



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2009**

CITY OF TAYLOR, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
September 30, 2009

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON
AND SUPPLEMENTARY INFORMATION

Prepared by:
Finance Department

Rosemarie Dennis
Director of Finance



TABLE OF CONTENTS

INTRODUCTORY SECTION:

Letter of Transmittal	i
Organizational Chart	v
List of Elected and Appointed Officials	vi
Certificate of Achievement for Excellence in Financial Reporting	vii

FINANCIAL SECTION:

Independent Auditors' Report	3
Management's Discussion and Analysis	5
Basic Financial Statements	
Government Wide Financial Statements:	
Statement of Net Assets	20
Statement of Activities	22
Fund Financial Statements:	
Governmental Funds Balance Sheet	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	31
Statement of Net Assets - Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	35
Statement of Cash Flows - Proprietary Funds	36
Notes to Financial Statements	40
Required Supplementary Information	
Schedule of Funding Progress	76
Combining and Individual Financial Statements and Schedules	
NonMajor Governmental Funds:	
Combining Balance Sheet	78
Combining Statement of Revenues, Expenses and Changes in Fund Balances	80

**Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
NonMajor Special Revenue Funds:**

Hotel/Motel Fund	82
Texas Capital Fund	83
Main Street Revenue Fund	84
Cemetery Land Purchases	85
Municipal Court Special Fee	86
TIF Fund	87
Cemetery Permanent Fund	88

Major Debt Service Fund:

I & S for CO Bonds	89
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Internal Service Funds:

Combining Statement of Net Assets	92
Combining Statement of Revenues, Expenses and Changes in Net Assets	93
Combining Statement of Cash Flows	94

Statistical Section (unaudited)

Net Assets by Component	98
Changes in Net Assets	100
Governmental Activities Tax Revenues by Source	104
General Governmental Tax Revenues by Source	105
Fund Balances of Governmental Funds	106
Changes in Fund Balances of Governmental Funds	108
Assessed Value and Estimated Actual Value of Taxable Property	110
Property Tax Rates Direct and Overlapping Governments	112
Principal Property Taxpayers	114
Property Tax Levies and Collections	116
Pledge-Revenue Coverage	117
Ratios of Outstanding Debt by Type	118
Ratios of Net General Bonded Debt Outstanding	120
Direct and Overlapping Governmental Activities Debt	121
Legal Debt Margin Information	122
Principal Employers	124
Demographic and Economic Statistics	126
Full-time Equivalent City Government Employees by Function/Program	128
Operating Indicators by Function/Program	130
Capital Asset Statistics by Function	132

Compliance Section

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	137
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INTRODUCTORY SECTION





March 17, 2010

Honorable Mayor and Members of the City Council
and Citizens of the City of Taylor, Texas



TAYLOR
THE ZEST OF TEXAS

The Comprehensive Annual Financial Report (CAFR) of the City of Taylor, Texas, for the fiscal year ended September 30, 2009, 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, 2009, 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, 2009, 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 8 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 13.5 square miles and service approximately 18,509 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 30th. 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 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 20 million Texas customers and has its operations center located in Taylor. ERCOT employs 630 employees and is the City's largest employer. The Taylor Independent School District (TISD) is the second largest employer in the City with 550 employees. TISD enrolled 3,115 students, which most of their growth has been at the elementary level. Anticipated growth is expected for the east Williamson County region.

Because of the City's location in a region with a varied economic base, unemployment has increased from 4.7 percent to 6.7 percent. During the past ten years, the unemployment rate rose from an initial low of 2.7 percent in 1999 to a decade high of 6.7 percent in 2009. Unemployment is expected to increase in this region and level off in 2011 as the economy improves.

Building permits are down in all categories from the prior year. Although permits are down, the City continues to see new development.

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.

Other Information

Fund Accounting: The City's accounting system is organized and operated on a "fund basis". Each fund is a distinct, self-balancing entity. A description of the various major funds and fund types is contained in Note I of the financial statements.

Basis of Accounting: The City's accounting records for all governmental funds are maintained on the modified accrual basis of accounting. This method recognizes revenue when it is measurable and available and expenditures when goods or services are received. All proprietary funds are accounted for using the accrual basis of accounting; revenue is recognized when it is earned and expenses are recognized when they are incurred.

Internal Control: Management of the City is responsible for establishing and maintaining an internal control structure. This structure is designed to provide reasonable, but not absolute, assurance that: (1) City assets are protected from loss, theft or misuse; and (2) City financial records and data are accurate and reliable. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of cost and benefits requires estimates and judgments by management.

Cash Management: Cash temporarily idle during the year can be invested in demand deposits, money markets, federal government securities, federal agency securities, MBIA, TexPool and TexStar. The City's investment policies stress:

1. **Safety** and preservation of principal
2. Maintenance of sufficient **liquidity** to meet operating needs
3. **Diversification** to eliminate the risk of loss from one concentration of assets
4. Optimization of **interest earnings** on the portfolio

Note III-A in the financial statements provides more detail concerning deposits and investments.

Risk management: The City provides health coverage and long-term disability coverage to its employees. Employees are also covered for workers' compensation through the Texas Municipal League, a modified self-insurance pool of Texas cities. The City maintains coverage for significant liability and property risks through the Texas Municipal League. Additional information regarding risk management appears in Note IV-B of the financial statements.

Pension Benefits: The City provides pension benefits for all of its full-time 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.

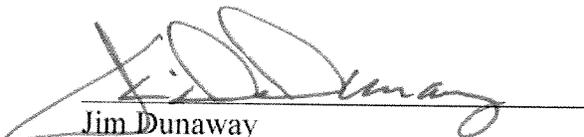
The plan provisions are adopted by the governing body of the City, within the options available in the State statues governing TMRS and within the actuarial constraints also in the statues. Additional detail regarding the City's employee retirement program is contained in Note IV-C of the financial statements.

Acknowledgements

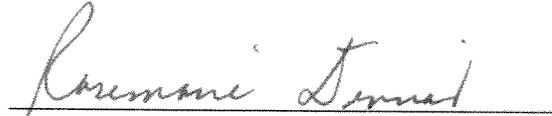
The presentation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and all department head directors. We would like to express our appreciation to all members of the department who assisted and contributed to the 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,



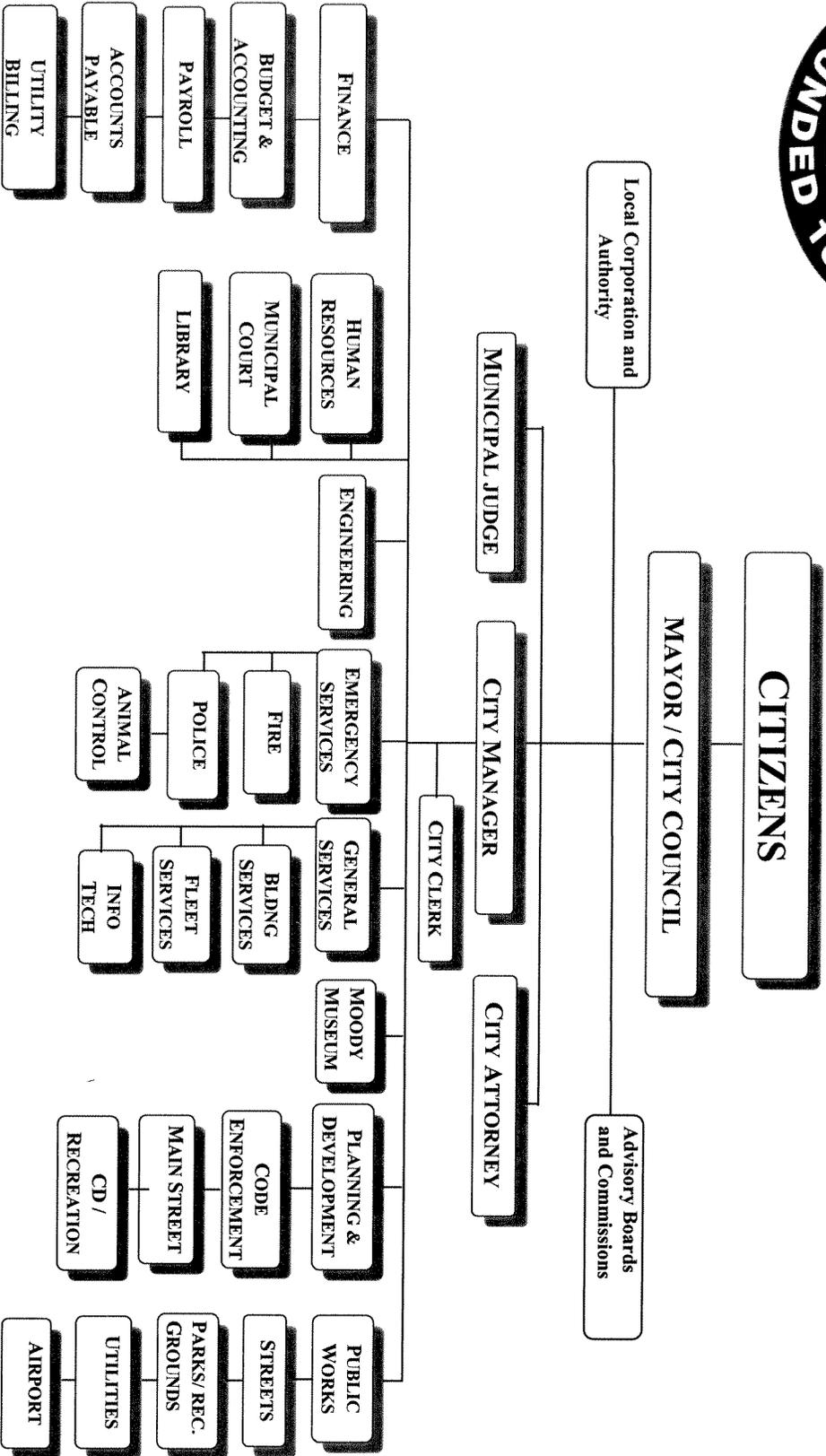
Jim Dunaway
City Manager



Rosemarie Dennis
Finance Director



CITY OF TAYLOR ORGANIZATIONAL CHART



City of Taylor
List of Elected and Appointed Officials
September 30, 2009

Elected Officials

Rodney Hortenstine	Mayor
Ella Jez	Mayor Pro Tem
John McDonald	Council Member
Donald Hill	Council Member
Christopher Gonzales	Council Member

Appointed Officials

JimDunaway	City Manager
Ted Hejl	City Attorney
Randall Pick	Municipal Court

Other city Officials

Susan Brock	City Clerk
Rosemarie Dennis	Director of Finance
Starla Hall	Director of Human Resource/Civil Service
Jeff Straub	Police Chief
Bruce Watson	Fire Chief
Karen Ellis	Library Director
Bob vanTil	Director of Community Development
Danny Thomas	Director of Public Works
Lisa Thompson	Director of General Services

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, 2008

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



FINANCIAL SECTION





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 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, 2009, 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, 2009, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 17, 2010, 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.

The Management's Discussion and Analysis on pages 5 through 18 and Schedule of Funding Progress on page 76 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Independent Auditors' Report
(continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and the statistical section of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Brockway, Sindbach, Franklin & Nimsin, P.C.

March 17, 2010

**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, 2009. 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 \$ 60,470,550 (net assets). Of this amount, \$ 3,930,660 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$ 1,024,964. 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 \$ 3,899,851, an increase of \$ 90,498 in comparison with prior year. This increase includes the prior period adjustment of \$ (125,190).
- As of the close of the fiscal year being reported, the City of Taylor's total governmental funds reported combined ending fund balances of \$ 5,347,503, a decrease of \$ 3,412,542 in comparison with the prior year. This was primarily due to decreases in available cash on hand for construction with the near completion of the Taylor Regional Park and Sport Complex.
- The City's total long-term debt increased by \$ 8,614,737 or 22.9 percent during the current fiscal year. The City had issued Certificates of Obligation for the park improvements and water and wastewater improvements and General Obligation Refunding Bonds.
- During the fiscal year, the City has been constructing the Taylor Regional Park and Sport complex once completed will be approximately 75 acres.
- In fiscal year 2008-09, the City issued new debt in the amount of \$ 9.6 million for the cost of completion of High Pressure Plane Pump Station and improvements to the City's water utility system.

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. Combined statements can be found on pages 78-81 and pages 91-93 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 \$ 60,470,550 for the year ended September 30, 2009.

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, 2009.

City of Taylor Net Assets (Amounts expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 8,009	\$ 10,009	\$ 9,864	\$ 7,044	\$ 17,873	\$ 17,053
Capital assets	61,135	54,548	30,526	26,914	91,661	81,462
Total Assets	<u>69,144</u>	<u>64,557</u>	<u>40,390</u>	<u>33,958</u>	<u>109,534</u>	<u>98,515</u>
Long-term liabilities	18,997	16,908	27,160	20,635	46,157	37,543
Other liabilities	2,020	825	887	702	2,907	1,527
Total Liabilities	<u>21,017</u>	<u>17,733</u>	<u>28,047</u>	<u>21,337</u>	<u>49,064</u>	<u>39,070</u>
Net Assets:						
Invested in capital assets, net of related debt	43,702	40,989	11,782	12,539	55,484	53,528
Restricted	1,055	1,353	-	-	1,055	1,353
Unrestricted	3,370	4,482	561	82	3,931	4,564
Total Net Assets	<u>\$ 48,127</u>	<u>\$ 46,824</u>	<u>\$ 12,343</u>	<u>\$ 12,621</u>	<u>\$ 60,470</u>	<u>\$ 59,445</u>

The City's combined net assets were \$ 60,470,050 as September 30, 2009. Of the \$ 60,470,050, \$ 48,126,550 was in the governmental activities and \$ 12,343,500 was in the business-type activities. The City's total net assets increased when compared to the prior year with an increase of \$ 1,024,964 or 2 percent. This increase includes a prior period adjustment of \$ (125,190).

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 (\$ 55,484,311 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 \$ 1,956,519. 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 \$ 3,930,660 or 7 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 \$ 633,248 or 14 percent compared to September 30, 2008.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The third portion consists of restricted net assets totaled \$ 1,055,079 at September 30, 2009 or 2 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 decreased \$ 298,307 or 22 percent compared to September 30, 2008.

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.

Changes in Net Assets

The City's total revenues for the fiscal year ended September 30, 2009 were \$ 20,168,565. Total revenues decreased when compared to the prior year by \$ 981,879 or 5 percent. The City total cost of all programs and services increased from the prior year of \$ 21,260,891 to \$ 19,018,411, an increase of 4 percent. The table on the next page presents a summary of the changes in net assets for the fiscal year ended September 30, 2009.

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 decrease when compared to the prior year with a decrease of \$ 152,330 or 3 percent. The Ad valorem tax rate for fiscal year 2009 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 decrease \$ 1,480,724, compared to last year. Other taxes such as sales tax, franchise tax, and hotel occupancy tax decreased by \$ 682,661 or 7 percent compared to last year. Also, investment earning decreased from \$ 301,223 to \$ 140,589, which is a decrease of \$ 160,634 or 53 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 \$ 4,799,854, followed by general government recorded at \$ 4,038,624, and public works at \$ 3,797,620.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

CITY OF TAYLOR CHANGE OF NET ASSETS (Amounts expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for services	\$ 2,566	\$ 3,957	\$ 6,363	\$ 6,453	\$ 8,929	\$ 10,410
Capital grants and contributions	1,231	476	-	-	1,231	476
General revenues:						
Property taxes	5,742	5,590	-	-	5,742	5,590
Other taxes	3,049	3,884	-	-	3,049	3,884
Investment earnings	141	301	65	240	206	541
Other	931	202	81	47	1,012	249
Total Revenues	13,660	14,410	6,509	6,740	20,169	21,150
Expenses:						
General government	4,039	3,744	-	-	4,039	3,744
Public safety	4,800	5,079	-	-	4,800	5,079
Public works	3,797	3,913	-	-	3,797	3,913
Interest on long-term debt	724	704	1,143	840	1,867	1,544
Public utility	-	-	4,131	5,463	4,131	5,463
Airport	-	-	384	578	384	578
Total Expenses	13,360	13,440	5,658	6,881	19,018	20,321
Increase (decrease) in net assets before transfers	300	30	851	(141)	1,151	(111)
Transfers	1,128	-	(1,128)	-	-	-
Increase (decrease) in net assets	1,428	30	(277)	(141)	1,151	(111)
Net assets - October 1	46,824	46,127	12,621	12,762	59,445	58,889
Prior period adjustment	(125)	667	-	-	(125)	667
Net assets - September 30	<u>\$ 48,127</u>	<u>\$ 46,824</u>	<u>\$ 12,344</u>	<u>\$ 12,621</u>	<u>\$ 60,471</u>	<u>\$ 59,445</u>

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

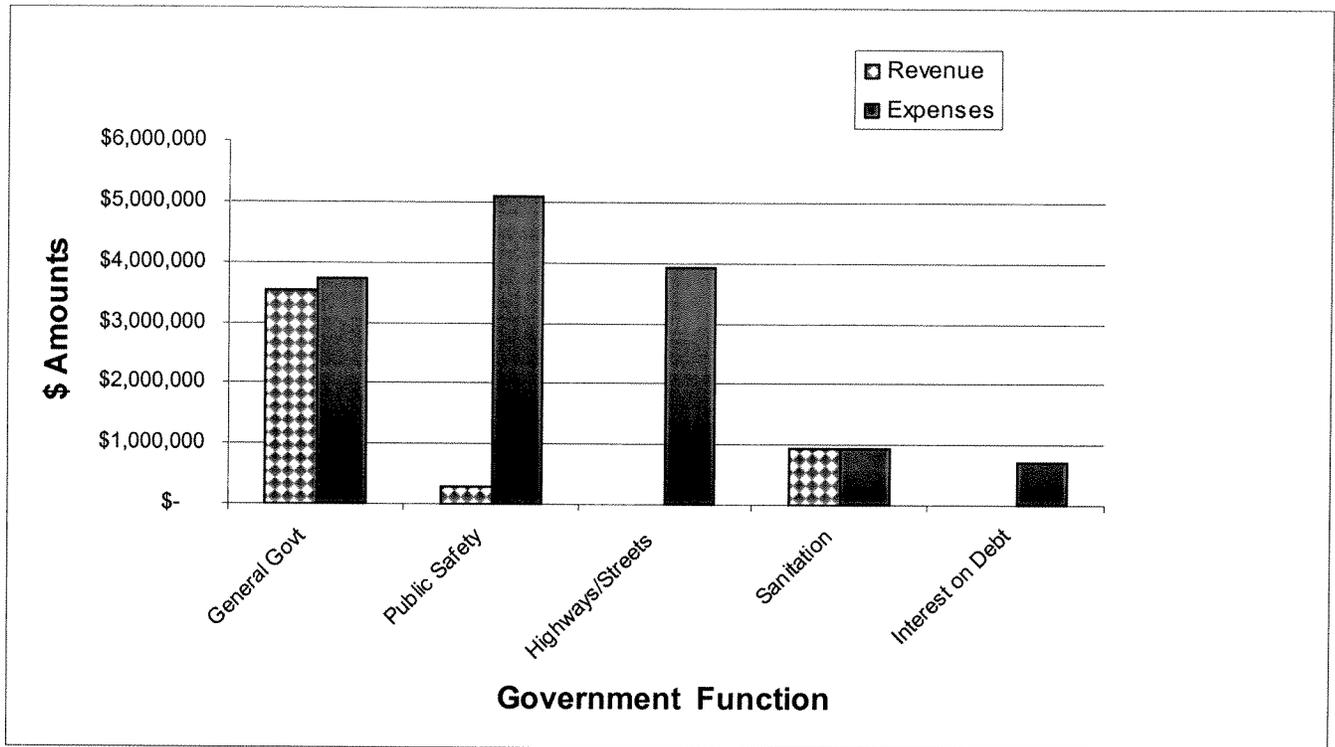
Business Activities

Business-type activities decreased the City's net assets by \$ 277,635. Charges for services provided the largest share of revenues 98 percent, with investment earnings making up for 1 percent for all business-type activities, followed by other miscellaneous revenue income at 1 percent

Water and sewer fees are the major revenue source for the business-type activities of the City, which recorded \$ 5,897,077 in revenue. Compared to the prior year, water and sewer revenue increased \$ 51,475 or 1 percent. The Airport revenue fund also increased \$ 141,649 or 23 percent which is due primarily to the decrease in fuel cost at the airport due to the cost of fuel.

Total expense for business-type activities was \$ 5,658,462, a decrease of 18 percent compared to the prior year. Water and sewer, the largest proprietary fund recorded \$ 5,250,058 in expenses, a decrease of \$ 1,032,468 or 16 percent increase compared to the prior year. The Airport expense increased from \$ 599,040 in 2008 to \$ 408,404 in 2009, a decrease of \$ 190,636 or 32 percent.

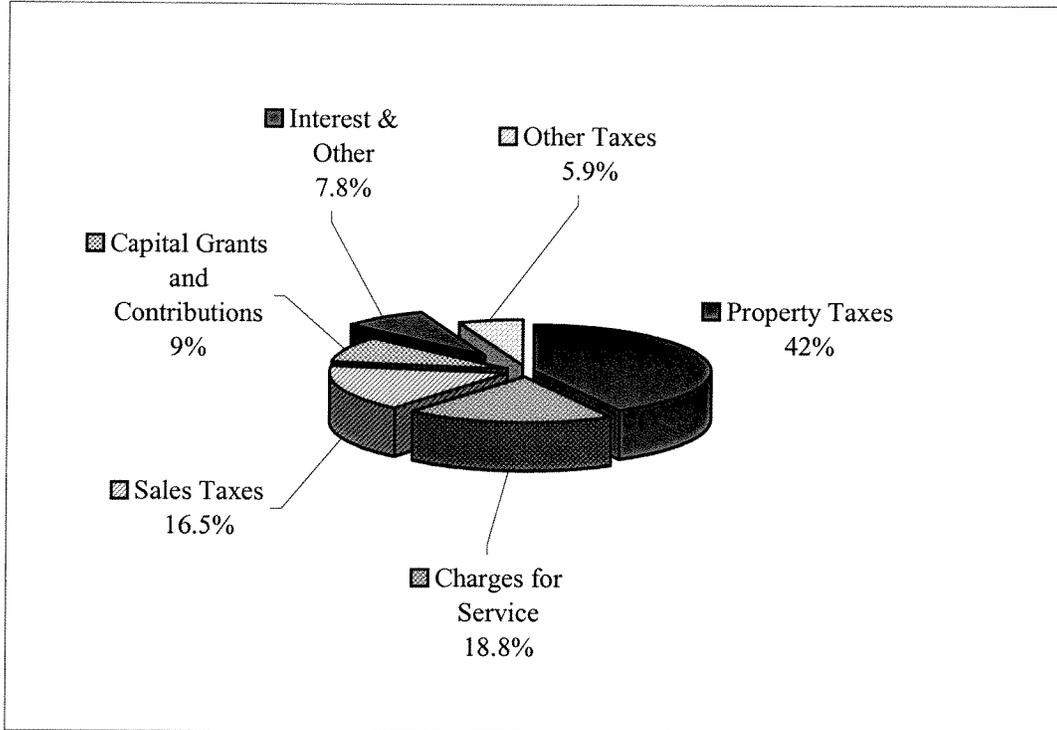
Expenses and Program Revenues-Governmental Activities



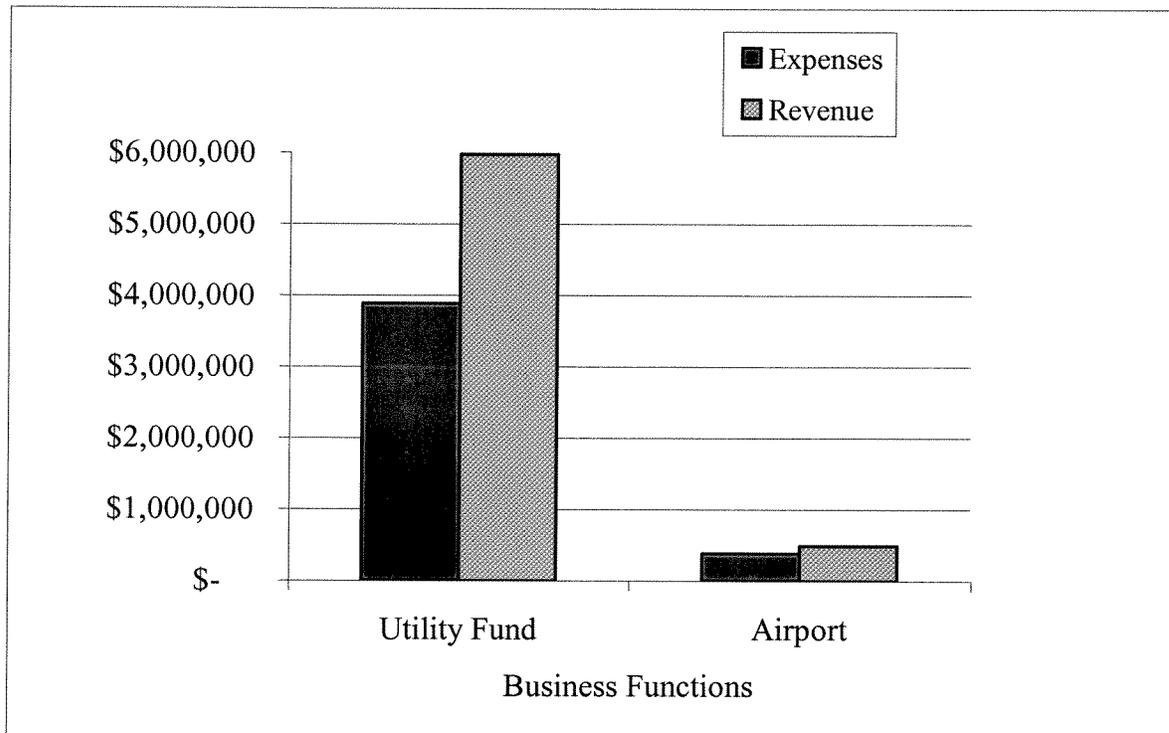
**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Revenue by Source-Governmental Activities



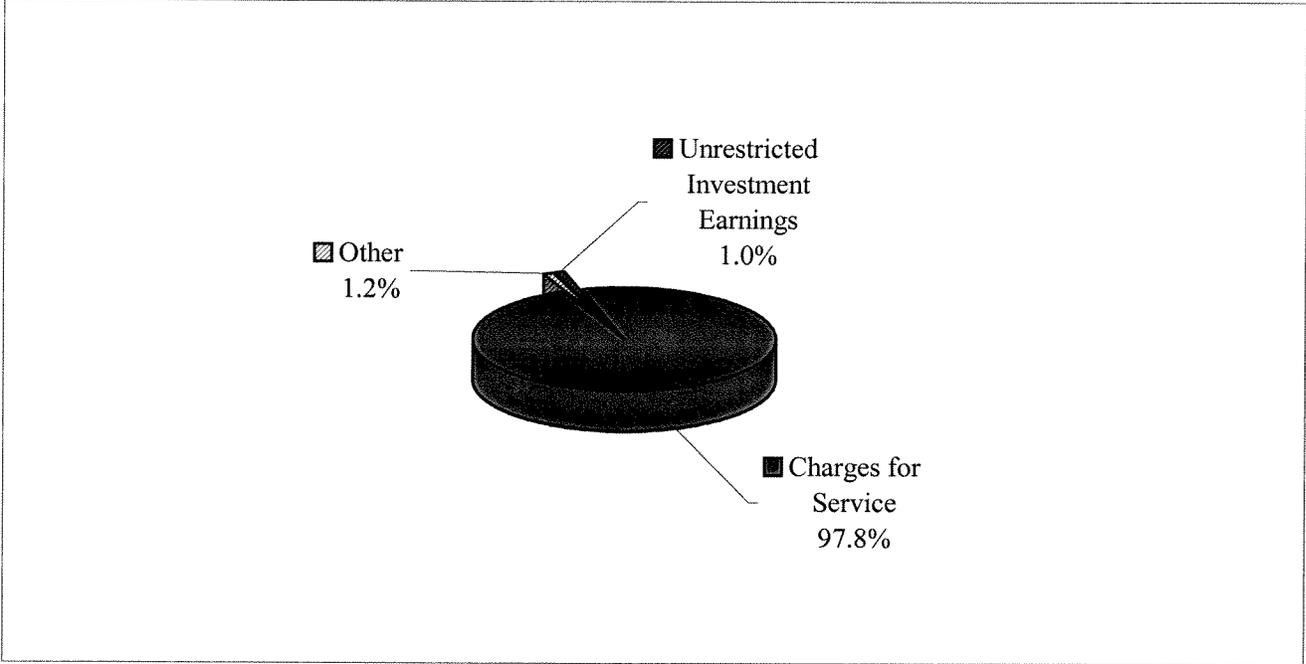
Expenses and Program Revenues-Business-type Activities



**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 \$ 5,347,503. This is a decrease of \$ 3,412,542 from the prior year including the prior period adjustment of (\$ 125,190). Approximately 80 percent, \$ 4,292,424 of this amount constitutes *unreserved fund balance*, which is available for spending at the City's discretion. Of this combined ending fund balance, 3 percent \$ 180,206 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, \$ 102,626; and 2) to pay for beautification and improvements to the cemetery, \$ 772,247.

The general fund is the chief operating fund of the City. At September 30, 2009, unreserved fund balance of the general fund was \$ 3,899,851. 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 increased by \$ 90,498 during the current fiscal year including the prior period adjustment of (\$ 125,190). Key factors in this growth are:

- ❖ Ad valorem property tax revenues increased 2.7 percent over the previous year.
- ❖ Increases in revenues were partially offset by increased expenditures, 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 December 2008. These proceeds are being used to fund the Taylor Regional Park and Sports Complex. The construction phase of this project began the first of the year of 2009 and is expected to be completed in early part of 2010.

The Debt Service Fund has a total fund balance of \$ 102,626, all of which is reserved for the debt payments.

General Fund Budgetary Highlights

During the fiscal year, the City revised the budget on two occasions. 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 \$ 205,200 while expenditures came in higher than budgeted by \$ 19,427 on a budget basis. Overall, the excess of revenues and other financing sources over expenditures were \$ 215,688 which represents a positive outcome.

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 amounted to \$ 587,805 an increase of \$ 397,009. Unrestricted net assets for the Airport Fund reflected a deficit of (\$ 149,394). The net total on the business-type activities for the proprietary funds unrestricted net assets was \$ 438,411. The unrestricted net asset of the internal service fund was \$ 297,233.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2009, the City had \$ 91,660,627 invested in various capital assets, net of accumulated depreciation. Of the \$ 91,660,627 in capital assets, \$ 61,134,397 is invested in governmental activities and \$ 30,526,230 in business-type activities. Compared to last year, total capital assets increased \$ 10,198,716. Capital assets in the governmental activities increased \$ 6,586,638 or 12 percent from the prior year. The largest increase can be identified within construction in progress, with an increase of \$ 5,643,492 from the prior year.

This is attributed to the completion of several projects and the acceptance of capital improvements from developers. The largest increase can be identified within the construction in progress line item with an increase of \$ 5,643,492 from the prior year. Decreases took place in buildings and improvements of \$ 184,449 from prior year. Capital assets in Business-type activities saw an overall increase of \$ 3,612,079.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2009. Additional information on the City's capital assets may be found in Note III-C on pages 54-56 of this report.

Change in Capital Assets (net of depreciation)						
(Amounts expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,296	\$ 2,235	\$ 1,317	\$ 1,315	\$ 3,613	\$ 3,550
Buildings and improvements	7,252	7,438	3,498	3,643	10,750	11,081
Machinery and equipment	1,220	980	128	160	1,348	1,140
Plant Distribution/Collection	-	-	20,997	14,967	20,997	14,967
Infrastructure	42,084	41,256	-	-	42,084	41,256
Construction in progress	8,282	2,639	4,586	6,829	12,868	9,468
Total	<u>\$ 61,134</u>	<u>\$ 54,548</u>	<u>\$ 30,526</u>	<u>\$ 26,914</u>	<u>\$ 91,660</u>	<u>\$ 81,462</u>

Long-Term Debt

At the end of the current fiscal year, the City of Taylor had a total debt outstanding of \$ 46,173,408. 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 \$ 8,614,737 during the current fiscal year, the key factor in this increase was the issuance of certificate of obligation and general obligation refunding bonds.

The following schedule shows the outstanding debt of the City (both current and long-term) for September 30, 2009. Further details can be found in Note III-F to the financial statements.

	Outstanding Debt					
	(amounts expressed in thousands)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 10,583	\$ 10,562	\$ 4,432	\$ 358	\$ 15,015	\$ 10,920
Certificate of Obligation Bonds	7,334	5,008	20,036	17,559	27,370	22,567
Revenue Bonds	-	-	2,675	2,700	2,675	2,700
Other	592	1,338	-	18	592	1,356
Total	\$ 18,509	\$ 16,908	\$ 27,143	\$ 20,635	\$ 45,652	\$ 37,543

The City of Taylor and its Public Utilities Fund both maintain an "A" rating from Standard & Poor's and "A3" rating from Moody's for general obligation and certificate of obligation debt.

Additional information on the City of Taylor's long-term debt can be found on pages 59 through 64 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- ❖ The unemployment for the City, according to Texas Workforce statistics, is 6.7% an increase of 2.0 percent from last year. This is lower than the national average rate of 9.3%.
- ❖ 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 2009-10 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.

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

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

During the fiscal year 2009, unreserved fund balance in the General Fund increased to \$ 3,899,851. 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 \$ 2,538,254. 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 2009-10 is \$ 0.79000 per \$ 100 valuation. Of this tax rate 73.8 percent or \$ 0.57796 is utilized for General Fund activities. The remaining 26.2 percent or \$ 0.21204 is used for debt service. The General Fund's portion of property tax revenue for fiscal year 2009-10 is estimated to be \$ 4,262,798. Sales tax revenue for fiscal year 2009-10 is budgeted at \$ 2,369,000.

The largest revenue source for the Utility Fund is water sales at \$ 3,713,710. The rate for fiscal year 2009-10 is \$ 22.31 as a base rate and \$ 4.55 per 1,000 gallons used. This reflects a ten percent increase from fiscal year 2008-09. The second largest revenue source is sewer charges at \$ 2,226,756 based on a fiscal year 2009-10 base rate of \$ 14.91 plus \$ 4.83 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

BASIC FINANCIAL STATEMENTS

**CITY OF TAYLOR, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Taylor Economic Development
<u>ASSETS</u>				
Cash and cash equivalents	\$ 239,778	\$ 1,150	\$ 240,928	\$ 674,592
Investments	5,096,816	8,798,694	13,895,510	-
Receivables (net of allowances for uncollectibles)-				
Property taxes, including				
interest and penalties	224,263	-	224,263	-
Accounts & other	893,983	823,634	1,717,617	147,980
Sales tax	500,758	-	500,758	-
Internal balances	669,635	(669,635)	-	-
Inventories	-	306,207	306,207	-
Land held for investment	-	-	-	1,550,647
Restricted investments:				
Customer deposits	-	259,897	259,897	-
Deferred charges	229,758	344,535	574,293	-
Deferred amount on refunding bonds	154,199	-	154,199	-
Capital assets:				
Land and construction in progress	10,577,729	5,903,050	16,480,779	-
Capital assets, net of accumulated depreciation	50,556,668	24,623,180	75,179,848	10,405
Total assets	<u>\$ 69,143,587</u>	<u>\$ 40,390,712</u>	<u>\$ 109,534,299</u>	<u>\$ 2,383,624</u>

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Taylor Economic Development
<u>LIABILITIES</u>				
Accounts payable	\$ 1,617,395	\$ 421,461	\$ 2,038,856	\$ 25,418
Accrued payroll	219,316	9,244	228,560	6,216
Unearned revenue	66,689	-	66,689	-
Customer deposits	-	259,897	259,897	-
Accrued interest payable	85,288	167,727	253,015	-
Premium on bonds payable	31,062	28,673	59,735	-
Noncurrent liabilities:				
Due within one year	971,095	691,255	1,662,350	28,284
Due in more than one year	18,026,192	26,468,957	44,495,149	183,409
Total liabilities	<u>21,017,037</u>	<u>28,047,214</u>	<u>49,064,251</u>	<u>243,327</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	43,701,642	11,782,669	55,484,311	10,405
Temporarily restricted for:				
Investments	-	-	-	1,550,647
Debt service	102,626	-	102,626	-
Construction	180,206	-	180,206	-
Cemetery	772,247	-	772,247	-
Unrestricted	3,369,829	560,831	3,930,660	579,245
Total net assets	<u>\$ 48,126,550</u>	<u>\$ 12,343,500</u>	<u>\$ 60,470,050</u>	<u>\$ 2,140,297</u>

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 4,038,624	\$ 2,257,670	\$ -	\$ -
Public safety	4,799,854	308,439	-	-
Public works	3,797,620	-	-	1,230,851
Interest on long-term debt	723,851	-	-	-
Total governmental activities	13,359,949	2,566,109	-	1,230,851
Business-type activities:				
Public utilities fund	5,250,058	5,897,077	-	-
Airport fund	408,404	466,097	-	-
Total business-type activities	5,658,462	6,363,174	-	-
Total primary government	\$ 19,018,411	\$ 8,929,283	\$ -	\$ 1,230,851
Component Unit:				
Taylor Economic Development	\$ 803,926	\$ -	\$ -	\$ -
Total Component Unit	\$ 803,926	\$ -	\$ -	\$ -

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, as restated

Net assets-ending

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Taylor Economic Development	
\$ (1,780,954)	\$ -	\$ (1,780,954)	\$ -	-
(4,491,415)	-	(4,491,415)	-	-
(2,566,769)	-	(2,566,769)	-	-
(723,851)	-	(723,851)	-	-
<u>(9,562,989)</u>	<u>-</u>	<u>(9,562,989)</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	647,019	647,019	-	-
-	57,693	57,693	-	-
-	704,712	704,712	-	-
-	-	-	-	-
<u>(9,562,989)</u>	<u>704,712</u>	<u>(8,858,277)</u>	<u>-</u>	<u>-</u>
-	-	-	(803,926)	-
-	-	-	(803,926)	-
5,741,878	-	5,741,878	-	-
723,591	-	723,591	-	-
2,248,042	-	2,248,042	747,857	-
77,533	-	77,533	-	-
140,589	64,899	205,488	13,654	-
930,977	80,922	1,011,899	87,638	-
1,128,168	(1,128,168)	-	-	-
<u>10,990,778</u>	<u>(982,347)</u>	<u>10,008,431</u>	<u>849,149</u>	<u>-</u>
1,427,789	(277,635)	1,150,154	45,223	-
46,698,761	12,621,135	59,319,896	2,095,074	-
<u>\$ 48,126,550</u>	<u>\$ 12,343,500</u>	<u>\$ 60,470,050</u>	<u>\$ 2,140,297</u>	<u>-</u>

The accompanying notes are an integral part of this statement.

CITY OF TAYLOR, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2009

<u>ASSETS</u>	General Fund	Capital Project Fund	General Capital Improvements
Cash and cash equivalents	\$ 161,475	\$ -	\$ 78,303
Investments	2,805,306	-	1,079,159
Receivables (net of allowances for uncollectibles) -			
Property taxes	171,584	-	-
Accounts and other	312,377	-	581,606
Sales tax	500,758	-	-
Interfund receivables	870,851	17,563	48,933
Total assets	<u>\$ 4,822,351</u>	<u>\$ 17,563</u>	<u>\$ 1,788,001</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 465,621	\$ -	\$ 1,131,804
Accrued payroll	218,606	-	-
Interfund payables	-	-	493,554
Deferred revenue	238,273	-	-
Total liabilities	<u>922,500</u>	<u>-</u>	<u>1,625,358</u>
Fund balances:			
Reserved for debt service	-	-	-
Reserved for construction	-	17,563	162,643
Reserved for cemetery	-	-	-
Unreserved, reported in-			
General fund	3,899,851	-	-
Special revenue funds	-	-	-
Total fund balances	<u>3,899,851</u>	<u>17,563</u>	<u>162,643</u>
Total liabilities and fund balances	<u>\$ 4,822,351</u>	<u>\$ 17,563</u>	<u>\$ 1,788,001</u>

I & S For CO Bonds	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 239,778
171,402	1,040,949	5,096,816
52,679	-	224,263
-	-	893,983
-	-	500,758
-	206,163	1,143,510
<u>\$ 224,081</u>	<u>\$ 1,247,112</u>	<u>\$ 8,099,108</u>
\$ 4,741	\$ 7,912	\$ 1,610,078
-	-	218,606
64,035	74,380	631,969
52,679	-	290,952
<u>121,455</u>	<u>82,292</u>	<u>2,751,605</u>
102,626	-	102,626
-	-	180,206
-	772,247	772,247
-	-	3,899,851
-	392,573	392,573
<u>102,626</u>	<u>1,164,820</u>	<u>5,347,503</u>
<u>\$ 224,081</u>	<u>\$ 1,247,112</u>	<u>\$ 8,099,108</u>

The accompanying notes are an integral part of this statement.



CITY OF TAYLOR, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

Total Fund Balances - Governmental Funds \$ 5,347,503

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. 575,828

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 \$63,211,716 and the accumulated depreciation was \$9,250,552. 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 \$16,777,493 including compensated absences of \$500,229. 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. 37,183,671

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 2009 capital outlays and debt principal payments is to decrease net assets. These include:

Capital outlay	\$	8,407,871	
Principal payments on debt		5,507,627	
Bond issuance		(7,675,000)	
Net other post-employment benefits		(31,838)	
Net decrease in compensated absences		46,694	
	<u>\$</u>	<u>6,255,354</u>	6,255,354

The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (1,727,676)

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	\$	(85,288)	
Uncollected taxes		224,263	
Bond issuance costs		229,758	
Deferred amount on refunding		154,199	
Premium on bond		(31,062)	
	<u>\$</u>	<u>491,870</u>	491,870

Net Assets of Governmental Activities \$ 48,126,550

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, 2009

	General Fund	Capital Project Fund	General Capital Improvements
Revenues:			
Property taxes	\$ 4,263,894	\$ -	\$ -
Sales taxes	2,248,042	-	-
Franchise tax	723,591	-	-
Hotel occupancy tax	-	-	-
Penalties and interest on taxes	54,148	-	-
Licenses, permits and fees	105,591	-	-
Charges for services	1,430,383	-	-
Fines and forfeitures	308,439	-	-
Intergovernmental	90,724	-	902,209
Other revenues	247,858	-	580,172
Investment earnings	45,988	64	50,092
Total revenues	9,518,658	64	1,532,473
Expenditures:			
Current:			
General government	2,557,755	-	-
Public safety	4,214,449	-	-
Public works	3,380,810	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	25,896
Capital outlay	-	23,056	8,192,592
Total expenditures	10,153,014	23,056	8,218,488
Excess (deficiency) of revenues over expenditures	(634,356)	(22,992)	(6,686,015)
Other financing sources (uses):			
Transfers in	970,983	-	111,644
Transfers out	(120,939)	-	-
Premium on bonds issued	-	-	-
General obligation bonds issued	-	-	3,000,000
Refunding bonds issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
Total other financing sources (uses)	850,044	-	3,111,644
Net change in fund balances	215,688	(22,992)	(3,574,371)
Fund balances, beginning of year, as restated	3,684,163	40,555	3,737,014
Fund balances, end of year	\$ 3,899,851	\$ 17,563	\$ 162,643

The accompanying notes are an integral part of this statement.

I & S for CO Bonds	Other Funds	Total Governmental Funds
\$ 1,419,626	\$ 56,662	\$ 5,740,182
-	-	2,248,042
-	-	723,591
-	77,533	77,533
-	-	54,148
-	-	105,591
-	34,284	1,464,667
-	-	308,439
-	34,275	1,027,208
-	47,625	875,655
22,686	21,759	140,589
<u>1,442,312</u>	<u>272,138</u>	<u>12,765,645</u>
-	70,280	2,628,035
-	-	4,214,449
-	-	3,380,810
882,387	25,021	907,408
844,825	-	870,721
-	-	8,215,648
<u>1,727,212</u>	<u>95,301</u>	<u>20,217,071</u>
<u>(284,900)</u>	<u>176,837</u>	<u>(7,451,426)</u>
204,772	-	1,287,399
(18,483)	(30,000)	(169,422)
33,886	-	33,886
-	-	3,000,000
4,675,000	-	4,675,000
(4,662,789)	-	(4,662,789)
<u>232,386</u>	<u>(30,000)</u>	<u>4,164,074</u>
(52,514)	146,837	(3,287,352)
155,140	1,017,983	8,634,855
<u>\$ 102,626</u>	<u>\$ 1,164,820</u>	<u>\$ 5,347,503</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, 2009**

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

Net Change in Fund Balances - Total Governmental Funds	\$	(3,287,352)
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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.		(43,032)
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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 2009 capital outlays and debt principal payments is to decrease net assets.

Capital outlay	\$	8,407,871	
Principal payments on debt		5,507,627	
Bond issuance		(7,675,000)	
Net increase other post-employment benefits		(31,838)	
Net decrease in compensated absences		46,694	
	<u>\$</u>	<u>6,255,354</u>	6,255,354

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.		(1,727,676)
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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	\$	1,695	
Amortization of issuance costs		(17,296)	
Amortization of refunding costs		(14,018)	
Amortization of bond premium		2,824	
Change in accrued interest		14,411	
Debt issuance costs		108,548	
Bond refunding costs		168,217	
Bond premium		(33,886)	
	<u>\$</u>	<u>230,495</u>	<u>230,495</u>

Change in Net Assets of Governmental Activities	\$	<u>1,427,789</u>
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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, 2009

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
Revenues:				
Property taxes	\$ 4,397,579	\$ 4,254,987	\$ 4,263,894	\$ 8,907
Sales taxes	2,460,000	2,300,000	2,248,042	(51,958)
Franchise tax	940,080	932,670	723,591	(209,079)
Penalties and interest on taxes	60,000	60,000	54,148	(5,852)
Licenses, permits and fees	165,000	105,250	105,591	341
Charges for services	1,037,100	1,084,700	1,430,383	345,683
Fines and forfeitures	353,500	319,399	308,439	(10,960)
Intergovernmental	103,000	59,947	90,724	30,777
Other revenues	163,500	137,614	247,858	110,244
Investment earnings	154,750	58,891	45,988	(12,903)
Total revenues	<u>9,834,509</u>	<u>9,313,458</u>	<u>9,518,658</u>	<u>205,200</u>
Expenditures:				
Current:				
General government	2,675,398	2,555,908	2,557,755	(1,847)
Public safety	4,402,915	4,386,183	4,214,449	171,734
Public works	3,191,496	3,191,496	3,380,810	(189,314)
Capital outlay	-	-	-	-
Total expenditures	<u>10,269,809</u>	<u>10,133,587</u>	<u>10,153,014</u>	<u>(19,427)</u>
Excess of revenues over expenditures	<u>(435,300)</u>	<u>(820,129)</u>	<u>(634,356)</u>	<u>185,773</u>
Other financing sources (uses):				
Transfers in	1,300,000	1,157,698	970,983	(186,715)
Transfers out	(700,000)	(700,000)	(120,939)	579,061
Total other financing sources (uses)	<u>600,000</u>	<u>457,698</u>	<u>850,044</u>	<u>392,346</u>
Net change in fund balance	<u>164,700</u>	<u>(362,431)</u>	<u>215,688</u>	<u>578,119</u>
Fund balance, beginning of year, as restated	3,684,163	3,684,163	3,684,163	-
Fund balance, end of year	<u>\$ 3,848,863</u>	<u>\$ 3,321,732</u>	<u>\$ 3,899,851</u>	<u>\$ 578,119</u>

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009**

<u>ASSETS</u>	Business-Type Activities Enterprise Funds		Total	Governmental Activities
	Public	Airport		Internal
	Utilities Fund	Fund		Service Funds
Current assets:				
Cash and cash equivalents	\$ 1,150	\$ -	\$ 1,150	\$ -
Investments	8,798,694	-	8,798,694	-
Restricted investments:				
Customer deposits	259,897	-	259,897	-
Customer receivables (net of allowance for uncollectibles) -	816,252	7,382	823,634	-
Interfund receivables	-	-	-	307,600
Inventories	306,207	-	306,207	-
Total current assets	10,182,200	7,382	10,189,582	307,600
Noncurrent assets:				
Bond issue costs	344,535	-	344,535	-
Capital Assets:				
Land and construction in progress	5,043,217	859,833	5,903,050	-
Capital assets being depreciated	22,027,371	2,595,809	24,623,180	493,039
Total noncurrent assets	27,415,123	3,455,642	30,870,765	493,039
Total assets	\$ 37,597,323	\$ 3,463,024	\$ 41,060,347	\$ 800,639

	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	\$ 421,419	\$ 40	\$ 421,459	\$ 7,317
Accrued payroll	9,102	142	9,244	710
Accrued interest	165,754	1,973	167,727	-
Interfund payables	664,520	154,619	819,139	-
Customer deposits	259,897	-	259,897	-
Bonds payable- current	668,083	20,805	688,888	-
Capital lease payable- current	-	-	-	32,167
Total current liabilities	<u>2,188,775</u>	<u>177,579</u>	<u>2,366,354</u>	<u>40,194</u>
Noncurrent liabilities:				
Accrued compensated absences payable	16,907	-	16,907	2,340
Capital lease payable	-	-	-	-
Premium on bonds payable	28,673	-	28,673	-
Bonds payable	26,137,962	316,455	26,454,417	32,771
Total noncurrent liabilities	<u>26,183,542</u>	<u>316,455</u>	<u>26,499,997</u>	<u>35,111</u>
Total liabilities	<u>28,372,317</u>	<u>494,034</u>	<u>28,866,351</u>	<u>75,305</u>
Net assets:				
Invested in capital assets, net of related debt	8,637,201	3,118,382	11,755,583	428,101
Unrestricted	587,805	(149,394)	438,411	297,233
Total net assets	<u>\$ 9,225,006</u>	<u>\$ 2,968,988</u>	12,193,994	<u>\$ 725,334</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.	149,506
Net assets of business-type activities	<u>\$ 12,343,500</u>



CITY OF TAYLOR, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-Type Activities- Enterprise Funds			Governmental Activities
	Public	Airport	Total	Internal
	Utilities Fund	Fund		Service Funds
Operating revenues :				
Charges for service	\$ -	\$ -	\$ -	\$ 687,413
Charges for water services	3,702,956	-	3,702,956	-
Charges for sewer service	2,208,465	-	2,208,465	-
Charges for airport services	-	466,097	466,097	-
Rents and royalties	36,000	-	36,000	-
Other revenue	18,304	26,618	44,922	1,174
Total operating revenues	5,965,725	492,715	6,458,440	688,587
Operating expenses :				
Personnel services	1,210,695	28,169	1,238,864	125,944
Contractual services	686,043	261,647	947,690	437,554
Supplies	1,353,117	5,192	1,358,309	18,531
Purchased professional and technical services	579	-	579	-
Depreciation	880,798	89,697	970,495	169,926
Total operating expenses	4,131,232	384,705	4,515,937	751,955
Operating income (loss)	1,834,493	108,010	1,942,503	(63,368)
Non-operating revenues (expenses) :				
Investment earnings	64,899	-	64,899	-
Interest expense	(1,118,826)	(23,699)	(1,142,525)	(4,200)
Total Non-operating revenues (expenses)	(1,053,927)	(23,699)	(1,077,626)	(4,200)
Income (loss) before transfers	780,566	84,311	864,877	(67,568)
Transfers in	-	-	-	10,191
Transfers out	(1,098,168)	(30,000)	(1,128,168)	-
Change in net assets	(317,602)	54,311	(263,291)	(57,377)
Total Net Assets - beginning of year	9,542,608	2,914,677	12,457,285	782,711
Total Net Assets - end of year	<u>\$ 9,225,006</u>	<u>\$ 2,968,988</u>	<u>\$ 12,193,994</u>	<u>\$ 725,334</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(14,344)	
Change in net assets of business-type activities			<u>\$ (277,635)</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, 2009

	Business Type Activities- Enterprise Funds			Governmental Activities
	Public Utilities	Airport	Total	Internal
	Fund	Fund		Service Funds
Cash flows from operating activities:				
Cash received from user charges	\$ 6,066,501	\$ 466,212	\$ 6,532,713	\$ -
Cash received from other funds for services provided	-	-	-	687,413
Cash received from others	54,304	26,618	80,922	1,174
Cash payments to suppliers	(2,201,199)	(267,724)	(2,468,923)	(458,360)
Cash payments to employees	(1,214,179)	(28,025)	(1,242,204)	(125,571)
Net cash provided by operating activities	<u>2,705,427</u>	<u>197,081</u>	<u>2,902,508</u>	<u>104,656</u>
Cash flows from noncapital financing activities:				
Decrease in amounts due from other funds	(255,983)	(122,362)	(378,345)	28,293
Transfers from other funds	(1,098,168)	(30,000)	(1,128,168)	10,191
Net cash provided (used) by noncapital financing activities	<u>(1,354,151)</u>	<u>(152,362)</u>	<u>(1,506,513)</u>	<u>38,484</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets, net of disposals	(4,582,573)	-	(4,582,573)	(76,370)
Issuance of debt	10,935,000	-	10,935,000	-
Bond premium	31,279	-	31,279	-
Bond issue costs	(327,747)	-	(327,747)	-
Principal paid on debt	(4,388,352)	(20,805)	(4,409,157)	(62,570)
Interest and fiscal charges paid	(1,025,302)	(23,914)	(1,049,216)	(4,200)
Net cash provided (used) by capital and related financing activities	<u>642,305</u>	<u>(44,719)</u>	<u>597,586</u>	<u>(143,140)</u>
Cash flows from investing activities:				
Net purchase of investments	(2,058,380)	-	(2,058,380)	-
Investment and other income	64,899	-	64,899	-
Net cash used by investing activities	<u>(1,993,481)</u>	<u>-</u>	<u>(1,993,481)</u>	<u>-</u>
Net increase in cash and cash equivalents	100	-	100	-
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>\$ 1,150</u>	<u>\$ -</u>	<u>\$ 1,150</u>	<u>\$ -</u>

(Continued)

CITY OF TAYLOR, TEXAS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-Type Activities		Total	Governmental
	Enterprise Funds			Activities
	Public Utilities Fund	Airport Fund		Internal Service Funds
<u>Reconciliation of operating income to net cash provided by operating activities</u>				
Operating income (loss)	\$ 1,834,493	\$ 108,010	\$ 1,942,503	\$ (63,368)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	880,798	89,697	970,495	169,926
(Increase) decrease in receivables	155,080	115	155,195	-
Increase in inventories	(241,890)	-	(241,890)	-
Increase (decrease) in accounts payable	80,430	(885)	79,545	(2,275)
Increase (decrease) in accrued payroll and compensated absences	(3,484)	144	(3,340)	373
Total adjustments	<u>870,934</u>	<u>89,071</u>	<u>960,005</u>	<u>168,024</u>
Net cash provided by operating activities	<u>\$ 2,705,427</u>	<u>\$ 197,081</u>	<u>\$ 2,902,508</u>	<u>\$ 104,656</u>

The accompanying notes are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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, account groups, 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, appoint 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, 2009

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, 2009

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, the capital project fund, 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** accounts for financial resources in use for general types of operations, which are not encompassed within other funds.

Capital Project Fund - The capital projects fund is used to account for the following major construction and acquisition projects: Murphy Dam and Dickey Street.

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, and Dickey Street Phase III, and Cemetery improvements.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. GOVERNMENTAL FUND TYPES (CONTINUED)

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 in a debt service fund.

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/wastewater services provided by the City are accounted for in the Public Utilities Fund.

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/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, 2009

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 unearned 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, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BASIS OF ACCOUNTING (CONTINUED)

Governmental Funds (Continued)

Revenue Recognition (Continued)

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned 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 unearned 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, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. CASH AND CASH EQUIVALENTS

In accordance with GASB Statement 9, for reporting purposes, the City has developed a definition of cash equivalents. 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 original maturities of three months or less.

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. 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, 2009

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. UNPAID COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned unused vacation. The City provides vacation of five, ten or fifteen days per year depending upon the employee's years of service. A maximum of fifteen days may be carried forward. All vacation benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. TRANSACTIONS BETWEEN FUNDS

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. 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.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

P. RECLASSIFICATIONS

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

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.

C. DEFICIT NET ASSETS/FUND BALANCE

The Airport Fund had an unrestricted net assets deficit of \$ 149,394 at September 30, 2009.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

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, 2009**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

As of September 30, 2009, the City's deposit balances were as follows:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
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	186,513	424,492	611,005
3. Uninsured and uncollateralized	-	-	-
Total Deposits	<u>\$ 436,513</u>	<u>\$ 674,492</u>	<u>\$ 1,111,005</u>
Carrying Amount	<u>\$ 238,678</u>	<u>\$ 702,759</u>	<u>\$ 941,437</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, 2009

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Policies Covering Deposits and Investments (continued)

5. Credit Risk – In compliance with the City’s Investment Policy, as of September 30, 2009 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, 2009, the City had the following investments:

	Carrying Amount	Fair Value
<u>Primary Government</u>		
U. S. Government Bonds	\$ 1,463,290	\$ 1,463,290
Investment Pools:		
MBIA	30,278	30,278
TexPool	10,083,558	10,083,558
TexSTAR	2,578,281	2,578,281
Total investment in pools:	\$ 12,692,117	\$ 12,692,117
Total investments	\$ 14,155,407	\$ 14,155,407

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, 2009

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 2009 were of the aforementioned categories. There are no positions of 5 percent or more in the securities of a single issuer.

B. PROPERTY TAXES AND RECEIVABLES

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. Williamson County bills and collects the City's property taxes.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS

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

	October 1, 2008	Additions/ Completions	Retirements/ Adjustments	September 30, 2009
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,235,469	\$ 75,172	\$ (15,000)	\$ 2,295,641
Construction in progress	2,638,596	7,627,394	(1,983,902)	8,282,088
Total capital assets not being depreciated	<u>4,874,065</u>	<u>7,702,566</u>	<u>(1,998,902)</u>	<u>10,577,729</u>
Capital assets being depreciated:				
Streets and bridges	41,383,974	2,332,061	-	43,716,035
Parks and Dams	3,911,302	330,035	-	4,241,337
Sidewalks, Curbs and Gutters	1,069,350	-	-	1,069,350
Buildings and improvements	8,550,926	38,533	-	8,589,459
Operating Equipment	3,422,099	15,578	(239,843)	3,197,834
Equipment in Internal Service Funds	1,185,490	76,370	-	1,261,860
Total capital assets being depreciated	<u>59,523,141</u>	<u>2,792,577</u>	<u>(239,843)</u>	<u>62,075,875</u>
Less accumulated depreciation for:				
Streets and bridges	5,183,368	1,101,156	-	6,284,524
Parks and Dams	351,063	120,478	-	471,541
Sidewalks, Curbs and Gutters	160,370	26,734	-	187,104
Buildings and improvements	1,113,580	222,982	-	1,336,562
Operating Equipment	2,442,171	256,327	(227,843)	2,470,655
Equipment in Internal Service Funds	598,895	169,926	-	768,821
Total accumulated depreciation	<u>9,849,447</u>	<u>1,897,603</u>	<u>(227,843)</u>	<u>11,519,207</u>
Total capital assets being depreciated, net	<u>49,673,694</u>	<u>894,974</u>	<u>(12,000)</u>	<u>50,556,668</u>
Governmental activities capital assets, net	<u>\$ 54,547,759</u>	<u>\$ 8,597,540</u>	<u>\$ (2,010,902)</u>	<u>\$ 61,134,397</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

	October 1, 2008	Additions/ Completions	Retirements/ Adjustments	September 30, 2009
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,315,246	\$ 1,789	\$ -	\$ 1,317,035
Construction in progress	6,829,041	3,964,240	(6,207,266)	4,586,015
Total capital assets not being depreciated	<u>8,144,287</u>	<u>3,966,029</u>	<u>(6,207,266)</u>	<u>5,903,050</u>
Capital assets being depreciated:				
Plant distribution and collection	24,414,396	6,823,810	-	31,238,206
Buildings	3,338,411	-	-	3,338,411
Runway	2,003,709	-	-	2,003,709
Equipment	1,075,893	-	-	1,075,893
Total capital assets being depreciated	<u>30,832,409</u>	<u>6,823,810</u>	<u>-</u>	<u>37,656,219</u>
Less accumulated depreciation for:				
Plant distribution and collection	9,447,104	793,670	-	10,240,774
Buildings	1,428,464	94,925	-	1,523,389
Runway	270,708	50,093	-	320,801
Equipment	916,268	31,807	-	948,075
Total accumulated depreciation	<u>12,062,544</u>	<u>970,495</u>	<u>-</u>	<u>13,033,039</u>
Total capital assets being depreciated, net	<u>18,769,865</u>	<u>5,853,315</u>	<u>-</u>	<u>24,623,180</u>
Business-type activities capital assets, net	<u>\$ 26,914,152</u>	<u>\$ 9,819,344</u>	<u>\$ (6,207,266)</u>	<u>\$ 30,526,230</u>

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

Governmental activities:	
General government	\$ 621,964
Public safety	639,240
Public works	466,473
Internal service funds	169,926
Total depreciation expense-governmental activities	<u>\$ 1,897,603</u>
Business-type activities:	
Public Utilities Fund	\$ 880,798
Airport Fund	89,697
Total depreciation expense-business-type activities	<u>\$ 970,495</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

Changes in capital assets for the Taylor Economic Development Corporation for the year ended September 30, 2009 are as follows:

	October 1, 2008	Additions	Deletions	September 30, 2009
Office Equipment	\$ 39,772	\$ -	\$ (1,208)	\$ 38,564
Less accumulated depreciation	(22,241)	(6,402)	484	(28,159)
	<u>\$ 17,531</u>	<u>\$ (6,402)</u>	<u>\$ (724)</u>	<u>\$ 10,405</u>

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	\$ 870,851
Capital Project Funds	66,496

Nonmajor special revenue funds:

Hotel/Motel Fund	57,290
Texas Capital Fund	6,337
Main Street Revenue Fund	33,701
Cemetery Land Purchases	41,125
Municipal Court Special Fee	67,710
Nonmajor Special Revenue Funds	<u>206,163</u>

Nonmajor Internal Service Funds:

Equipment Services Fund	23,061
Equipment Replacement Fund	220,614
Civil Service Sick Leave Fund	63,925
Nonmajor Internal Service Funds:	<u>307,600</u>

Total Due From Other Funds

\$ 1,451,110

Payables:

Major Funds:

General Capital Improvements	\$ 493,554
I&S For CO Bonds	64,037
Public Utilities Fund	664,520
Airport Fund	154,619

Non Major Funds:

Cemetery Permanent Fund	74,380
Total Due to Other Funds	<u>\$ 1,451,110</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. INTERFUND ACTIVITIES (CONTINUED)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund -		
Civil Service Sick Leave Fund	\$ -	\$ 10,191
Cemetery Permanent Fund	30,000	-
Major General Capital Improvements	-	110,748
Major General I&S for CO Bonds	18,483	-
Major Airport Fund	30,000	-
Major Water Fund	892,500	-
	<u>970,983</u>	<u>120,939</u>
Cemetery Permanent Fund-		
General Fund	-	30,000
Civil Service Sick Leave Fund		
General Fund	10,191	-
Major General Capital Improvements		
General Fund	110,748	-
Major Water Fund	896	-
	<u>111,644</u>	<u>-</u>
Major General I&S for CO Bonds		
Major Water Fund	<u>204,772</u>	<u>18,483</u>
Major Airport Fund		
General Fund	-	30,000
Major Water Fund		
General Fund	-	892,500
Major General Capital Improvements	-	896
Major General I&S for CO Bonds	-	204,772
	<u>-</u>	<u>1,098,168</u>
	<u>\$ 1,297,590</u>	<u>\$ 1,297,590</u>

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, 2009

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2009, in the Statement of Net Assets were as follows:

	Property (Net of Allowance)	Accounts and Other	Sales Tax	Total Receivables
General Fund	\$ 171,584	\$ 312,377	\$ 500,758	\$ 984,719
General Capital Improvements	-	581,606	-	581,606
I & S for CO Bonds	52,679	-	-	52,679
Public Utilities Fund	-	816,252	-	816,252
Airport Fund	-	7,382	-	7,382
Total	\$ 224,263	\$ 1,717,617	\$ 500,758	\$ 2,442,638

Payables at September 30, 2009, in the Statement of Net Assets were as follows:

	Accounts Payable	Accrued Payroll	Deposits	Accrued Interest	Total Payables
General Fund	\$ 465,621	\$ 218,606	\$ -	\$ 85,288	\$ 769,515
Capital Project Fund	-	-	-	-	-
General Capital Improvements	1,131,804	-	-	-	1,131,804
I & S for CO Bonds	4,741	-	-	-	4,741
Nonmajor Governmental Funds	7,912	-	-	-	7,912
Internal Service Fund	7,317	710	-	-	8,027
Public Utilities Fund	421,421	9,102	259,897	165,754	856,174
Airport Fund	40	142	-	1,973	2,155
Total	\$ 2,038,856	\$ 228,560	\$ 259,897	\$ 253,015	\$ 2,780,328

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

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, 2009:

	Balance October 1, 2008	Additions	Retirements	Balance September 30, 2009	Due within one year
<u>Governmental Activities</u>					
General obligation bonds	\$ 10,666,935	\$ 4,675,000	\$ (4,759,195)	\$ 10,582,740	\$ 704,195
Certificates of Obligation	5,008,320	3,000,000	(674,365)	7,333,955	111,917
Motorola Capital Lease	381,545	-	(49,046)	332,499	50,762
Texas Department of Commerce Obligation	220,464	-	(25,021)	195,443	25,021
LaSalle Bank Capital Lease	127,507	-	(62,570)	64,937	32,167
Other post employment benefits	-	31,838	-	31,838	-
Compensated absences	500,229	181,118	(227,812)	453,535	46,694
Compensated absences -internal service fund	2,678	3,091	(3,429)	2,340	339
Total governmental activities	<u>16,907,678</u>	<u>7,891,047</u>	<u>(5,801,438)</u>	<u>18,997,287</u>	<u>971,095</u>
<u>Business-Type Activities</u>					
Combination Tax and Revenue Bonds	20,259,397	6,615,000	(4,163,352)	22,711,045	453,083
General obligation bonds	358,065	4,320,000	(245,805)	4,432,260	235,805
Compensated absences	17,622	32,158	(32,873)	16,907	2,367
Total business-type activities	<u>20,635,084</u>	<u>10,967,158</u>	<u>(4,442,030)</u>	<u>27,160,212</u>	<u>691,255</u>
Total primary government	<u>\$ 37,542,762</u>	<u>\$ 18,858,205</u>	<u>\$ (10,243,468)</u>	<u>\$ 46,157,499</u>	<u>\$ 1,662,350</u>
<u>Component Unit</u>					
Compensated absences	\$ 5,807	\$ 3,179	\$ -	\$ 8,986	\$ -
JP Morgan Chase Note	442,384	-	(239,677)	202,707	28,284
	<u>\$ 448,191</u>	<u>\$ 3,179</u>	<u>\$ (239,677)</u>	<u>\$ 211,693</u>	<u>\$ 28,284</u>

Liabilities for accrued compensated absences are funded from general revenues for the governmental activities and program revenues for the business-type activities.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Long-term debt at September 30, 2009 is comprised of the following:

	Governmental Type Activities	Business - Type Activities
General Obligation bonds:		
\$ 2,400,000 General Obligation Bonds, Series 2000, refunded in 2009 with one remaining payment due in 2010, interest at 4.9% to 5.5%	\$ 115,000	\$ -
\$ 1,604,955 General Obligation Refunding and Improvement Bonds, Series 2002, due in annual installments through 2022, interest at 4.25% to 5%	1,202,740	-
\$ 5,100,000 General Obligation Bonds, Series 2005, due in installments through 2025, interest at 3% to 4.3%	4,865,000	
\$ 8,995,000 General Obligation Refunding Bonds, Series 2009, due in installments through 2029, interest at 2% to 4%	4,400,000	4,095,000
\$ 450,545 General Obligation Refunding and Improvement Bonds, Series 2002, due in annual installments through 2022, interest at 4.25% to 5.00%	-	337,260
Total General Obligation bonds	10,582,740	4,432,260
Combination Tax and Revenue/Certificates of Obligation:		
\$ 3,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2000, refunded in 2009 with one remaining payment due in 2010, interest at 4.9% to 5.5%	15,113	-
\$ 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%	1,228,842	-
\$ 2,950,000 Waterworks and Sewer System Revenue Bonds, Series 1997, due in annual installments through 2017, interest at 3.16% to 4.41%	-	2,675,000
\$ 3,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2000, due in annual installments through 2020, interest at 4.9% to 5.5%	-	154,887
\$ 4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through 2023, interest at 3% to 4.65%	-	2,266,158
\$ 4,200,000 Combination Tax and Revenue Certificates of Obligation, Series 2006, due in annual installments through 2026, interest at 4.45%	105,000	4,000,000

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

	Governmental Type Activities	Business - Type Activities
	<u> </u>	<u> </u>
\$ 10,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2007, due in annual installments through 2027, interest at 3.83%	\$ 2,985,000	\$ 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	6,615,000
Total Combination Tax and Revenue/Certificates of Obligation Texas Department of Commerce:	<u>\$ 7,333,955</u>	<u>\$ 22,711,045</u>
\$ 499,931 Obligation to the Texas Department of Commerce Texas Capital Fund, due in monthly installments of \$ 2,085 through January 2017	195,443	-
Capital Leases Payable:		
\$ 507,323 Capital Lease Payable to LaSalle Bank, due in semi-annual installments through 2010, interest at 4%	64,937	-
\$ 381,545 Capital Lease Payable to Motorola, due in annual installments of \$ 66,400 through 2015, interest at 3.5%	332,499	-
Total Capital Leases Payable	<u>397,436</u>	<u>-</u>
Compensated absences	455,875	16,907
Other post employment benefits	31,838	-
Total Debt	<u>\$ 18,997,287</u>	<u>\$ 27,160,212</u>

The annual requirements to amortize bonded, certificates of obligation, loan and lease debt at September 30, 2009 including interest are as follows:

General Obligation Bonds

Year Ending September 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 704,195	\$ 390,161	\$ 235,805	\$ 345,286	\$ 1,675,447
2011	732,005	367,314	537,995	333,902	1,971,216
2012	752,005	346,929	542,995	321,374	1,963,303
2013	775,910	325,762	554,090	308,474	1,964,236
2014	798,720	301,539	566,280	294,802	1,961,341
2015-2019	3,755,460	1,081,279	1,654,540	1,287,717	7,778,996
2020-2024	2,729,445	403,182	340,555	231,480	3,704,662
2025 - 2026	335,000	14,405	-	-	349,405
Total	<u>\$ 10,582,740</u>	<u>\$ 3,230,571</u>	<u>\$ 4,432,260</u>	<u>\$ 3,123,035</u>	<u>\$ 21,368,606</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Certificates of Obligation

Year Ending September 30	Governmental Activities		Business - type Activities		Total
	Principal	Interest	Principal	Interest	
2010	\$ 111,917	\$ 284,388	\$ 453,083	\$ 996,525	\$ 1,845,913
2011	108,562	278,908	546,438	962,541	1,896,449
2012	112,078	273,940	567,922	934,329	1,888,269
2013	115,594	269,249	594,406	904,761	1,884,010
2014	124,110	264,349	620,890	874,219	1,883,568
2015-2019	1,264,500	1,213,181	4,990,500	3,810,906	11,279,087
2020-2024	3,047,194	949,615	7,677,806	2,616,973	14,291,588
2025-2028	2,450,000	299,124	7,260,000	810,766	10,819,890
Total	\$ 7,333,955	\$ 3,832,754	\$ 22,711,045	\$ 11,911,020	\$ 45,788,774

Capital Leases Payable

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2010	\$ 82,928	\$ 14,665	\$ 97,593
2011	85,309	10,475	95,784
2012	54,378	8,022	62,400
2013	56,281	6,119	62,400
2014	58,251	4,149	62,400
2015	60,289	2,110	62,399
Total	\$ 397,436	\$ 45,540	\$ 442,976

In fiscal year 2008, the City entered into a capital lease in which \$ 381,545 of equipment was purchased and placed into service during fiscal year 2008.

**CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Notes Payable

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2010	\$ 25,021	\$ -	\$ 25,021
2011	25,021	-	25,021
2012	25,021	-	25,021
2013	25,020	-	25,020
2014	25,020	-	25,020
2015-2017	70,340	-	70,340
Total	<u>\$ 195,443</u>	<u>\$ -</u>	<u>\$ 195,443</u>

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, 2009.

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, 2009

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

During fiscal year ended 2009, the City issued \$ 8,995,000 in General Obligation Refunding Bonds with interest rate of 2 to 4 percent to refund and legally defease \$ 1,835,000 of Combination Tax and Revenue Certificates of Obligation Bonds, Series 1996; \$ 2,600,000 of General Obligation Bonds, Series 1998; \$ 318,653 of Combination Tax and Revenue Certificates of Obligations, Series 1999; \$ 1,545,000 of General Obligation Bonds, Series 2000; and \$ 2,240,000 of Combination Tax and Revenue Certificates of Obligations, Series 2000. The net proceeds of \$ 8,919,702 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunding portion of the series bonds referred to above. It is bond counsel's opinion that the advanced refunding is a legal defeasance, and the holders of the refunded obligations may obtain payment of principal and interest solely from the funds of the irrevocable trust. As a result, the refunded portions of the bonds referred to above have been excluded from the statement of net assets and long-term obligations of the water and sewer enterprise fund.

This refund reduced the City's aggregate debt service payments by \$ 550,379 over a period beginning fiscal year 2008-2009 and ending with the fiscal year 2012-2013. This refunding allowed the City of Taylor to obtain an economic gain of \$ 362,566.

The City also issued \$ 9,615,000 of Combination Tax and Revenue Certificates of Obligation bonds during the fiscal year; \$ 6,615,000 of which is Revenue Bonds issued in the water and sewer enterprise fund, constituting the revenue bond portion of the total \$ 9,615,000. The other \$ 3,000,000 is tax supported debt in the governmental funds.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. PRIOR PERIOD ADJUSTMENT

The City is restating net assets as of October 1, 2008 due to recognizing sales tax revenue paid to the Component Unit out of the accrual sales tax revenue at year end.

	Net Assets	Fund Balance
Balance, October 1, 2008, as previously recorded	\$ 46,823,951	\$ 3,809,353
Sales tax adjustment	(125,190)	(125,190)
Balance, October 1, 2008, as restated	\$ 46,698,761	\$ 3,684,163

The Component Unit is restating its net asset as of October 1, 2008 due to recognizing sales tax revenue susceptible to the accrual method.

Net Assets, October 1, 2008, as previously reported	\$ 1,957,335
Accrue sales tax revenue	137,739
Net Assets, October 1, 2008, as restated	\$ 2,095,074

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.

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.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

IV. OTHER INFORMATION (CONTINUED)

A. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Deferred Compensation Plan (Continued)

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 is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. The City uses various commercial carriers to insure against these risks. Settled claims did not exceed the coverage for any of the past three fiscal years.

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.

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.

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:

**CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009**

IV. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Plan Description (Continued)

	Plan Year 2008	Plan Year 2009
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.

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.

**CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009**

IV. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Three-Year Trend Information

	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed
9/30/2007	\$ 544,083	\$ 544,083	100%
9/30/2008	598,277	598,277	100%
9/30/2009	716,043	716,043	100%

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

Schedule of Actuarial Valuations

	12/31/2006	12/31/2007	12/31/2008
Actuarial Cost Method	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	25 years; open period	30 years; closed period	30 years; closed period
Assets Valuation Method	Amortized cost	Amortized cost	Amortized cost
Actuarial Assumptions:			
Investment Rate of Return	7.0%	7.0%	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	NA	2.1%	2.1%

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Schedule of Funding Progress

	<u>12/31/2006</u>	<u>12/31/2007</u>	<u>12/31/2008</u>
Actuarial Value of Assets	\$ 6,202,873	7,120,843	\$ 7,633,245
Actuarial Accrued Liability (AAL)	\$ 9,807,829	12,742,809	\$ 13,489,051
Funded Ratio	63.24%	55.88%	56.59%
Unfunded AAL (UAAL)	\$ 3,604,956	5,621,966	\$ 5,855,806
Covered Payroll	\$ 5,368,408	5,590,867	\$ 5,964,804
UAAL as a Percentage of Covered Payroll	67.15%	100.56%	98.17%

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 2008</u>	<u>Plan Year 2009</u>
Active employees	Yes	Yes
Retirees	Yes	Yes

**CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009**

V. 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 2009, 2008 and 2007 were \$ 16,593, \$ 16,701 and \$ 16,214, 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
2006	0.08%	0.08%	100.00%
2007	0.08%	0.08%	100.00%
2008	0.08%	0.08%	100.00%
2009	0.09%	0.09%	100.00%

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2009

VI. 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 5th 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 5th 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 5th 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, 2009**

VII. 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, 2009**

VI. 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, 2009**

VI. 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 for the fiscal year ended September 30, 2009, is as follows:

	OPEB
Annual Required Contribution	\$ 59,719
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	59,719
Contributions made (pay as you go)	(27,881)
Net OPEB obligation	\$ 31,838

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
Remaining Amortization Period	30 years
Assumed Rate of Return on Investments	4.50%
Health Care Cost Trend Rate	10.0% in 2008, 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, 2009, 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
	9/30/2008	\$ -	\$ 422,576	\$ 422,576	0.00%	\$ 5,964,804	1.10%
	9/30/2009			not available			

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TAYLOR, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2009**

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	\$ 6,202,873	\$ 9,807,829	\$ 3,604,956	63.24%	\$ 5,368,408	67.15%
	12/31/07	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%
<u>Other Post-employment Benefits</u>							
	9/30/2008	\$ -	\$ 422,576	\$ 422,576	0.00%	\$ 5,964,804	1.10%
	9/30/2009			not available			

NONMAJOR GOVERNMENTAL FUNDS

**CITY OF TAYLOR, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	Hotel/ Motel Fund	Texas Capital Fund	Main Street Revenue Fund	Cemetery Land Purchases	Municipal Court Special Fee
<u>ASSETS</u>					
Investments	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund receivables	57,290	6,337	33,701	41,125	67,710
Total assets	<u>\$ 57,290</u>	<u>\$ 6,337</u>	<u>\$ 33,701</u>	<u>\$ 41,125</u>	<u>\$ 67,710</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 7,832	\$ 80	\$ -	\$ -	\$ -
Interfund payables	-	-	-	-	-
Total liabilities	<u>7,832</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved for cemetery	-	-	-	-	-
Unreserved - undesignated	49,458	6,257	33,701	41,125	67,710
Total fund balances	<u>49,458</u>	<u>6,257</u>	<u>33,701</u>	<u>41,125</u>	<u>67,710</u>
Total liabilities and fund balances	<u>\$ 57,290</u>	<u>\$ 6,337</u>	<u>\$ 33,701</u>	<u>\$ 41,125</u>	<u>\$ 67,710</u>

TIF Fund	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
\$ 194,322	\$ 194,322	\$ 846,627	\$ 1,040,949
<u>-</u>	<u>206,163</u>	<u>-</u>	<u>206,163</u>
<u>\$ 194,322</u>	<u>\$ 400,485</u>	<u>\$ 846,627</u>	<u>\$ 1,247,112</u>
\$ -	\$ 7,912	\$ -	\$ 7,912
<u>-</u>	<u>-</u>	<u>74,380</u>	<u>74,380</u>
<u>-</u>	<u>7,912</u>	<u>74,380</u>	<u>82,292</u>
-	-	772,247	772,247
<u>194,322</u>	<u>392,573</u>	<u>-</u>	<u>392,573</u>
<u>194,322</u>	<u>392,573</u>	<u>772,247</u>	<u>1,164,820</u>
<u>\$ 194,322</u>	<u>\$ 400,485</u>	<u>\$ 846,627</u>	<u>\$ 1,247,112</u>

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Hotel/ Motel Fund	Texas Capital Fund	Main Street Revenue Fund	Cemetery Land Purchases	Municipal Court Special Fee
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	2,442	19,631
Hotel occupancy tax	77,533	-	-	-	-
Investment revenue	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Other revenue	2,500	25,021	20,104	-	-
Total revenues	80,033	25,021	20,104	2,442	19,631
Expenditures:					
Current					
General government	57,495	-	10,653	-	2,072
Debt service: principal	-	25,021	-	-	-
Total expenditures	57,495	25,021	10,653	-	2,072
Excess (deficiency) of revenues over expenditures	22,538	-	9,451	2,442	17,559
Other financing uses:					
Transfers out	-	-	-	-	-
Total other financing uses	-	-	-	-	-
Net change in fund balances	22,538	-	9,451	2,442	17,559
Fund balances, beginning of year	26,920	6,257	24,250	38,683	50,151
Fund balances, end of year	\$ 49,458	\$ 6,257	\$ 33,701	\$ 41,125	\$ 67,710

TIF Fund	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
\$ 56,662	\$ 56,662	\$ -	\$ 56,662
-	22,073	12,211	34,284
-	77,533	-	77,533
965	965	20,794	21,759
34,275	34,275	-	34,275
-	47,625	-	47,625
<u>91,902</u>	<u>239,133</u>	<u>33,005</u>	<u>272,138</u>
-	70,220	60	70,280
-	25,021	-	25,021
-	<u>95,241</u>	<u>60</u>	<u>95,301</u>
<u>91,902</u>	<u>143,892</u>	<u>32,945</u>	<u>176,837</u>
-	-	(30,000)	(30,000)
-	-	(30,000)	(30,000)
91,902	143,892	2,945	146,837
<u>102,420</u>	<u>248,681</u>	<u>769,302</u>	<u>1,017,983</u>
<u>\$ 194,322</u>	<u>\$ 392,573</u>	<u>\$ 772,247</u>	<u>\$ 1,164,820</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, 2009

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Hotel occupancy tax	\$ 80,000	\$ 80,000	\$ 77,533	\$ (2,467)
Other revenues	-	-	2,500	(2,500)
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>80,033</u>	<u>(4,967)</u>
Expenditures:				
Current				
General government	60,000	60,000	57,495	2,505
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>57,495</u>	<u>2,505</u>
Excess of revenues over expenditures	<u>20,000</u>	<u>20,000</u>	<u>22,538</u>	<u>(2,462)</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>	22,538	<u>\$ 2,538</u>
Fund balance, October 1, 2008			<u>26,920</u>	
Fund balance, September 30, 2009			<u>\$ 49,458</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, 2009

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Other revenues	\$ 25,021	\$ 25,021	\$ 25,021	\$ -
Total revenues	<u>25,021</u>	<u>25,021</u>	<u>25,021</u>	<u>-</u>
Expenditures:				
Debt service				
Principal retirement	25,021	25,021	25,021	-
Total expenditures	<u>25,021</u>	<u>25,021</u>	<u>25,021</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, October 1, 2008			<u>6,257</u>	
Fund balance, September 30, 2009			<u>\$ 6,257</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, 2009

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Other revenue	\$ 13,000	\$ 13,000	20,104	\$ 7,104
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>20,104</u>	<u>7,104</u>
Expenditures:				
Current				
General government	18,500	18,500	10,653	7,847
Total expenditures	<u>18,500</u>	<u>18,500</u>	<u>10,653</u>	<u>7,847</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (5,500)</u>	<u>\$ (5,500)</u>	9,451	<u>\$ 14,951</u>
Fund balance, October 1, 2008			<u>24,250</u>	
Fund balance, September 30, 2009			<u>\$ 33,701</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, 2009**

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 3,000	\$ 3,000	\$ 2,442	\$ 558
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>2,442</u>	<u>558</u>
Excess of revenues over expenditures	<u>\$ 3,000</u>	<u>\$ 3,000</u>	2,442	<u>(558)</u>
Fund balance, October 1, 2008			<u>38,683</u>	
Fund balance, September 30, 2009			<u>\$ 41,125</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, 2009**

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 17,500	\$ 17,500	\$ 19,631	\$ (2,131)
Total revenues	<u>17,500</u>	<u>17,500</u>	<u>19,631</u>	<u>(2,131)</u>
Expenditures:				
Current				
General government	9,300	9,300	2,072	7,228
Total expenditures	<u>9,300</u>	<u>9,300</u>	<u>2,072</u>	<u>7,228</u>
Excess of revenues over expenditures	<u>\$ 8,200</u>	<u>\$ 8,200</u>	17,559	<u>\$ 5,097</u>
Fund balance, October 1, 2008			<u>50,151</u>	
Fund balance, September 30, 2009			<u>\$ 67,710</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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes				
including interest and penalties	\$ 61,729	\$ 61,729	\$ 56,662	\$ 5,067
Investment and other	1,300	1,300	965	(335)
Intergovernmental	36,600	36,600	34,275	(2,325)
Total revenues	<u>63,029</u>	<u>99,629</u>	<u>91,902</u>	<u>2,407</u>
Excess of revenues over expenditures	<u>\$ 63,029</u>	<u>\$ 99,629</u>	91,902	<u>\$ (7,727)</u>
Fund balance, October 1, 2008			<u>102,420</u>	
Fund balance, September 30, 2009			<u>\$ 194,322</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, 2009

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 14,500	\$ 14,500	\$ 12,211	\$ (2,289)
Investment	30,000	30,000	20,794	(9,206)
Total revenues	<u>44,500</u>	<u>44,500</u>	<u>33,005</u>	<u>(11,495)</u>
Expenditures:				
Current				
General government	50	50	60	(10)
Total expenditures	<u>50</u>	<u>50</u>	<u>60</u>	<u>(10)</u>
Excess (deficiency) of revenues over expenditures	<u>44,450</u>	<u>44,450</u>	<u>32,945</u>	<u>(11,505)</u>
Other financing uses				
Transfers out	30,000	30,000	30,000	-
Total financing uses	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	<u>\$ 14,450</u>	<u>\$ 14,450</u>	<u>2,945</u>	<u>\$ (11,505)</u>
Fund balance, October 1, 2008			<u>769,302</u>	
Fund balance, September 30, 2009			<u>\$ 772,247</u>	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
I & S FOR CO BONDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Property taxes				
including interest and penalties	\$ 1,383,394	\$ 1,435,092	\$ 1,419,626	\$ (15,466)
Investment	14,000	3,800	22,686	18,886
Total revenues	<u>1,397,394</u>	<u>1,438,892</u>	<u>1,442,312</u>	<u>3,420</u>
Expenditures:				
Current				
General government	5,000	5,000	-	5,000
Debt service				
Principal retirement	695,771	770,771	882,387	(111,616)
Interest and fiscal charges	687,623	703,528	844,825	(141,297)
Total expenditures	<u>1,388,394</u>	<u>1,479,299</u>	<u>1,727,212</u>	<u>(247,913)</u>
Excess (deficiency) of revenues over expenditures	<u>9,000</u>	<u>(40,407)</u>	<u>(284,900)</u>	<u>(244,493)</u>
Other financing uses				
Transfers in	-	-	204,772	(204,772)
Transfers out	-	-	(18,483)	18,483
Premium on bonds issued	-	-	33,886	(33,886)
Refunding bonds issued	-	-	4,675,000	(4,675,000)
Payment to refunded bond escrow agent	-	-	(4,662,789)	4,662,789
Total financing uses	<u>-</u>	<u>-</u>	<u>232,386</u>	<u>(232,386)</u>
Net change in fund balances	<u>\$ 9,000</u>	<u>\$ (40,407)</u>	<u>(52,514)</u>	<u>\$ (12,107)</u>
Fund balance, October 1, 2008			<u>155,140</u>	
Fund balance, September 30, 2009			<u>\$ 102,626</u>	



INTERNAL SERVICE FUNDS

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2009

<u>ASSETS</u>	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
Current Assets:				
Due from other funds	\$ 23,061	\$ 220,614	\$ 63,925	\$ 307,600
Total Current Assets	23,061	220,614	63,925	307,600
Noncurrent Assets:				
Capital Assets:				
Machinery and equipment	-	1,261,861	-	1,261,861
Accumulated depreciation	-	(768,822)	-	(768,822)
Total Noncurrent Assets	-	493,039	-	493,039
Total Assets	23,061	713,653	63,925	800,639
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts payable	6,717	600	-	7,317
Capital lease payable - current	-	32,167	-	32,167
Accrued payroll	710	-	-	710
Total Current Liabilities	7,427	32,767	-	40,194
Noncurrent Liabilities:				
Compensated absences payable	2,340	-	-	2,340
Capital lease payable	-	32,771	-	32,771
Total Noncurrent Liabilities	2,340	32,771	-	35,111
Total Liabilities	9,767	65,538	-	75,305
Net Assets:				
Invested in capital assets, net of related debt	-	-	-	-
Unrestricted net assets	13,294	648,115	63,925	725,334
Total Net Assets	\$ 13,294	\$ 648,115	\$ 63,925	\$ 725,334

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
Operating revenues:				
Charges for services	\$ 566,705	\$ 120,708	\$ -	\$ 687,413
Other revenues	-	1,174	-	1,174
Total Operating Revenues	566,705	121,882	-	688,587
Operating expenses:				
Personnel services	117,707	-	8,237	125,944
Contractual services	437,554	-	-	437,554
Materials	-	18,531	-	18,531
Depreciation	-	169,926	-	169,926
Total operating expenses	555,261	188,457	8,237	751,955
Operating Income (Loss)	11,444	(66,575)	(8,237)	(63,368)
Non-operating revenues (expenses):				
Interest expense - non-operating	-	(4,200)	-	(4,200)
Total Non-operating Revenue (Expenses)	-	(4,200)	-	(4,200)
Income (Loss) before transfers	11,444	(70,775)	(8,237)	(67,568)
Transfers in	-	191	10,000	10,191
Change in Net Assets	11,444	(70,584)	1,763	(57,377)
Total Net Assets - beginning of year	1,850	718,699	62,162	782,711
Total Net Assets - end of year	\$ 13,294	\$ 648,115	\$ 63,925	\$ 725,334

**CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
Cash flows from Operating Activities:				
Cash received from user charges	\$ 566,705	\$ 121,882	\$ -	\$ 688,587
Cash payments to employees for services	(117,335)	-	(8,237)	(125,572)
Cash payments for suppliers	(439,829)	(17,931)	-	(457,760)
Net Cash Provided (Used) by Operating Activities	9,541	103,951	(8,237)	105,255
Cash flows from Noncapital Financing Activities:				
(Increase) decrease in amounts due/from other funds	(9,541)	38,997	(1,763)	27,693
Transfers in	-	191	10,000	10,191
Net Cash Provided by Noncapital Financing Activities	(9,541)	39,188	8,237	37,884
Cash flows from Capital and Related Financing Activities:				
Acquisition of capital assets, net of disposals	-	(76,370)	-	(76,370)
Principal paid on debt	-	(62,569)	-	(62,569)
Interest and fiscal charges paid	-	(4,200)	-	(4,200)
Net Cash Used by Capital & Related Financing Activities	-	(143,139)	-	(143,139)
Net Increase in Cash and Cash Equivalents	-	-	-	-
Cash and Cash Equivalents at Beginning of the Year	-	-	-	-
Cash and Cash Equivalents at End of the Year	\$ -	\$ -	\$ -	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 11,444	\$ (66,575)	\$ (8,237)	\$ (63,368)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	-	169,926	-	169,926
Gain on disposal of assets	-	-	-	-
Increase (decrease) in accounts payable	(2,275)	600	-	(1,675)
Increase (decrease) in accrued payroll	710	-	-	710
Increase (decrease) in compensated absences	(338)	-	-	(338)
Net Cash Provided (Used) by Operating Activities	\$ 9,541	\$ 103,951	\$ (8,237)	\$ 105,255

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 EIGHT FISCAL YEARS
(accrual basis of accounting)
UNAUDITED**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities			
Invested in capital assets, net of related debt	\$43,701,642	\$40,988,706	\$40,723,892
Restricted	1,055,079	1,353,386	2,092,597
Unrestricted	3,369,829	4,481,859	3,310,666
Total governmental activities net assets	<u>\$48,126,550</u>	<u>\$46,823,951</u>	<u>\$46,127,155</u>
Business-type activities			
Invested in capital assets, net of related debt	\$11,782,669	\$12,539,086	\$12,577,691
Unrestricted	560,831	82,049	184,104
Total business-type activities net assets	<u>\$12,343,500</u>	<u>\$12,621,135</u>	<u>\$12,761,795</u>
Primary government			
Invested in capital assets, net of related debt	\$55,484,311	\$53,527,792	\$53,301,583
Restricted	1,055,079	1,353,386	2,092,597
Unrestricted	3,930,660	4,563,908	3,494,770
Total primary government net assets	<u>\$60,470,050</u>	<u>\$59,445,086</u>	<u>\$58,888,950</u>

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

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$35,593,811	\$27,060,385	\$30,242,702	\$29,396,412	\$33,038,209
5,447,454	7,801,262	2,774,506	3,947,062	2,201,633
2,087,890	2,250,623	1,483,254	1,756,118	(824,044)
<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>
\$10,378,556	\$ 7,768,365	\$ 8,777,087	\$ 1,872,132	\$ 5,692,741
1,277,532	1,504,663	4,043,256	4,285,025	1,465,899
<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>
\$45,972,367	\$34,828,750	\$39,019,789	\$31,268,544	\$38,730,950
5,447,454	7,801,262	2,774,506	3,947,062	2,201,633
3,365,422	3,755,286	5,526,510	6,041,143	641,855
<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>

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

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

	2009	2008	2007
Expenses			
Governmental activities:			
General government	\$ 4,038,624	\$ 4,682,994	\$ 3,791,089
Public safety	4,799,854	5,079,499	4,043,066
Public works	3,797,620	3,912,591	3,422,645
Culture and recreation	-	-	-
Interest on long-term debt	723,851	704,241	655,537
Other	-	-	-
Total governmental activities expenses	<u>13,359,949</u>	<u>14,379,325</u>	<u>11,912,337</u>
Business-type activities:			
Public utilities fund	5,250,058	6,282,526	5,820,213
Airport fund	408,404	599,040	421,971
Interest on long-term debt	-	-	-
Other	-	-	-
Total business-type activities expenses	<u>5,658,462</u>	<u>6,881,566</u>	<u>6,242,184</u>
Total primary government expenses	<u>\$ 19,018,411</u>	<u>\$ 21,260,891</u>	<u>\$ 18,154,521</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 2,257,670	\$ 3,650,952	\$ 3,132,354
Public safety	308,439	305,708	331,605
Public works	-	-	-
Culture and recreation	-	-	-
Operating grants and contributions	-	-	-
Capital grants and contributions	1,230,851	476,057	1,335,302
Other	-	-	-
Total governmental activities program revenues	<u>3,796,960</u>	<u>4,432,717</u>	<u>4,799,261</u>
Business-type activities:			
Charges for services:			
Public utilities fund	5,897,077	5,845,601	5,141,474
Airport fund	466,097	607,746	387,224
Capital grants and contributions	-	-	825,814
Total business-type activities program revenue	<u>6,363,174</u>	<u>6,453,347</u>	<u>6,354,512</u>
Total primary government program revenues	<u>\$ 10,160,134</u>	<u>\$ 10,886,064</u>	<u>\$ 11,153,773</u>

Source: Audited Financial Statements of City of Taylor, Texas

2006	2005	2004	2003	2002
\$ 3,740,078	\$ 2,636,013	\$ 3,314,123	\$ 943,250	\$ 1,063,670
4,161,454	3,743,894	4,135,542	3,449,803	3,395,614
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
681,884	454,224	514,207	448,735	430,559
-	-	-	489,757	335,672
<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>
5,948,540	5,432,576	3,030,511	4,652,811	2,003,443
395,886	318,448	248,850	228,882	-
-	-	-	704,827	660,981
-	-	-	3,351	766,364
<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>\$ 18,271,989</u>	<u>\$ 16,348,994</u>	<u>\$ 14,296,953</u>	<u>\$ 15,119,240</u>	<u>\$ 12,481,978</u>
\$ 3,169,711	\$ 2,292,637	\$ 2,171,567	\$ 1,845,099	\$ 770,795
281,661	232,280	356,500	307,994	300,444
-	3,382	-	-	-
-	4,740	39,438	-	37,795
-	118,577	59,984	-	315,338
908,961	385,437	-	1,060,221	5,596
-	-	-	1,052,300	-
<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>
5,033,084	4,832,243	4,894,120	4,309,897	4,025,449
354,033	254,490	119,924	202,773	-
109,702	225,698	9,708	-	-
<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>\$ 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)

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net (Expenses) Revenue			
Governmental activities	\$ (9,562,989)	\$ (9,946,608)	\$ (7,113,076)
Business-type activities	704,712	(428,219)	112,328
Total primary government net expense	<u>\$ (8,858,277)</u>	<u>\$ (10,374,827)</u>	<u>\$ (7,000,748)</u>
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Property taxes	\$ 5,741,878	\$ 5,589,548	\$ 5,183,652
Franchise taxes	723,591	764,227	719,411
Sales taxes	2,248,042	3,020,333	3,431,242
Hotel occupancy taxes	77,533	99,597	81,482
Investment earnings	140,589	301,223	446,973
Miscellaneous	930,977	201,993	248,316
Transfers	1,128,168	-	-
Total governmental activities	<u>10,990,778</u>	<u>9,976,921</u>	<u>10,111,076</u>
Business-type activities:			
Investment earnings	64,899	239,913	233,859
Miscellaneous	80,922	47,646	70,854
Transfers	(1,128,168)	-	-
Total business-type activities	<u>(982,347)</u>	<u>287,559</u>	<u>304,713</u>
Total primary government	<u>\$ 10,008,431</u>	<u>\$ 10,264,480</u>	<u>\$ 10,415,789</u>
Change in Net Assets			
Governmental activities	\$ 1,427,789	\$ 30,313	\$ 2,998,000
Business-type activities	(277,635)	(140,660)	417,041
Total primary government	<u>\$ 1,150,154</u>	<u>\$ (110,347)</u>	<u>\$ 3,415,041</u>

Source: Audited Financial Statements of City of Taylor, Texas

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ (7,567,230)	\$ (7,560,917)	\$ (8,390,103)	\$ (5,263,755)	\$ (7,621,222)
(847,607)	(438,593)	1,744,391	(1,077,201)	594,661
<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>
\$ 4,723,464	\$ 4,380,395	\$ 4,246,128	\$ 3,461,590	\$ 3,559,046
792,962	780,219	660,212	741,849	679,601
2,237,062	2,097,890	1,913,789	1,644,947	1,709,022
60,514	46,773	40,825	37,690	45,288
627,190	171,853	89,106	81,937	189,889
243,341	1,262,317	105,865	(20,464)	1,803,376
-	-	-	-	-
<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>
70,441	160,785			
591,488	59,731	210,836	75,717	122,631
-	-	-	-	(1,314,282)
<u>661,929</u>	<u>220,516</u>	<u>210,836</u>	<u>75,717</u>	<u>(1,191,651)</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>
\$ 1,117,303	\$ 1,178,530	\$ (1,334,178)	\$ 683,794	\$ 365,000
(185,678)	(218,077)	1,955,227	(1,001,484)	(596,990)
<u>\$ 931,625</u>	<u>\$ 960,453</u>	<u>\$ 621,049</u>	<u>\$ (317,690)</u>	<u>\$ (231,990)</u>

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

CITY OF TAYLOR, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST EIGHT 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

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

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

Fiscal Year	Property	Sales & Use	Occupancy (Mobile Home)	Franchise Revenue ¹	Other	Total
2000	\$ 2,597,285	\$ 1,604,769	\$ 250	\$ -	\$ 169,246	\$ 4,371,550
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

¹ Until fiscal year 2000, franchise tax was included as "tax" revenue. It was reclassified after 2000 to "Fees for Services" and prior year amounts were adjusted to reflect this current classification.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund					
Unreserved	<u>\$ 3,899,851</u>	<u>\$ 3,809,353</u>	<u>\$ 2,870,578</u>	<u>\$ 1,723,314</u>	<u>\$ 1,477,018</u>
Total general fund	<u>\$ 3,899,851</u>	<u>\$ 3,809,353</u>	<u>\$ 2,870,578</u>	<u>\$ 1,723,314</u>	<u>\$ 1,477,018</u>
 All Other Governmental Funds					
Reserved	\$ 1,055,079	\$ 4,702,011	\$ 3,090,819	\$ 5,447,454	\$ 877,280
Unreserved, reported in:					
Special revenue funds	392,573	248,681	161,058	106,282	85,325
Capital projects funds	-	-	-	-	7,647,408
Total all other governmental funds	<u>\$ 1,447,652</u>	<u>\$ 4,950,692</u>	<u>\$ 3,251,877</u>	<u>\$ 5,553,736</u>	<u>\$ 8,610,013</u>

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<u>\$ 1,506,540</u>	<u>\$ 1,718,417</u>	<u>\$ 1,319,007</u>	<u>\$ 1,372,674</u>	<u>\$ 1,185,208</u>
<u>\$ 1,506,540</u>	<u>\$ 1,718,417</u>	<u>\$ 1,319,007</u>	<u>\$ 1,372,674</u>	<u>\$ 1,185,208</u>
\$ 2,844,708	\$ 3,947,062	\$ 2,201,633	\$ 2,041,167	\$ 936,196
97,400	102,595	98,938	74,094	54,512
-	-	-	-	-
<u>\$ 2,942,108</u>	<u>\$ 4,049,657</u>	<u>\$ 2,300,571</u>	<u>\$ 2,115,261</u>	<u>\$ 990,708</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues				
Taxes	\$ 8,843,496	\$ 9,442,425	\$ 9,414,268	\$ 7,881,607
Licenses, permits, and fees	105,591	129,750	160,260	190,797
Charges for services	1,464,667	2,604,165	2,125,876	2,064,751
Fines and forfeitures	308,439	305,708	331,605	281,661
Special assessments	-	-	-	2,049
Intergovernmental	1,027,208	476,057	1,335,302	615,261
Other revenues	875,655	201,213	248,316	241,292
Investment earnings	140,589	301,223	446,973	664,090
Contributions	-	-	-	293,700
Total revenues	<u>12,765,645</u>	<u>13,460,541</u>	<u>14,062,600</u>	<u>12,235,208</u>
Expenditures				
Current:				
General government	2,628,035	3,281,548	2,772,560	2,370,078
Public safety	4,214,449	4,199,718	3,790,923	3,640,964
Public works	3,380,810	3,528,574	3,238,648	2,738,220
Culture and recreation	-	-	-	85,437
Debt Service:				
Principal retirement	795,792	671,849	737,611	625,775
Interest and fiscal changes	982,337	700,119	633,982	670,835
Other	-	-	-	-
Capital outlay:	8,215,648	2,469,171	4,213,471	4,840,710
Total expenditures	<u>20,217,071</u>	<u>14,850,979</u>	<u>15,387,195</u>	<u>14,972,019</u>
Excess (deficiency) of revenues over expenditures	<u>(7,451,426)</u>	<u>(1,390,438)</u>	<u>(1,324,595)</u>	<u>(2,736,811)</u>
Other financing sources (uses):				
Transfers in	1,287,399	1,280,839	351,636	600,000
Transfers out	(169,422)	(1,300,839)	(381,636)	(673,170)
Premium on debt issuance	33,886	-	-	-
Debt issuance	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>4,164,074</u>	<u>3,361,545</u>	<u>170,000</u>	<u>(73,170)</u>
Net change in fund balances	<u>\$ (3,287,352)</u>	<u>\$ 1,971,107</u>	<u>\$ (1,154,595)</u>	<u>\$ (2,809,981)</u>
Debt service as percentage of noncapital expenditures	14.8%	11.1%	12.3%	12.8%

2005	2004	2003	2002	2001	2000
\$ 7,261,659	\$ 6,882,447	\$ 5,925,018	\$ 5,221,223	\$ 5,113,626	\$ 4,926,400
152,579	327,022	1,845,099	2,577,974	1,610,123	823,920
2,140,058	1,971,913	-	-	-	-
237,020	202,803	307,994	-	-	-
3,382	26,904	-	-	-	-
504,014	32,592	1,060,221	281,856	927,751	698,670
91,458	95,622	1,052,300	286,903	871,371	216,069
171,853	89,106	81,937	189,889	281,955	179,168
12,304	31,970	-	-	-	-
<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>	<u>6,844,227</u>
2,371,916	2,352,231	823,981	860,675	931,084	936,152
3,305,776	3,677,702	3,294,388	3,277,094	3,087,873	2,811,217
3,016,854	2,593,956	2,377,640	2,307,403	1,566,835	1,110,093
329,137	123,862	685,656	635,976	630,083	435,259
539,993	499,889	373,230	617,779	515,837	370,718
469,630	492,610	475,214	-	-	-
-	-	489,757	335,672	602,551	601,807
<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>2,312,497</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>8,577,743</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>	<u>(1,733,516)</u>
10,500	133,504	18,990	895,605	430,874	795,533
(10,500)	(133,504)	(94,707)	(354,105)	(148,062)	(157,529)
-	-	-	-	-	-
5,092,750	-	1,575,000	2,244,955	2,711,150	-
1,752,444	-	-	-	-	-
-	-	-	-	-	-
<u>6,845,194</u>	<u>-</u>	<u>1,499,283</u>	<u>2,786,455</u>	<u>2,993,962</u>	<u>638,004</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>	<u>\$ (1,095,512)</u>
10.1%	10.2%	10.0%	7.7%	7.0%	5.9%

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	
2000	\$ 265,987	\$ 119,916	\$ 11,584	\$ 96,405	\$ -	\$ 26,319
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

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
\$ 467,573	\$ 0.62920	\$ 467,573	100.0%
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%

**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
2000	\$ 0.55350	\$ 0.07570	\$ 0.62920	\$0.25620	\$ 0.09650	\$ 0.04730	\$0.40000
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

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 & Overlapping Rates</u>
\$ 1.39100	\$ 0.14500	\$ 1.53600	\$ 2.56520
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

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

2009			
Taxpayer	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation
ERCOT	\$ 22,084,500	1	3.07%
Electric Reliability Council of TX	19,750,000	2	2.75%
CCA Properties of Texas	13,999,683	3	1.95%
HEB Grocery Company	12,072,768	4	1.68%
Walmart Real Estate Business Trust	10,276,505	5	1.43%
Oncor Electric Delivery Company	7,660,413	6	1.07%
Texas HWY 95, LP	6,879,346	7	0.96%
Taylor CPB Property	6,422,252	8	0.89%
Walmart Stores East Inc	5,724,771	9	0.80%
Durcon Laboratory Tops Inc	5,494,430	10	0.76%

Source: Williamson County Appraisal District

2000

Taxpayer	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation
CCA Properties of Texas	\$ 19,612,411	1	4.42%
Intercraft Industries	11,494,140	2	2.59%
Texas Utilities Electric	6,492,411	3	1.46%
Southwestern Bell Telephone	5,070,685	4	1.14%
Intercraft Company	5,004,490	5	1.13%
Maxwell Chrysler, Plymouth	3,799,800	6	0.86%
E.R. Carpenter LP	3,459,674	7	0.78%
TX Cotton Growers Coop Assoc	2,908,922	8	0.66%
H E Butt Inc	2,902,518	9	0.65%
Walmart Stores East Inc	2,702,886	10	0.61%

**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 Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Tax Levy		Amount	Percentage of Tax Levy
2000	\$ 2,603,653	\$ 2,544,828	97.7%	\$ 46,664	\$ 2,591,492	99.5%
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%

Source: Williamson County Appraisal District

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

Water Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999	\$ 4,466,271	\$ 2,260,926	\$ 2,205,345	\$ 2,925,000	\$ -	75.4%
2000	4,833,197	2,545,532	2,287,665	2,900,000	1,757,059	49.1%
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%

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	Governmental Activities			
	General Obligation Bonds	Combination Tax & Revenue Bonds	Certificates of Obligation	Capital Lease
2000	\$ 3,875,000	\$ 714,714	\$ 418,475	\$ 318,592
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	332,499	397,436

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

Business-type Activities

	Combination Tax & Revenue Bonds	General Obligation Bonds	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
\$	11,855,000	\$ -	\$ -	\$ 17,181,781	4.16%	\$ 1,668
	14,443,850	-	-	22,263,777	4.42%	1,033
	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	-	45,789,935	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 ¹ of Property	Per Capita ²
2000	3,875,000	13,002	3,861,998	0.78%	284
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

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

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

²Population 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, 2009
UNAUDITED
(Amount expressed in thousands)**

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
County	\$ 641,488	2.44%	\$ 15,651
School	54,719	82.65%	<u>45,225</u>
Subtotal, overlapping debt			<u>60,876</u>
City of Taylor	18,615	100%	<u>18,615</u>
Total direct and overlapping debt			<u><u>\$ 79,491</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.

¹ 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 EIGHT FISCAL YEARS
UNAUDITED
(amounts expressed in thousands)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Debt limit	\$ 202,532	\$ 196,763	\$ 189,509	\$ 174,875	\$ 129,593
Total net debt applicable to limit	<u>30,045</u>	<u>24,381</u>	<u>15,197</u>	<u>11,528</u>	<u>12,090</u>
Legal debt margin	<u>\$ 172,487</u>	<u>\$ 172,382</u>	<u>\$ 174,312</u>	<u>\$ 163,347</u>	<u>\$ 117,503</u>

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 770,394
Add back: exempt real property	39,734
Total assessed value	<u>810,128</u>
Debt limit (10% of total assessed value)	202,532
Debt applicable to limit:	
General obligation bonds	45,060
Less: Amount set aside for repayment of general obligation debt	<u>(15,015)</u>
Total net debt applicable to limit	<u>30,045</u>
Legal debt margin	<u>\$ 172,487</u>

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

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

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

Employer	2009		
	No. Employees ¹	Rank	Percentage of Total City Employment ²
ERCOT	630	1	7.1%
Taylor ISD	550	2	6.2%
Corrections Corp of America	282	3	3.2%
Wal-Mart	265	4	3.0%
Johns Community Hospital	215	5	2.4%
Durcon Labatory Tops	207	6	2.3%
FloydCo (Floyd's Glass)	151	7	1.7%
H.E.B.	150	8	1.7%
City of Taylor	150	9	1.7%
Burrows Cabinets	110	10	1.2%
City of Taylor Total	<u>2,710</u>		<u>30.44%</u>

¹Source: Taylor Economic Development Corp.

²Source: Estimate based on statistical data for Williamson County

Employer	2000		
	No. Employees ¹	Rank	Percentage of Total City Employment ²
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 ¹	Personal Income ³ (amounts expressed in thousands)	Per Capita ⁵ Personal Income	School Enrollment ⁴	Unemployment Rate ²
2000	13,575	\$ 226,472	\$ 16,683	2,899	2.7%
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%

Data Sources:

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



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

Function / Program	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Government						
Management services	2	3	3	4	3	3
Human Resources	3	3	3	1	1	1
Finance	4	4	4	6	8	8
Municipal Court	4	4	4	4	4	4
C D - Planning	6	6	6	6	4	5
Main Street	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	-	-	-	-
Information technology	1	1	-	-	-	-
Other	-	-	-	-	-	-
Police						
Officers	27	26	26	27	21	26
Civilians	11	11	11	10	11	11
Animal Control	1	2	1	1	2	2
Fire						
Firefighters and Officers	25	23	25	24	25	24
Civilians	1	1	1	1	1	1
Other Public Works						
Engineering/Inspection	3	2	2	2	1	3
Street Maintenance	10	9	7	9	10	7
Grounds	11	7	10	10	10	10
Other	4	2	2	1	2	2
Library	8	7	7	7	7	8
Water	14	12	14	12	13	13
Wastewater	3	3	2	3	3	3
Utilities Admin	7	7	7	6	3	2
Airport	2	3	3	3	3	3
Cemetery	1	2	2	2	2	2
Fleet Services	2	2	3	2	2	2
Total all governmental funds	<u>153</u>	<u>144</u>	<u>147</u>	<u>144</u>	<u>139</u>	<u>142</u>

Source: City of Taylor Human Resources Department

<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
3	3	2	4
1	1	3	1
7	7	5	4
4	4	3	4
5	5	4	4
1	-	1	1
1	1	1	1
1	2	1	4
-	-	-	-
-	-	-	-
-	-	1	2
25	28	26	32
12	14	13	10
1	1	1	-
25	22	25	27
1	1	1	1
3	3	2	-
8	7	6	7
11	10	10	10
2	2	4	4
8	8	6	8
13	16	16	19
3	5	2	3
2	2	1	1
3	3	5	0
2	2	2	2
2	-	1	-
<u>144</u>	<u>147</u>	<u>142</u>	<u>149</u>

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

Function/Program	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General government					
Building permits issued	481	530	368	459	331
Building inspections conducted	410	503	692	2144	1261
Public Safety					
Police:					
Physical arrests	730	707	955	990	917
Parking violations	63	72	102	150	104
Traffic violations	3,489	2063	3798	4,792	2,660
Fire:					
Emergency responses	2302	1704	1550	1,600	1,440
Fires extinguished	121	149	117	131	118
Inspections	427	394	294	570	137
Highways and streets					
Street resurfacing (miles)	0	0	6	0	8
Potholes repaired	1,430	851	1655	1553	1932
Library					
Volumes in collection	40,330	37,809	43,636	35,930	34,377
Total volumes borrowed	81,893	81,274	69,419	56,107	55,722
Water					
New connections	872	873	928	495	321
Water main breaks	515	511	388	567	548
Average daily consumption (millions of gallons)	2	2	2	2	2
Peak daily consumption (millions of gallons)	3	4	3	3	3
Wastewater					
Average daily treatment (millions of gallons)	1.69	1.40	1.85	1.69	1.98

Source: Various Departments within the City of Taylor. No records are available for public safety (Police and Fire Departments) prior to 2002.

2004	2003	2002	2001	2000
378	453	251	165	76
2030	2497	715	1730	1524
950	1,457	1,085	N/A	N/A
133	170	46	N/A	N/A
3,318	3,764	3,648	N/A	N/A
1,393	1,280	1,382	N/A	N/A
114	105	113	N/A	N/A
275	265	240	N/A	N/A
8	9	7	8	9
2604	1796	2241	772	242
37,307	36,512	39,040	36,849	36,205
56,961	40,910	45,211	54,628	44,880
210	176	117	117	105
477	604	604	640	785
2	2	3	2	2
3	3	3	3	3
1.93	1.70	1.90	2.10	1.66

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

Function	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Police					
Number of stations	1	1	1	1	1
Zone Officers	21	27	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)	87	87	87	85	81
Streetlights	1,097	1,097	1,072	1,069	1,054
Traffic signals	11	11	10	9	9
Culture and recreation					
Acreage	387	387	387	312	312
Playgrounds	6	4	-	-	-
Baseball/softball diamon	20	10	-	-	-
Swimming pools	2	2	2	2	2
Tennis courts	10	10	10	10	10
Water					
Water mains	109	99	-	-	-
Fire hydrants	450	582	580	580	580
Storage capacity		5	5	5	
Wastewater					
Treatment capacity	4,000	4,000	4	4	4
Sanitary sewer (miles)	86	84	84	84	83
Storm sewers (miles)	3	3	3	3	3

Data was not available before fiscal year 2002.

Source: Various Departments within City of Taylor

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

<u>2004</u>	<u>2003</u>
1	1
27	26
12	8
2	3
80	75
965	915
9	9
292	144
-	-
-	-
2	2
10	8
99	45
425	415
5	5
4	4
81	74
3	3



COMPLIANCE SECTION



**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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated March 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal controls over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

**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)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, the significant deficiency as described in the accompanying schedule of findings and responses, we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City in a separate letter dated March 17, 2010.

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.

Brookway, Gordon, Franklin A. Nimcio, P.C.

March 17, 2010

CITY OF TAYLOR, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES

2009.01 Finding:

During our audit we noted that several inventory items held by the City of Taylor have not been included in amounts recorded in the general ledger. We recommend all inventories be accounted for and included in the amounts recorded in the general ledger.

2009.01 Response:

The City will record all items included in inventory at year end to ensure amounts are recorded accurately in the general ledger.

