

**CITY OF TAYLOR, TEXAS**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2010**

**CITY OF TAYLOR, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**September 30, 2010**

**TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON**  
**AND SUPPLEMENTARY INFORMATION**

**Prepared by:**  
**Finance Department**

**Rosemarie Dennis**  
**Director of Finance**



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## **INTRODUCTORY SECTION**

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January 26, 2011

To the Honorable Mayor, Members of the City Council and Citizens of the City of Taylor:

The Comprehensive Annual Financial Report (CAFR) of the City of Taylor, Texas, for the fiscal year ended September 30, 2010, including the independent auditor's report, is hereby submitted in accordance with the provisions of Section 10.3 of the City Charter. Also, state law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with the generally accepted accounting principles (GAAP) and audited in accordance with generally accepted audited standards by an independent firm of licensed public accountants. This report is published to provide the Mayor and City Council, city staff, our Citizens, representatives of financial institutions, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. Because the cost of internal controls should not outweigh their benefits, the City of Taylor's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The CAFR contains three sections: introductory, financial and statistical. The Introductory Section includes a list of principal officials, this transmittal letter, and an organizational chart of the City. The Financial Section includes a Management Discussion and Analysis (MD&A), the basic financial statements and combining and individual fund financial statements and schedules. The MD&A, immediately following the independent auditor's report, is a narrative introduction, overview and analysis accompanying the basic financial statements. The Statistical Section includes selected financial and demographic information generally presented on a multi-year basis.

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute assurance, that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

The City of Taylor's financial statements have been audited by Brockway, Gersbach, Franklin & Niemeier, P.C., a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Taylor for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting that amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Taylor's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

## **Profile of the City**

The City of Taylor, incorporated in 1876, is located in eastern Williamson County in the central region of the State of Texas. It is located approximately 29 miles northeast of Austin and 7 miles east of State Highway 130 and 17 miles east of Interstate Highway 35. State Highway 95 and U.S. Highway 79 intersect in downtown Taylor. The City currently occupies a land area of 19.13 square miles and service approximately 19,397 residents. The City of Taylor is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City of Taylor operated under a Commission-Manager form of government from 1926 to 2001. In an election held on May 5, 2001, a charter amendment was approved changing the designation to a Council-Manager form of government. Policy-making and legislative authority are vested in the City Council consisting of the Mayor and four Council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees and hiring the City Manager, City Attorney and Municipal Court Judges. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government and appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve three year staggered terms. The three-year election cycle consists of two members being elected in consecutive years and a single member being elected in the third years of the cycle. Four of the Council members are elected by district with the remaining council member being elected at-large. After each election, the five members of the Council select one of the members to serve as Mayor until the next election.

The City of Taylor provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; recreational activities and cultural events. Solid waste collection/disposal and water treatment are outsourced to IESI and Brazos River Authority (BRA), respectively. Wastewater collection and treatment are provided by the City.

The annual budget serves as the foundation for the City of Taylor's financial planning and control. All units and departments of the City of Taylor are required to submit requests for appropriations to the City Manager on or before the first week of June each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents a proposed budget to Council for review prior to the first week in August. The Council is required to hold public hearings on the proposed budget and to adopt the final budget no later than September 30<sup>th</sup>. As a practical matter however, the budget is usually adopted by the end of August and no later than mid-September.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager may authorize transfers of appropriations within a department and between departments within a fund and within major line item categories. Increases or decreases of appropriations to a fund; however, require special approval of the City Council in the form of an Ordinance formally amending the adopted budget. Budget-to-actual comparisons are provided in this report on page 31, as part of the basic financial statements for the general fund.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Taylor operates.

### **Local Economy**

City of Taylor's economic outlook has been in a slight decline due to the weakening economy. This is evidenced by local economic indicators such as a decreased in sales tax revenue and a decline in tax appraisal values. For many years, the City's economy has been largely based in agriculture and manufacturing. These industries are still with the City today however, the Taylor Economic Development Corporation actively recruit companies that add to the diversity of the City's local industry while providing the residents with good employment. A major industry that is located within the City of Taylor is the Electric Reliability Council of Texas (ERCOT), who manages the flow of electric power to approximately 22 million Texas customers and has its operations center located in Taylor. ERCOT employs 635 employees and is the City's largest employer. The Taylor Independent School District (TISD) is the second largest employer in the City with 549 employees. TISD has an enrollment of 3,086 students. Taylor High School will have a new 205,000 square foot facility on 65 acres by fall 2011. The new Taylor High School will increase its capacity to 1,200 students in preparation for the anticipated area's population growth.

Because of the City's location in a region with a varied economic base, unemployment has increased from 6.7 percent to 7.7 percent. During the past ten years, the unemployment rate rose from an initial low of 4.7 percent in 2001 to a decade high of 7.7 percent in 2010. Unemployment is expected to increase in this region and level off in 2011 as the economy improves.

Residential building permits are down from the prior year; however, commercial remains the same. Although permits are down in the residential category, the City continues to see new development.

### **Long -Term Financial Planning**

In 2010, the City issued new debt in the amount of \$8,780,000 for the cost of completion of water and wastewater lines, streets, and park improvement projects.

The City will implement a Municipal Drainage Utility System in 2011 that will generate revenues that will be utilized to maintain and improve the City's storm water drainage system.

## Major Initiatives

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Taylor operates.

- ❖ Invest in infrastructure to support growth of business and enhance the quality of life of its citizens.
- ❖ Offer a business friendly environment and support that attraction of new jobs and investment to the City.
- ❖ Continue to develop a vibrant, inviting community.
- ❖ Facilities will continue to be improved so that they are fun, attractive amenities for citizens and visitors.
- ❖ Provide a safe and healthy community for Taylor's citizens.
- ❖ Continue to operate as a progressive and fiscally responsible organization.

## Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Taylor for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2009. This was the second consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

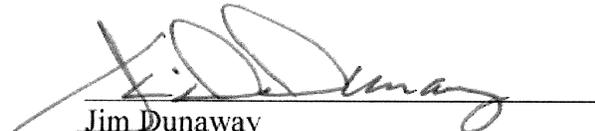
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the requirements of the Certificate of Achievement Program to submit to GFOA to determine its eligibility for another certificate.

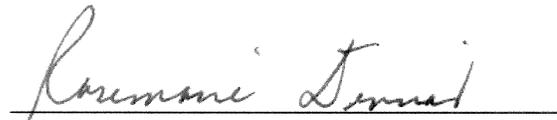
In addition, the City of Taylor also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the third consecutive year. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operational guide and a communication device.

The presentation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the finance Department and all department head directors. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Due credit also should be given to the Mayor and the City Council for their continued interest in planning and conducting the financial operations of the City of Taylor in a responsible and progressive manner.

Furthermore, the work of the independent auditors from Brockway, Gersbach, Franklin & Niemeier, P.C. is greatly appreciated.

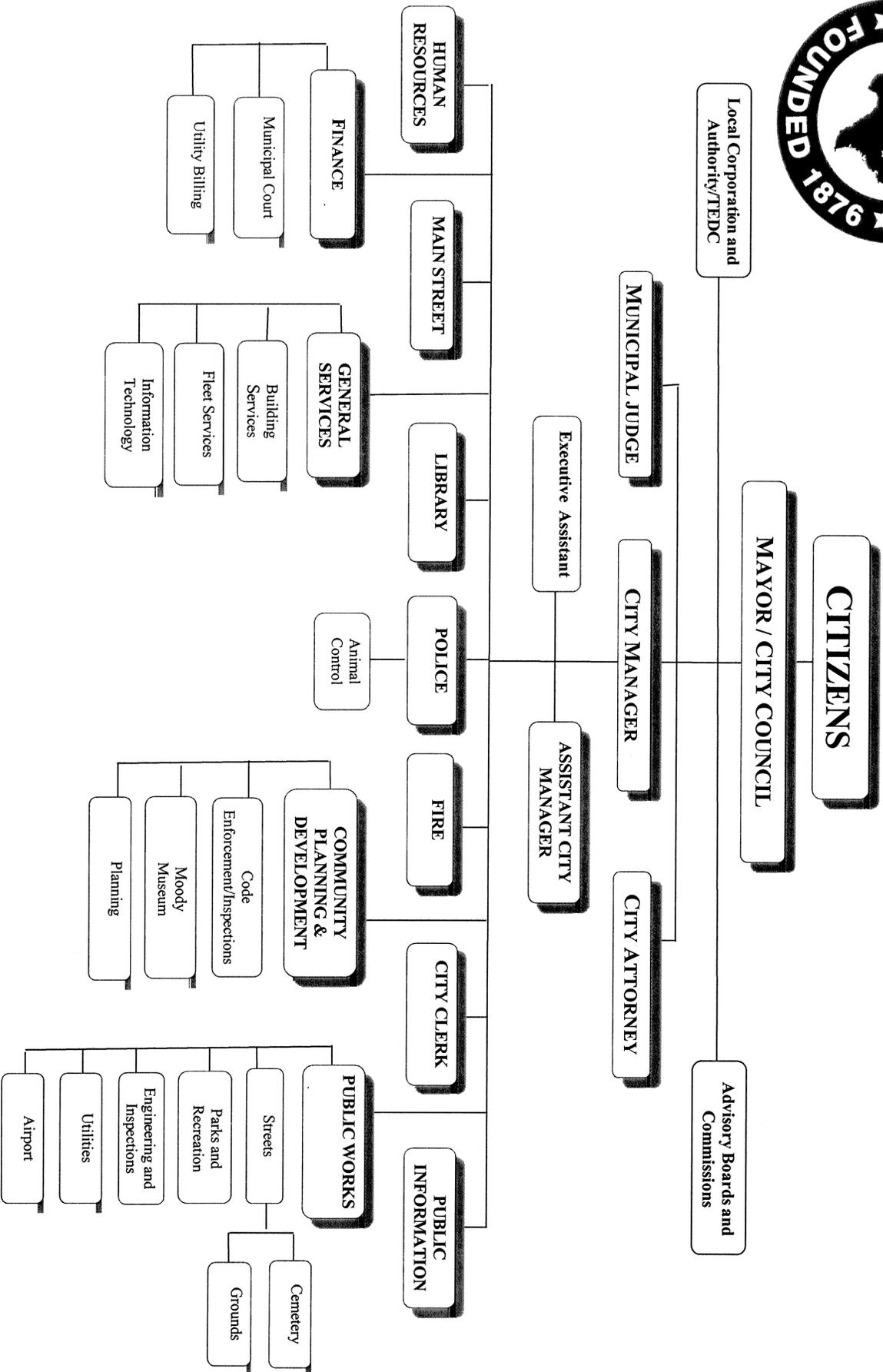
Respectfully submitted,

  
\_\_\_\_\_  
Jim Dunaway  
City Manager

  
\_\_\_\_\_  
Rosemarie Dennis  
Finance Director



# CITY OF TAYLOR ORGANIZATIONAL CHART



City of Taylor  
List of Elected and Appointed Officials  
September 30, 2010

**Elected Officials**

Rodney Hortenstine	Mayor
John McDonald	Mayor Pro Tem
Donald Hill	Council Member
Christopher Gonzales	Council Member
Chris Osborn	Council Member

**Appointed Officials**

Jim Dunaway	City Manager
Ted Hejl	City Attorney
Randall Pick	Municipal Court

**Other City Officials**

Jeff Straub	Interim Asst. City Manager/Police Chief
Rosemarie Dennis	Director of Finance
Susan Brock	City Clerk
Starla Hall	Director of Human Resource/Civil Service
Pat Ekiss	Fire Chief
Karen Ellis	Library Director
Bob VanTil	Director of Community Development
Danny Thomas	Director of Public Works
Lisa Thompson	Director of General Services
Jean Johnson	Public Information Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Taylor  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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## **FINANCIAL SECTION**

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## **Independent Auditors' Report**

The Honorable Mayor and  
City Council  
City of Taylor, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Taylor, Texas as of and for the year ended September 30, 2010, 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 of Taylor's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Taylor, Texas as of September 30, 2010, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 26, 2011, on our consideration of the City of Taylor's internal control over financial reporting and on 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.

**Independent Auditors' Report  
(continued)**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress on pages 5 through 18 and page 76 be presented to supplement the basic financial statements. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Taylor, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statement, and, accordingly, we do not express an opinion or provide any assurance on them.

*Ernst & Young, LLP, Franklin A. Nims, P.C.*

January 26, 2011

**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**MANAGEMENT'S DISCUSSION ANALYSIS**

As management of the City of Taylor, Texas, we offer readers of the City of Taylor's financial statements this narrative overview and analysis of the financial activities of the City of Taylor for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

**Financial Highlights**

- The assets of the City of Taylor exceeded its liabilities at the close of the most recent fiscal year by \$ 60,905,416 (net assets). Of this amount, \$ 1,315,680 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$ 435,366. The contributor to the increase is funding for capital projects which will be spent within the next fiscal year.
- As of the current fiscal year, the City's general fund reported a current year ending fund balance of \$ 3,567,124, a decrease of \$ 332,727 in comparison with prior year.
- As of the close of the fiscal year being reported, the City of Taylor's total governmental funds reported combined ending fund balances of \$ 7,420,411, an increase of \$ 2,072,908, which includes a prior period adjustment of \$ 340,382. This was primarily due to increased available cash on hand for construction due to bonds issued in 2010.
- The City's total long-term debt increased by \$ 7,395,647 or 16 percent during the current fiscal year. The City issued Certificates of Obligation for the completion of water and wastewater lines, streets, and park improvement projects.

**Overview of the Financial Statements**

The discussion and analysis are intended to serve as an introduction of the City of Taylor's basic financial statements. The City of Taylor's basic financial statements comprise three components: 1) government-wide financial statement, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

**Required Components of Annual Financial Report**

**Basic Financial Statements**

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**MANAGEMENT'S DISCUSSION ANALYSIS (CONTINUED)**

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the Notes. The notes to the financial statement explain in detail some of the data contained in those statements. After the notes, required supplemental information and other financial information is provided to show details about the City's individual funds. Budgetary information required by General Statutes also can be found in this part of the statements.

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The *statement of net assets* presents information on all of the City of Taylor's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Taylor is improving or deteriorating. To assess the overall health of the City, other indicators, including non-financial indicators like the City's property tax base and condition of infrastructure, should be considered.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police, fire, streets, sanitation, library, and refuse collection. The business-type activities of the City comprised of the Municipal Airport and the Public Utilities operations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The government-wide financial statements can be found on pages 20-23 of this report.

***Fund Financial Statements*** - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Taylor, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Taylor can be divided into two categories: governmental funds and proprietary funds.

**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

***Governmental Funds*** - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statement. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation between changes in net assets and changes in fund balances is provided to facilitate this comparison between government funds and governmental activities.

The City of Taylor maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service funds, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in a separate section of this report.

The City of Taylor adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24-31 of this report.

***Proprietary Funds*** - The City of Taylor maintains two types of proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Taylor uses enterprise funds to account for its Public Utilities Operations and its Municipal Airport. The City also uses Internal Service Funds to account for the Equipment Services, Replacement Operations, and Civil Service Sick Leave.

Proprietary funds are generally used to account for services for which the City charges customers; either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 32-37 of this report.

***Notes to the financial statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 40 of this report.

**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

***Required Supplementary Information***

In addition to the basic financial statement and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post employment benefits to its employees. This information can be found on page 76 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 78-81 and pages 92-94 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis (MD&A) - for State and Local Governments*. This fiscal year's MD&A is presenting prior year information with the current year information as a comparative analysis of government-wide data.

***Net Assets***

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Taylor, assets exceeded liabilities \$ 60,905,416 for the year ended September 30, 2010.

The following tables, graphs and analysis illustrate the financial position and changes to the financial position for the City as a whole.

**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following table reflects the Condensed Statement of Net Assets as of September 30, 2010 and 2009.

<b>City of Taylor Net Assets (Amounts expressed in thousands)</b>						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 8,827	\$ 8,009	\$ 9,505	\$ 9,864	\$ 18,332	\$ 17,873
Capital assets	61,796	61,135	36,835	30,526	98,631	91,661
Total Assets	<u>70,623</u>	<u>69,144</u>	<u>46,340</u>	<u>40,390</u>	<u>116,963</u>	<u>109,534</u>
Other liabilities	1,983	2,020	2,626	887	4,609	2,907
Long-term liabilities	19,937	18,997	31,512	27,160	51,449	46,157
Total Liabilities	<u>21,920</u>	<u>21,017</u>	<u>34,138</u>	<u>28,047</u>	<u>56,058</u>	<u>49,064</u>
Net Assets:						
Invested in capital assets, net of related debt	43,816	43,702	12,420	11,782	56,236	55,484
Restricted	3,354	1,055	-	-	3,354	1,055
Unrestricted	1,533	3,370	(217)	561	1,316	3,931
Total Net Assets	<u>\$ 48,703</u>	<u>\$ 48,127</u>	<u>\$ 12,203</u>	<u>\$ 12,343</u>	<u>\$ 60,906</u>	<u>\$ 60,470</u>

The City's combined net assets were \$ 60,905,416 as September 30, 2010. Of the \$ 60,905,416, \$ 48,702,650 was in the governmental activities and \$ 12,202,766 was in the business-type activities. The City's total net assets increased when compared to the prior year with an increase of \$ 435,366.

Net assets consist of three components, investment in capital assets net of related debt, restricted net assets and unrestricted net assets. The first and largest portion of the net assets (\$ 56,235,972 or 92 percent) reflects the City's investment in capital assets (e.g., land, buildings, machinery, infrastructure, equipment and systems); less any related debt used to acquire or construct those assets that is still outstanding. Compared to last year, the City's investment in capital assets net of related debt increased \$ 751,661. The City uses the capital assets to provide services to its citizen; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second portion consists of unrestricted net assets totaled \$ 1,315,680 or 2 percent of total net assets. Unrestricted net assets may be used to meet the City's ongoing obligation to citizens and creditors. Unrestricted net assets decreased \$ 1,837,158 or 55 percent compared to September 30, 2009.

**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The third portion consists of restricted net assets totaled \$ 3,353,764 at September 30, 2010 or 6 percent of overall total net assets. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets increased \$ 2,298,685 or 218 percent compared to September 30, 2009.

At the end of the fiscal year, the City reported positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The business-type activities reported a deficit in unrestricted net assets.

***Changes in Net Assets***

The City's total revenues for the fiscal year ended September 30, 2010 were \$ 20,654,544. Total revenues increased when compared to the prior year by \$ 458,979 or 2 percent. The City total cost of all programs and services increased from the prior year of \$ 19,018,411 to \$ 20,219,178, an increase of 6 percent. The table on the next page presents a summary of the changes in net assets for the fiscal year ended September 30, 2010.

***Governmental Activities***

Governmental activities revenues such as ad valorem, sales and franchise taxes are not shown by program, but are effectively used to support program activities citywide. Ad valorem taxes reflected a increase when compared to the prior year with a increase of \$ 69,651 or 1 percent. The Ad valorem tax rate for fiscal year 2010 was \$.079000 per \$ 100 of assessed valuation. Of this, \$ 0.59627 was for Operation and Maintenance (O&M) and \$0.19373 was for Interest and Sinking (I&S) for debt service. Charges for services increased \$ 100,647 or 4 percent, compared to last year. Other taxes such as sales tax, franchise tax, and hotel occupancy tax increased by \$ 36,020 or 1 percent, compared to last year. Also, investment earnings decreased from \$ 140,589 to \$ 114,902, which is a decrease of \$ 25,687 or 18 percent. This decrease is primarily due to the falling interest rates.

The following chart illustrates the City's governmental expenses by function. As shown, public safety is the largest function in expenses at \$ 4,986,776, followed by general government recorded at \$ 4,274,435, and public works at \$ 4,159,734.

**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

<b>CITY OF TAYLOR CHANGE OF NET ASSETS (Amounts expressed in thousands)</b>						
	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 2,667	\$ 2,566	\$ 6,654	\$ 6,363	\$ 9,321	\$ 8,929
Capital grants and contributions	1,814	1,231	-	-	1,814	1,231
General revenues:						
Property taxes	5,812	5,742	-	-	5,812	5,742
Other taxes	3,084	3,049	-	-	3,084	3,049
Investment earnings	115	141	16	65	131	206
Other	436	931	56	81	492	1,012
<b>Total Revenues</b>	<b>13,928</b>	<b>13,660</b>	<b>6,726</b>	<b>6,509</b>	<b>20,654</b>	<b>20,169</b>
<b>Expenses:</b>						
General government	4,274	4,039	-	-	4,274	4,039
Public safety	4,987	4,800	-	-	4,987	4,800
Public works	4,160	3,797	-	-	4,160	3,797
Interest on long-term debt	761	724	-	1,143	761	1,867
Public utility	-	-	5,607	4,131	5,607	4,131
Airport	-	-	430	384	430	384
<b>Total Expenses</b>	<b>14,182</b>	<b>13,360</b>	<b>6,037</b>	<b>5,658</b>	<b>20,219</b>	<b>19,018</b>
Increase (decrease) in net assets before transfers	(254)	300	689	851	435	1,151
Transfers	830	1,128	(830)	(1,128)	-	-
Increase (decrease) in net assets	576	1,428	(141)	(277)	435	1,151
Net assets - October 1	48,127	46,824	12,343	12,621	60,470	59,445
Prior period adjustment	-	(125)	-	-	-	(125)
<b>Net assets - September 30</b>	<b>\$ 48,703</b>	<b>\$ 48,127</b>	<b>\$ 12,202</b>	<b>\$ 12,344</b>	<b>\$ 60,905</b>	<b>\$ 60,471</b>

**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

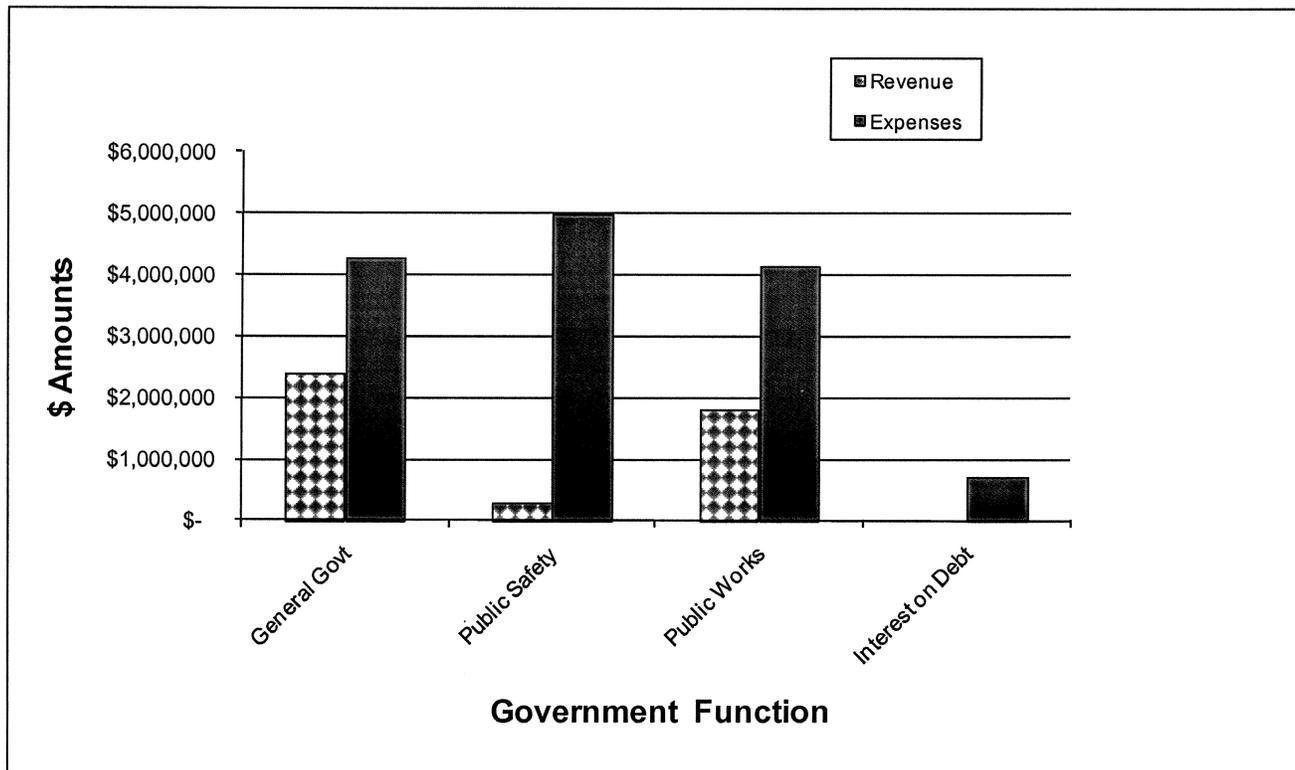
*Business Activities*

Business-type activities decreased the City's net assets by \$ 140,734. Charges for services provided the largest share of revenues 99 percent, with investment earnings and other miscellaneous revenue making up less than 1 percent for all business-type activities.

Water and sewer fees are the major revenue source for the business-type activities of the City, which recorded \$ 6,227,101 in revenue. Compared to the prior year, public utilities revenues increased \$ 330,024 or 6 percent. The Airport fund decreased \$ 38,774 or 8 percent which is due primarily to the increase in fuel cost at the airport.

Total expense for business-type activities was \$ 6,037,555, an increase of \$ 379,093 or 7 percent compared to the prior year. Public Utilities, the largest proprietary fund recorded \$ 5,607,082 in expenses, an increase of \$ 357,024 or 7 percent increase compared to the prior year. The Airport fund expenses increased from \$ 408,804 in 2009 to \$ 430,473 in 2010, an increase of \$ 21,669 or 5 percent.

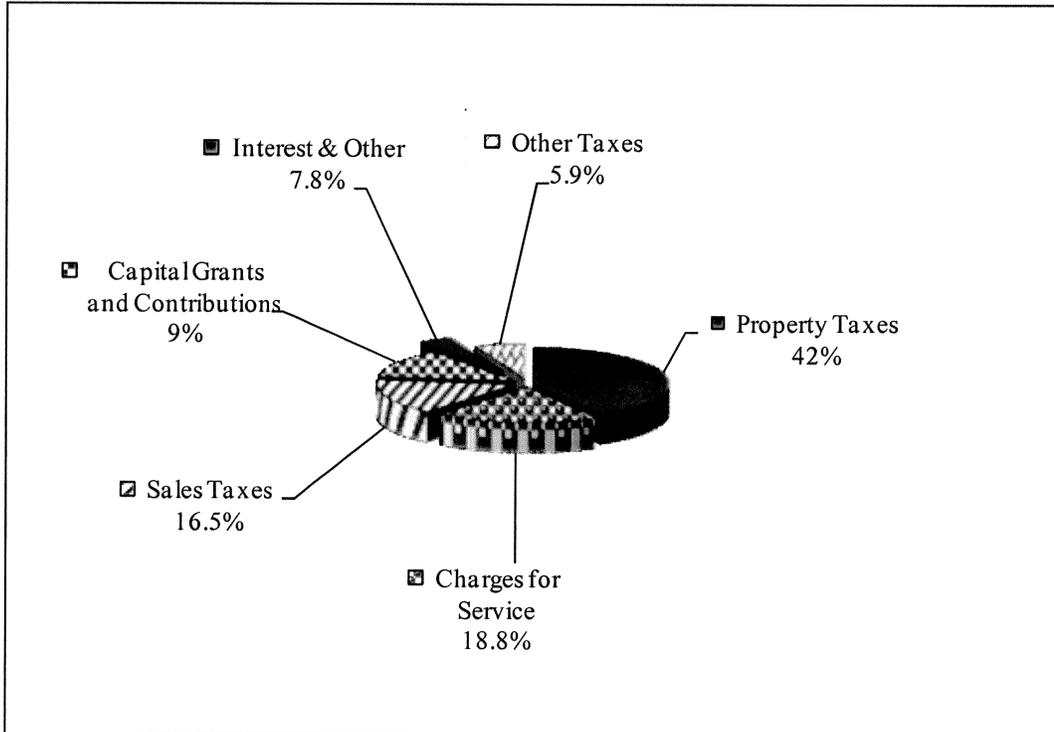
**Expenses and Program Revenues-Governmental Activities**



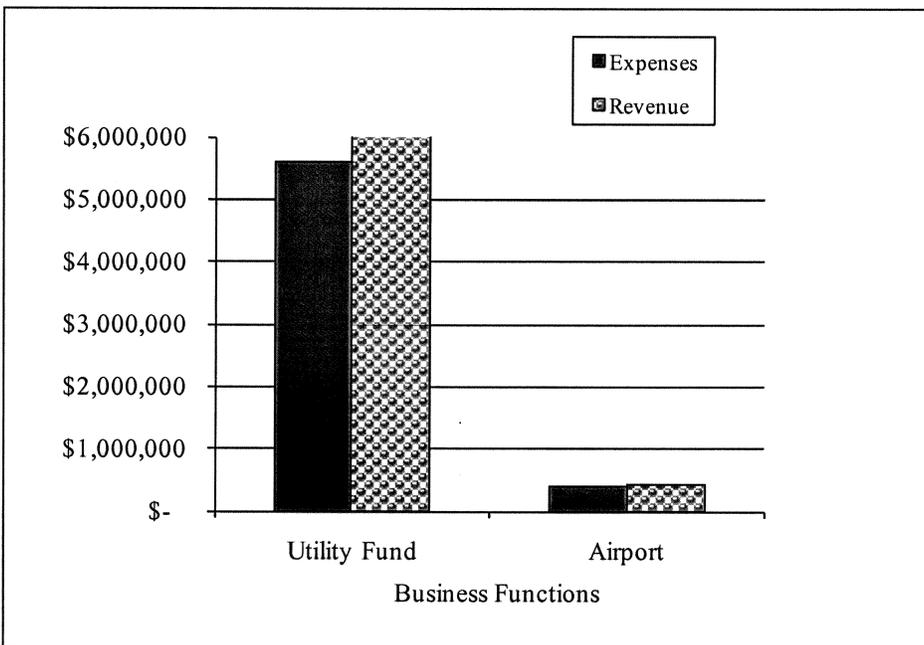
**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Revenue by Source-Governmental Activities**



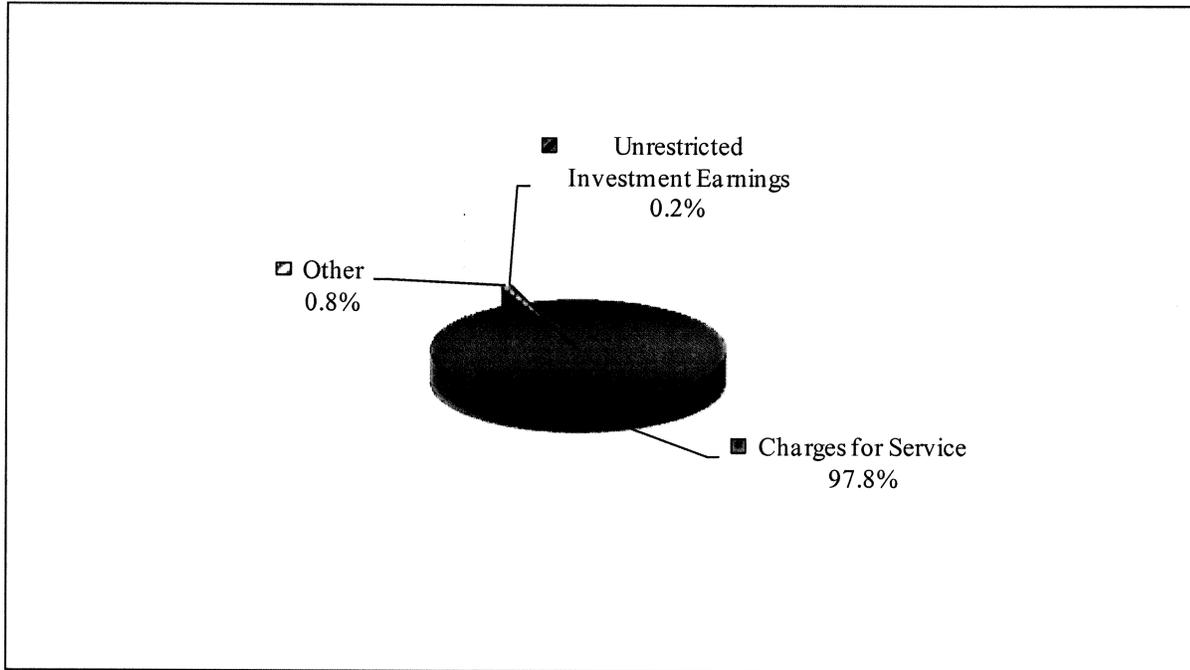
**Expenses and Program Revenues-Business-type Activities**



**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Revenues by Source-Business-type Activities**



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**Governmental funds** - The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City of Taylor's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the general fund, special revenue, debt service fund, capital project funds and the cemetery permanent fund.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$ 7,420,411. This is an increase of \$ 2,072,908 from the prior year. Approximately 55 percent, \$ 4,066,647 of this amount constitutes *unreserved fund balance*, which is available for spending at the City's discretion. Of this combined ending fund balance, 32 percent \$ 2,348,643 comes from the capital improvement project funding sources, and will be spent on major capital projects during the next fiscal year.

**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

The remainder of fund balance is reserved and is not available for discretionary spending because it has already been committed: 1) to pay debt service, \$ 233,182; and 2) to pay for beautification and improvements to the cemetery, \$ 771,939.

The general fund is the chief operating fund of the City. At September 30, 2010, unreserved fund balance of the general fund was \$ 3,567,124. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. The unreserved fund balance represents 38 percent of total general fund expenditures.

The fund balance of the City's General Fund decreased by \$ 332,727 during the current fiscal year. Key factors in this decrease in fund balance are:

- ❖ Increase in expenditures related to general government, public safety, and public works, most notably in personnel cost.

The General Capital Improvement Funds is used to account for the proceeds of a debt issue, which took place in June 2010. These proceeds are being used to fund the construction improvements to Second Street, Sloan Street, and Robinson Park. The construction phase of this project began in 2010 and is expected to be completed in 2011.

The Debt Service Fund has a total fund balance of \$ 233,182, all of which is reserved for the debt payments.

**General Fund Budgetary Highlights**

During the fiscal year, the City revised the budget once. Generally, the budget amendments fall into one of the three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues exceeded budgeted amounts by \$ 9,079 while expenditures came in lower than budgeted by \$ 77,743 on a budget basis. Overall, the deficit of revenues and other financing sources over expenditures were \$ 332,727.

**Proprietary funds** - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Public Utility Fund at the end of the year reflected a deficit of (\$ 199,006) a decrease of \$ 786,811. Unrestricted net assets for the Airport Fund reflected a deficit of (\$ 110,002) an increase of \$39,392. The net total on the business-type activities for the proprietary funds unrestricted net assets was (\$ 309,008). The unrestricted net asset of the internal service fund was \$ 158,329.

**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

As of September 30, 2010, the City had \$ 98,631,207 invested in various capital assets, net of accumulated depreciation. Of the \$ 98,631,207 in capital assets, \$ 61,796,205 is invested in governmental activities and \$ 36,835,002 in business-type activities. Compared to last year, total capital assets increased \$ 6,970,580. Capital assets in the governmental activities increased \$ 661,808 or 1 percent from the prior year and increased in the business-type activities increased \$6,308,772 or 21 percent from the prior year. The largest increase can be identified within construction in progress, with an increase of \$ 8,527,488 from the prior year.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2010. Additional information on the City's capital assets may be found in Note III-C on pages 54-56 of this report.

<b>Change in Capital Assets (net of depreciation)</b>						
(Amounts expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,420	\$ 2,296	\$ 1,317	\$ 1,317	\$ 3,737	\$ 3,613
Buildings and improvements	7,495	7,252	1,720	1,815	9,215	9,067
Machinery and equipment	874	1,220	100	128	974	1,348
Plant Distribution/Collection	-	-	20,380	20,997	20,380	20,997
Infrastructure	41,637	42,084	1,633	1,683	43,270	43,767
Construction in progress	9,370	8,282	11,685	4,586	21,055	12,868
Total	<u>\$ 61,796</u>	<u>\$ 61,134</u>	<u>\$ 36,835</u>	<u>\$ 30,526</u>	<u>\$ 98,631</u>	<u>\$ 91,660</u>

*Long-Term Debt*

At the end of the current fiscal year, the City of Taylor had a total debt outstanding of \$ 53,553,146. The City has no special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Taylor's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

The City of Taylor's total debt increased by \$ 7,395,647 during the current fiscal year, the key factor in this increase was the issuance of certificate of obligation bonds.

The following schedule shows the outstanding debt of the City (both current and long-term) for September 30, 2010. Further details can be found in Note III-F on pages 60-65 of this report.

	<b>Outstanding Debt</b>					
	<b>(amounts expressed in thousands)</b>					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 9,879	\$ 10,583	\$ 4,196	\$ 4,432	\$ 14,075	\$ 15,015
Certificate of Obligation Bonds	9,877	7,334	25,733	20,036	35,610	27,370
Revenue Bonds	-	-	2,650	2,675	2,650	2,675
Other	1,201	1,080	17	17	1,218	1,097
Total	<u>\$ 20,957</u>	<u>\$ 18,997</u>	<u>\$ 32,596</u>	<u>\$ 27,160</u>	<u>\$ 53,553</u>	<u>\$ 46,157</u>

The City of Taylor and its Public Utilities Fund was raised to an "A+" rating from an "A" rating from Standard & Poor's. Standard & Poor's view of the City's strength financial position over the past five years, evidenced by increasing unreserved general fund balances and supported by good financial management practices. The City also received an increased rating to "A2" from an "A3" rating from Moody's for tax supported debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- ❖ The average rate for unemployment rate for Williamson County in 2010 was 7.7%, which is a significant increase from a rate of 6.7% in 2009. However, this is lower than the state's average unemployment rate of 8.2%.
- ❖ Inflationary trends in the region compare favorably to national indices.

The development of the City's budget is guided by several factors including the City's strategic plan, prevailing economic conditions and by the continuing need to provide basic and improved customer service for a growing community. The fiscal year 2010-11 budget was adopted by the City Council adheres to City financial policies and goals, but also preserves the City's financial position while providing the best level of service to its citizens. The general priorities are as follows: 1) continue to maintain fiscal soundness; 2) maintain current programs and services to its citizens; and 3) limiting budget growth; 4) recognizing available funding limitations; 5) assessing staff workload/personnel; and 6) seeking supplemental funding through grants and federal appropriations.

**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION ANALYSIS**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)**

During the fiscal year 2010, unreserved fund balance in the General Fund decreased to \$ 3,567,124. Of that amount has been stipulated as three months of operating expenditures to be maintained as a minimum of undesignated reserves, which currently equates to \$ 2,685,690. It is intended that the available fund balance beyond this minimum will be used at the City's discretion.

The property tax rate for fiscal year 2010-11 is \$ 0.813893 per \$ 100 valuation. Of this tax rate 73 percent or \$ 0.5589826 is utilized for General Fund activities. The remaining 27 percent or \$ 0.224067 is used for debt service. The General Fund's portion of property tax revenue for fiscal year 2010-11 is estimated to be \$ 4,216,473. Sales tax revenue for fiscal year 2010-11 is budgeted at \$ 2,369,000.

The largest revenue source for the Utility Fund is water sales at \$ 3,991,052. The rate for fiscal year 2010-11 is \$ 24.54 as a base rate and \$ 5.01 per 1,000 gallons used. This reflects a ten percent increase from fiscal year 2009-10. The second largest revenue source is sewer charges at \$ 2,293,538 based on a fiscal year 2010-11 base rate of \$ 16.40 plus \$ 5.31 per \$ 1,000 gallons over 2,000 gallons.

City of Taylor has seen little growth and has made adjustments to meet the new challenges. The City's Strategic Plan provides a framework for the future. Meeting these challenges takes financial resources, a Council vision directing the Strategic Plan, and management team to implement it. With the near completion of the Taylor Regional Park and Sports Complex, it is anticipated the City of Taylor will benefit greatly.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Taylor's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information, contact:

City of Taylor Finance Department  
400 Porter Street  
Taylor, TX 76574  
(512) 352-5997  
[www.taylor.ci.tx.us](http://www.taylor.ci.tx.us)

## **BASIC FINANCIAL STATEMENTS**

**CITY OF TAYLOR, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Taylor Economic Development
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 250,951	\$ 1,150	\$ 252,101	\$ 737,112
Investments	6,270,410	8,609,727	14,880,137	-
Receivables (net of allowances for uncollectibles)-				
Property taxes, including				
interest and penalties	128,347	-	128,347	-
Accounts & other	297,458	977,854	1,275,312	139,119
Sales tax	520,343	-	520,343	-
Internal balances	984,697	(984,697)	-	-
Inventories	-	251,368	251,368	-
Land held for investment	-	-	-	712,609
Restricted investments:				
Customer deposits	-	280,447	280,447	-
Deferred charges	234,543	369,493	604,036	-
Deferred amount on refunding bonds	140,181	-	140,181	-
Capital assets:				
Land and construction in progress	11,790,583	13,002,024	24,792,607	-
Capital assets, net of accumulated depreciation	50,005,622	23,832,978	73,838,600	4,004
Total assets	<u>\$ 70,623,135</u>	<u>\$ 46,340,344</u>	<u>\$ 116,963,479</u>	<u>\$ 1,592,844</u>

The accompanying notes are an integral part of this statement.

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Taylor Economic Development
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 556,978	\$ 1,055,359	\$ 1,612,337	\$ -
Accrued payroll	244,348	2,403	246,751	6,391
Unearned revenue	33,744	-	33,744	-
Customer deposits	-	280,447	280,447	-
Accrued interest payable	100,639	176,694	277,333	-
Premium on bonds payable	28,239	26,065	54,304	-
Noncurrent liabilities:				
Due within one year	1,019,084	1,084,433	2,103,517	12,083
Due in more than one year	19,937,453	31,512,176	51,449,629	-
Total liabilities	21,920,485	34,137,577	56,058,062	18,474
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	43,816,215	12,419,757	56,235,972	4,004
Temporarily restricted for:				
Investments	-	-	-	-
Debt service	233,182	-	233,182	-
Construction	2,348,643	-	2,348,643	-
Cemetery	771,939	-	771,939	-
Unrestricted, net assets (deficit)	1,532,671	(216,991)	1,315,680	1,570,366
Total net assets	\$ 48,702,650	\$ 12,202,766	\$ 60,905,416	\$ 1,574,370

**CITY OF TAYLOR, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 4,274,435	\$ 2,378,935	\$ -	\$ -
Public safety	4,986,776	287,821	-	-
Public works	4,159,734	-	-	1,813,591
Interest on long-term debt	760,678	-	-	-
Total governmental activities	<u>14,181,623</u>	<u>2,666,756</u>	<u>-</u>	<u>1,813,591</u>
Business-type activities:				
Public utilities fund	5,607,082	6,227,101	-	-
Airport fund	430,473	427,323	-	-
Total business-type activities	<u>6,037,555</u>	<u>6,654,424</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 20,219,178</u>	<u>\$ 9,321,180</u>	<u>\$ -</u>	<u>\$ 1,813,591</u>
Component Unit:				
Taylor Economic Development	\$ 1,423,726	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 1,423,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

    Property taxes  
    Franchise taxes  
    Sales tax  
    Hotel occupancy tax

Investment earnings

Miscellaneous

Transfers

    Total general revenues and transfers

Change in net assets

Net assets-beginning

Net assets-ending

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Taylor Economic Development
\$ (1,895,500)	\$ -	\$ (1,895,500)	\$ -
(4,698,955)	-	(4,698,955)	-
(2,346,143)	-	(2,346,143)	-
(760,678)	-	(760,678)	-
<u>(9,701,276)</u>	<u>-</u>	<u>(9,701,276)</u>	<u>-</u>
-	620,019	620,019	-
-	(3,150)	(3,150)	-
-	616,869	616,869	-
-	-	-	-
<u>(9,701,276)</u>	<u>616,869</u>	<u>(9,084,407)</u>	<u>-</u>
-	-	-	(1,423,726)
-	-	-	<u>(1,423,726)</u>
5,811,529	-	5,811,529	-
751,877	-	751,877	-
2,239,952	-	2,239,952	739,232
93,357	-	93,357	-
114,902	16,284	131,186	13,540
435,759	56,113	491,872	105,027
830,000	(830,000)	-	-
<u>10,277,376</u>	<u>(757,603)</u>	<u>9,519,773</u>	<u>857,799</u>
576,100	(140,734)	435,366	(565,927)
48,126,550	12,343,500	60,470,050	2,140,297
<u>\$ 48,702,650</u>	<u>\$ 12,202,766</u>	<u>\$ 60,905,416</u>	<u>\$ 1,574,370</u>

**CITY OF TAYLOR, TEXAS  
GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2010**

<u>ASSETS</u>	<u>General Fund</u>	<u>General Capital Improvements</u>
Cash and cash equivalents	\$ 250,951	\$ -
Investments	2,545,195	2,283,121
Receivables (net of allowances for uncollectibles) -		
Property taxes	97,901	-
Accounts and other	184,701	109,793
Sales tax	520,343	-
Interfund receivables	850,988	19,721
Total assets	\$ 4,450,079	\$ 2,412,635
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 345,697	\$ 63,992
Accrued payroll	244,083	-
Interfund payables	31,444	-
Due to Taylor EDC	130,086	-
Deferred revenue	131,645	-
Total liabilities	882,955	63,992
Fund balances:		
Reserved for debt service	-	-
Reserved for construction	-	2,348,643
Reserved for cemetery	-	-
Unreserved, reported in-		
General fund	3,567,124	-
Special revenue funds	-	-
Total fund balances	3,567,124	2,348,643
Total liabilities and fund balances	\$ 4,450,079	\$ 2,412,635

The accompanying notes are an integral part of this statement.

I & S For CO Bonds	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 250,951
296,602	1,145,492	6,270,410
30,446	-	128,347
-	2,964	297,458
-	-	520,343
2,154	232,399	1,105,262
<u>\$ 329,202</u>	<u>\$ 1,380,855</u>	<u>\$ 8,572,771</u>
\$ 4,742	\$ 10,923	\$ 425,354
-	-	244,083
60,832	98,470	190,746
-	-	130,086
30,446	-	162,091
<u>96,020</u>	<u>109,393</u>	<u>1,152,360</u>
233,182	-	233,182
-	-	2,348,643
-	771,939	771,939
-	-	3,567,124
-	499,523	499,523
<u>233,182</u>	<u>1,271,462</u>	<u>7,420,411</u>
<u>\$ 329,202</u>	<u>\$ 1,380,855</u>	<u>\$ 8,572,771</u>

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**CITY OF TAYLOR, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2010**

Total Fund Balances - Governmental Funds \$ 7,420,411

The City uses internal service funds to charge the costs of certain activities, such as the equipment service fund, equipment replacement fund, and civil service sick leave to appropriate functions in other governmental funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect is to increase net assets. 400,315

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. At the beginning of the year, the cost of these assets was \$71,051,362 and the accumulated depreciation was \$10,750,386. In addition, long-term liabilities including bonds, leases and loans payable are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. At the beginning of the year, long-term debt was \$18,930,010 including compensated absences of \$453,535 and other post employment benefits of \$31,838. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets. 41,370,966

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2010 capital outlays and debt principal payments is to decrease net assets. These include:

Capital outlay	\$	2,854,075	
Principal payments on debt		891,896	
Bond issuance		(2,655,000)	
Net increase other post-employment benefits		(47,891)	
Net increase in compensated absences		(158,096)	
		<u>\$ 884,984</u>	884,984

The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (1,748,219)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, recognizing accrued interest, recognizing amortization expense on bond issuance costs. The net effect of these reclassifications and recognitions is to increase net assets. These include:

Accrued interest	\$	(100,639)	
Uncollected taxes		128,347	
Bond issuance costs		234,543	
Deferred amount on refunding		140,181	
Premium on bond		(28,239)	
		<u>\$ 374,193</u>	<u>374,193</u>

Net Assets of Governmental Activities \$ 48,702,650

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	General Fund	General Capital Improvements
Revenues:		
Property taxes	\$ 4,246,157	\$ -
Sales taxes	2,239,952	-
Franchise tax	751,877	-
Hotel occupancy tax	-	-
Penalties and interest on taxes	81,858	-
Licenses, permits and fees	113,208	-
Charges for services	1,629,651	-
Fines and forfeitures	287,821	-
Intergovernmental	95,247	857,649
Other revenues	194,311	132,532
Investment earnings	21,989	1,309
Total revenues	9,662,071	991,490
Expenditures:		
Current:		
General government	2,668,472	43,934
Public safety	4,330,047	-
Public works	3,681,843	-
Debt service:		
Principal retirement	50,762	-
Interest and fiscal charges	11,637	23,000
Capital outlay	-	1,857,267
Total expenditures	10,742,761	1,924,201
Excess (deficiency) of revenues over expenditures	(1,080,690)	(932,711)
Other financing sources (uses):		
Transfers in	860,000	105,766
Transfers out	(112,037)	-
General obligation bonds issued	-	2,655,000
Total other financing sources (uses)	747,963	2,760,766
Net change in fund balances	(332,727)	1,828,055
Fund balances, beginning of year, as restated	3,899,851	520,588
Fund balances, end of year	\$ 3,567,124	\$ 2,348,643

The accompanying notes are an integral part of this statement.

I & S for CO Bonds	Other Funds	Total Governmental Funds
\$ 1,599,682	\$ 61,606	\$ 5,907,445
-	-	2,239,952
-	-	751,877
-	93,357	93,357
-	-	81,858
-	-	113,208
-	32,398	1,662,049
-	-	287,821
-	38,211	991,107
12,533	12,524	351,900
33,582	58,022	114,902
<u>1,645,797</u>	<u>296,118</u>	<u>12,595,476</u>
-	134,454	2,846,860
-	-	4,330,047
-	-	3,681,843
816,112	25,022	891,896
699,129	-	733,766
-	-	1,857,267
<u>1,515,241</u>	<u>159,476</u>	<u>14,341,679</u>
<u>130,556</u>	<u>136,642</u>	<u>(1,746,203)</u>
-	-	965,766
-	(30,000)	(142,037)
-	-	2,655,000
-	(30,000)	3,478,729
130,556	106,642	1,732,526
102,626	1,164,820	5,687,885
<u>\$ 233,182</u>	<u>\$ 1,271,462</u>	<u>\$ 7,420,411</u>

**CITY OF TAYLOR, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds \$ 1,732,526

The City uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets. (175,513)

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2010 capital outlays and debt principal payments is to decrease net assets. These include:

Capital outlay	\$ 2,854,075	
Principal payments on debt	891,896	
Bond issuance	(2,655,000)	
Net increase other post-employment benefits	(47,891)	
Net increase in compensated absences	(158,096)	
	<u>\$ 884,984</u>	884,984

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. (1,748,219)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets. These include:

Change in uncollected taxes	\$ (95,916)	
Amortization of issuance costs	(18,215)	
Amortization of refunding costs	(14,018)	
Amortization of bond premium	2,824	
Change in accrued interest	(15,353)	
Bond premium	23,000	
	<u>\$ (117,678)</u>	<u>(117,678)</u>

Change in Net Assets of Governmental Activities \$ 576,100

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
<b>Revenues:</b>				
Property taxes	\$ 4,322,798	\$ 4,287,140	\$ 4,246,157	\$ (40,983)
Sales taxes	2,369,000	2,224,593	2,239,952	15,359
Franchise tax	812,610	752,471	751,877	(594)
Penalties and interest on taxes	60,000	75,000	81,858	6,858
Licenses, permits and fees	165,000	111,950	113,208	1,258
Charges for services	1,514,900	1,610,205	1,629,651	19,446
Fines and forfeitures	322,500	296,238	287,821	(8,417)
Intergovernmental	68,575	84,829	95,247	10,418
Other revenues	187,100	180,487	194,311	13,824
Investment earnings	101,885	30,079	21,989	(8,090)
Total revenues	<u>9,924,368</u>	<u>9,652,992</u>	<u>9,662,071</u>	<u>9,079</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,799,601	2,721,894	2,668,472	53,422
Public safety	4,400,191	4,342,629	4,330,047	12,582
Public works	3,830,012	3,693,582	3,681,843	11,739
<b>Debt service</b>				
Principal retirement	62,400	50,762	50,762	-
Interest and fiscal charges	-	11,637	11,637	-
<b>Capital outlay</b>				
Capital outlay	-	-	-	-
Total expenditures	<u>11,092,204</u>	<u>10,820,504</u>	<u>10,742,761</u>	<u>77,743</u>
Excess of revenues over expenditures	<u>(1,167,836)</u>	<u>(1,167,512)</u>	<u>(1,080,690)</u>	<u>86,822</u>
<b>Other financing sources (uses):</b>				
Transfers in	925,788	925,788	860,000	(65,788)
Transfers out	(150,000)	(152,037)	(112,037)	40,000
Total other financing sources (uses)	<u>775,788</u>	<u>773,751</u>	<u>747,963</u>	<u>(25,788)</u>
Net change in fund balance	<u>(392,048)</u>	<u>(393,761)</u>	<u>(332,727)</u>	<u>61,034</u>
Fund balance, beginning of year	<u>3,899,851</u>	<u>3,899,851</u>	<u>3,899,851</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,507,803</u>	<u>\$ 3,506,090</u>	<u>\$ 3,567,124</u>	<u>\$ 61,034</u>

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2010**

	Business-Type Activities Enterprise Funds		Total	Governmental Activities
	Public Utilities Fund	Airport Fund		Internal Service Funds
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 1,150	\$ -	\$ 1,150	\$ -
Investments	8,609,727	-	8,609,727	-
Restricted investments:				
Customer deposits	280,447	-	280,447	-
Customer receivables (net of allowance for uncollectibles) -	970,094	7,760	977,854	-
Interfund receivables	541,862	49,705	591,567	173,980
Inventories	251,368	-	251,368	-
Total current assets	<u>10,654,648</u>	<u>57,465</u>	<u>10,712,113</u>	<u>173,980</u>
Noncurrent assets:				
Bond issue costs	369,493	-	369,493	-
Capital Assets:				
Land and construction in progress	12,142,191	859,833	13,002,024	-
Capital assets being depreciated	21,329,955	2,503,023	23,832,978	389,373
Total noncurrent assets	<u>33,841,639</u>	<u>3,362,856</u>	<u>37,204,495</u>	<u>389,373</u>
Total assets	<u>\$ 44,496,287</u>	<u>\$ 3,420,321</u>	<u>\$ 47,916,608</u>	<u>\$ 563,353</u>

The accompanying notes are an integral part of this statement.

	Business-Type Activities Enterprise Funds			Governmental Activities
	Public	Airport	Total	Internal
	Utilities Fund	Fund		Service Funds
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 1,055,231	\$ 128	\$ 1,055,359	\$ 1,538
Accrued payroll	2,360	43	2,403	265
Accrued interest	174,832	1,862	176,694	-
Interfund payables	1,502,847	165,434	1,668,281	11,782
Customer deposits	280,447	-	280,447	-
Capital lease payable- current	-	-	-	12,643
Bonds payable- current	1,061,438	22,995	1,084,433	-
Total current liabilities	<u>4,077,155</u>	<u>190,462</u>	<u>4,267,617</u>	<u>26,228</u>
Noncurrent liabilities:				
Accrued compensated absences payable	17,192	-	17,192	2,066
Capital lease payable	-	-	-	42,727
Premium on bonds payable	26,066	-	26,066	-
Bonds payable	31,201,524	293,460	31,494,984	-
Total noncurrent liabilities	<u>31,244,782</u>	<u>293,460</u>	<u>31,538,242</u>	<u>44,793</u>
Total liabilities	<u>35,321,937</u>	<u>483,922</u>	<u>35,805,859</u>	<u>71,021</u>
Net assets:				
Invested in capital assets, net of related debt	9,373,356	3,046,401	12,419,757	334,003
Unrestricted	<u>(199,006)</u>	<u>(110,002)</u>	<u>(309,008)</u>	<u>158,329</u>
Total net assets	<u>\$ 9,174,350</u>	<u>\$ 2,936,399</u>	12,110,749	<u>\$ 492,332</u>

Reconciliation to government-wide statement of net assets:

Adjustment to reflect the cumulative net profit of the internal service fund that was allocated to enterprise fund functions.	92,017
Net assets of business-type activities	<u>\$ 12,202,766</u>

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**CITY OF TAYLOR, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Business-Type Activities Enterprise Funds		Total	Governmental Activities
	Public	Airport		Internal
	Utilities Fund	Fund		Service Funds
Operating revenues :				
Charges for service	\$ -	\$ -	\$ -	\$ 603,678
Charges for water services	3,991,052	-	3,991,052	-
Charges for sewer service	2,293,538	-	2,293,538	-
Charges for airport services	-	427,323	427,323	-
Rents and royalties	38,700	-	38,700	-
Other revenue	16,852	561	17,413	2,006
Total operating revenues	<u>6,340,142</u>	<u>427,884</u>	<u>6,768,026</u>	<u>605,684</u>
Operating expenses :				
Personnel services	1,159,345	27,866	1,187,211	130,905
Contractual services	648,823	286,732	935,555	536,912
Supplies	1,781,674	1,731	1,783,405	700
Purchased professional and technical services	36	-	36	-
Depreciation	864,049	91,886	955,935	171,288
Total operating expenses	<u>4,453,927</u>	<u>408,215</u>	<u>4,862,142</u>	<u>839,805</u>
Operating income (loss)	<u>1,886,215</u>	<u>19,669</u>	<u>1,905,884</u>	<u>(234,121)</u>
Non-operating revenues (expenses) :				
Investment earnings	16,284	-	16,284	-
Interest expense	(1,153,155)	(22,258)	(1,175,413)	(5,152)
Total Non-operating revenues (expenses)	<u>(1,136,871)</u>	<u>(22,258)</u>	<u>(1,159,129)</u>	<u>(5,152)</u>
Income (loss) before transfers	749,344	(2,589)	746,755	(239,273)
Transfers in	-	-	-	6,271
Transfers out	(800,000)	(30,000)	(830,000)	-
Change in net assets	(50,656)	(32,589)	(83,245)	(233,002)
Total Net Assets - beginning of year	9,225,006	2,968,988	12,193,994	725,334
Total Net Assets - end of year	<u>\$ 9,174,350</u>	<u>\$ 2,936,399</u>	<u>12,110,749</u>	<u>\$ 492,332</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(57,489)</u>	
Change in net assets of business-type activities			<u>\$ (140,734)</u>	

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Business Type Activities			Governmental
	Enterprise Funds		Total	Activities
	Public Utilities Fund	Airport Fund		Internal Service Funds
Cash flows from operating activities:				
Cash received from user charges	\$ 6,130,748	\$ 426,945	\$ 6,557,693	\$ -
Cash received from other funds for services provided	-	-	-	603,678
Cash received from others	55,552	561	56,113	2,006
Cash payments to suppliers	(1,741,601)	(288,375)	(2,029,976)	(543,391)
Cash payments to employees	(1,165,802)	(27,967)	(1,193,769)	(131,624)
Net cash provided (used) by operating activities	<u>3,278,897</u>	<u>111,164</u>	<u>3,390,061</u>	<u>(69,331)</u>
Cash flows from noncapital financing activities:				
Increase (decrease) in amounts due from other funds	296,465	(38,890)	257,575	145,401
Transfers from other funds	(800,000)	(30,000)	(830,000)	6,271
Net cash provided (used) by noncapital financing activities	<u>(503,535)</u>	<u>(68,890)</u>	<u>(572,425)</u>	<u>151,672</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets, net of disposals	(7,227,375)	900	(7,226,475)	(67,622)
Issuance of debt	6,125,000	-	6,125,000	67,622
Bond premium	-	-	-	-
Bond issuance costs	(57,000)	-	(57,000)	-
Principal paid on debt	(668,083)	(20,805)	(688,888)	(77,189)
Interest and fiscal charges paid	(1,153,155)	(22,369)	(1,175,524)	(5,152)
Net cash provided (used) by capital and related financing activities	<u>(2,980,613)</u>	<u>(42,274)</u>	<u>(3,022,887)</u>	<u>(82,341)</u>
Cash flows from investing activities:				
Net proceeds of investments	188,967	-	188,967	-
Investment and other income	16,284	-	16,284	-
Net cash provided by investing activities	<u>205,251</u>	<u>-</u>	<u>205,251</u>	<u>-</u>
Net increase in cash and cash equivalents	-	-	-	-
Cash and cash equivalents at beginning of year	<u>1,050</u>	<u>-</u>	<u>1,050</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 1,050</u>	<u>\$ -</u>	<u>\$ 1,050</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

(Continued)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Public Utilities	Airport	Total	Internal
	Fund	Fund		Service Funds
<u>Reconciliation of operating income to net cash provided (used) by operating activities</u>				
Operating income (loss)	\$ 1,886,215	\$ 19,669	\$ 1,905,884	\$ (233,002)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	863,904	91,886	955,790	171,288
(Increase) decrease in receivables	(153,842)	(378)	(154,220)	-
Decrease in inventories	55,265	-	55,265	-
Increase (decrease) in accounts payable	633,812	88	633,900	(5,779)
Increase (decrease) in accrued payroll and compensated absences	(6,457)	(101)	(6,558)	(1,838)
Total adjustments	<u>1,392,682</u>	<u>91,495</u>	<u>1,484,177</u>	<u>163,671</u>
Net cash provided (used) by operating activities	<u>\$ 3,278,897</u>	<u>\$ 111,164</u>	<u>\$ 3,390,061</u>	<u>\$ (69,331)</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Taylor, Texas is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment) in 1914. The City operates under a Council-Manager form of government.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**A. REPORTING ENTITY**

With a few exceptions, all powers of the City are vested in an elective Council, which enacts local legislation, adopts budgets, determines policies, and appoints the City Attorney and the Municipal Court Judge. The Council also appoints the City Manager, who executes the laws and administers the government of the City.

The City provides various services and performs many different functions. These include a police force, a fire fighting and protection force, street maintenance, refuse collection, parks and recreation system, a municipal court, community development, public improvements, water and sewer services, and general administrative services. The City's staff provides the necessary support for the services provided. All are responsible to the Citizens of Taylor and are therefore included within the reporting entity.

For financial reporting purposes, in conformance with generally accepted accounting principles, the City's financial statements include all funds, agencies, boards, commissions and other organizations over which the Council is financially accountable. In addition, component units which may be included are organizations for which the nature and the significance of their operational or financial relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the foregoing criteria, the following entities have been included in this report:

Taylor Economic Development Corporation (TEDC)

Although the TEDC is legally separate from the City, the TEDC is reported as if it were part of the primary government because the City provides the majority of its funding, appoints members of the Board and provides services almost exclusively for the benefit of the primary government. The TEDC is authorized to act on behalf of the City in order to encourage the promotion and development of commercial, industrial and manufacturing enterprises within the area. The TEDC is discretely presented; it is reported in a separate column to emphasize that it is legally separate from the primary government. Separately issued audited financial statements are available from TEDC, 316 North Main, Taylor, TX 76574.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. BASIS OF PRESENTATION-GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. GASB Statement No. 34 requires certain supplementary information. Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and amended budgets of the General Fund.

**Government-wide Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the primary government and its component unit. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The City's statement of net assets includes both non-current assets and non-current liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (police, fire, public works, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or franchise taxes, intergovernmental revenues, interest income, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories and the component unit. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. BASIS OF PRESENTATION –GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**Fund Financial Statements:**

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. An emphasis is placed on major funds within the governmental and proprietary categories. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The major governmental funds are the general fund, the I & S for CO Bonds, and the general capital improvements fund. The major enterprise funds are the Public Utilities fund and the Airport fund. The nonmajor funds are combined in a separate column in the fund financial statements.

Since Internal Service Funds support the operations of both governmental and business-type funds, they are consolidated with the governmental funds and the business-type funds in the government-wide financial statements. The expenditures that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the City as a whole.

**C. GOVERNMENTAL FUND TYPES**

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those, if any, which should be accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination. The City maintains the following major governmental fund types:

**General Fund** - The **General Fund** is the general operating fund of the City. It is used to account for financial resources except those required to be accounted for in other funds. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for public safety, streets, parks and recreation, and general governmental services.

**General Capital Improvements** – The general capital improvements fund is used to account for the following major construction and acquisition projects: Downtown Streetscape, Streets around the new Fire Station, West Lake Drive bridge, Safe Routes for Schools, Murphy Park, Robinson Park, Taylor Regional Park and Sports Complex, Dickey Street Phase III, and Cemetery improvements.

**I & S For CO Bonds** - The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. GOVERNMENTAL FUND TYPES (CONTINUED)**

Additionally, the City reports the following fund types:

**Governmental Funds:**

**Special Revenue Funds** – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

**Permanent Funds** – The City accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the City's programs. The City's only Permanent Fund is the Cemetery Permanent Fund.

**The Proprietary Funds** are used to account for the City's ongoing organizations and activities that are similar to those found in the private sector. The measurement focus is upon capital maintenance and upon determination of net income, financial position and cash flows. The City maintains the following Proprietary Fund types:

**Enterprise Funds** – The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in enterprise funds.

The City reports the following major enterprise funds:

**Public Utilities Fund** – Water and wastewater services provided by the City are accounted for in the Public Utilities Fund. Activities of the fund include administration, operation and maintenance of the water and wastewater system, and billing and collection activities.

**Airport Fund** – The City reports the operation of the municipal airport.

**Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the City on a cost reimbursement basis are accounted for in an internal service fund. The City's Internal Service Funds are: the Equipment Services Fund, Equipment Replacement Fund and the Civil Service Sick Leave Fund.

**D. NON-CURRENT GOVERNMENTAL ASSETS AND LIABILITIES**

GASB Statement No. 34 eliminated the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide statement of net assets.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. BASIS OF ACCOUNTING**

**Government-wide Statements**

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

**Fund Financial Statements**

In the fund financial statements, all governmental funds are accounted for using a modified accrual basis of accounting. Governmental funds use the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Governmental Funds**

***Revenue Recognition***

In applying the susceptible to accrual concept under the modified accrual basis of accounting, revenues are recorded when deemed both measurable and available. Measurable means that the amount of the transaction can be determined. Available means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred revenue.

Sales and hotel taxes, franchise fees, and special assessments are recorded when susceptible to accrual, both measurable and available. Licenses and permits, charges for services, fines and forfeitures and other revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Earnings on investments are recorded on the accrual basis in all funds.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual grant programs are used for guidance. Monies received are generally unrestricted as to purpose of expenditure and are revocable only for failure to comply with prescribed compliance requirements. These resources are recognized as revenues at the time of receipt, or sooner, if the susceptible to accrual criteria are met.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. BASIS OF ACCOUNTING (CONTINUED)**

**Governmental Funds (Continued)**

***Revenue Recognition (Continued)***

The City reports deferred revenue on its fund financial statements. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

***Expenditure Recognition***

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred except for unmatured principal and interest on governmental long-term debt which are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds' fund financial statements.

**Proprietary Funds**

In the fund financial statements and the government-wide statements, proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Public Utilities Fund, the Airport Fund and the Internal Service Funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and service, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary funds follow GAAP prescribed by GASB and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its proprietary funds as prescribed by the GASB.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. CASH AND INVESTMENTS**

Cash equivalents are demand deposit account balances, investments with the State Investment Pool, repurchase agreements, obligations of the United States government and its agencies, commercial paper and certificates of deposit with maturity date within three months of the date acquired by the City.

Investments are stated at fair market value based on quoted market values.

**G. INVENTORIES AND PREPAID ITEMS**

Inventories for all funds are valued at the lower of cost or market. The consumption method is used to account for inventories. Under the consumption method, an expenditure is recognized when inventory items are used. Cost is determined for inventories of supplies on the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (other current assets) in both the government-wide and fund financial statements.

**H. CAPITAL ASSETS**

Capital assets are stated at historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Maintenance and repairs are charged to operations as incurred. Improvements and betterments, which extend the useful lives of assets, are capitalized.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by the fund's measurement focus. The minimum capitalization threshold is any individual item with a total cost greater than \$ 5,000 and a useful life of at least 1 year. Contributed assets are recorded at the estimated fair market value at the time received.

Public domain capital assets (infrastructure) have been capitalized. Infrastructure consists of certain improvements other than buildings, including roads, curbing, gutters, streets and sidewalks and drainage systems.

In the government-wide statements, depreciation of plant and equipment classified by functional components is provided by the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

<i>Buildings and improvements</i>	<i>20 - 40 years</i>
<i>Streets and bridges</i>	<i>33 - 40 years</i>
<i>Parks and dams</i>	<i>33 - 40 years</i>
<i>Sidewalks, curbs and gutters</i>	<i>40 years</i>
<i>Operating equipment</i>	<i>5 - 10 years</i>
<i>Plant distribution and collection</i>	<i>20 - 40 years</i>
<i>Runway</i>	<i>40 years</i>

When capital assets are retired or otherwise disposed of, a gain or loss on disposal of assets is recognized.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. LONG-TERM DEBT**

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

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

**J. OTHER POST-EMPLOYMENT BENEFITS**

In the government-wide and proprietary fund financial statements, other post-employment benefit (OPEB) liabilities are reported as liabilities for the amount that the annual required contribution exceeds the amount funded by the City on a cumulative basis. The City began reporting this liability for fiscal year 2009 on a prospective basis.

**K. COMPENSATED ABSENCES**

Accruals for vacation and sick pay are reflected in the government-wide and proprietary fund statements for unpaid amounts of vacation and sick pay earned by employees. In the event of termination, resignation or retirement, all full time employees, other than policeman and firemen, will be reimbursed for accrued vacation time up to 120 hours. Policeman and firemen, upon termination, resignation or retirement, will be reimbursed for accrued sick and vacation time according to civil service regulations.

The governmental funds report a liability for these amounts only if they have matured, for example, as a result of employee resignations and retirements.

Actual vacation and sick benefits paid during the current year that were not accrued in the prior year, are recorded as expenditures in the General Fund. For enterprise funds, vacation and sick pay are recorded as an expense when earned.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. TRANSACTIONS BETWEEN FUNDS**

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All ending balances in the current year represent short-term financing of related activity that the City intends to settle within one year. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring or non-routine transfers of equity between funds – for example, contribution of capital assets to a proprietary fund or transfers of residual balances of discontinued funds to other funds - are accounted for as transfers.

**M. RESTRICTED ASSETS**

Certain bond proceeds, as well as resources set aside for their repayment, are classified as restricted assets because their use is limited by bond covenants. Other assets are restricted due to City Ordinance restrictions on their use.

Net assets have been restricted for the excess of restricted assets over related liabilities to the extent such restricted assets were accumulated from revenues (i.e., in some cases, restricted assets were obtained in total or in part from the proceeds of bond sales or grants).

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 they are needed.

**N. NET ASSETS/FUND EQUITY**

Net Assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reserved fund balances represent a portion of fund equity that is legally segregated for a specific future use or is not appropriate for expenditures.

**O. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Specifically, the actuarial calculations used to determine the annual required contributions and related liabilities of the City's post-employment obligation are based on assumptions about the possibility of events far into the future. Accordingly, actual results could differ from those estimates.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. RECLASSIFICATIONS**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the appropriated budget as reflected in the accompanying financial statements:

- (1) At least sixty days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted at which all interested persons' comments concerning the budget may be heard.
- (3) The budget is legally enacted by the City Council through passage of an appropriation ordinance and tax-levying ordinance not later than the final day of the last month of the fiscal year.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Proprietary Funds. Management control for the operating budget is maintained at the individual office, department, or agency level.
- (5) Annual budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund and the Proprietary Funds. Capital Projects Funds have no binding annual budget. Project-length financial plans are adopted for all capital projects; accordingly, no comparison of budget to actual is presented in the financial statements.
- (6) Amendments that alter total expenditures of any fund must be approved by the City Council. Although costs are monitored on a departmental basis, the level of control at which expenditures may not exceed the budget is at the fund level. The reported budgetary data has been revised for amendments authorized.
- (7) Any appropriation balances in the General Fund and Special Revenue Funds lapse or revert to the undesignated fund balances at the close of each fiscal year.

The budgets of the various funds are prepared on a basis consistent with generally accepted accounting principles as described above.

**B. ENCUMBRANCES**

Encumbrances represent commitments related to unperformed (executory) contracts for goods or services. For budgetary purposes, encumbrances lapse at fiscal year-end.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**C. DEFICIT NET ASSETS/FUND BALANCE**

The Public Utilities Fund and the Airport Fund had an unrestricted net assets deficit at September 30, 2010 of \$ 199,006 and \$ 110,002, respectively.

**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (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 Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Additional Contractual Provisions governing deposits and investments are as follows:

The funds of the City must be deposited and invested under the terms of a contract, the contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank 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.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits**

As of September 30, 2010, the City's deposit balances were as follows:

	Primary Government	Component Unit	Total Reporting Entity
1. Insured (FDIC) collateralized with securities held by entity's agent in the entity's name	\$ 250,000	\$ 250,000	\$ 500,000
2. Uninsured, collateralized with securities held by pledging financial institution's agent in the entity's name	307	562,967	563,274
3. Uninsured and uncollateralized	-	14,605	14,605
Total Deposits	<u>\$ 250,307</u>	<u>\$ 827,572</u>	<u>\$ 1,077,879</u>
Carrying Amount	<u>\$ 249,601</u>	<u>\$ 737,112</u>	<u>\$ 986,713</u>

**Policies Covering Deposits and Investments**

1. Foreign Currency Risk – The City's deposits and investment are not exposed to foreign currency risk.
2. Custodial Credit Risk – The City's policy is to be collateralized. The City was fully collateralized during the year for deposits. The City's policy requires investments, other than investment pools and money market mutual funds, to be held by a third party custodian bank. All of the City's investments, other than investments pools, were held by the City's third party custodian bank in the City's name.
3. Interest Rate Risk – In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than nine months.
4. Other Credit Risk Exposure – The City's direct investments in debt securities consists of debt securities of the U. S. government and obligations of the U. S. government agencies that are implicitly guaranteed by the U. S. government. The City also invests in external investment pools that invest in debt securities.

**CITY OF TAYLOR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits (Continued)**

Policies Covering Deposits and Investments (continued)

1. Credit Risk – In compliance with the City’s Investment Policy, as of September 30, 2010 the City minimized credit risk losses due to default of security;
  - a. limiting investments to the safest rated securities. All the City’s purchased investments in U. S. Agencies were rated AAA, AAAm, and Aaa by Standard & Poors, Fitch and Moody’s respectively;
  - b. using a registered investment advisor investment and market advice; and
  - c. diversifying the investment portfolio so that potential losses on individual securities were minimized.

**Investments**

As of September 30, 2010, the City had the following investments:

	Carrying Amount	Fair Value
<b><u>Primary Government</u></b>		
U. S. Government Bonds	\$ 1,488,187	\$ 1,488,187
Investment Pools:		
MBIA	30,357	30,357
TexPool	5,732,355	5,732,355
TexSTAR	7,909,685	7,909,685
Total investment in pools:	\$ 13,672,397	\$ 13,672,397
Total investments	\$ 15,160,584	\$ 15,160,584

TexPool has been established for governmental entities in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. Finally, TexPool is rated AAAM by Standard & Poor’s. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as the office of the Comptroller of Public Accounts for review. The City’s fair value position is stated at the value of the position upon withdrawal.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAAM by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal.

MBIA is a participant of the Texas CLASS program. Texas CLASS has been established for governmental entities pursuant to the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf of the Trust in order to effectuate the terms of the Trust Agreement. It also selects consultants for Texas CLASS, including the Program Administrator and the Custodian. MBIA's Texas CLASS is rated AAA by Fitch.

Concentration Risk – The City invests only in pools and U. S. Government Securities. State law authorizes the City to invest in obligations of the United States government and its agencies, commercial paper and certificates of deposit of any state or federally chartered bank. All investments made in 2010 were of the aforementioned categories. There are no positions of 5 percent or more in the securities of a single issuer.

**B. PROPERTY TAXES**

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Williamson County Appraisal District established appraisal values in accordance with requirements of the Texas Legislature.

The City Council levies taxes based upon the appraised values. The tax assessment of October 1, 2009 set a tax levy at \$ .79 per \$ 100 assessed valuation at 100 percent of assumed market value. Williamson County bills and collects the City's property taxes.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. CAPITAL ASSETS**

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

	October 1, 2009	Additions/ Completions	Retirements/ Adjustments	September 30, 2010
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,295,641	\$ 124,577	\$ -	\$ 2,420,218
Construction in progress	8,282,088	2,028,592	(940,315)	9,370,365
<b>Total capital assets not being depreciated</b>	<b>10,577,729</b>	<b>2,153,169</b>	<b>(940,315)</b>	<b>11,790,583</b>
Capital assets being depreciated:				
Streets and bridges	43,716,035	822,484	-	44,538,519
Parks and Dams	4,241,337	-	-	4,241,337
Sidewalks, Curbs and Gutters	1,069,350	-	-	1,069,350
Buildings and improvements	8,589,459	475,355	-	9,064,814
Operating Equipment	3,197,834	3,000	-	3,200,834
Equipment in Internal Service Funds	1,261,860	67,622	-	1,329,482
<b>Total capital assets being depreciated</b>	<b>62,075,875</b>	<b>1,368,461</b>	<b>-</b>	<b>63,444,336</b>
Less accumulated depreciation for:				
Streets and bridges	6,284,524	1,121,718	-	7,406,242
Parks and Dams	471,541	120,477	-	592,018
Sidewalks, Curbs and Gutters	187,104	26,734	-	213,838
Buildings and improvements	1,336,562	233,970	-	1,570,532
Operating Equipment	2,470,655	245,320	-	2,715,975
Equipment in Internal Service Funds	768,821	171,288	-	940,109
<b>Total accumulated depreciation</b>	<b>11,519,207</b>	<b>1,919,507</b>	<b>-</b>	<b>13,438,714</b>
<b>Total capital assets being depreciated, net</b>	<b>50,556,668</b>	<b>(551,046)</b>	<b>-</b>	<b>50,005,622</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 61,134,397</b>	<b>\$ 1,602,123</b>	<b>\$ (940,315)</b>	<b>\$ 61,796,205</b>

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. CAPITAL ASSETS (CONTINUED)**

	October 1, 2009	Additions/ Completions	Retirements/ Adjustments	September 30, 2010
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,317,035	\$ -	\$ -	\$ 1,317,035
Construction in progress	4,586,015	7,098,974	-	11,684,989
Total capital assets not being depreciated	<u>5,903,050</u>	<u>7,098,974</u>	<u>-</u>	<u>13,002,024</u>
Capital assets being depreciated:				
Plant distribution and collection	31,238,206	166,633	-	31,404,839
Buildings	3,338,411	-	-	3,338,411
Runway	2,003,709	-	-	2,003,709
Equipment	1,075,893	-	(42,588)	1,033,305
Total capital assets being depreciated	<u>37,656,219</u>	<u>166,633</u>	<u>(42,588)</u>	<u>37,780,264</u>
Less accumulated depreciation for:				
Plant distribution and collection	10,240,774	784,267	-	11,025,041
Buildings	1,523,389	94,925	-	1,618,314
Runway	320,801	50,093	-	370,894
Equipment	948,075	26,650	(41,688)	933,037
Total accumulated depreciation	<u>13,033,039</u>	<u>955,935</u>	<u>(41,688)</u>	<u>13,947,286</u>
Total capital assets being depreciated, net	<u>24,623,180</u>	<u>(789,302)</u>	<u>(900)</u>	<u>23,832,978</u>
Business-type activities capital assets, net	<u>\$ 30,526,230</u>	<u>\$ 6,309,672</u>	<u>\$ (900)</u>	<u>\$ 36,835,002</u>

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 629,359
Public safety	646,841
Public works	472,019
Internal service funds	171,288
Total depreciation expense-governmental activities	<u>\$ 1,919,507</u>

Business-type activities:

Public Utilities Fund	\$ 864,049
Airport Fund	91,886
Total depreciation expense-business-type activities	<u>\$ 955,935</u>

Changes in capital assets for the Taylor Economic Development Corporation for the year ended September 30, 2010 are as follows:

	October 1, 2009	Additions	Deletions	September 30, 2010
Office Equipment	\$ 38,564	\$ -	\$ (4,291)	\$ 34,273
Less accumulated depreciation	(28,159)	(6,401)	4,291	(30,269)
	<u>\$ 10,405</u>	<u>\$ (6,401)</u>	<u>\$ -</u>	<u>\$ 4,004</u>

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. INTERFUND ACTIVITIES**

Interfund receivables and payables related to negative cash positions in pooled cash equity. All balances are expected to be resolved in the current year.

Receivables:

Major Funds:

General Fund	\$ 850,988
General Capital Improvements	19,721
I&S For CO Bonds	2,154
Public Utilities Fund	541,862
Airport Fund	49,705

Nonmajor funds:

Hotel/Motel Fund	83,935
Texas Capital Fund	6,337
Main Street Revenue Fund	28,243
Cemetery Land Purchases	43,807
Municipal Court Special Fee	70,077
Nonmajor Funds	<u>232,399</u>

Nonmajor Internal Service Funds:

Equipment Services Fund	8,213
Equipment Replacement Fund	102,497
Civil Service Sick Leave Fund	63,270
Nonmajor Internal Service Funds:	<u>173,980</u>

Total Due From Other Funds

\$ 1,870,809

Payables:

Major Funds:

General Fund	\$ 31,444
I&S For CO Bonds	60,832
Public Utilities Fund	1,502,847
Airport Fund	165,434

Non Major Funds:

TIF Fund	7,500
Cemetery Permanent Fund	90,970
Nonmajor Funds	<u>98,470</u>

Nonmajor Internal Service Funds:

Equipment Services Fund	2,209
Equipment Replacement Fund	9,573
Nonmajor Internal Service Funds:	<u>11,782</u>

Total Due to Other Funds

\$ 1,870,809

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. INTERFUND ACTIVITIES (CONTINUED)**

	Transfers In	Transfers Out
General Fund -		
Civil Service Sick Leave Fund	\$ -	\$ 6,271
Cemetery Permanent Fund	30,000	-
Major General Capital Improvements	-	105,766
Major Airport Fund	30,000	-
Major Public Utilities Fund	800,000	-
	860,000	112,037
Cemetery Permanent Fund-		
General Fund	-	30,000
Major General Capital Improvements		
General Fund	105,766	-
Nonmajor Internal Service Funds		
Civil Service Sick Leave Fund	6,271	
Major Airport Fund		
General Fund	-	30,000
Major Public Utilities Fund		
General Fund	-	800,000
	\$ 972,037	\$ 972,037

Transfers between funds were primarily to support capital projects and operation of funds.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2010, for the City's individual major governmental funds and proprietary funds, net of allowances for uncollectible accounts, consist of the following:

	Property (Net of Allowance)	Accounts and Other	Sales Tax	Total Receivables
General Fund	\$ 97,901	\$ 184,701	\$ 520,343	\$ 802,945
General Capital Improvements	-	109,793	-	109,793
Hotel Motel	-	2,964	-	2,964
I & S for CO Bonds	30,446	-	-	30,446
Public Utilities Fund	-	970,094	-	970,094
Airport Fund	-	7,760	-	7,760
<b>Total</b>	<b>\$ 128,347</b>	<b>\$ 1,275,312</b>	<b>\$ 520,343</b>	<b>\$ 1,924,002</b>

The Public Utilities and the Airport Fund accounts receivable include unbilled charges for services rendered at September 30, 2010. Payables at September 30, 2010, for the City's individual major governmental funds, in the aggregate non-major governmental funds, and proprietary funds consist of the following:

	Accounts Payable	Accrued Payroll	Deposits	Accrued Interest	Total Payables
General Fund	\$ 345,565	\$ 244,083	\$ -	\$ -	\$ 589,648
General Capital Improvements	63,992	-	-	-	63,992
I & S for CO Bonds	4,742	-	-	-	4,742
Nonmajor Governmental Funds	10,923	-	-	-	10,923
Internal Service Fund	1,538	265	-	-	1,803
Public Utilities Fund	1,055,231	2,360	280,447	174,832	1,512,870
Airport Fund	128	43	-	1,862	2,033
<b>Total</b>	<b>\$ 1,482,119</b>	<b>\$ 246,751</b>	<b>\$ 280,447</b>	<b>\$ 176,694</b>	<b>\$ 2,186,011</b>

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT**

The following is a summary of long-term debt transactions, including current portion of the City for the year ended September 30, 2010:

	Balance October 1, 2009	Additions	Retirements	Balance September 30, 2010	Due within one year
<u>Governmental Activities</u>					
General obligation bonds	\$ 10,582,740	\$ -	\$ (704,195)	\$ 9,878,545	\$ 732,005
Certificates of Obligation	7,333,955	2,655,000	(111,917)	9,877,038	108,562
Motorola Capital lease	332,499	-	(50,762)	281,737	52,539
Texas Department of Commerce Obligation	195,443	-	(25,022)	170,421	25,022
LaSalle Bank Capital lease	64,937	-	(64,937)	-	-
John Deere lease	-	67,622	(12,252)	55,370	12,643
Other post employment benefits	31,838	61,152	(13,261)	79,729	-
Compensated absences	453,535	386,852	(228,756)	611,631	86,247
Compensated absences -internal service fund	2,340	3,464	(3,738)	2,066	2,066
Total governmental activities	<u>18,997,287</u>	<u>3,174,090</u>	<u>(1,214,840)</u>	<u>20,956,537</u>	<u>1,019,084</u>
<u>Business-Type Activities</u>					
Combination Tax and Revenue Bonds	22,711,045	6,125,000	(453,083)	28,382,962	546,438
General obligation bonds	4,432,260	-	(235,805)	4,196,455	537,995
Compensated absences	16,907	31,388	(31,103)	17,192	-
Total business-type activities	<u>27,160,212</u>	<u>6,156,388</u>	<u>(719,991)</u>	<u>32,596,609</u>	<u>1,084,433</u>
Total primary government	<u>\$ 46,157,499</u>	<u>\$ 9,330,478</u>	<u>\$ (1,934,831)</u>	<u>\$ 53,553,146</u>	<u>\$ 2,103,517</u>
<u>Component Unit</u>					
JP Morgan Chase Note	\$ 202,707	\$ -	\$ (202,707)	\$ -	\$ -
Compensated absences	8,986	3,097	-	12,083	2,979
	<u>\$ 211,693</u>	<u>\$ 3,097</u>	<u>\$ (202,707)</u>	<u>\$ 12,083</u>	<u>\$ 2,979</u>

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT (CONTINUED)**

Long-term debt at September 30, 2010 is comprised of the following:

	<u>Governmental Type Activities</u>	<u>Business - Type Activities</u>
General Obligation bonds:		
\$ 1,604,955 General Obligation Refunding and Improvement Bonds, Series 2002, due in annual installments through 2022, interest at 4.25% to 5%	\$ 1,128,545	\$ -
\$ 5,100,000 General Obligation Bonds, Series 2005, due in installments through 2025, interest at 3% to 4.3%	4,680,000	
\$ 8,995,000 General Obligation Refunding Bonds, Series 2009, due in installments through 2029, interest at 2% to 4%	4,070,000	3,880,000
\$ 450,545 General Obligation Refunding and Improvement Bonds, Series 2002, due in annual installments through 2022, interest at 4.25% to 5.00%	-	316,455
Total General Obligation bonds	<u>9,878,545</u>	<u>4,196,455</u>
Combination Tax and Revenue/Certificates of Obligation:		
\$ 4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through 2023, interest at 2.5% to 4.65%	1,162,038	-
\$ 2,950,000 Waterworks and Sewer System Revenue Bonds, Series 1997, due in annual installments through 2017, interest at 3.16% to 4.41%	-	2,650,000
\$ 4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through 2023, interest at 3% to 4.65%	-	2,142,962
\$ 4,200,000 Combination Tax and Revenue Certificates of Obligation, Series 2006, due in annual installments through 2026, interest at 4.45%	90,000	4,000,000
\$ 10,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2007, due in annual installments through 2027, interest at 3.83%	2,970,000	7,000,000
\$ 9,615,000 Combination Tax and Revenue Certificates of Obligation, Series 2008, due in annual installments through 2028, interest at 4.85% to 7%	3,000,000	6,465,000
\$ 8,780,000 Combination Tax and Revenue Certificates of Obligation, Series 2010, due in annual installments through 2034, interest at 4.25% to 5%	2,655,000	6,125,000
Total Combination Tax and Revenue/Certificates of Obligation	<u>\$ 9,877,038</u>	<u>\$ 28,382,962</u>

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT (CONTINUED)**

	<u>Governmental Type Activities</u>	<u>Business - Type Activities</u>
Texas Department of Commerce:		
\$ 499,931 Obligation to the Texas Department of Commerce Texas Capital Fund, due in monthly installments of \$ 2,085 through January 2017	\$ 170,421	\$ -
Capital Leases Payable:		
\$ 381,545 Capital Lease Payable to Motorola, due in annual installments of \$ 66,400 through 2015, interest at 3.5%	281,737	-
\$ 62,622 Capital Lease Payable to John Deere, due in monthly installments of \$ 1,298 through 2014, interest at 5.9%	<u>55,370</u>	<u>-</u>
Total Capital Leases Payable	<u>507,528</u>	<u>-</u>
Compensated absences	<u>613,697</u>	<u>17,192</u>
Other post employment benefits	<u>79,729</u>	<u>-</u>
Total Debt	<u>\$ 20,956,537</u>	<u>\$ 32,596,609</u>

The annual requirements to amortize bonded, certificates of obligation, loan and lease debt at September 30, 2010 including interest are as follows:

General Obligation Bonds

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 732,005	\$ 367,314	\$ 537,995	\$ 132,871	\$ 1,770,185
2012	752,005	346,929	542,995	127,687	1,769,616
2013	775,910	325,762	554,090	116,409	1,772,171
2014	798,720	301,539	566,280	105,009	1,771,548
2015	768,720	274,072	576,280	90,687	1,709,759
2016-2020	3,532,650	937,237	1,367,350	180,479	6,017,716
2021-2025	<u>2,518,535</u>	<u>287,557</u>	<u>51,465</u>	<u>3,887</u>	<u>2,861,444</u>
Total	<u>\$ 9,878,545</u>	<u>\$ 2,840,410</u>	<u>\$ 4,196,455</u>	<u>\$ 757,029</u>	<u>\$ 17,672,439</u>

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT (CONTINUED)**

Year Ending September 30	Governmental Activities		Business - type Activities		Total
	Principal	Interest	Principal	Interest	
2011	\$ 108,562	\$ 437,797	\$ 546,438	\$ 1,285,867	\$ 2,378,664
2012	132,078	413,696	622,922	1,213,553	2,382,249
2013	135,594	407,600	654,406	1,181,799	2,379,399
2014	144,110	401,786	690,890	1,149,048	2,385,834
2015	205,868	395,478	729,132	1,114,509	2,444,987
2016-2020	1,843,838	1,818,059	5,991,162	4,901,837	14,554,896
2021-2025	3,746,988	1,263,563	8,838,012	3,423,450	17,272,013
2026 - 2030	2,665,000	416,362	7,495,000	1,436,708	12,013,070
2031-2034	895,000	101,137	2,815,000	318,940	4,130,077
<b>Total</b>	<b>\$ 9,877,038</b>	<b>\$ 5,655,478</b>	<b>\$ 28,382,962</b>	<b>\$ 16,025,711</b>	<b>\$ 59,941,189</b>

Capital Leases Payable

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2011	\$ 65,182	\$ 12,790	\$ 77,972
2012	67,787	10,184	77,971
2013	70,504	7,467	77,971
2014	73,345	4,627	77,972
2015	60,289	2,110	62,399
<b>Total</b>	<b>\$ 337,107</b>	<b>\$ 37,178</b>	<b>\$ 374,285</b>

In fiscal year 2010, the City entered into a capital lease in which \$ 67,622 of equipment was purchased and placed into service during fiscal year 2010.

**CITY OF TAYLOR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT (CONTINUED)**

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2011	\$ 25,021	\$ -	\$ 25,021
2012	25,020	-	25,020
2013	25,020	-	25,020
2014	25,020	-	25,020
2015	25,020	-	25,020
2016-2017	45,320	-	45,320
Total	\$ 170,421	\$ -	\$ 170,421

The City is required, under the debt covenants, to charge rates sufficient to pay all operating, maintenance, depreciation, replacement and betterment expenses, and interest and principal maturities. The City must further segregate funds monthly for the pro rata part of the next maturing principal and interest payments (the debt service revenue reserve) and must maintain a separate revenue bond reserve. Management has indicated that the City is in compliance with all significant limitations and restrictions at September 30, 2010.

All bonded debt requires semiannual payments of interest. The various bond ordinances provide the City with rights of redemption at par, plus accrued interest at specified future dates.

The bond indentures required the establishment and maintenance of interest and sinking funds and reserve funds in varying amounts. In addition, there are restrictions concerning the maintenance of sufficient rates charged for services to users to generate enough funds for debt service requirements, the maintenance of accounting records and insurance, as well as reporting the results of the City's operations to specified major bond holders. The City is in compliance with all significant requirements and restrictions.

**CITY OF TAYLOR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT (CONTINUED)**

During fiscal year 2010, the City issued \$ 8,780,000 in Combination Tax and Revenue Certificate of Obligation Bonds; \$ 6,125,000 of which is Revenue Bonds issued in the Public Utilities Fund, constituting the revenue bond portion of the \$ 8,780,000. The other \$ 2,655,000 is tax supported debt in the governmental funds.

The bonds were issued for the construction and improvement of the City's parks and streets, including drainage, sidewalks, and rights-of-way, and expanding the City's water and wastewater system.

**G. PRIOR PERIOD ADJUSTMENT**

The City is restating fund balance as of October 1, 2009 due to amounts paid from the general fund for public utility fund activities in the prior period and combining funds for proper presentation. This change is in accordance with Accounting Principles Board Opinion No.21.

	General Capital Improvements
Fund Balance, October 1, 2009, as previously recorded	\$ 162,643
Expenditure paid from incorrect fund	340,382
Reclass of fund balance	17,563
Fund Balance, October 1, 2009, as restated	\$ 520,588

During fiscal year 2009, an amount was incorrectly expended from the General Capital Improvements Fund. The amounts were for Public Utilities capital projects. Therefore, no adjustment to the Public Utilities Fund was necessary.

**IV. OTHER INFORMATION**

**A. COMMITMENTS AND CONTINGENCIES**

**Deferred Compensation Plan**

The City has established a deferred compensation plan (the 457 plan) in accordance with Internal Revenue Code, Section 457. The 457 plan, available to all employees, permits them to defer a portion of their salaries until future years. The benefits of the plan are not available to employees until termination, retirement, or unforeseeable emergency. Benefits are available to employee's beneficiaries in case of death.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**A. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Deferred Compensation Plan (Continued)**

All amounts of compensation deferred under the 457 plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan) subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of the general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City that the City has no liability for investment losses under the 457 plan, but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the 457 plan assets to satisfy the claims of general creditors in the future.

**B. RISK MANAGEMENT**

The City has insurable risks in various areas, including property, casualty, automobile, airport, surety bonding, comprehensive liability and workmen's compensation. The City has obtained insurance against risks through commercial carriers for airport liability and surety bonding. There were no related settlements in excess of insurance coverage during the past three fiscal years. All other insurance against risk is through the Texas Municipal League (TML) Intergovernmental Risk Pool, as discussed below. Management believes the amount and types of coverage are adequate to protect the City from losses which could reasonably be expected to occur.

A public entity risk pool is a cooperative group of governmental entities joining together to finance an exposure, liability or risk. The City participates in the TML Intergovernmental Risk Pool for various risk area, wherein member cities pool risks and funds and share in the costs of losses. Claims against the City in each respective are expected to be paid by that public entity risk pool. However, in the event the public entity risk pool became insolvent, or otherwise is unable to pay claims, the City may have to pay the claims.

**C. EMPLOYEE RETIREMENT 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.

**CITY OF TAYLOR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**C. EMPLOYEE RETIREMENT PLAN (CONTINUED)**

**Plan Description (Continued)**

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the 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, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

	Plan Year 2009	Plan Year 2010
Employee deposit rate	7.00%	7.00%
Matching ratio	1.5 to 1	1.5 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**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 Update Service Credits and Annuity Increases.

**CITY OF TAYLOR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**C. EMPLOYEE RETIREMENT PLAN (CONTINUED)**

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 costs and net pension obligation/(asset) are as follows:

**Three-Year Trend Information**

	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2008	\$ 598,277	\$ 598,277	100%	-
9/30/2009	716,043	716,043	100%	-
9/30/2010	784,080	784,080	100%	-

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

**Schedule of Actuarial Valuations**

	12/31/2007	12/31/2008	12/31/2009
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
Remaining Amortization Period	30 years; closed period	29 years; closed period	28 years; closed period
Assets Valuation Method	Amortized cost	Amortized cost	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return	7.0%	7.5%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

**CITY OF TAYLOR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**C. EMPLOYEE RETIREMENT PLAN (CONTINUED)**

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

**Schedule of Funding Progress**

	<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2009</u>
Actuarial Value of Assets	\$ 7,120,843	7,633,245	\$ 8,973,722
Actuarial Accrued Liability (AAL)	\$ 12,742,809	13,489,051	\$ 14,819,689
Funded Ratio	55.88%	56.59%	60.55%
Unfunded AAL (UAAL)	\$ 5,621,966	5,855,806	\$ 5,845,967
Covered Payroll	\$ 5,590,867	5,964,804	\$ 5,937,198
UAAL as a Percentage of Covered Payroll	100.56%	98.17%	98.46%

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 relative to the actuarial accrued liability of benefits.

**D. SUPPLEMENTAL DEATH BENEFITS FUND**

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; additionally, retirees are responsible for 100% of premiums paid for the benefit.

City offers supplemental death to:	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>
Active employees	Yes	Yes
Retirees	Yes	Yes

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**D. SUPPLEMENTAL DEATH BENEFITS FUND (CONTINUED)**

**Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contribution to the TMRS SDBF for the years ended 2010, 2009 and 2008 were \$ 14,843, \$ 14,912, and \$ 13,997, respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates**  
**(RETIREE - only portion of the rate)**

Plan/Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of APC Contributed
2007	0.08%	0.08%	100.00%
2008	0.08%	0.08%	100.00%
2009	0.08%	0.08%	100.00%
2010	0.06%	0.06%	100.00%

**CITY OF TAYLOR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**E. OTHER POST-EMPLOYMENT BENEFITS**

**Health Care Benefit Provided by Plan**

In addition to the contributions made to TMRS, the City provides certain other post-employment benefits to its retirees and dependents. Full time City of Taylor employees who retire from the City under the Texas Municipal Retirement System on or after January 1, 2000, and who are covered by the City of Taylor group hospitalization and medical insurance at the time of retirement, will be eligible to receive HMO and PPO hospitalization and medical insurance provided by the City to its employees, from the date of retirement until the 5<sup>th</sup> anniversary date after retirement. The City will pay the full premiums for the HMO or PPO insurance coverage for any retiree who retired between January 1, 2000 and August 11, 2005 until the 5<sup>th</sup> anniversary date after retirement unless anyone of the three events listed below, also pertaining to retirements after August 11, 2005, occurs. Employees retiring after August 11, 2005, shall not receive full premium payment from the City. The City will pay only the premium amount paid by the City for its active employees provided the retiree pays the difference, if any, between the amount paid by the City for active employees and the full premium required for the retiree HMO or PPO insurance coverage. Payments by the City will continue until the 5<sup>th</sup> anniversary date after retirement unless any one of the following three events occurs:

1. The retiree attains the age of 65 years, or;
2. The retiree becomes eligible for hospitalization and medical insurance coverage by virtue of other employment; or
3. The retiree becomes eligible for disability retirement provided by the Federal Government that is paid for less than a 100% disability of the retiree.

**Health Care Benefit Provided by Plan**

**Early Retirement**

Employees who meet the retirement requirements with the Texas Municipal Retirement System and are covered by the City's medical insurance at the time of retirement are eligible for the retiree health care benefits unless they meet one of the three events listed above.

**Deferred Retirement Benefits**

Employees who terminate their employment but do not formally retire under the Texas Municipal Retirement System are not eligible for retiree health care benefits. An employee must be covered by the City of Taylor's health insurance plan at the time of retirement.

**CITY OF TAYLOR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**E. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Duty Death in Service Retirement Benefits**

With the passage of SM 872, the City of Taylor will be required to do the following:

1. To provide health benefit coverage to the surviving spouse of a peace officer or firefighter killed in the line of duty at the same rate paid by current employees;
2. Allows an eligible survivor up to 180 days to apply for health coverage;
3. To provide an eligible surviving spouse coverage until the surviving spouse becomes eligible for federal Medicare benefits;
4. To provide an eligible minor coverage until the minor turns 18.

**Non-Duty in Service Retirement Benefits**

Survivors of employees who die while actively employed are not eligible for retiree health care benefits.

**Duty and non-duty Disabled Retirement Benefits**

Employees who retire under a disability retirement are eligible for retiree health care benefits as long as they are covered on the health insurance plan at the time of retirement and meet the criteria as listed under the normal retirement benefits.

**Benefits for Spouses of Retired Employees**

Retiree may purchase retiree health care coverage for eligible spouses and dependents at their own expense. Surviving spouses and dependents of deceased retired member's insurance coverage will terminate the end of the month the retiree dies.

**Non-Medicare and Medicare-Eligible Provisions**

City of Taylor coverage ceases when the retiree becomes eligible for Medicare coverage. Retirees are required to enroll in Medicare once they are eligible. Retiree pays full Medicare premiums.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**E. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Vision Coverage**

Vision coverage is part of the health insurance plan at no extra cost.

**Dental Coverage**

City of Taylor does not offer dental coverage for retirees or their dependents. This is offered as Cobra insurance. If the retiree is interested then the retiree pays the premium.

**Life Insurance Coverage**

Life insurance coverage is part of our Pension plan \$ 7,500 for retirees, 1 times annual salary for active employees.

**Retiree Opt-Out**

Retirees who decide to opt-out of the retiree health care plan will not be eligible to opt back in when coverage from cobra or another entity ceases. There is not additional premium payment provided for those who opt out of the retiree health care plan.

**Benefits Paid By the Plan**

Retiree medical coverage is the same coverage provided to active City of Taylor employees in accordance with the term and conditions of the current City's health plan. Employees retiring after August 11, 2005 the City of Taylor will play only the premium amount paid by the City for its active employees provided the retiree pays the difference.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**E. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Annual Other Post-Employment (OPEB) Cost and Net OPEB Obligation**

The annual OPEB cost associated with the City's retiree benefits, which is recorded in the governmental activities, for the fiscal year ended September 30, 2010, is as follows:

	OPEB
Annual Required Contribution	\$ 59,719
Interest on net OPEB obligation	1,433
Adjustment to annual required contribution	(1,061)
Annual OPEB cost	60,091
Estimated contribution made	(12,200)
Estimated increase in net OPEB obligation	47,891
Net OPEB obligation - beginning of year	31,838
Net OPEB obligation - end of year	\$ 79,729

The actuarial cost method and significant assumptions underlying the actuarial calculation are as follows:

	OPEB
Actuarial valuation date	December 31, 2008
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent-of-Payroll
Amortization Period	30 years, open
Assumed Rate of Return on Investments	4.50%
Health Care Cost Trend Rate	Initial rate of 10.0%, decreasing 0.5% per year for 11 years to and ultimate trend of 4.5% in years 2019-2023

The funded status of post-employment benefits as of December 31, 2010, are as follows:

Plan	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
	12/31/2009	\$ -	\$ 422,576	\$ 422,576	0.00%	\$ 5,964,804	1.10%
	12/31/2010			not available			

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF TAYLOR, TEXAS  
SCHEDULE OF FUNDING PROGRESS  
SEPTEMBER 30, 2010**

Plan	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
<u>Texas Municipal Retirement System</u>							
	12/31/06	\$ 7,120,843	\$ 12,742,809	\$ 5,621,966	55.88%	\$ 5,590,867	100.56%
	12/31/08	7,633,245	13,489,051	5,855,806	56.59%	5,964,804	98.17%
	12/31/09	8,973,722	14,819,689	5,845,967	60.55%	5,937,198	98.46%
<u>Other Post-employment Benefits</u>							
	12/31/2009	\$ -	\$ 422,576	\$ 422,576	0.00%	\$ 5,964,804	1.10%
	12/31/2010			not available			

**NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF TAYLOR, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2010**

	<u>Hotel Motel Fund</u>	<u>Texas Capital Fund</u>	<u>Main Street Revenue Fund</u>	<u>Cemetery Land Purchases</u>
<u>ASSETS</u>				
Investments	\$ -	\$ -	\$ -	\$ -
Receivables (net of allowances for uncollectibles) -				
Accounts and other	2,964	-	-	-
Interfund receivables	83,935	6,337	28,243	43,807
	<u>83,935</u>	<u>6,337</u>	<u>28,243</u>	<u>43,807</u>
Total assets	<u>\$ 86,899</u>	<u>\$ 6,337</u>	<u>\$ 28,243</u>	<u>\$ 43,807</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 10,923	\$ -	\$ -	\$ -
Interfund payables	-	-	-	-
Total liabilities	<u>10,923</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved for cemetery	-	-	-	-
Unreserved - undesignated	75,976	6,337	28,243	43,807
Total fund balances	<u>75,976</u>	<u>6,337</u>	<u>28,243</u>	<u>43,807</u>
Total liabilities and fund balances	<u>\$ 86,899</u>	<u>\$ 6,337</u>	<u>\$ 28,243</u>	<u>\$ 43,807</u>

Municipal Court Special Fee	TIF Fund	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ 282,583	\$ 282,583	\$ 862,909	\$ 1,145,492
-	-	2,964		2,964
<u>70,077</u>	<u>-</u>	<u>232,399</u>	<u>-</u>	<u>232,399</u>
<u>\$ 70,077</u>	<u>\$ 282,583</u>	<u>\$ 517,946</u>	<u>\$ 862,909</u>	<u>\$ 1,380,855</u>
\$ -	\$ -	\$ 10,923	\$ -	\$ 10,923
-	7,500	7,500	90,970	98,470
<u>-</u>	<u>7,500</u>	<u>18,423</u>	<u>90,970</u>	<u>109,393</u>
-	-	-	771,939	771,939
70,077	275,083	499,523	-	499,523
<u>70,077</u>	<u>275,083</u>	<u>499,523</u>	<u>771,939</u>	<u>1,271,462</u>
<u>\$ 70,077</u>	<u>\$ 282,583</u>	<u>\$ 517,946</u>	<u>\$ 862,909</u>	<u>\$ 1,380,855</u>

**CITY OF TAYLOR, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Hotel Motel Fund	Texas Capital Fund	Main Street Revenue Fund	Cemetery Land Purchases
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Hotel occupancy tax	93,357	-	-	-
Charges for services	-	-	-	2,682
Intergovernmental	-	-	-	-
Other revenue	-	-	12,524	-
Investment earnings	-	25,102	16,154	-
Total revenues	<u>93,357</u>	<u>25,102</u>	<u>28,678</u>	<u>2,682</u>
Expenditures:				
Current:				
General government	66,839	-	34,136	-
Debt service:				
Principal retirement	-	25,022	-	-
Total expenditures	<u>66,839</u>	<u>25,022</u>	<u>34,136</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>26,518</u>	<u>80</u>	<u>(5,458)</u>	<u>2,682</u>
Other financing uses:				
Transfers out	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	26,518	80	(5,458)	2,682
Fund balances, beginning of year	<u>49,458</u>	<u>6,257</u>	<u>33,701</u>	<u>41,125</u>
Fund balances, end of year	<u>\$ 75,976</u>	<u>\$ 6,337</u>	<u>\$ 28,243</u>	<u>\$ 43,807</u>

Municipal Court Special Fee	TIF Fund	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ 61,606	\$ 61,606	\$ -	\$ 61,606
-	-	93,357	-	93,357
16,306	-	18,988	13,410	32,398
-	38,211	38,211	-	38,211
-	-	12,524	-	12,524
-	444	41,700	16,322	58,022
<u>16,306</u>	<u>100,261</u>	<u>266,386</u>	<u>29,732</u>	<u>296,118</u>
13,939	19,500	134,414	40	134,454
-	-	25,022	-	25,022
<u>13,939</u>	<u>19,500</u>	<u>159,436</u>	<u>40</u>	<u>159,476</u>
<u>2,367</u>	<u>80,761</u>	<u>106,950</u>	<u>29,692</u>	<u>136,642</u>
-	-	-	(30,000)	(30,000)
-	-	-	(30,000)	(30,000)
2,367	80,761	106,950	(308)	106,642
<u>67,710</u>	<u>194,322</u>	<u>392,573</u>	<u>772,247</u>	<u>1,164,820</u>
<u>\$ 70,077</u>	<u>\$ 275,083</u>	<u>\$ 499,523</u>	<u>\$ 771,939</u>	<u>\$ 1,271,462</u>

**CITY OF TAYLOR, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
HOTEL MOTEL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Hotel occupancy tax	\$ 80,000	\$ 80,000	\$ 93,357	\$ 13,357
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>93,357</u>	<u>13,357</u>
Expenditures:				
Current:				
General government	60,000	60,000	66,839	(6,839)
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>66,839</u>	<u>(6,839)</u>
Excess of revenues over expenditures	<u>20,000</u>	<u>20,000</u>	<u>26,518</u>	<u>6,518</u>
Other financing uses:				
Transfers out	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 20,000</u>	<u>\$ 20,000</u>	26,518	<u>\$ 6,518</u>
Fund balance, October 1, 2009			<u>49,458</u>	
Fund balance, September 30, 2010			<u>\$ 75,976</u>	

**CITY OF TAYLOR, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
TEXAS CAPITAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Investment earnings	\$ 25,021	\$ 25,021	\$ 25,102	\$ (81)
Total revenues	<u>25,021</u>	<u>25,021</u>	<u>25,102</u>	<u>(81)</u>
Expenditures:				
Debt service:				
Principal retirement	25,021	25,021	25,022	(1)
Total expenditures	<u>25,021</u>	<u>25,021</u>	<u>25,022</u>	<u>(1)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	80	<u>\$ (80)</u>
Fund balance, October 1, 2009			<u>6,257</u>	
Fund balance, September 30, 2010			<u>\$ 6,337</u>	

**CITY OF TAYLOR, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
MAIN STREET REVENUE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other earnings	\$ 4,000	\$ 6,294	\$ 12,524	\$ 6,230
Investment earnings	9,000	13,154	16,154	3,000
Total revenues	<u>13,000</u>	<u>19,448</u>	<u>28,678</u>	<u>9,230</u>
Expenditures:				
Current:				
General government	18,500	32,310	34,136	(1,826)
Total expenditures	<u>18,500</u>	<u>32,310</u>	<u>34,136</u>	<u>(1,826)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (5,500)</u>	<u>\$ (12,862)</u>	(5,458)	<u>\$ 7,404</u>
 Fund balance, October 1, 2009			<u>33,701</u>	
 Fund balance, September 30, 2010			<u>\$ 28,243</u>	

**CITY OF TAYLOR, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
CEMETERY LAND PURCHASES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 2,430	\$ 2,430	\$ 2,682	\$ (252)
Total revenues	<u>2,430</u>	<u>2,430</u>	<u>2,682</u>	<u>(252)</u>
Excess of revenues over expenditures	<u>\$ 2,430</u>	<u>\$ 2,430</u>	2,682	<u>252</u>
Fund balance, October 1, 2009			<u>41,125</u>	
Fund balance, September 30, 2010			<u>\$ 43,807</u>	

**CITY OF TAYLOR, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
MUNICIPAL COURT SPECIAL FEE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 17,500	\$ 15,700	\$ 16,306	\$ (606)
Total revenues	<u>17,500</u>	<u>15,700</u>	<u>16,306</u>	<u>(606)</u>
Expenditures:				
Current:				
General government	17,700	13,689	13,939	(250)
Total expenditures	<u>17,700</u>	<u>13,689</u>	<u>13,939</u>	<u>(250)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (200)</u>	<u>\$ 2,011</u>	2,367	<u>\$ (856)</u>
Fund balance, October 1, 2009			<u>67,710</u>	
Fund balance, September 30, 2010			<u>\$ 70,077</u>	

**CITY OF TAYLOR, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
TIF FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Property taxes				
including interest and penalties	\$ 55,959	\$ 55,959	\$ 61,606	\$ (5,647)
Intergovernmental	34,645	34,645	38,211	3,566
Investment earnings	900	900	444	(456)
Total revenues	<u>91,504</u>	<u>91,504</u>	<u>100,261</u>	<u>(2,537)</u>
Expenditures:				
Current:				
General government	61,500	61,500	19,500	42,000
Total expenditures	<u>61,500</u>	<u>61,500</u>	<u>19,500</u>	<u>42,000</u>
Excess of revenues over expenditures	<u>\$ 30,004</u>	<u>\$ 30,004</u>	80,761	<u>\$ 39,463</u>
Fund balance, October 1, 2009			<u>194,322</u>	
Fund balance, September 30, 2010			<u>\$ 275,083</u>	

**CITY OF TAYLOR, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
CEMETERY PERMANENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 12,000	\$ 12,000	\$ 13,410	\$ 1,410
Investment earnings	30,000	30,000	16,322	(13,678)
Total revenues	<u>42,000</u>	<u>42,000</u>	<u>29,732</u>	<u>(12,268)</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	40	(40)
Total expenditures	<u>-</u>	<u>-</u>	<u>40</u>	<u>(40)</u>
Excess of revenues over expenditures	<u>42,000</u>	<u>42,000</u>	<u>29,692</u>	<u>(12,308)</u>
<b>Other financing uses:</b>				
Transfers out	<u>(30,075)</u>	<u>(30,075)</u>	<u>(30,000)</u>	<u>(60,075)</u>
Total financing uses	<u>(30,075)</u>	<u>(30,075)</u>	<u>(30,000)</u>	<u>(60,075)</u>
Net change in fund balances	<u>\$ 11,925</u>	<u>\$ 11,925</u>	<u>(308)</u>	<u>\$ (72,383)</u>
Fund balance, October 1, 2009			<u>772,247</u>	
Fund balance, September 30, 2010			<u>\$ 771,939</u>	

**CITY OF TAYLOR, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL  
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FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,514,094	\$ 1,514,094	\$ 1,599,682	\$ 85,588
Investment earnings	-	-	12,533	12,533
Other revenues	4,200	4,200	33,582	29,382
Total revenues	<u>1,518,294</u>	<u>1,518,294</u>	<u>1,645,797</u>	<u>127,503</u>
Expenditures:				
Debt service:				
Principal retirement	816,112	816,112	816,112	-
Interest and fiscal charges	702,982	702,982	699,129	3,853
Total expenditures	<u>1,519,094</u>	<u>1,519,094</u>	<u>1,515,241</u>	<u>3,853</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (800)</u>	<u>\$ (800)</u>	130,556	<u>\$ 131,356</u>
Fund balance, October 1, 2009			<u>102,626</u>	
Fund balance, September 30, 2010			<u>\$ 233,182</u>	

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**INTERNAL SERVICE FUNDS**



**CITY OF TAYLOR, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
Operating revenues:				
Charges for services	\$ 593,375	\$ 10,303	\$ -	\$ 603,678
Other revenue	-	2,006	-	2,006
<b>Total Operating Revenues</b>	<b>593,375</b>	<b>12,309</b>	<b>-</b>	<b>605,684</b>
Operating expenses:				
Personnel services	123,979	-	6,926	130,905
Contractual services	480,555	56,357	-	536,912
Supplies	-	700	-	700
Depreciation	-	171,288	-	171,288
<b>Total operating expenses</b>	<b>604,534</b>	<b>228,345</b>	<b>6,926</b>	<b>839,805</b>
<b>Operating Income (Loss)</b>	<b>(11,159)</b>	<b>(216,036)</b>	<b>(6,926)</b>	<b>(234,121)</b>
Non-operating expenses:				
Interest expense	-	(5,152)	-	(5,152)
<b>Total Non-operating Expenses</b>	<b>-</b>	<b>(5,152)</b>	<b>-</b>	<b>(5,152)</b>
<b>Loss before transfers</b>	<b>(11,159)</b>	<b>(221,188)</b>	<b>(6,926)</b>	<b>(239,273)</b>
Transfers in	-	-	6,271	6,271
<b>Change in Net Assets</b>	<b>(11,159)</b>	<b>(221,188)</b>	<b>(655)</b>	<b>(233,002)</b>
<b>Total Net Assets - beginning of year</b>	<b>13,294</b>	<b>648,115</b>	<b>63,925</b>	<b>725,334</b>
<b>Total Net Assets - end of year</b>	<b>\$ 2,135</b>	<b>\$ 426,927</b>	<b>\$ 63,270</b>	<b>\$ 492,332</b>

**CITY OF TAYLOR, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
<b>Cash flows from Operating Activities:</b>				
Cash received from user charges	\$ 593,375	\$ 10,303	\$ -	\$ 603,678
Cash received from others	-	2,006	-	2,006
Cash payments to suppliers	(486,334)	(57,057)	-	(543,391)
Cash payments to employees	(124,698)	(6,926)	-	(131,624)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(17,657)</b>	<b>(51,674)</b>	<b>-</b>	<b>(69,331)</b>
<b>Cash flows from Noncapital Financing Activities:</b>				
Decrease in amounts due from other funds	17,056	127,690	655	145,401
Transfers from other funds	-	-	6,271	6,271
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>17,056</b>	<b>127,690</b>	<b>6,926</b>	<b>151,672</b>
<b>Cash flows from Capital and Related Financing Activities:</b>				
Acquisition of capital assets, net of disposals	-	(67,622)	-	(67,622)
Issuance of debt	-	67,622	-	67,622
Principal paid on debt	-	(77,189)	-	(77,189)
Interest and fiscal charges paid	-	(5,152)	-	(5,152)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>-</b>	<b>(82,341)</b>	<b>-</b>	<b>(82,341)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(601)</b>	<b>(6,325)</b>	<b>6,926</b>	<b>-</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and Cash Equivalents at End of the Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (11,159)	\$ (221,188)	\$ (655)	\$ (233,002)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation	-	171,288	-	171,288
Increase (decrease) in accounts payable	(4,660)	(1,774)	655	(5,779)
Decrease in accrued payroll and compensated absences	(1,838)	-	-	(1,838)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (17,657)</b>	<b>\$ (51,674)</b>	<b>\$ -</b>	<b>\$ (69,331)</b>

**SUPPLEMENTAL SCHEDULES**

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**CITY OF TAYLOR, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Program or Award Amount</b>	<b>Program Expenditure</b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</u></b>				
Passed through Texas Department of Housing and Community Affairs				
Community Development Block Grant Home Program	14.239	M-06-SG48-0100	\$ 375,000	\$ 1,500
Passed through Williamson County, Texas				
Community Development Block Grant	14.218	065P	<u>300,000</u>	<u>71,250</u>
<b>TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</b>			<u>675,000</u>	<u>72,750</u>
<b><u>U.S. DEPARTMENT OF ENERGY</u></b>				
Passed through Texas Comptroller of Public Accounts				
Energy Efficiency and Conservation Block Grant - ARRA	81.128	DE-EE0000893	<u>57,576</u>	<u>57,411</u>
<b>TOTAL U. S. DEPARTMENT OF TRANSPORTATION</b>			<u>57,576</u>	<u>57,411</u>
<b><u>NATIONAL TRAFFIC SAFETY ADMINISTRATION</u></b>				
Passed through Texas Department of Transportation				
Click It or Ticket Mobilization (CIOT)	20.609	580-EGF-6343	<u>4,000</u>	<u>4,000</u>
<b>TOTAL NATIONAL TRAFFIC SAFETY ADMINISTRATION</b>			<u>4,000</u>	<u>4,000</u>
<b><u>U. S. DEPARTMENT OF INTERIOR</u></b>				
Passed through Texas Parks and Wildlife				
Outdoor Recreation	15.916	48-001078	<u>400,000</u>	<u>357,141</u>
<b>TOTAL U. S. DEPARTMENT OF INTERIOR</b>			<u>400,000</u>	<u>357,141</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
2009 Edward Byrne Memorial Justice Assistance Grant - ARRA	16.804	2009-SB-B9-0858	<u>10,575</u>	<u>10,575</u>
<b>TOTAL U. S. DEPARTMENT OF JUSTICE</b>			<u>10,575</u>	<u>10,575</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>				
Passed through Texas Department of Transportation				
Safe Routes to School	20.200	0320-04-022	<u>750,000</u>	<u>345,347</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>750,000</u>	<u>345,347</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>\$ 1,897,151</u>	<u>\$ 847,224</u>

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards of the City of Taylor, Texas. The City's reporting entity is defined in the notes of the financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. Expenditures are recognized when the related fund liability is incurred. Federal grants are considered to be earned to the extent of expenditures made under the provision of the grant, and accordingly, when such funds are received they are recorded as unearned revenue until earned.

**STATISTICAL SECTION (UNAUDITED)**

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**CITY OF TAYLOR  
STATISTICAL SECTION  
(UNAUDITED)**

This part of the City of Taylor's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

*These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*

Revenue Capacity

*These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.*

Debt Capacity

*These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.*

Demographic and Economic Information

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.*

Operating Information

*These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.*

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.

**CITY OF TAYLOR, TEXAS  
NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS  
(accrual basis of accounting)  
UNAUDITED**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Governmental activities</b>			
Invested in capital assets, net of related debt	\$ 43,816,215	\$ 43,701,642	\$ 40,988,706
Restricted	3,353,764	1,055,079	1,353,386
Unrestricted	<u>1,532,671</u>	<u>3,369,829</u>	<u>4,481,859</u>
Total governmental activities net assets	<u>\$ 48,702,650</u>	<u>\$ 48,126,550</u>	<u>\$ 46,823,951</u>
<b>Business-type activities</b>			
Invested in capital assets, net of related debt	\$ 12,419,757	\$ 11,782,669	\$ 12,539,086
Unrestricted (Deficit)	<u>(216,991)</u>	<u>560,831</u>	<u>82,049</u>
Total business-type activities net assets	<u>\$ 12,202,766</u>	<u>\$ 12,343,500</u>	<u>\$ 12,621,135</u>
<b>Primary government</b>			
Invested in capital assets, net of related debt	\$ 56,235,972	\$ 55,484,311	\$ 53,527,792
Restricted	3,353,764	1,055,079	1,353,386
Unrestricted	<u>1,315,680</u>	<u>3,930,660</u>	<u>4,563,908</u>
Total primary government net assets	<u>\$ 60,905,416</u>	<u>\$ 60,470,050</u>	<u>\$ 59,445,086</u>

Source: Audited Financial Statements of City of Taylor, Texas.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 40,723,892	\$ 35,593,811	\$ 27,060,385	\$ 30,242,702	\$ 29,396,412	\$ 33,038,209
2,092,597	5,447,454	7,801,262	2,774,506	3,947,062	2,201,633
3,310,666	2,087,890	2,250,623	1,483,254	1,756,118	(824,044)
<u>\$ 46,127,155</u>	<u>\$ 43,129,155</u>	<u>\$ 37,112,270</u>	<u>\$ 34,500,462</u>	<u>\$ 35,099,592</u>	<u>\$ 34,415,798</u>
\$ 12,577,691	\$ 10,378,556	\$ 7,768,365	\$ 8,777,087	\$ 1,872,132	\$ 5,692,741
184,104	1,277,532	1,504,663	4,043,256	4,285,025	1,465,899
<u>\$ 12,761,795</u>	<u>\$ 11,656,088</u>	<u>\$ 9,273,028</u>	<u>\$ 12,820,343</u>	<u>\$ 6,157,157</u>	<u>\$ 7,158,640</u>
\$ 53,301,583	\$ 45,972,367	\$ 34,828,750	\$ 39,019,789	\$ 31,268,544	\$ 38,730,950
2,092,597	5,447,454	7,801,262	2,774,506	3,947,062	2,201,633
3,494,770	3,365,422	3,755,286	5,526,510	6,041,143	641,855
<u>\$ 58,888,950</u>	<u>\$ 54,785,243</u>	<u>\$ 46,385,298</u>	<u>\$ 47,320,805</u>	<u>\$ 41,256,749</u>	<u>\$ 41,574,438</u>

**CITY OF TAYLOR, TEXAS  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(accrual basis of accounting)  
UNAUDITED**

	2010	2009	2008
<b>Expenses</b>			
Governmental activities:			
General government	\$ 4,274,435	\$ 4,038,624	\$ 4,682,994
Public safety	4,986,776	4,799,854	5,079,499
Public works	4,159,734	3,797,620	3,912,591
Culture and recreation	-	-	-
Interest on long-term debt	760,678	723,851	704,241
Other	-	-	-
Total governmental activities expenses	<u>14,181,623</u>	<u>13,359,949</u>	<u>14,379,325</u>
Business-type activities:			
Public utilities fund	5,607,082	5,250,058	6,282,526
Airport fund	430,473	408,404	599,040
Interest on long-term debt	-	-	-
Other	-	-	-
Total business-type activities expenses	<u>6,037,555</u>	<u>5,658,462</u>	<u>6,881,566</u>
Total primary government expenses	<u>\$ 20,219,178</u>	<u>\$ 19,018,411</u>	<u>\$ 21,260,891</u>
<b>Program Revenues</b>			
Governmental activities:			
Charges for services:			
General government	\$ 2,378,935	\$ 2,257,670	\$ 3,650,952
Public safety	287,821	308,439	305,708
Public works	-	-	-
Culture and recreation	-	-	-
Operating grants and contributions	-	-	-
Capital grants and contributions	1,813,591	1,230,851	476,057
Other	-	-	-
Total governmental activities program revenues	<u>4,480,347</u>	<u>3,796,960</u>	<u>4,432,717</u>
Business-type activities:			
Charges for services:			
Public utilities fund	6,227,101	5,897,077	5,845,601
Airport fund	427,323	466,097	607,746
Capital grants and contributions	-	-	-
Total business-type activities program revenue	<u>6,654,424</u>	<u>6,363,174</u>	<u>6,453,347</u>
Total primary government program revenues	<u>\$ 11,134,771</u>	<u>\$ 10,160,134</u>	<u>\$ 10,886,064</u>

Source: Audited Financial Statements of City of Taylor, Texas

2007	2006	2005	2004	2003	2002
\$ 3,791,089	\$ 3,740,078	\$ 2,636,013	\$ 3,314,123	\$ 943,250	\$ 1,063,670
4,043,066	4,161,454	3,743,894	4,135,542	3,449,803	3,395,614
3,422,645	3,118,037	3,300,004	2,912,174	3,496,627	3,176,893
-	226,110	463,835	141,546	701,197	648,782
655,537	681,884	454,224	514,207	448,735	430,559
-	-	-	-	489,757	335,672
<u>11,912,337</u>	<u>11,927,563</u>	<u>10,597,970</u>	<u>11,017,592</u>	<u>9,529,369</u>	<u>9,051,190</u>
5,820,213	5,948,540	5,432,576	3,030,511	4,652,811	2,003,443
421,971	395,886	318,448	248,850	228,882	-
-	-	-	-	704,827	660,981
-	-	-	-	3,351	766,364
<u>6,242,184</u>	<u>6,344,426</u>	<u>5,751,024</u>	<u>3,279,361</u>	<u>5,589,871</u>	<u>3,430,788</u>
<u>\$ 18,154,521</u>	<u>\$ 18,271,989</u>	<u>\$ 16,348,994</u>	<u>\$ 14,296,953</u>	<u>\$ 15,119,240</u>	<u>\$ 12,481,978</u>
\$ 3,132,354	\$ 3,169,711	\$ 2,292,637	\$ 2,171,567	\$ 1,845,099	\$ 770,795
331,605	281,661	232,280	356,500	307,994	300,444
-	-	3,382	-	-	-
-	-	4,740	39,438	-	37,795
-	-	118,577	59,984	-	315,338
1,335,302	908,961	385,437	-	1,060,221	5,596
-	-	-	-	1,052,300	-
<u>4,799,261</u>	<u>4,360,333</u>	<u>3,037,053</u>	<u>2,627,489</u>	<u>4,265,614</u>	<u>1,429,968</u>
5,141,474	5,033,084	4,832,243	4,894,120	4,309,897	4,025,449
387,224	354,033	254,490	119,924	202,773	-
825,814	109,702	225,698	9,708	-	-
<u>6,354,512</u>	<u>5,496,819</u>	<u>5,312,431</u>	<u>5,023,752</u>	<u>4,512,670</u>	<u>4,025,449</u>
<u>\$ 11,153,773</u>	<u>\$ 9,857,152</u>	<u>\$ 8,349,484</u>	<u>\$ 7,651,241</u>	<u>\$ 8,778,284</u>	<u>\$ 5,455,417</u>

(Continued)

**CITY OF TAYLOR, TEXAS  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS (CONTINUED)  
(accrual basis of accounting)  
UNAUDITED**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Net (Expenses) Revenue</b>			
Governmental activities	\$ (9,701,276)	\$ (9,562,989)	\$ (9,946,608)
Business-type activities	616,869	704,712	(428,219)
Total primary government net expense	<u>\$ (9,084,407)</u>	<u>\$ (8,858,277)</u>	<u>\$ (10,374,827)</u>
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental activities:			
Taxes			
Property taxes	\$ 5,811,529	\$ 5,741,878	\$ 5,589,548
Franchise taxes	751,877	723,591	764,227
Sales taxes	2,239,952	2,248,042	3,020,333
Hotel occupancy taxes	93,357	77,533	99,597
Investment earnings	114,902	140,589	301,223
Miscellaneous	435,759	930,977	201,993
Transfers	830,000	1,128,168	-
Total governmental activities	<u>10,277,376</u>	<u>10,990,778</u>	<u>9,976,921</u>
Business-type activities:			
Investment earnings	16,284	64,899	239,913
Miscellaneous	56,113	80,922	47,646
Transfers	(830,000)	(1,128,168)	-
Total business-type activities	<u>(757,603)</u>	<u>(982,347)</u>	<u>287,559</u>
Total primary government	<u>\$ 9,519,773</u>	<u>\$ 10,008,431</u>	<u>\$ 10,264,480</u>
<b>Change in Net Assets</b>			
Governmental activities	\$ 576,100	\$ 1,427,789	\$ 30,313
Business-type activities	(140,734)	(277,635)	(140,660)
Total primary government	<u>\$ 435,366</u>	<u>\$ 1,150,154</u>	<u>\$ (110,347)</u>

Source: Audited Financial Statements of City of Taylor, Texas

2007	2006	2005	2004	2003	2002
\$ (7,113,076)	\$ (7,567,230)	\$ (7,560,917)	\$ (8,390,103)	\$ (5,263,755)	\$ (7,621,222)
112,328	(847,607)	(438,593)	1,744,391	(1,077,201)	594,661
<u>\$ (7,000,748)</u>	<u>\$ (8,414,837)</u>	<u>\$ (7,999,510)</u>	<u>\$ (6,645,712)</u>	<u>\$ (6,340,956)</u>	<u>\$ (7,026,561)</u>
\$ 5,183,652	\$ 4,723,464	\$ 4,380,395	\$ 4,246,128	\$ 3,461,590	\$ 3,559,046
719,411	792,962	780,219	660,212	741,849	679,601
3,431,242	2,237,062	2,097,890	1,913,789	1,644,947	1,709,022
81,482	60,514	46,773	40,825	37,690	45,288
446,973	627,190	171,853	89,106	81,937	189,889
248,316	243,341	1,262,317	105,865	(20,464)	1,803,376
-	-	-	-	-	-
<u>10,111,076</u>	<u>8,684,533</u>	<u>8,739,447</u>	<u>7,055,925</u>	<u>5,947,549</u>	<u>7,986,222</u>
233,859	70,441	160,785			
70,854	591,488	59,731	210,836	75,717	122,631
-	-	-	-	-	(1,314,282)
<u>304,713</u>	<u>661,929</u>	<u>220,516</u>	<u>210,836</u>	<u>75,717</u>	<u>(1,191,651)</u>
<u>\$ 10,415,789</u>	<u>\$ 9,346,462</u>	<u>\$ 8,959,963</u>	<u>\$ 7,266,761</u>	<u>\$ 6,023,266</u>	<u>\$ 6,794,571</u>
\$ 2,998,000	\$ 1,117,303	\$ 1,178,530	\$ (1,334,178)	\$ 683,794	\$ 365,000
417,041	(185,678)	(218,077)	1,955,227	(1,001,484)	(596,990)
<u>\$ 3,415,041</u>	<u>\$ 931,625</u>	<u>\$ 960,453</u>	<u>\$ 621,049</u>	<u>\$ (317,690)</u>	<u>\$ (231,990)</u>

**CITY OF TAYLOR, TEXAS**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST NINE FISCAL YEARS**  
**(accrual basis of accounting)**  
**UNAUDITED**

Fiscal Year	Property	Sales & Use	Occupancy (Mobile Home)	Franchise Revenue	Other	Total
2002	\$ 3,559,246	\$ 1,709,022	\$ 250	\$ 679,351	\$ 45,288	\$ 5,993,157
2003	3,461,590	1,644,947	1,050	740,799	37,690	5,886,076
2004	4,290,656	1,913,789	250	659,962	40,825	6,905,482
2005	4,380,395	2,097,890	250	779,969	46,773	7,305,277
2006	4,723,464	2,237,062	500	792,462	60,514	7,814,002
2007	5,183,652	3,431,242	750	718,661	81,482	9,415,787
2008	5,589,548	3,020,333	250	763,977	99,597	9,473,705
2009	5,741,878	2,248,042	250	723,341	77,533	8,791,044
2010	5,811,529	2,239,952	55	751,822	93,357	8,896,715

**CITY OF TAYLOR, TEXAS**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**  
**UNAUDITED**

Fiscal Year	Property <sup>1</sup>	Sales & Use	Occupancy (Mobile Home)	Franchise Revenue	Other	Total
2001	\$ 3,111,333	\$ 1,826,298	\$ 750	\$ -	\$ 175,995	\$ 5,114,376
2002	3,466,913	1,709,022	250	679,351	45,288	5,900,824
2003	3,440,532	1,644,947	1,050	740,799	37,690	5,865,018
2004	4,223,093	1,913,789	250	659,962	40,825	6,837,919
2005	4,292,903	2,097,890	250	779,969	46,773	7,217,785
2006	4,722,459	2,237,062	500	792,462	60,514	7,812,997
2007	5,125,816	3,431,242	750	718,661	81,482	9,357,951
2008	5,509,438	3,020,333	250	763,977	99,597	9,393,595
2009	5,740,182	2,248,042	250	723,341	77,533	8,789,348
2010	5,907,445	2,239,952	55	751,822	93,357	8,992,631

<sup>1</sup> Property taxes does not include penalties and interest on taxes

**CITY OF TAYLOR, TEXAS**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General Fund</b>					
Unreserved	<u>\$ 3,567,124</u>	<u>\$ 3,899,851</u>	<u>\$ 3,809,353</u>	<u>\$ 2,870,578</u>	<u>\$ 1,723,314</u>
Total general fund	<u>\$ 3,567,124</u>	<u>\$ 3,899,851</u>	<u>\$ 3,809,353</u>	<u>\$ 2,870,578</u>	<u>\$ 1,723,314</u>
<b>All Other Governmental Funds</b>					
Reserved	\$ 3,353,764	\$ 1,055,079	\$ 4,702,011	\$ 3,090,819	\$ 5,447,454
Unreserved, reported in:					
Special revenue funds	499,523	392,573	248,681	161,058	106,282
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 3,853,287</u>	<u>\$ 1,447,652</u>	<u>\$ 4,950,692</u>	<u>\$ 3,251,877</u>	<u>\$ 5,553,736</u>

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>\$ 1,477,018</u>	<u>\$ 1,506,540</u>	<u>\$ 1,718,417</u>	<u>\$ 1,319,007</u>	<u>\$ 1,372,674</u>
<u>\$ 1,477,018</u>	<u>\$ 1,506,540</u>	<u>\$ 1,718,417</u>	<u>\$ 1,319,007</u>	<u>\$ 1,372,674</u>
\$ 877,280	\$ 2,844,708	\$ 3,947,062	\$ 2,201,633	\$ 2,041,167
85,325	97,400	102,595	98,938	74,094
<u>7,647,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 8,610,013</u>	<u>\$ 2,942,108</u>	<u>\$ 4,049,657</u>	<u>\$ 2,300,571</u>	<u>\$ 2,115,261</u>

**CITY OF TAYLOR, TEXAS**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**  
**UNAUDITED**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Revenues</b>				
Taxes	\$ 9,074,489	\$ 8,843,496	\$ 9,442,425	\$ 9,414,268
Licenses, permits, and fees	113,208	105,591	129,750	160,260
Charges for services	1,662,049	1,464,667	2,604,165	2,125,876
Fines and forfeitures	287,821	308,439	305,708	331,605
Special assessments	-	-	-	-
Intergovernmental	991,107	1,027,208	476,057	1,335,302
Other revenues	351,900	875,655	201,213	248,316
Investment earnings	114,902	140,589	301,223	446,973
Contributions	-	-	-	-
Total revenues	<u>12,595,476</u>	<u>12,765,645</u>	<u>13,460,541</u>	<u>14,062,600</u>
<b>Expenditures</b>				
Current:				
General government	2,846,860	2,628,035	3,281,548	2,772,560
Public safety	4,330,047	4,214,449	4,199,718	3,790,923
Public works	3,681,843	3,380,810	3,528,574	3,238,648
Culture and recreation	-	-	-	-
Debt Service:				
Principal retirement	891,896	795,792	671,849	737,611
Interest and fiscal changes	733,766	982,337	700,119	633,982
Other	-	-	-	-
Capital outlay:	<u>1,857,267</u>	<u>8,215,648</u>	<u>2,469,171</u>	<u>4,213,471</u>
Total expenditures	<u>14,341,679</u>	<u>20,217,071</u>	<u>14,850,979</u>	<u>15,387,195</u>
Excess (deficiency) of revenues over expenditures	<u>(1,746,203)</u>	<u>(7,451,426)</u>	<u>(1,390,438)</u>	<u>(1,324,595)</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,005,766	1,287,399	1,280,839	351,636
Transfers out	(182,037)	(169,422)	(1,300,839)	(381,636)
Premium on debt issuance	-	33,886	-	-
Debt issuance	2,655,000	7,675,000	3,000,000	200,000
Lease issuance	-	-	381,545	-
Payments to escrow agent	-	(4,662,789)	-	-
Total other financing sources (uses)	<u>3,478,729</u>	<u>4,164,074</u>	<u>3,361,545</u>	<u>170,000</u>
Net change in fund balances	<u>\$ 1,732,526</u>	<u>\$ (3,287,352)</u>	<u>\$ 1,971,107</u>	<u>\$ (1,154,595)</u>
Debt service as percentage of noncapital expenditures	13.0%	14.8%	11.1%	12.3%

2006	2005	2004	2003	2002	2001
\$ 7,881,607	\$ 7,261,659	\$ 6,882,447	\$ 5,925,018	\$ 5,221,223	\$ 5,113,626
190,797	152,579	327,022	1,845,099	2,577,974	1,610,123
2,064,751	2,140,058	1,971,913	-	-	-
281,661	237,020	202,803	307,994	-	-
2,049	3,382	26,904	-	-	-
615,261	504,014	32,592	1,060,221	281,856	927,751
241,292	91,458	95,622	1,052,300	286,903	871,371
664,090	171,853	89,106	81,937	189,889	281,955
293,700	12,304	31,970	-	-	-
<u>12,235,208</u>	<u>10,574,327</u>	<u>9,660,379</u>	<u>10,272,569</u>	<u>8,557,845</u>	<u>8,804,826</u>
2,370,078	2,371,916	2,352,231	823,981	860,675	931,084
3,640,964	3,305,776	3,677,702	3,294,388	3,277,094	3,087,873
2,738,220	3,016,854	2,593,956	2,377,640	2,307,403	1,566,835
85,437	329,137	123,862	685,656	635,976	630,083
625,775	539,993	499,889	373,230	617,779	515,837
670,835	469,630	492,610	475,214	-	-
-	-	-	489,757	335,672	602,551
<u>4,840,710</u>	<u>2,840,810</u>	<u>1,974,044</u>	<u>1,103,494</u>	<u>3,178,065</u>	<u>3,152,506</u>
<u>14,972,019</u>	<u>12,874,116</u>	<u>11,714,294</u>	<u>9,623,360</u>	<u>11,212,664</u>	<u>10,486,769</u>
<u>(2,736,811)</u>	<u>(2,299,789)</u>	<u>(2,053,915)</u>	<u>649,209</u>	<u>(2,654,819)</u>	<u>(1,681,943)</u>
600,000	10,500	133,504	18,990	895,605	430,874
(673,170)	(10,500)	(133,504)	(94,707)	(354,105)	(148,062)
-	-	-	-	-	-
-	5,092,750	-	1,575,000	2,244,955	2,711,150
-	1,752,444	-	-	-	-
-	-	-	-	-	-
<u>(73,170)</u>	<u>6,845,194</u>	<u>-</u>	<u>1,499,283</u>	<u>2,786,455</u>	<u>2,993,962</u>
<u>\$ (2,809,981)</u>	<u>\$ 4,545,405</u>	<u>\$ (2,053,915)</u>	<u>\$ 2,148,492</u>	<u>\$ 131,636</u>	<u>\$ 1,312,019</u>
12.8%	10.1%	10.2%	10.0%	7.7%	7.0%

**CITY OF TAYLOR, TEXAS**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**  
**(amounts expressed in thousands)**

Fiscal Year Ended Sept 30	Real Property			Personal Property		Less Exemptions Real Property
	Residential Assessed Value	Commercial Assessed Value	Agriculture	Personal	Other	
2001	\$ 287,811	\$ 124,064	\$ 12,078	\$ 107,820	\$ -	\$ 30,826
2002	331,354	106,857	13,448	127,895	-	27,400
2003	333,952	178,568	18,188	119,937	-	53,254
2004	351,100	203,593	17,608	110,000	-	57,047
2005	373,469	255,778	19,487	85,862	-	71,081
2006	394,317	236,063	23,783	59,329	-	50,375
2007	423,939	192,852	32,873	108,373	-	58,184
2008	462,462	190,589	34,222	99,778	-	24,802
2009	439,446	218,102	36,496	116,084	-	39,734
2010	455,517	211,709	39,355	114,305	-	39,031

Notes: The appraisal of property within the City is the responsibility of the Williamson County Appraisal District. The Appraisal District is required under the Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal, and the market data comparison basis of appraisal, and the method considered most appropriate by the chief appraiser is to be used. The value placed upon property within the Appraisal District is subject to review by a three member Appraisal Review Board.

Source: Williamson County Appraisal District Reports

Total Assessed Value	Tax Rate	Estimated Tax Value	Ratio of Total Assessed Value to Total Estimated Actual Value
\$ 500,947	\$ 0.69421	\$ 500,947	100.0%
552,154	0.71452	552,154	100.0%
597,391	0.74876	597,391	100.0%
625,254	0.74000	625,254	100.0%
663,515	0.78650	663,515	100.0%
663,117	0.79500	663,117	100.0%
699,853	0.79000	699,853	100.0%
762,249	0.79000	762,249	100.0%
770,394	0.79000	770,394	100.0%
781,855	0.81389	781,855	100.0%

**CITY OF TAYLOR, TEXAS  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
UNAUDITED**

Fiscal Year	CITY OF TAYLOR			WILLIAMSON COUNTY			
	Operating	Debt Service	Total Rate	Operating	Debt Service	RD/FM Operating	Total Rate
2001	\$ 0.57747	\$ 0.11674	\$ 0.69421	\$0.25066	\$ 0.10363	\$ 0.04100	\$0.39529
2002	0.58955	0.12497	0.71452	0.27270	0.15270	0.03290	0.45830
2003	0.58955	0.15921	0.74876	0.30113	0.14710	0.03358	0.48181
2004	0.56980	0.17020	0.74000	0.30055	0.17831	0.03337	0.51223
2005	0.56980	0.21670	0.78650	0.30050	0.16566	0.03350	0.49966
2006	0.59653	0.19847	0.79500	0.28336	0.18414	0.03217	0.49967
2007	0.60446	0.18554	0.79000	0.27500	0.18410	0.03000	0.48910
2008	0.59627	0.19373	0.79000	0.27129	0.16813	0.02890	0.46832
2009	0.57796	0.21204	0.79000	0.29084	0.17000	0.03098	0.49182
2010	0.58982	0.22407	0.81389	0.28990	0.17000	0.03000	0.48990

Note: The entire City line we located in Williamson County within the Taylor Independent School District and the Emergency Services District No. 3 (Fire Protection Services)

Source: Williamson County Tax Collector

TAYLOR SCHOOL DISTRICT

<u>Operating</u>	<u>Debt Service</u>	<u>Total Rate</u>	<u>Total Direct &amp; Overlapping Rates</u>
\$ 1.42300	\$ 0.15700	\$ 1.58000	\$ 2.66950
1.45000	0.13000	1.58000	2.75282
1.46000	0.15000	1.61000	2.84057
1.50000	0.17000	1.67000	2.92223
1.50000	0.17000	1.67000	2.95616
1.37000	0.17000	1.54000	2.83467
1.04000	0.16000	1.20000	2.47910
1.04000	0.16000	1.20000	2.45832
1.04000	0.45000	1.49000	2.77182
1.04000	0.43000	1.47000	2.77379

**CITY OF TAYLOR, TEXAS  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED**

2010			
Taxpayer	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation
Electric Reliability Council of TX	\$ 22,167,793	1	2.84%
ERCOT	20,491,230	2	2.62%
CCA Properties of Texas	14,582,273	3	1.87%
HEB Grocery Company	11,245,669	4	1.44%
Walmart Real Estate Business Trust	9,705,588	5	1.24%
Oncor Electric Delivery Company	7,455,675	6	0.95%
Texas HWY 95, LP	5,965,112	7	0.76%
Walmart Stores East Inc	5,136,587	8	0.66%
Taylor CPB Property	5,100,000	9	0.65%
Durcon Laboratory Tops Inc	5,034,202	10	0.64%

Source: Williamson County Appraisal District

2001

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total City Assessed Valuation</u>
CCA Properties of Texas	\$ 19,341,778	1	3.86%
Intercraft Industries	6,416,909	2	1.28%
TX Cotton Growers Coop Assoc	3,311,081	3	0.66%
Walmart Stores East Inc	2,177,978	4	0.43%
Lap Tops Acquisition Corp	2,012,274	5	0.40%
E.R. Carpenter LP	1,810,991	6	0.36%
Armstrong Real Estate	1,665,255	7	0.33%
Heartwood Nursing & Rehab	1,500,000	8	0.30%
City National Bank	1,281,369	9	0.26%
H E Butt Inc	1,243,430	10	0.25%

**CITY OF TAYLOR, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal year of the Levy			Amount	Percentage of Tax Levy
		Amount	Percentage of Tax Levy			
2001	\$ 3,125,791	\$ 3,064,669	98.0%	\$ 64,324	\$ 3,128,993	100.1%
2002	3,541,083	3,437,247	97.1%	45,729	3,482,976	98.4%
2003	4,221,245	4,118,660	97.6%	96,674	4,215,334	99.9%
2004	4,339,430	4,108,997	94.7%	108,624	4,217,621	97.2%
2005	4,339,777	4,219,125	97.2%	59,297	4,278,422	98.6%
2006	4,709,141	4,626,689	98.2%	97,930	4,724,619	100.3%
2007	5,106,729	5,006,268	98.0%	93,043	5,099,311	99.9%
2008	5,524,316	5,416,832	98.1%	68,192	5,485,024	99.3%
2009	5,820,781	5,658,597	97.2%	86,319	5,744,916	98.7%
2010	5,802,025	5,694,713	98.2%	117,177	5,811,890	100.2%

Source: Williamson County Appraisal District

**CITY OF TAYLOR, TEXAS  
 PLEDGE-REVENUE COVERAGE  
 LAST TEN FISCAL YEARS  
 UNAUDITED**

Fiscal Year	Water Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2001	\$ 4,768,679	\$ 2,613,646	\$ 2,155,033	\$ 2,875,000	\$ 1,631,535	47.8%	
2002	3,886,678	2,018,443	1,868,235	2,850,000	1,506,825	42.9%	
2003	4,240,549	4,027,268	213,281	2,825,000	1,382,955	5.1%	
2004	5,002,406	3,377,069	1,625,337	2,800,000	1,260,840	40.0%	
2005	4,986,548	4,344,134	642,414	2,775,000	1,139,627	16.4%	
2006	5,624,572	4,822,018	802,554	2,750,000	1,019,343	21.3%	
2007	5,188,998	4,246,115	942,883	2,725,000	899,997	26.0%	
2008	5,877,587	4,639,485	1,238,102	2,700,000	781,605	35.6%	
2009	5,965,725	3,250,434	2,715,291	2,675,000	664,190	81.3%	
2010	6,340,142	3,589,878	2,750,264	2,650,000	547,778	86.0%	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest for depreciation.

**CITY OF TAYLOR, TEXAS  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED**

Fiscal Year	<b>Governmental Activities</b>			
	General Obligation Bonds	Certificates of Obligation	Certificates of Obligation	Capital Lease
2001	\$ 6,145,000	\$ 990,728	\$ 393,479	\$ 290,720
2002	7,534,955	1,583,424	368,483	231,848
2003	7,286,525	3,033,623	343,487	105,385
2004	7,003,570	2,848,916	318,462	-
2005	11,789,995	2,647,518	293,441	370,013
2006	11,693,610	2,141,063	270,506	249,884
2007	11,177,225	2,144,858	245,485	192,864
2008	10,666,935	5,008,320	220,464	509,052
2009	10,582,740	7,333,955	-	397,436
2010	9,878,545	9,877,038	-	281,737

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**Business-type Activities**

<b>Business-type Activities</b>			Total Primary Government	Percentage of Personal Income	Per Capita
Combination Tax & Revenue Bonds	General Obligation Bonds	Capital Lease			
\$ 14,443,850	\$ -	\$ -	\$ 22,263,777	4.16%	\$ 1,668
13,704,119	-	-	23,422,829	6.72%	1,058
15,863,217	-	-	26,632,237	11.32%	1,078
11,274,582	-	462,401	21,907,931	12.77%	1,299
10,885,970	-	-	25,986,937	10.01%	1,151
10,081,425	396,390	-	24,832,878	8.57%	1,180
13,679,088	377,775	-	27,817,295	1.25%	1,225
20,259,397	358,065	-	37,022,233	8.57%	1,473
22,711,045	4,432,260	-	45,457,436	11.23%	1,205
28,382,962	4,196,455	-	52,616,737	11.23%	1,205

**CITY OF TAYLOR, TEXAS  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value <sup>1</sup> of Property	Per Capita <sup>2</sup>
2001	6,145,000	50,868	6,094,132	1.08%	430
2002	7,534,955	49,238	7,485,717	1.12%	512
2003	7,286,525	84,381	7,202,144	1.12%	488
2004	7,003,570	110,821	6,892,749	1.05%	442
2005	11,789,995	153,854	11,636,141	1.72%	746
2006	11,693,610	191,098	11,502,512	1.63%	713
2007	11,177,225	162,681	11,014,544	1.63%	640
2008	10,666,935	155,140	10,511,795	1.55%	595
2009	10,582,740	102,626	10,480,114	1.36%	566
2010	9,878,545	233,182	9,645,363	1.23%	509

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup>See the Schedule of Assessed and Estimated Actual Value of Taxable Property for property value data.

<sup>2</sup>Population data can be found in the Schedule of Demographic and Economic Statistics.

Note: Details regarding this City's outstanding debt can be found in the notes to the financial statements.

**CITY OF TAYLOR, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF SEPTEMBER 30, 2010**  
**UNAUDITED**  
**(Amount expressed in thousands)**

<b>Governmental Unit</b>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
County	\$ 767,347	2.23%	\$ 17,112
School	54,166	92.02%	<u>49,844</u>
Subtotal, overlapping debt			<u>66,955</u>
 City of Taylor	 20,205	 100%	 <u>20,205</u>
 Total direct and overlapping debt			 <u><u>\$ 87,160</u></u>

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Statistical. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident – and therefore responsible for repaying the debt – of each overlapping government.

<sup>1</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

**CITY OF TAYLOR, TEXAS  
LEGAL DEBT MARGIN INFORMATION  
LAST NINE FISCAL YEARS  
UNAUDITED  
(amounts expressed in thousands)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt limit	\$205,222	\$ 202,532	\$ 196,763	\$ 189,509	\$ 174,875
Total net debt applicable to limit	<u>38,281</u>	<u>30,045</u>	<u>24,381</u>	<u>15,197</u>	<u>11,528</u>
Legal debt margin	<u>\$ 166,941</u>	<u>\$ 172,487</u>	<u>\$ 172,382</u>	<u>\$ 174,312</u>	<u>\$ 163,347</u>

**Legal Debt Margin Calculation for Fiscal Year 2010**

Assessed value	\$ 781,855
Add back: exempt real property	<u>39,031</u>
Total assessed value	820,886
Debt limit (10% of total assessed value)	205,222
Debt applicable to limit:	
General obligation bonds	52,355
Less: Amount set aside for repayment of general obligation debt	<u>(14,074)</u>
Total net debt applicable to limit	<u>38,281</u>
Legal debt margin	<u>\$ 166,941</u>

Note: There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter (Article XI, Section 5, Texas Constitution), that limits the maximum tax rate, for all city purposes, to \$ 2.50 per \$ 100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$ 1.50 of the \$ 2.50 maximum tax rate for general obligation debt service.

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 129,593	\$ 131,460	\$ 126,245	\$ 121,255
<u>12,090</u>	<u>6,036</u>	<u>10,165</u>	<u>8,849</u>
<u>\$ 117,503</u>	<u>\$ 125,424</u>	<u>\$ 116,080</u>	<u>\$ 112,406</u>

**CITY OF TAYLOR, TEXAS  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED**

Employer	2010		Percentage of Total City Employment <sup>2</sup>
	No. Employees <sup>1</sup>	Rank	
ERCOT	635	1	7.1%
Taylor ISD	548	2	6.2%
Wal-Mart	240	3	2.7%
Durcon Labatory Tops	211	4	2.4%
Scott & White	163	5	1.8%
Corrections Corp of America	161	6	1.8%
H.E.B.	161	7	1.8%
City of Taylor	148	8	1.7%
FloydCo (Floyd's Glass)	130	9	1.5%
Burrows Cabinets	100	10	1.1%
City of Taylor Total	<u>2,497</u>		<u>28.05%</u>

<sup>1</sup>Source: Taylor Economic Development Corp.

<sup>2</sup>Source: Estimate based on statistical data for Williamson County

2001			
Employer	No. Employees <sup>1</sup>	Rank	Percentage of Total City Employment <sup>2</sup>
Intercraft Industries	690	1	8.5%
Taylor ISD	414	2	5.1%
ERCOT	200	3	2.5%
Durcon Labatory Tops	190	4	2.4%
H.E.B.	185	5	2.3%
Wal-Mart	153	6	1.9%
Johns Community Hospital	140	7	1.7%
Sweatbriar Nursing Home	130	8	1.6%
FloydCo (Floyd's Glass)	120	9	1.5%
City of Taylor	109	10	1.3%
	<u>2,331</u>		<u>28.86%</u>

**CITY OF TAYLOR, TEXAS  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED**

Fiscal Year	Population <sup>1</sup>	Personal Income <sup>3</sup> (amounts expressed in thousands)	Per Capita <sup>5</sup> Personal Income	School Enrollment <sup>4</sup>	Unemployment Rate <sup>2</sup>
2001	14,167	\$ 243,913	\$ 17,217	3,005	4.7%
2002	14,622	257,786	17,630	3,089	5.5%
2003	14,757	265,110	17,965	3,030	5.6%
2004	15,598	289,468	18,558	2,979	4.4%
2005	15,598	299,310	19,189	3,041	4.4%
2006	16,138	317,418	19,669	3,042	4.0%
2007	17,202	351,179	20,415	3,115	3.8%
2008	17,663	433,574	24,547	3,156	4.7%
2009	18,509	371,698	20,082	3,115	6.7%
2010	19,397	392,160	20,780	3,086	7.7%

**Data Sources:**

- <sup>1</sup> Texas State Data Center & Office of the State Demographer
- <sup>2</sup> State Department of Labor and City-Data.com
- <sup>3</sup> US 2000 Census adjusted by CPI for inflation
- <sup>4</sup> Taylor Independent School District
- <sup>5</sup> U. S. Census Bureau Quick Facts

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**CITY OF TAYLOR, TEXAS**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**

<b>Function / Program</b>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>General Government</b>						
Management services	3	2	3	3	4	3
Human Resources	3	3	3	3	1	1
Finance	4	4	4	4	6	8
Municipal Court	4	4	4	4	4	4
C D - Planning	5	6	6	6	6	4
Main Street	2	2	1	2	1	1
C D - Recreation	1	1	1	1	1	1
Building	1	1	1	1	1	1
General services	1	1	1	-	-	-
Information technology	1	1	1	-	-	-
Other	-	-	-	-	-	-
<b>Police</b>						
Officers	27	27	26	26	27	21
Civilians	11	11	11	11	10	11
Animal Control	1	1	2	1	1	2
<b>Fire</b>						
Firefighters and Officers	25	25	23	25	24	25
Civilians	1	1	1	1	1	1
<b>Other Public Works</b>						
Engineering/Inspection	2	3	2	2	2	1
Street Maintenance	10	10	9	7	9	10
Grounds	15	11	7	10	10	10
Other	3	4	2	2	1	2
Library	7	8	7	7	7	7
Water	15	14	12	14	12	13
Wastewater	3	3	3	2	3	3
Utilities Admin	6	7	7	7	6	3
Airport	1	2	3	3	3	3
Cemetery	1	1	2	2	2	2
Fleet Services	2	2	2	3	2	2
<b>Total all governmental funds</b>	<u>155</u>	<u>153</u>	<u>144</u>	<u>147</u>	<u>144</u>	<u>139</u>

Source: City of Taylor Human Resources Department

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
3	3	3	2
1	1	1	3
8	7	7	5
4	4	4	3
5	5	5	4
-	1	-	1
1	1	1	1
1	1	2	1
-	-	-	-
-	-	-	-
-	-	-	1
26	25	28	26
11	12	14	13
2	1	1	1
24	25	22	25
1	1	1	1
3	3	3	2
7	8	7	6
10	11	10	10
2	2	2	4
8	8	8	6
13	13	16	16
3	3	5	2
2	2	2	1
3	3	3	5
2	2	2	2
2	2	-	1
<u>142</u>	<u>144</u>	<u>147</u>	<u>142</u>

**CITY OF TAYLOR, TEXAS  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
UNAUDITED**

<b>Function/Program</b>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General government</b>					
Building permits issued	35	481	530	368	459
Building inspections conducted	540	410	503	692	2,144
<b>Public Safety</b>					
<b>Police:</b>					
Physical arrests	699	730	707	955	990
Parking violations	87	63	72	102	150
Traffic violations	2,457	3,489	2,063	3,798	4,792
<b>Fire:</b>					
Emergency responses	1,788	2,302	1,704	1,550	1,600
Fires extinguished	112	121	149	117	131
Inspections	503	427	394	294	570
<b>Highways and streets</b>					
Street resurfacing (miles)	-	-	-	6	-
Potholes repaired	741	1,430	851	1,655	1,553
<b>Culture and Recreation</b>					
Athletic field permits issued	24	-	-	-	-
Community center admissions	-	-	-	-	-
<b>Library</b>					
Volumes in collection	42,733	40,330	37,809	43,636	35,930
Total volumes borrowed	88,622	81,893	81,274	69,419	56,107
<b>Water</b>					
New connections	1,240	872	873	928	495
Water main breaks	350	515	511	388	567
Average daily consumption (millions of gallons)	2	2	2	2	2
Peak daily consumption (millions of gallons)	3	3	4	3	3
<b>Wastewater</b>					

Source: Various Departments within the City of Taylor.

2005	2004	2003	2002	2001
331	378	453	251	165
1,261	2,030	2,497	715	1,730
917	950	1,457	1,085	N/A
104	133	170	46	N/A
2,660	3,318	3,764	3,648	N/A
1,440	1,393	1,280	1,382	N/A
118	114	105	113	N/A
137	275	265	240	N/A
8	8	9	7	8
1,932	2,604	1,796	2,241	772
-	-	-	-	-
-	-	-	-	-
34,377	37,307	36,512	39,040	36,849
55,722	56,961	40,910	45,211	54,628
321	210	176	117	117
548	477	604	604	640
2	2	2	3	2
3	3	3	3	3

**CITY OF TAYLOR, TEXAS  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST SEVEN FISCAL YEARS  
UNAUDITED**

<b>Function</b>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Police					
Number of stations	1	1	1	1	1
Zone Officers	27	21	27	27	27
Number of patrol units	12	12	12	12	12
Fire					
Number of stations	2	2	2	2	2
Highways and streets					
Streets (miles)	92	87	87	87	85
Streetlights	1,097	1,097	1,097	1,072	1,069
Traffic signals	13	11	11	10	9
Culture and recreation					
Acreage	387	387	387	387	312
Playgrounds	6	6	4	-	-
Baseball/softball diamon	20	20	10	-	-
Swimming pools	2	2	2	2	2
Tennis courts	10	10	10	10	10
Water					
Water mains	109	109	99	-	-
Fire hydrants	583	450	582	580	580
Storage capacity	5		5	5	5
Wastewater					
Treatment capacity	4,000	4,000	4,000	4	4
Sanitary sewer (miles)	86	86	84	84	84
Storm sewers (miles)	3	3	3	3	3

Source: Various Departments within City of Taylor

Note: No capital asset indicators were available for the general government function.

2005	2004
1	1
27	27
12	12
2	2
81	80
1,054	965
9	9
312	292
-	-
-	-
2	2
10	10
-	99
580	425
	5
4	4
83	81
3	3

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## **COMPLIANCE SECTION**

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**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***

The Honorable Mayor and  
City Council  
City of Taylor, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Taylor, Texas (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated January 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 basis.

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

**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* (CONTINUED)**

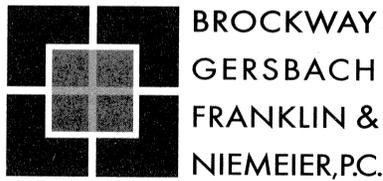
Compliance and Other Matters

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 solely for the information and use of the City Council, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Brockway, Dordick, Franklin & Nimsin, P.C.*

January 26, 2011



CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council  
City of Taylor, Texas

Compliance

We have audited the City of Taylor, Texas (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2010.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the City Council, management, and federal/state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Brockway, Sindbad, Franklin A. Nimici, P.C.*

January 26, 2011

**CITY OF TAYLOR, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Section I-Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued was unqualified.

Internal control over financial reporting:

Material weakness(es) identified:	_____	yes	_____	<u>X</u>	no
Significant deficiency(ies) identified:	_____	yes	_____	<u>X</u>	none reported
Noncompliance material to financial statements noted?	_____	yes	_____	<u>X</u>	no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified:	_____	yes	_____	<u>X</u>	no
Significant deficiency(ies) identified:	_____	yes	_____	<u>X</u>	none reported

Type of auditors' report issued on compliance for major programs was unqualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

\_\_\_\_\_ yes      X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

15.916  
20.200

Outdoor Recreation Grant  
Safe Routes to School

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X yes      \_\_\_\_\_ no

**Section II-Financial Statement Findings**

There were no findings and no matters were reported.

**Section III-Federal Award Findings and Questioned Costs**

There were no findings and no matters were reported.

