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2012**

Financial Statement Findings

None

**CITY OF MANOR
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2012**

Prior Audit Findings

None