



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

City of Taylor, Texas

**For the Year Ended
September 30, 2015**

Prepared by:
Finance Department

Rosemarie Dennis
Director of Finance



City of Taylor, Texas

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September 30, 2015

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INTRODUCTORY SECTION

*Taylor
Texas*

CITY OF TAYLOR TX



January 04, 2016

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, 2015, including the independent auditor's report, is hereby submitted in accordance with the provisions of Section 10.3 of the City Charter. Also, state law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with the generally accepted accounting principles (GAAP), and audited in accordance with generally accepted audited standards by an independent firm of licensed public accountants. This report is published to fulfill those requirements for the fiscal year ended September 30, 2015.

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 Taylor's 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, 2015, 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's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis to accompany the basic

financial statements. This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it.

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 16,483 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 Judge. 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 year 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 in June. 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 continues to improve due to the overall improvement in the economy. This is evidenced by local economic indicators such as an increase in sales 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), which manages the flow of electric power to approximately 24 million Texas customers. This represents 90 percent of the state's electric load and has its operations center located in Taylor. ERCOT employs over 631 employees and is the City's largest employer. The Taylor Independent School District (TISD) is the second largest employer in the City with over 520 employees. TISD enrolled 4,333 students, with most of their growth at the elementary level.

Anticipated growth is expected for the east Williamson County region, especially along 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 2015 was 3.4%, which is a decrease from a rate of 4.2% in 2014. This is lower than the national average unemployment rate of 5.9%. The City of Taylor's location is in a region with a varied economic base.

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. The debt issuances were used to fund Phase I of the Street Renovation Program. The City has nearly completed converting all of the fair streets to good. This includes nearly 14 miles of neighborhood streets. City Council and City staff continue working to ensure completion of ongoing projects that will provide infrastructure improvements to the City's water/wastewater system, roadways, and drainage systems. Street repair and maintenance continues to be the City's number one priority. Additional debt will be issued to finance street related projects in the upcoming years.

The City's fund balance/operating position concept continues to be an important factor in policy decisions. The policy notes that the City's target unassigned fund balance is an amount equal or greater than 25% of annual general fund operating expenditures. These resources allow the City to avoid disruptions in services during economic downturns and to ensure that there will adequate liquid resources to serve as a financial cushion against the potential shock of unanticipated events.

Major Initiatives

The City is guided by a comprehensive strategic planning process. During FY2014-15, the City Council held a Strategic Planning Retreat for the purpose to develop a five year Strategic Plan that would establish the Council's priorities and give direction to staff. The City's strategic plan is to ensure that it is reflective of the changing needs of our growing community and what Council envisioned the city to be.

The session included opportunities for Council to build upon ideas and interact in open conversation. Council identified four top priorities:

1. Economic Development
2. Downtown Renaissance
3. Streets Plan
4. Parks and Recreation

After identifying the top priorities for the future, the Council identified a number of key goals for each area to achieve over the next 5 years. The staff has been assigned the task to develop a work-plan detailing the steps and costs needed to accomplish the Council's goals in the next upcoming year.

Other Information

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

types is contained in the Notes of the financial statements. A description of each individual non-major fund is contained at the beginning of its related combined financial statement.

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

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

Budgetary Control: Each year, on or before September 15th, the City Council adopts an annual operating budget for the ensuing fiscal year. The operating budget includes anticipated revenues and expenditures for the General Fund, Special Revenue Funds, the Debt Service Fund, and Proprietary Funds. The budget is a planning device that defines the type, quality, and quantity of City goods and services that will be provided to our citizens. The budget is also a control device that serves as a system of "checks and balances" between levels of City government. The budgetary system ensures that individual departments contain their expenditures within limitations set by the City management, and that City management contains expenditures for the entire City within limitations set by the City Council. After adoption, changes to a departmental budget may be made through the use of line item transfers, initiated by a department head, and approved by the City Manager and Finance Director. Any changes to the budget outside of an individual department can only be made by a City Council ordinance. Any revisions that alter the total expenditures of any fund must be adopted by the City Council.

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, 2014. This was the eighth consecutive year that the City 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.

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.

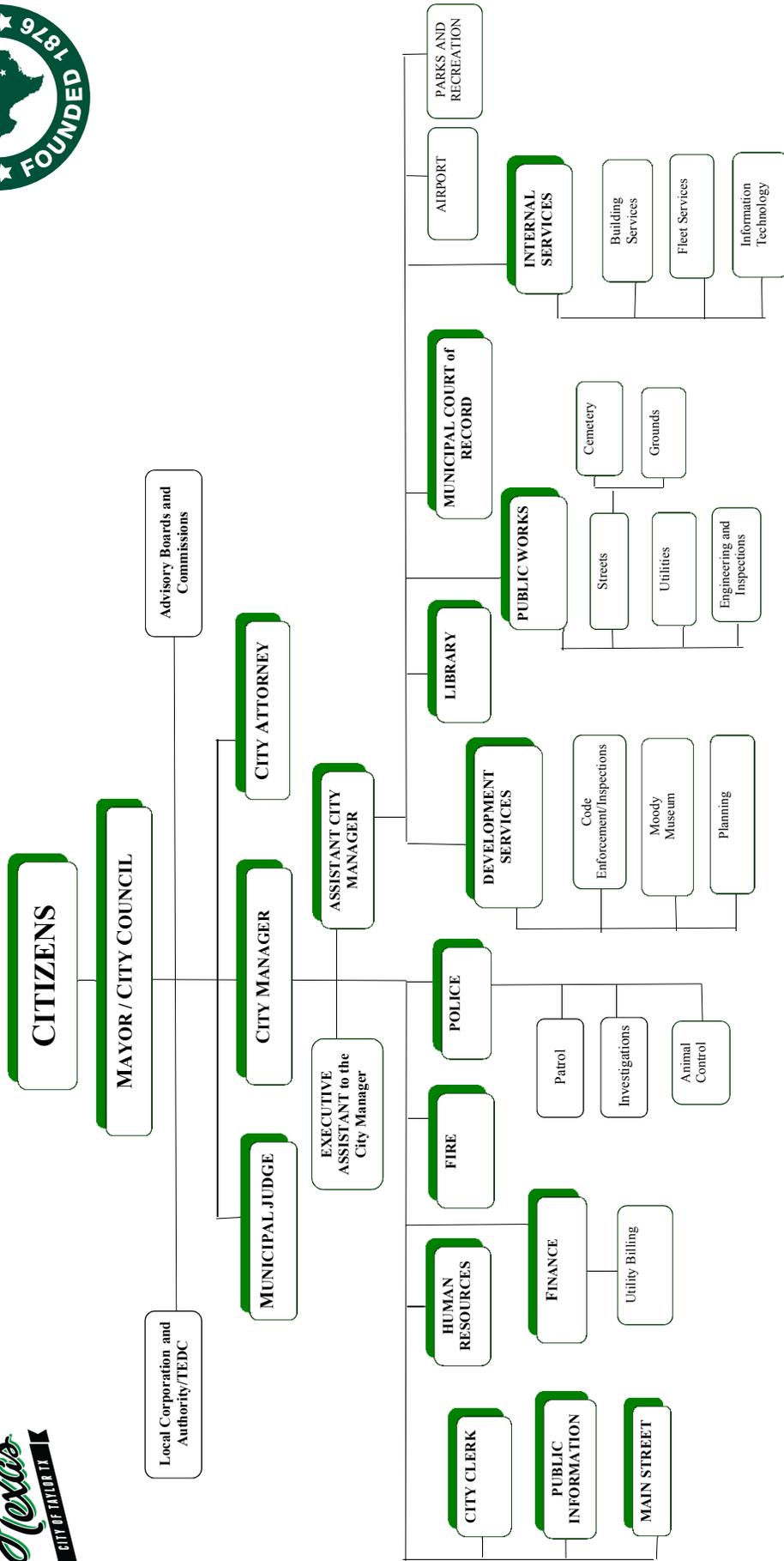
Furthermore, the work of the independent auditors from BrooksCardiel, PLLC, is greatly appreciated.

Respectfully submitted,

A handwritten signature in blue ink that reads "Rosemarie Dennis". The signature is written in a cursive style with a large initial 'R'.

Rosemarie Dennis
Finance Director

City of Taylor, Texas
 ORGANIZATIONAL CHART
 September 30, 2015



City of Taylor, Texas

PRINCIPAL OFFICIALS

September 30, 2015

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

Isaac Turner..... City Manager
Noel Bernal..... Assistant City Manager/Interim HR Dir.
Ted Hejl..... City Attorney
Susan Brock..... City Clerk
Rosemarie Dennis..... Director of Finance
Pat Ekiss..... Fire Chief
Karen Ellis..... Director, Library
Ashley Lumpkin..... Director of Planning & Development
Danny Thomas..... Director of Public Works
Lisa Thompson..... Director of Internal Services
Holli Nelson..... 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, 2014

Executive Director/CEO

*Taylor
Texas*

CITY OF TAYLOR TX

FINANCIAL SECTION

*Taylor
Texas*

CITY OF TAYLOR TX

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Taylor, Texas (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, schedule of changes in net pension liability and related ratios, schedule of employee contributions to pension plan, and OPEB schedule of funding progress, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required

by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 04, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
January 04, 2016



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



City of Taylor, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2015

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, 2015. 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, 2015 by \$56,736,445.
- The City's total net position decreased by \$83,318. The majority of the City's net position is invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$10,300,697 at September 30, 2015, a decrease of \$2,188,593 from the prior fiscal year; this includes an increase of \$13,393 in the general fund, a decrease of \$2,213,116 in the capital improvements fund, and a decrease of \$39,808 in the I&S fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$3,216,861 or 27% of total general fund expenditures.
- The City's outstanding bonds and certificates of obligation payable decreased by \$2,460,000 from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$47,320,000.
- The City's net pension liability totaled \$4,886,820 as of year end.

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, 2015

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 21-23 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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, 2015

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 24-29 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 34-41 of this report.

City of Taylor, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2015

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 43-81 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 changes in net pension liability and employer contributions to the plan.

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 \$56,736,445 as of September 30, 2015, in the primary government.

The largest portion of the City's net position, \$54,884,801, 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, 2015

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 11,357,847	\$ 1,413,592	\$ 12,771,439	\$ 13,086,652	\$ 2,407,007	\$ 15,493,659
Capital assets, net	61,073,463	37,956,751	99,030,214	60,076,530	38,498,097	98,574,627
Total Assets	72,431,310	39,370,343	111,801,653	73,163,182	40,905,104	114,068,286
Deferred Outflows of Resources	946,336	238,182	1,184,518	826,172	261,392	1,087,564
Other liabilities	1,033,831	559,021	1,592,852	767,348	613,469	1,380,817
Long-term liabilities	28,866,704	25,546,737	54,413,441	30,088,842	26,866,428	56,955,270
Total Liabilities	29,900,535	26,105,758	56,006,293	30,856,190	27,479,897	58,336,087
Deferred Inflows of Resources	208,623	34,810	243,433	-	-	-
Net Position:						
Net investment in capital assets	41,636,878	13,247,923	54,884,801	41,768,181	12,540,010	54,308,191
Restricted	2,787,325	-	2,787,325	2,676,573	-	2,676,573
Unrestricted	(1,155,715)	220,034	(935,681)	(1,311,590)	1,146,589	(165,001)
Total Net Position	\$ 43,268,488	\$ 13,467,957	\$ 56,736,445	\$ 43,133,164	\$ 13,686,599	\$ 56,819,763

Current assets of business-type activities were \$1,413,592 and \$2,407,007 as of September 30, 2015 and September 30, 2014, respectively. The decrease of \$993,415 or 41% was primarily attributable to cash being used for capital asset additions and transfers to governmental activities during the year ended September 30, 2014. Governmental activities current assets also decreased by \$1,728,805 due to cash being used for capital asset additions.

City of Taylor, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2015

Statement of Activities:

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

	For the Year Ended September 30, 2015			For the Year Ended September 30, 2014		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 2,299,207	\$ 6,868,209	\$ 9,167,416	\$ 2,390,399	\$ 7,494,652	\$ 9,885,051
Grants and contributions	612,061	530,695	1,142,756	271,622	79,326	350,948
General revenues:						
Property tax	6,858,118	-	6,858,118	6,420,308	-	6,420,308
Sales tax	2,952,740	-	2,952,740	2,744,362	-	2,744,362
Franchise and local taxes	1,087,771	-	1,087,771	1,103,835	-	1,103,835
Investment income	19,475	465	19,940	31,020	412	31,432
Other revenues	626,032	423,418	1,049,450	212,420	161,510	373,930
Total Revenues	14,455,404	7,822,787	22,278,191	13,173,966	7,735,900	20,909,866
Expenses						
General government	4,860,808	-	4,860,808	4,862,420	-	4,862,420
Culture and recreation	1,098,786	-	1,098,786	1,109,876	-	1,109,876
Community development	628,159	-	628,159	661,224	-	661,224
Public safety	5,233,324	-	5,233,324	5,135,384	-	5,135,384
Public works	2,839,114	-	2,839,114	2,919,795	-	2,919,795
Interest and fiscal charges	911,760	1,067,397	1,979,157	970,486	1,132,333	2,102,819
Public utility	-	5,167,958	5,167,958	-	4,840,304	4,840,304
Airport	-	407,521	407,521	-	473,653	473,653
Cemetery operating	-	146,682	146,682	-	163,769	163,769
Total Expenses	15,571,951	6,789,558	22,361,509	15,659,185	6,610,059	22,269,244
Change in Net Position						
Before Transfers	(1,116,547)	1,033,229	(83,318)	(2,485,219)	1,125,841	(1,359,378)
Transfers	1,251,871	(1,251,871)	-	1,244,003	(1,244,003)	-
Total	1,251,871	(1,251,871)	-	1,244,003	(1,244,003)	-
Change in Net Position	135,324	(218,642)	(83,318)	(1,241,216)	(118,162)	(1,359,378)
Beginning Net Position	43,133,164	13,686,599	56,819,763	44,374,380	13,804,761	58,179,141
Ending Net Position	\$ 43,268,488	\$ 13,467,957	\$ 56,736,445	\$ 43,133,164	\$ 13,686,599	\$ 56,819,763

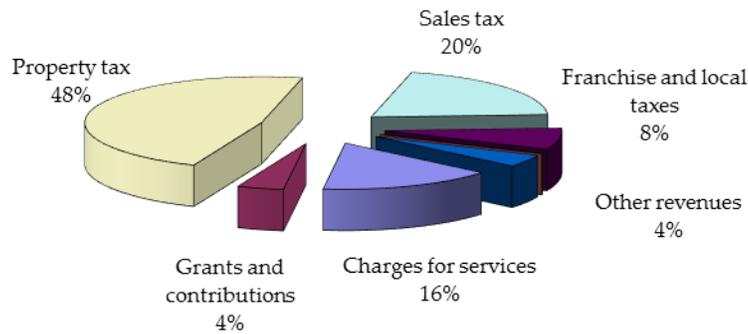
City of Taylor, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2015

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

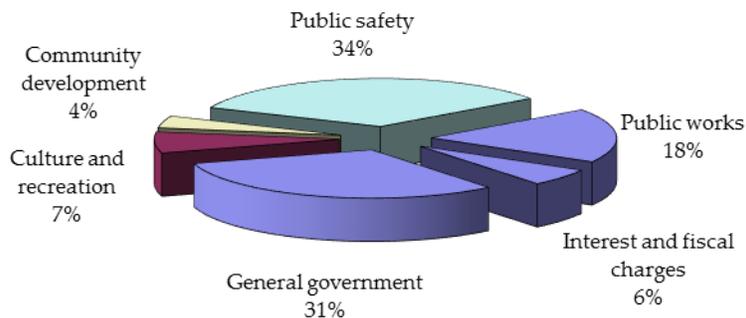
Governmental Activities - Revenues



For the year ended September 30, 2015, revenues from governmental activities totaled \$14,455,404. Property tax, charges for services and sales tax are the City's largest general revenue sources. Overall revenue increased \$1,281,438 or 6% from the prior year. Property tax revenue increased \$437,810 due to an increase in property values and a growing tax base. Franchise tax increased by \$16,064 or 1% due to an improving economy and commercial development within the City. Sales tax revenue increased \$208,378 or 7% due to an improving economy strengthening consumer demand within the City. Other revenues increased by \$413,612 due to contributions of infrastructure related to the development of a new neighborhood. 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, 2015, expenses for governmental activities totaled \$15,571,951. This represents a decrease of \$87,234 or 0.39% from the prior year. The City's largest functional expense is public safety totaling \$5,233,324. Public safety increased \$97,940 or 2% due primarily to additional

City of Taylor, Texas

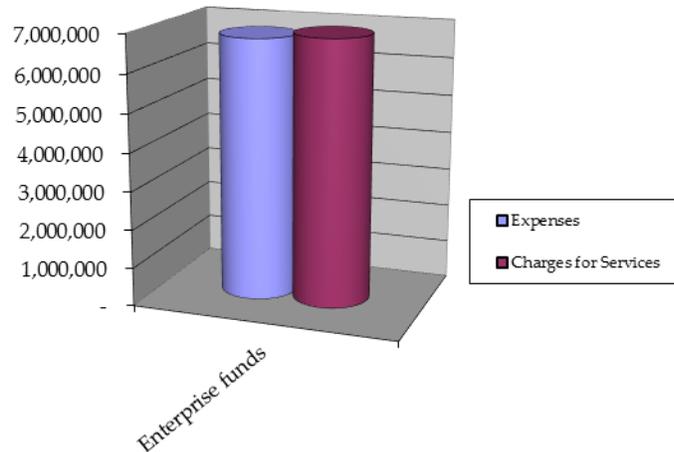
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2015

salary and wage expenses. 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, 2015, charges for services by business-type activities totaled \$6,868,209. This is a decrease of \$626,443, or 8%, from the previous year. This decrease directly relates to water usage within the City. Water and sewer rates remained consistent with the prior year. Grants and contributions increased by \$451,369 or due to an increase in CDBG grant funding received in the current year. Other revenues increased by \$261,908 or 162% due to an increase in contributions received from developers during the current year. All remaining revenues remained relatively consistent with the previous year.

Total expenses increased \$179,499 or 3% to a total of \$6,789,558. Public utility expenses totaled \$6,227,769 while airport and cemetery operations totaled \$415,107 and \$146,682, respectively. The percentage increase in total expenses was consistent with the percentage increase in total 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, 2015

At September 30, 2015, the City's governmental funds reported combined fund balances of \$10,300,697, a decrease of \$2,188,593 in comparison with the prior year. Approximately 31% of this amount, \$3,216,861, 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 \$697,882, 2) committed \$461,553 or 3) restricted for particular purposes \$5,924,401.

As of the end of the year the general fund reflected a total fund balance of \$4,093,172. Of this, \$865,526 is considered restricted and \$3,216,861 is unassigned. General fund balance increased by \$13,393. This increase can be attributed to slightly lower revenues received than budgeted and an increase in transfers to other funds.

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 \$3,216,861 is 27% of total general fund expenditures.

The capital improvements fund had an ending fund balance of \$3,834,958 as of year end. Total fund balance decreased by \$2,213,116 from the prior year due to capital outlays exceeding total revenues. During the year, the City expended \$3,253,720 on various capital improvement projects recorded in this fund.

The I&S for CO bonds fund had an ending fund balance of \$180,183 at September 30, 2015, a decrease of \$39,808 when compared to the previous year. During the year, the fund recorded total principal and interest payments of \$2,045,062 and property tax revenue of \$1,872,938.

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 \$10,345,056. Unrestricted net position at the close of the fiscal year amounted to \$119,806, a total decrease of \$228,013 from the previous year. Total investment in capital assets, net of related debt of was \$10,225,250, and capital assets, net of depreciation totaled \$34,737,771.

GENERAL FUND BUDGETARY HIGHLIGHTS

Supplemental budget amendments were approved during the fiscal year decreasing total budgeted expenditures by \$7,593 and increasing total revenues by \$113,703 resulting in a net increase in budgeted fund balance of \$85,761. The primary reasons for the budget revision were due to higher than expected revenue from property taxes, sales taxes, & other revenues. Total budgeted revenues of \$11,087,078 were more than actual revenues of \$11,076,974, resulting in a total negative revenue variance of \$10,104. Total budgeted expenditures of \$12,198,558 were more than actual expenditures of \$12,123,644, resulting in a total positive expenditure variance of \$74,914. The positive variance in total expenditures was primarily due to various departments spending less than budgeted. No department

City of Taylor, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2015

was significantly under budget for the year. Expenditures exceeded appropriations at the legal level of control within the general fund and drainage funds.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$61,073,463 in a variety of capital assets and infrastructure, net of accumulated depreciation including assets recorded in the internal service funds of \$891,241. The City's business-type activities funds had invested \$37,956,751 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:

- Developer contributions of drainage and water/wastewater improvements for the North Park subdivision, totaling \$632,361.
- Construction in progress for Jones and Burdette Street totaling \$1,739,483.
- Costs associated with the CDBG waterline improvement of \$571,881.
- Purchase of vehicles and equipment in the equipment replacement fund totaling \$155,135.

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 net of all premiums and discounts decreased by \$2,397,336 or 4.8% from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$47,332,136, net of all premiums and discounts.

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 AND RATES

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, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2015

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.

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 2015, unassigned fund balance in the General Fund is \$3,216,861. It is intended that the available fund balance beyond the minimum be used for capital outlay and personnel. For the fiscal year 2016, 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 2015-16 is \$ 0.813893 per \$ 100 valuation. Of this tax rate 73 percent or \$ 0.593441 is utilized for General Fund activities. The remaining 27 percent or \$ 0.220452 is used for debt service. The General Fund's portion of property tax revenue for fiscal year 2015-16 is estimated to be \$ 4,969,997. Sales tax revenue for fiscal year 2015-16 is budgeted at \$3,054,715.

The largest revenue source for the Utility Fund is water sales at \$4,434,005. A water and sewer rate study was completed and adopted by Council during fiscal year 2015 and will include future rate increases to fund future projects and built up reserves in the Utility Fund. The new rate system, which focuses on water conservation, implements an increasing tier rate which charges a higher price for water at higher levels of consumption. In the previous rate system, a minimum of 2,000 gallons was built into the base rate which has been removed with the new rate system. The new rates are based on actual customer usage per 1,000 gallons. The second largest revenue source is sewer charges at \$3,436,049 based on the fiscal year 2015-16 base rate of \$ 21.19 plus \$ 5.08 per 1,000 gallons.

The sanitation fee for residential garbage is a base charge of \$ 12.04 per month which is a 1% increase that was approved by the City Council during the fiscal year 2014-15. 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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Taylor EDC
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 8,599,775	\$ 397,328	\$ 8,997,103	\$ 1,339,867
Investments	1,320,534	-	1,320,534	-
Restricted cash-customer deposits	-	383,300	383,300	-
Receivables, net	1,114,047	787,521	1,901,568	157,483
Due from primary government	-	-	-	6,808
Internal balances	323,491	(323,491)	-	-
Inventories	-	168,934	168,934	-
Total Current Assets	11,357,847	1,413,592	12,771,439	1,504,158
Land held for investment	-	-	-	499,430
Capital assets:				
Non-depreciable	5,644,056	1,424,123	7,068,179	2,256,833
Net depreciable capital assets	55,429,407	36,532,628	91,962,035	-
	61,073,463	37,956,751	99,030,214	2,756,263
Total Assets	72,431,310	39,370,343	111,801,653	4,260,421
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	233,318	119,214	352,532	-
Pension contributions	540,890	90,248	631,138	-
Pension investment earnings	172,128	28,720	200,848	-
Total Deferred Outflows of Resources	946,336	238,182	1,184,518	-
<u>Liabilities</u>				
Accounts payable and accrued liabilities	922,782	46,256	969,038	312,618
Customer deposits	-	383,300	383,300	-
Accrued interest payable	104,241	129,465	233,706	1,253
Due to component unit	6,808	-	6,808	-
	1,033,831	559,021	1,592,852	313,871
Noncurrent liabilities:				
Due within one year	2,182,300	1,337,921	3,520,221	122,817
Due in more than one year	26,684,404	24,208,816	50,893,220	1,809,313
	28,866,704	25,546,737	54,413,441	1,932,130
Total Liabilities	29,900,535	26,105,758	56,006,293	2,246,001
<u>Deferred Inflows of Resources</u>				
Pension (gains) losses	208,623	34,810	243,433	-
<u>Net Position</u>				
Net investment in capital assets	41,636,878	13,247,923	54,884,801	65,635
Restricted for:				
Debt service	180,183	-	180,183	-
Community redevelopment	657,445	-	657,445	-
Cemetery land purchase	192,305	-	192,305	-
Moody museum	293,666	-	293,666	-
Library bequest funds	318,230	-	318,230	-
Cemetery - nonexpendable	697,882	-	697,882	-
Other purposes	447,614	-	447,614	1,948,785
Unrestricted	(1,155,715)	220,034	(935,681)	-
Total Net Position	\$ 43,268,488	\$ 13,467,957	\$ 56,736,445	\$ 2,014,420

See Notes to Financial Statements.

City of Taylor, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 4,860,808	\$ 1,732,647	\$ 141,889	\$ -
Culture and recreation	1,098,786	-	-	-
Community development	628,159	-	-	470,172
Public safety	5,233,324	266,967	-	-
Public works	2,839,114	299,593	-	-
Interest and fiscal charges	911,760	-	-	-
Total Governmental Activities	15,571,951	2,299,207	141,889	470,172
Business-Type Activities				
Public Utility	6,227,769	6,300,263	-	530,695
Airport	415,107	450,606	-	-
Cemetery Operating	146,682	117,340	-	-
Total Business-Type Activities	6,789,558	6,868,209	-	530,695
Total Primary Government	\$ 22,361,509	\$ 9,167,416	\$ 141,889	\$ 1,000,867
Component Units				
Taylor Economic Development Corporation	\$ 845,961	\$ -	\$ -	\$ -

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
\$ (2,986,272)	\$ -	\$ (2,986,272)	\$ -
(1,098,786)	-	(1,098,786)	-
(157,987)	-	(157,987)	-
(4,966,357)	-	(4,966,357)	-
(2,539,521)	-	(2,539,521)	-
(911,760)	-	(911,760)	-
<u>(12,660,683)</u>	<u>-</u>	<u>(12,660,683)</u>	<u>-</u>
-	603,189	603,189	-
-	35,499	35,499	-
-	(29,342)	(29,342)	-
<u>-</u>	<u>609,346</u>	<u>609,346</u>	<u>-</u>
(12,660,683)	609,346	(12,051,337)	-
-	-	-	(845,961)
6,858,118	-	6,858,118	-
2,952,740	-	2,952,740	984,246
1,087,771	-	1,087,771	-
19,475	465	19,940	2,154
626,032	423,418	1,049,450	5,002
1,251,871	(1,251,871)	-	-
<u>12,796,007</u>	<u>(827,988)</u>	<u>11,968,019</u>	<u>991,402</u>
135,324	(218,642)	(83,318)	145,441
43,133,164	13,686,599	56,819,763	1,868,979
<u>\$ 43,268,488</u>	<u>\$ 13,467,957</u>	<u>\$ 56,736,445</u>	<u>\$ 2,014,420</u>

City of Taylor, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2015

	General	Capital Improvements	I & S For CO Bonds
<u>Assets</u>			
Cash and cash equivalents	\$ 2,962,747	\$ 4,124,893	\$ 185,697
Investments	662,904	-	-
Receivables, net	1,034,452	-	50,088
Due from other funds	159,554	-	-
Total Assets	\$ 4,819,657	\$ 4,124,893	\$ 235,785
 <u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 592,824	\$ 289,935	\$ 7,667
Due to component unit	6,808	-	-
Total Liabilities	599,632	289,935	7,667
 <u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	126,853	-	47,935
 <u>Fund Balances</u>			
Nonspendable:			
Permanent fund	-	-	-
Restricted for:			
Debt service	-	-	180,183
Capital projects	-	3,834,958	-
Special revenue	-	-	-
Other purposes	865,526	-	-
Committed for:			
Drainage	10,785	-	-
Unassigned reported in:			
General fund	3,216,861	-	-
Total Fund Balances	4,093,172	3,834,958	180,183
Total Liabilities and Fund Balances	\$ 4,819,657	\$ 4,124,893	\$ 235,785

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,318,882	\$ 8,592,219
657,630	1,320,534
29,507	1,114,047
203,945	363,499
<u>\$ 2,209,964</u>	<u>\$ 11,390,299</u>

\$ 17,580	\$ 908,006
-	6,808
<u>17,580</u>	<u>914,814</u>

-	<u>174,788</u>
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697,882	697,882
-	180,183
-	3,834,958
1,043,734	1,043,734
-	865,526
450,768	461,553
-	3,216,861
<u>2,192,384</u>	<u>10,300,697</u>

<u>\$ 2,209,964</u>	<u>\$ 11,390,299</u>
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City of Taylor, Texas

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

September 30, 2015

Fund Balances - Total Governmental Funds	\$ 10,300,697
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	5,644,056
Capital assets - net depreciable	54,538,166
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
	174,788
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	233,318
Pension contributions	530,744
Pension investment earnings	168,899
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.	
Net position - governmental activities	103,536
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.	
Pension (gains) losses	(204,710)
Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.	
Net pension liability	(4,109,479)
Other post employment benefits	(298,169)
Accrued interest	(104,241)
Bond premium	(253,183)
Bond discount	11,558
Non-current liabilities due in one year	(1,983,366)
Non-current liabilities due in more than one year	(21,484,126)
Net Position of Governmental Activities	\$ 43,268,488

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, 2015

	General	Capital Improvements	I & S For CO Bonds
<u>Revenues</u>			
Property tax	\$ 4,845,969	\$ -	\$ 1,872,938
Sales tax	2,952,740	-	-
Franchise and local taxes	1,032,240	-	-
License and permits	214,560	-	-
Charges for services	1,513,537	-	-
Fines and forfeitures	254,842	-	-
Intergovernmental	69,238	470,172	-
Investment income	8,038	2,931	591
Other revenues	185,810	372,351	-
Total Revenues	11,076,974	845,454	1,873,529
<u>Expenditures</u>			
Current:			
General government	3,903,341	1,464	-
Culture and recreation	1,099,300	-	-
Community development	632,021	-	-
Public safety	5,174,338	-	-
Public works	1,252,245	-	-
Debt service:			
Principal retirement	60,289	-	1,185,868
Interest and fiscal charges	2,110	-	859,194
Capital outlay	-	3,253,720	-
Total Expenditures	12,123,644	3,255,184	2,045,062
Excess of Revenues Over (Under) Expenditures	(1,046,670)	(2,409,730)	(171,533)
<u>Other Financing Sources (Uses)</u>			
Transfers in	1,445,000	196,614	131,725
Transfers (out)	(384,937)	-	-
Total Other Financing Sources (Uses)	1,060,063	196,614	131,725
Net Change in Fund Balances	13,393	(2,213,116)	(39,808)
Beginning fund balances	4,079,779	6,048,074	219,991
Ending Fund Balances	\$ 4,093,172	\$ 3,834,958	\$ 180,183

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 121,535	\$ 6,840,442
-	2,952,740
55,531	1,087,771
-	214,560
304,143	1,817,680
12,125	266,967
72,651	612,061
7,696	19,256
43,225	601,386
616,906	14,412,863
228,133	4,132,938
-	1,099,300
-	632,021
-	5,174,338
-	1,252,245
25,023	1,271,180
-	861,304
-	3,253,720
253,156	17,677,046
363,750	(3,264,183)
49,600	1,822,939
(362,412)	(747,349)
(312,812)	1,075,590
50,938	(2,188,593)
2,141,446	12,489,290
\$ 2,192,384	\$ 10,300,697

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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, 2015

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

Net changes in fund balances - total governmental funds	\$ (2,188,593)
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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	3,034,796
Depreciation expense	(1,910,188)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	17,675
--	--------

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.

Pension expense	73,008
Compensated absences	(15,879)
Other post employment benefits	(11,694)
Accrued interest	5,137
Amortization of deferred charges on refunding	(63,671)
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.

Principal payments	1,271,180
--------------------	-----------

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.	(102,328)
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Change in Net Position of Governmental Activities	\$ 135,324
--	-------------------

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, 2015

	Original Budget	Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 4,829,160	\$ 4,848,200	\$ 4,845,969	\$ (2,231)
Sales tax	2,915,300	2,925,300	2,952,740	27,440
Franchise and local taxes	1,007,765	1,024,825	1,032,240	7,415
License and permits	132,000	214,605	214,560	(45)
Charges for services	1,569,700	1,549,714	1,513,537	(36,177)
Fines and forfeitures	338,400	261,408	254,842	(6,566)
Intergovernmental	43,500	69,465	69,238	(227)
Investment income	35,150	10,200	8,038	(2,162)
Other revenues	102,400	183,361	185,810	2,449
Total Revenues	10,973,375	11,087,078	11,076,974	(10,104)
Expenditures				
Current:				
General government				
City council	150,061	115,928	109,938	5,990
City management	523,240	486,203	471,584	14,619
Public information	126,276	120,990	115,075	5,915
Human resources	192,856	175,162	176,546	(1,384)
Financial services	611,958	596,205	592,335	3,870
Municipal court	289,530	298,436	296,390	2,046
Building maintenance	399,782	485,411	482,304	3,107
Information technology	111,009	121,431	121,609	(178)
Nondepartmental	1,493,709	1,506,374	1,526,784	(20,410)
Library grant/donation	7,500	10,163	10,776	(613)
Total general government	3,905,921	3,916,303	3,903,341	12,962
Culture and recreation				
Moody museum	7,161	9,586	9,142	444
Public library	437,641	433,148	416,952	16,196
Parks and recreation	639,566	679,960	673,206	6,754
Total culture and recreation	1,084,368	1,122,694	1,099,300	23,394

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, 2015

	Original Budget	Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)
Community development				
Planning and development	607,711	588,096	564,157	23,939
Main Street program	71,182	71,171	67,864	3,307
Total community development	678,893	659,267	632,021	27,246
Public safety				
Fire department	2,084,630	2,104,635	2,057,251	47,384
Police department	2,846,380	2,915,825	2,965,348	(49,523)
Animal control	127,591	145,274	151,739	(6,465)
Total public safety	5,058,601	5,165,734	5,174,338	(8,604)
Public works				
Maintenance	1,201,313	1,186,547	1,167,568	18,979
Engineering and inspection	214,655	85,613	84,677	936
Total public works	1,415,968	1,272,160	1,252,245	19,915
Debt service:				
Principal retirement	60,290	60,290	60,289	1
Interest and fiscal charges	2,110	2,110	2,110	-
Total debt service	62,400	62,400	62,399	1
Total Expenditures	12,206,151	12,198,558	12,123,644	74,914
Revenues Over (Under) Expenditures	(1,232,776)	(1,111,480)	(1,046,670)	64,810
<u>Other Financing Sources (Uses)</u>				
Transfers in	1,445,000	1,445,000	1,445,000	-
Transfers (out)	(228,174)	(247,759)	(384,937)	(137,178)
Total Other Financing Sources (Uses)	1,216,826	1,197,241	1,060,063	(137,178)
Net Change in Fund Balance	\$ (15,950)	\$ 85,761	13,393	\$ (72,368)
Beginning fund balance			4,079,779	
Ending Fund Balance			\$ 4,093,172	

Notes to Financial Statement

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, 2015

	Business-Type Activities Enterprise Funds		
	Public Utilities	Airport	Cemetery Operating
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ 134,929	\$ 262,399
Restricted cash:			
Customer deposits	383,300	-	-
Receivables, net	773,901	10,100	3,520
Due from other funds	-	1,360	-
Inventories	168,934	-	-
Total Current Assets	1,326,135	146,389	265,919
Noncurrent Assets			
Capital assets:			
Non-depreciable	504,905	919,218	-
Net depreciable capital assets	34,232,866	2,290,231	9,531
Total Noncurrent Assets	34,737,771	3,209,449	9,531
Total Assets	36,063,906	3,355,838	275,450
Deferred Outflows of Resources			
Deferred charge on refunding	112,491	6,723	-
Pension contributions	82,800	3,024	4,424
Pension investment earnings	26,350	962	1,408
Total Deferred Outflows of Resources	221,641	10,709	5,832
Liabilities			
Current Liabilities			
Accounts payable	40,832	1,348	4,076
Customer deposits	383,300	-	-
Current maturities of long-term liabilities	1,307,921	30,000	-
Due to other funds	70,106	50,800	203,945
Accrued interest	128,278	1,187	-
Total Current Liabilities	1,930,437	83,335	208,021
Noncurrent Liabilities			
Long-term liabilities	23,337,004	173,030	-
Net pension liability	641,113	23,418	34,251
Total Liabilities	25,908,554	279,783	242,272
Deferred Inflows of Resources			
Pension (gains) losses	31,937	1,167	1,706
Net Position			
Net investment in capital assets	10,225,250	3,013,142	9,531
Unrestricted	119,806	72,455	27,773
Total Net Position	\$ 10,345,056	\$ 3,085,597	\$ 37,304

See Notes to Financial Statements.

<u>Total</u>	<u>Governmental Activities Internal Service</u>
\$ 397,328	\$ 7,556
383,300	-
787,521	-
1,360	8,213
168,934	-
<u>1,738,443</u>	<u>15,769</u>
1,424,123	-
36,532,628	891,241
<u>37,956,751</u>	<u>891,241</u>
<u>39,695,194</u>	<u>907,010</u>
119,214	-
90,248	10,146
28,720	3,229
<u>238,182</u>	<u>13,375</u>
46,256	14,776
383,300	-
1,337,921	198,934
324,851	48,221
129,465	-
<u>2,221,793</u>	<u>261,931</u>
23,510,034	472,446
698,782	78,559
<u>26,430,609</u>	<u>812,936</u>
<u>34,810</u>	<u>3,913</u>
13,247,923	419,093
220,034	(315,557)
<u>\$ 13,467,957</u>	<u>\$ 103,536</u>

City of Taylor, Texas

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

For the Year Ended September 30, 2015

	Business-Type Activities Enterprise Funds		
	Public Utilities	Airport	Cemetery Operating
	Utilities	Airport	Operating
<u>Operating Revenues</u>			
Water revenue	\$ 3,954,095	\$ -	\$ -
Sewer revenue	2,346,168	-	-
Airport services	-	450,606	-
Cemetery services	-	-	117,340
Other income	366,216	-	2,527
Charges for services	-	-	-
Rents and royalties	54,675	-	-
Total Operating Revenues	6,721,154	450,606	119,867
<u>Operating Expenses</u>			
Personnel services	1,193,131	39,590	67,397
Contractual services	2,241,425	272,662	76,869
Material and supplies	389,953	3,207	1,914
Depreciation	1,343,449	92,062	502
Total Operating Expenses	5,167,958	407,521	146,682
Operating Income (Loss)	1,553,196	43,085	(26,815)
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	465	-	-
Interest expense	(1,059,811)	(7,586)	-
Total Nonoperating Revenues (Expenses)	(1,059,346)	(7,586)	-
Income Before Capital Contributions and Transfers	493,850	35,499	(26,815)
<u>Capital Contributions and Transfers</u>			
Capital grants and contributions	530,695	-	-
Transfers in	-	-	15,687
Transfers (out)	(1,252,558)	(15,000)	-
Change in Net Position	(228,013)	20,499	(11,128)
Beginning net position	10,573,069	3,065,098	48,432
Ending Net Position	\$ 10,345,056	\$ 3,085,597	\$ 37,304

See Notes to Financial Statements.

<u>Total</u>	<u>Governmental Activities Internal Service</u>
\$ 3,954,095	\$ -
2,346,168	-
450,606	-
117,340	-
368,743	24,646
-	621,529
54,675	-
<u>7,291,627</u>	<u>646,175</u>
1,300,118	144,927
2,590,956	488,432
395,074	-
1,436,013	273,842
<u>5,722,161</u>	<u>907,201</u>
<u>1,569,466</u>	<u>(261,026)</u>
465	219
<u>(1,067,397)</u>	<u>(17,802)</u>
<u>(1,066,932)</u>	<u>(17,583)</u>
502,534	(278,609)
530,695	-
15,687	176,281
<u>(1,267,558)</u>	<u>-</u>
<u>(218,642)</u>	<u>(102,328)</u>
<u>13,686,599</u>	<u>205,864</u>
<u>\$ 13,467,957</u>	<u>\$ 103,536</u>

City of Taylor, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2015

	<u>Public Utilities</u>	<u>Airport</u>	<u>Cemetery Operating</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 7,346,853	\$ 452,658	\$ 121,087
Payments to suppliers and contractors	(2,546,749)	(289,272)	(82,753)
Payments to employees for salaries and benefits	(1,204,520)	(40,005)	(68,006)
Net Cash Provided (Used) by Operating Activities	3,595,584	123,381	(29,672)
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfer in	-	-	15,687
Transfer (out)	(1,252,558)	(15,000)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(1,252,558)	(15,000)	15,687
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital grant	270,685	-	-
Purchases of capital assets	(619,585)	(15,073)	-
Disposal of capital assets	-	-	-
Proceeds from capital debt	-	-	-
Principal paid on capital debt	(1,244,132)	(30,000)	-
Interest paid on capital debt	(1,053,057)	(7,773)	-
Net Cash (Used) by Capital and Related Financing Activities	(2,646,089)	(52,846)	-
<u>Cash Flows from Investing Activities</u>			
Interest on investments	465	-	-
Net Cash Provided by Investing Activities	465	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(302,598)	55,535	(13,985)
Beginning cash and cash equivalents	685,898	79,394	276,384
Ending Cash and Cash Equivalents	\$ 383,300	\$ 134,929	\$ 262,399

See Notes to Financial Statements.

Total	Governmental Activities
	Internal Service
\$ 7,920,598	\$ 646,175
(2,918,774)	(655,373)
(1,312,531)	(146,323)
<u>3,689,293</u>	<u>(155,521)</u>
15,687	176,281
(1,267,558)	-
<u>(1,251,871)</u>	<u>176,281</u>
270,685	-
(634,658)	(155,135)
-	8,968
-	300,000
(1,274,132)	(153,459)
(1,060,830)	(17,802)
<u>(2,698,935)</u>	<u>(17,428)</u>
465	219
<u>465</u>	<u>219</u>
(261,048)	3,551
<u>1,041,676</u>	<u>4,005</u>
<u>\$ 780,628</u>	<u>\$ 7,556</u>

City of Taylor, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2015

	Public Utilities	Airport	Cemetery Operating
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income (Loss)	\$ 1,553,196	\$ 43,085	\$ (26,815)
Adjustments to reconcile operating income to net cash provided (used):			
Depreciation	1,343,449	92,062	502
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	613,571	2,052	1,220
Inventory	58,118	-	-
Due from other funds	-	(12,700)	-
Deferred Outflows of Resources:			
Pension contributions	(1,792)	(65)	(96)
Investment experience	(26,350)	(962)	(1,408)
Increase (Decrease) in:			
Accounts payable	(43,595)	(703)	(3,970)
Customer deposits	12,128	-	-
Due to other funds	70,106	-	-
Net pension liability	(15,184)	(555)	(811)
Deferred Inflows of Resources:			
Actual experience vs. assumption	31,937	1,167	1,706
Net Cash Provided (Used) by Operating Activities	\$ 3,595,584	\$ 123,381	\$ (29,672)
 <u>Schedule of Non-Cash Capital and Related Financing Activities</u>			
Developer contributions	\$ 260,010	\$ -	\$ -

See Notes to Financial Statements.

<u>Total</u>	<u>Governmental Activities Internal Service</u>
\$ 1,569,466	\$ (261,026)
1,436,013	273,842
616,843	-
58,118	-
(12,700)	(165,673)
(1,953)	(220)
(28,720)	(3,229)
(48,268)	(1,268)
12,128	-
70,106	-
(16,550)	(1,860)
34,810	3,913
<u>\$ 3,689,293</u>	<u>\$ (155,521)</u>

\$ 260,010 \$ -

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City of Taylor, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. 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

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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 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.

C. 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.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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.

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.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Cemetery Operating Fund

The Cemetery operating fund accounts for the administration, operation and maintenance of the cemetery.

Additionally, the 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.

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

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. 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.

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.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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.

E. Assets, Liabilities, Deferred Outflows / Inflows, 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 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."

City of Taylor, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2015

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 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.

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

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

5. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary 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 – net position to have been depleted before unrestricted – net position is applied.

7. 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

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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.

8. 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 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 unassigned fund balance in the general fund at an amount equal to or greater than 25% of operating expenditures of that fund.

9. 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

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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 and discounts 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 expensed when incurred.

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.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. 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.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

F. 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 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

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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.

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 non-operating revenues and expenses.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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.”

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; accordingly, 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.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

A. Expenditures Over Appropriations

For the year ended September 30, 2015, expenditures exceeded appropriations at the legal level of control as follows:

General Fund	\$62,264
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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.

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

	Restricted	Committed
Debt service	\$ 180,183	\$ -
Capital projects	3,834,958	-
Community redevelopment	657,445	-
Cemetery land purchase	192,305	-
Municipal court	* 104,176	-
Moody museum	293,666	-
Library bequest funds	318,230	-
Roadway impact fees	69,086	-
Other purposes	274,352	-
Drainage	-	461,553
Total	\$ 5,924,401	\$ 461,553

*Restricted by enabling legislation.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2015, the primary government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Municipal bonds	\$ 1,232,285	1.18
Mutual funds	88,249	0.0
External investment pools	8,844,085	0.127
Total fair value	<u>\$ 10,164,619</u>	
Portfolio weighted average maturity		0.143

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 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, 2015, 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, 2015, 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

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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.

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.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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.

B. Receivables

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

	<u>General</u>	<u>I&S for CO Bonds</u>	<u>Nonmajor Governmental</u>	<u>Public Utility</u>	<u>Airport</u>	<u>Cemetery Operating</u>	<u>Total</u>
Property taxes	\$ 126,853	\$ 47,935	\$ -	\$ -	\$ -	\$ -	\$ 174,788
Sales tax	472,451	-	-	-	-	-	472,451
Franchise taxes	227,557	-	-	-	-	-	227,557
Accounts	158,739	-	33,371	780,253	10,100	3,520	985,983
Other	51,543	2,153	-	-	-	-	53,696
Allowance	(2,691)	-	(3,864)	(6,352)	-	-	(12,907)
	<u>\$ 1,034,452</u>	<u>\$ 50,088</u>	<u>\$ 29,507</u>	<u>\$ 773,901</u>	<u>\$ 10,100</u>	<u>\$ 3,520</u>	<u>\$ 1,901,568</u>

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

C. 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	\$ 2,462,677	\$ -	\$ -	\$ 2,462,677
Construction in progress	708,403	2,871,636	(398,660)	3,181,379
Total capital assets not being depreciated	<u>3,171,080</u>	<u>2,871,636</u>	<u>(398,660)</u>	<u>5,644,056</u>
Capital assets, being depreciated:				
Streets and bridges	48,482,627	-	336,142	48,818,769
Parks and dams	13,116,338	-	-	13,116,338
Sidewalks, curbs and gutters	1,586,416	-	36,210	1,622,626
Buildings and improvements	9,514,888	16,062	26,309	9,557,259
Operating equipment	3,169,609	147,098	(84,581)	3,232,126
Equipment in internal service funds	2,420,676	155,135	(17,776)	2,558,035
Total capital assets being depreciated	<u>78,290,554</u>	<u>318,295</u>	<u>296,304</u>	<u>78,905,153</u>
Less accumulated depreciation				
Streets and bridges	12,083,126	1,220,321	-	13,303,447
Parks and dams	1,886,915	329,558	-	2,216,473
Sidewalks, curbs and gutters	371,421	39,660	-	411,081
Buildings and improvements	2,550,009	272,393	-	2,822,402
Operating equipment	3,091,874	48,256	(84,581)	3,055,549
Equipment in internal service funds	1,401,759	273,842	(8,807)	1,666,794
Total accumulated depreciation	<u>21,385,104</u>	<u>2,184,030</u>	<u>(93,388)</u>	<u>23,475,746</u>
Net capital assets being depreciated	<u>56,905,450</u>	<u>(1,865,735)</u>	<u>389,692</u>	<u>55,429,407</u>
Total Capital Assets	<u>\$ 60,076,530</u>	<u>\$ 1,005,901</u>	<u>\$ (8,968)</u>	<u>\$ 61,073,463</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 216,323
Public safety	99,103
Public works	1,594,762
Internal service funds	273,842
Total Governmental Activities Depreciation Expense	<u>\$ 2,184,030</u>

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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	396,480	634,658	(924,050)	107,088
Total capital assets not being depreciated	<u>1,713,515</u>	<u>634,658</u>	<u>(924,050)</u>	<u>1,424,123</u>
Capital assets, being depreciated:				
Plant distribution and collection	44,829,108	260,010	914,017	46,003,135
Buildings	7,628,470	-	10,033	7,638,503
Runway	2,238,416	-	-	2,238,416
Equipment	928,717	-	-	928,717
Total capital assets being depreciated	<u>55,624,712</u>	<u>260,010</u>	<u>924,050</u>	<u>56,808,771</u>
Less accumulated depreciation				
Plant distribution and collection	14,971,916	1,172,010	-	16,143,926
Buildings	2,412,834	195,566	-	2,608,400
Runway	577,133	55,960	-	633,093
Equipment	878,247	12,477	-	890,724
Total accumulated depreciation	<u>18,840,130</u>	<u>1,436,013</u>	<u>-</u>	<u>20,276,143</u>
Net capital assets being depreciated	<u>36,784,582</u>	<u>(1,176,003)</u>	<u>924,050</u>	<u>36,532,628</u>
Total Capital Assets	<u>\$ 38,498,097</u>	<u>\$ (541,345)</u>	<u>\$ -</u>	<u>\$ 37,956,751</u>

Depreciation was charged to business-type activities as follows:

Public Utilities	\$ 1,343,449
Airport	92,062
Cemetery	502
Total Business-type Activities Depreciation Expense	<u>\$ 1,436,013</u>

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

D. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2015. 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>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 7,640,000	\$ -	\$ (800,000)	\$ 6,840,000	\$ 900,000
Combination Tax and Revenue Certificates of Obligation	16,160,868	-	(385,868)	15,775,000	330,000
Less deferred amounts:					
For discounts	(13,870)	-	2,312	(11,558)	-
For premiums	281,376	-	(28,193)	253,183	-
Total Bonds Payable	<u>24,068,374</u>	<u>-</u>	<u>(1,211,749)</u>	<u>22,856,625</u>	<u>1,230,000</u>
Texas Department of Commerce Obligation	68,244	-	(25,023)	43,221	25,023
Note Payable - internal service fund	-	300,000	(14,101)	285,899	57,351
Capital Lease	60,289	-	(60,289)	-	-
Capital Lease - internal service fund	521,854	-	(139,358)	382,496	138,896
Other Post Employment Benefits	286,475	11,694	-	298,169	-
Compensated Absences	793,392	378,820	(362,941)	809,271	728,344
Compensated Absences - internal service fund	2,985	5,017	(5,017)	2,985	2,687
Net Pension Liability	4,206,811	-	(97,332)	4,109,479	-
Net Pension Liability - internal service	80,419	-	(1,860)	78,559	-
Total Governmental Activities	<u>\$ 30,088,843</u>	<u>\$ 695,531</u>	<u>\$ (1,917,670)</u>	<u>\$ 28,866,704</u>	<u>\$ 2,182,300</u>
				<u>\$ 26,684,404</u>	
Long-term liabilities due in more than one year					
Business-Type Activities:					
General Obligation Bonds	\$ 4,935,000	\$ -	\$ (880,000)	\$ 4,055,000	\$ 1,015,000
Combination Tax and Revenue Certificates of Obligation	21,044,132	-	(394,132)	20,650,000	305,000
Less deferred amounts:					
For discounts	(12,803)	-	2,134	(10,669)	-
For premiums	164,855	-	(31,143)	133,712	-
Total Bonds Payable	<u>26,131,184</u>	<u>-</u>	<u>(1,303,141)</u>	<u>24,828,043</u>	<u>1,320,000</u>
Compensated Absences	19,912	33,945	(33,945)	19,912	17,921
Net Pension Liability	715,332	-	(16,550)	698,782	-
Total Business-Type Activities	<u>\$ 26,866,428</u>	<u>\$ 33,945</u>	<u>\$ (1,353,636)</u>	<u>\$ 25,546,737</u>	<u>\$ 1,337,921</u>
				<u>\$ 24,208,816</u>	
Long-term liabilities due in more than one year					
Component Unit Activities:					
Line of Credit	\$ -	\$ 1,929,659	\$ -	\$ 1,929,659	\$ 120,346
Compensated Absences	4,307	-	(1,836)	2,471	2,471
Total Component Unit Activities	<u>\$ 4,307</u>	<u>\$ 1,929,659</u>	<u>\$ (1,836)</u>	<u>\$ 1,932,130</u>	<u>\$ 122,817</u>

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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%	\$ 550,000	\$ -	\$ 550,000
\$8,995,000 General Obligation Refunding Bonds, Series 2009, due in installments through 2029, interest at 2% to 4%	1,740,000	1,225,000	2,965,000
\$3,945,000 General Obligation Refunding Bonds, Series 2010, due in installments through 2022, interest at 1.5% to 4%	705,000	1,410,000	2,115,000
\$5,450,000 General Obligation Refunding Bonds, Series 2012, due in installments through 2025, interest at 1% to 2.5%	3,845,000	1,420,000	5,265,000
Total General Obligation bonds	\$ 6,840,000	\$ 4,055,000	\$ 10,895,000
Combination Tax and Revenue Certificates of Obligation:			
\$4,200,000 Combination Tax and Revenue Certificates of Obligation, Series 2006, due in annual installments through 2026, interest at 4.45%	\$ 15,000	\$ 4,000,000	\$ 4,015,000
\$10,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2007, due in annual installments through 2027, interest at 3.83%	2,865,000	7,000,000	9,865,000
\$9,615,000 Combination Tax and Revenue Certificates of Obligation, Series 2008, due in annual installments through 2028, interest at 4.85% to 7%	2,915,000	5,570,000	8,485,000
\$8,780,000 Combination Tax and Revenue Certificates of Obligation, Series 2010, due in annual installments through 2034, interest at 4.25% to 5%	4,350,000	4,080,000	8,430,000
\$3,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2012, due in annual installments through 2032, interest at 4.25% to 5%	2,655,000	-	2,655,000
\$3,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2013, due in annual installments through 2033, interest at 4%	2,975,000	-	2,975,000
Total Combination Tax and Revenue/Certificates of Obligation	\$ 15,775,000	\$ 20,650,000	\$ 36,425,000

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

	Governmental Activities	Business - Type Activities	Total
Less deferred amounts:			
Discounts and premiums	\$ 241,625	\$ 123,043	\$ 364,668
Total deferred amounts	<u>241,625</u>	<u>123,043</u>	<u>364,668</u>
 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%	43,221	-	43,221
Notes Payable			
\$300,000 Note Payable to Citizens Bank, due in montly installments of \$5,329 through June 2020, interest at 2.5%	285,899	-	285,899
Capital Leases Payable:			
\$196,493 Capital lease payable to John Deere, due in annual installments of \$4,733 through 2017, interest at 3.3%	96,481	-	96,481
\$10,300 Capital lease payable to John Deere, due in annual installments of \$229 through 2018, interest at 3.3%	5,260	-	5,260
\$169,727 Capital lease payable to GCC, due in annual installments of \$28,815 through 2017, interest at 5.02%	78,435	-	78,435
\$328,124 Capital lease payable to Holman, due in quarterly installments of \$17,634 through 2018, interest at 2.79%	202,320	-	202,320
Total Capital Leases Payable	<u>382,496</u>	<u>-</u>	<u>382,496</u>
Compensated Absences	812,256	19,912	832,168
Other Post Employment Benefits	298,169	-	298,169
Net Pension Liability	4,188,038	698,782	4,886,820
Total Debt	<u>\$ 28,866,704</u>	<u>\$ 25,546,737</u>	<u>\$ 54,413,440</u>

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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

General Obligation Bonds

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	\$ 6,840,000	\$ 1,106,433	\$ 4,055,000	\$ 396,961

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Combination Tax and Revenue Certificates of Obligations

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	\$ 15,775,000	\$ 6,894,933	\$ 20,650,000	\$ 8,403,601

City of Taylor, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2015

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

Year ending September 30,	Governmental Activities		Total
	Principal	Interest	Total
2016	\$ 138,896	\$ 11,329	\$ 150,225
2017	146,841	6,747	153,587
2018	96,759	2,591	99,350
Total	\$ 382,496	\$ 20,666	\$ 403,163

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

Year ending September 30,	Governmental Activities		Total
	Principal	Interest	Total
2016	\$ 82,374	\$ 6,600	\$ 88,974
2017	77,038	5,111	82,149
2018	60,349	3,602	63,951
2019	61,897	2,054	63,951
2020	47,461	503	47,963
Total	\$ 329,120	\$ 17,869	\$ 346,988

E. 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 \$233,318 and \$119,214, respectively. Current year amortization expense for governmental and business-type activities totaled \$63,671 and \$53,883, respectively.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

F. Interfund Transactions

Transfers between the primary government funds during the 2015 year were as follows:

Transfer out:	Transfer In:						Total
	General	Capital Improvements	I&S for CO Bonds	Nonmajor Governmental	Cemetery Operating	Equipment Replacement	
General	\$ -	\$ 196,614	\$ -	\$ 14,600	\$ -	\$ 173,723	\$ 384,937
Nonmajor Governmental	180,000	-	131,725	35,000	15,687	-	362,412
Public Utilities	1,250,000	-	-	-	-	2,558	1,252,558
Airport	15,000	-	-	-	-	-	15,000
Total	\$ 1,445,000	\$ 196,614	\$ 131,725	\$ 49,600	\$ 15,687	\$ 176,281	\$ 2,014,907

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

The compositions of interfund balances as of the year ended September 30, 2015 were as follows:

Due to:	Due from:				Total
	General	Nonmajor Governmental	Aiport	Equipment Service	
Public Utilities	70,106	-	-	-	70,106
Airport	50,800	-	-	-	50,800
Cemetery Operating	-	203,945	-	-	203,945
Equipment Replacement	38,648	-	1,360	8,213	48,221
Total	\$ 159,554	\$ 203,945	\$ 1,360	\$ 8,213	\$ 373,072

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.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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.

C. Construction commitments

The government has active construction projects as of September 30, 2015. The projects include the two CDBG street projects for the construction of Jones and Burkett Streets from 4th Street to Lake Drive involving 4,600 linear feet of 20' wide paving, 2,400 linear feet of wastewater main rehab, and 3,500 linear feet of water main replacement. The 2014 street projects include 14.5 miles of streets including 250,000 SY of one-course surface treatment and associated patching and level up. The construction of approximately 1,600 linear feet of 12" water main, 350 linear feet of 20" steel encased water main bore. 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>
CDBG - Streets			
Langford Community Management	\$ 50,000	\$ 25,000	\$ 25,000
Facilities Rehabilitation, Inc.	1,038,508	864,414	174,094
2014 Street Maintenance	2,317,951	1,877,037	440,914
Total	\$ 4,013,469	\$ 3,373,461	\$ 640,008

D. Defined Benefit Pension Plans

1. Plan Description

The City of Taylor, Texas participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice

City of Taylor, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2015

and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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:

	<u>Plan Year 2014</u>	<u>Plan Year 2015</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

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2015

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	72
Inactive employees entitled to but not yet receiving benefits	106
Active employees	<u>135</u>
Total	<u>313</u>

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Taylor, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Taylor, Texas were 12.88% and 12.56% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$830,507, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0% net of pension plan investment expense, including inflation

City of Taylor, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2015

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	100.0%	

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
Balance at 12/31/13	\$ 24,634,171	\$ 19,631,609	\$ 5,002,562
Changes for the year:			
Service cost	849,391	-	849,391
Interest	1,722,971	-	1,722,971
Difference between expected and actual experience	(316,854)	-	(316,854)
Contributions – employer	-	816,847	(816,847)
Contributions – employee	-	443,939	(443,939)
Net investment income	-	1,123,153	(1,123,153)
Benefit payments, including refunds of emp. contributions	(889,978)	(889,978)	-
Administrative expense	-	(11,725)	11,725
Other changes	-	(964)	964
Net changes	<u>1,365,530</u>	<u>1,481,272</u>	<u>(115,742)</u>
Balance at 12/31/14	<u>\$ 25,999,701</u>	<u>\$ 21,112,881</u>	<u>\$ 4,886,820</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

<u>1% Decrease 6.00%</u>	<u>Current Single Rate Assumption 7.00%</u>	<u>1% Increase 8.00%</u>
\$ 8,942,629	\$ 4,886,820	\$ 1,617,403

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the city recognized pension expense of \$743,690.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and investment earnings	\$ 200,848	\$ -
Changes in actuarial assumptions	-	-
Differences between expected and actual economic experience	-	243,433
Contributions subsequent to the measurement date	631,138	-
Total	<u>\$ 831,986</u>	<u>\$ 243,433</u>

The City reported \$631,138 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2015	\$ (23,209)
2016	(23,209)
2017	(23,209)
2018	27,042
2019	-
2020	-
Thereafter	-
	<u>\$ (42,585)</u>

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Supplemental Death Benefits Fund

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

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

The City offers supplemental death to:	Plan Year 2014	Plan Year 2015
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 2015, 2014 and 2013 were \$4,601, \$4,438 and \$4,183, 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
2013	0.07%	0.07%	100.0%
2014	0.07%	0.07%	100.0%
2015	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, 2015

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 \$40,332 for the year ended September 30, 2015.

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, 2015

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.

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.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

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 play 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 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.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

The annual OPEB cost for the fiscal year ended September 30, 2015, is as follows:

Annual required contribution	\$	47,041
Interest on OPEB obligation		12,891
Adjustment to annual required contribution		(11,945)
Annual OPEB cost expense		47,987
Contributions made		36,293
Change in net OPEB obligation		11,694
Net OPEB Obligation-beginning of year		286,475
Net OPEB Obligation-end of year	\$	298,169

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the program, and the net OPEB obligation for 2015 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
2013	\$ 79,143	\$ 23,522	29.72%	\$ 172,730	\$ 228,351
2014	\$ 81,646	\$ 23,522	28.81%	\$ 228,351	\$ 286,475
2015	\$ 47,987	\$ 36,293	75.63%	\$ 286,475	\$ 298,169

Funding Status and Funding Progress

As of October 1, 2014, the most recent actuarial valuation date, the Program was 0.00 percent funded. The actuarial accrued liability for benefits was \$464,157, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$464,157. Covered payroll of active employees contributing to the plan was \$5,269,216 and the UAAL as a percentage of covered payroll was 8.81%.

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, 2015

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 cost
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 5.0%, declining to an ultimate rate of 4.5% after 9 years

G. Contingencies

The City was sued by a neighboring water supply corporation alleging that the City inversely condemned part of their property. The City denies any such claim and continues to defend itself. The possible outcome or range of losses associated with this claim could not be estimated at the time this financial report was prepared.

H. Restatement

Due to the implementation of GASB No. 68, the City restated its beginning net position within government activities and business-type activities to properly reflect the net pension liability and deferred outflows of resources as prescribed by this accounting standard. This adjustment was recorded at the fund level for proprietary funds only, and recorded at the government wide level for both governmental activities and business-type activities. The below tables summarize the changes to net position as a result of this change in accounting method.

City of Taylor, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

	Governmental Activities	Internal Service
Prior year ending net position, as reported	\$ 46,891,211	\$ 276,357
Implementation of GASB 68	(3,758,047)	(70,493)
Restated beginning net position	<u>\$ 43,133,164</u>	<u>\$ 205,864</u>

	Business-Type Activities	Public Utilities	Airport	Cemetery Operating
Prior year ending net position, as reported	\$ 14,313,636	\$ 11,148,358	\$ 3,086,112	\$ 79,166
Implementation of GASB 68	(627,037)	(575,289)	(21,014)	(30,734)
Restated beginning net position	<u>\$ 13,686,599</u>	<u>\$ 10,573,069</u>	<u>\$ 3,065,098</u>	<u>\$ 48,432</u>

I. New Accounting Pronouncements

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. As part of GASB 68 the City is required to record its net funded pension liability.

GASB also issued Statement No. 69, entitled *Government Combinations and Disposals of Government Operation*, and GASB Statement No. 70, entitled *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Both statements were adopted this fiscal year but had no effect on these accompanying financial statements.

The GASB has issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 73, entitled, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*; and GASB Statement No. 77; entitled, *Tax Abatement Disclosures, which will require adoption in the future, if applicable*. These statements may or will have a material effect on the City's financial statements once implemented. The City will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

J. Subsequent Events

There were no material subsequent events through the date the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Taylor, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

September 30, 2015

	12/31/2014	1
Total pension liability		
Service cost	\$ 849,391	
Interest	1,722,971	
Changes in benefit terms	-	
Differences between expected and actual experience	(316,854)	
Changes of assumptions	-	
Benefit payments, including refunds of participant contributions	(889,978)	
Net change in total pension liability	1,365,530	
Total pension liability - beginning	24,634,171	
Total pension liability - ending (a)	25,999,701	
Plan fiduciary net position		
Contributions - employer	\$ 816,847	
Contributions - members	443,939	
Net investment income	1,123,153	
Benefit payments, including refunds of participant contributions	(889,978)	
Administrative expenses	(11,725)	
Other	(964)	
Net change in plan fiduciary net position	1,481,272	
Plan fiduciary net position - beginning	19,631,609	
Plan fiduciary net position - ending (b)	\$ 21,112,881	
Fund's net pension liability - ending (a) - (b)	\$ 4,886,820	
Plan fiduciary net position as a percentage of the total pension liability	81.20%	
Covered employee payroll	\$ 6,341,992	
Fund's net position as a percentage of covered employee payroll	77.05%	

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

City of Taylor, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

September 30, 2015

		2015	¹
Actuarially determined employer contributions	\$	830,507	
Contributions in relation to the actuarially determined contribution	\$	830,507	
Contribution deficiency (excess)	\$	-	
Annual covered employee payroll	\$	6,572,876	
Employer contributions as a percentage of covered employee payroll		12.64%	

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

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City of Taylor, Texas
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT HEALTHCARE BENEFITS
September 30, 2015

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]
12/31/2010	\$ -	\$ 414,263	\$ 414,263	0%	\$ 6,005,819	6.90%
10/1/2012	\$ -	\$ 737,654	\$ 737,654	0%	\$ 5,113,561	14.43%
10/1/2014	\$ -	\$ 464,157	\$ 464,157	0%	\$ 5,269,216	8.81%

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

City of Taylor, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2015

	<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	\$ 75,194	\$ 4,252	\$ 16,302	\$ -
Investments	-	-	-	-
Accounts receivable, net	-	-	-	-
Due from other funds	-	-	-	203,945
Total Assets	\$ 75,194	\$ 4,252	\$ 16,302	\$ 203,945
<u>Liabilities</u>				
Accounts payable	\$ 5,940	\$ -	\$ -	\$ 11,640
Total Liabilities	5,940	-	-	11,640
<u>Fund Balances</u>				
Nonspendable	-	-	-	-
Restricted	69,254	4,252	16,302	192,305
Committed	-	-	-	-
Total Fund Balances	69,254	4,252	16,302	192,305
Total Liabilities and Fund Balances	\$ 75,194	\$ 4,252	\$ 16,302	\$ 203,945

Municipal Court Security/Tech	TIF	Drainage	Total Nonmajor Special Revenue	Cemetery Permanent Fund	Total Nonmajor Governmental
\$ 104,176	\$ 657,445	\$ 421,261	\$ 1,278,630	\$ 40,252	\$ 1,318,882
-	-	-	-	657,630	657,630
-	-	29,507	29,507	-	29,507
-	-	-	203,945	-	203,945
<u>\$ 104,176</u>	<u>\$ 657,445</u>	<u>\$ 450,768</u>	<u>\$ 1,512,082</u>	<u>\$ 697,882</u>	<u>\$ 2,209,964</u>
\$ -	\$ -	\$ -	\$ 17,580	\$ -	\$ 17,580
-	-	-	17,580	-	17,580
-	-	-	-	697,882	697,882
104,176	657,445	-	1,043,734	-	1,043,734
-	-	450,768	450,768	-	450,768
<u>104,176</u>	<u>657,445</u>	<u>450,768</u>	<u>1,494,502</u>	<u>697,882</u>	<u>2,192,384</u>
<u>\$ 104,176</u>	<u>\$ 657,445</u>	<u>\$ 450,768</u>	<u>\$ 1,512,082</u>	<u>\$ 697,882</u>	<u>\$ 2,209,964</u>

City of Taylor, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	Hotel/ Motel Tax	Texas Capital	Main Street Revenue	Cemetery Land Purchases
<u>Revenues</u>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Hotel occupancy tax	55,531	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Intergovernmental	-	-	-	-
Other revenue	-	25,023	18,202	-
Investment income	-	-	-	116
Total Revenues	55,531	25,023	18,202	116
<u>Expenditures</u>				
General government	80,852	-	60,871	-
Debt service:				
Principal retirement	-	25,023	-	-
Total Expenditures	80,852	25,023	60,871	-
Revenues Over Expenditures	(25,321)	-	(42,669)	116
<u>Other Financing Sources Sources (Uses)</u>				
Transfers in	-	-	49,600	-
Transfers (out)	(5,000)	-	-	-
Total Other Financing Sources (Uses)	(5,000)	-	49,600	-
Net Change in Fund Balances	(30,321)	-	6,931	116
Beginning fund balances	99,575	4,252	9,371	192,189
Ending Fund Balances	\$ 69,254	\$ 4,252	\$ 16,302	\$ 192,305

Municipal Court Security/Tech	TIF	Drainage	Total Nonmajor Special Revenue	Cemetery Permanent Fund	Total Nonmajor Governmental
\$ -	\$ 121,535	\$ -	\$ 121,535	\$ -	\$ 121,535
-	-	-	55,531	-	55,531
-	-	299,593	299,593	4,550	304,143
12,125	-	-	12,125	-	12,125
-	72,651	-	72,651	-	72,651
-	-	-	43,225	-	43,225
-	317	-	433	7,263	7,696
<u>12,125</u>	<u>194,503</u>	<u>299,593</u>	<u>605,093</u>	<u>11,813</u>	<u>616,906</u>
5,816	80,488	96	228,123	10	228,133
-	-	-	25,023	-	25,023
<u>5,816</u>	<u>80,488</u>	<u>96</u>	<u>253,146</u>	<u>10</u>	<u>253,156</u>
<u>6,309</u>	<u>114,015</u>	<u>299,497</u>	<u>351,947</u>	<u>11,803</u>	<u>363,750</u>
-	-	-	49,600	-	49,600
-	(30,000)	(311,725)	(346,725)	(15,687)	(362,412)
<u>-</u>	<u>(30,000)</u>	<u>(311,725)</u>	<u>(297,125)</u>	<u>(15,687)</u>	<u>(312,812)</u>
6,309	84,015	(12,228)	54,822	(3,884)	50,938
97,867	573,430	462,996	1,439,680	701,766	2,141,446
<u>\$ 104,176</u>	<u>\$ 657,445</u>	<u>\$ 450,768</u>	<u>\$ 1,494,502</u>	<u>\$ 697,882</u>	<u>\$ 2,192,384</u>

City of Taylor, Texas

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

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For the Year Ended September 30, 2015

	Original Budget	Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 1,760,173	\$ 1,873,000	\$ 1,872,938	\$ (62)
Investment income	400	580	591	11
Total Revenues	1,760,573	1,873,580	1,873,529	(51)
Expenditures				
Debt service:				
Principal retirement	1,185,868	1,185,868	1,185,868	-
Interest and fiscal charges	857,500	859,194	859,194	-
Total Expenditures	2,043,368	2,045,062	2,045,062	-
Excess of Revenues Over (Under) Expenditures	(282,795)	(171,482)	(171,533)	(51)
Other Financing Sources (Uses)				
Transfers in	131,725	131,725	131,725	-
Total Other Financing Sources (Uses)	131,725	131,725	131,725	-
Net Change in Fund Balance	\$ (151,070)	\$ (39,757)	(39,808)	\$ (51)
Beginning fund balance			219,991	
Ending Fund Balance			\$ 180,183	

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, 2015

	Original Budget	Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Hotel occupancy tax	\$ 61,200	\$ 55,531	\$ 55,531	\$ -
Total Revenues	61,200	55,531	55,531	-
<u>Expenditures</u>				
General government	50,900	80,852	80,852	-
Total Expenditures	50,900	80,852	80,852	-
Excess of Revenues Over (Under) Expenditures	10,300	(25,321)	(25,321)	-
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(5,000)	(5,000)	(5,000)	-
Total Other Financing Sources (Uses)	(5,000)	(5,000)	(5,000)	-
Net Change in Fund Balance	\$ 5,300	\$ (30,321)	(30,321)	\$ -
Beginning fund balance			99,575	
Ending Fund Balance			\$ 69,254	

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2015 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	25,023	25,023	-
Total Expenditures	<u>25,023</u>	<u>25,023</u>	<u>25,023</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Beginning fund balance			4,252	
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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2015 Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Other revenue	\$ 19,100	\$ 18,202	\$ 18,202	\$ -
Total Revenues	<u>19,100</u>	<u>18,202</u>	<u>18,202</u>	<u>-</u>
<u>Expenditures</u>				
General government	66,023	64,493	60,871	3,622
Total Expenditures	<u>66,023</u>	<u>64,493</u>	<u>60,871</u>	<u>3,622</u>
Excess of Revenues Over (Under) Expenditures	<u>(46,923)</u>	<u>(46,291)</u>	<u>(42,669)</u>	<u>3,622</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	49,600	49,600	49,600	-
Total Other Financing Sources (Uses)	<u>49,600</u>	<u>49,600</u>	<u>49,600</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 2,677</u>	<u>\$ 3,309</u>	6,931	<u>\$ 3,622</u>
Beginning fund balance			9,371	
Ending Fund Balance			<u>\$ 16,302</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2015 Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Charges for services	\$ 17,000	\$ 12,125	\$ 12,125	\$ -
Total Revenues	<u>17,000</u>	<u>12,125</u>	<u>12,125</u>	<u>-</u>
<u>Expenditures</u>				
General government	7,560	8,120	5,816	2,304
Total Expenditures	<u>7,560</u>	<u>8,120</u>	<u>5,816</u>	<u>2,304</u>
Net Change in Fund Balance	<u>\$ 9,440</u>	<u>\$ 4,005</u>	6,309	<u>\$ 2,304</u>
Beginning fund balance			97,867	
Ending Fund Balance			<u>\$ 104,176</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2015 Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Charges for services	\$ 86,695	\$ 121,535	\$ 121,535	\$ -
Intergovernmental	52,091	72,651	72,651	-
Investment income	200	310	317	7
Total Revenues	<u>138,986</u>	<u>194,496</u>	<u>194,503</u>	<u>7</u>
<u>Expenditures</u>				
General government	89,800	80,488	80,488	-
Total Expenditures	<u>89,800</u>	<u>80,488</u>	<u>80,488</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>49,186</u>	<u>114,008</u>	<u>114,015</u>	<u>7</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(30,000)	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 19,186</u>	<u>\$ 84,008</u>	84,015	<u>\$ 7</u>
Beginning fund balance			<u>573,430</u>	
Ending Fund Balance			<u>\$ 657,445</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2015 Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Charges for services	\$ 332,000	\$ 332,000	\$ 299,593	\$ (32,407)
Total Revenues	<u>332,000</u>	<u>332,000</u>	<u>299,593</u>	<u>(32,407)</u>
<u>Expenditures</u>				
General government	900	900	96	804
Total Expenditures	<u>900</u>	<u>900</u>	<u>96</u>	<u>804</u>
Excess of Revenues Over (Under) Expenditures	<u>331,100</u>	<u>331,100</u>	<u>299,497</u>	<u>(31,603)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(311,725)	(311,725)	(311,725)	-
Total Other Financing Sources (Uses)	<u>(311,725)</u>	<u>(311,725)</u>	<u>(311,725)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 19,375</u>	<u>\$ 19,375</u>	<u>(12,228)</u>	<u>\$ (31,603)</u>
Beginning fund balance			462,996	
Ending Fund Balance			<u>\$ 450,768</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, 2015

	Original Budget	Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 6,000	\$ 4,550	\$ 4,550	\$ -
Investment income	20,000	12,320	7,263	(5,057)
Total Revenues	26,000	16,870	11,813	(5,057)
Expenditures				
General government	5	10	10	-
Total Expenditures	5	10	10	-
Excess of Revenues Over (Under) Expenditures	25,995	16,860	11,803	(5,057)
Other Financing Sources (Uses)				
Transfers (out)	(20,000)	(12,320)	(15,687)	(3,367)
Total Other Financing Sources (Uses)	(20,000)	(12,320)	(15,687)	(3,367)
Net Change in Fund Balance	\$ 5,995	\$ 4,540	(3,884)	\$ (8,424)
Beginning fund balance			701,766	
Ending Fund Balance			\$ 697,882	

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, 2015

	<u>Equipment Services</u>	<u>Equipment Replacement</u>	<u>Total</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 7,556	\$ -	\$ 7,556
Due from other funds	8,213	-	8,213
Total Current Assets	<u>15,769</u>	<u>-</u>	<u>15,769</u>
<u>Noncurrent Assets</u>			
Capital assets:			
Machinery and equipment	-	891,241	891,241
Total Noncurrent Assets	<u>-</u>	<u>891,241</u>	<u>891,241</u>
Total Assets	<u>15,769</u>	<u>891,241</u>	<u>907,010</u>
<u>Deferred Outflows of Resources</u>			
Pension contributions	10,146	-	10,146
Pension investment earnings	3,229	-	3,229
Total Deferred Outflows of Resources	<u>13,375</u>	<u>-</u>	<u>13,375</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	8,515	6,261	14,776
Current maturities of long-term liabilities	2,687	196,247	198,934
Due to other funds	-	48,221	48,221
Total Current Liabilities	<u>11,202</u>	<u>250,729</u>	<u>261,931</u>
<u>Noncurrent Liabilities</u>			
Long-term liabilities	298	472,148	472,446
Net pension liability	78,559	-	78,559
Total Liabilities	<u>90,059</u>	<u>722,877</u>	<u>812,936</u>
<u>Deferred Inflows of Resources</u>			
Pension (gains) losses	3,913	-	3,913
<u>Net Position</u>			
Net investment in capital assets	-	419,093	419,093
Unrestricted	(64,828)	(250,729)	(315,557)
Total Net Position	<u>\$ (64,828)</u>	<u>\$ 168,364</u>	<u>\$ 103,536</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, 2015

	Equipment Services	Equipment Replacement	Total
<u>Operating Revenues</u>			
Charges for services	\$ 621,529	\$ -	\$ 621,529
Other revenue	1,588	23,058	24,646
Total Operating Revenues	623,117	23,058	646,175
<u>Operating Expenses</u>			
Personnel services	144,927	-	144,927
Contractual services	471,975	16,457	488,432
Depreciation	-	273,842	273,842
Total Operating Expenses	616,902	290,299	907,201
Operating Income (Loss)	6,215	(267,241)	(261,026)
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	-	219	219
Interest expense	-	(17,802)	(17,802)
Total Nonoperating Revenues (Expenses)	-	(17,583)	(17,583)
<u>Transfers</u>			
Transfers in	-	176,281	176,281
Total Transfers	-	176,281	176,281
Change in Net Position	6,215	(108,543)	(102,328)
Beginning net position	(71,043)	276,907	205,864
Ending Net Position	\$ (64,828)	\$ 168,364	\$ 103,536

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, 2015

	<u>Equipment Services</u>	<u>Equipment Replacement</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 623,117	\$ 23,058	\$ 646,175
Payments to suppliers and contractors	(473,243)	(182,130)	(655,373)
Payments to employees for salaries and benefits	(146,323)	-	(146,323)
Net Cash Provided (Used) by Operating Activities	<u>3,551</u>	<u>(159,072)</u>	<u>(155,521)</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfer in	-	176,281	176,281
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>176,281</u>	<u>176,281</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Purchases of capital assets	-	(155,135)	(155,135)
Disposal of capital assets	-	8,968	8,968
Proceeds from capital debt	-	300,000	300,000
Principal paid on capital debt	-	(153,459)	(153,459)
Interest paid on capital debt	-	(17,802)	(17,802)
Net Cash (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(17,428)</u>	<u>(17,428)</u>
<u>Cash Flows from Investing Activities</u>			
Interest on investments	-	219	219
Net Cash Provided by Investing Activities	<u>-</u>	<u>219</u>	<u>219</u>
Net (Increase) Decrease in Cash and Cash Equivalents	3,551	-	3,551
Beginning cash and cash equivalents	<u>4,005</u>	<u>-</u>	<u>4,005</u>
Ending Cash and Cash Equivalents	<u>\$ 7,556</u>	<u>\$ -</u>	<u>\$ 7,556</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, 2015

	Equipment Services	Equipment Replacement	Total
<u>Reconciliation of Operating (Loss)</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$ 6,215	\$ (267,241)	\$ (261,026)
Adjustments to reconcile operating income to net cash provided (used):			
Depreciation	-	273,842	273,842
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Due to other funds	-	(165,673)	(165,673)
Deferred Outflows of Resources:			
Pension contributions	(220)	-	(220)
Investment experience	(3,229)	-	(3,229)
Increase (Decrease) in:			
Accounts payable	(1,268)	-	(1,268)
Net pension liability	(1,860)	-	(1,860)
Deferred Inflows of Resources:			
Actual experience vs. assumption	3,913	-	3,913
Net Cash Provided (Used) by Operating Activities	\$ 3,551	\$ (159,072)	\$ (155,521)

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	108
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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	118
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These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity	124
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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	131
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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	133
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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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities				
Net investment in capital assets	\$ 41,636,878	\$ 41,768,181	\$ 42,658,990	\$ 39,458,232
Restricted	2,787,325	2,676,573	2,630,586	7,311,640
Unrestricted	<u>(1,155,715)</u>	<u>(1,311,590)</u>	<u>2,842,851</u>	<u>2,436,264</u>
Total governmental activities net position	<u><u>\$ 43,268,488</u></u>	<u><u>\$ 43,133,164</u></u>	<u><u>\$ 48,132,427</u></u>	<u><u>\$ 49,206,136</u></u>
 Business-type activities				
Net investment in capital assets	\$ 13,247,923	\$ 12,540,010	\$ 9,092,144	\$ 12,109,434
Unrestricted (Deficit)	<u>220,034</u>	<u>1,146,589</u>	<u>5,339,652</u>	<u>1,967,586</u>
Total business-type activities net position	<u><u>\$ 13,467,957</u></u>	<u><u>\$ 13,686,599</u></u>	<u><u>\$ 14,431,796</u></u>	<u><u>\$ 14,077,020</u></u>
 Primary government				
Net investment in capital assets	\$ 54,884,801	\$ 54,308,191	\$ 51,751,134	\$ 51,567,666
Restricted	2,787,325	2,676,573	2,630,586	7,311,640
Unrestricted	<u>(935,681)</u>	<u>(165,001)</u>	<u>8,182,503</u>	<u>4,403,850</u>
Total primary government net position	<u><u>\$ 56,736,445</u></u>	<u><u>\$ 56,819,763</u></u>	<u><u>\$ 62,564,223</u></u>	<u><u>\$ 63,283,156</u></u>

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 42,533,107	\$ 41,533,094	\$ 43,701,642	\$ 40,988,706	\$ 40,723,892	\$ 35,593,811
4,142,402	3,253,125	1,055,079	1,353,386	2,092,597	5,447,454
2,753,160	3,916,431	3,369,829	4,481,859	3,310,666	2,087,890
<u>\$ 49,428,669</u>	<u>\$ 48,702,650</u>	<u>\$ 48,126,550</u>	<u>\$ 46,823,951</u>	<u>\$ 46,127,155</u>	<u>\$ 43,129,155</u>
\$ 12,332,757	\$ 12,419,757	\$ 11,782,669	\$ 12,539,086	\$ 12,577,691	\$ 10,378,556
1,533,418	(216,991)	560,831	82,049	184,104	1,277,532
<u>\$ 13,866,175</u>	<u>\$ 12,202,766</u>	<u>\$ 12,343,500</u>	<u>\$ 12,621,135</u>	<u>\$ 12,761,795</u>	<u>\$ 11,656,088</u>
\$ 54,865,864	\$ 53,952,851	\$ 55,484,311	\$ 53,527,792	\$ 53,301,583	\$ 45,972,367
4,142,402	3,253,125	1,055,079	1,353,386	2,092,597	5,447,454
4,286,578	3,699,440	3,930,660	4,563,908	3,494,770	3,365,422
<u>\$ 63,294,844</u>	<u>\$ 60,905,416</u>	<u>\$ 60,470,050</u>	<u>\$ 59,445,086</u>	<u>\$ 58,888,950</u>	<u>\$ 54,785,243</u>

City of Taylor, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	2015	2014	2013	2012
Expenses				
Governmental activities:				
General government	\$ 4,860,808	\$ 4,862,420	\$ 4,770,073	\$ 3,820,796
Culture and recreation	1,098,786	1,109,876	1,112,269	1,056,650
Community services	628,159	661,224	655,822	502,428
Public safety	5,233,324	5,135,384	4,654,499	4,501,449
Public works	2,839,114	2,919,795	2,905,400	2,778,499
Interest on long-term debt	911,760	970,486	1,009,285	900,074
Total governmental activities expenses	15,571,951	15,659,185	15,107,348	13,559,896
Business-type activities:				
Public utilities fund	5,167,958	4,865,365	4,696,288	4,883,367
Airport fund	407,521	473,911	480,214	395,849
Cemetery operating fund	146,682	163,769	133,354	120,031
Interest on long-term debt	1,067,397	1,107,014	1,202,405	1,219,817
Total business-type activities expenses	6,789,558	6,610,059	6,512,261	6,619,064
Total primary government expenses	\$ 22,361,509	\$ 22,269,244	\$ 21,619,609	\$ 20,178,960
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,732,647	\$ 1,740,528	\$ 1,631,501	\$ 2,283,280
Public safety	266,967	319,668	323,928	247,130
Public works	299,593	330,203	325,698	69,481
Community services	-	-	-	-
Operating grants and contributions	141,889	129,182	127,201	-
Capital grants and contributions	470,172	142,440	184,969	-
Total governmental activities program revenues	2,911,268	2,662,021	2,593,297	2,599,891
Business-type activities:				
Charges for services:				
Public utilities fund	6,300,263	6,875,146	6,929,109	7,150,801
Airport fund	450,606	484,048	500,255	426,859
Cemetery fund	117,340	135,458	118,160	120,529
Capital grants and contributions	530,695	79,326	164,979	-
Total business-type activities program revenues	7,398,904	7,573,978	7,712,503	7,698,189
Total primary government program revenues	\$ 10,310,172	\$ 10,235,999	\$ 10,305,800	\$ 10,298,080

2011	2010	2009	2008	2007	2006
\$ 4,106,565	\$ 4,274,435	\$ 4,038,624	\$ 4,682,994	\$ 3,791,089	\$ 3,740,078
-	-	-	-	-	226,110
343,860	-	-	-	-	-
4,937,819	4,986,776	4,799,854	5,079,499	4,043,066	4,161,454
4,334,567	4,159,734	3,797,620	3,912,591	3,422,645	3,118,037
826,560	760,678	723,851	704,241	655,537	681,884
<u>14,549,371</u>	<u>14,181,623</u>	<u>13,359,949</u>	<u>14,379,325</u>	<u>11,912,337</u>	<u>11,927,563</u>
6,005,089	5,607,082	5,250,058	6,282,526	5,820,213	5,948,540
426,345	430,473	408,404	599,040	421,971	395,886
88,368	-	-	-	-	-
-	-	-	-	-	-
<u>6,519,802</u>	<u>6,037,555</u>	<u>5,658,462</u>	<u>6,881,566</u>	<u>6,242,184</u>	<u>6,344,426</u>
<u>\$ 21,069,173</u>	<u>\$ 20,219,178</u>	<u>\$ 19,018,411</u>	<u>\$ 21,260,891</u>	<u>\$ 18,154,521</u>	<u>\$ 18,271,989</u>
\$ 2,515,187	\$ 2,378,935	\$ 2,257,670	\$ 3,650,952	\$ 3,132,354	\$ 3,169,711
382,919	287,821	308,439	305,708	331,605	281,661
-	-	-	-	-	-
338,965	-	-	-	-	-
-	-	-	-	-	-
707,816	1,813,591	1,230,851	476,057	1,335,302	908,961
<u>3,944,887</u>	<u>4,480,347</u>	<u>3,796,960</u>	<u>4,432,717</u>	<u>4,799,261</u>	<u>4,360,333</u>
7,568,944	6,227,101	5,897,077	5,845,601	5,141,474	5,033,084
669,510	427,323	466,097	607,746	387,224	354,033
119,721	-	-	-	-	-
-	-	-	-	825,814	109,702
<u>8,358,175</u>	<u>6,654,424</u>	<u>6,363,174</u>	<u>6,453,347</u>	<u>6,354,512</u>	<u>5,496,819</u>
<u>\$ 12,303,062</u>	<u>\$ 11,134,771</u>	<u>\$ 10,160,134</u>	<u>\$ 10,886,064</u>	<u>\$ 11,153,773</u>	<u>\$ 9,857,152</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net (Expenses) Revenue				
Governmental activities	\$ (12,660,683)	\$ (12,997,164)	\$ (12,514,051)	\$ (10,960,005)
Business-type activities	609,346	963,919	1,200,242	1,079,125
Total primary government net expense	<u>\$ (12,051,337)</u>	<u>\$ (12,033,245)</u>	<u>\$ (11,313,809)</u>	<u>\$ (9,880,880)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 6,858,118	\$ 6,420,308	\$ 6,374,806	\$ 6,212,695
Sales taxes	2,952,740	2,744,362	2,535,174	2,411,533
Franchise taxes	1,087,771	1,103,835	1,055,651	890,874
Investment earnings	19,475	31,020	38,322	25,783
Miscellaneous	626,032	212,420	384,719	391,765
Transfers	1,251,871	1,244,003	1,051,670	869,999
Total governmental activities	<u>12,796,007</u>	<u>11,755,948</u>	<u>11,440,342</u>	<u>10,802,649</u>
Business-type activities:				
Investment earnings	465	412	3,149	5,467
Miscellaneous	423,418	161,510	203,055	221,503
Transfers	(1,251,871)	(1,244,003)	(1,051,670)	(869,999)
Total business-type activities	<u>(827,988)</u>	<u>(1,082,081)</u>	<u>(845,466)</u>	<u>(643,029)</u>
Total primary government	<u>\$ 11,968,019</u>	<u>\$ 10,673,867</u>	<u>\$ 10,594,876</u>	<u>\$ 10,159,620</u>
Change in Net Position				
Governmental activities	\$ 135,324	\$ (1,241,216)	\$ (1,073,709)	\$ (157,356)
Business-type activities	(218,642)	(118,162)	354,776	436,096
Total primary government	<u>\$ (83,318)</u>	<u>\$ (1,359,378)</u>	<u>\$ (718,933)</u>	<u>\$ 278,740</u>

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ (10,604,484)	\$ (9,701,276)	\$ (9,562,989)	\$ (9,946,608)	\$ (7,113,076)	\$ (7,567,230)
1,838,373	616,869	704,712	(428,219)	112,328	(847,607)
<u>\$ (8,766,111)</u>	<u>\$ (9,084,407)</u>	<u>\$ (8,858,277)</u>	<u>\$ (10,374,827)</u>	<u>\$ (7,000,748)</u>	<u>\$ (8,414,837)</u>
\$ 6,078,005	\$ 5,811,529	\$ 5,741,878	\$ 5,589,548	\$ 5,183,652	\$ 4,723,464
2,219,629	2,239,952	2,248,042	3,020,333	3,431,242	2,237,062
816,039	845,234	801,124	863,824	800,893	853,476
38,451	114,902	140,589	301,223	446,973	627,190
1,373,359	435,759	930,977	201,993	248,316	243,341
805,020	830,000	1,128,168	-	-	-
<u>11,330,503</u>	<u>10,277,376</u>	<u>10,990,778</u>	<u>9,976,921</u>	<u>10,111,076</u>	<u>8,684,533</u>
10,086	16,284	64,899	239,913	233,859	70,441
619,970	56,113	80,922	47,646	70,854	591,488
(805,020)	(830,000)	(1,128,168)	-	-	-
<u>(174,964)</u>	<u>(757,603)</u>	<u>(982,347)</u>	<u>287,559</u>	<u>304,713</u>	<u>661,929</u>
<u>\$ 11,155,539</u>	<u>\$ 9,519,773</u>	<u>\$ 10,008,431</u>	<u>\$ 10,264,480</u>	<u>\$ 10,415,789</u>	<u>\$ 9,346,462</u>
\$ 726,019	\$ 576,100	\$ 1,427,789	\$ 30,313	\$ 2,998,000	\$ 1,117,303
1,663,409	(140,734)	(277,635)	(140,660)	417,041	(185,678)
<u>\$ 2,389,428</u>	<u>\$ 435,366</u>	<u>\$ 1,150,154</u>	<u>\$ (110,347)</u>	<u>\$ 3,415,041</u>	<u>\$ 931,625</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund				
Restricted	\$ 865,526	\$ 778,132	\$ 781,021	\$ 612,452
Committed	10,785	10,785	10,785	10,785
Assigned	-	-	-	409,969
Unassigned	3,216,861	3,290,862	3,686,745	3,855,829
Total general fund	<u>\$ 4,093,172</u>	<u>\$ 4,079,779</u>	<u>\$ 4,478,551</u>	<u>\$ 4,889,035</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Capital project funds	-	-	-	-
Non-spendable	697,882	701,766	697,543	729,268
Restricted	5,058,875	7,244,749	7,778,543	6,389,661
Committed	450,768	462,996	450,114	327,257
Total all other governmental funds	<u>\$ 6,207,525</u>	<u>\$ 8,409,511</u>	<u>\$ 8,926,200</u>	<u>\$ 7,446,186</u>

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

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 615,461	\$ -	\$ -	\$ -	\$ -	\$ -
17,739	-	-	-	-	-
-	-	-	-	-	-
2,943,662	3,567,124	3,899,851	3,809,353	2,870,578	1,723,314
<u>\$ 3,576,862</u>	<u>\$ 3,567,124</u>	<u>\$ 3,899,851</u>	<u>\$ 3,809,353</u>	<u>\$ 2,870,578</u>	<u>\$ 1,723,314</u>
\$ -	\$ 3,353,764	\$ 1,055,079	\$ 4,702,011	\$ 3,090,819	\$ 5,447,454
-	499,523	392,573	248,681	161,058	106,282
735,606	-	-	-	-	-
2,886,566	-	-	-	-	-
155,415	-	-	-	-	-
<u>\$ 3,777,587</u>	<u>\$ 3,853,287</u>	<u>\$ 1,447,652</u>	<u>\$ 4,950,692</u>	<u>\$ 3,251,877</u>	<u>\$ 5,553,736</u>

City of Taylor, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

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

	2015	2014	2013	2012
Revenues				
Taxes	\$ 10,880,953	\$ 10,246,691	\$ 9,940,659	\$ 9,588,691
Licenses, permits, and fees	214,560	134,322	101,808	169,159
Charges for services	1,817,680	1,936,409	1,855,391	1,948,547
Fines and forfeitures	266,967	319,668	323,928	247,130
Special assessments	-	-	-	-
Intergovernmental	612,061	271,622	312,170	146,780
Investment earnings	19,256	31,020	38,322	25,381
Other revenues	601,386	174,181	382,384	235,561
Contributions	-	-	-	-
Total Revenues	14,412,863	13,113,913	12,954,662	12,361,249
Expenditures				
Current:				
General government	4,132,938	4,193,947	4,147,828	3,874,060
Culture and recreation	1,099,300	1,107,678	1,110,059	-
Community development	632,021	660,441	631,422	-
Public safety	5,174,338	4,915,960	4,441,585	4,051,068
Public works	1,252,245	1,316,652	1,374,935	2,465,390
Debt Service:				
Principal retirement	1,271,180	1,207,384	1,213,983	993,484
Interest and fiscal changes	861,304	919,438	823,110	839,966
Bond issuance costs	-	-	134,800	54,500
Capital outlay:	3,253,720	775,494	1,883,518	825,405
Total Expenditures	17,677,046	15,096,994	15,761,240	13,103,873
Excess of Revenues Over (Under)				
Expenditures	(3,264,183)	(1,983,081)	(2,806,578)	(742,624)
Other financing sources (uses)				
Transfers in	1,822,939	1,633,050	1,126,893	1,595,738
Transfers out	(747,349)	(565,430)	(578,678)	(747,342)
Debt issuance	-	-	6,990,000	4,875,000
Premium on debt issuance	-	-	254,070	-
Lease issuance	-	-	-	-
Payments to escrow agent	-	-	(4,132,346)	-
Total Other Financing Sources (Uses)	1,075,590	1,067,620	3,659,939	5,723,396
Net change in fund balances	\$ (2,188,593)	\$ (915,461)	\$ 853,361	\$ 4,980,772
Debt service as percentage of noncapital expenditures	14.6%	14.7%	14.5%	15.0%

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$	9,168,082	\$ 9,074,489	\$ 8,843,496	\$ 9,442,425	\$ 9,414,268	\$ 7,881,607
	92,220	113,208	105,591	129,750	160,260	190,797
	1,794,596	1,662,049	1,464,667	2,604,165	2,125,876	2,064,751
	382,919	287,821	308,439	305,708	331,605	281,661
	-	-	-	-	-	2,049
	1,046,781	991,107	1,027,208	476,057	1,335,302	615,261
	38,452	114,902	140,589	301,223	446,973	664,090
	1,294,289	351,900	875,655	201,213	248,316	241,292
	-	-	-	-	-	293,700
	<u>13,817,339</u>	<u>12,595,476</u>	<u>12,765,645</u>	<u>13,460,541</u>	<u>14,062,600</u>	<u>12,235,208</u>
	2,527,926	2,846,860	2,628,035	3,281,548	2,772,560	2,370,078
	343,860	-	-	-	-	85,437
	-	-	-	-	-	-
	4,214,072	4,330,047	4,214,449	4,199,718	3,790,923	3,640,964
	3,823,790	3,681,843	3,380,810	3,528,574	3,238,648	2,738,220
	938,129	891,896	795,792	671,849	737,611	625,775
	808,698	733,766	982,337	700,119	633,982	670,835
	-	-	-	-	-	-
	2,086,699	1,857,267	8,215,648	2,469,171	4,213,471	4,840,710
	<u>14,743,174</u>	<u>14,341,679</u>	<u>20,217,071</u>	<u>14,850,979</u>	<u>15,387,195</u>	<u>14,972,019</u>
	<u>(925,835)</u>	<u>(1,746,203)</u>	<u>(7,451,426)</u>	<u>(1,390,438)</u>	<u>(1,324,595)</u>	<u>(2,736,811)</u>
	1,648,065	1,005,766	1,287,399	1,280,839	351,636	600,000
	(853,657)	(182,037)	(169,422)	(1,300,839)	(381,636)	(673,170)
	1,030,000	2,655,000	7,675,000	3,000,000	200,000	-
	-	-	33,886	-	-	-
	-	-	-	381,545	-	-
	(964,535)	-	(4,662,789)	-	-	-
	<u>859,873</u>	<u>3,478,729</u>	<u>4,164,074</u>	<u>3,361,545</u>	<u>170,000</u>	<u>(73,170)</u>
\$	<u>(65,962)</u>	<u>\$ 1,732,526</u>	<u>\$ (3,287,352)</u>	<u>\$ 1,971,107</u>	<u>\$ (1,154,595)</u>	<u>\$ (2,809,981)</u>
	13.8%	13.0%	14.8%	11.1%	12.3%	12.8%

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	
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
2014	482,453	238,861	43,761	133,642	-	31,398
2015	526,702	248,870	44,524	148,777	-	30,906

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
663,117	0.78650	663,117	100.0%
699,853	0.79500	699,853	100.0%
762,249	0.79000	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%
867,319	0.81390	867,319	100.0%
937,967	0.81389	937,967	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
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
2014	0.59069	0.22321	0.81390	0.27903	0.16750	0.04000	0.48653
2015	0.59344	0.22045	0.81389	0.27403	0.16750	0.04000	0.48153

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
1.37000	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
1.17000	0.28000	1.45000	2.75043
1.17000	0.28000	1.45000	2.74542

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

Taxpayer	2015			2006		
	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation
Electric Reliability Council of Texas	\$ 31,138,531	1	3.32%	\$ -	-	-
ERCOT	19,914,445	2	2.12%	-	-	-
CCA Properties of Texas	13,010,000	3	1.39%	-	-	-
HEB Grocery Company	11,118,976	4	1.19%	-	-	-
Oncor Electric Delivery Company	10,466,755	5	1.12%	-	-	-
Wal-Mart Real Estate Business	9,787,725	6	1.04%	-	-	-
Durcon Laboratory Tops Inc	7,914,779	7	0.84%	-	-	-
Union Pacific RR Co	7,790,525	8	0.83%	-	-	-
Clark Travel Charter Bus Service	6,063,818	9	0.65%	-	-	-
Taylor CPB Property LLC	5,602,782	10	0.60%	-	-	-
ERCOT	-	-	-	8,452,720	1	1.27%
Wal-Mart Stores East Inc	-	-	-	6,843,599	2	1.03%
Helena Chemical Company	-	-	-	1,239,972	3	0.19%
Wright Distributing Co Inc	-	-	-	1,012,592	4	0.15%
Walgreens	-	-	-	905,872	5	0.14%
Enterprise Rent A Car Co	-	-	-	823,337	6	0.12%
Tractor Supply Co	-	-	-	798,123	7	0.12%
CVS Pharmacy	-	-	-	762,051	8	0.11%
Bealls Dept Store	-	-	-	620,683	9	0.09%
Floydco Inc	-	-	-	611,482	10	0.09%
Total	\$ 122,808,336			\$ 22,070,431		

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
2006	4,709,141	4,626,689	98.2%	79,264	4,704,739	99.9%
2007	5,106,729	5,006,268	98.0%	96,930	5,098,897	99.8%
2008	5,524,316	5,416,832	98.1%	104,154	5,520,986	99.9%
2009	5,820,781	5,658,597	97.2%	157,363	5,815,960	99.9%
2010	5,802,025	5,694,713	98.2%	98,195	5,792,908	99.8%
2011	6,050,622	5,976,895	98.8%	63,625	6,040,520	99.8%
2012	6,195,426	6,119,868	98.8%	61,146	6,181,014	99.8%
2013	6,255,176	6,197,753	99.1%	55,542	6,253,295	100.0%
2014	6,352,505	6,292,672	99.1%	37,016	6,329,688	99.6%
2015	6,797,312	6,723,090	98.9%	-	6,723,090	98.9%

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	Note Payable
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	-
2014	7,640,000	16,160,868	68,244	582,143	-
2015	6,840,000	15,775,000	43,221	382,496	285,899

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

Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
Combination Tax & Revenue Bonds	General Obligation Bonds			
10,081,425	396,390	24,832,878	7.82%	1,539
13,679,088	377,775	27,817,295	7.92%	1,617
20,259,397	358,065	37,022,233	8.54%	2,096
22,711,045	4,432,260	45,457,436	12.23%	2,456
28,382,962	4,196,455	52,616,737	13.05%	2,713
25,441,524	5,982,995	50,948,469	16.67%	3,354
23,228,602	5,170,000	51,791,425	15.89%	3,225
21,420,022	5,790,000	52,568,545	15.84%	3,264
21,044,132	4,935,000	50,430,387	12.89%	2,796
20,650,000	4,055,000	48,031,616	14.78%	3,080

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
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
2014	12,575,000	225,505	12,349,495	1.42%	685
2015	10,895,000	185,697	10,709,303	1.14%	687

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, 2015 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Williamson County	\$ 966,599,942	2.19%	\$ 21,168,539
Taylor ISD	54,374,943	96.66%	52,558,820
Subtotal, overlapping debt			<u>73,727,359</u>
City of Taylor	23,326,616	100%	<u>23,326,616</u>
Total direct and overlapping debt			<u><u>\$ 97,053,975</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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Debt limit	242,218	224,679	212,769	211,823
Total net debt applicable to limit	<u>37,137</u>	<u>37,205</u>	<u>37,875</u>	<u>37,719</u>
Legal debt margin	<u>\$ 205,082</u>	<u>\$ 187,474</u>	<u>\$ 174,894</u>	<u>\$ 169,148</u>

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 937,967
Add back: exempt real property	30,906
Total assessed value	<u>968,873</u>
Debt limit (10% of total assessed value)	242,218
Debt applicable to limit:	
Total Debt	48,032
Less: Amount set aside for repayment of general obligation debt	<u>(10,895)</u>
Total net debt applicable to limit	<u>37,137</u>
Legal debt margin	<u>\$ 205,082</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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$204,358	\$ 205,222	\$ 202,532	\$ 196,763	\$ 189,509	\$ 174,875
35,210	38,281	30,045	24,381	15,197	11,528
<u>\$ 166,941</u>	<u>\$ 172,487</u>	<u>\$ 172,382</u>	<u>\$ 174,312</u>	<u>\$ 163,347</u>	<u>\$ 117,503</u>

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

Fiscal Year	Water Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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%
2014	6,875,146	3,618,109	3,257,037	-	-	100.0%
2015	6,300,263	3,824,509	2,475,754	-	-	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
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	403,070	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%
2014	18,037	391,241	21,691	4,178	4.2%
2015	15,595	324,891	20,833	4,333	3.4%

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	2015		2006	
	No. Employees ¹	Rank	No. Employees ¹	Rank
ERCOT	631	1	579	1
Taylor ISD	520	2	543	2
Durcon Laboratory Tops	440	3	200	4
Scott & White	180	4	-	-
Corrections Corporation of Amer	169	5	-	-
HEB Grocery Co	167	6	-	-
City of Taylor	148	7	144	6
Wal-Mart	125	8	240	3
Floyd's Glass	120	9	120	9
Burrow Cabinets	100	10	142	7
Johns Community Hospital	-	-	187	5
Accurate	-	-	140	8
E R Carpenter	-	-	85	10
Total	2,600		2,380	

¹ Source: Taylor Chamber of Commerce.

² Total City employment is estimated.

City of Taylor, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years (Unaudited)

Function / Program	2015	2014	2013	2012	2011
General Government					
Management services	4	4	4	4	4
Human resources	2	2	2	2	2
Finance	4	4	4	4	4
Municipal court	4	5	5	5	5
C D - planning	5	6	6	5	5
Main street	1	1	1	1	1
C D - recreation	-	-	-	-	-
Building	3	3	3	3	3
General services	1	1	1	1	1
Information technology	1	1	1	1	1
Other	1	1	1	1	1
Police					
Officers	27	27	27	25	25
Civilians	9	8	8	8	8
Animal control	1	2	2	2	2
Fire					
Firefighters and officers	23	23	23	23	23
Civilians	1	1	1	1	1
Other Public Works					
Engineering/inspection	1	2	2	2	2
Street maintenance	14	14	13	13	13
Grounds	-	-	-	-	-
Other	-	-	1	1	2
Parks and recreation	6	6	6	6	6
Library	7	7	7	7	7
Water	14	14	14	14	14
Wastewater	3	2	2	2	2
Utilities admin.	6	6	6	6	6
Airport	2	2	2	2	3
Cemetery	2	2	2	1	2
Fleet services	2	2	2	2	2
Total all governmental funds	<u>144</u>	<u>146</u>	<u>146</u>	<u>142</u>	<u>145</u>

2010	2009	2008	2007	2006
3	2	3	3	4
3	3	3	3	1
4	4	4	4	6
4	4	4	4	4
5	6	6	6	6
2	2	1	2	1
1	1	1	1	1
1	1	1	1	1
1	1	1	-	-
1	1	1	-	-
-	-	-	-	-
27	27	26	26	27
11	10	11	11	10
1	1	2	1	1
24	25	23	25	24
1	1	1	1	1
2	3	2	2	2
6	9	9	7	9
7	9	7	10	10
2	2	2	2	1
6	6			
7	7	7	7	7
13	15	12	14	12
2	1	3	2	3
6	6	7	7	6
3	3	3	3	3
1	2	2	2	2
2	2	2	3	2
<u>146</u>	<u>153</u>	<u>144</u>	<u>147</u>	<u>144</u>

City of Taylor, Texas

OPERATING INDICATORS BY FUNCTIONS/PROGRAM

Last Ten Fiscal Years (Unaudited)

Function/Program	2015	2014	2013	2012
General government				
Building permits issued	63	129	101	82
Building inspections conducted	outsourced	outsourced	outsourced	1,637
Public Safety				
Police:				
Physical arrests	722	717	669	653
Parking violations	33	54	67	86
Traffic violations	1,543	1,604	3,615	2,660
Fire:				
Emergency responses	2,036	1,915	1,069	1,813
Fires extinguished	64	61	56	45
Inspections	359	316	137	194
Highways and streets				
Street resurfacing (miles)	17	10	-	-
Potholes repaired	777	655	461	771
Recreation				
Athletic field permits issued	33	30	37	37
Library				
Volumes in collection	50,223	47,952	44,850	45,413
Total volumes borrowed	75,581	78,186	79,187	87,895
Water				
New connections	50	44	96	720
Water main breaks	235	352	437	445
Average daily consumption (millions of gallons)	3	2	2	2
Peak daily consumption (millions of gallons)	2	3	3	4
Wastewater				
Average daily treatment (millions of gallons)	2	1	2	1
Airport				
LL fuel (thousand gallon)	48	46	45	35
Jet A fuel (thousand gallon)	29	23	32	23
Landings / Take off (thousand)	9	14	14	11
Cemetery				
Lots sold	66.5	80	84	75
Municipal Court				
Cases processed	2,113	2,562	4,158	4,852
General Services				
Facilities				
Work orders	553	538	453	450
Fleet				
Work orders	903	816	1071	1,270
Information Technology				
Personal computers / laptops	152	135	135	132
Service requests	407	549	555	562

2011	2010	2009	2008	2007	2006
33	35	481	530	368	459
1,291	540	410	503	692	2,144
653	699	730	707	955	990
76	87	63	72	102	150
3,388	2,457	3,489	2,063	3,798	4,792
2,225	1,788	2,302	1,704	1,550	1,600
110	112	121	149	117	131
315	503	427	394	294	570
-	-	-	-	6	-
171	741	1,430	851	1,655	1,553
36	24	-	-	-	-
46,099	42,733	40,330	37,809	43,636	35,930
91,408	88,622	81,893	81,274	69,419	56,107
1,246	1,240	872	873	928	495
584	350	515	511	388	567
3	2	2	2	2	2
4	3	3	4	3	3
2	2	2	1	2	2
47	56	67	76	-	-
26	23	26	36	-	-
12	12	11	13	-	-
63	63	40	70	-	-
6,863	7,278	6,419	5,684	-	-
423	417	-	-	-	-
1,243	877	-	-	-	-
120	114	-	-	-	-
413	300	-	-	-	-

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

Function	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Police				
Number of stations	1	1	1	1
Zone Officers	27	27	27	25
Number of patrol units	15	15	15	15
Fire				
Number of stations	2	2	2	2
Streets and Grounds				
Streets (miles)	106	106	106	93
Streetlights	1,113	1,102	1,102	1,102
Traffic signals	12	12	12	13
Recreation				
Acreage	462	462	462	387
Playgrounds	7	7	7	7
Baseball/softball diamonds	20	20	20	20
Swimming pools	2	2	2	2
Tennis courts	8	8	8	8
Water				
Water mains	121	121	120	119
Fire hydrants	604	604	598	598
Storage capacity	5	5	5	5
Wastewater				
Treatment capacity	4	4,000	4,000	4,000
Sanitary sewer (miles)	90	90	89	89
Storm sewers (miles)	5	5	4	4
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	135
General Services				
Facilities	19	19	19	16
Fleet vehicles	164	164	162	157
Network servers	7	7	4	4

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1	1	1	1	1	1
25	27	21	27	27	27
12	12	12	12	12	12
2	2	2	2	2	2
93	92	87	87	87	85
1,097	1,097	1,097	1,097	1,072	1,069
11	13	11	11	10	9
387	387	387	387	387	312
6	6	6	4		
20	20	20	10		
2	2	2	2	2	2
10	10	10	10	10	10
115	109	109	99	99	99
596	583	450	582	580	580
5	5		5	5	5
4,000	4,000	4,000	4,000	4,000	4,000
86	86	86	84	84	84
3	3	3	3	3	3
4,000	4,000	4,000	4,000	-	-
52	52	52	52	-	-
27	27	27	27	-	-
135	114	114	114	-	-
14	14	-	-	-	-
154	150	-	-	-	-
3	3	-	-	-	-

*Taylor
Texas*

CITY OF TAYLOR TX

SINGLE AUDIT REPORTS

City of Taylor, Texas

**Fiscal Year Ended
September 30, 2015**

City of Taylor, Texas

SINGLE AUDIT REPORTS

Year Ended September 30, 2015

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Taylor, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Taylor, Texas's basic financial statements, and have issued our report thereon dated January 04, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Taylor, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Taylor, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Taylor, Texas's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant

deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Brooks Cardiel, PLLC". The signature is written in a cursive, flowing style.

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
January 04, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Taylor, Texas's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Taylor, Texas's major federal programs for the year ended September 30, 2015. The City of Taylor, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Taylor, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Taylor, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Taylor, Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Taylor, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of City of Taylor, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Taylor, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Taylor, Texas's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Taylor, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Taylor, Texas's basic financial statements. We issued our report thereon dated January 04, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by [OMB Circular A-133](#) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of, management, governing body, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
January 04, 2016

City of Taylor, Texas
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2015

I. SUMMARY OF PRIOR YEAR AUDIT FINDINGS:

None.

City of Taylor, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2015

I. SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued:

The auditor's report on the basic financial statements of the City expresses an unqualified opinion.

Internal control over financial reporting:

Are any material weaknesses identified?	___ Yes	_X_ No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	_X_ None Reported
Is any noncompliance material to financial statements noted?	___ Yes	_X_ No

Federal Awards

The auditor's report on compliance for major federal programs expresses an unqualified opinion.

Internal control over major program compliance:

Are any material weaknesses identified?	___ Yes	_X_ No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	_X_ None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, <i>Audits of State, Local Governments, and Non-Profit Organizations</i> , Section .510(a)?	___ Yes	_X_ No

City of Taylor, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2015

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant

Enter the dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

II. FINANCIAL STATEMENT FINDINGS:

None.

III. FEDERAL AWARDS FINDINGS:

None.

City of Taylor, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2015

<u>Federal Grantor/Pass-through Agency/Program Name</u>	<u>Program/Grant/ Project Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-through Texas Department of Housing and Community Affairs:			
<i>HOME Program</i>	M-13-SG-48-0100	14.239	180,808
Pass-through Williamson County, Texas:			
<i>Community Development Block Grant</i>	2012	14.218	300,000
<i>Community Development Block Grant</i>	2013	14.218	200,000
Total Department of Housing and Urban Development			<u>680,808</u>
TOTAL PROGRAMS			<u><u>\$ 680,808</u></u>

City of Taylor, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2015

Note 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Taylor, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.