

CITY OF TAYLOR, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

City of Taylor, Texas

**For the Year Ended
September 30, 2013**

Prepared by:
Finance Department

Rosmarie Dennis
Director of Finance



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INTRODUCTORY SECTION





February 13, 2014

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

The Comprehensive Annual Financial Report (CAFR) of the City of Taylor, Texas, for the fiscal year ended September 30, 2013, 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. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Taylor for the fiscal year ended September 30, 2013.

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 City of Taylors' financial statements have been audited by BrooksCardiel, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the 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's financial statements for the fiscal year ended September 30, 2013, 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.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in

conjunction with it. The City of Taylor's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Taylor, incorporated in 1876, is located in eastern Williamson County in the central region of the State of Texas. It is located approximately 29 miles northeast of Austin and 7 miles east of State Highway 130 and 17 miles east of Interstate Highway 35. State Highway 95 and U.S. Highway 79 intersect in downtown Taylor. The City currently occupies a land area of 19.13 square miles and services approximately 16,105 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 streets and other infrastructure; recreational activities and cultural events. Solid waste collection/disposal and water treatment are outsourced to Progressive Waste Solutions and Brazos River Authority (BRA), respectively. Wastewater collection and treatment are provided by the City. In addition, the City of Taylor is also financially accountable for a legally separate economic development corporation, which is reported separately with the City of Taylor's financial statements. Additional information on this legally separate entity can be found in the Notes to the Financial Statements.

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. 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 15th.

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 for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statement for the governmental funds. For other governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of the report.

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

The City of Taylor's economic outlook has seen an increase due to the overall improvement in the economy. This is evidenced by local economic indicators such as an increase in sale tax revenue and tax appraisal values. For many years, the City's economy has been largely based in agriculture and manufacturing. These industries are still with the City today, however, the Taylor Economic Development Corporation actively recruits companies that add to the diversity of the City's local industry while providing 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 23 million Texas customers. This represents 85 percent of the state's electric load and has its operations center located in Taylor. ERCOT employs 650 employees and is the City's largest employer. The Taylor Independent School District (TISD) is the second largest employer in the City with 520 employees. TISD enrolled 3,239 students, with most of their growth at the elementary level. Anticipated growth is expected for the east Williamson County region, especially due to the completion of Chandler Road. This has improved the overall connectivity and mobility to and within Taylor, but also will bring growth and new development.

The average rate for unemployment in Williamson County for 2013 was 5.4%, which is a decrease from a rate of 6.8% in 2012. This is lower than the national average unemployment rate of 7.2%. The City of Taylor's location is in a region with a varied economic base.

A basic growth indicator of a community is the value of building permits for new construction. Residential building permits issued were valued at \$2,626,815, an increase from the prior year by \$335,064. Also, commercial building permits issued increased by \$6,782,000 and is valued at \$10,669,000. The City of Taylor continues to see new development in the area.

One of the largest street redevelopment projects (\$16M) for the past couple of years has been the Second Street / US79-B rehabilitation project in cooperation with Williamson County. The project includes all of Second Street from just inside the loop on the west side, all the way east to Main Street. This project is now completed and has made a tremendous impact to the City of Taylor's corridor.

Long –Term Financial Planning

In 2013 the City took the opportunity to issue additional bonds without increasing the debt portion of the City's tax rate. This was made possible by growth in the tax base and the refunding on debt issuance that the City did back in 2012, which gave the City some savings. The debt issuances will be used to fund Phase I of the Street Renovation Program. The City will move forward with converting all of the fair streets to good and begin the renovation of the downtown streets. Street repair and maintenance has become the City's number one priority. Additional debt will be issued to finance street related projects in the upcoming years.

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. The major initiatives listed below are very similar to the City's strategic master plan.

- ❖ Expand street maintenance rehabilitation projects throughout the City.
- ❖ Provide a safe and healthy community for Taylor's citizens.
- ❖ Foster the image of Taylor as a vibrant and inviting community which places emphasis on the quality of life of its citizens.
- ❖ Continue to implement new methods to better communicate with citizens.
- ❖ Stimulate creation and growth of locally owned businesses.
- ❖ Maintain a long-range Capital Improvement Plan.

Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Taylor for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2012. This was the fifth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the 2012-13 fiscal year dated October 1, 2012. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

The presentation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the finance department and all department head directors. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. We would also like to thank the Mayor and the City Council for their continued interest and support for maintaining the highest standards of professionalism in the management of the City of Taylor financial operations.

Furthermore, the work of the independent auditors from BrooksCardiel, PLLC, is greatly appreciated.

Respectfully submitted,



Jeff Straub
Interim City Manager

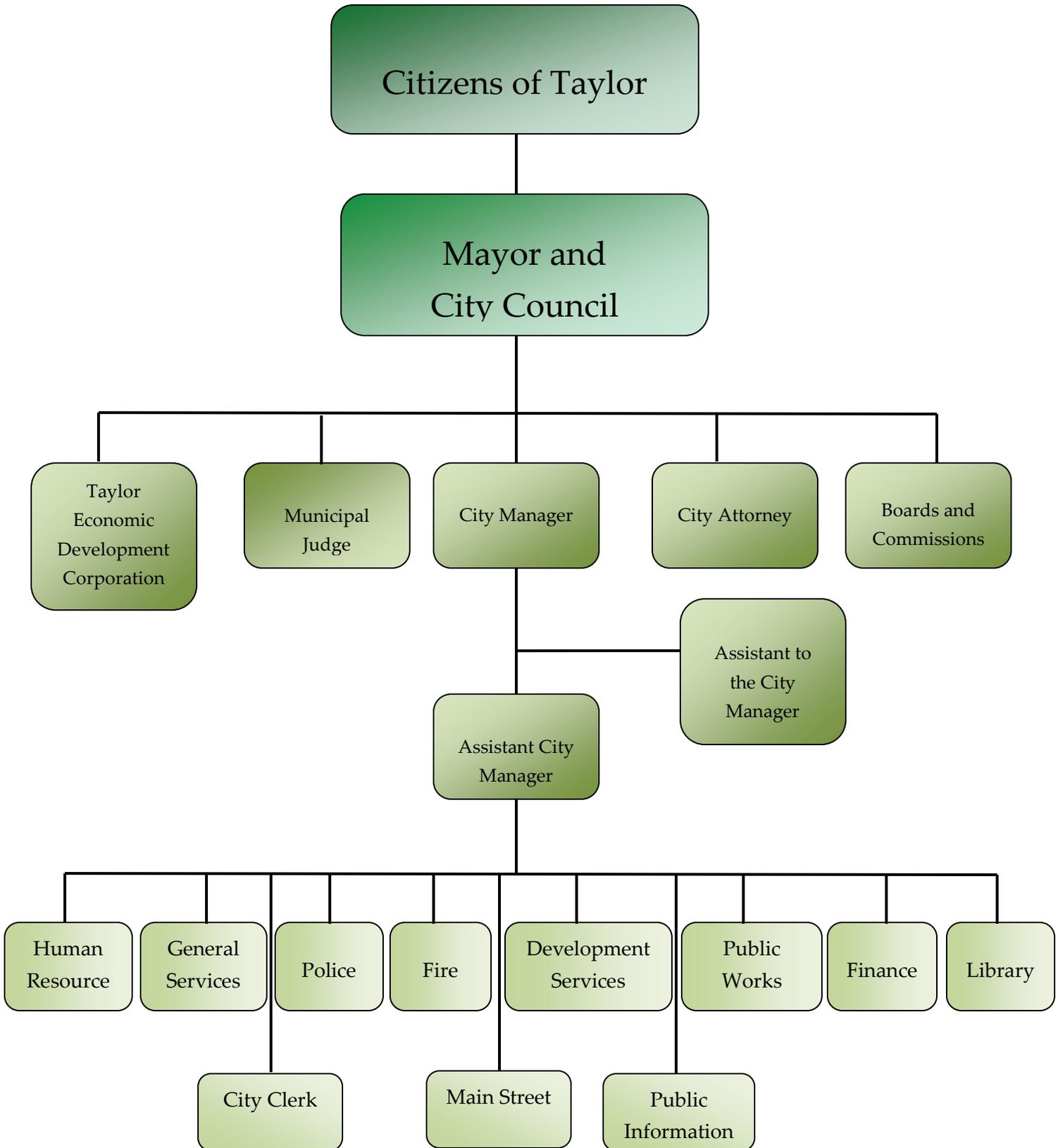


Rosemarie Dennis
Finance Director

City of Taylor, Texas

ORGANIZATIONAL CHART

September 30, 2013



City of Taylor, Texas

PRINCIPAL OFFICIALS

September 30, 2013

City Council

Jesse Ancira, Jr..... Mayor
Christopher Gonzales..... Mayor Pro Tem
Donald R. Hill..... Council Member
Brandt Rydell..... Council Member
Scott Green..... Council Member

City Staff

Jim D. Dunaway..... City Manager
Jeff Straub..... Assistant City Manager
Esther Walton..... Assistant to the City Manager
Ted Hejl..... City Attorney
Susan Brock..... City Clerk
Rosemarie Dennis..... Director of Finance
Pat Ekiss..... Fire Chief
Karen Ellis..... Director, Library
Bob Van Til..... Director of Planning & Development
Starla Hall..... Director, Human Resources
Danny Thomas..... Director of Public Works
Lisa Thompson..... Director of Internal Services
Jean Johnson..... Public Information Officer
Deby Lannen..... Main Street Manager
Henry Fluck..... Police Chief



Government Finance Officers Association

**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, 2012

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Taylor, Texas (the "City"), as of and for the year ended September 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Brooks Cardiel, PLLC

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
February 07, 2014

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Taylor, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2013

As management of the City of Taylor, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The assets of the City exceeded its liabilities (net position) at September 30, 2013 by \$62,564,223. Of this amount, \$8,504,121 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$(718,933). The majority of the City's net position are invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$13,404,751 at September 30, 2013, an increase of \$853,361 from the prior fiscal year; this includes a decrease of \$(624,888) in the general fund, an increase of \$1,284,397 in the capital improvements fund, and an increase of \$85,225 in the I&S fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$3,686,745 or 32% of total general fund expenditures.
- The City's outstanding bonds and certificates of obligation payable increased by \$1,097,816 or 2% from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$52,609,447, net of all premiums and discounts. The City issued \$5,450,000 in general obligation refunding bonds and \$3,000,000 of combination tax and revenue certificates of obligation during the year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide 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.

City of Taylor, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2013

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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 for some items that will only result in cash flows in future fiscal periods (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, culture and recreation, community development, public safety, and public works. The business-type activities of the City include water and sewer, airport, and cemetery operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Taylor Economic Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 19-21 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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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

City of Taylor, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2013

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

The City maintains ten individual governmental funds. 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, capital improvements fund, and the I&S for CO bonds fund 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 nonmajor governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its general, I&S for CO bonds, and special revenue funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with their respective budget.

The basic governmental fund financial statements can be found on pages 22-27 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its public utilities, airport and cemetery operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the maintenance and purchase of equipment.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund since it is considered a major fund of the City.

The basic proprietary fund financial statements can be found on pages 32-39 of this report.

City of Taylor, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2013

Component Units

The City maintains the accounting and financial statements for one component unit. The Taylor Economic Development Corporation is a discretely presented component unit displayed on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 41-74 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Taylor, Texas, assets exceed liabilities by \$62,564,223 as of September 30, 2013, in the primary government.

The largest portion of the City's net position, \$51,429,516, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; 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 assets themselves cannot be used to liquidate these liabilities.

City of Taylor, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2013

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2013			2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 13,787,924	\$ 4,928,919	\$ 18,716,843	\$ 13,213,724	\$ 4,883,355	\$ 18,097,079
Capital assets, net	61,200,480	37,318,712	98,519,192	60,956,162	38,149,722	99,105,884
Total Assets	74,988,404	42,247,631	117,236,035	74,169,886	43,033,077	117,202,963
Deferred Outflows of Resources	360,661	226,980	587,641	147,811	217,951	365,762
Other liabilities	616,911	631,820	1,248,731	866,195	631,869	1,498,064
Long-term liabilities	26,599,727	27,410,995	54,010,722	24,245,366	28,542,139	52,787,505
Total Liabilities	27,216,638	28,042,815	55,259,453	25,111,561	29,174,008	54,285,569
Net Position:						
Invested in capital assets, net of related debt	42,658,990	9,092,144	51,751,134	39,458,232	12,109,434	51,567,666
Restricted	2,630,586	-	2,630,586	7,311,640	-	7,311,640
Unrestricted	2,842,851	5,339,652	8,182,503	2,436,264	1,967,586	4,403,850
Total Net Position	\$ 48,132,427	\$ 14,431,796	\$ 62,564,223	\$ 49,206,136	\$ 14,077,020	\$ 63,283,156

City of Taylor, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2013

Statement of Activities:

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2013			For the Year Ended September 30, 2012		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 2,281,127	\$ 7,547,524	\$ 9,828,651	\$ 2,530,410	\$ 7,698,189	\$ 10,228,599
Grants and contributions	312,170	164,979	477,149	69,481	-	69,481
General revenues:						
Property tax	6,374,806	-	6,374,806	6,212,695	-	6,212,695
Sales tax	2,535,174	-	2,535,174	2,411,533	-	2,411,533
Franchise and local taxes	1,055,651	-	1,055,651	890,874	-	890,874
Investment income	38,322	3,149	41,471	25,783	5,467	31,250
Other revenues	384,719	203,055	587,774	391,765	221,503	613,268
Total Revenues	12,981,969	7,918,707	20,900,676	12,532,541	7,925,159	20,457,700
Expenses						
General government	4,770,073	-	4,770,073	3,820,796	-	3,820,796
Culture and recreation	1,112,269	-	1,112,269	1,056,650	-	1,056,650
Community development	655,822	-	655,822	502,428	-	502,428
Public safety	4,654,499	-	4,654,499	4,501,449	-	4,501,449
Public works	2,905,400	-	2,905,400	2,778,499	-	2,778,499
Interest and fiscal charges	1,009,285	1,202,405	2,211,690	900,074	1,219,817	2,119,891
Public utility	-	4,696,288	4,696,288	-	4,883,367	4,883,367
Airport	-	480,214	480,214	-	395,849	395,849
Cemetery operating	-	133,354	133,354	-	120,031	120,031
Total Expenses	15,107,348	6,512,261	21,619,609	13,559,896	6,619,064	20,178,960
Change in Net Position						
Before Transfers	(2,125,379)	1,406,446	(718,933)	(1,027,355)	1,306,095	278,740
Transfers	1,051,670	(1,051,670)	-	869,999	(869,999)	-
Total	1,051,670	(1,051,670)	-	869,999	(869,999)	-
Change in Net Position	(1,073,709)	354,776	(718,933)	(157,356)	436,096	278,740
Beginning Net Position	49,206,136	14,077,020	63,283,156	49,363,492	13,640,924	63,004,416
Ending Net Position	\$ 48,132,427	\$ 14,431,796	\$ 62,564,223	\$ 49,206,136	\$ 14,077,020	\$ 63,283,156

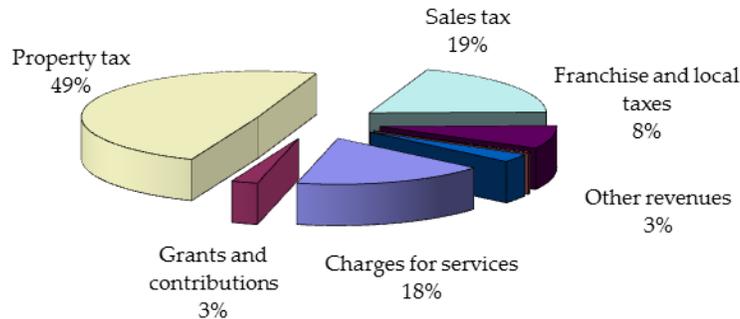
City of Taylor, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2013

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

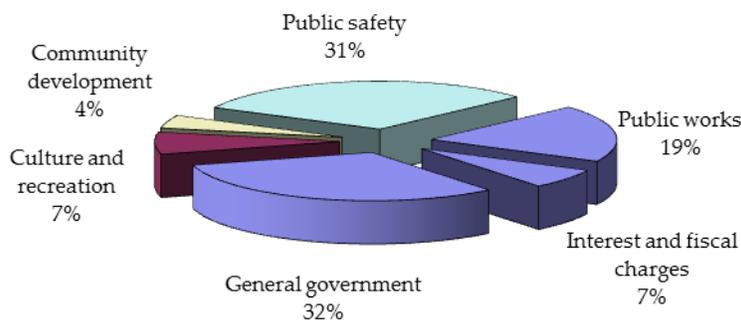
Governmental Activities - Revenues



For the year ended September 30, 2013, revenues from governmental activities totaled \$12,981,969. Property tax, franchise tax and sales tax are the City's largest general revenue sources. Overall revenue increased \$449,428 or 2% from the prior year. Grants and contributions increased by \$242,689 primarily due to the receipt of the Amy Young Barrier Removal Program grant of \$175,290. Property tax revenue increased \$162,111 due to an increase in property values and a growing tax base. Franchise tax increased by \$164,777 or 16% due to an improving economy and commercial development within the City. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2013, expenses for governmental activities totaled \$15,107,348. This represents an increase of \$1,547,452 or 7% from the prior year. The City's largest functional expense is general government totaling \$4,770,073. General government increased by \$949,277 or 20%. This increase can be attributed primarily to costs associated with 380 economic development agreements as

City of Taylor, Texas

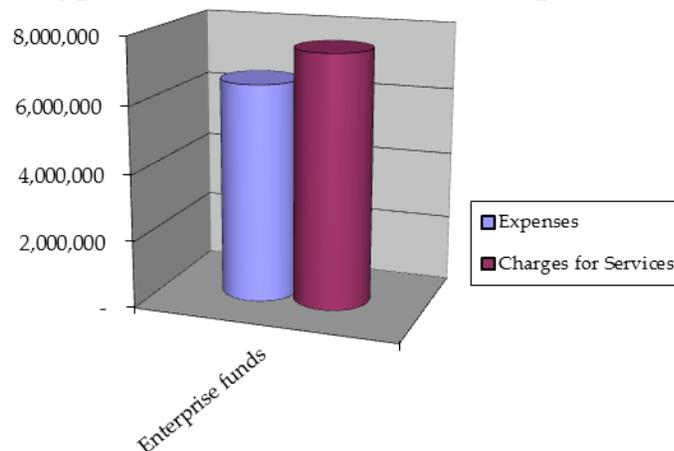
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2013

well as an overall budgeted increase. Community development expenses increased \$153,394 or 23% due to additional contracted services associated with building inspections and code enforcement. Public safety increased \$153,050 or 3% due primarily to additional salary and wage expenses. Public works expenses increased by 4% or \$126,901 when compared to the previous year. All remaining expenses remained relatively consistent with the previous year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2013, charges for services by business-type activities totaled \$7,547,524. This is a decrease of \$150,665, or 2%, from the previous year. This decrease directly relates to water usage within the City. Water and sewer rates remained consistent with the prior year. All remaining revenues remained relatively consistent with the previous year.

Total expenses decreased \$106,803 or 2% to a total of \$6,512,261. Public utility expenses totaled \$5,887,269 while airport and cemetery operations totaled \$491,638 and \$133,354, respectively. The total increase in expenses was consistent with the total increase in revenues for the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

City of Taylor, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2013

At September 30, 2013, the City's governmental funds reported combined fund balances of \$13,404,751, an increase of \$853,361 in comparison with the prior year. Approximately 28% of this amount (\$3,686,745) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted or committed* to indicate that it is 1) not in spendable form (\$697,543), 2) committed (\$460,899) or 3) restricted for particular purposes (\$8,559,564).

As of the end of the year the general fund reflected a total fund balance of \$4,478,551. Of this, \$781,021 is considered restricted and \$3,686,745 is unassigned. General fund balance decreased by \$624,888. This increase can be attributed primarily to costs associated with 380 agreements as well as an overall budgeted increase.

As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$3,686,745 is 32% of total general fund expenditures.

The capital improvements fund had an ending fund balance of \$6,669,498 as of year end. Total fund balance increased by \$1,284,397 from the prior year due to the issuance of \$3 million of general obligation bonds. During the year, the City expended \$1,883,518 on various capital improvement projects recorded in this fund.

The I&S for CO bonds fund had an ending fund balance of \$230,832 at September 30, 2013, an increase of \$85,225 when compared to the previous year. During the year, the fund recorded total principal and interest payments of \$1,947,585 and property tax revenue of \$1,878,331.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the City's largest proprietary fund, the public utility fund, totaled \$11,251,288. Unrestricted net position at the close of the fiscal year amounted to \$2,159,144, an increase of \$346,314 over the previous year. Total investment in capital assets, net of related debt of was \$9,092,144 and capital assets, net of depreciation totaled \$33,974,491.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was one budget amendment approved during the fiscal year increasing total budgeted expenditures by \$974,571 resulting in a net decrease in budgeted fund balance of \$707,677. Total budgeted revenues of \$10,321,696 exceeded actual revenues of \$10,289,821, resulting in a total negative revenue variance of \$31,875. Total budgeted expenditures of \$11,692,415 exceeded actual expenditures of \$11,604,096, resulting in a total positive expenditure variance of \$88,319. No expenditure exceeded appropriations at the legal level of control.

City of Taylor, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2013

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$61,200,480 in a variety of capital assets and infrastructure, net of accumulated depreciation including assets recorded in the internal service funds of \$783,252. The City's business-type activities funds had invested \$37,318,712 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

Major capital asset events during the current year include the following:

- Purchase of vehicles and equipment recorded in the equipment replacement fund of \$484,192.
- Additions to work in progress of:
 - Holly Springs Drainage - \$891,911
 - Sloan Street Reconstruction - \$740,474
- Costs associated with 2011 CDBG water main project of \$201,810.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

The City's outstanding bonds and certificates of obligation payable increased by \$1,097,815 or 2% from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year was \$52,609,447, net of all premiums and discounts. The City issued \$5,450,000 in general obligation refunding bonds and \$3,000,000 of combination tax and revenue certificates of obligation.

All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The local economy has remained stable and is showing signs of growth as evidenced by new construction activity. The City continues to make infrastructure improvements throughout the City.

City of Taylor has seen some 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.

City of Taylor, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2013

The City Council goal is that the General Fund maintains three months of operating expenditures as a minimum of undesignated reserves, which currently equates to \$2.9 million. At the end of fiscal year 2013, unassigned fund balance in the General Fund is \$3,686,745. It is intended that the available fund balance beyond the minimum be used for capital outlay and personnel. For the fiscal year 2014, fund balance in all budgeted funds is projected to remain at adequate levels to provide for unexpected decreases in revenue plus extraordinary unbudgeted expenditures.

The property tax rate for fiscal year 2013-14 is \$0.813893 per \$ 100 valuation. Of this tax rate 71 percent or \$0.573019 is utilized for General Fund activities. The remaining 29 percent or \$0.240874 is used for debt service. The General Fund's portion of property tax revenue for fiscal year 2013-14 is estimated to be \$4,457,170. Sales tax revenue for fiscal year 2013-14 is budgeted at \$2,777,500.

The largest revenue source for the Utility Fund is water sales at \$4,034,800. The rate for fiscal year 2013-14 is \$24.54 as a base rate and \$5.01 per 1,000 gallons used. The second largest revenue source is sewer charges at \$ 2,385,200 based on a fiscal year 2013-14 base rate of \$16.40 plus \$5.31 per \$1,000 gallons over 2,000 gallons. These rates are the same as the rates set for FY 2012-13.

The sanitation fee for residential garbage is a base charge of \$11.92 per month which is a 2.2% increase that was approved by the City Council during the fiscal year 2012-13 budget. Additionally, the drainage fee remained at a \$2.00 per single family dwelling per month.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 400 Porter St., Taylor Texas 76574 or call (512) 352-5997.

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FINANCIAL STATEMENTS

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City of Taylor, Texas
STATEMENT OF NET POSITION
September 30, 2013

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Taylor EDC
Assets				
Current assets:				
Cash and cash equivalents	\$ 11,284,484	\$ 3,280,891	\$ 14,565,375	\$ 743,167
Investments	1,155,554	-	1,155,554	150,025
Restricted cash-customer deposits	-	369,637	369,637	-
Receivables, net	1,121,716	1,277,509	2,399,225	143,136
Internal balances	226,170	(226,170)	-	-
Inventories	-	227,052	227,052	-
Total Current Assets	13,787,924	4,928,919	18,716,843	1,036,328
Land held for investment	-	-	-	542,107
Capital assets:				
Non-depreciable	5,105,838	1,758,720	6,864,558	-
Net depreciable capital assets	56,094,642	35,559,992	91,654,634	-
	61,200,480	37,318,712	98,519,192	542,107
Total Assets	74,988,404	42,247,631	117,236,035	1,578,435
Deferred Outflows of Resources				
Deferred charge on refunding	360,661	226,980	587,641	-
Total Deferred Outflows of Resources	360,661	226,980	587,641	-
Liabilities				
Accounts payable and accrued liabilities	497,762	114,410	612,172	16,832
Customer deposits	-	369,637	369,637	-
Accrued interest payable	119,149	147,773	266,922	-
	616,911	631,820	1,248,731	16,832
Noncurrent liabilities:				
Due within one year	1,971,523	1,248,811	3,220,334	-
Due in more than one year	24,628,204	26,162,184	50,790,388	-
	26,599,727	27,410,995	54,010,722	-
Total Liabilities	27,216,638	28,042,815	55,259,453	16,832
Net Position				
Invested in capital assets, net of related debt	42,658,990	9,092,144	51,751,134	-
Restricted for:				
Debt service	230,832	-	230,832	-
Capital projects	42,977	-	42,977	-
Community redevelopment	494,561	-	494,561	-
Cemetery land purchase	192,125	-	192,125	-
Moody museum	304,450	-	304,450	-
Library bequest funds	336,784	-	336,784	-
Cemetery - nonexpendable	697,543	-	697,543	-
Other purposes	331,314	-	331,314	1,561,603
Unrestricted	2,842,851	5,339,652	8,182,503	-
Total Net Position	\$ 48,132,427	\$ 14,431,796	\$ 62,564,223	\$ 1,561,603

See Notes to Financial Statements.

City of Taylor, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 4,770,073	\$ 1,631,501	\$ 127,201	\$ -
Culture and recreation	1,112,269	-	-	-
Community development	655,822	-	-	184,969
Public safety	4,654,499	323,928	-	-
Public works	2,905,400	325,698	-	-
Interest and fiscal charges	1,009,285	-	-	-
Total Governmental Activities	15,107,348	2,281,127	127,201	184,969
Business-Type Activities				
Public Utility	5,887,269	6,929,109	-	164,979
Airport	491,638	500,255	-	-
Cemetery Operating	133,354	118,160	-	-
Total Business-Type Activities	6,512,261	7,547,524	-	164,979
Total Primary Government	\$ 21,619,609	\$ 9,828,651	\$ 127,201	\$ 349,948
Component Units				
Taylor Economic Development Corporation	\$ 1,133,255	\$ -	\$ -	\$ -

General Revenues:

- Taxes
 - Property tax
 - Sales tax
 - Franchise and local taxes
- Investment income
- Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Taylor EDC
\$ (3,011,371)	\$ -	\$ (3,011,371)	\$ -
(1,112,269)	-	(1,112,269)	-
(470,853)	-	(470,853)	-
(4,330,571)	-	(4,330,571)	-
(2,579,702)	-	(2,579,702)	-
(1,009,285)	-	(1,009,285)	-
<u>(12,514,051)</u>	<u>-</u>	<u>(12,514,051)</u>	<u>-</u>
-	1,206,819	1,206,819	-
-	8,617	8,617	-
-	(15,194)	(15,194)	-
<u>-</u>	<u>1,200,242</u>	<u>1,200,242</u>	<u>-</u>
(12,514,051)	1,200,242	(11,313,809)	-
-	-	-	(1,133,255)
6,374,806	-	6,374,806	-
2,535,174	-	2,535,174	837,065
1,055,651	-	1,055,651	-
38,322	3,149	41,471	5,679
384,719	203,055	587,774	4,808
1,051,670	(1,051,670)	-	-
<u>11,440,342</u>	<u>(845,466)</u>	<u>10,594,876</u>	<u>847,552</u>
(1,073,709)	354,776	(718,933)	(285,703)
49,206,136	14,077,020	63,283,156	1,847,306
<u>\$ 48,132,427</u>	<u>\$ 14,431,796</u>	<u>\$ 62,564,223</u>	<u>\$ 1,561,603</u>

City of Taylor, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2013

	General	Capital Improvements	I & S For CO Bonds
<u>Assets</u>			
Cash and cash equivalents	\$ 3,224,980	\$ 6,672,398	\$ 236,346
Investments	519,521	-	-
Receivables, net	1,023,639	-	42,195
Due from other funds	240,885	-	-
Total Assets	\$ 5,009,025	\$ 6,672,398	\$ 278,541
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 435,218	\$ 2,900	\$ 7,667
Due to other funds	-	-	-
Total Liabilities	435,218	2,900	7,667
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	95,256	-	40,042
<u>Fund Balances</u>			
Nonspendable:			
Permanent fund	-	-	-
Restricted for:			
Debt service	-	-	230,832
Capital projects	-	6,669,498	-
Special revenue	-	-	-
Other purposes	781,021	-	-
Committed for:			
Drainage	10,785	-	-
Unassigned reported in:			
General fund	3,686,745	-	-
Total Fund Balances	4,478,551	6,669,498	230,832
Total Liabilities and Fund Balances	\$ 5,009,025	\$ 6,672,398	\$ 278,541

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,141,830	\$ 11,275,554
636,033	1,155,554
55,882	1,121,716
203,945	444,830
<u>\$ 2,037,690</u>	<u>\$ 13,997,654</u>
\$ -	\$ 445,785
11,820	11,820
<u>11,820</u>	<u>457,605</u>
<u>-</u>	<u>135,298</u>
697,543	697,543
-	230,832
-	6,669,498
878,213	878,213
-	781,021
450,114	460,899
-	3,686,745
<u>2,025,870</u>	<u>13,404,751</u>
<u>\$ 2,037,690</u>	<u>\$ 13,997,654</u>

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City of Taylor, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2013

Fund Balances - Total Governmental Funds	\$ 13,404,751
 Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	5,105,838
Capital assets - net depreciable	55,311,390
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
	135,298
 Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.	
Deferred charge on refunding	360,661
 Internal service funds are used by management to charge the cost of equipment services and replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Cash and cash equivalents	8,930
Capital assets, net	783,252
Accounts payable and accrued liabilities	(51,977)
Interfund balances, net	(206,840)
Non-current liabilities due in one year	(92,336)
Non-current liabilities due in more than one year	(102,418)
Net position - governmental activities	338,611
 Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.	
Other post employment benefits	(228,351)
Accrued interest	(119,149)
Bond premium	(309,569)
Bond discount	16,182
Non-current liabilities due in one year	(1,879,187)
Non-current liabilities due in more than one year	(24,004,048)
Net Position of Governmental Activities	\$ 48,132,427

See Notes to Financial Statements.

City of Taylor, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2013

	<u>General</u>	<u>Capital Improvements</u>	<u>I & S For CO Bonds</u>
<u>Revenues</u>			
Property tax	\$ 4,405,438	\$ -	\$ 1,878,331
Sales tax	2,535,174	-	-
Franchise and local taxes	989,043	-	-
License and permits	101,808	-	-
Charges for services	1,519,898	-	-
Fines and forfeitures	307,615	-	-
Intergovernmental	87,506	184,969	-
Investment income	3,806	5,016	26,179
Other revenues	339,533	-	-
Total Revenues	10,289,821	189,985	1,904,510
<u>Expenditures</u>			
Current:			
General government	3,983,695	-	-
Culture and recreation	1,110,059	-	-
Community development	631,422	-	-
Public safety	4,441,585	-	-
Public works	1,374,935	-	-
Debt service:			
Principal retirement	56,281	-	1,130,594
Interest and fiscal charges	6,119	-	816,991
Bond issuance costs	-	48,580	86,220
Capital outlay	-	1,883,518	-
Total Expenditures	11,604,096	1,932,098	2,033,805
Excess of Revenues Over (Under) Expenditures	(1,314,275)	(1,742,113)	(129,295)
<u>Other Financing Sources (Uses)</u>			
Transfers in	994,587	1,006	131,300
Transfers (out)	(305,200)	-	(3,000)
Issuance of bonds	-	3,000,000	3,990,000
Premium	-	25,504	228,566
Payment to refunding bond escrow agent	-	-	(4,132,346)
Total Other Financing Sources (Uses)	689,387	3,026,510	214,520
Net Change in Fund Balances	(624,888)	1,284,397	85,225
Beginning fund balances	5,103,439	5,385,101	145,607
Ending Fund Balances	\$ 4,478,551	\$ 6,669,498	\$ 230,832

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 66,065	\$ 6,349,834
-	2,535,174
66,608	1,055,651
-	101,808
335,493	1,855,391
16,313	323,928
39,695	312,170
3,321	38,322
42,851	382,384
<u>570,346</u>	<u>12,954,662</u>
164,133	4,147,828
-	1,110,059
-	631,422
-	4,441,585
-	1,374,935
27,108	1,213,983
-	823,110
-	134,800
-	1,883,518
<u>191,241</u>	<u>15,761,240</u>
379,105	(2,806,578)
-	1,126,893
(270,478)	(578,678)
-	6,990,000
-	254,070
-	(4,132,346)
<u>(270,478)</u>	<u>3,659,939</u>
108,627	853,361
<u>1,917,243</u>	<u>12,551,390</u>
<u>\$ 2,025,870</u>	<u>\$ 13,404,751</u>

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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, 2013

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

Net changes in fund balances - total governmental funds	\$	853,361
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		1,757,951
Depreciation expense		(1,858,968)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		24,972
--	--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(134,815)
Other post employment benefits		(55,211)
Accrued interest		(5,670)
Amortization of deferred charges on refunding		(63,672)
Amortization of bond premium and discounts		25,881

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issuance		(6,990,000)
Plus premium		(254,070)
Principal payments		1,213,983
Payment to escrow agent for refunding		3,855,826
Deferred charge on refunding		276,520

Internal service funds are used by management to charge the cost of equipment services and replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		280,203
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Change in Net Position of Governmental Activities	\$	(1,073,709)
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See Notes to Financial Statements.

City of Taylor, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2013

	Original Budget	Final Budget	2013 Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 4,461,597	\$ 4,418,000	\$ 4,405,438	\$ (12,562)
Sales tax	2,300,000	2,573,231	2,535,174	(38,057)
Franchise and local taxes	963,715	949,751	989,043	39,292
License and permits	91,000	106,600	101,808	(4,792)
Charges for services	1,518,000	1,505,946	1,519,898	13,952
Fines and forfeitures	298,000	302,100	307,615	5,515
Intergovernmental	52,000	85,572	87,506	1,934
Investment income	30,385	33,385	3,806	(29,579)
Other revenues	136,890	347,111	339,533	(7,578)
Total Revenues	9,851,587	10,321,696	10,289,821	(31,875)
Expenditures				
Current:				
General government				
City council	201,573	171,558	153,356	18,202
City management	489,954	471,749	465,277	6,472
Public information	127,763	131,105	128,004	3,101
Human resources	172,375	165,433	159,063	6,370
Financial services	425,869	594,942	583,469	11,473
Municipal court	260,044	263,060	267,165	(4,105)
Building maintenance	368,486	386,024	381,539	4,485
Information technology	84,030	93,009	93,994	(985)
Nondepartmental	1,342,539	1,709,222	1,730,011	(20,789)
Library grant/donation	10,000	21,818	21,817	1
Total general government	3,482,633	4,007,920	3,983,695	24,225
Culture and recreation				
Moody museum	6,364	10,157	9,103	1,054
Public library	414,410	413,254	410,858	2,396
Parks and recreation	651,967	692,194	690,098	2,096
Total culture and recreation	1,072,741	1,115,605	1,110,059	5,546

City of Taylor, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 2 of 2)

For the Year Ended September 30, 2013

	Original Budget	Final Budget	2013 Actual	Variance with Final Budget Positive (Negative)
Community development				
Planning and development	423,882	579,499	572,484	7,015
Main Street program	56,524	56,786	58,938	(2,152)
Total community development	<u>480,406</u>	<u>636,285</u>	<u>631,422</u>	<u>4,863</u>
Public safety				
Fire department	1,776,068	1,853,204	1,829,348	23,856
Police department	2,355,595	2,479,504	2,497,057	(17,553)
Animal control	113,628	116,351	115,180	1,171
Total public safety	<u>4,245,291</u>	<u>4,449,059</u>	<u>4,441,585</u>	<u>7,474</u>
Public works				
Administration	102,222	101,818	102,422	(604)
Maintenance	1,071,192	991,305	966,179	25,126
Engineering and inspection	200,959	192,661	186,835	5,826
Roadway impact fee	-	135,362	119,499	15,863
Total public works	<u>1,374,373</u>	<u>1,421,146</u>	<u>1,374,935</u>	<u>46,211</u>
Debt service:				
Principal retirement	56,281	56,281	56,281	-
Interest and fiscal charges	6,119	6,119	6,119	-
Total debt service	<u>62,400</u>	<u>62,400</u>	<u>62,400</u>	<u>-</u>
Total Expenditures	<u>10,717,844</u>	<u>11,692,415</u>	<u>11,604,096</u>	<u>88,319</u>
Revenues Over (Under) Expenditures	<u>(866,257)</u>	<u>(1,370,719)</u>	<u>(1,314,275)</u>	<u>56,444</u>
Other Financing Sources (Uses)				
Transfers in	991,587	991,587	994,587	3,000
Transfers (out)	(102,045)	(305,260)	(305,200)	60
Total Other Financing Sources (Uses)	<u>889,542</u>	<u>686,327</u>	<u>689,387</u>	<u>3,060</u>
Net Change in Fund Balance	<u>\$ 23,285</u>	<u>\$ (684,392)</u>	<u>(624,888)</u>	<u>\$ 59,504</u>
Beginning fund balance			5,103,439	
Ending Fund Balance			<u>\$ 4,478,551</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Taylor, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2013

	Business-Type Activities Enterprise Funds		
	Public Utilities	Airport	Cemetery Operating
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,962,937	\$ 41,725	\$ 276,229
Restricted cash:			
Customer deposits	369,637	-	-
Receivables, net	1,265,668	4,256	7,585
Due from other funds	-	1,360	-
Inventories	227,052	-	-
Total Current Assets	4,825,294	47,341	283,814
Noncurrent Assets			
Capital assets:			
Non-depreciable	888,854	859,833	10,033
Net depreciable capital assets	33,085,637	2,474,355	-
Total Noncurrent Assets	33,974,491	3,334,188	10,033
Total Assets	38,799,785	3,381,529	293,847
Deferred Outflows of Resources			
Deferred charge on refunding	218,337	8,643	-
Total Deferred Outflows of Resources	218,337	8,643	-
Liabilities			
Current Liabilities			
Accounts payable	104,940	1,788	7,682
Customer deposits	369,637	-	-
Current maturities of long-term liabilities	1,218,811	30,000	-
Due to other funds	-	22,225	203,945
Accrued interest	146,586	1,187	-
Total Current Liabilities	1,839,974	55,200	211,627
Noncurrent Liabilities			
Long-term liabilities	25,926,860	235,324	-
Total Liabilities	27,766,834	290,524	211,627
Net Position			
Invested in capital assets, net of related debt	9,092,144	3,077,507	10,033
Unrestricted	2,159,144	22,141	72,187
Total Net Position	\$ 11,251,288	\$ 3,099,648	\$ 82,220

Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time

Net Position of Business-type Activities

See Notes to Financial Statements.

<u>Total</u>	<u>Governmental Activities Internal Service</u>
\$ 3,280,891	\$ 8,930
369,637	-
1,277,509	-
1,360	8,213
227,052	-
<u>5,156,449</u>	<u>17,143</u>
1,758,720	-
35,559,992	783,252
<u>37,318,712</u>	<u>783,252</u>
<u>42,475,161</u>	<u>800,395</u>
226,980	-
<u>226,980</u>	<u>-</u>
114,410	51,977
369,637	-
1,248,811	92,336
226,170	216,413
147,773	-
<u>2,106,801</u>	<u>360,726</u>
26,162,184	102,418
<u>28,268,985</u>	<u>463,144</u>
12,179,684	681,132
2,253,472	(343,881)
<u>14,433,156</u>	<u>\$ 337,251</u>
(1,360)	
<u>\$ 14,431,796</u>	

City of Taylor, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2013

	Business-Type Activities Enterprise Funds		
	Public Utilities	Airport	Cemetery Operating
<u>Operating Revenues</u>			
Water revenue	\$ 4,383,743	\$ -	\$ -
Sewer revenue	2,524,774	-	-
Airport services	-	500,255	-
Cemetery services	-	-	118,160
Other income	140,826	-	7,554
Charges for services	-	-	-
Rents and royalties	54,675	-	-
Total Operating Revenues	7,104,018	500,255	125,714
<u>Operating Expenses</u>			
Personnel services	1,101,258	42,205	36,391
Contractual services	2,076,554	348,657	93,274
Material and supplies	351,945	3,157	3,689
Depreciation	1,166,531	86,195	-
Total Operating Expenses	4,696,288	480,214	133,354
Operating Income	2,407,730	20,041	(7,640)
<u>Nonoperation Revenues (Expenses)</u>			
Intergovernmental	164,979	-	-
Investment income	2,947	-	202
Interest expense	(1,190,981)	(11,424)	-
Total Nonoperating Revenues (Expenses)	(1,023,055)	(11,424)	202
Income Before Transfers	1,384,675	8,617	(7,438)
<u>Transfers</u>			
Transfers in	-	-	67,591
Transfers (out)	(1,038,361)	(30,000)	(50,900)
Change in Net Position	346,314	(21,383)	9,253
Beginning net position	10,904,974	3,121,031	72,967
Ending Net Position	\$ 11,251,288	\$ 3,099,648	\$ 82,220

Adjustment for the net effect of the current year activity between
the internal service funds and the enterprise funds.

Changes in Net Position of Business-type Activities

See Notes to Financial Statements.

<u>Total</u>	<u>Governmental Activities</u>
	<u>Internal Service</u>
\$ 4,383,743	\$ -
2,524,774	-
500,255	-
118,160	-
148,380	2,335
-	661,329
54,675	-
<u>7,729,987</u>	<u>663,664</u>
1,179,854	131,216
2,518,485	588,337
358,791	-
1,252,726	138,857
<u>5,309,856</u>	<u>858,410</u>
<u>2,420,131</u>	<u>(194,746)</u>
164,979	-
3,149	-
(1,202,405)	(7,914)
<u>(1,034,277)</u>	<u>(7,914)</u>
1,385,854	(202,660)
67,591	503,455
(1,119,261)	-
<u>334,184</u>	<u>300,795</u>
	<u>36,456</u>
	<u>\$ 337,251</u>
<u>20,592</u>	
<u>\$ 354,776</u>	

City of Taylor, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2013

	<u>Public Utilities</u>	<u>Airport</u>	<u>Cemetery Operating</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 7,093,237	\$ 502,609	\$ 122,919
Payments to suppliers and contractors	(2,424,565)	(421,851)	(94,666)
Payments to employees for salaries and benefits	(1,098,450)	(42,205)	(36,391)
Net Cash Provided (Used) by Operating Activities	3,570,222	38,553	(8,138)
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfer in	-	-	67,591
Transfer (out)	(1,038,361)	(30,000)	(50,900)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,038,361)	(30,000)	16,691
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital grant	164,979	-	-
Purchases of capital assets	(411,682)	-	(10,033)
Principal paid on capital debt	(1,174,405)	(25,000)	-
Interest paid on capital debt	(1,134,372)	(11,611)	-
Net Cash (Used) by Capital and Related Financing Activities	(2,555,480)	(36,611)	(10,033)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	2,947	-	202
Net Cash Provided by Investing Activities	2,947	-	202
Net Decrease in Cash and Cash Equivalents	(20,672)	(28,058)	(1,278)
Beginning cash and cash equivalents	3,353,246	69,783	277,507
Ending Cash and Cash Equivalents	\$ 3,332,574	\$ 41,725	\$ 276,229

See Notes to Financial Statements.

Total	Governmental Activities
	Internal Service
\$ 7,718,765	\$ 663,664
(2,941,082)	(555,102)
(1,177,046)	(130,801)
<u>3,600,637</u>	<u>(22,239)</u>
67,591	503,455
(1,119,261)	-
<u>(1,051,670)</u>	<u>503,455</u>
164,979	-
(421,715)	(432,181)
(1,199,405)	(36,472)
(1,145,983)	(7,914)
<u>(2,602,124)</u>	<u>(476,567)</u>
3,149	-
<u>3,149</u>	<u>-</u>
(50,008)	4,649
<u>3,700,536</u>	<u>4,281</u>
<u>\$ 3,650,528</u>	<u>\$ 8,930</u>

City of Taylor, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2013

	<u>Public Utilities</u>	<u>Airport</u>	<u>Cemetery Operating</u>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income (Loss)	\$ 2,407,730	\$ 20,041	\$ (7,640)
Adjustments to reconcile operating income to net cash provided (used):			
Depreciation	1,166,531	86,195	-
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(53,068)	2,354	(2,795)
Inventory	21,679	-	-
Due from other funds	-	(43,151)	-
Increase (Decrease) in:			
Accounts payable	(17,745)	(26,886)	2,297
Customer deposits	42,287	-	-
Compensated absences	2,808	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,570,222</u>	<u>\$ 38,553</u>	<u>\$ (8,138)</u>
 <u>Schedule of Non-Cash Capital and Related</u>			
<u>Financing Activities</u>			
Debt refunding	\$ 1,480,724	\$ -	\$ -

See Notes to Financial Statements.

<u>Total</u>	<u>Governmental Activities Internal Service</u>
\$ 2,420,131	\$ (194,746)
1,252,726	138,857
(53,509)	-
21,679	-
(43,151)	(2,744)
(42,334)	35,979
42,287	-
2,808	415
<u>\$ 3,600,637</u>	<u>\$ (22,239)</u>

\$ 1,480,724 \$ 52,011

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City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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 City provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of the City and its inhabitants.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Taylor Economic Development Corporation (the "TEDC"), although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Taylor Economic Development Corporation

The Taylor Economic Development Corporation (the "TEDC") serves all citizens of the City and is governed by a five member board of directors appointed by the Taylor City Council. An Executive Director is appointed by the TEDC board to carry out the Board's administrative and policy initiatives. The TEDC is a 4A Corporation and is supported by a half-cent sales tax voted by referendum in 1994. The scope of public service of the TEDC

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

benefits the government and its citizens and is operated primarily within geographic boundaries of the City.

Separately issued audited financial statements are available from TEDC, 316 North Main, Taylor, TX 76574.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, culture and recreation, and community development.

City of Taylor, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2013

Capital Improvements Fund

The capital improvements fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

I&S for CO Bonds Fund

The City accounts for the accumulation of financial resources for the payments of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the I & S for CO Bonds fund is restricted exclusively for debt service expenditures.

The government reports the following major enterprise funds:

Public Utilities Fund

Water and wastewater services provided by the City are accounted for in the public utilities fund. Activities of the fund include administration, operation and maintenance of the water and wastewater system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and wastewater debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the funds.

Airport

The Airport fund accounts for the administration, operation and maintenance of the municipal airport.

Additionally government reports the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. These funds consist of the hotel/motel tax, Texas capital, main street revenue, cemetery land purchases, municipal court special fee, tax increment and drainage funds.

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 include the equipment services and equipment replacement funds.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

Permanent Fund

Chapter 6 Section 6-8 of the City Code establishes a cemetery trust fund subject to control of the City Council. Interest income from the investment of the permanent fund is to be used for beautification and upkeep of the cemetery. The City's only permanent fund is the cemetery permanent fund.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial 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 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.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

D. Assets, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital

City of Taylor, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2013

assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years
Infrastructure	5 to 30 years
Buildings and improvements	25 years

5. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

6. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The government has adopted a policy to maintain a minimum reserve of in unreserved fund balance in the general fund at an amount equal to or greater than 25% of operating expenditures of that fund.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

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Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

8. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

E. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual

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NOTES TO FINANCIAL STATEMENTS, Continued
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in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature which affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods.

In addition, this legislature creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide appraisal districts and for a State Property Tax Board which commenced operation in January 1980. The appraisal of property within the City is the responsibility of the Williamson County Tax Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of real property within the Appraisal District must be reviewed at least every four years. The City, at its own expense, may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the City limits. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements and revaluation, exceeds the rate of the previous year by more than eight percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight percent above the rate of the previous year.

3. Compensated Absences

City employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, until retirement or termination. In the event of termination, resignation or retirement, all full time employees, other than policeman and firemen, will be reimbursed for accrued vacation time up to 120 hours. Policeman and firemen, upon termination, resignation or retirement, will be reimbursed for accrued sick and vacation time according to civil service regulations. For all other employees, sick leave is not paid at termination or retirement.

All vacation and qualifying sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 utility fund, airport fund, and cemetery operating funds are charges to customers for sales and services. The public utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, I&S for CO bonds, hotel/motel tax, Texas capital, main street revenue, cemetery land purchases, municipal court security and technology, tax increment fund, drainage, cemetery permanent, and enterprise funds. Capital project funds have no binding annual budget. Project-length financial plans are adopted for all capital projects; according, no comparison of budget to actual is presented in the financial statements. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. No funds can be transferred or added which affect the total fund expenditures without City Council approval. Appropriations lapse at the end of the year. One supplemental budget appropriation was made during the year.

A. Expenditures Over Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control and as follows:

I&S for CO Bonds Fund	\$3,098
Hotel/Motel Tax Fund	\$4,667
Drainage Fund	\$1,449
Cemetery Permanent Fund	\$5

B. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

The following is a list of fund balances restricted/committed by the City:

	<u>Restricted</u>	<u>Committed</u>
Debt service	\$ 230,832	\$ -
Capital projects	6,669,498	-
Community redevelopment	494,561	-
Cemetery land purchase	192,125	-
Municipal court	* 88,416	-
Moody museum	304,450	-
Library bequest funds	336,784	-
Roadway impact fees	65,857	-
Other purposes	177,041	-
Drainage	-	460,899
Total	\$ 8,559,564	\$ 460,899

*Restricted by enabling legislation.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2013, the primary government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Municipal bonds	\$ 1,064,198	1.47
Mutual funds	91,356	0.0
External investment pools	14,295,130	0.0
Total fair value	<u>\$ 15,450,684</u>	
Portfolio weighted average maturity		0.19

As of September 30, 2013, the Taylor EDC had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturity (Years)</u>
Mutual funds	<u>\$ 154,025</u>	<u>0.00</u>

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2013, the City's investment in TexPool was rated AAAM by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2013, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. 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. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

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NOTES TO FINANCIAL STATEMENTS, Continued
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TexSTAR

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.

Texas CLASS

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.

C. Receivables

The following comprise receivable balances of the primary government at year end:

	General	I&S for CO Bonds	Nonmajor Governmental	Public Utility	Airport	Cemetery Operating	Total
Property taxes	\$ 95,256	\$ 40,042	\$ -	\$ -	\$ -	\$ -	\$ 135,298
Sales tax	429,407	-	-	-	-	-	429,407
Franchise taxes	207,637	-	-	-	-	-	207,637
Accounts	255,162	-	56,479	1,297,306	4,256	7,585	1,620,788
Other	38,868	2,153	-	-	-	-	41,021
Allowance	(2,691)	-	(597)	(31,638)	-	-	(34,926)
Total	\$ 1,023,639	\$ 42,195	\$ 55,882	\$ 1,265,668	\$ 4,256	\$ 7,585	\$ 2,399,225

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

D. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 2,510,932	\$ -	\$ -	\$ 2,510,932
Construction in progress	1,330,100	1,716,250	(451,444)	2,594,906
Total capital assets not being depreciated	<u>3,841,032</u>	<u>1,716,250</u>	<u>(451,444)</u>	<u>5,105,838</u>
Capital assets, being depreciated:				
Streets and bridges	45,945,764	-	-	45,945,764
Parks and dams	12,664,894	-	451,444	13,116,338
Sidewalks, curbs and gutters	1,586,416	-	-	1,586,416
Buildings and improvements	9,680,116	5,951	-	9,686,067
Operating equipment	3,240,312	35,750	(41,386)	3,234,676
Equipment in internal service funds	1,537,146	484,192	-	2,021,338
Total capital assets being depreciated	<u>74,654,648</u>	<u>525,893</u>	<u>410,058</u>	<u>75,590,599</u>
Less accumulated depreciation				
Streets and bridges	9,705,904	1,156,899	-	10,862,803
Parks and dams	1,239,084	318,272	-	1,557,356
Sidewalks, curbs and gutters	292,100	39,660	-	331,760
Buildings and improvements	2,109,591	279,811	-	2,389,402
Operating equipment	3,093,610	64,326	(41,386)	3,116,550
Equipment in internal service funds	1,099,229	138,857	-	1,238,086
Total accumulated depreciation	<u>17,539,518</u>	<u>1,997,825</u>	<u>(41,386)</u>	<u>19,495,957</u>
Net capital assets being depreciated	<u>57,115,130</u>	<u>(1,471,931)</u>	<u>451,444</u>	<u>56,094,642</u>
Total capital assets	<u>\$ 60,956,162</u>	<u>\$ 244,319</u>	<u>\$ -</u>	<u>\$ 61,200,480</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 239,089
Public safety	93,555
Public works	1,526,325
Internal service funds	138,857
Total Governmental Activities Depreciation Expense	<u>\$ 1,997,825</u>

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,317,035	\$ -	\$ -	\$ 1,317,035
Construction in progress	1,176,732	404,247	(904,587)	676,392
Total capital assets not being depreciated	<u>2,493,767</u>	<u>404,247</u>	<u>(904,587)</u>	<u>1,993,427</u>
Capital assets, being depreciated:				
Plant distribution and collection	41,360,614	-	904,587	42,265,201
Buildings	7,628,470	-	-	7,628,470
Runway	2,003,709	-	-	2,003,709
Equipment	1,014,969	17,468	5,866	1,038,303
Total capital assets being depreciated	<u>52,007,762</u>	<u>17,468</u>	<u>910,453</u>	<u>52,935,683</u>
Less accumulated depreciation				
Plant distribution and collection	12,919,847	982,731	-	13,902,578
Buildings	2,010,087	202,508	-	2,212,595
Runway	471,080	50,093	-	521,173
Equipment	950,792	17,394	5,866	974,052
Total accumulated depreciation	<u>16,351,806</u>	<u>1,252,726</u>	<u>5,866</u>	<u>17,610,398</u>
Net capital assets being depreciated	<u>35,655,956</u>	<u>(1,235,258)</u>	<u>904,587</u>	<u>35,325,285</u>
Total capital assets	<u><u>\$ 38,149,723</u></u>	<u><u>\$ (831,011)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,318,712</u></u>

Depreciation was charged to business-type activities as follows:

Public Utilities	\$ 1,166,531
Airport	86,195
Total Business-type Activities Depreciation Expense	<u><u>\$ 1,252,726</u></u>

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

D. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Refunded</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:						
Bonds, notes and other payables:						
General Obligation Bonds	\$ 8,430,000	\$ 3,990,000	\$ (880,000)	\$ (3,070,000)	\$ 8,470,000	\$ 830,000
Combination Tax and Revenue Certificates of Obligation	14,491,398	3,000,000	(250,594)	(785,826)	16,454,978	294,110
Less deferred amounts:						
For discounts	(18,494)	-	2,312	-	(16,182)	-
For premiums	83,691	254,070	(28,193)	-	309,568	-
Total Bonds Payable	<u>22,986,595</u>	<u>7,244,070</u>	<u>(1,156,475)</u>	<u>(3,855,826)</u>	<u>25,218,364</u>	<u>1,124,110</u>
Texas Department of Commerce						
Obligation	120,375	-	(27,108)	-	93,267	25,021
Capital Lease	174,820	-	(56,281)	-	118,539	58,250
Capital Lease - internal service fund	176,230	52,011	(36,472)	-	191,769	89,649
Other Post Employment Benefits	173,140	55,211	-	-	228,351	-
Compensated Absences	611,637	389,135	(254,320)	-	746,452	671,807
Compensated Absences - internal service fund	2,570	4,726	(4,311)	-	2,985	2,687
Total Governmental Activities	<u>\$ 24,245,367</u>	<u>\$ 7,745,153</u>	<u>\$ (1,534,967)</u>	<u>\$ (3,855,826)</u>	<u>\$ 26,599,727</u>	<u>\$ 1,971,523</u>
					<u>\$ 24,628,204</u>	
						<u>\$ 24,628,204</u>
Business-Type Activities:						
General Obligation Bonds	\$ 5,170,000	\$ 1,460,000	\$ (840,000)	\$ -	\$ 5,790,000	\$ 855,000
Combination Tax and Revenue Certificates of Obligation	23,228,602	-	(359,406)	(1,449,174)	21,420,022	375,890
Less deferred amounts:						
For discounts	(17,071)	-	2,134	-	(14,937)	-
For premiums	143,505	83,636	(31,143)	-	195,998	-
Total Bonds Payable	<u>28,525,036</u>	<u>1,543,636</u>	<u>(1,228,415)</u>	<u>(1,449,174)</u>	<u>27,391,083</u>	<u>1,230,890</u>
Compensated Absences	17,104	27,294	(24,486)	-	19,912	17,921
Total Business-Type Activities	<u>\$ 28,542,140</u>	<u>\$ 1,570,930</u>	<u>\$ (1,252,901)</u>	<u>\$ (1,449,174)</u>	<u>\$ 27,410,995</u>	<u>\$ 1,248,811</u>
						<u>\$ 26,162,184</u>
						<u>\$ 26,162,184</u>
Component Unit Activities:						
Sales tax revenue bonds	\$ 1,200,000	\$ -	\$ (1,200,000)	\$ -	\$ -	\$ -
Compensated Absences	730	3,230	(730)	-	3,230	2,907
Total Component Unit Activities	<u>\$ 1,200,730</u>	<u>\$ 3,230</u>	<u>\$ (1,200,730)</u>	<u>\$ -</u>	<u>\$ 3,230</u>	<u>\$ 2,907</u>

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities. Long-term debt at year end was comprised of the following debt issues:

	Governmental Activities	Business - Type Activities	Total
General Obligation Bonds:			
\$5,100,000 General Obligation Bonds, Series 2005, due in installments through 2025, interest at 3% to 4.3%	\$ 995,000	\$ -	\$ 995,000
\$8,995,000 General Obligation Refunding Bonds, Series 2009, due in installments through 2029, interest at 2% to 4%	2,675,000	2,315,000	4,990,000
\$3,945,000 General Obligation Refunding Bonds, Series 2010, due in installments through 2022, interest at 1.5% to 4%	905,000	2,035,000	2,940,000
\$5,450,000 General Obligation Refunding Bonds, Series 2012, due in installments through 2025, interest at 1% to 2.5%	3,895,000	1,440,000	5,335,000
Total General Obligation bonds	\$ 8,470,000	\$ 5,790,000	\$ 14,260,000
Combination Tax and Revenue Certificates of Obligation:			
\$4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through 2015, interest at 3.8% to 4%	\$ 159,978	\$ 295,022	\$ 455,000
\$4,200,000 Combination Tax and Revenue Certificates of Obligation, Series 2006, due in annual installments through 2026, interest at 4.45%	45,000	4,000,000	4,045,000
\$10,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2007, due in annual installments through 2027, interest at 3.83%	2,925,000	7,000,000	9,925,000
\$9,615,000 Combination Tax and Revenue Certificates of Obligation, Series 2008, due in annual installments through 2028, interest at 4.85% to 7%	2,970,000	5,950,000	8,920,000
\$8,780,000 Combination Tax and Revenue Certificates of Obligation, Series 2010, due in annual installments through 2034, interest at 4.25% to 5%	4,450,000	4,175,000	8,625,000
\$3,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2012, due in annual installments through 2032, interest at 4.25% to 5%	2,905,000	-	2,905,000
\$3,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2013, due in annual installments through 2033, interest at 4%	3,000,000	-	3,000,000
Total Combination Tax and Revenue/Certificates of Obligation	\$ 16,454,978	\$ 21,420,022	\$ 37,875,000

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Less deferred amounts:			
Discounts and premiums	\$ 293,386	\$ 181,061	\$ 474,447
Contractual Obligation			
\$499,931 Obligation to the Texas Department of Commerce Texas			
Capital Fund, due in monthly installments of \$2,085 through			
January 2017, interest at 0.00%	93,267	-	93,267
Capital Leases Payable:			
\$381,545 Capital lease payable to Motorola, due in annual			
installments of \$66,400 through 2015, interest at 3.5%	118,539	-	118,539
\$62,622 Capital lease payable to John Deere, due in annual			
installments of \$1,298 through 2014, interest at 5.9%	15,085	-	15,085
\$169,727 Capital lease payable to GCC, due in annual			
installments of \$28,815 through 2017, interest at 5.02%	124,672	-	124,672
\$52,012 Capital lease payable to Holman, due in quarterly			
installments of \$17,634 through 2014, interest at 2.79%	52,012	-	52,012
Total Capital Leases Payable	<u>310,308</u>	<u>-</u>	<u>310,308</u>
Compensated Absences	749,437	19,912	769,349
Other Post Employment Benefits	228,351	-	228,351
Total Debt	<u><u>\$ 26,599,727</u></u>	<u><u>\$ 27,410,995</u></u>	<u><u>\$ 54,010,722</u></u>

The annual requirements to amortize the City's long-term activities debt issues outstanding at year ending were as follows:

General Obligation Bonds

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 830,000	\$ 261,708	\$ 855,000	\$ 184,461
2015	800,000	252,700	880,000	159,011
2016	900,000	226,200	1,015,000	132,811
2017	920,000	200,350	1,055,000	97,198
2018	945,000	169,925	445,000	59,572
2019	680,000	137,675	460,000	45,473
2020	655,000	106,325	470,000	30,813
2021	695,000	88,045	205,000	15,813
2022	715,000	70,525	210,000	10,406
2023	745,000	52,138	195,000	4,875
2024	290,000	33,250	-	-
2025	295,000	14,625	-	-
2026	-	7,375	-	-
Total	<u><u>\$ 8,470,000</u></u>	<u><u>\$ 1,620,841</u></u>	<u><u>\$ 5,790,000</u></u>	<u><u>\$ 740,432</u></u>

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

Combination Tax and Revenue Certificates of Obligations

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 294,110	\$ 659,771	\$ 375,890	\$ 922,553
2015	385,868	629,801	394,132	901,820
2016	330,000	615,446	305,000	880,392
2017	340,000	604,520	310,000	867,947
2018	365,000	592,942	995,000	853,967
2019	620,000	580,754	1,065,000	814,020
2020	685,000	558,367	1,110,000	771,111
2021	695,000	532,941	1,400,000	726,161
2022	710,000	506,976	1,460,000	668,299
2023	735,000	480,026	1,520,000	607,717
2024	1,225,000	450,971	1,855,000	544,395
2025	1,270,000	401,852	1,930,000	466,207
2026	1,600,000	351,793	2,010,000	386,156
2027	1,300,000	287,687	2,100,000	299,683
2028	815,000	238,135	1,995,000	160,791
2029	885,000	206,323	390,000	105,160
2030	915,000	171,635	410,000	88,160
2031	950,000	135,760	420,000	70,208
2032	990,000	97,810	440,000	51,288
2033	835,000	58,300	460,000	31,373
2034	510,000	22,695	475,000	10,569
Total	\$ 16,454,978	\$ 8,184,505	\$ 21,420,022	\$ 10,227,974

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

The annual requirements to amortize capital leases outstanding at year ending were as follows:

Capital Leases Payable

Year ending September 30,	Governmental Activities		Total
	Principal	Interest	
2014	\$ 147,899	\$ 12,349	\$ 160,248
2015	83,975	7,240	91,215
2016	24,875	3,940	28,815
2017	26,124	2,690	28,814
2018	27,435	1,378	28,813
Total	\$ 310,308	\$ 27,598	\$ 337,906

The annual requirements to amortize notes payable outstanding at year ending were as follows:

Notes Payable

Year ending September 30,	Governmental Activities		Total
	Principal	Interest	
2014	\$ 25,021	\$ -	\$ 25,021
2015	25,021	-	25,021
2016	25,021	-	25,021
2017	18,204	-	18,204
Total	\$ 93,267	\$ -	\$ 93,267

E. Advance Refunding

The government issued \$5,450,000 in general obligation refunding bonds with interest rates ranging from 1.0% to 2.5%. The proceeds were used to advance refund \$5,305,000 of outstanding 2003 certificates of obligation and 2005 general obligation bonds which had interest rates ranging from 2.5% to 4.65%. The net proceeds of \$5,644,433 (including a \$312,202 premium and after payment of \$117,769 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2003 certificates of obligation and 2005 general obligation bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$339,433. This amount is being amortized over the remaining life of the refunding debt. The government advance refunded the 2003 certificates of obligation and 2005 general obligation bonds to

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

reduce its total debt service payments over 13 years by \$825,933 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$747,001.

F. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2009, 2010 and 2012 general obligation refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds. Current year balances for governmental and business-type activities totaled \$360,661 and \$226,980, respectively. Current year amortization expense for governmental and business-type activities totaled \$63,672 and \$53,883, respectively.

G. Interfund Transactions

Transfers between the primary government funds during the 2013 year were as follows:

Transfer out:	Transfer In:					Total
	General	Capital Improvements	I&S for CO Bonds	Cemetery Operating	Equipment Replacement	
General	\$ -	\$ 1,006	\$ -	\$ -	\$ 304,194	\$ 305,200
I&S for CO Bonds	3,000	-	-	-	-	3,000
Public Utilities	850,000	-	-	-	188,361	1,038,361
Airport	30,000	-	-	-	-	30,000
Cemetery Operating	40,000	-	-	-	10,900	50,900
Nonmajor Governmental	71,587	-	131,300	20,000	-	222,887
Cemetery Permanent	-	-	-	47,591	-	47,591
Total	\$ 994,587	\$ 1,006	\$ 131,300	\$ 67,591	\$ 503,455	\$ 1,697,939

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

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

The compositions of interfund balances as of year end were as follows:

Due from:	Due to:				Total
	Airport	Cemetery Operating	Nonmajor Governmental	Equipment Replacement	
General	\$ 22,225	\$ -	\$ 11,820	\$ 206,840	\$ 240,885
Airport	-	-	-	1,360	1,360
Nonmajor Governmental	-	203,945	-	-	203,945
Equipment Services	-	-	-	8,213	8,213
Total	\$ 22,225	\$ 203,945	\$ 11,820	\$ 216,413	\$ 454,403

Interfund receivables and payables related to negative cash positions in pooled cash equity and various amounts used to cover operational and capital expenditures. All balances are expected to be resolved in the subsequent year.

V. OTHER INFORMATION

A. 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 the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

C. Construction commitments

The government has active construction projects as of September 30, 2013. The projects include street construction and improvements and the construction of additional water lines and repairs. At year end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Roadway Impact Study			
Rimrock	\$ 20,000	\$ 3,138	\$ 16,862
CDBG - Streets			
Langford Community Management	50,000	-	50,000
Sledge Engineering	50,000	26,500	23,500
Pavement Management Design			
Sledge Engineering	230,000	58,600	171,400
CDGB - Water Lines			
Langford Community Management	25,000	21,000	4,000
Sledge Engineering	50,000	49,500	500
SBS Construction	277,850	164,979	112,871
Annexed Area Water Improvements			
SBS Construction	137,667	84,420	53,247
Total	<u>\$ 840,517</u>	<u>\$ 408,137</u>	<u>\$ 432,380</u>

D. Pension Plans

1. Texas Municipal Retirement Systems

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, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

City of Taylor, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2013

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility		
(expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

Three-Year Contribution Information

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Pension Cost (ARC)	\$ 770,513	\$ 784,080	\$ 828,288
Actual Contributions Made	\$ 770,513	\$ 784,080	\$ 828,288
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation/Asset	-	-	-
NPO at the End of Period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

City of Taylor, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2013

Valuation Date	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.9 years; closed period	26 years; closed period	25 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.00%	3.00%	3.00%
	2.1%	2.1%	2.1%

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	12/31/2012
Actuarial Value of Assets	\$ 16,891,699
Actuarial Accrued Liability	\$ 21,949,650
Percentage Funded	77%
Annual Covered Payroll	\$ 5,932,391
Unfunded Actuarial Accrued Liability	\$ (5,057,951)
(UAAL) % of Covered Payroll	(85.3)%

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

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

City of Taylor, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2013

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 [this sentence should be updated to reflect the City's actual provisions as noted in the chart below]. 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.

The City offers supplemental death to:	Plan Year 2012	Plan Year 2013
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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 contributions to the TMRS SDBF for the years ended 2013, 2012 and 2011 were \$4,183, \$1,563 and \$2,028, 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 ARC Contributed
2011	0.06%	0.06%	100.0%
2012	0.06%	0.06%	100.0%
2013	0.07%	0.07%	100.0%

E. 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

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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.

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.

The City's deferred compensation plan is administered by a private corporation under contract with the City. Participant and City contributions totaled \$42,514 for the year ended September 30, 2013.

F. 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 current health plan which is an 80/20 HMO insurance plan that includes a \$ 500 deductible for individual and a \$ 1,000 deductible for family 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 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 insurance coverage. Payments by the City will continue until the 5th anniversary date after retirement unless any one of the following three events occurs:

City of Taylor, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2013

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.

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.

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.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

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.

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 the Pension plan at \$7,500 for retirees and one times the 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 no 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 pay only the premium amount paid by the City for its active employees provided the retiree pays the difference.

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

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

GASB 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize annual unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The annual OPEB cost for the fiscal year ended September 30, 2013, is as follows:

Annual required contribution	\$	78,572
Interest on OPEB obligation		7,773
Adjustment to annual required contribution		(7,202)
Annual OPEB cost expense		79,143
Contributions made		23,522
Change in net OPEB obligation		55,621
Net OPEB Obligation-beginning of year		172,730
Net OPEB Obligation-end of year	\$	228,351

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the program, and the net OPEB obligation for 2013 and the two preceding years are as follows:

Fiscal Year	Annual OPEB Cost	Employer Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
				Beginning	Ending
2011	\$ 54,775	\$ 10,687	19.51%	\$ 79,729	\$ 123,817
2012	\$ 56,146	\$ 7,233	12.88%	\$ 123,817	\$ 172,730
2013	\$ 79,143	\$ 23,522	29.72%	\$ 172,730	\$ 228,351

Funding Status and Funding Progress

As of October 1, 2012, the most recent actuarial valuation date, the Program was 0.00 percent funded. The actuarial accrued liability for benefits was \$737,654, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$737,654.

Actuarial valuations of an ongoing program involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Program, assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive program (the program as understood by the employer and the Program members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Program members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	30 years, open
Asset Valuation Method	N/A
Investment Rate of Return	4.50%
Inflation Rate	3.00%
Salary Growth	3.00%
Healthcare Cost Trend Rate (Initial/Ultimate)	Initial rate of 9.0%, declining to an ultimate rate of 4.5% after 9 years

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2013

G. Restatement

The City has restated beginning fund balance/net position within governmental and business-type activities due to the implementation of GASB 63 & 65 and a previously unrecorded accrual of franchise tax. The restatement of beginning net position/fund balance is as follows:

	<u>Governmental Activities</u>	<u>General</u>	
Prior year ending net position/ fund balance as reported	\$ 49,271,313	\$ 4,898,790	
Change in reporting of franchise tax accrual	204,649	204,649	
Change in reporting of bond issuance costs	(269,826)	-	
Restated beginning net position/fund balance	<u>\$ 49,206,136</u>	<u>\$ 5,103,439</u>	
	<u>Business-type Activities</u>	<u>Public Utilities</u>	<u>Airport</u>
Prior year ending net position as reported	\$ 14,302,271	\$ 11,124,857	\$ 3,126,399
Change in reporting of bond issuance costs	(225,251)	(219,883)	(5,368)
Restated beginning net position	<u>\$ 14,077,020</u>	<u>\$ 10,904,974</u>	<u>\$ 3,121,031</u>

H. Subsequent Events

There were no material subsequent events through February 07, 2014, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Taylor, Texas
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM
September 30, 2013

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

Actuarial Valuation Date	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>
Actuarial Value of Assets	\$ 16,891,699	\$ 15,411,297	\$ 14,065,543
Actuarial Accrued Liability	\$ 21,949,650	\$ 20,429,115	\$ 19,343,534
Percentage Funded	77.0%	75.4%	72.7%
Unfunded Actuarial			
Accrued Liability	\$ 5,057,951	\$ 5,017,818	\$ 5,277,991
Annual Covered Payroll	\$ 5,932,391	\$ 5,896,049	\$ 6,005,885
Unfunded Actuarial Accrued Liability			
(UAAL) % of Covered Payroll	85.3%	85.1%	87.9%
Net Pension Obligation (NPO)			
at the Beginning of Period	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	\$ 770,513	\$ 784,080	\$ 828,288
Contributions Made	\$ 770,513	\$ 784,080	\$ 828,288
NPO at the End of Period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Taylor, Texas
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT HEALTHCARE BENEFITS
September 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) Entry Age b	Unfunded AAL (AAL) (b-a)	Funded Ratio a/b	Annual Covered Payroll c	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2009	\$ -	\$ 422,576	\$ 422,576	0%	\$ 5,964,804	7.08%
12/31/2010	\$ -	\$ 414,263	\$ 414,263	0%	\$ 6,005,819	6.90%
10/1/2012	\$ -	\$ 737,654	\$ 737,654	0%	\$ 5,113,561	14.43%

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***COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES***

City of Taylor, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2013

	<u>Hotel/ Motel Tax</u>	<u>Texas Capital</u>	<u>Main Street Revenue</u>	<u>Cemetery Land Purchases</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 97,023	\$ 4,252	\$ 1,836	\$ -
Investments	-	-	-	-
Accounts receivable, net	-	-	-	-
Due from other funds	-	-	-	203,945
Total Assets	\$ 97,023	\$ 4,252	\$ 1,836	\$ 203,945
<u>Liabilities</u>				
Due to other funds	\$ -	\$ -	\$ -	\$ 11,820
Total Liabilities	-	-	-	11,820
<u>Fund Balances</u>				
Nonspendable	-	-	-	-
Restricted	97,023	4,252	1,836	192,125
Committed	-	-	-	-
Total Fund Balances	97,023	4,252	1,836	192,125
Total Liabilities and Fund Balances	\$ 97,023	\$ 4,252	\$ 1,836	\$ 203,945

Municipal Court Security/Tech	TIF	Drainage	Total Nonmajor Special Revenue	Cemetery Permanent Fund	Total Nonmajor Governmental
\$ 88,416	\$ 494,561	\$ 394,232	\$ 1,080,320	\$ 61,510	\$ 1,141,830
-	-	-	-	636,033	636,033
-	-	55,882	55,882	-	55,882
-	-	-	203,945	-	203,945
<u>\$ 88,416</u>	<u>\$ 494,561</u>	<u>\$ 450,114</u>	<u>\$ 1,340,147</u>	<u>\$ 697,543</u>	<u>\$ 2,037,690</u>
\$ -	\$ -	\$ -	\$ 11,820	\$ -	\$ 11,820
-	-	-	11,820	-	11,820
-	-	-	-	697,543	697,543
88,416	494,561	-	878,213	-	878,213
-	-	450,114	450,114	-	450,114
<u>88,416</u>	<u>494,561</u>	<u>450,114</u>	<u>1,328,327</u>	<u>697,543</u>	<u>2,025,870</u>
<u>\$ 88,416</u>	<u>\$ 494,561</u>	<u>\$ 450,114</u>	<u>\$ 1,340,147</u>	<u>\$ 697,543</u>	<u>\$ 2,037,690</u>

City of Taylor, Texas

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013*

	<u>Hotel/ Motel Tax</u>	<u>Texas Capital</u>	<u>Main Street Revenue</u>	<u>Cemetery Land Purchases</u>
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Hotel occupancy tax	66,608	-	-	-
Charges for services	-	-	-	1,021
Fines and fees	-	-	-	-
Intergovernmental	-	-	-	-
Other revenue	-	25,023	17,828	-
Investment income	-	-	-	-
Total Revenues	<u>66,608</u>	<u>25,023</u>	<u>17,828</u>	<u>1,021</u>
Expenditures				
General government	49,667	-	43,675	-
Debt service:				
Principal retirement	-	27,108	-	-
Total Expenditures	<u>49,667</u>	<u>27,108</u>	<u>43,675</u>	<u>-</u>
Revenues Over Expenditures	<u>16,941</u>	<u>(2,085)</u>	<u>(25,847)</u>	<u>1,021</u>
Other Financing Sources (Uses)				
Operating transfers (out)	-	-	-	(20,000)
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
Net Change in Fund Balances	16,941	(2,085)	(25,847)	(18,979)
Beginning fund balances	80,082	6,337	27,683	211,104
Ending Fund Balances	<u>\$ 97,023</u>	<u>\$ 4,252</u>	<u>\$ 1,836</u>	<u>\$ 192,125</u>

Municipal Court Security/Tech	TIF	Drainage	Total Nonmajor Special Revenue	Cemetery Permanent Fund	Total Nonmajor Governmental
\$ -	\$ 66,065	\$ -	\$ 66,065	\$ -	\$ 66,065
-	-	-	66,608	-	66,608
-	-	325,698	326,719	8,774	335,493
16,313	-	-	16,313	-	16,313
-	39,695	-	39,695	-	39,695
-	-	-	42,851	-	42,851
-	448	-	448	2,873	3,321
<u>16,313</u>	<u>106,208</u>	<u>325,698</u>	<u>558,699</u>	<u>11,647</u>	<u>570,346</u>
12,967	56,075	1,719	164,103	30	164,133
-	-	-	27,108	-	27,108
<u>12,967</u>	<u>56,075</u>	<u>1,719</u>	<u>191,211</u>	<u>30</u>	<u>191,241</u>
<u>3,346</u>	<u>50,133</u>	<u>323,979</u>	<u>367,488</u>	<u>11,617</u>	<u>379,105</u>
-	-	(202,887)	(222,887)	(47,591)	(270,478)
-	-	(202,887)	(222,887)	(47,591)	(270,478)
3,346	50,133	121,092	144,601	(35,974)	108,627
85,070	444,428	329,022	1,183,726	733,517	1,917,243
<u>\$ 88,416</u>	<u>\$ 494,561</u>	<u>\$ 450,114</u>	<u>\$ 1,328,327</u>	<u>\$ 697,543</u>	<u>\$ 2,025,870</u>

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City of Taylor, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

I&S FOR CO BONDS

For the Year Ended September 30, 2013

	Original Budget	Final Budget	2013 Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 1,806,009	\$ 1,881,015	\$ 1,878,331	\$ (2,684)
Investment income	1,200	26,200	26,179	(21)
Total Revenues	1,807,209	1,907,215	1,904,510	(2,705)
Expenditures				
Debt service:				
Principal retirement	970,594	1,065,594	1,130,594	(65,000)
Interest and fiscal charges	836,915	750,593	816,991	(66,398)
Bond issuance costs	-	-	86,220	(86,220)
Total Expenditures	1,807,509	1,816,187	2,033,805	(217,618)
Excess of Revenues				
Over (Under) Expenditures	(300)	91,028	(129,295)	(220,323)
Other Financing (Uses)				
Transfers in	-	-	131,300	131,300
Transfers (out)	-	-	(3,000)	(3,000)
Issuance of bonds	-	-	3,990,000	3,990,000
Premium	-	-	228,566	228,566
Payment to refunding bond escrow agent	-	-	(4,132,346)	(4,132,346)
Total Other Financing (Uses)	-	-	214,520	214,520
Net Change in Fund Balance	\$ (300)	\$ 91,028	85,225	\$ (5,803)
Beginning fund balance			145,607	
Ending Fund Balance			\$ 230,832	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Taylor, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
HOTEL MOTEL TAX
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2013 Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Hotel occupancy tax	\$ 60,250	60,250	\$ 66,608	\$ 6,358
Total Revenues	<u>60,250</u>	<u>60,250</u>	<u>66,608</u>	<u>6,358</u>
<u>Expenditures</u>				
Current:				
General government	45,000	45,000	49,667	(4,667)
Total Expenditures	<u>45,000</u>	<u>45,000</u>	<u>49,667</u>	<u>(4,667)</u>
Net Change in Fund Balance	<u>\$ 15,250</u>	<u>\$ 15,250</u>	16,941	<u>\$ 1,691</u>
Beginning fund balance			80,082	
Ending Fund Balance			<u>\$ 97,023</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Taylor, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TEXAS CAPITAL
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2013 Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Other revenue	\$ 25,023	25,023	\$ 25,023	\$ -
Total Revenues	<u>25,023</u>	<u>25,023</u>	<u>25,023</u>	<u>-</u>
<u>Expenditures</u>				
Debt service:				
Principal retirement	25,023	27,108	27,108	-
Total Expenditures	<u>25,023</u>	<u>27,108</u>	<u>27,108</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (2,085)</u>	<u>(2,085)</u>	<u>\$ -</u>
Beginning fund balance			6,337	
Ending Fund Balance			<u>\$ 4,252</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Taylor, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAIN STREET REVENUE
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2013 Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Other revenue	\$ 15,800	17,828	\$ 17,828	\$ -
Total Revenues	<u>15,800</u>	<u>17,828</u>	<u>17,828</u>	<u>-</u>
<u>Expenditures</u>				
Current:				
General government	32,500	44,632	43,675	957
Total Expenditures	<u>32,500</u>	<u>44,632</u>	<u>43,675</u>	<u>957</u>
Net Change in Fund Balance	<u>\$ (16,700)</u>	<u>\$ (26,804)</u>	(25,847)	<u>\$ 957</u>
Beginning fund balance			27,683	
Ending Fund Balance			<u>\$ 1,836</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Taylor, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY LAND PURCHASES
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2013 Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Charges for services	\$ 2,600	1,021	\$ 1,021	\$ -
Total Revenues	<u>2,600</u>	<u>1,021</u>	<u>1,021</u>	<u>-</u>
<u>Other Financing (Uses)</u>				
Transfers (out)	-	(20,000)	(20,000)	-
Total Other Financing (Uses)	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 2,600</u>	<u>\$ (18,979)</u>	<u>(18,979)</u>	<u>\$ -</u>
Beginning fund balance			211,104	
Ending Fund Balance			<u>\$ 192,125</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Taylor, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT SECURITY AND TECHNOLOGY
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2013 Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Charges for services	\$ 17,000	17,000	\$ 16,313	\$ (687)
Total Revenues	<u>17,000</u>	<u>17,000</u>	<u>16,313</u>	<u>(687)</u>
<u>Expenditures</u>				
Current:				
General government	-	12,967	12,967	-
Total Expenditures	<u>-</u>	<u>12,967</u>	<u>12,967</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 17,000</u>	<u>\$ 4,033</u>	3,346	<u>\$ (687)</u>
Beginning fund balance			85,070	
Ending Fund Balance			<u>\$ 88,416</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Taylor, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL TAX INCREMENT FUND

For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2013 Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Charges for services	\$ 63,489	66,065	\$ 66,065	\$ -
Intergovernmental	38,043	39,695	39,695	-
Investment income	420	450	448	(2)
Total Revenues	<u>101,952</u>	<u>106,210</u>	<u>106,208</u>	<u>(2)</u>
<u>Expenditures</u>				
Current:				
General government	20,000	65,000	56,075	8,925
Total Expenditures	<u>20,000</u>	<u>65,000</u>	<u>56,075</u>	<u>8,925</u>
Net Change in Fund Balance	<u>\$ 81,952</u>	<u>\$ 41,210</u>	50,133	<u>\$ 8,923</u>
Beginning fund balance			444,428	
Ending Fund Balance			<u>\$ 494,561</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Taylor, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL DRAINAGE

For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2013 Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Charges for services	\$ 323,075	323,075	\$ 325,698	\$ 2,623
Total Revenues	<u>323,075</u>	<u>323,075</u>	<u>325,698</u>	<u>2,623</u>
<u>Expenditures</u>				
Current:				
General government	270	270	1,719	(1,449)
Total Expenditures	<u>270</u>	<u>270</u>	<u>1,719</u>	<u>(1,449)</u>
Excess of Revenues Over Expenditures	322,805	322,805	323,979	1,174
<u>Other Financing (Uses)</u>				
Transfers (out)	(202,887)	(202,887)	(202,887)	-
Total Other Financing (Uses)	<u>(202,887)</u>	<u>(202,887)</u>	<u>(202,887)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 119,918</u>	<u>\$ 119,918</u>	121,092	<u>\$ 1,174</u>
Beginning fund balance			329,022	
Ending Fund Balance			<u>\$ 450,114</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Taylor, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CEMETERY PERMANENT

For the Year Ended September 30, 2013

	Original Budget	Final Budget	2013 Actual	Variance with Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 16,000	16,000	\$ 8,774	\$ (7,226)
Investment income	24,000	24,000	2,873	(21,127)
Total Revenues	40,000	40,000	11,647	(28,353)
Expenditures				
Current:				
General government	25	25	30	(5)
Total Expenditures	25	25	30	(5)
Excess of Revenues Over Expenditures	39,975	39,975	11,617	(28,358)
Other Financing (Uses)				
Transfers (out)	(50,000)	(50,000)	(47,591)	2,409
Total Other Financing (Uses)	(50,000)	(50,000)	(47,591)	2,409
Net Change in Fund Balance	\$ (10,025)	\$ (10,025)	(35,974)	\$ (25,949)
Beginning fund balance			733,517	
Ending Fund Balance			\$ 697,543	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Taylor, Texas
STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2013

	<u>Equipment Services</u>	<u>Equipment Replacement</u>	<u>Total</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 8,930	\$ -	\$ 8,930
Due from other funds	8,213	-	8,213
Total Current Assets	<u>17,143</u>	<u>-</u>	<u>17,143</u>
<u>Noncurrent Assets</u>			
Capital assets:			
Machinery and equipment	-	783,252	783,252
Total Noncurrent Assets	<u>-</u>	<u>783,252</u>	<u>783,252</u>
Total Assets	<u>17,143</u>	<u>783,252</u>	<u>800,395</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	14,537	37,440	51,977
Current maturities of long-term liabilities	2,687	89,649	92,336
Due to other funds	-	216,413	216,413
Total Current Liabilities	<u>17,224</u>	<u>343,502</u>	<u>360,726</u>
<u>Noncurrent Liabilities</u>			
Long-term liabilities	298	102,120	102,418
Total Liabilities	<u>17,522</u>	<u>445,622</u>	<u>463,144</u>
<u>Net Position</u>			
Invested in capital assets, net of related debt	-	681,132	681,132
Unrestricted	(379)	(343,502)	(343,881)
Total Net Position	<u>\$ (379)</u>	<u>\$ 337,630</u>	<u>\$ 337,251</u>

See Notes to Financial Statements.

City of Taylor, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2013

	Equipment Services	Equipment Replacement	Total
<u>Operating Revenues</u>			
Charges for services	\$ 661,329	\$ -	\$ 661,329
Other revenue	-	2,335	2,335
Total Operating Revenues	661,329	2,335	663,664
<u>Operating Expenses</u>			
Personnel services	131,216	-	131,216
Contractual services	530,680	57,657	588,337
Depreciation	-	138,857	138,857
Total Operating Expenses	661,896	196,514	858,410
Operating (Loss)	(567)	(194,179)	(194,746)
<u>Nonoperating Revenues (Expenses)</u>			
Interest expense	-	(7,914)	(7,914)
Total Nonoperating Revenues (Expenses)	-	(7,914)	(7,914)
<u>Transfers</u>			
Transfers in	-	503,455	503,455
Total Transfers	-	503,455	503,455
Change in Net Position	(567)	301,362	300,795
Beginning net position	188	36,268	36,456
Ending Net Position	\$ (379)	\$ 337,630	\$ 337,251

See Notes to Financial Statements.

City of Taylor, Texas
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (Page 1 of 2)
For the Year Ended September 30, 2013

	<u>Equipment Services</u>	<u>Equipment Replacement</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 661,329	\$ 2,335	\$ 663,664
Payments to suppliers and contractors	(525,879)	(29,223)	(555,102)
Payments to employees for salaries and benefits	(130,801)	-	(130,801)
Net Cash Provided (Used) by Operating Activities	<u>4,649</u>	<u>(26,888)</u>	<u>(22,239)</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfer in	-	503,455	503,455
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>503,455</u>	<u>503,455</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Purchases of capital assets	-	(432,181)	(432,181)
Principal paid on capital debt	-	(36,472)	(36,472)
Interest paid on capital debt	-	(7,914)	(7,914)
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(476,567)</u>	<u>(476,567)</u>
Net Decrease in Cash and Cash Equivalents	4,649	-	4,649
Beginning cash and cash equivalents	<u>4,281</u>	<u>-</u>	<u>4,281</u>
Ending Cash and Cash Equivalents	<u>\$ 8,930</u>	<u>\$ -</u>	<u>\$ 8,930</u>

See Notes to Financial Statements.

City of Taylor, Texas
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (Page 2 of 2)
For the Year Ended September 30, 2013

	Equipment Services	Equipment Replacement	Total
<u>Reconciliation of Operating (Loss)</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating (Loss)	\$ (567)	\$ (194,179)	\$ (194,746)
Adjustments to reconcile operating income to net cash provided (used):			
Depreciation	-	138,857	138,857
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Due from other funds	-	(2,744)	(2,744)
Increase (Decrease) in:			
Accounts payable	4,801	31,178	35,979
Compensated absences	415	-	415
Net Cash Provided (Used) by Operating Activities	\$ 4,649	\$ (26,888)	\$ (22,239)
 <u>Schedule of Non-Cash Capital and Related</u>			
<u>Financing Activities</u>			
Capital lease	\$ -	\$ 52,011	\$ 52,011

See Notes to Financial Statements.

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STATISTICAL SECTION

This part of the City'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 City's overall financial health.

Contents	Page
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Financial Trends	100
------------------	-----

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

Revenue Capacity	110
------------------	-----

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

Debt Capacity	116
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	123
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	126
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Taylor, Texas
NET POSITION BY COMPONENT
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 42,658,990	\$ 39,458,232	\$ 42,533,107	\$ 41,533,094
Restricted	2,630,586	7,311,640	4,142,402	3,253,125
Unrestricted	2,842,851	2,436,264	2,753,160	3,916,431
Total governmental activities net position	\$ 48,132,427	\$ 49,206,136	\$ 49,428,669	\$ 48,702,650
Business-type activities				
Invested in capital assets, net of related debt	\$ 9,092,144	\$ 12,109,434	\$ 12,332,757	\$ 12,419,757
Unrestricted (Deficit)	5,339,652	1,967,586	1,533,418	(216,991)
Total business-type activities net position	\$ 14,431,796	\$ 14,077,020	\$ 13,866,175	\$ 12,202,766
Primary government				
Invested in capital assets, net of related debt	\$ 51,751,134	\$ 51,567,666	\$ 54,865,864	\$ 53,952,851
Restricted	2,630,586	7,311,640	4,142,402	3,253,125
Unrestricted	8,182,503	4,403,850	4,286,578	3,699,440
Total primary government net position	\$ 62,564,223	\$ 63,283,156	\$ 63,294,844	\$ 60,905,416

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 43,701,642	\$ 40,988,706	\$ 40,723,892	\$ 35,593,811	\$ 27,060,385	\$ 30,242,702
1,055,079	1,353,386	2,092,597	5,447,454	7,801,262	2,774,506
<u>3,369,829</u>	<u>4,481,859</u>	<u>3,310,666</u>	<u>2,087,890</u>	<u>2,250,623</u>	<u>1,483,254</u>
<u>\$ 48,126,550</u>	<u>\$ 46,823,951</u>	<u>\$ 46,127,155</u>	<u>\$ 43,129,155</u>	<u>\$ 37,112,270</u>	<u>\$ 34,500,462</u>
\$ 11,782,669	\$ 12,539,086	\$ 12,577,691	\$ 10,378,556	\$ 7,768,365	\$ 8,777,087
560,831	82,049	184,104	1,277,532	1,504,663	4,043,256
<u>\$ 12,343,500</u>	<u>\$ 12,621,135</u>	<u>\$ 12,761,795</u>	<u>\$ 11,656,088</u>	<u>\$ 9,273,028</u>	<u>\$ 12,820,343</u>
\$ 55,484,311	\$ 53,527,792	\$ 53,301,583	\$ 45,972,367	\$ 34,828,750	\$ 39,019,789
1,055,079	1,353,386	2,092,597	5,447,454	7,801,262	2,774,506
<u>3,930,660</u>	<u>4,563,908</u>	<u>3,494,770</u>	<u>3,365,422</u>	<u>3,755,286</u>	<u>5,526,510</u>
<u>\$ 60,470,050</u>	<u>\$ 59,445,086</u>	<u>\$ 58,888,950</u>	<u>\$ 54,785,243</u>	<u>\$ 46,385,298</u>	<u>\$ 47,320,805</u>

City of Taylor, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	2013	2012	2011	2010
Expenses				
Governmental activities:				
General government	\$ 4,770,073	\$ 3,820,796	\$ 4,106,565	\$ 4,274,435
Culture and recreation	1,112,269	1,056,650	-	-
Community services	655,822	502,428	343,860	-
Public safety	4,654,499	4,501,449	4,937,819	4,986,776
Public works	2,905,400	2,778,499	4,334,567	4,159,734
Interest on long-term debt	1,009,285	900,074	826,560	760,678
Total governmental activities expenses	15,107,348	13,559,896	14,549,371	14,181,623
Business-type activities:				
Public utilities fund	4,696,288	4,883,367	6,005,089	5,607,082
Airport fund	480,214	395,849	426,345	430,473
Cemetery operating fund	133,354	120,031	88,368	-
Interest on long-term debt	1,202,405	1,219,817	-	-
Total business-type activities expenses	6,512,261	6,619,064	6,519,802	6,037,555
Total primary government expenses	\$ 21,619,609	\$ 20,178,960	\$ 21,069,173	\$ 20,219,178
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,631,501	\$ 2,283,280	\$ 2,515,187	\$ 2,378,935
Public safety	323,928	247,130	382,919	287,821
Public works	325,698	69,481	-	-
Community services	-	-	338,965	-
Operating grants and contributions	127,201	-	-	-
Capital grants and contributions	184,969	-	707,816	1,813,591
Total governmental activities program revenues	2,593,297	2,599,891	3,944,887	4,480,347
Business-type activities:				
Charges for services:				
Public utilities fund	6,929,109	7,150,801	7,568,944	6,227,101
Airport fund	500,255	426,859	669,510	427,323
Cemetery fund	118,160	120,529	119,721	-
Capital grants and contributions	164,979	-	-	-
Total business-type activities program revenues	7,712,503	7,698,189	8,358,175	6,654,424
Total primary government program revenues	\$ 10,305,800	\$ 10,298,080	\$ 12,303,062	\$ 11,134,771

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 4,038,624	\$ 4,682,994	\$ 3,791,089	\$ 3,740,078	\$ 2,636,013	\$ 3,314,123
-	-	-	226,110	463,835	141,546
-	-	-	-	-	-
4,799,854	5,079,499	4,043,066	4,161,454	3,743,894	4,135,542
3,797,620	3,912,591	3,422,645	3,118,037	3,300,004	2,912,174
723,851	704,241	655,537	681,884	454,224	514,207
<u>13,359,949</u>	<u>14,379,325</u>	<u>11,912,337</u>	<u>11,927,563</u>	<u>10,597,970</u>	<u>11,017,592</u>
5,250,058	6,282,526	5,820,213	5,948,540	5,432,576	3,030,511
408,404	599,040	421,971	395,886	318,448	248,850
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,658,462</u>	<u>6,881,566</u>	<u>6,242,184</u>	<u>6,344,426</u>	<u>5,751,024</u>	<u>3,279,361</u>
<u>\$ 19,018,411</u>	<u>\$ 21,260,891</u>	<u>\$ 18,154,521</u>	<u>\$ 18,271,989</u>	<u>\$ 16,348,994</u>	<u>\$ 14,296,953</u>
\$ 2,257,670	\$ 3,650,952	\$ 3,132,354	\$ 3,169,711	\$ 2,292,637	\$ 2,171,567
308,439	305,708	331,605	281,661	232,280	356,500
-	-	-	-	3,382	-
-	-	-	-	4,740	39,438
-	-	-	-	118,577	59,984
1,230,851	476,057	1,335,302	908,961	385,437	-
<u>3,796,960</u>	<u>4,432,717</u>	<u>4,799,261</u>	<u>4,360,333</u>	<u>3,037,053</u>	<u>2,627,489</u>
5,897,077	5,845,601	5,141,474	5,033,084	4,832,243	4,894,120
466,097	607,746	387,224	354,033	254,490	119,924
-	-	-	-	-	-
-	-	825,814	109,702	225,698	9,708
<u>6,363,174</u>	<u>6,453,347</u>	<u>6,354,512</u>	<u>5,496,819</u>	<u>5,312,431</u>	<u>5,023,752</u>
<u>\$ 10,160,134</u>	<u>\$ 10,886,064</u>	<u>\$ 11,153,773</u>	<u>\$ 9,857,152</u>	<u>\$ 8,349,484</u>	<u>\$ 7,651,241</u>

City of Taylor, Texas
CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net (Expenses) Revenue				
Governmental activities	\$ (12,514,051)	\$ (10,960,005)	\$ (10,604,484)	\$ (9,701,276)
Business-type activities	1,200,242	1,079,125	1,838,373	616,869
Total primary government net expense	<u>\$ (11,313,809)</u>	<u>\$ (9,880,880)</u>	<u>\$ (8,766,111)</u>	<u>\$ (9,084,407)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 6,374,806	\$ 6,212,695	\$ 6,078,005	\$ 5,811,529
Sales taxes	2,535,174	2,411,533	2,219,629	2,239,952
Franchise taxes	1,055,651	890,874	816,039	845,234
Investment earnings	38,322	25,783	38,451	114,902
Miscellaneous	384,719	391,765	1,373,359	435,759
Transfers	1,051,670	869,999	805,020	830,000
Total governmental activities	<u>11,440,342</u>	<u>10,802,649</u>	<u>11,330,503</u>	<u>10,277,376</u>
Business-type activities:				
Investment earnings	3,149	5,467	10,086	16,284
Miscellaneous	203,055	221,503	619,970	56,113
Transfers	(1,051,670)	(869,999)	(805,020)	(830,000)
Total business-type activities	<u>(845,466)</u>	<u>(643,029)</u>	<u>(174,964)</u>	<u>(757,603)</u>
Total primary government	<u>\$ 10,594,876</u>	<u>\$ 10,159,620</u>	<u>\$ 11,155,539</u>	<u>\$ 9,519,773</u>
Change in Net Position				
Governmental activities	\$ (1,073,709)	\$ (157,356)	\$ 726,019	\$ 576,100
Business-type activities	354,776	436,096	1,663,409	(140,734)
Total primary government	<u>\$ (718,933)</u>	<u>\$ 278,740</u>	<u>\$ 2,389,428</u>	<u>\$ 435,366</u>

Note: City of Taylor first applied GASB Statement No.34 in fiscal year 2002.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ (9,562,989)	\$ (9,946,608)	\$ (7,113,076)	\$ (7,567,230)	\$ (7,560,917)	\$ (8,390,103)
704,712	(428,219)	112,328	(847,607)	(438,593)	1,744,391
<u>\$ (8,858,277)</u>	<u>\$ (10,374,827)</u>	<u>\$ (7,000,748)</u>	<u>\$ (8,414,837)</u>	<u>\$ (7,999,510)</u>	<u>\$ (6,645,712)</u>
\$ 5,741,878	\$ 5,589,548	\$ 5,183,652	\$ 4,723,464	\$ 4,380,395	\$ 4,246,128
2,248,042	3,020,333	3,431,242	2,237,062	2,097,890	1,913,789
801,124	863,824	800,893	853,476	826,992	701,037
140,589	301,223	446,973	627,190	171,853	89,106
930,977	201,993	248,316	243,341	1,262,317	105,865
1,128,168	-	-	-	-	-
<u>10,990,778</u>	<u>9,976,921</u>	<u>10,111,076</u>	<u>8,684,533</u>	<u>8,739,447</u>	<u>7,055,925</u>
64,899	239,913	233,859	70,441	160,785	-
80,922	47,646	70,854	591,488	59,731	210,836
(1,128,168)	-	-	-	-	-
<u>(982,347)</u>	<u>287,559</u>	<u>304,713</u>	<u>661,929</u>	<u>220,516</u>	<u>210,836</u>
<u>\$ 10,008,431</u>	<u>\$ 10,264,480</u>	<u>\$ 10,415,789</u>	<u>\$ 9,346,462</u>	<u>\$ 8,959,963</u>	<u>\$ 7,266,761</u>
\$ 1,427,789	\$ 30,313	\$ 2,998,000	\$ 1,117,303	\$ 1,178,530	\$ (1,334,178)
(277,635)	(140,660)	417,041	(185,678)	(218,077)	1,955,227
<u>\$ 1,150,154</u>	<u>\$ (110,347)</u>	<u>\$ 3,415,041</u>	<u>\$ 931,625</u>	<u>\$ 960,453</u>	<u>\$ 621,049</u>

City of Taylor, Texas
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Fund				
Restricted	\$ 781,021	\$ 612,452	\$ 615,461	\$ -
Committed	10,785	10,785	17,739	-
Assigned	-	409,969	-	-
Unassigned	3,686,745	3,855,829	2,943,662	3,567,124
Total general fund	<u>\$ 4,478,551</u>	<u>\$ 4,889,035</u>	<u>\$ 3,576,862</u>	<u>\$ 3,567,124</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ 3,353,764
Unreserved, reported in:				
Capital project funds	-	-	-	499,523
Non-spendable	697,543	729,268	735,606	-
Restricted	7,778,543	6,389,661	2,886,566	-
Committed	450,114	327,257	155,415	-
Total all other governmental funds	<u>\$ 8,926,200</u>	<u>\$ 7,446,186</u>	<u>\$ 3,777,587</u>	<u>\$ 3,853,287</u>

Notes: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
3,899,851	3,809,353	2,870,578	1,723,314	1,477,018	1,506,540
<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>	<u>\$ 1,506,540</u>
\$ 1,055,079	\$ 4,702,011	\$ 3,090,819	\$ 5,447,454	\$ 877,280	\$ 2,844,708
392,573	248,681	161,058	106,282	85,325	97,400
-	-	-	-	7,647,408	-
-	-	-	-	-	-
-	-	-	-	-	-
<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>\$ 2,942,108</u>

City of Taylor, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	2013	2012	2011	2010
Revenues				
Taxes	\$ 9,940,659	\$ 9,588,691	\$ 9,168,082	\$ 9,074,489
Licenses, permits, and fees	101,808	169,159	92,220	113,208
Charges for services	1,855,391	1,948,547	1,794,596	1,662,049
Fines and forfeitures	323,928	247,130	382,919	287,821
Special assessments	-	-	-	-
Intergovernmental	312,170	146,780	1,046,781	991,107
Investment earnings	38,322	25,381	38,452	114,902
Other revenues	382,384	235,561	1,294,289	351,900
Contributions	-	-	-	-
Total Revenues	12,954,662	12,361,249	13,817,339	12,595,476
Expenditures				
Current:				
General government	4,147,828	3,874,060	2,527,926	2,846,860
Culture and recreation	1,110,059	-	343,860	-
Community development	631,422	-	-	-
Public safety	4,441,585	4,051,068	4,214,072	4,330,047
Public works	1,374,935	2,465,390	3,823,790	3,681,843
Debt Service:				
Principal retirement	1,213,983	993,484	938,129	891,896
Interest and fiscal changes	823,110	839,966	808,698	733,766
Bond issuance costs	134,800	54,500	-	-
Capital outlay:	1,883,518	825,405	2,086,699	1,857,267
Total Expenditures	15,761,240	13,103,873	14,743,174	14,341,679
Excess of Revenues Over (Under)				
Expenditures	(2,806,578)	(742,624)	(925,835)	(1,746,203)
Other financing sources (uses)				
Transfers in	1,126,893	1,595,738	1,648,065	1,005,766
Transfers out	(578,678)	(747,342)	(853,657)	(182,037)
Debt issuance	6,990,000	4,875,000	1,030,000	2,655,000
Premium on debt issuance	254,070	-	-	-
Lease issuance	-	-	-	-
Payments to escrow agent	(4,132,346)	-	(964,535)	-
Total Other Financing Sources (Uses)	3,659,939	5,723,396	859,873	3,478,729
Net change in fund balances	\$ 853,361	\$ 4,980,772	\$ (65,962)	\$ 1,732,526
Debt service as percentage of noncapital expenditures	14.7%	14.9%	13.8%	13.0%

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	8,843,496	\$ 9,442,425	\$ 9,414,268	\$ 7,881,607	\$ 7,261,659	\$ 6,882,447
	105,591	129,750	160,260	190,797	152,579	327,022
	1,464,667	2,604,165	2,125,876	2,064,751	2,140,058	1,971,913
	308,439	305,708	331,605	281,661	237,020	202,803
	-	-	-	2,049	3,382	26,904
	1,027,208	476,057	1,335,302	615,261	504,014	32,592
	140,589	301,223	446,973	664,090	171,853	89,106
	875,655	201,213	248,316	241,292	91,458	95,622
	-	-	-	293,700	12,304	31,970
	<u>12,765,645</u>	<u>13,460,541</u>	<u>14,062,600</u>	<u>12,235,208</u>	<u>10,574,327</u>	<u>9,660,379</u>
	2,628,035	3,281,548	2,772,560	2,370,078	2,371,916	2,352,231
	-	-	-	85,437	329,137	123,862
	-	-	-	-	-	-
	4,214,449	4,199,718	3,790,923	3,640,964	3,305,776	3,677,702
	3,380,810	3,528,574	3,238,648	2,738,220	3,016,854	2,593,956
	795,792	671,849	737,611	625,775	539,993	499,889
	982,337	700,119	633,982	670,835	469,630	492,610
	-	-	-	-	-	-
	8,215,648	2,469,171	4,213,471	4,840,710	2,840,810	1,974,044
	<u>20,217,071</u>	<u>14,850,979</u>	<u>15,387,195</u>	<u>14,972,019</u>	<u>12,874,116</u>	<u>11,714,294</u>
	<u>(7,451,426)</u>	<u>(1,390,438)</u>	<u>(1,324,595)</u>	<u>(2,736,811)</u>	<u>(2,299,789)</u>	<u>(2,053,915)</u>
	1,287,399	1,280,839	351,636	600,000	10,500	133,504
	(169,422)	(1,300,839)	(381,636)	(673,170)	(10,500)	(133,504)
	7,675,000	3,000,000	200,000	-	5,092,750	-
	33,886	-	-	-	-	-
	-	381,545	-	-	1,752,444	-
	(4,662,789)	-	-	-	-	-
	<u>4,164,074</u>	<u>3,361,545</u>	<u>170,000</u>	<u>(73,170)</u>	<u>6,845,194</u>	<u>-</u>
\$	<u>(3,287,352)</u>	<u>\$ 1,971,107</u>	<u>\$ (1,154,595)</u>	<u>\$ (2,809,981)</u>	<u>\$ 4,545,405</u>	<u>\$ (2,053,915)</u>
	14.8%	11.1%	12.3%	12.8%	10.1%	10.2%

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	
2004	351,100	203,593	17,608	110,000	-	57,047
2005	373,469	255,778	19,487	85,862	-	71,081
2006	394,317	236,063	23,783	59,329	-	50,375
2007	423,939	192,852	32,873	108,373	-	58,184
2008	462,462	190,589	34,222	99,778	-	24,802
2009	439,446	218,102	36,496	116,084	-	39,734
2010	455,517	211,709	39,355	114,305	-	39,031
2011	451,487	197,816	39,566	128,562	-	39,471
2012	444,086	220,153	38,771	144,280	-	26,915
2013	444,424	229,683	39,361	137,607	-	28,839

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.

Total Assessed Value	Tax Rate	Estimated Tax Value	Ratio of Total Assessed Value to Total Estimated Actual Value
625,254	0.74000	625,254	100.0%
663,515	0.74382	663,515	100.0%
663,117	0.78650	663,117	100.0%
699,853	0.79500	699,853	100.0%
762,249	0.78999	762,249	100.0%
770,394	0.79000	770,394	100.0%
781,855	0.79000	781,855	100.0%
777,960	0.81389	777,960	100.0%
820,375	0.81389	820,375	100.0%
822,236	0.81389	822,236	100.0%

City of Taylor, Texas
DIRECT AND OVERLAPPING PROPERTY TAX RATES
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
2004	0.56980	0.17020	0.74000	0.30055	0.17831	0.03337	0.51223
2005	0.56980	0.17402	0.74382	0.30050	0.16566	0.03350	0.49966
2006	0.56980	0.21670	0.78650	0.28336	0.18414	0.03217	0.49967
2007	0.59653	0.19847	0.79500	0.27500	0.18410	0.03000	0.48910
2008	0.60446	0.18554	0.79000	0.27129	0.16813	0.02890	0.46832
2009	0.59627	0.19373	0.79000	0.29084	0.17000	0.03098	0.49182
2010	0.57796	0.21204	0.79000	0.28990	0.17000	0.03000	0.48990
2011	0.58982	0.22407	0.81389	0.28769	0.17000	0.03000	0.48769
2012	0.57302	0.24087	0.81389	0.28153	0.16750	0.04000	0.48903
2013	0.57302	0.24087	0.81389	0.28153	0.16750	0.04000	0.48903

Note: The entire City was located in Williamson County and within the Taylor Independent School District.

Source: Williamson County Tax Collector.

TAYLOR SCHOOL DISTRICT

Operating	Debt Service	Total Rate	Total Direct & Overlapping Rates
1.50000	0.17000	1.67000	2.92223
1.50000	0.17000	1.67000	2.91348
1.37000	0.17000	1.54000	2.82617
1.04000	0.16000	1.20000	2.48410
1.04000	0.16000	1.20000	2.45832
1.04000	0.45000	1.49000	2.77182
1.04000	0.43000	1.47000	2.74990
1.04000	0.41000	1.45000	2.75158
1.17000	0.28000	1.45000	2.75292
1.17000	0.28000	1.45000	2.75292

City of Taylor, Texas
PRINCIPAL PROPERTY TAX PAYERS
Current and Nine Years Ago (Unaudited)

Taxpayer	2013			2004		
	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation
Electric Reliability Council of TX	\$ 30,795,186	1	3.75%	\$ -	-	-
ERCOT	27,654,720	2	3.36%	-	-	-
CCA Properties of Texas	12,924,372	3	1.57%	-	-	-
HEB Grocery Company	10,732,875	4	1.31%	-	-	-
Walmart Real Estate Business Trust	10,294,624	5	1.25%	-	-	-
Oncor Electric Delivery Comp	8,870,242	6	1.08%	-	-	-
Walmart Stores East Inc.	6,466,107	7	0.79%	-	-	-
Union Pacific RR Co.	6,361,386	8	0.77%	-	-	-
Taylor Plaza LLC	5,175,000	9	0.63%	-	-	-
Taylor CPB Property	5,016,469	10	0.61%	-	-	-
Intercraft Industries	-	-	-	14,355,800	1	2.30%
Laboratory Tops Inc.	-	-	-	5,743,600	2	0.92%
Texwood Furniture Corp	-	-	-	2,536,720	3	0.41%
E.R. Carpenter LP	-	-	-	2,185,380	4	0.35%
Gemini Incorporated	-	-	-	2,117,050	5	0.34%
Basler Electric Company	-	-	-	1,864,727	6	0.30%
Balderson Berger Equip Co.	-	-	-	1,690,508	7	0.27%
Dyalyst @ Taylor	-	-	-	1,192,630	8	0.19%
Accurate Inc.	-	-	-	1,138,460	9	0.18%
Contech	-	-	-	1,076,959	10	0.17%
Total	\$ 124,290,981			\$ 33,901,834		

Source: Williamson County Tax Collector.

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
2004	\$ 4,339,430	\$ 4,108,997	94.7%	\$ 226,657	\$ 4,335,654	99.9%
2005	4,339,777	4,219,125	97.2%	117,802	4,261,349	98.2%
2006	4,709,141	4,626,689	98.2%	78,183	4,704,739	99.9%
2007	5,106,729	5,006,268	98.0%	95,581	5,098,897	99.8%
2008	5,524,316	5,416,832	98.1%	103,083	5,519,915	99.9%
2009	5,820,781	5,658,597	97.2%	155,946	5,814,543	99.9%
2010	5,802,025	5,694,713	98.2%	98,264	5,792,977	99.8%
2011	6,050,622	5,976,895	98.8%	63,054	6,039,949	99.8%
2012	6,195,426	6,119,868	98.8%	57,120	6,176,988	99.7%
2013	6,255,176	6,197,753	99.1%	-	6,197,753	99.1%

Source: Williamson County Appraisal District Reports.

City of Taylor, Texas
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Certificates of Obligation	Contractual Obligation	Capital Lease
2004	\$ 7,003,570	\$ 2,848,916	\$ 318,462	\$ -
2005	11,789,995	2,647,518	293,441	370,013
2006	11,693,610	2,141,063	270,506	249,884
2007	11,177,225	2,144,858	245,485	192,864
2008	10,666,935	5,008,320	220,464	509,052
2009	10,582,740	7,333,955	-	397,436
2010	9,878,545	9,877,038	-	281,737
2011	9,192,005	9,768,476	145,398	418,071
2012	8,430,000	14,491,398	120,375	351,050
2013	8,470,000	16,454,978	93,267	340,278

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

Business-type Activities

	Combination Tax & Revenue Bonds	General Obligation Bonds	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
\$	11,274,582	\$ -	\$ 462,401	\$ 21,907,931	12.77%	1,299
	10,885,970	-	-	25,986,937	10.01%	1,151
	10,081,425	396,390	-	24,832,878	8.57%	1,180
	13,679,088	377,775	-	27,817,295	1.25%	1,225
	20,259,397	358,065	-	37,022,233	8.57%	1,473
	22,711,045	4,432,260	-	45,457,436	11.23%	1,205
	28,382,962	4,196,455	-	52,616,737	13.05%	1,247
	25,441,524	5,982,995	-	50,948,469	16.67%	1,207
	23,228,602	5,170,000	-	51,791,425	15.89%	1,218
	21,420,022	5,790,000	-	52,568,545	15.84%	1,236

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 Value¹ of Property	Per Capita²
2004	\$ 11,789,995	\$ 110,821	\$ 11,679,174	1.87%	749
2005	11,693,610	153,854	11,539,756	1.74%	740
2006	11,573,615	191,098	11,382,517	1.72%	705
2007	11,044,710	162,681	10,882,029	1.55%	633
2008	11,025,000	155,140	10,869,860	1.43%	615
2009	15,015,000	102,626	14,912,374	1.94%	806
2010	14,075,000	233,182	13,841,818	1.77%	714
2011	15,175,000	287,894	14,887,106	1.91%	980
2012	13,600,000	145,607	13,454,393	1.64%	838
2013	14,260,000	236,346	14,023,654	1.71%	871

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 the 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, 2013 (Unaudited)
(amounts expressed in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
County	\$ 773,915	2.19%	\$ 16,949
School	58,270	96.66%	56,324
Subtotal, overlapping debt			<u>73,273</u>
City of Taylor	52,135	100%	<u>52,135</u>
Total direct and overlapping debt			<u><u>\$ 125,408</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 by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability governments that is borne 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 the 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 Ten Fiscal Years (Unaudited)
(amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Debt limit	212,769	211,823	204,358	\$205,222
Total net debt applicable to limit	<u>37,875</u>	<u>37,719</u>	<u>35,210</u>	<u>38,281</u>
Legal debt margin	<u>\$ 174,894</u>	<u>\$ 174,104</u>	<u>\$ 169,148</u>	<u>\$ 166,941</u>

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 822,236
Add back: exempt real property	28,839
Total assessed value	<u>851,075</u>
Debt limit (10% of total assessed value)	212,769
Debt applicable to limit:	
Total Debt	52,135
Less: Amount set aside for repayment of general obligation debt	<u>(14,260)</u>
Total net debt applicable to limit	<u>37,875</u>
Legal debt margin	<u>\$ 174,894</u>

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

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 202,532	\$ 196,763	\$ 189,509	\$ 174,875	\$ 129,593	\$ 131,460
30,045	24,381	15,197	11,528	12,090	6,036
<u>\$ 172,487</u>	<u>\$ 172,382</u>	<u>\$ 174,312</u>	<u>\$ 163,347</u>	<u>\$ 117,503</u>	<u>\$ 125,424</u>

City of Taylor, Texas
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Water Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2004	5,002,406	3,377,069	1,625,337	2,800,000	1,260,840	40.0%	
2005	4,986,548	4,344,134	642,414	2,775,000	1,139,627	16.4%	
2006	5,624,572	4,822,018	802,554	2,750,000	1,019,343	21.3%	
2007	5,188,998	4,246,115	942,883	2,725,000	899,997	26.0%	
2008	5,877,587	4,639,485	1,238,102	2,700,000	781,605	35.6%	
2009	5,965,725	3,250,434	2,715,291	2,675,000	664,190	81.3%	
2010	6,340,142	3,589,878	2,750,264	2,650,000	547,778	86.0%	
2011	8,185,627	3,386,091	4,799,536	-	-	100.0%	
2012	7,259,363	3,704,075	3,555,288	-	-	100.0%	
2013	6,929,109	3,529,757	3,399,352	-	-	100.0%	

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

City of Taylor, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Population¹	Personal Income³	Per Capita⁵ Personal Income	School Enrollment⁴	Unemployment Rate²
2004	15,598	289,468	18,558	2,979	4.4%
2005	15,598	299,310	19,189	3,041	4.4%
2006	16,138	317,418	19,669	3,042	4.0%
2007	17,202	351,179	20,415	3,115	3.8%
2008	17,663	433,574	24,547	3,156	4.7%
2009	18,509	371,698	20,082	3,115	6.7%
2010	19,397	392,160	20,780	3,086	7.7%
2011	15,191	305,582	20,116	3,086	7.1%
2012	16,061	325,974	20,296	3,178	6.8%
2013	16,105	331,860	20,606	3,239	5.6%

Data Sources:

- ¹ Texas State Data Center & Office of the State Demographer
- ² State Department of Labor and City-Data.com
- ³ US 2010 Census adjusted by CPI for inflation, expressed in thousands
- ⁴ Taylor Independent School District
- ⁵ U. S. Census Bureau American Fact Finder

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City of Taylor, Texas

PRINCIPAL EMPLOYERS

Current and Nine Years Ago (Unaudited)

Employer	2013			2004		
	No. Employees ¹	Rank	Percentage of Total City Employment ²	No. Employees ¹	Rank	Percentage of Total City Employment ²
ERCOT	631	1	9.1%	100	4	2.2%
Taylor ISD	520	2	7.5%	395	1	8.8%
Durcon Laboratory Tops	440	3	6.3%	115	3	2.6%
Scott & White	180	4	2.6%	-	-	-
Corrections Corp of America	169	5	2.4%	-	-	-
H.E.B.	167	6	2.4%	90	6	2.0%
City of Taylor	148	7	2.1%	85	8	1.9%
Floyd Co. (Floyd's Glass)	120	8	1.7%	87	7	1.9%
Wal-Mart	125	9	1.8%	96	5	2.1%
Burrows Cabinets	100	10	1.4%	-	-	-
Johns Community Hospital	-	-	-	127	2	2.8%
Accurate	-	-	-	70	9	1.6%
Carpenter Co.	-	-	-	68	10	1.5%
City of Taylor Total	<u>6,933</u>		<u>37.50%</u>	<u>4,500</u>		<u>27.40%</u>

¹Source: Taylor Chamber of Commerce.

²Total City employment is estimated.

City of Taylor, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years (Unaudited)

Function / Program	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Government					
Management services	4	4	4	3	2
Human resources	2	2	2	3	3
Finance	4	4	4	4	4
Municipal court	5	5	5	4	4
C D - planning	6	5	5	5	6
Main street	1	1	1	2	2
C D - recreation	-	-	-	1	1
Building	3	3	3	1	1
General services	1	1	1	1	1
Information technology	1	1	1	1	1
Other	1	1	1	-	-
Police					
Officers	27	25	25	27	27
Civilians	8	8	8	11	10
Animal control	2	2	2	1	1
Fire					
Firefighters and officers	23	23	23	24	25
Civilians	1	1	1	1	1
Other Public Works					
Engineering/inspection	2	2	2	2	3
Street maintenance	13	13	13	6	9
Grounds				7	9
Other	1	1	2	2	2
Parks and recreation	6	6	6	6	6
Library	7	7	7	7	7
Water	14	14	14	13	15
Wastewater	2	2	2	2	1
Utilities admin.	6	6	6	6	6
Airport	2	2	3	3	3
Cemetery	2	1	2	1	2
Fleet services	2	2	2	2	2
Total all governmental funds	<u>146</u>	<u>142</u>	<u>145</u>	<u>146</u>	<u>153</u>

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
3	3	4	3	3
3	3	1	1	1
4	4	6	8	8
4	4	4	4	4
6	6	6	4	5
1	2	1	1	-
1	1	1	1	1
1	1	1	1	1
1	-	-	-	-
1	-	-	-	-
-	-	-	-	-
26	26	27	21	26
11	11	10	11	11
2	1	1	2	2
23	25	24	25	24
1	1	1	1	1
2	2	2	1	3
9	7	9	10	7
7	10	10	10	10
2	2	1	2	2
7	7	7	7	8
12	14	12	13	13
3	2	3	3	3
7	7	6	3	2
3	3	3	3	3
2	2	2	2	2
2	3	2	2	2
<u>144</u>	<u>147</u>	<u>144</u>	<u>139</u>	<u>142</u>

City of Taylor, Texas
OPERATING INDICATORS BY FUNCTIONS/PROGRAM
Last Ten Fiscal Years (Unaudited)

Function/Program	2013	2012	2011	2010
General government				
Building permits issued	826	82	33	35
Building inspections conducted	outsourced	1,637	1,291	540
Public Safety				
Police:				
Physical arrests	669	653	653	699
Parking violations	67	86	76	87
Traffic violations	3,615	2,660	3,388	2,457
Fire:				
Emergency responses	1,069	1,813	2,225	1,788
Fires extinguished	56	45	110	112
Inspections	137	194	315	503
Highways and streets				
Street resurfacing (miles)	-	-	-	-
Potholes repaired	461	771	171	741
Recreation				
Athletic field permits issued	37	37	36	24
Library				
Volumes in collection	44,850	45,413	46,099	42,733
Total volumes borrowed	79,187	87,895	91,408	88,622
Water				
New connections	96	720	1,246	1,240
Water main breaks	437	445	584	350
Average daily consumption (millions of gallons)	2	2	3	2
Peak daily consumption (millions of gallons)	3	4	4	3
Wastewater				
Average daily treatment (millions of gallons)	2	1	2	2
Airport				
LL fuel (thousand gallon)	45	35	47	56
Jet A fuel (thousand gallon)	32	23	26	23
Landings / Take off (thousand)	14	11	12	12
Cemetery				
Lots sold	84	75	63	63
Municipal Court				
Cases processed	4,158	4,852	6,863	7,278
General Services				
Facilities				
Work orders	453	450	423	417
Fleet				
Work orders	1071	1,270	1,243	877
Information Technology				
Personal computers / laptops	135	132	120	114
Service requests	555	562	413	300

2009	2008	2007	2006	2005	2004
481	530	368	459	331	378
410	503	692	2,144	1,261	2,030
730	707	955	990	917	950
63	72	102	150	104	133
3,489	2,063	3,798	4,792	2,660	3,318
2,302	1,704	1,550	1,600	1,440	1,393
121	149	117	131	118	114
427	394	294	570	137	275
-	-	6	-	8	8
1,430	851	1,655	1,553	1,932	2,604
-	-	-	-	-	-
40,330	37,809	43,636	35,930	34,377	37,307
81,893	81,274	69,419	56,107	55,722	56,961
872	873	928	495	321	210
515	511	388	567	548	477
2	2	2	2	2	2
3	4	3	3	3	3
2	1	2	2	2	2
67	76	-	-	-	-
26	36	-	-	-	-
11	13	-	-	-	-
40	70	-	-	-	-
6,419	5,684	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

City of Taylor, Texas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years (Unaudited)

Function	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Police				
Number of stations	1	1	1	1
Zone Officers	27	25	25	27
Number of patrol units	15	15	12	12
Fire				
Number of stations	2	2	2	2
Streets and Grounds				
Streets (miles)	106	93	93	92
Streetlights	1,102	1,102	1,097	1,097
Traffic signals	12	13	11	13
Recreation				
Acreage	462	387	387	387
Playgrounds	7	7	6	6
Baseball/softball diamonds	20	20	20	20
Swimming pools	2	2	2	2
Tennis courts	8	8	10	10
Water				
Water mains	120	119	115	109
Fire hydrants	598	598	596	583
Storage capacity	5	5	5	5
Wastewater				
Treatment capacity	4,000	4,000	4,000	4,000
Sanitary sewer (miles)	89	89	86	86
Storm sewers (miles)	4	4	3	3
Airport				
Runway length (ft)	4,000	4,000	4,000	4,000
Hangar spaces	52	52	52	52
Tie-downs	27	27	27	27
Cemetery				
Acreage	135	135	135	114
General Services				
Facilities	19	16	14	14
Fleet vehicles	162	157	154	150
Network servers	4	4	3	3

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1	1	1	1	1	1
21	27	27	27	27	27
12	12	12	12	12	12
2	2	2	2	2	2
87	87	87	85	81	80
1,097	1,097	1,072	1,069	1,054	965
11	11	10	9	9	9
387	387	387	312	312	292
6	4				
20	10				
2	2	2	2	2	2
10	10	10	10	10	10
109	99	99	99	99	99
450	582	580	580	580	425
	5	5	5	5	5
4,000	4,000	4,000	4,000	4,000	4,000
86	84	84	84	83	81
3	3	3	3	3	3
4,000	4,000	-	-	-	-
52	52	-	-	-	-
27	27	-	-	-	-
114	114	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

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