

CITY OF TAYLOR, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

***FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011***

CITY OF TAYLOR, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
September 30, 2011

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON
AND SUPPLEMENTARY INFORMATION

Prepared by:
Finance Department

Rosemarie Dennis
Director of Finance



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INTRODUCTORY SECTION

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January 20, 2012

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, 2011, including the independent auditor's report, is hereby submitted in accordance with the provisions of Section 10.3 of the City Charter. Also, state law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with the generally accepted accounting principles (GAAP) and audited in accordance with generally accepted audited standards by an independent firm of licensed public accountants. This report is published to provide the Mayor and City Council, City staff, our Citizens, representatives of financial institutions, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City.

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

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

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

The City of Taylor's financial statements have been audited by Brockway, Gersbach, Franklin & Niemeier, P.C., a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Taylor for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting that amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Taylor's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Profile of the City

The City of Taylor, incorporated in 1876, is located in eastern Williamson County in the central region of the State of Texas. It is located approximately 29 miles northeast of Austin and 7 miles east of State Highway 130 and 17 miles east of Interstate Highway 35. State Highway 95 and U.S. Highway 79 intersect in downtown Taylor. The City currently occupies a land area of 19.13 square miles and service approximately 15,191 residents. The City of Taylor is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

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

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

The annual budget serves as the foundation for the City of Taylor's financial planning and control. All units and departments of the City of Taylor are required to submit requests for appropriations to the City Manager on or before the first week of June each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents a proposed budget to Council for review prior to the first week in August. The Council is required to hold public hearings on the proposed budget and to adopt the final budget no later than September 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 on page 31, as part of the basic financial statements for the general fund.

Factors Affecting Financial Condition

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

Local Economy

City of Taylor's economic outlook has been in a slight decline due to the weakening economy. This is evidenced by local economic indicators such as a decreased in sales tax revenue. For many years, the City's economy has been largely based in agriculture and manufacturing. These industries are still with the City today however, the Taylor Economic Development Corporation actively recruit companies that add to the diversity of the City's local industry while providing the residents with good employment. A major industry that is located within the City of Taylor is the Electric Reliability Council of Texas (ERCOT), who manages the flow of electric power to approximately 23 million Texas-representing 85 percent of the state's electric load. ERCOT employs 635 employees and is the City's largest employer. The Taylor Independent School District (TISD) is the second largest employer in the City with 548 employees. TISD has an enrollment of 3,086 students. A new high school was built with a cost of \$ 38.5 million dollars which is approximately a 205,000 square foot facility on 65 acres, which opened in the fall of 2011. The new Taylor High School will increase its capacity to 1,200 students in preparation for the anticipated area's population growth.

Because of the City's location in a region with a varied economic base, unemployment has decreased from 7.7 percent to 7.1 percent. During the past ten years, the unemployment rate rose from an initial low of 4.7 percent in 2001 to a decade high of 7.7 percent in 2010. Unemployment is expected to level off in 2012 as the economy improves.

The City issued debt in the amount of \$ 8,780,000 in 2010 to fund several capital improvement projects that are anticipated to be completed in 2012.

Residential building permits are down from the prior year as well as commercial building permits. Although permits are down in the both categories, the City continues to see some new development.

Long -Term Financial Planning

The City implemented a Municipal Drainage Utility System in 2011 that will generate revenues that will be utilized to maintain and improve the City's storm water drainage system. Debt will be issued to finance drainage related projects in the upcoming year.

Major Initiatives

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Taylor operates. The major initiatives listed below are also included in the City's strategic master plan.

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

Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Taylor for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2010. This was the third consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

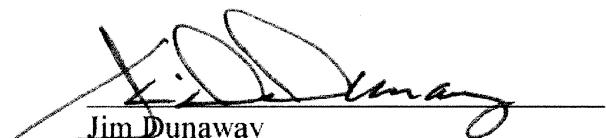
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the requirements of the Certificate of Achievement Program to submit to GFOA to determine its eligibility for another certificate.

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

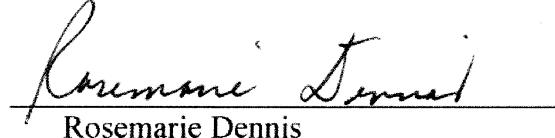
The presentation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and all department head directors. We would like to express our appreciation to all members of the department who assisted and contributed to the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

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

Respectfully submitted,



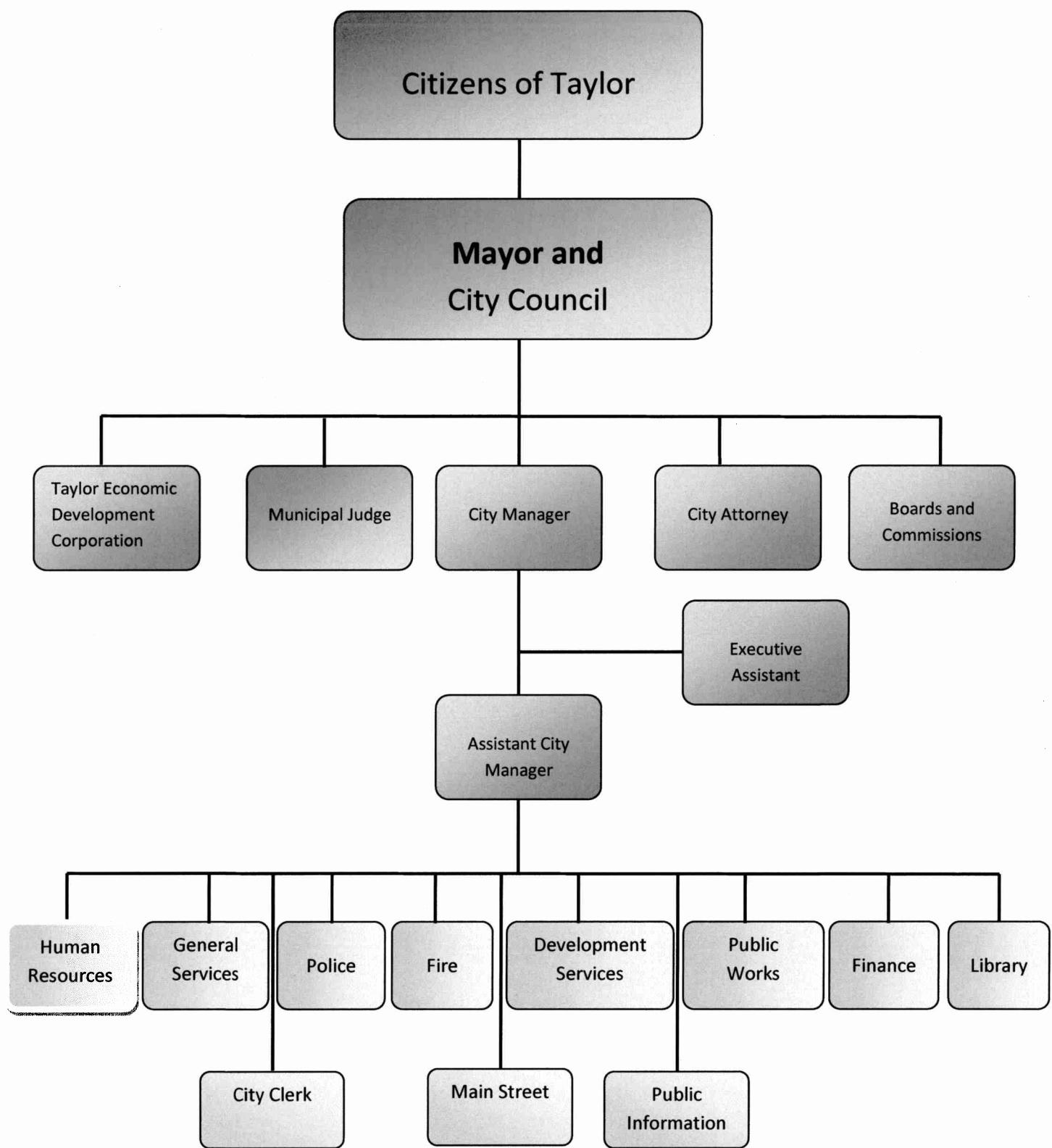
Jim Dunaway
City Manager



Rosemarie Dennis
Finance Director

City of Taylor

Organizational Chart



City of Taylor
List of Elected and Appointed Officials
September 30, 2011

Elected Officials

Donald Hill	Mayor
Christopher Gonzales	Mayor Pro Tem
John McDonald	Council Member
Chris Osborn	Council Member
Jesse Ancira	Council Member

Appointed Officials

Jim D. Dunaway	City Manager
Ted Hejl	City Attorney
Randall Pick	Judge Municipal Court of Record

Other City Officials

Jeff Straub	Asst. City Manager
Daniel Ramsey	Interim Police Chief
Susan Brock	City Clerk
Rosemarie Dennis	Director of Finance
Starla Hall	Director of Human Resource/Civil Service
Pat Ekiss	Fire Chief
Karen Ellis	Library Director
Bob van Til	Director of Planning and Development
Danny Thomas	Director of Public Works
Lisa Thompson	Director of General Services
Jean Johnson	Public Information Officer
Deborah Lannen	Main Street Manager

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, 2010

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



Linda C. Dandison

President

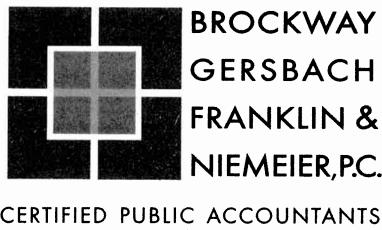
Jeffrey P. Emer

Executive Director

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FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
City Council
City of Taylor, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Taylor, Texas as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Taylor's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Taylor, Texas as of September 30, 2011, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2012, on our consideration of the City of Taylor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors' Report
(continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedules of Funding Progress on pages 5 through 18 and page 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Brockway, Durbach, Franklin & Nierin, P.C.

January 20, 2012

CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Taylor, Texas, we offer readers of the City of Taylor's financial statements this narrative overview and analysis of the financial activities of the City of Taylor for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Taylor exceeded its liabilities at the close of the most recent fiscal year by \$ 63,294,844 (net assets). Of this amount, \$ 4,286,578 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$ 2,389,428. The majority of the increase in net assets can be attributed to increases in charges for services, property tax receipts, and other miscellaneous revenues.
- As of the current fiscal year, the City's general fund reported a current year ending fund balance of \$ 3,576,862, an increase of \$ 9,738 in comparison with prior year.
- As of the close of the fiscal year being reported, the City of Taylor's total governmental funds reported combined ending fund balances of \$ 7,354,449, a decrease of \$ 65,962. Of the governmental funds reported combined fund balances, \$ 2,943,662 is unassigned fund balance and is available for spending within the City's guidelines.
- During the current fiscal year, the construction of the Taylor Regional Park and Sports Complex was completed.
- The City's total long-term debt decreased by \$ 1,807,602 or 3 percent during the current fiscal year. The City issued \$ 3,945,000 in General Obligation Refunding Bonds to refund and legally defease bonds issued in prior years. As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$ 231,116.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Basic Financial Statements

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

CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

Notes to the financial statements

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

CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Supplementary Information

In addition to the basic financial statement and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post employment benefits to its employees. This information can be found on page 79 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 82-85 and pages 97-99 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City of Taylor's, assets exceeded liabilities \$ 63,294,844 for the year ended September 30, 2011.

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

The following table reflects the Condensed Statement of Net Assets as of September 30, 2011 and 2010.

City of Taylor Net Assets (Amounts expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 8,265	\$ 8,827	\$ 7,448	\$ 9,505	\$ 15,713	\$ 18,332
Capital assets	<u>62,057</u>	<u>61,796</u>	<u>38,665</u>	<u>36,835</u>	<u>100,722</u>	<u>98,631</u>
Total Assets	<u>70,322</u>	<u>70,623</u>	<u>46,113</u>	<u>46,340</u>	<u>116,435</u>	<u>116,963</u>
Other liabilities	1,987	1,983	2,066	2,626	4,053	4,609
Long-term liabilities	<u>18,907</u>	<u>19,937</u>	<u>30,181</u>	<u>31,512</u>	<u>49,088</u>	<u>51,449</u>
Total Liabilities	<u>20,894</u>	<u>21,920</u>	<u>32,247</u>	<u>34,138</u>	<u>53,141</u>	<u>56,058</u>
Net Assets:						
Invested in capital assets,						
net of related debt	42,533	41,533	12,333	12,419	54,866	53,952
Restricted	4,142	3,253	-	-	4,142	3,253
Unrestricted	<u>2,753</u>	<u>3,917</u>	<u>1,533</u>	<u>(217)</u>	<u>4,286</u>	<u>3,700</u>
Total Net Assets	<u><u>\$ 49,428</u></u>	<u><u>\$ 48,703</u></u>	<u><u>\$ 13,866</u></u>	<u><u>\$ 12,202</u></u>	<u><u>\$ 63,294</u></u>	<u><u>\$ 60,905</u></u>

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's combined net assets were \$ 63,294,844 as September 30, 2011. Of the \$ 63,294,844, \$ 49,428,669 was reported in the governmental activities and \$ 13,866,175 was reported in the business-type activities. The City's total net assets increased when compared to the prior year with an increase of \$ 2,389,428.

Net assets consist of three components, investment in capital assets net of related debt, restricted net assets and unrestricted net assets. The first and largest portion of the net assets (\$ 54,865,864 or 87 percent) reflects the City's investment in capital assets (e.g., land, buildings, machinery, infrastructure, equipment and systems); less any related debt used to acquire or construct those assets that is still outstanding. Compared to last year, the City's investment in capital assets net of related debt increased \$ 913,013. The City uses the capital assets to provide services to its citizen; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second portion consists of restricted net assets totaled \$ 4,142,402 at September 30, 2011 or 7 percent of overall total net assets. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets increased \$ 889,277 or 28 percent compared to September 30, 2010.

The third portion consists of unrestricted net assets totaled \$ 4,286,578 or 6 percent of total net assets. Unrestricted net assets may be used to meet the City's ongoing obligation to citizens and creditors. Unrestricted net assets increased \$ 587,138 or 16 percent compared to September 30, 2010.

At the end of the fiscal year, the City reported positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities and business-type activities, with the exception of the Internal Service funds.

Changes in Net Assets

The City's total revenues for the fiscal year ended September 30, 2011 were \$ 23,458,601. Total revenues increased when compared to the prior year by \$ 2,804,057 or 13 percent. The City total cost of all programs and services decreased from the prior year of \$ 20,219,178 to \$ 21,069,173, a decrease of 5 percent. The table on the following page presents a summary of the changes in net assets for the fiscal year ended September 30, 2011 with comparative totals for year ended September 30, 2010.

CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

CITY OF TAYLOR CHANGE OF NET ASSETS (Amounts expressed in thousands)								
	Governmental Activities		Business-Type Activities		Total Primary Government			
	2011	2010	2011	2010	2011	2010		
Revenues:								
Program Revenues:								
Charges for services	\$ 2,898	\$ 2,667	\$ 8,358	\$ 6,654	\$ 11,256	\$ 9,321		
Capital grants and contributions	1,047	1,814	-	-	1,047	1,814		
General revenues:								
Property taxes	6,078	5,812	-	-	6,078	5,812		
Other taxes	3,036	3,084	-	-	3,036	3,084		
Investment earnings	38	115	10	16	48	131		
Other	1,373	436	620	56	1,993	492		
Total Revenues	14,470	13,928	8,988	6,726	23,458	20,654		
Expenses:								
General government	4,107	4,274	-	-	4,107	4,274		
Public safety	4,938	4,987	-	-	4,938	4,987		
Public works	4,334	4,160	-	-	4,334	4,160		
Community services	344	-	-	-	344	-		
Interest on long-term debt	827	761	-	-	827	761		
Public utility	-	-	6,005	5,607	6,005	5,607		
Airport	-	-	426	430	426	430		
Cemetery	-	-	88	-	88	-		
Total Expenses	14,550	14,182	6,519	6,037	21,069	20,219		
Increase (decrease) in net assets before transfers								
	(80)	(254)	2,469	689	2,389	435		
Transfers	805	830	(805)	(830)	-	-		
Increase (decrease) in net assets	725	576	1,664	(141)	2,389	435		
Net assets - October 1	48,703	48,127	12,202	12,343	60,905	60,470		
Net assets - September 30	\$ 49,428	\$ 48,703	\$ 13,866	\$ 12,202	\$ 63,294	\$ 60,905		

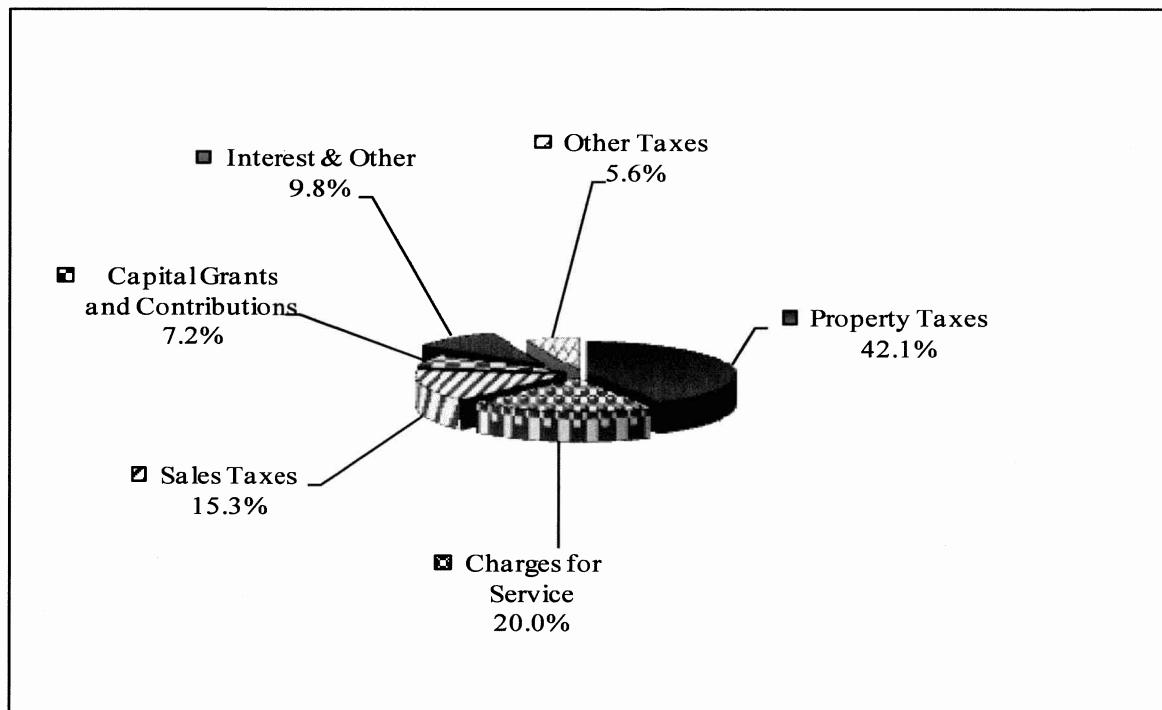
CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Governmental activities revenues such as ad valorem, sales and franchise taxes are not shown by program, but are effectively used to support program activities citywide. Ad valorem taxes reflected an increase of \$ 266,476 or 5 percent when compared to the prior year. The Ad valorem tax rate for fiscal year 2011 was \$.81389 per \$ 100 of assessed valuation. Of this, \$ 0.58982 was for Operation and Maintenance (O&M) and \$0.22407 was for Interest and Sinking (I&S) for debt service. Charges for services increased \$ 231,350 or 9 percent, compared to last year. Other taxes such as sales tax, franchise tax, and hotel occupancy tax decreased by \$ 49,518 or 1 percent, compared to last year. Also, investment earnings decreased from \$ 131,186 to \$ 48,537, which is a decrease of \$ 82,649 or 63 percent. During 2011, miscellaneous revenue increased from \$ 435,759 to \$ 1,373,359, an increase of \$ 937,600 or 215 percent. The increase in miscellaneous revenue is due to a bequest that was given to the City of Taylor for the Moody Museum and the City's Public Library and developer's contributions for the construction sidewalks and infrastructure for various street projects.

Revenue by Source-Governmental Activities

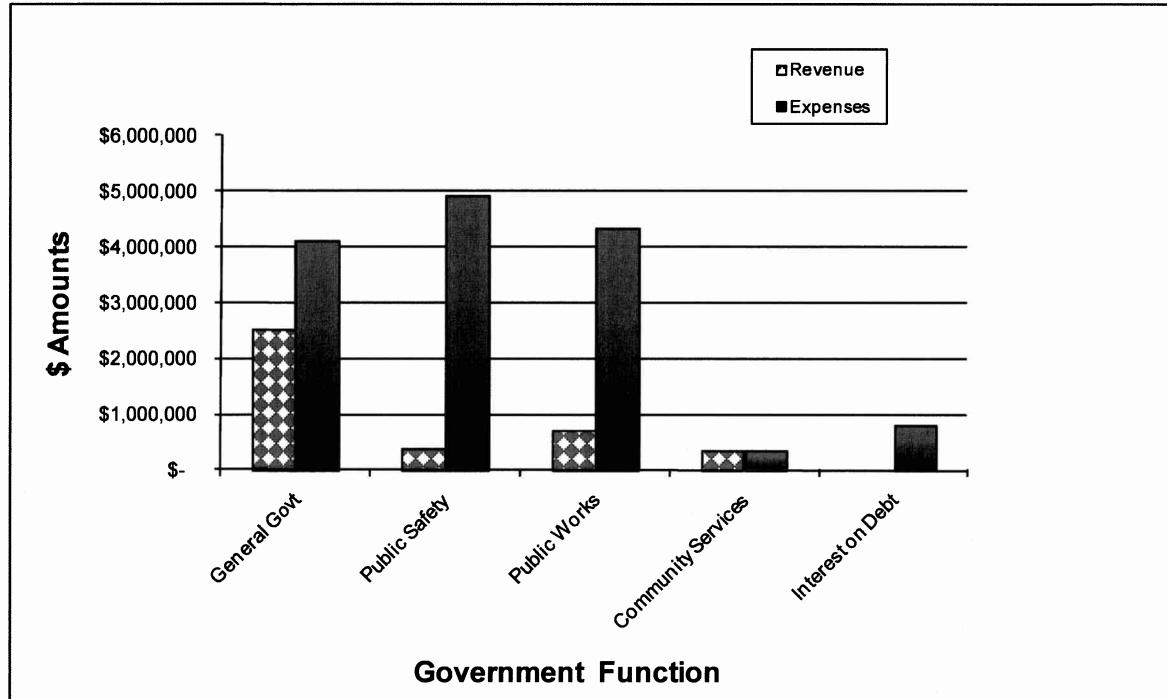


CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following chart illustrates the City's governmental expenses by function. As shown, public safety is the largest function in expenses at \$ 4,937,819, followed by public works recorded at \$ 4,334,567, general government at \$ 4,106,565, and community services at \$ 343,860. For fiscal year 2011, interest on long-term debt was \$ 826,560, an increase of \$ 65,882 from fiscal year 2010.

Expenses and Program Revenues-Governmental Activities



CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

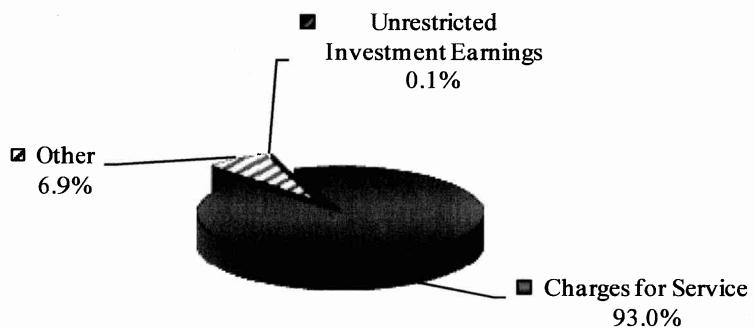
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business Activities

Business-type activities increased the City's net assets by \$ 1,663,409. Charges for services provided the largest share of revenues 93 percent, with investment earnings and other miscellaneous revenue making up less than 7 percent for all business-type activities.

Water and sewer fees are the major revenue source for the business-type activities of the City, which recorded \$ 7,568,944 in revenue. Compared to the prior year, public utilities revenues increased \$ 1,341,843 or 22 percent. The Airport fund increased \$ 242,187 or 56 percent which is due to a grant received from the Texas Department of Transportation – Aviation Division. During fiscal year 2011, the Cemetery Operating fund reported revenues in the amount of \$ 119,721 due to services related to the operation of the City's cemetery.

Revenues by Source-Business-type Activities

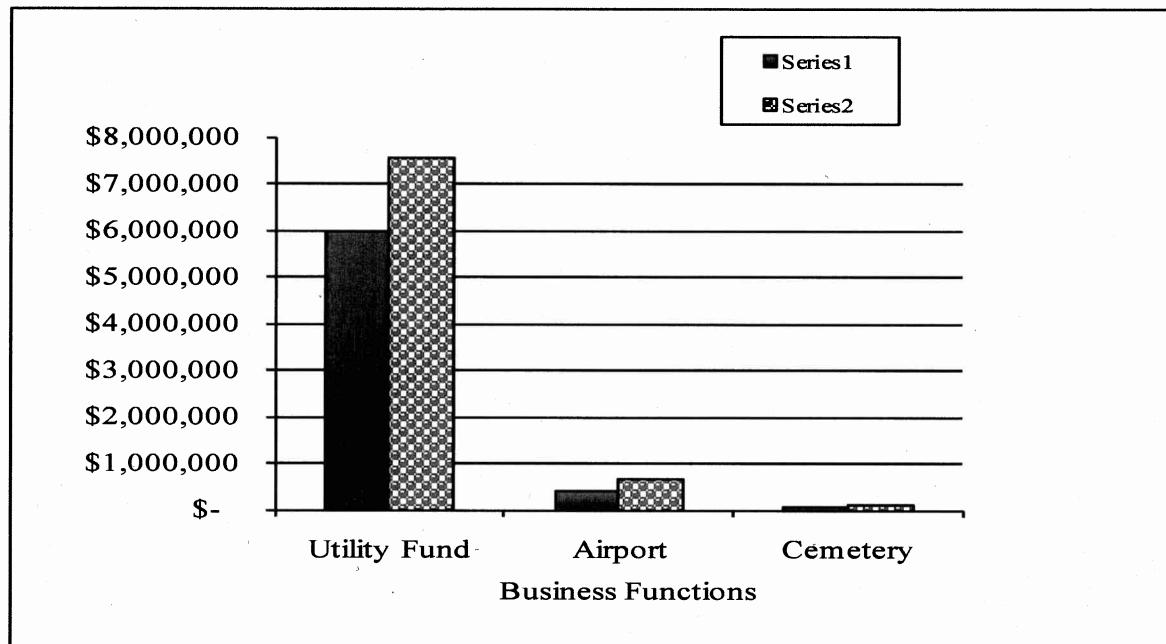


CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Total expenses for business-type activities were \$ 6,519,802, an increase of \$ 482,247 or 8 percent compared to the prior year. Public Utilities, the largest proprietary fund recorded \$ 6,005,089 in expenses, an increase of \$ 398,007 or 7 percent increase compared to the prior year. The Airport fund expenses decreased from \$ 430,473 in 2010 to \$ 426,345 in 2011, a decrease of \$ 4,128 or less than 1 percent and the Cemetery Operating fund reported expenses in the amount of \$ 88,368 related to the operation of the City's cemetery.

Expenses and Program Revenues-Business-type Activities



CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$ 7,354,449 which is a decrease of \$ 65,962 from the prior year. A total of \$ 735,606 of fund balance is considered unspendable due to the principal of the fund must be kept intact and legally restricted to be expended. Of the total ending balance fund, \$ 3,502,027, 48 percent, is restricted due to external limitations on its use, such as debt covenants, legal restrictions, or intention of grantors, donors, or trustees. A total of \$ 173,154, less than 1 percent, has been committed by City Council for drainage and other projects. Approximately 40 percent, \$ 2,943,662 of this amount constitutes unassigned fund balance, which is available for spending at the City's discretion.

The general fund is the chief operating fund of the City. During fiscal year 2011, the fund balance of the City's General Fund increased by \$ 9,738 during the current fiscal year. At September 30, 2011, unassigned fund balance of the general fund was \$ 2,943,662. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The unassigned fund balance represents 28 percent of total general fund expenditures.

The General Capital Improvement Funds is used to account for the proceeds of a debt issue, which took place in fiscal year of 2009-2010. These proceeds are being used to fund the construction improvements to Second Street, Sloan Street, and various other construction projects. The construction phase of the projects began in fiscal year of 2010-2011. Construction on Second and Sloan Street is expected to be completed in 2012. Additionally, the fund was used to account for grant funds received from Texas Department of Housing and Community Affairs for the administration of Community Service projects under the HOME Grant program.

The Debt Service Fund has a total fund balance of \$ 287,894, all of which is restricted for the debt payments.

General Fund Budgetary Highlights

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

Revenues exceeded budgeted amounts by \$ 310,252 while expenditures came in lower than budgeted by \$ 157,629 on a budget basis. Overall, revenues and other financing sources were more than expenditures in the amount of \$ 9,738.

CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

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

Unrestricted net assets of the Public Utility Fund at the end of the year were \$ 1,511,829, an increase of \$ 1,710,835. Unrestricted net assets for the Airport Fund reflected a deficit of (\$ 64,061) an increase of \$ 45,941. Unrestricted net assets for the Cemetery Operating Fund at the end of the year were \$ 59,727. The net total on the business-type activities for the proprietary funds unrestricted net assets was \$ 1,507,495. The unrestricted net asset of the internal service fund reflected a deficit balance of (\$80,298) a decrease of \$ 238,626.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2011, the City had \$ 100,722,265 invested in various capital assets, net of accumulated depreciation. Of the \$ 100,722,265 in capital assets, \$ 62,057,057 is invested in governmental activities and \$ 38,665,208 in business-type activities. Compared to last year, total capital assets increased \$ 2,091,058. Capital assets in the governmental activities increased \$ 260,852 or less than 1 percent from the prior year and increased in the business-type activities increased \$ 1,830,206 or approximately 5 percent from the prior year. The largest increase can be identified within parks and dams, with an increase of \$ 8,048,185, building and improvements, with an increase of \$ 4,117,834 and plant distribution and collection with an increase of \$ 6,816,120.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2011. Additional information on the City's capital assets may be found in Note III-C on pages 54-56 of this report.

Change in Capital Assets (net of depreciation) <small>(Amounts expressed in thousands)</small>						
	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2011	2010
Land	\$ 2,511	\$ 2,420	\$ 1,317	\$ 1,317	\$ 3,828	\$ 3,737
Buildings and improvements	7,511	7,495	5,821	1,720	13,332	9,215
Machinery and equipment	716	874	73	100	789	974
Plant Distribution/Collection	-	-	27,196	20,380	27,196	20,380
Infrastructure	49,863	41,637	1,583	1,633	51,446	43,270
Construction in progress	1,456	9,370	2,675	11,685	4,131	21,055
Total	\$ 62,057	\$ 61,796	\$ 38,665	\$ 36,835	\$ 100,722	\$ 98,631

CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At the end of the current fiscal year, the City of Taylor had a total debt outstanding of \$ 51,692,680. The City has no special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Taylor's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). At the end of the current fiscal year, the City of Taylor's total outstanding debt decreased by \$ 1,860,466 during the current fiscal year.

The following schedule shows the outstanding debt of the City (both current and long-term) for September 30, 2011. Further details can be found in Note III-F on pages 60-65 of this report.

	Outstanding Debt					
	(amounts expressed in thousands)					
	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2011	2010
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 9,192	\$ 9,879	\$ 5,983	\$ 4,196	\$ 15,175	\$ 14,075
Certificate of Obligation Bonds	9,768	9,877	25,441	25,733	35,209	35,610
Revenue Bonds	-	-	-	2,650	-	2,650
Deferred Charges	(93)	(112)	(102)	(136)	(195)	(248)
Other	1,287	1,201	19	17	1,306	1,218
Total	<u>\$ 20,154</u>	<u>\$ 20,845</u>	<u>\$ 31,341</u>	<u>\$ 32,460</u>	<u>\$ 51,495</u>	<u>\$ 53,305</u>

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

State statutes limit the amount of general obligation debt a governmental entity may issue up to 10 percent of its total assessed valuation. The current debt limitation for the City of Taylor is \$ 169,148,000, which is significantly more than the City's outstanding general obligation debt at the end of fiscal year 2011.

Additional information on the City of Taylor's long-term debt can be found on pages 60-65 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- ❖ The average rate for unemployment rate for Williamson County in 2011 was 7.1%, which is a decrease from a rate of 7.7% in 2010. However, this is lower than the state's average unemployment rate of 8.1%.
- ❖ Inflationary trends in the region compare favorably to national indices.

The development of the City's budget is guided by several factors including the City's strategic plan, prevailing economic conditions and by the continuing need to provide basic and improved customer service for a growing

CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS

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

community. The fiscal year 2011-12 budget was adopted by the City Council adheres to City financial policies and goals, but also preserves the City's financial position while providing the best level of service to its citizens. The general priorities are as follows: **1)** continue to maintain fiscal soundness; **2)** maintain current programs and services to its citizens; and **3)** limiting budget growth; **4)** recognizing available funding limitations; and **5)** assessing staff workload/personnel.

The property tax rate for FY2011-12 is \$0.813893 per \$100 valuation. Of this tax rate 74% percent or \$0.606476 is utilized for General Fund activities. The remaining 26% percent or \$0.207417 is used for debt service. The General Fund's portion of property tax revenue for fiscal year 2011-12 is estimated to be \$4,370,000. Sales tax revenue for fiscal year 2011-12 is budgeted at \$2,230,480.

The largest revenue source for the Public Utility Fund is water sales at \$5,157,738. The water rate for fiscal year 2011-12 is \$24.54 as a base rate and \$5.01 per 1,000 gallons used. This reflects a ten percent increase which took effect on October 1, 2010. The second largest revenue source is sewer charges at \$2,461,206 based on a fiscal year 2010-11 base rate of \$16.40 plus \$5.31 per \$1,000 gallons over 2,000 gallons.

Sanitation fee for residential garbage is a base charge of \$11.22 per month which is a 1.5 percent increase which was approved by City Council during the FY2010-11 budget. Additionally, the drainage fee remained at a \$1.00 per single family dwelling per month.

City of Taylor has seen little growth and has made some 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 a management team to implement it.

REQUESTS FOR INFORMATION

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

City of Taylor
Finance Director
400 Porter Street
Taylor, TX 76574
(512) 352-5997
www.taylortx.gov

BASIC FINANCIAL STATEMENTS

CITY OF TAYLOR, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government			Component Unit	
	Governmental Activities		Business-Type Activities	Total	Taylor Economic
					Development
ASSETS					
Cash and cash equivalents	\$ 79,262	\$ 1,350	\$ 80,612	\$ 969,306	
Investments	6,281,770	5,751,046	12,032,816		-
Receivables (net of allowances for uncollectibles)					
Property taxes, including interest and penalties	132,641	-	132,641		-
Accounts & other	510,148	1,387,713	1,897,861	132,835	
Sales tax	524,030	-	524,030		-
Internal balances	499,271	(499,271)	-		-
Inventories	-	251,368	251,368		-
Land held for investment	-	-	-	697,765	
Restricted investments:					
Customer deposits	-	304,910	304,910		-
Deferred charges	238,261	250,445	488,706		-
Capital assets:					
Land and construction in progress	3,966,723	3,991,937	7,958,660		-
Capital assets, net of accumulated depreciation	<u>58,090,334</u>	<u>34,673,271</u>	<u>92,763,605</u>		-
Total assets	<u>\$ 70,322,440</u>	<u>\$ 46,112,769</u>	<u>\$ 116,435,209</u>	<u>\$ 1,799,906</u>	

The accompanying notes are an integral part of this statement.

	Primary Government			Component Unit	
	Governmental Activities		Business-Type Activities		Taylor
					Economic Development
<u>LIABILITIES</u>					
Accounts payable	\$ 548,072	\$ 415,603	\$ 963,675	\$ 4,373	
Accrued payroll	95,988	115	96,103	10,050	
Customer deposits	-	304,910	304,910	-	
Accrued interest payable	95,231	184,371	279,602	-	
Noncurrent liabilities:					
Due within one year	1,247,699	1,179,511	2,427,210	11,209	
Due in more than one year	18,906,781	30,162,084	49,068,865	-	
Total liabilities	20,893,771	32,246,594	53,140,365	25,632	
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	42,533,107	12,332,757	54,865,864		-
Restricted for:					
Debt service	192,663	-	192,663	-	
Capital projects	1,789,868	-	1,789,868	-	
Special revenue purposes	772,596		772,596	-	
Cemetery	771,814	-	771,814	-	
Other	615,461		615,461	1,774,274	
Unrestricted, net assets (deficit)	2,753,160	1,533,418	4,286,578	-	
Total net assets	\$ 49,428,669	\$ 13,866,175	\$ 63,294,844	\$ 1,774,274	

CITY OF TAYLOR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 4,106,565	\$ 2,515,187	\$ -	\$ -
Public safety	4,937,819	382,919	-	-
Public works	4,334,567	-	-	707,816
Community services	343,860	-	-	338,965
Interest on long-term debt	826,560	-	-	-
Total governmental activities	<u>14,549,371</u>	<u>2,898,106</u>	<u>-</u>	<u>1,046,781</u>
Business-type activities:				
Public utilities fund	6,005,089	7,568,944	-	-
Airport fund	426,345	669,510	-	-
Cemetery operating fund	88,368	119,721	-	-
Total business-type activities	<u>6,519,802</u>	<u>8,358,175</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 21,069,173</u>	<u>\$ 11,256,281</u>	<u>\$ -</u>	<u>\$ 1,046,781</u>
Component Unit:				
Taylor Economic Development	\$ 616,031	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 616,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes
Franchise taxes
Sales tax
Hotel occupancy tax

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets-beginning

Net assets-ending

The accompanying notes are an integral part of this statement.

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Primary Government		Component Unit	
	Business-Type Activities	Total	Taylor Economic Development	
\$ (1,591,378)	\$ -	\$ (1,591,378)	\$ -	
(4,554,900)	-	(4,554,900)	-	
(3,626,751)	-	(3,626,751)	-	
(4,895)	-	(4,895)	-	
(826,560)	-	(826,560)	-	
<u>(10,604,484)</u>	<u>-</u>	<u>(10,604,484)</u>	<u>-</u>	
-	1,563,855	1,563,855	-	
-	243,165	243,165	-	
-	31,353	31,353	-	
<u>-</u>	<u>1,838,373</u>	<u>1,838,373</u>	<u>-</u>	
(10,604,484)	1,838,373	(8,766,111)	-	
-	-	-	(616,031)	
-	-	-	(616,031)	
6,078,005	-	6,078,005	-	
754,242	-	754,242	-	
2,219,629	-	2,219,629	732,325	
61,797	-	61,797	-	
38,451	10,086	48,537	6,510	
1,373,359	619,970	1,993,329	77,100	
805,020	(805,020)	-	-	
<u>11,330,503</u>	<u>(174,964)</u>	<u>11,155,539</u>	<u>815,935</u>	
726,019	1,663,409	2,389,428	199,904	
48,702,650	12,202,766	60,905,416	1,574,370	
<u>\$ 49,428,669</u>	<u>\$ 13,866,175</u>	<u>\$ 63,294,844</u>	<u>\$ 1,774,274</u>	

CITY OF TAYLOR, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2011

<u>ASSETS</u>	General Fund	General Capital Improvements
Cash and cash equivalents	\$ 79,262	\$ -
Investments	2,921,918	1,814,277
Receivables (net of allowances for uncollectibles) -		
Property taxes	99,539	-
Accounts and other	231,859	240,549
Sales tax	524,030	-
Interfund receivables	312,189	-
Total assets	<u>\$ 4,168,797</u>	<u>\$ 2,054,826</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 394,594	\$ 79,101
Accrued payroll	95,648	-
Interfund payables	2,154	185,857
Deferred revenue	99,539	-
Total liabilities	<u>591,935</u>	<u>264,958</u>
Fund balances:		
Nonspendable:		
Permanent fund	-	-
Restricted:		
Debt service	-	-
Capital projects	-	1,789,868
Other purposes	615,461	-
Committed:		
Drainage	-	-
Other purposes	17,739	-
Unassigned	2,943,662	-
Total fund balances	<u>3,576,862</u>	<u>1,789,868</u>
Total liabilities and fund balances	<u>\$ 4,168,797</u>	<u>\$ 2,054,826</u>

The accompanying notes are an integral part of this statement.

I & S For CO Bonds	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 79,262
347,289	1,198,286	6,281,770
33,102	-	132,641
-	27,851	500,259
-	-	524,030
2,154	630,629	944,972
\$ 382,545	\$ 1,856,766	\$ 8,462,934

\$ 256	\$ 58,929	\$ 532,880
-	-	95,648
61,293	98,012	347,316
33,102	-	132,641
94,651	156,941	1,108,485

-	735,606	735,606
287,894	-	287,894
-	-	1,789,868
-	808,804	1,424,265
-	155,415	155,415
-	-	17,739
-	-	2,943,662
287,894	1,699,825	7,354,449
\$ 382,545	\$ 1,856,766	\$ 8,462,934

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CITY OF TAYLOR, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Total Fund Balances - Governmental Funds	\$ 7,354,449
--	--------------

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

202,035

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. At the beginning of the year, the cost of these assets was \$73,905,437 and the accumulated depreciation was \$12,498,605. In addition, long-term liabilities including bonds, leases and loans payable are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. At the beginning of the year, long-term debt was \$20,899,101 including compensated absences of \$611,631 and other post employment benefits of \$79,729. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.

40,507,731

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to decrease net assets. These include:

Capital outlay	\$ 2,224,001	3,066,572
Principal payments on debt	1,902,664	
Bond issuance	(1,030,000)	
Net increase other post-employment benefits	(44,088)	
Net decrease in compensated absences	13,995	
	<u><u>\$ 3,066,572</u></u>	

The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

(2,070,906)

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

Accrued interest	\$ (95,230)	368,788
Uncollected taxes	132,641	
Bond issuance costs	238,261	
Deferred amount on refunding	165,397	
Premium on bond	(72,281)	
	<u><u>\$ 368,788</u></u>	
Net Assets of Governmental Activities	<u><u>\$ 49,428,669</u></u>	

The accompanying notes are an integral part of this statement.

CITY OF TAYLOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	General Capital Improvements
Revenues:		
Property taxes	\$ 4,330,208	\$ -
Sales taxes	2,219,629	-
Franchise tax	754,242	-
Hotel occupancy tax	-	-
Penalties and interest on taxes	58,703	-
Licenses, permits and fees	92,220	-
Charges for services	1,633,867	-
Fines and forfeitures	382,919	-
Intergovernmental	383,981	628,180
Other revenues	847,526	394,070
Investment earnings	21,030	2,331
Total revenues	10,724,325	1,024,581
Expenditures:		
Current:		
General government	2,444,959	-
Public safety	4,214,072	-
Public works	3,823,790	-
Community services	-	343,860
Debt service:		
Principal retirement	52,539	-
Interest and fiscal charges	9,861	-
Capital outlay	286,074	1,239,496
Total expenditures	10,831,295	1,583,356
Excess (deficiency) of revenues over expenditures		
	(106,970)	(558,775)
Other financing sources (uses):		
Transfers in	889,000	-
Transfers out	(772,292)	-
Refunding bonds issued	-	-
Payments to bond escrow agent	-	-
Total other financing sources (uses)	116,708	-
Net change in fund balances	9,738	(558,775)
Fund balances, beginning of year	3,567,124	2,348,643
Fund balances, end of year	\$ 3,576,862	\$ 1,789,868

The accompanying notes are an integral part of this statement.

I & S for CO Bonds	Other Funds	Total Governmental Funds
\$ 1,685,999	\$ 57,504	\$ 6,073,711
-	-	2,219,629
-	-	754,242
-	61,797	61,797
-	-	58,703
-	-	92,220
-	160,729	1,794,596
-	-	382,919
-	34,620	1,046,781
4,741	47,952	1,294,289
7,776	7,315	38,452
1,698,516	369,917	13,817,339
 - 82,967	 2,527,926	
- -	4,214,072	
- -	3,823,790	
- -	343,860	
 860,567	 25,023	 938,129
798,837	-	808,698
-	561,129	2,086,699
1,659,404	669,119	14,743,174
 39,112	 (299,202)	 (925,835)
 - 759,065	 1,648,065	
(49,865)	(31,500)	(853,657)
1,030,000	-	1,030,000
(964,535)	-	(964,535)
15,600	727,565	859,873
 54,712	 428,363	 (65,962)
233,182	1,271,462	7,420,411
\$ 287,894	\$ 1,699,825	\$ 7,354,449

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, 2011

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

Net Change in Fund Balances - Total Governmental Funds	\$ (65,962)
--	-------------

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

(198,280)

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to decrease net assets. These include:

Capital outlay	\$ 2,224,001
Principal payments on debt	1,902,664
Bond issuance	(1,030,000)
Net increase other post-employment benefits	(44,088)
Net increase in compensated absences	13,995
	\$ 3,066,572
	3,066,572

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

(2,070,906)

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

Change in uncollected taxes	\$ 4,294
Amortization of issuance costs	(20,210)
Amortization of refunding costs	(17,585)
Amortization of bond premium	7,086
Change in accrued interest	5,409
Bond costs	66,729
Bond premium	(51,128)
	\$ (5,405)
Change in Net Assets of Governmental Activities	\$ 726,019
	\$ 726,019

The accompanying notes are an integral part of this statement.

CITY OF TAYLOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 4,296,473	\$ 4,325,000	\$ 4,330,208	\$ 5,208
Sales taxes	2,369,000	2,230,480	2,219,629	(10,851)
Franchise tax	732,194	743,430	754,242	10,812
Penalties and interest on taxes	60,000	62,000	58,703	(3,297)
Licenses, permits and fees	143,865	98,500	92,220	(6,280)
Charges for services	1,615,538	1,710,674	1,633,867	(76,807)
Fines and forfeitures	295,700	343,604	382,919	39,315
Intergovernmental	52,975	76,065	383,981	307,916
Other revenues	147,688	788,615	847,526	58,911
Investment earnings	50,325	35,705	21,030	(14,675)
Total revenues	<u>9,763,758</u>	<u>10,414,073</u>	<u>10,724,325</u>	<u>310,252</u>
Expenditures:				
Current:				
General government	2,341,646	2,580,727	2,444,959	135,768
Public safety	4,206,479	4,191,409	4,214,072	(22,663)
Public works	3,830,679	4,154,388	3,823,790	330,598
Debt service				
Principal retirement	52,539	52,539	52,539	-
Interest and fiscal charges	9,861	9,861	9,861	-
Capital outlay	-	-	286,074	(286,074)
Total expenditures	<u>10,441,204</u>	<u>10,988,924</u>	<u>10,831,295</u>	<u>157,629</u>
Excess of revenues over expenditures	<u>(677,446)</u>	<u>(574,851)</u>	<u>(106,970)</u>	<u>467,881</u>
Other financing sources (uses):				
Transfers in	959,000	959,000	889,000	(70,000)
Transfers out	(145,000)	(150,612)	(772,292)	(621,680)
Total other financing sources (uses)	<u>814,000</u>	<u>808,388</u>	<u>116,708</u>	<u>(691,680)</u>
Net change in fund balance	<u>136,554</u>	<u>233,537</u>	<u>9,738</u>	<u>(223,799)</u>
Fund balance, beginning of year	<u>3,567,124</u>	<u>3,567,124</u>	<u>3,567,124</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,703,678</u>	<u>\$ 3,800,661</u>	<u>\$ 3,576,862</u>	<u>\$ (223,799)</u>

The accompanying notes are an integral part of this statement.

CITY OF TAYLOR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Business-Type Activities				Governmental Activities	
	Enterprise Funds					
	Public Utilities Fund	Airport Fund	Cemetery Operating Fund	Total	Internal Service Funds	
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ 1,350	\$ -	\$ -	\$ 1,350	\$ -	
Investments	5,547,101	- -	203,945	5,751,046	- -	
Restricted investments:						
Customer deposits	304,910	- -	- -	304,910	- -	
Accounts and other receivables						
(net of allowance for uncollectibles) -	1,382,430	5,283	- -	1,387,713	9,889	
Interfund receivables	547,771	57,473	64,556	669,800	9,530	
Inventories	251,368	- -	- -	251,368	- -	
Total current assets	<u>8,034,930</u>	<u>62,756</u>	<u>268,501</u>	<u>8,366,187</u>	<u>19,419</u>	
Noncurrent assets:						
Deferred charges	244,540	5,905	- -	250,445	- -	
Capital Assets:						
Land and construction in progress	2,897,397	1,094,540	- -	3,991,937	- -	
Capital assets being depreciated	32,261,234	2,412,037	- -	34,673,271	497,129	
Total noncurrent assets	<u>35,403,171</u>	<u>3,512,482</u>	<u>- -</u>	<u>38,915,653</u>	<u>497,129</u>	
Total assets	<u><u>\$ 43,438,101</u></u>	<u><u>\$ 3,575,238</u></u>	<u><u>\$ 268,501</u></u>	<u><u>\$ 47,281,840</u></u>	<u><u>\$ 516,548</u></u>	

The accompanying notes are an integral part of this statement.

	Business-Type Activities				Governmental Activities	
	Enterprise Funds			Total	Internal Service Funds	
	Public Utilities Fund	Airport Fund	Cemetery Operating Fund			
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Accounts payable	\$ 409,445	\$ 1,366	\$ 4,792	\$ 415,603	\$ 15,192	
Accrued payroll	-	78	37	115	340	
Accrued interest	181,709	2,662	-	184,371	-	
Interfund payables	864,488	126,561	203,945	1,194,994	81,992	
Customer deposits	304,910	-	-	304,910	-	
Capital lease payable- current	-	-	-	-	34,117	
Bonds payable- current	1,132,399	28,182	-	1,160,581	-	
Total current liabilities	<u>2,892,951</u>	<u>158,849</u>	<u>208,774</u>	<u>3,260,574</u>	<u>131,641</u>	
Noncurrent liabilities:						
Accrued compensated absences payable	18,930	-	-	18,930	2,193	
Capital lease payable	-	-	-	-	154,757	
Bonds payable	29,880,216	281,868	-	30,162,084	-	
Total noncurrent liabilities	<u>29,899,146</u>	<u>281,868</u>	<u>-</u>	<u>30,181,014</u>	<u>156,950</u>	
Total liabilities	<u>32,792,097</u>	<u>440,717</u>	<u>208,774</u>	<u>33,441,588</u>	<u>288,591</u>	
Net assets:						
Invested in capital assets, net of related debt	9,134,175	3,198,582	-	12,332,757	308,255	
Unrestricted	<u>1,511,829</u>	<u>(64,061)</u>	<u>59,727</u>	<u>1,507,495</u>	<u>(80,298)</u>	
Total net assets	<u>\$ 10,646,004</u>	<u>\$ 3,134,521</u>	<u>\$ 59,727</u>	<u>13,840,252</u>	<u>\$ 227,957</u>	

Reconciliation to government-wide statement of net assets:

Adjustment to reflect the cumulative net profit of the internal service fund that was allocated to enterprise fund functions.	<u>25,923</u>
Net assets of business-type activities	<u><u>\$ 13,866,175</u></u>

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CITY OF TAYLOR, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-Type Activities				Governmental Activities
	Enterprise Funds			Total	Internal Service Funds
	Public Utilities Fund	Airport Fund	Cemetery Operating Fund		
Operating revenues :					
Charges for service	\$ -	\$ -	\$ -	\$ -	\$ 628,372
Charges for water services	5,107,738	-	-	5,107,738	-
Charges for sewer service	2,461,206	-	-	2,461,206	-
Charges for airport services	-	669,510	-	669,510	-
Charges for cemetery services	-	-	119,721	119,721	-
Rents and royalties	33,000	-	-	33,000	-
Other revenue	583,683	292	2,995	586,970	9,889
Total operating revenues	8,185,627	669,802	122,716	8,978,145	638,261
Operating expenses :					
Personnel services	1,138,128	26,551	22,110	1,186,789	196,737
Contractual services	616,223	292,300	65,655	974,178	563,616
Supplies	1,631,740	1,406	603	1,633,749	-
Depreciation	1,144,654	90,986	-	1,235,640	155,210
Total operating expenses	4,530,745	411,243	88,368	5,030,356	915,563
Operating income (loss)	3,654,882	258,559	34,348	3,947,789	(277,302)
Non-operating revenues (expenses) :					
Investment earnings	9,822	-	264	10,086	-
Gain (loss) from disposition of assets	(27,075)	-	-	(27,075)	10,477
Interest expense	(1,381,175)	(15,102)	-	(1,396,277)	(8,162)
Total Non-operating revenues (expenses)	(1,398,428)	(15,102)	264	(1,413,266)	2,315
Income (loss) before transfers	2,256,454	243,457	34,612	2,534,523	(274,987)
Transfers in	65,200	17,721	229,060	311,981	10,612
Transfers out	(850,000)	(63,056)	(203,945)	(1,117,001)	-
Change in net assets	1,471,654	198,122	59,727	1,729,503	(264,375)
Total Net Assets - beginning of year	9,174,350	2,936,399	-		492,332
Total Net Assets - end of year	\$ 10,646,004	\$ 3,134,521	\$ 59,727		\$ 227,957
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					
Change in net assets of business-type activities				(66,094)	
				\$ 1,663,409	

The accompanying notes are an integral part of this statement.

CITY OF TAYLOR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business Type Activities				Governmental Activities	
	Enterprise Funds					
	Public Utilities Fund	Airport Fund	Cemetery Operating Fund	Total		
Cash flows from operating activities:						
Cash received from user charges	\$ 7,206,608	\$ 671,987	\$ 122,716	\$ 8,001,311	\$ -	
Cash received from other funds for services provided	-	-	-	-	618,481	
Cash received from others	566,683	292	-	566,975	9,889	
Cash payments to suppliers	(2,893,749)	(292,468)	(61,466)	(3,247,683)	(549,962)	
Cash payments to employees	(1,138,750)	(26,516)	(22,073)	(1,187,339)	(196,535)	
Net cash provided (used) by operating activities	<u>3,740,792</u>	<u>353,295</u>	<u>39,177</u>	<u>4,133,264</u>	<u>(118,127)</u>	
Cash flows from noncapital financing activities:						
Increase (decrease) in amounts due from other funds	(644,268)	(46,641)	139,389	(551,520)	234,660	
Transfers from other funds	<u>(784,800)</u>	<u>(45,335)</u>	<u>25,115</u>	<u>(805,020)</u>	<u>10,612</u>	
Net cash provided (used) by noncapital financing activities	<u>(1,429,068)</u>	<u>(91,976)</u>	<u>164,504</u>	<u>(1,356,540)</u>	<u>245,272</u>	
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets, net of disposals	(2,858,214)	(234,707)	-	(3,092,921)	(252,487)	
Issuance of debt	2,625,000	290,000	-	2,915,000	169,728	
Bond premium	110,325	12,618	-	122,943	-	
Bond issuance costs	(115,347)	(16,468)	-	(131,815)	-	
Principal paid on debt	(3,771,438)	(298,460)	-	(4,069,898)	(36,224)	
Interest and fiscal charges paid	<u>(1,374,298)</u>	<u>(14,302)</u>	<u>-</u>	<u>(1,388,600)</u>	<u>(8,162)</u>	
Net cash provided (used) by capital and related financing activities	<u>(5,383,972)</u>	<u>(261,319)</u>	<u>-</u>	<u>(5,645,291)</u>	<u>(127,145)</u>	
Cash flows from investing activities:						
Net proceeds (losses) of investments	3,062,626	-	(203,945)	2,858,681	-	
Investment and other income	<u>9,822</u>	<u>-</u>	<u>264</u>	<u>10,086</u>	<u>-</u>	
Net cash provided (used) by investing activities	<u>3,072,448</u>	<u>-</u>	<u>(203,681)</u>	<u>2,868,767</u>	<u>-</u>	
Net increase in cash and cash equivalents	200	-	-	200	-	
Cash and cash equivalents at beginning of year	<u>1,150</u>	<u>-</u>	<u>-</u>	<u>1,150</u>	<u>-</u>	
Cash and cash equivalents at end of year	<u>\$ 1,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,350</u>	<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

(Continued)

	Business-Type Activities Enterprise Funds			Governmental Activities	
	Public Utilities Fund	Airport Fund	Cemetery Operating Fund	Total	Internal Service Funds
<u>Reconciliation of operating income to net cash provided (used) by operating activities</u>					
Operating income (loss)	\$ 3,654,882	\$ 258,559	\$ 34,348	\$ 3,947,789	\$ (277,302)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,144,654	90,986	-	1,235,640	155,210
(Increase) decrease in receivables	(412,336)	2,477	-	(409,859)	(9,889)
Increase (decrease) in accounts payable	(645,786)	1,238	4,792	(639,756)	13,654
Increase (decrease) in accrued payroll and compensated absences	(622)	35	37	(550)	200
Total adjustments	85,910	94,736	4,829	185,475	159,175
Net cash provided (used) by operating activities	<u>\$ 3,740,792</u>	<u>\$ 353,295</u>	<u>\$ 39,177</u>	<u>\$ 4,133,264</u>	<u>\$ (118,127)</u>

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

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

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

Taylor Economic Development Corporation (TEDC)

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Government-wide Statements:

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

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

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

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

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements:

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

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

C. GOVERNMENTAL FUND TYPES

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

General Fund – The General fund is the general operating fund of the City. It is used to account for financial resources except those required to be accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement are accounted for in this fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for public safety, streets, parks and recreation, and general governmental services.

General Capital Improvements – The General Capital Improvements fund is used to account for funds received and expended for construction, renovation, expansion and major improvements of various City facilities, acquisition of land and other large nonrecurring projects.

I & S For CO Bonds – 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 is restricted exclusively for debt service expenditures.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. GOVERNMENTAL FUND TYPES (CONTINUED)

Additionally, the City reports the following governmental fund types:

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

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

The Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of net income, financial position and cash flow. All assets and liabilities are included in the Statement of Net Assets.

The City reports the following major proprietary 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 Fund – The Airport Fund accounts for the administration, operation and maintenance of the municipal airport.

The City reports the following internal service 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 are: the Equipment Services Fund, Equipment Replacement Fund and the Civil Service Sick Leave Fund.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF ACCOUNTING

Government-wide Statements

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

Fund Financial Statements

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

Governmental Funds

Revenue Recognition

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

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

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

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF ACCOUNTING (CONTINUED)

Governmental Funds (Continued)

Revenue Recognition (Continued)

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

Expenditure Recognition

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

Proprietary Funds

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

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

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. CASH AND INVESTMENTS

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

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

F. INVENTORIES

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

G. CAPITAL ASSETS

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

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

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

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

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

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. LONG-TERM DEBT

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

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

I. OTHER POST-EMPLOYMENT BENEFITS

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

J. COMPENSATED ABSENCES

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

The governmental funds report a liability for these amounts only if they have matured, for example, as a result of employee resignations and retirements. Actual vacation and sick benefits paid during the current year that were not accrued in the prior year, are recorded as expenditures in the General Fund. For enterprise funds, vacation and sick pay are recorded as an expense when earned.

K. TRANSACTIONS BETWEEN FUNDS

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. CLASSIFICATION OF FUND EQUITY

Governmental Funds fund balances classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – Nonspendable fund balances are amounts that are not in spendable form or are required to be maintained intact.

Restricted fund balance – Restricted fund balances are amounts that are constrained to specific purposes by creditors, grantors, contributors, or laws or regulations of other governments.

Committed fund balance – Committed fund balances are amounts that are constrained to specific purposes by City Council through an ordinance or a resolution. Amounts cannot be used for other purposes unless the City Council takes the same action to remove or change the constraint.

Assigned fund balance – Assigned fund balances are amounts that the City intends to use for a specific purpose but are neither restricted nor committed. Assignments are made by City management based on Council direction.

Unassigned fund balance – Unassigned fund balances are amounts that are available for any legal purposes.

For the classification of Governmental Fund balances, the City considers the expenditure to be made from the most restrictive first when more than one classification is available.

M. NET ASSETS

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

N. USE OF ESTIMATES

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY ACCOUNTING

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

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

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

B. ENCUMBRANCES

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

C. DEFICIT NET ASSETS/FUND BALANCE

The Airport Fund had an unrestricted net assets deficit at September 30, 2011 of \$ 64,064.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Additional Contractual Provisions governing deposits and investments are as follows:

The funds of the City must be deposited and invested under the terms of a contract, the contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

As of September 30, 2011, the City's deposit balances were as follows:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
1. Insured (FDIC) collateralized with securities held by entity's agent in the entity's name	\$ 250,000	\$ 1,009,203	\$ 1,259,203
2. Uninsured, collateralized with securities held by pledging financial institution's agent in the entity's name	274,338	-	274,338
3. Uninsured and uncollateralized	-	-	-
Total Deposits	<u>\$ 524,338</u>	<u>\$ 1,009,203</u>	<u>\$ 1,533,541</u>
 Carrying Amount	 <u>\$ 80,612</u>	 <u>\$ 969,306</u>	 <u>\$ 1,049,918</u>

Policies Covering Deposits and Investments

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Policies Covering Deposits and Investments (continued)

1. Credit Risk – In compliance with the City's Investment Policy, as of September 30, 2011 the City minimized credit risk losses due to default of security;
 - a. limiting investments to the safest rated securities. All the City's purchased investments in U. S. Agencies were rated AAA, AAAm, and Aaa by Standard & Poors, Fitch and Moody's respectively;
 - b. using a registered investment advisor investment and market advice; and
 - c. diversifying the investment portfolio so that potential losses on individual securities were minimized.

Investments

As of September 30, 2011, the City had the following investments:

	Carrying Amount	Fair Value
<u>Primary Government</u>		
U. S. Government Bonds	\$ 1,505,331	\$ 1,505,331
Investment Pools:		
MBIA	30,413	30,413
TexPool	4,379,242	4,379,242
TexSTAR	6,422,740	6,422,740
Total investment in pools:	<u>\$ 10,832,395</u>	<u>\$ 10,832,395</u>
Total investments	<u>\$ 12,337,726</u>	<u>\$ 12,337,726</u>

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

Concentration Risk – The City invests only in pools and U. S. Government Securities. State law authorizes the City to invest in obligations of the United States government and its agencies, commercial paper and certificates of deposit of any state or federally chartered bank. All investments made in 2011 were of the aforementioned categories. There are no positions of 5 percent or more in the securities of a single issuer.

B. PROPERTY TAXES

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

The City Council levies taxes based upon the appraised values. The tax assessment of October 1, 2010 set a tax levy at \$.813893 per \$ 100 assessed valuation at 100 percent of assumed market value. Williamson County Tax Appraisal District bills and collects the City's property taxes.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

	October 1, 2010	Additions/ Completions	Retirements/ Adjustments	September 30, 2011
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,420,218	\$ 90,714	\$ -	\$ 2,510,932
Construction in progress	9,370,365	1,340,511	(9,255,085)	1,455,791
Total capital assets not being depreciated	<u>11,790,583</u>	<u>1,431,225</u>	<u>(9,255,085)</u>	<u>3,966,723</u>
Capital assets being depreciated:				
Streets and bridges	44,538,519	841,868	-	45,380,387
Parks and Dams	4,241,337	8,378,115	-	12,619,452
Sidewalks, Curbs and Gutters	1,069,350	517,066	-	1,586,416
Buildings and improvements	9,064,814	286,044	-	9,350,858
Operating Equipment	3,200,834	24,768	(19,814)	3,205,788
Equipment in Internal Service Funds	1,329,482	266,045	(54,163)	1,541,364
Total capital assets being depreciated	<u>63,444,336</u>	<u>10,313,906</u>	<u>(73,977)</u>	<u>73,684,265</u>
Less accumulated depreciation for:				
Streets and bridges	7,406,242	1,142,765	-	8,549,007
Parks and Dams	592,018	329,930	-	921,948
Sidewalks, Curbs and Gutters	213,838	38,602	-	252,440
Buildings and improvements	1,570,532	269,004	-	1,839,536
Operating Equipment	2,715,975	290,605	(19,814)	2,986,766
Equipment in Internal Service Funds	940,109	155,210	(51,085)	1,044,234
Total accumulated depreciation	<u>13,438,714</u>	<u>2,226,116</u>	<u>(70,899)</u>	<u>15,593,931</u>
Total capital assets being depreciated, net	<u>50,005,622</u>	<u>8,087,790</u>	<u>(3,078)</u>	<u>58,090,334</u>
Governmental activities capital assets, net	<u><u>\$ 61,796,205</u></u>	<u><u>\$ 9,519,015</u></u>	<u><u>\$ (9,258,163)</u></u>	<u><u>\$ 62,057,057</u></u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

	October 1, 2010	Additions/ Completions	Retirements/ Adjustments	September 30, 2011
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,317,035	\$ -	\$ -	\$ 1,317,035
Construction in progress	<u>11,684,989</u>	<u>2,699,588</u>	<u>(11,709,675)</u>	<u>2,674,902</u>
Total capital assets not being depreciated	<u>13,002,024</u>	<u>2,699,588</u>	<u>(11,709,675)</u>	<u>3,991,937</u>
Capital assets being depreciated:				
Plant distribution and collection	31,404,839	7,799,706	(38,609)	39,165,936
Buildings	3,338,411	4,303,302	(13,243)	7,628,470
Runway	2,003,709	-	-	2,003,709
Equipment	<u>1,033,305</u>	<u>-</u>	<u>-</u>	<u>1,033,305</u>
Total capital assets being depreciated	<u>37,780,264</u>	<u>12,103,008</u>	<u>(51,852)</u>	<u>49,831,420</u>
Less accumulated depreciation for:				
Plant distribution and collection	11,025,041	956,511	(11,534)	11,970,018
Buildings	1,618,314	202,508	(13,243)	1,807,579
Runway	370,894	50,093	-	420,987
Equipment	<u>933,037</u>	<u>26,528</u>	<u>-</u>	<u>959,565</u>
Total accumulated depreciation	<u>13,947,286</u>	<u>1,235,640</u>	<u>(24,777)</u>	<u>15,158,149</u>
Total capital assets being depreciated, net	<u>23,832,978</u>	<u>10,867,368</u>	<u>(27,075)</u>	<u>34,673,271</u>
Business-type activities capital assets, net	<u><u>\$ 36,835,002</u></u>	<u><u>\$ 13,566,956</u></u>	<u><u>\$(11,736,750)</u></u>	<u><u>\$ 38,665,208</u></u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

General government	\$ 745,526
Public safety	766,235
Public works	559,145
Internal service funds	155,210
Total depreciation expense-governmental activities	<u><u>\$ 2,226,116</u></u>

Business-type activities:

Public Utilities Fund	\$ 1,144,654
Airport Fund	90,986
Total depreciation expense-business-type activities	<u><u>\$ 1,235,640</u></u>

Changes in capital assets for the Taylor Economic Development Corporation for the year ended September 30, 2011 are as follows:

	October 1, 2010	Additions	Deletions	September 30, 2011
Office Equipment	\$ 34,273	\$ -	\$ (9,250)	\$ 25,023
Less accumulated depreciation	<u><u>(30,269)</u></u>	<u><u>(4,004)</u></u>	<u><u>9,250</u></u>	<u><u>(25,023)</u></u>
	<u><u>\$ 4,004</u></u>	<u><u>\$ (4,004)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. INTERFUND ACTIVITIES

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

Receivables:

Major Funds:

General Fund	\$ 312,189
I&S For CO Bonds	2,154
Public Utilities Fund	547,771
Airport Fund	57,473

Nonmajor funds:

Hotel/Motel Fund	87,587
Texas Capital Fund	6,337
Main Street Revenue Fund	26,802
Cemetery Land Purchases	208,384
Municipal Court Special Fee	85,040
TIF Fund	31,620
Drainage Fund	184,859
Cemetery Operating Fund	64,556
Nonmajor Funds	<u>695,185</u>

Nonmajor Internal Service Funds:

Equipment Services Fund	9,530
Nonmajor Internal Service Funds:	<u>9,530</u>
Total Due From Other Funds	<u>\$ 1,624,302</u>

Payables:

Major Funds:

General Fund	\$ 2,154
General Capital Improvements	185,857
I&S For CO Bonds	61,293
Public Utilities Fund	864,488
Airport Fund	126,561

Non Major Funds:

Cemetery Operating Fund	203,945
Cemetery Permanent Fund	<u>98,012</u>
Nonmajor Funds	<u>301,957</u>

Nonmajor Internal Service Funds:

Equipment Replacement Fund	81,992
Nonmajor Internal Service Funds:	<u>81,992</u>
Total Due to Other Funds	<u>\$ 1,624,302</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. INTERFUND ACTIVITIES (CONTINUED)

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund -		
Civil Service Sick Leave Fund	\$ -	\$ 10,612
Hotel Occupancy Fund	9,000	-
Drainage Fund	-	555,120
Public Utilities Fund	850,000	-
Airport Fund	30,000	-
Cemetery Operating Fund	-	206,560
	<u>889,000</u>	<u>772,292</u>
I&S for CO Bonds-		
Public Utilities Fund	-	32,144
Airport Fund	-	17,721
	<u>-</u>	<u>49,865</u>
Cemetery Permanent Fund -		
Cemetery Operating Fund	-	22,500
Hotel Occupancy Fund -		
General Fund	-	9,000
Cemetery Land Purchases Fund -		
Cemetery Operating Fund	203,945	-
Drainage Fund -		
General Fund	555,120	-
Public Utilities Fund -		
General Fund	-	850,000
I&S for CO Bonds	32,144	-
Airport Fund	33,056	-
	<u>65,200</u>	<u>850,000</u>
Airport Fund -		
General Fund	-	30,000
I&S for CO Bonds	17,721	-
Public Utilities Fund	-	33,056
	<u>17,721</u>	<u>63,056</u>
Cemetery Operating Fund -		
Cemetery Land Purchases Fund	-	203,945
Cemetery Permanent Fund	22,500	-
General Fund	206,560	-
	<u>229,060</u>	<u>203,945</u>
Internal Service Funds -		
General Fund	10,612	-
	<u>\$ 1,970,658</u>	<u>\$ 1,970,658</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2011, for the City's individual major governmental funds and proprietary funds, net of allowances for uncollectible accounts, consist of the following:

	Property (Net of Allowance)	Accounts and Other	Sales Tax	Total Receivables
General Fund	\$ 99,539	\$ 231,859	\$ 524,030	\$ 855,428
General Capital Improvements	-	240,549	-	240,549
I & S for CO Bonds	33,102	-	-	33,102
Hotel Motel Fund	-	3,204	-	3,204
Main Street Fund	-	2,000	-	2,000
Drainage Fund	-	22,647	-	22,647
Public Utilities Fund	-	1,382,430	-	1,382,430
Airport Fund		5,283		5,283
Internal Service Fund	-	9,889	-	9,889
Total	\$ 132,641	\$ 1,897,861	\$ 524,030	\$ 2,554,532

The Public Utilities and the Airport Fund accounts receivable include unbilled charges for services rendered at September 30, 2011. Payables at September 30, 2011, for the City's individual major governmental funds, in the aggregate non-major governmental funds, and proprietary funds consist of the following:

	Accounts Payable	Accrued Payroll	Deposits	Accrued Interest	Total Payables
General Fund	\$ 394,594	\$ 95,648	\$ -	\$ -	\$ 490,242
General Capital Improvements	79,101	-	-	-	79,101
I & S for CO Bonds	256	-	-	-	256
Hotel Motel Fund	6,838	-	-	-	6,838
Drainage Fund	52,091	-	-	-	52,091
Internal Service Funds	15,192	340	-	-	15,532
Public Utilities Fund	409,445	-	304,910	181,709	896,064
Airport Fund	1,366	78	-	2,662	4,106
Cemetery Operating Fund	4,792	37	-	-	4,829
Total	\$ 963,675	\$ 96,103	\$ 304,910	\$ 184,371	\$ 1,549,059

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT

The following is a summary of long-term debt transactions, including current portion of the City for the year ended September 30, 2011:

	Balance October 1, 2010	Additions	Retirements	Balance September 30, 2011	Due within one year
Governmental Activities					
General obligation bonds	\$ 9,878,545	\$ 1,030,000	\$ (1,716,540)	\$ 9,192,005	\$ 782,005
Certificates of Obligation	9,877,038	-	(108,562)	9,768,476	132,078
Less deferred amounts:					
For discounts and premiums	28,239	51,128	(7,086)	72,281	7,086
On refunding	(140,181)	(42,801)	17,585	(165,397)	(17,585)
Total bonds payable	19,643,641	1,038,327	(1,814,603)	18,867,365	903,584
Motorola Capital lease	281,737	-	(52,539)	229,198	54,378
Texas Department of Commerce					
Obligation	170,421	-	(25,023)	145,398	25,022
GCC Capital lease	-	169,727	(23,581)	146,146	21,474
John Deere lease	55,370	-	(12,643)	42,727	12,643
Other post employment benefits	79,729	58,099	(14,011)	123,817	-
Compensated absences	611,631	214,059	(228,054)	597,636	228,405
Compensated absences -internal service fund	2,066	3,321	(3,194)	2,193	2,193
Total governmental activities	<u>20,844,595</u>	<u>1,483,533</u>	<u>(2,173,648)</u>	<u>20,154,480</u>	<u>1,247,699</u>
Business-Type Activities					
General obligation bonds	4,196,455	2,915,000	(1,128,460)	5,982,995	362,922
Combination Tax and Revenue Bonds	28,382,962	-	(2,941,438)	25,441,524	807,995
Less deferred amounts:					
For discounts and premiums	26,066	145,519	(22,576)	149,009	22,576
On refunding	(161,958)	(121,817)	32,912	(250,863)	(32,912)
Total bonds payable	<u>32,443,525</u>	<u>2,938,702</u>	<u>(4,059,562)</u>	<u>31,322,665</u>	<u>1,160,581</u>
Compensated absences	17,192	32,376	(30,638)	18,930	18,930
Total business-type activities	<u>32,460,717</u>	<u>2,971,078</u>	<u>(4,090,200)</u>	<u>31,341,595</u>	<u>1,179,511</u>
Total primary government	<u><u>\$ 53,305,312</u></u>	<u><u>\$ 4,454,611</u></u>	<u><u>\$ (6,263,848)</u></u>	<u><u>\$ 51,496,075</u></u>	<u><u>\$ 2,427,210</u></u>
Component Unit					
Compensated absences	\$ 12,083	\$ 9,269	\$ (10,143)	\$ 11,209	\$ -
	<u><u>\$ 12,083</u></u>	<u><u>\$ 9,269</u></u>	<u><u>\$ (10,143)</u></u>	<u><u>\$ 11,209</u></u>	<u><u>\$ -</u></u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Long-term debt at September 30, 2011 is comprised of the following:

	Governmental Type Activities	Business - Type Activities
General Obligation bonds:		
\$ 1,604,955 General Obligation Refunding and Improvement Bonds, Series 2002, partially refunded with GO Series 2010, additional annual installment due in 2012, interest at 4.25% to 5%	\$ 82,005	\$ -
\$ 5,100,000 General Obligation Bonds, Series 2005, due in installments through 2025, interest at 3% to 4.3%	4,485,000	
\$ 8,995,000 General Obligation Refunding Bonds, Series 2009, due in installments through 2029, interest at 2% to 4%	3,615,000	3,365,000
\$ 450,545 General Obligation Refunding and Improvement Bonds, Series 2002, partially refunded with GO Series 2010, additional annual installment due in 2012, interest at 4.25% to 5%	-	22,995
\$ 3,945,000 General Obligation Refunding Bonds, Series 2010, due in installments through 2022, interest at 1.5% to 4%	1,010,000	2,595,000
Total General Obligation bonds	<u>9,192,005</u>	<u>5,982,995</u>
Combination Tax and Revenue/Certificates of Obligation:		
\$ 4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through 2023, interest at 2.5% to 4.65%	1,093,476	-
\$ 4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through 2023, interest at 3% to 4.65%	-	2,016,524
\$ 4,200,000 Combination Tax and Revenue Certificates of Obligation, Series 2006, due in annual installments through 2026, interest at 4.45%	75,000	4,000,000
\$ 10,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2007, due in annual installments through 2027, interest at 3.83%	2,955,000	7,000,000
\$ 9,615,000 Combination Tax and Revenue Certificates of Obligation, Series 2008, due in annual installments through 2028, interest at 4.85% to 7%	2,990,000	6,300,000
\$ 8,780,000 Combination Tax and Revenue Certificates of Obligation, Series 2010, due in annual installments through 2034, interest at 4.25% to 5%	2,655,000	6,125,000
Total Combination Tax and Revenue/Certificates of Obligation	<u>\$ 9,768,476</u>	<u>\$ 25,441,524</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

	Governmental Type Activities	Business - Type Activities
Less Deferred amounts:		
Discounts and premiums	\$ 72,281	\$ 149,009
On refunding	<u>(165,397)</u>	<u>(250,863)</u>
Total Deferred Amounts	<u><u>\$ (93,116)</u></u>	<u><u>\$ (101,854)</u></u>
Texas Department of Commerce:		
\$ 499,931 Obligation to the Texas Department of Commerce Texas Capital Fund, due in monthly installments of \$ 2,085 through January 2017, interest at 0.00%	\$ 145,398	\$ -
Capital Leases Payable:		
\$ 381,545 Capital Lease Payable to Motorola, due in annual installments of \$ 66,400 through 2015, interest at 3.5%	229,198	-
\$ 62,622 Capital Lease Payable to John Deere, due in monthly installments of \$ 1,298 through 2014, interest at 5.9%	42,727	-
\$ 169,727 Capital Lease Payable to GCC, due in annual installments of \$ 28,815 through 2017, interest at 5.02%	<u>146,146</u>	<u>-</u>
Total Capital Leases Payable	<u><u>563,469</u></u>	<u><u>-</u></u>
Compensated absences	599,829	18,930
Other post employment benefits	123,817	-
Total Debt	<u><u>\$ 20,154,480</u></u>	<u><u>\$ 31,341,595</u></u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize bonded, certificates of obligation, loan and lease debt at September 30, 2011 including interest are as follows:

General Obligation Bonds

Year Ending September 30	Governmental Activities			Business-type Activities			Total
	Principal	Interest	Principal	Interest			
2012	\$ 762,005	\$ 334,625	\$ 812,995	\$ 203,382			\$ 2,113,007
2013	785,000	313,308	820,000	175,011			2,093,319
2014	805,000	290,058	845,000	153,061			2,093,119
2015	775,000	263,808	870,000	127,711			2,036,519
2016	790,000	238,208	850,000	101,611			1,979,819
2017-2021	3,350,000	767,795	1,760,000	143,770			6,021,565
2022-2025	1,925,000	179,089	25,000	906			2,129,995
Total	<u>\$ 9,192,005</u>	<u>\$ 2,386,891</u>	<u>\$ 5,982,995</u>	<u>\$ 905,452</u>			<u>\$ 18,467,343</u>

Year Ending September 30	Governmental Activities			Business - type Activities		Total
	Principal	Interest	Principal	Interest		
2012	\$ 132,078	\$ 413,696	\$ 357,922	\$ 1,108,903		\$ 2,012,599
2013	135,594	407,600	379,406	1,088,438		2,011,038
2014	144,110	401,786	400,890	1,067,540		2,014,326
2015	205,868	395,478	424,132	1,045,645		2,071,123
2016	229,384	386,003	490,616	1,022,837		2,128,840
2017-2021	2,208,176	1,740,900	5,866,824	4,622,197		14,438,097
2022-2026	4,353,266	1,103,390	9,201,734	3,052,621		17,711,011
2027-2031	1,675,000	307,304	6,165,000	1,104,924		9,252,228
2032-2034	685,000	61,524	2,155,000	194,345		3,095,869
Total	<u>\$ 9,768,476</u>	<u>\$ 5,217,681</u>	<u>\$ 25,441,524</u>	<u>\$ 14,307,450</u>		<u>\$ 54,735,131</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Capital Leases Payable

Year Ending September 30	Governmental Activities			Total
	Principal	Interest		
2012	\$ 89,260	\$ 17,525		\$ 106,785
2013	93,056	13,731		106,787
2014	97,030	9,756		106,786
2015	85,164	6,050		91,214
2016	26,124	2,690		28,814
2017	27,437	1,378		28,815
Total	\$ 418,071	\$ 51,130		\$ 469,201

In fiscal year 2011, the City entered into a capital lease in which \$ 169,727 of equipment was purchased and placed into service during fiscal year 2011.

Notes Payable

Year Ending September 30	Governmental Activities			Total
	Principal	Interest		
2012	\$ 25,021	\$ -		\$ 25,021
2013	25,020	-		25,020
2014	25,020	-		25,020
2015	25,020	-		25,020
2016	25,020	-		25,020
2017	20,297	-		20,297
Total	\$ 145,398	\$ -		\$ 145,398

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

The City is required, under the debt covenants, to charge rates sufficient to pay all operating, maintenance, depreciation, replacement and betterment expenses, and interest and principal maturities. The City must further segregate funds monthly for the pro rata part of the next maturing principal and interest payments (the debt service revenue reserve) and must maintain a separate revenue bond reserve. Management has indicated that the City is in compliance with all significant limitations and restrictions at September 30, 2011.

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

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

Due to favorable interest rates, during fiscal year 2011, the City issued \$ 3,945,000 in General Obligation Refunding Bonds to refund and legally defease \$ 2,650,000 of Waterworks and Sewer System Revenue Bonds, Series 1997 and \$ 1,235,000 of General Obligation Refunding and Improvement Bonds, Series 2002. The net proceeds were used to purchase U.S. securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunding portion of the bonds referred to above. As a result, the refunded obligations are considered to be defeased and the liability for the bonds have been removed from the City's financial statements. As a result of the refunding, the City reduced its aggregate debt services payments to maturity by \$ 231,116, and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$ 204,736.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. OTHER INFORMATION

A. COMMITMENTS AND CONTINGENCIES

Deferred Compensation Plan

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

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

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

B. RISK MANAGEMENT

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

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

	Plan Year 2010	Plan Year 2011
Employee deposit rate	7.00%	7.00%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

Three-Year Trend Information

	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2009	\$ 716,043	\$ 716,043	100%	\$ -
9/30/2010	784,080	784,080	100%	-
9/30/2011	828,288	828,288	100%	-

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Schedule of Actuarial Valuations

	12/31/2008	12/31/2009	Prior to Restructuring 12/31/2010	Restructured 12/31/2010
	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial Cost Method				
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	29 years; closed period	28 years; closed period	26.9 years; closed period	26.9 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years	30 years
Assets Valuation Method		10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:	Amortized cost			
Investment Rate of Return	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at Cost-of-Living Adjustments	3.0%	3.0%	3.0%	3.0%
	2.1%	2.1%	2.1%	2.1%

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial UAAL(1)	Funded Ratio	Annual Covered Payroll	of UAAL to Covered Payroll
12/31/08	\$ 7,633,245	\$ 13,489,051	\$ 5,855,806	56.59%	\$ 5,964,804	98.17%
12/31/09	8,973,722	14,819,689	5,845,967	60.55%	5,937,198	98.46%
12/31/10 ¹	10,049,333	15,862,263	5,812,930	63.35%	6,005,882	96.79%
12/31/10 ²	14,065,543	19,343,534	5,277,991	72.71%	6,005,882	87.88%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

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

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

D. SUPPLEMENTAL DEATH BENEFITS FUND

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. OTHER INFORMATION (CONTINUED)

D. SUPPLEMENTAL DEATH BENEFITS FUND (CONTINUED)

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 post-employment benefit," or OPEB.

City offers supplemental death to:	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Active employees	Yes	Yes
Retirees	Yes	Yes

Contributions

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

The City's contribution to the TMRS SDBF for the years ended 2011, 2010 and 2009 were \$ 20,275, \$ 18,034, and \$ 16,469, respectively, which equaled the required contributions each year.

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

<u>Plan/Calendar Year</u>	<u>Annual</u>		<u>Percentage of APC Contributed</u>
	<u>Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	
2009	0.08%	0.08%	100.00%
2010	0.06%	0.06%	100.00%
2011	0.06%	0.06%	100.00%

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. OTHER INFORMATION (CONTINUED)

E. OTHER POST-EMPLOYMENT BENEFITS

Health Care Benefit Provided by Plan

In addition to the contributions made to TMRS, the City provides certain other post-employment benefits to its retirees and dependents. Full time City of Taylor employees who retire from the City under the Texas Municipal Retirement System on or after January 1, 2000, and who are covered by the City of Taylor group hospitalization and medical insurance at the time of retirement, will be eligible to receive 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:

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.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. OTHER INFORMATION (CONTINUED)

E. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Duty Death in Service Retirement Benefits

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

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

Non-Duty in Service Retirement Benefits

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

Duty and non-duty Disabled Retirement Benefits

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

Benefits for Spouses of Retired Employees

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

Non-Medicare and Medicare-Eligible Provisions

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. OTHER INFORMATION (CONTINUED)

E. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Vision Coverage

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

Dental Coverage

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

Life Insurance Coverage

Life insurance coverage is part of the Pension plan at \$ 7,500 for retirees and one times the annual salary for active employees.

Retiree Opt-Out

Retirees who decide to opt-out of the retiree health care plan will not be eligible to opt back in when coverage from cobra or another entity ceases. There is no additional premium payment provided for those who opt out of the retiree health care plan.

Benefits Paid By the Plan

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

IV. OTHER INFORMATION (CONTINUED)

E. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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. The annual OPEB cost for the fiscal year ended September 30, 2011, is as follows:

<u>OPEB</u>	
Annual Required Contribution	\$ 54,511
Interest on net OPEB obligation	3,588
Adjustment to annual required contribution	<u>(3,324)</u>
Annual OPEB cost	54,775
Estimated contribution made	<u>(10,687)</u>
Estimated increase in net OPEB obligation	44,088
Net OPEB obligation - beginning of year	<u>79,729</u>
Net OPEB obligation - end of year	<u><u>\$ 123,817</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2011 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Employer				Net OPEB Obligation
	Annual OPEB Cost	Amount Contributed	Percentage Contributed		
9/30/2009	\$ 59,719	\$ 27,881	46.69%	\$ 31,838	
9/30/2010	60,091	12,200	20.30%	79,729	
9/30/2011	54,775	10,687	19.51%	123,817	

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

V. OTHER INFORMATION (CONTINUED)

E. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funding Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2010 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
12/31/2009	\$ -	\$ 422,576	\$ 422,576	0.00%	\$ 5,964,804	1.10%
12/31/2010	-	414,263	414,263	0.00%	6,005,819	1.10%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$ 414,263 at December 31, 2010.

Actuarial methods and assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the costs of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Actuarial valuation date	December 31, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent-of-Payroll
Amortization Period	30 years, open
Assumed Rate of Return on Investments	4.50%
Health Care Cost Trend Rate	Initial rate of 9.0%, declining to an ultimate rate of 4.5% after 9 years

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

VI. OTHER INFORMATION (CONTINUED)

E. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial methods and assumptions (continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF TAYLOR, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2011

Texas Municipal Retirement System

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	of UAAL to Covered Payroll
12/31/08	\$ 7,633,245	\$ 13,489,051	\$ 5,855,806	56.59%	\$ 5,964,804	98.17%
12/31/09	8,973,722	14,819,689	5,845,967	60.55%	5,937,198	98.46%
12/31/10 ¹	10,049,333	15,862,263	5,812,930	63.35%	6,005,882	96.79%
12/31/10 ²	14,065,543	19,343,534	5,277,991	72.71%	6,005,882	87.88%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

Other Post-Employment Benefits

Fiscal Year Ended	Employer		Employer		ARC Adjustment	Amortization Factor*	OPEB Cost	Change in NOO	NOO Balance
	Annual Required Contribution	Amount Contributed (estimate)	Interest on NOO (9) x 4.5%	(9) / (6)					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
9/30/2009	\$ 59,719	\$ 27,881	\$ -	\$ -	23.98540	\$ 59,719	\$ 31,838	\$ 31,838	
9/30/2010	59,719	12,200	1,433	1,061	30.00000	60,091	47,891	79,729	
9/30/2011	54,511	10,687	3,588	3,324	23.98540	54,775	44,088	123,817	

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF TAYLOR, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Hotel Motel Fund	Texas Capital Fund	Main Street Revenue Fund	Cemetery Land Purchases
<u>ASSETS</u>				
Investments	\$ -	\$ -	\$ -	\$ -
Receivables (net of allowances for uncollectibles) -				
Accounts and other	3,204	-	2,000	-
Interfund receivables	<u>87,587</u>	<u>6,337</u>	<u>26,802</u>	<u>208,384</u>
Total assets	<u>\$ 90,791</u>	<u>\$ 6,337</u>	<u>\$ 28,802</u>	<u>\$ 208,384</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 6,838	\$ -	\$ -	\$ -
Interfund payables	-	-	-	-
Total liabilities	<u>6,838</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Permanent fund	-	-	-	-
Restricted:				
Other	83,953	6,337	28,802	208,384
Committed:				
Drainage	-	-	-	-
Total fund balances	<u>83,953</u>	<u>6,337</u>	<u>28,802</u>	<u>208,384</u>
Total liabilities and fund balances	<u>\$ 90,791</u>	<u>\$ 6,337</u>	<u>\$ 28,802</u>	<u>\$ 208,384</u>

Municipal Court Special Fee	TIF Fund	Drainage Fund	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ 328,460	\$ -	\$ 328,460	\$ 869,826	\$ 1,198,286
-	-	22,647	27,851	-	27,851
85,040	31,620	184,859	630,629	-	630,629
\$ 85,040	\$ 360,080	\$ 207,506	\$ 986,940	\$ 869,826	\$ 1,856,766
<hr/>					
\$ -	\$ -	\$ 52,091	\$ 58,929	\$ -	\$ 58,929
-	-	-	-	98,012	98,012
-	-	52,091	58,929	98,012	156,941
<hr/>					
-	-	-	-	735,606	735,606
85,040	360,080	-	772,596	36,208	808,804
-	-	155,415	155,415	-	155,415
85,040	360,080	155,415	928,011	771,814	1,699,825
\$ 85,040	\$ 360,080	\$ 207,506	\$ 986,940	\$ 869,826	\$ 1,856,766

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Hotel Motel Fund	Texas Capital Fund	Main Street Revenue Fund	Cemetery Land Purchases
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Hotel occupancy tax	61,797	-	-	-
Charges for services	-	-	-	3,092
Intergovernmental	-	-	-	-
Other revenue	-	25,023	22,929	-
Investment earnings	-	-	-	-
Total revenues	61,797	25,023	22,929	3,092
Expenditures:				
Current:				
General government	44,820	-	22,370	-
Debt service:				
Principal retirement	-	25,023	-	-
Capital outlay	-	-	-	42,460
Total expenditures	44,820	25,023	22,370	42,460
Excess (deficiency) of revenues over expenditures	16,977	-	559	(39,368)
Other financing sources (uses):				
Transfers in	-	-	-	203,945
Transfers out	(9,000)	-	-	-
Total other financing uses	(9,000)	-	-	203,945
Net change in fund balances	7,977	-	559	164,577
Fund balances, beginning of year	75,976	6,337	28,243	43,807
Fund balances, end of year	\$ 83,953	\$ 6,337	\$ 28,802	\$ 208,384

Municipal Court Special Fee	TIF Fund	Drainage Fund	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ 57,504	\$ -	\$ 57,504	\$ -	\$ 57,504
-	-	-	61,797	-	61,797
23,191	-	118,988	145,271	15,458	160,729
-	34,620	-	34,620	-	34,620
-	-	-	47,952	-	47,952
-	373	-	373	6,942	7,315
<u>23,191</u>	<u>92,497</u>	<u>118,988</u>	<u>347,517</u>	<u>22,400</u>	<u>369,917</u>
 8,228	 7,500	 24	 82,942	 25	 82,967
-	-	-	25,023	-	25,023
-	-	518,669	561,129	-	561,129
<u>8,228</u>	<u>7,500</u>	<u>518,693</u>	<u>669,094</u>	<u>25</u>	<u>669,119</u>
<u>14,963</u>	<u>84,997</u>	<u>(399,705)</u>	<u>(321,577)</u>	<u>22,375</u>	<u>(299,202)</u>
 -	 -	 555,120	 759,065	 -	 759,065
<u>-</u>	<u>-</u>	<u>555,120</u>	<u>(9,000)</u>	<u>(22,500)</u>	<u>(31,500)</u>
<u>-</u>	<u>-</u>	<u>555,120</u>	<u>750,065</u>	<u>(22,500)</u>	<u>727,565</u>
 14,963	 84,997	 155,415	 428,488	 (125)	 428,363
<u>70,077</u>	<u>275,083</u>	<u>-</u>	<u>499,523</u>	<u>771,939</u>	<u>1,271,462</u>
<u>\$ 85,040</u>	<u>\$ 360,080</u>	<u>\$ 155,415</u>	<u>\$ 928,011</u>	<u>\$ 771,814</u>	<u>\$ 1,699,825</u>

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
HOTEL MOTEL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Hotel occupancy tax	\$ 80,000	\$ 80,000	\$ 61,797	\$ (18,203)
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>61,797</u>	<u>(18,203)</u>
Expenditures:				
Current:				
General government	60,000	60,000	44,820	15,180
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>44,820</u>	<u>15,180</u>
Excess of revenues over expenditures	<u>20,000</u>	<u>20,000</u>	<u>16,977</u>	<u>(3,023)</u>
Other financing uses:				
Transfers out	(9,000)	(9,000)	(9,000)	-
Total other financing uses	<u>(9,000)</u>	<u>(9,000)</u>	<u>(9,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>7,977</u>	<u>\$ (3,023)</u>
Fund balance, October 1, 2010			75,976	
Fund balance, September 30, 2011			<u>\$ 83,953</u>	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
TEXAS CAPITAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Other revenue	\$ 25,021	\$ 25,021	\$ 25,023	\$ 2
Total revenues	<u>25,021</u>	<u>25,021</u>	<u>25,023</u>	<u>2</u>
Expenditures:				
Debt service:				
Principal retirement	25,021	25,021	25,023	(2)
Total expenditures	<u>25,021</u>	<u>25,021</u>	<u>25,023</u>	<u>(2)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, October 1, 2010			<u>6,337</u>	
Fund balance, September 30, 2011			<u>\$ 6,337</u>	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
MAIN STREET REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>			<u>Variance-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Other earnings	\$ 22,000	\$ 21,029	\$ 22,929	\$ 1,900
Total revenues	<u>22,000</u>	<u>21,029</u>	<u>22,929</u>	<u>1,900</u>
Expenditures:				
Current:				
General government	24,200	22,503	22,370	133
Total expenditures	<u>24,200</u>	<u>22,503</u>	<u>22,370</u>	<u>133</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (2,200)</u>	<u>\$ (1,474)</u>	<u>559</u>	<u>\$ 2,033</u>
Fund balance, October 1, 2010			<u>28,243</u>	
Fund balance, September 30, 2011			<u>\$ 28,802</u>	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
CEMETERY LAND PURCHASES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 2,430	\$ 2,600	\$ 3,092	\$ 492
Total revenues	<u>2,430</u>	<u>2,600</u>	<u>3,092</u>	<u>492</u>
Expenditures:				
Capital outlay	-	42,460	42,460	-
Total expenditures	<u>-</u>	<u>42,460</u>	<u>42,460</u>	<u>-</u>
Excess of revenues over expenditures	<u>2,430</u>	<u>(39,860)</u>	<u>(39,368)</u>	<u>492</u>
Other financing sources:				
Transfers in	-	-	203,945	203,945
Total other financing uses	<u>-</u>	<u>-</u>	<u>203,945</u>	<u>203,945</u>
Net change in fund balances	\$ 2,430	\$ (39,860)	164,577	\$ 204,437
Fund balance, October 1, 2010			<u>43,807</u>	
Fund balance, September 30, 2011			<u>\$ 208,384</u>	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
MUNICIPAL COURT SPECIAL FEE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 17,500	\$ 17,500	\$ 23,191	\$ 5,691
Total revenues	<u>17,500</u>	<u>17,500</u>	<u>23,191</u>	<u>5,691</u>
Expenditures:				
Current:				
General government	-	31,183	8,228	22,955
Total expenditures	-	31,183	8,228	22,955
Excess (deficiency) of revenues over expenditures	<u>\$ 17,500</u>	<u>\$ (13,683)</u>	<u>14,963</u>	<u>\$ 28,646</u>
Fund balance, October 1, 2010			<u>70,077</u>	
Fund balance, September 30, 2011			<u>\$ 85,040</u>	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
TIF FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes				
including interest and penalties	\$ 63,946	\$ 57,504	\$ 57,504	\$ -
Intergovernmental	38,211	34,620	34,620	-
Investment earnings	400	380	373	(7)
Total revenues	102,557	92,504	92,497	(7)
Expenditures:				
Current:				
General government	31,500	39,500	7,500	32,000
Total expenditures	31,500	39,500	7,500	32,000
Excess of revenues over expenditures	\$ 71,057	\$ 53,004	84,997	\$ 31,993
Fund balance, October 1, 2010			275,083	
Fund balance, September 30, 2011			\$ 360,080	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
DRAINAGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for services	\$ -	\$ 102,050	\$ 118,988	\$ 16,938
Total revenues	<u>-</u>	<u>102,050</u>	<u>118,988</u>	<u>16,938</u>
Expenditures:				
General government	-	50	24	(26)
Capital outlay	-	-	518,669	518,669
Total expenditures	<u>-</u>	<u>50</u>	<u>518,693</u>	<u>518,643</u>
Excess of revenues over expenditures	<u>-</u>	<u>102,000</u>	<u>(399,705)</u>	<u>535,581</u>
Other financing sources:				
Transfers in	-	-	555,120	555,120
Total other financing uses	<u>-</u>	<u>-</u>	<u>555,120</u>	<u>555,120</u>
Net change in fund balances	\$ -	\$ <u>102,000</u>	155,415	\$ <u>53,415</u>
Fund balance, October 1, 2010				-
Fund balance, September 30, 2011				\$ <u>155,415</u>

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
CEMETERY PERMANENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 12,000	\$ 12,000	\$ 15,458	\$ 3,458
Investment earnings	30,000	30,000	6,942	(23,058)
Total revenues	<u>42,000</u>	<u>42,000</u>	<u>22,400</u>	<u>(19,600)</u>
Expenditures:				
Current:				
General government	75	75	25	50
Total expenditures	<u>75</u>	<u>75</u>	<u>25</u>	<u>50</u>
Excess of revenues over expenditures	<u>41,925</u>	<u>41,925</u>	<u>22,375</u>	<u>(19,550)</u>
Other financing uses:				
Transfers out	\$ (30,000)	\$ (30,000)	(22,500)	7,500
Total financing uses	<u>(30,000)</u>	<u>(30,000)</u>	<u>(22,500)</u>	<u>7,500</u>
Net change in fund balances	<u>\$ 11,925</u>	<u>\$ 11,925</u>	<u>(125)</u>	<u>\$ (12,050)</u>
Fund balance, October 1, 2010			<u>771,939</u>	
Fund balance, September 30, 2011			<u>\$ 771,814</u>	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
I & S FOR CO BONDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 1,635,842	\$ 1,635,842	\$ 1,685,999	\$ 50,157
Investment earnings	1,200	1,200	4,741	3,541
Other revenues	-	-	7,776	7,776
Total revenues	1,637,042	1,637,042	1,698,516	61,474
Expenditures:				
Debt service:				
Principal retirement	840,567	840,567	860,567	(20,000)
Interest and fiscal charges	797,375	797,375	798,837	(1,462)
Total expenditures	1,637,942	1,637,942	1,659,404	(21,462)
Excess (deficiency) of revenues over expenditures	(900)	(900)	39,112	40,012
Other financing sources (uses):				
Transfers out	-	-	(49,865)	(49,865)
Refunding bonds issued	-	-	1,030,000	1,030,000
Payments to bond escrow agent	-	-	(964,535)	(964,535)
Total other financing uses	-	-	15,600	15,600
Net change in fund balances	\$ (900)	\$ (900)	54,712	\$ 55,612
Fund balance, October 1, 2010			233,182	
Fund balance, September 30, 2011			\$ 287,894	

INTERNAL SERVICE FUNDS

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CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2011

<u>ASSETS</u>	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
Current Assets:				
Accounts and other receivables (net of allowance for uncollectibles) -	\$ -	\$ 9,889	\$ -	\$ 9,889
Interfund receivables	<u>9,530</u>	<u>-</u>	<u>-</u>	<u>9,530</u>
Total Current Assets	<u>9,530</u>	<u>9,889</u>	<u>-</u>	<u>19,419</u>
Noncurrent Assets:				
Capital Assets:				
Machinery and equipment	- -	1,541,364	- -	1,541,364
Accumulated depreciation	<u>- -</u>	<u>(1,044,235)</u>	<u>- -</u>	<u>(1,044,235)</u>
Total Noncurrent Assets	<u>- -</u>	<u>497,129</u>	<u>- -</u>	<u>497,129</u>
Total Assets	<u>9,530</u>	<u>507,018</u>	<u>- -</u>	<u>516,548</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	5,303	9,889	- -	15,192
Accrued payroll	<u>340</u>	<u>- -</u>	<u>- -</u>	<u>340</u>
Accrued interest	- -	- -	- -	- -
Interfund payables	- -	81,992	- -	81,992
Capital lease payable - current	- -	34,117	- -	34,117
Total Current Liabilities	<u>5,643</u>	<u>125,998</u>	<u>- -</u>	<u>131,641</u>
Noncurrent Liabilities:				
Compensated absences payable	2,193	- -	- -	2,193
Capital lease payable	<u>- -</u>	<u>154,757</u>	<u>- -</u>	<u>154,757</u>
Total Noncurrent Liabilities	<u>2,193</u>	<u>154,757</u>	<u>- -</u>	<u>156,950</u>
Total Liabilities	<u>7,836</u>	<u>280,755</u>	<u>- -</u>	<u>288,591</u>
Net Assets:				
Invested in capital assets, net of related debt	- -	308,255	- -	308,255
Unrestricted net assets	<u>1,694</u>	<u>(81,992)</u>	<u>- -</u>	<u>(80,298)</u>
Total Net Assets	<u>\$ 1,694</u>	<u>\$ 226,263</u>	<u>\$ -</u>	<u>\$ 227,957</u>

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
Operating revenues:				
Charges for services	\$ 628,372	\$ -	\$ -	\$ 628,372
Other revenue	<u>-</u>	<u>9,889</u>	<u>-</u>	<u>9,889</u>
Total Operating Revenues	<u>628,372</u>	<u>9,889</u>	<u>-</u>	<u>638,261</u>
Operating expenses:				
Personnel services	122,855	-	73,882	196,737
Contractual services	505,958	57,658	-	563,616
Supplies	-	-	-	-
Depreciation	-	155,210	-	155,210
Total operating expenses	<u>628,813</u>	<u>212,868</u>	<u>73,882</u>	<u>915,563</u>
Operating Income (Loss)	<u>(441)</u>	<u>(202,979)</u>	<u>(73,882)</u>	<u>(277,302)</u>
Non-operating revenues (expenses):				
Investment earnings	-	-	-	-
Gain (loss) from disposition of assets	-	10,477	-	10,477
Interest expense	-	<u>(8,162)</u>	<u>-</u>	<u>(8,162)</u>
Total Non-operating Expenses	<u>-</u>	<u>2,315</u>	<u>-</u>	<u>2,315</u>
Loss before transfers	<u>(441)</u>	<u>(200,664)</u>	<u>(73,882)</u>	<u>(274,987)</u>
Transfers in	<u>-</u>	<u>-</u>	<u>10,612</u>	<u>10,612</u>
Change in Net Assets	<u>(441)</u>	<u>(200,664)</u>	<u>(63,270)</u>	<u>(264,375)</u>
Total Net Assets - beginning of year	<u>2,135</u>	<u>426,927</u>	<u>63,270</u>	<u>492,332</u>
Total Net Assets - end of year	<u>\$ 1,694</u>	<u>\$ 226,263</u>	<u>\$ -</u>	<u>\$ 227,957</u>

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
Cash flows from Operating Activities:				
Cash received from user charges	\$ 618,481	\$ -	\$ -	\$ 618,481
Cash received from others	-	9,889	-	9,889
Cash payments to suppliers	(492,304)	(57,658)	-	(549,962)
Cash payments to employees	(122,653)	-	(73,882)	(196,535)
Net Cash Provided (Used) by Operating Activities	3,524	(47,769)	(73,882)	(118,127)
Cash flows from Noncapital Financing Activities:				
(Increase) decrease in amounts due from other funds	(3,524)	174,914	63,270	234,660
Transfers from other funds	-	-	10,612	10,612
Net Cash Provided by Noncapital Financing Activities	(3,524)	174,914	73,882	245,272
Cash flows from Capital and Related Financing Activities:				
Acquisition of capital assets, net of disposals	-	(252,487)	-	(252,487)
Issuance of debt	-	169,728	-	169,728
Principal paid on debt	-	(36,224)	-	(36,224)
Interest and fiscal charges paid	-	(8,162)	-	(8,162)
Net Cash Used by Capital and Related Financing Activities	-	(127,145)	-	(127,145)
Net Increase in Cash and Cash Equivalents	-	-	-	-
Cash and Cash Equivalents at Beginning of the Year	-	-	-	-
Cash and Cash Equivalents at End of the Year	\$ -	\$ -	\$ -	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (441)	\$ (202,979)	\$ (73,882)	\$ (277,302)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	-	155,210	-	155,210
(Increase) decrease in accounts receivable	(9,889)	-	-	(9,889)
Increase (decrease) in accounts payable	13,654	-	-	13,654
Decrease in accrued payroll and compensated absences	200	-	-	200
Net Cash Provided (Used) by Operating Activities	\$ 3,524	\$ (47,769)	\$ (73,882)	\$ (118,127)

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SUPPLEMENTAL SCHEDULES

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CITY OF TAYLOR, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor	Federal	Program		
Program or Cluster Title	CFDA	Grant	or Award	Program
	Number	Number	Amount	Expenditure
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</u>				
Passed through Texas Department of Housing and Community Affairs				
Community Development Block Grant Home Program	14.239	M-06-SG48-0100	\$ 390,000	\$ 338,965
Passed through Williamson County, Texas				
Community Development Block Grant	14.218	065P	<u>300,000</u>	<u>7,924</u>
TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)			<u>690,000</u>	<u>346,889</u>
<u>GENERAL SERVICE ADMINISTRATION</u>				
Passed through Texas Facilities Commission				
Federal Surplus Property Program	39.003		<u>218,573</u>	<u>218,573</u>
TOTAL GENERAL SERVICE ADMINISTRATION			<u>218,573</u>	<u>218,573</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed through Texas Department of Transportation				
Safe Routes to School	20.200	0320-04-022	<u>750,000</u>	<u>1,096</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>750,000</u>	<u>1,096</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 1,658,573</u>	<u>\$ 566,558</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

1. BASIS OF PRESENTATION

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

2. BASIS OF ACCOUNTING

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

STATISTICAL SECTION (UNAUDITED)

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

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	2011	2010	2009	2008
Governmental activities				
Invested in capital assets, net of related debt	\$ 42,533,107	\$ 41,533,094	\$ 43,701,642	\$ 40,988,706
Restricted	4,142,402	3,253,125	1,055,079	1,353,386
Unrestricted	2,753,160	3,916,431	3,369,829	4,481,859
Total governmental activities net assets	\$ 49,428,669	\$ 48,702,650	\$ 48,126,550	\$ 46,823,951
Business-type activities				
Invested in capital assets, net of related debt	\$ 12,332,757	\$ 12,419,757	\$ 11,782,669	\$ 12,539,086
Unrestricted (Deficit)	1,533,418	(216,991)	560,831	82,049
Total business-type activities net assets	\$ 13,866,175	\$ 12,202,766	\$ 12,343,500	\$ 12,621,135
Primary government				
Invested in capital assets, net of related debt	\$ 54,865,864	\$ 53,952,851	\$ 55,484,311	\$ 53,527,792
Restricted	4,142,402	3,253,125	1,055,079	1,353,386
Unrestricted	4,286,578	3,699,440	3,930,660	4,563,908
Total primary government net assets	\$ 63,294,844	\$ 60,905,416	\$ 60,470,050	\$ 59,445,086

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

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

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

	2011	2010	2009	2008
Expenses				
Governmental activities:				
General government	\$ 4,106,565	\$ 4,274,435	\$ 4,038,624	\$ 4,682,994
Public safety	4,937,819	4,986,776	4,799,854	5,079,499
Public works	4,334,567	4,159,734	3,797,620	3,912,591
Community services	343,860	-	-	-
Interest on long-term debt	826,560	760,678	723,851	704,241
Other	-	-	-	-
Total governmental activities expenses	14,549,371	14,181,623	13,359,949	14,379,325
Business-type activities:				
Public utilities fund	6,005,089	5,607,082	5,250,058	6,282,526
Airport fund	426,345	430,473	408,404	599,040
Cemetery operating fund	88,368	-	-	-
Other	-	-	-	-
Total business-type activities expenses	6,519,802	6,037,555	5,658,462	6,881,566
Total primary government expenses	\$ 21,069,173	\$ 20,219,178	\$ 19,018,411	\$ 21,260,891
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 2,515,187	\$ 2,378,935	\$ 2,257,670	\$ 3,650,952
Public safety	382,919	287,821	308,439	305,708
Public works	-	-	-	-
Community services	338,965	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	707,816	1,813,591	1,230,851	476,057
Other	-	-	-	-
Total governmental activities program revenues	3,944,887	4,480,347	3,796,960	4,432,717
Business-type activities:				
Charges for services:				
Public utilities fund	7,568,944	6,227,101	5,897,077	5,845,601
Airport fund	669,510	427,323	466,097	607,746
Cemetery operating fund	119,721	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenue	8,358,175	6,654,424	6,363,174	6,453,347
Total primary government program revenues	\$ 12,303,062	\$ 11,134,771	\$ 10,160,134	\$ 10,886,064

Source: Audited Financial Statements of City of Taylor, Texas

2007	2006	2005	2004	2003	2002
\$ 3,791,089	\$ 3,740,078	\$ 2,636,013	\$ 3,314,123	\$ 943,250	\$ 1,063,670
4,043,066	4,161,454	3,743,894	4,135,542	3,449,803	3,395,614
3,422,645	3,118,037	3,300,004	2,912,174	3,496,627	3,176,893
-	226,110	463,835	141,546	701,197	648,782
655,537	681,884	454,224	514,207	448,735	430,559
-	-	-	-	489,757	335,672
11,912,337	11,927,563	10,597,970	11,017,592	9,529,369	9,051,190
 5,820,213	 5,948,540	 5,432,576	 3,030,511	 4,652,811	 2,003,443
421,971	395,886	318,448	248,850	228,882	-
-	-	-	-	-	-
-	-	-	-	708,178	1,427,345
6,242,184	6,344,426	5,751,024	3,279,361	5,589,871	3,430,788
\$ 18,154,521	\$ 18,271,989	\$ 16,348,994	\$ 14,296,953	\$ 15,119,240	\$ 12,481,978
 \$ 3,132,354	 \$ 3,169,711	 \$ 2,292,637	 \$ 2,171,567	 \$ 1,845,099	 \$ 770,795
331,605	281,661	232,280	356,500	307,994	300,444
-	-	3,382	-	-	-
-	-	4,740	39,438	-	37,795
-	-	118,577	59,984	-	315,338
1,335,302	908,961	385,437	-	1,060,221	5,596
-	-	-	-	1,052,300	-
4,799,261	4,360,333	3,037,053	2,627,489	4,265,614	1,429,968
 5,141,474	 5,033,084	 4,832,243	 4,894,120	 4,309,897	 4,025,449
387,224	354,033	254,490	119,924	202,773	-
-	-	-	-	-	-
825,814	109,702	225,698	9,708	-	-
6,354,512	5,496,819	5,312,431	5,023,752	4,512,670	4,025,449
\$ 11,153,773	\$ 9,857,152	\$ 8,349,484	\$ 7,651,241	\$ 8,778,284	\$ 5,455,417

(Continued)

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

	2011	2010	2009	2008
Net (Expenses) Revenue				
Governmental activities	\$ (10,604,484)	\$ (9,701,276)	\$ (9,562,989)	\$ (9,946,608)
Business-type activities	1,838,373	616,869	704,712	(428,219)
Total primary government net expense	<u>\$ (8,766,111)</u>	<u>\$ (9,084,407)</u>	<u>\$ (8,858,277)</u>	<u>\$ (10,374,827)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 6,078,005	\$ 5,811,529	\$ 5,741,878	\$ 5,589,548
Franchise taxes	754,242	751,877	723,591	764,227
Sales taxes	2,219,629	2,239,952	2,248,042	3,020,333
Hotel occupancy taxes	61,797	93,357	77,533	99,597
Investment earnings	38,451	114,902	140,589	301,223
Miscellaneous	1,373,359	435,759	930,977	201,993
Transfers	805,020	830,000	1,128,168	-
Total governmental activities	<u>11,330,503</u>	<u>10,277,376</u>	<u>10,990,778</u>	<u>9,976,921</u>
Business-type activities:				
Investment earnings	10,086	16,284	64,899	239,913
Miscellaneous	619,970	56,113	80,922	47,646
Transfers	(805,020)	(830,000)	(1,128,168)	-
Total business-type activities	<u>(174,964)</u>	<u>(757,603)</u>	<u>(982,347)</u>	<u>287,559</u>
Total primary government	<u>\$ 11,155,539</u>	<u>\$ 9,519,773</u>	<u>\$ 10,008,431</u>	<u>\$ 10,264,480</u>
Change in Net Assets				
Governmental activities	\$ 726,019	\$ 576,100	\$ 1,427,789	\$ 30,313
Business-type activities	1,663,409	(140,734)	(277,635)	(140,660)
Total primary government	<u>\$ 2,389,428</u>	<u>\$ 435,366</u>	<u>\$ 1,150,154</u>	<u>\$ (110,347)</u>

Source: Audited Financial Statements of City of Taylor, Texas

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

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

Fiscal Year	Property	Sales & Use	Occupancy (Mobile Home)	Franchise Revenue	Other	Total
2002	\$ 3,559,246	\$ 1,709,022	\$ 250	\$ 679,351	\$ 45,288	\$ 5,993,157
2003	3,461,590	1,644,947	1,050	740,799	37,690	5,886,076
2004	4,290,656	1,913,789	250	659,962	40,825	6,905,482
2005	4,380,395	2,097,890	250	779,969	46,773	7,305,277
2006	4,723,464	2,237,062	500	792,462	60,514	7,814,002
2007	5,183,652	3,431,242	750	718,661	81,482	9,415,787
2008	5,589,548	3,020,333	250	763,977	99,597	9,473,705
2009	5,741,878	2,248,042	250	723,341	77,533	8,791,044
2010	5,811,529	2,239,952	55	751,822	93,357	8,896,715
2011	6,078,005	2,219,629	500	754,242	91,698	9,144,074

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

Fiscal Year	Property ¹	Sales & Use	Occupancy (Mobile Home)	Franchise Revenue	Other	Total
2002	\$ 3,466,913	\$ 1,709,022	\$ 250	\$ 679,351	\$ 45,288	\$ 5,900,824
2003	3,440,532	1,644,947	1,050	740,799	37,690	5,865,018
2004	4,223,093	1,913,789	250	659,962	40,825	6,837,919
2005	4,292,903	2,097,890	250	779,969	46,773	7,217,785
2006	4,722,459	2,237,062	500	792,462	60,514	7,812,997
2007	5,125,816	3,431,242	750	718,661	81,482	9,357,951
2008	5,509,438	3,020,333	250	763,977	99,597	9,393,595
2009	5,740,182	2,248,042	250	723,341	77,533	8,789,348
2010	5,907,445	2,239,952	55	751,822	93,357	8,992,631
2011	6,073,711	2,219,629	500	754,242	92,220	9,140,302

¹ Property taxes does not include penalties and interest on taxes

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund				
Unreserved	\$ -	\$ 3,567,124	\$ 3,899,851	\$ 3,809,353
Restricted	615,461	-	-	-
Committed	17,739	-	-	-
Unassigned	<u>2,943,662</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general fund	<u><u>\$ 3,576,862</u></u>	<u><u>\$ 3,567,124</u></u>	<u><u>\$ 3,899,851</u></u>	<u><u>\$ 3,809,353</u></u>
 All Other Governmental Funds				
Reserved	\$ -	\$ 3,353,764	\$ 1,055,079	\$ 4,702,011
Unreserved, reported in:				
Special revenue funds	-	499,523	392,573	248,681
Capital projects funds	-	-	-	-
Non-spendable	735,606	-	-	-
Restricted	2,886,566	-	-	-
Committed	<u>155,415</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u><u>\$ 3,777,587</u></u>	<u><u>\$ 3,853,287</u></u>	<u><u>\$ 1,447,652</u></u>	<u><u>\$ 4,950,692</u></u>

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

2007	2006	2005	2004	2003	2002
\$ 2,870,578	\$ 1,723,314	\$ 1,477,018	\$ 1,506,540	\$ 1,718,417	\$ 1,319,007
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,870,578</u>	<u>\$ 1,723,314</u>	<u>\$ 1,477,018</u>	<u>\$ 1,506,540</u>	<u>\$ 1,718,417</u>	<u>\$ 1,319,007</u>
\$ 3,090,819	\$ 5,447,454	\$ 877,280	\$ 2,844,708	\$ 3,947,062	\$ 2,201,633
161,058	106,282	85,325	97,400	102,595	98,938
-	-	7,647,408	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,251,877</u>	<u>\$ 5,553,736</u>	<u>\$ 8,610,013</u>	<u>\$ 2,942,108</u>	<u>\$ 4,049,657</u>	<u>\$ 2,300,571</u>

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

	2011	2010	2009	2008
Revenues				
Taxes	\$ 9,168,082	\$ 9,074,489	\$ 8,843,496	\$ 9,442,425
Licenses, permits, and fees	92,220	113,208	105,591	129,750
Charges for services	1,794,596	1,662,049	1,464,667	2,604,165
Fines and forfeitures	382,919	287,821	308,439	305,708
Special assessments	-	-	-	-
Intergovernmental	1,046,781	991,107	1,027,208	476,057
Other revenues	1,294,289	351,900	875,655	201,213
Investment earnings	38,452	114,902	140,589	301,223
Contributions	-	-	-	-
Total revenues	<u>13,817,339</u>	<u>12,595,476</u>	<u>12,765,645</u>	<u>13,460,541</u>
Expenditures				
Current:				
General government	2,527,926	2,846,860	2,628,035	3,281,548
Public safety	4,214,072	4,330,047	4,214,449	4,199,718
Public works	3,823,790	3,681,843	3,380,810	3,528,574
Community services	343,860	-	-	-
Debt Service:				
Principal retirement	938,129	891,896	795,792	671,849
Interest and fiscal changes	808,698	733,766	982,337	700,119
Other	-	-	-	-
Capital outlay:	<u>2,086,699</u>	<u>1,857,267</u>	<u>8,215,648</u>	<u>2,469,171</u>
Total expenditures	<u>14,743,174</u>	<u>14,341,679</u>	<u>20,217,071</u>	<u>14,850,979</u>
Excess (deficiency) of revenues over expenditures	<u>(925,835)</u>	<u>(1,746,203)</u>	<u>(7,451,426)</u>	<u>(1,390,438)</u>
Other financing sources (uses):				
Transfers in	1,648,065	1,005,766	1,287,399	1,280,839
Transfers out	(853,657)	(182,037)	(169,422)	(1,300,839)
Premium on debt issuance	-	-	33,886	-
Debt issuance	1,030,000	2,655,000	7,675,000	3,000,000
Lease issuance	-	-	-	381,545
Payments to escrow agent	(964,535)	-	(4,662,789)	-
Total other financing sources (uses)	<u>859,873</u>	<u>3,478,729</u>	<u>4,164,074</u>	<u>3,361,545</u>
Net change in fund balances	<u>\$ (65,962)</u>	<u>\$ 1,732,526</u>	<u>\$ (3,287,352)</u>	<u>\$ 1,971,107</u>
Debt service as percentage of noncapital expenditures	<u>13.8%</u>	<u>13.0%</u>	<u>14.8%</u>	<u>11.1%</u>

2007	2006	2005	2004	2003	2002
\$ 9,414,268	\$ 7,881,607	\$ 7,261,659	\$ 6,882,447	\$ 5,925,018	\$ 5,221,223
160,260	190,797	152,579	327,022	1,845,099	2,577,974
2,125,876	2,064,751	2,140,058	1,971,913	-	-
331,605	281,661	237,020	202,803	307,994	-
-	2,049	3,382	26,904	-	-
1,335,302	615,261	504,014	32,592	1,060,221	281,856
248,316	241,292	91,458	95,622	1,052,300	286,903
446,973	664,090	171,853	89,106	81,937	189,889
-	293,700	12,304	31,970	-	-
14,062,600	12,235,208	10,574,327	9,660,379	10,272,569	8,557,845
2,772,560	2,370,078	2,371,916	2,352,231	823,981	860,675
3,790,923	3,640,964	3,305,776	3,677,702	3,294,388	3,277,094
3,238,648	2,738,220	3,016,854	2,593,956	2,377,640	2,307,403
-	85,437	329,137	123,862	685,656	635,976
737,611	625,775	539,993	499,889	373,230	617,779
633,982	670,835	469,630	492,610	475,214	-
-	-	-	-	489,757	335,672
4,213,471	4,840,710	2,840,810	1,974,044	1,103,494	3,178,065
15,387,195	14,972,019	12,874,116	11,714,294	9,623,360	11,212,664
(1,324,595)	(2,736,811)	(2,299,789)	(2,053,915)	649,209	(2,654,819)
351,636	600,000	10,500	133,504	18,990	895,605
(381,636)	(673,170)	(10,500)	(133,504)	(94,707)	(354,105)
-	-	-	-	-	-
200,000	-	5,092,750	-	1,575,000	2,244,955
-	-	1,752,444	-	-	-
-	-	-	-	-	-
170,000	(73,170)	6,845,194	-	1,499,283	2,786,455
\$ (1,154,595)	\$ (2,809,981)	\$ 4,545,405	\$ (2,053,915)	\$ 2,148,492	\$ 131,636
12.3%	12.8%	10.1%	10.2%	10.0%	7.7%

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	
	Residential Assessed Value	Commercial Assessed Value	Agriculture	Personal	Other	Real Property	Real Property	Real Property
2002	\$ 331,354	\$ 106,857	\$ 13,448	\$ 127,895	\$ -	\$ 27,400		
2003	333,952	178,568	18,188	119,937	-	53,254		
2004	351,100	203,593	17,608	110,000	-	57,047		
2005	373,469	255,778	19,487	85,862	-	71,081		
2006	394,317	236,063	23,783	59,329	-	50,375		
2007	423,939	192,852	32,873	108,373	-	58,184		
2008	462,462	190,589	34,222	99,778	-	24,802		
2009	439,446	218,102	36,496	116,084	-	39,734		
2010	455,517	211,709	39,355	114,305	-	39,031		
2011	451,487	197,816	39,566	128,562	-	39,471		

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

Source: Williamson County Appraisal District Reports

Total Assessed Value	Tax Rate	Estimated Tax Value	Ratio of Total Assessed Value to Total Estimated Actual Value
\$ 552,154	\$ 0.71452	\$ 552,154	100.0%
597,391	0.74876	597,391	100.0%
625,254	0.74000	625,254	100.0%
663,515	0.74382	663,515	100.0%
663,117	0.78650	663,117	100.0%
699,853	0.79500	699,853	100.0%
762,249	0.78999	762,249	100.0%
770,394	0.79000	770,394	100.0%
781,855	0.79000	781,855	100.0%
777,960	0.81389	777,960	100.0%

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

Fiscal Year	CITY OF TAYLOR			WILLIAMSON COUNTY			
	Operating	Debt Service	Total Rate	Operating	Debt Service	RD/FM Operating	Total Rate
2002	\$ 0.58955	\$ 0.12497	\$ 0.71452	\$ 0.27270	\$ 0.15270	\$ 0.03290	\$ 0.45830
2003	0.58955	0.15921	0.74876	0.30113	0.14710	0.03358	0.48181
2004	0.56980	0.17020	0.74000	0.30055	0.17831	0.03337	0.51223
2005	0.56980	0.17402	0.74382	0.30050	0.16566	0.03350	0.49966
2006	0.56980	0.21670	0.78650	0.28336	0.18414	0.03217	0.49967
2007	0.59653	0.19847	0.79500	0.27500	0.18410	0.03000	0.48910
2008	0.60446	0.18554	0.78999	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

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

Source: Williamson County Tax Collector

TAYLOR SCHOOL DISTRICT

Operating	Debt Service	Total Rate	Total Direct & Overlapping Rates
\$ 1.45000	\$ 0.13000	\$ 1.58000	\$ 2.75282
1.46000	0.15000	1.61000	2.84057
1.50000	0.17000	1.67000	2.92223
1.50000	0.17000	1.67000	2.91348
1.37000	0.17000	1.54000	2.82617
1.04000	0.16000	1.20000	2.48410
1.04000	0.16000	1.20000	2.45831
1.04000	0.45000	1.49000	2.77182
1.04000	0.43000	1.47000	2.74990
1.04000	0.41000	1.45000	2.75158

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

2011

Taxpayer	Assessed Valuation	Rank	Percentage of Total City
			Assessed Valuation
ERCOT	\$ 31,464,400	1	4.04%
Electric Reliability Council of TX	19,579,634	2	2.52%
CCA Properties of Texas	13,200,000	3	1.70%
HEB Grocery Company	11,557,671	4	1.49%
Walmart Real Estate Business Trust	10,294,624	5	1.32%
Oncor Electric Delivery Company	8,220,841	6	1.06%
Texas HWY 95, LP	6,217,444	7	0.80%
Walmart Stores East Inc	5,333,673	8	0.69%
Taylor CPB Property	5,112,960	9	0.66%
Union Pacific RR Co.	4,276,869	10	0.55%

Source: Williamson County Appraisal District

2002

Taxpayer	Assessed Valuation	Rank	Percentage of Total City
			Assessed Valuation
ERCOT	\$ 28,430,820	1	5.15%
Intercraft Industries	16,733,920	2	3.03%
CCA Properties of Texas	17,000,005	3	3.08%
Electric Reliability Council of TX	10,202,494	4	1.85%
Intercraft Company	7,450,472	5	1.35%
Oncor Electric Delivery Company	6,292,320	6	1.14%
Laboratory Tops Inc	3,957,804	7	0.72%
Texwood Furniture Corp	3,967,350	8	0.72%
Maxwell Chrysler Plymouth	3,798,298	9	0.69%
E.R. Carpenter LP	3,789,380	10	0.69%

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
2002	\$ 3,541,083	\$ 3,437,247	97.1%	\$ 45,729	\$ 3,482,976	98.4%
2003	4,221,245	4,118,660	97.6%	96,674	4,215,334	99.9%
2004	4,339,430	4,108,997	94.7%	108,624	4,217,621	97.2%
2005	4,339,777	4,219,125	97.2%	59,297	4,278,422	98.6%
2006	4,709,141	4,626,689	98.2%	97,930	4,724,619	100.3%
2007	5,106,729	5,006,268	98.0%	93,043	5,099,311	99.9%
2008	5,524,316	5,416,832	98.1%	68,192	5,485,024	99.3%
2009	5,820,781	5,658,597	97.2%	86,319	5,744,916	98.7%
2010	5,802,025	5,694,713	98.2%	117,177	5,811,890	100.2%
2011	6,050,622	5,976,895	98.8%	71,348	6,048,243	100.0%

Source: Williamson County Appraisal District

CITY OF TAYLOR, TEXAS
PLEDGE-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		
2002	\$ 3,886,678	\$ 2,018,443	\$ 1,868,235	\$ 2,850,000	\$ 1,506,825		42.9%
2003	4,240,549	4,027,268	213,281	2,825,000	1,382,955		5.1%
2004	5,002,406	3,377,069	1,625,337	2,800,000	1,260,840		40.0%
2005	4,986,548	4,344,134	642,414	2,775,000	1,139,627		16.4%
2006	5,624,572	4,822,018	802,554	2,750,000	1,019,343		21.3%
2007	5,188,998	4,246,115	942,883	2,725,000	899,997		26.0%
2008	5,877,587	4,639,485	1,238,102	2,700,000	781,605		35.6%
2009	5,965,725	3,250,434	2,715,291	2,675,000	664,190		81.3%
2010	6,340,142	3,589,878	2,750,264	2,650,000	547,778		86.0%
2011	8,185,627	3,386,091	4,799,536	-	-		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 for depreciation.

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	Certificates of Obligation	Capital Lease
2002	\$ 7,534,955	\$ 1,583,424	\$ 368,483	\$ 231,848
2003	7,286,525	3,033,623	343,487	105,385
2004	7,003,570	2,848,916	318,462	-
2005	11,789,995	2,647,518	293,441	370,013
2006	11,693,610	2,141,063	270,506	249,884
2007	11,177,225	2,144,858	245,485	192,864
2008	10,666,935	5,008,320	220,464	509,052
2009	10,582,740	7,333,955	-	397,436
2010	9,878,545	9,877,038	-	281,737
2011	9,192,005	9,768,476	145,398	418,071

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

Business-type Activities

Combination Tax & Revenue Bonds	General Obligation Bonds	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 13,704,119	\$ -	\$ -	\$ 23,422,829	6.72%	\$ 1,058
15,863,217	-	-	26,632,237	11.32%	1,078
11,274,582	-	462,401	21,907,931	12.77%	1,299
10,885,970	-	-	25,986,937	10.01%	1,151
10,081,425	396,390	-	24,832,878	8.57%	1,180
13,679,088	377,775	-	27,817,295	1.25%	1,225
20,259,397	358,065	-	37,022,233	8.57%	1,473
22,711,045	4,432,260	-	45,457,436	11.23%	1,205
28,382,962	4,196,455	-	52,616,737	13.05%	1,247
25,441,524	5,982,995	-	50,948,469	16.67%	1,207

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			Total	Percentage of Actual Taxable Value ¹ of Property	Per Capita ²
		Service Fund					
2002	\$ 7,534,955	\$ 49,238	\$ 7,485,717		1.12%	512	
2003	7,286,525	84,381	7,202,144		1.12%	488	
2004	7,003,570	110,821	6,892,749		1.05%	442	
2005	11,789,995	153,854	11,636,141		1.72%	746	
2006	11,693,610	191,098	11,502,512		1.63%	713	
2007	11,177,225	162,681	11,014,544		1.63%	640	
2008	10,666,935	155,140	10,511,795		1.55%	595	
2009	10,582,740	102,626	10,480,114		1.36%	566	
2010	9,878,545	233,182	9,645,363		1.23%	509	
2011	9,192,005	287,894	8,904,111		1.14%	586	

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

²Population data can be found in the Schedule of Demographic and Economic Statistics.

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

CITY OF TAYLOR, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2011
UNAUDITED
(Amount expressed in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
County	\$ 820,309	100.00%	\$ 820,309
School	58,055	92.02%	<u>53,422</u>
Subtotal, overlapping debt			<u>873,731</u>
City of Taylor	19,756	100%	<u>19,756</u>
Total direct and overlapping debt			<u>\$ 893,487</u>

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

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

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

	2011	2010	2009	2008	2007
Debt limit	\$ 204,358	\$ 205,222	\$ 202,532	\$ 196,763	\$ 189,509
Total net debt applicable to limit	<u>35,210</u>	<u>38,281</u>	<u>30,045</u>	<u>24,381</u>	<u>15,197</u>
Legal debt margin	<u><u>\$ 169,148</u></u>	<u><u>\$ 166,941</u></u>	<u><u>\$ 172,487</u></u>	<u><u>\$ 172,382</u></u>	<u><u>\$ 174,312</u></u>

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 777,960
Add back: exempt real property	39,471
Total assessed value	817,431
Debt limit (10% of total assessed value)	204,358
Debt applicable to limit:	
General obligation bonds	50,385
Less: Amount set aside for repayment of	
general obligation debt	(15,175)
Total net debt applicable to limit	<u>35,210</u>
Legal debt margin	<u><u>\$ 169,148</u></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.

2006	2005	2004	2003	2002
\$ 174,875	\$ 129,593	\$ 131,460	\$ 126,245	\$ 121,255
<u>11,528</u>	<u>12,090</u>	<u>6,036</u>	<u>10,165</u>	<u>8,849</u>
<u>\$ 163,347</u>	<u>\$ 117,503</u>	<u>\$ 125,424</u>	<u>\$ 116,080</u>	<u>\$ 112,406</u>

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

Employer	2011		
	No. Employees ¹	Rank	Percentage of Total City Employment ²
ERCOT	635	1	7.1%
Taylor ISD	548	2	6.2%
Wal-Mart	240	3	2.7%
Durcon Laboratory Tops	211	4	2.4%
Scott & White	163	5	1.8%
Corrections Corp of America	161	6	1.8%
H.E.B.	161	7	1.8%
City of Taylor	145	8	1.7%
FloydCo (Floyd's Glass)	130	9	1.5%
Burrows Cabinets	100	10	1.1%
 City of Taylor Total	 <u>2,497</u>		 <u>28.05%</u>

¹Source: Taylor Economic Development Corp.

²Source: Estimate based on statistical data for Williamson County

Employer	2002		
	No. Employees ¹	Rank	Percentage of Total City Employment ²
Intercraft Industries	690	1	8.5%
Taylor ISD	414	2	5.1%
ERCOT	200	3	2.5%
Durcon Laboratory Tops	190	4	2.4%
H.E.B.	185	5	2.3%
Wal-Mart	153	6	1.9%
Johns Community Hospital	140	7	1.7%
Sweatbriar Nursing Home	130	8	1.6%
FloydCo (Floyd's Glass)	120	9	1.5%
City of Taylor	109	10	1.3%
	<u>2,331</u>		<u>28.86%</u>

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

Fiscal Year	Population ¹	Personal Income ³		Per Capita ⁵	School Enrollment ⁴	Unemployment Rate ²
		(amounts expressed in thousands)	Personal Income			
2002	14,622	\$ 257,786	\$ 17,630	3,089	5.5%	
2003	14,757	265,110	17,965	3,030	5.6%	
2004	15,598	289,468	18,558	2,979	4.4%	
2005	15,598	299,310	19,189	3,041	4.4%	
2006	16,138	317,418	19,669	3,042	4.0%	
2007	17,202	351,179	20,415	3,115	3.8%	
2008	17,663	433,574	24,547	3,156	4.7%	
2009	18,509	371,698	20,082	3,115	6.7%	
2010	19,397	392,160	20,780	3,086	7.7%	
2011	15,191	305,582	20,116	3,086	7.1%	

Data Sources:

- ¹ 2002-2010 Texas State Data Center & Office of the State Demographer/ 2011 US Census Bureau
- ² State Department of Labor and City-Data.com
- ³ US 2010 Census adjusted by CPI for inflation
- ⁴ Taylor Independent School District
- ⁵ U. S. Census Bureau Quick Facts

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

Function / Program	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government										
Management services	4	3	2	3	3	4	3	3	3	3
Human Resources	2	3	3	3	3	1	1	1	1	1
Finance	4	4	4	4	4	6	8	8	7	7
Municipal Court	5	4	4	4	4	4	4	4	4	4
C D - Planning	5	5	6	6	6	6	4	5	5	5
Main Street	1	2	2	1	2	1	1	-	1	-
C D - Recreation		1	1	1	1	1	1	1	1	1
Building	3	1	1	1	1	1	1	1	1	2
General services	1	1	1	1	-	-	-	-	-	-
Information technology	1	1	1	1	-	-	-	-	-	-
Other	1	-	-	-	-	-	-	-	-	-
Police										
Officers	25	27	27	26	26	27	21	26	25	28
Civilians	8	11	11	11	11	10	11	11	12	14
Animal Control	2	1	1	2	1	1	2	2	1	1
Fire										
Firefighters and Officers	23	25	25	23	25	24	25	24	25	22
Civilians	1	1	1	1	1	1	1	1	1	1
Other Public Works										
Engineering/Inspection	2	2	3	2	2	2	1	3	3	3
Street Maintenance	13	10	10	9	7	9	10	7	8	7
Grounds	-	15	11	7	10	10	10	10	11	10
Other	2	3	4	2	2	1	2	2	2	2
Parks and Recreation										
Library	6	-	-	-	-	-	-	-	-	-
Water	7	7	8	7	7	7	7	8	8	8
Wastewater	14	15	14	12	14	12	13	13	13	16
Utilities Admin	2	3	3	3	2	3	3	3	3	5
Airport	6	6	7	7	7	6	3	2	2	2
Cemetery	3	1	2	3	3	3	3	3	3	3
Fleet Services	2	1	1	2	2	2	2	2	2	-
Total all governmental funds	145	155	153	144	147	144	139	142	144	147

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Function/Program				
General government				
Building permits issued	33	35	481	530
Building inspections conducted	1,291	540	410	503
Public Safety				
Police:				
Physical arrests	653	699	730	707
Parking violations	76	87	63	72
Traffic violations	3,388	2,457	3,489	2,063
Fire:				
Emergency responses	2,225	1,788	2,302	1,704
Fires extinguished	110	112	121	149
Inspections	315	503	427	394
Highways and streets				
Street resurfacing (miles)	-	-	-	-
Potholes repaired	171	741	1,430	851
Culture and Recreation				
Athletic field permits issued	36	24	-	-
Community center admissions	-	-	-	-
Library				
Volumes in collection	46,099	42,733	40,330	37,809
Total volumes borrowed	91,408	88,622	81,893	81,274
Water				
New connections	1,246	1,240	872	873
Water main breaks	584	350	515	511
Average daily consumption (millions of gallons)	3	2	2	2
Peak daily consumption (millions of gallons)	4	3	3	4
Wastewater				
Average daily treatment (millions of gallons)	2	2	2	1

Source: Various Departments within the City of Taylor.

2007	2006	2005	2004	2003	2002
368	459	331	378	453	251
692	2,144	1,261	2,030	2,497	715
955	990	917	950	1,457	1,085
102	150	104	133	170	46
3,798	4,792	2,660	3,318	3,764	3,648
1,550	1,600	1,440	1,393	1,280	1,382
117	131	118	114	105	113
294	570	137	275	265	240
6	-	8	8	9	7
1,655	1,553	1,932	2,604	1,796	2,241
-	-	-	-	-	-
-	-	-	-	-	-
43,636	35,930	34,377	37,307	36,512	39,040
69,419	56,107	55,722	56,961	40,910	45,211
928	495	321	210	176	117
388	567	548	477	604	604
2	2	2	2	2	3
3	3	3	3	3	3
2	2	2	2	2	2

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

	2011	2010	2009	2008
Function				
Police				
Number of stations	1	1	1	1
Zone Officers	25	27	21	27
Number of patrol units	12	12	12	12
Fire				
Number of stations	2	2	2	2
Highways and streets				
Streets (miles)	93	92	87	87
Streetlights	1,097	1,097	1,097	1,097
Traffic signals	11	13	11	11
Culture and recreation				
Acreage	387	387	387	387
Playgrounds	6	6	6	4
Baseball/softball diamond	20	20	20	10
Swimming pools	2	2	2	2
Tennis courts	10	10	10	10
Water				
Water mains	115	109	109	99
Fire hydrants	596	583	450	582
Storage capacity	5	5		5
Wastewater				
Treatment capacity	4,000	4,000	4,000	4,000
Sanitary sewer (miles)	86	86	86	84
Storm sewers (miles)	3	3	3	3

Source: Various Departments within City of Taylor

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

2007	2006	2005	2004	2003	2002
1 27 12	1 27 12	1 27 12	1 27 12	1 26 8	1 30 8
2	2	2	2	3	3
87 1,072 10	85 1,069 9	81 1,054 9	80 965 9	75 915 9	75 908 9
387	312	312	292	144	144
2 10	2 10	2 10	2 10	2 8	2 8
99 580 5	99 580 5	99 580 5	99 425 5	45 415 5	45 415 5
4,000 84 3	4,000 84 3	4,000 83 3	4,000 81 3	4,000 74 3	4,000 74 3

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COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and
City Council
City of Taylor, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Taylor, Texas (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated January 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses. We consider the deficiency described as item 2011-1 in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

Compliance and Other Matters

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

City of Taylor's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Taylor's response and, accordingly, we express no opinion on it.

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

Brockway, Gribble, Franklin & Nierman, P.C.

January 20, 2012



CERTIFIED PUBLIC ACCOUNTANTS

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

To the City Council
City of Taylor, Texas

Compliance

We have audited the City of Taylor, Texas (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

Internal Control Over Compliance

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

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

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

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

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

Brockway, Dorfman, Franklin & Neuman, P.C.

January 20, 2012

CITY OF TAYLOR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued was unqualified.

Internal control over financial reporting:

Material weakness(es) identified:	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
Significant deficiency(ies) identified:	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no

Federal Awards

Internal control over major programs:

Material weakness(es) identified:	<input type="checkbox"/>	yes	<input type="checkbox"/>	no
Significant deficiency(ies) identified:	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported

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

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

yes no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.239

Home Investment Partnership Program

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

\$ 300,000

Auditee qualified as low-risk auditee?

yes no

CITY OF TAYLOR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Section II-Financial Statement Findings

Material Weakness

2011-1 Recording Grant Expenditures and Proceeds

Criteria and Condition: Grant revenues and expenditures from donated property and projects completed by other entities were not included in the City's financial statements.

Context: The total amount of donated property during the year totaled \$ 218,573 and the total projects completed by other entities totaled \$ 201,444. A test of the fixed asset additions noted that these activities were not recorded in the financial statements.

Cause: We found that there was a lack of adherence to prescribed accounting policies and procedures and the Federal regulations required that property be recorded at fair market value.

Effect: Grant revenues and expenditures of \$ 420,017 were not recorded. Although there is no net change in fund balance when these activities were recorded, Federal grant revenue was materially understated.

Recommendation: Accurate records should be maintained to ensure the financial statements are properly recorded and property acquired with Federal funds has appropriate donated value. Additionally, grant documentations should be reviewed to ensure grant proceeds and expenditures are recorded in the proper accounting period.

Management's Response: We concur with this finding and the recommended adherence to prescribed accounting policies and procedures and Federal regulations will be followed.

Section III-Federal Award Findings and Questioned Costs

There were no findings and no matters were reported.