

CITY OF TAYLOR, TEXAS



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012**

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

September 30, 2012

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON
AND SUPPLEMENTARY INFORMATION

Prepared by:
Finance Department

Rosemarie Dennis
Director of Finance



TABLE OF CONTENTS

INTRODUCTORY SECTION:

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

FINANCIAL SECTION:

Independent Auditors' Report	3
Management's Discussion and Analysis	5
Basic Financial Statements	
Government Wide Financial Statements:	
Statement of Net Assets	20
Statement of Activities	22
Fund Financial Statements:	
Governmental Funds Balance Sheet	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	27
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	31
Statement of Net Assets - Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	35
Statement of Cash Flows - Proprietary Funds	36
Notes to Financial Statements	40
Required Supplementary Information	
Schedules of Funding Progress	81
Combining and Individual Financial Statements and Schedules	
NonMajor Governmental Funds:	
Combining Balance Sheet	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	86

TABLE OF CONTENTS (CONTINUED)

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

Hotel Motel Fund	88
Texas Capital Fund	89
Main Street Revenue Fund	90
Cemetery Land Purchases	91
Municipal Court Special Fee	92
TIF Fund	93
Drainage Fund	94
Cemetery Permanent Fund	95

Major Debt Service Fund:

I & S for CO Bonds	96
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Internal Service Funds:

Combining Statement of Net Assets	99
Combining Statement of Revenues, Expenses and Changes in Net Assets	100
Combining Statement of Cash Flows	101

STATISTICAL SECTION (UNAUDITED)

Net Assets by Component	106
Changes in Net Assets	108
Governmental Activities Tax Revenues by Source	112
General Governmental Tax Revenues by Source	113
Fund Balances of Governmental Funds	114
Changes in Fund Balances of Governmental Funds	116
Assessed Value and Estimated Actual Value of Taxable Property	118
Property Tax Rates Direct and Overlapping Governments	120
Principal Property Taxpayers	122
Property Tax Levies and Collections	124
Pledge-Revenue Coverage	125
Ratios of Outstanding Debt by Type	126
Ratios of Net General Bonded Debt Outstanding	128
Direct and Overlapping Governmental Activities Debt	129
Legal Debt Margin Information	130
Principal Employers	132
Demographic and Economic Statistics	134
Full-time Equivalent City Government Employees by Function/Program	135
Operating Indicators by Function/Program	136
Capital Asset Statistics by Function	138

TABLE OF CONTENTS (CONTINUED)

Compliance Section

Independent Auditors' 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	143
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INTRODUCTORY SECTION

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TAYLOR
THE ZEST OF TEXAS

February 28, 2013

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, 2012, including the independent auditor's report, is hereby submitted in accordance with the provisions of Section 10.3 of the City Charter. Also, state law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with the generally accepted accounting principles (GAAP) and audited in accordance with generally accepted audited standards by an independent firm of licensed public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Taylor for the fiscal year ended September 30, 2012.

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, 2012, 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, 2012, 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 16,061 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 Progressive Waste Solutions 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 for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statement for the governmental funds. For other governmental funds with appropriated annual budgets, this comparison is presented in the combining and individual financial statements and schedule of this report.

Factors Affecting Financial Condition

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

Local Economy

The average rate for unemployment rate for Williamson County in 2012 was 6.8%, which is a decrease from a rate of 7.2% in 2011. However, this is lower than the national average unemployment rate of 7.8%. The City of Taylor's location is in a region with a varied economic base.

The City issued debt in the amount of \$ 3,000,000 in 2012 to fund street and drainage capital improvement projects that is anticipated to be complete in 2013.

Residential building permits issued for residential valued at \$ 2,579,458, an increase from prior year by \$ 2,001,368. Also, commercial building permit issued increased by \$ 2,187,875 and is valued at \$ 5,012,000. The City of Taylor continues to see new development in the area.

Long –Term Financial Planning

The City is in the planning stages of implementing a Street Construction and Maintenance Program in 2012 that will generate revenues that will be utilized to maintain and improve the City's streets. Debt will be issued to finance street related projects in the upcoming years.

Major Initiatives

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

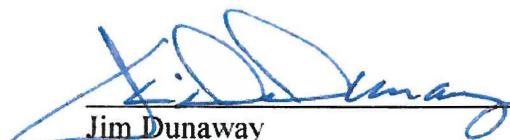
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Taylor for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2011. This was the fourth consecutive year that the government 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 meet the requirements of the Certificate of Achievement Program to submit to GFOA to determine its eligibility for another certificate.

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



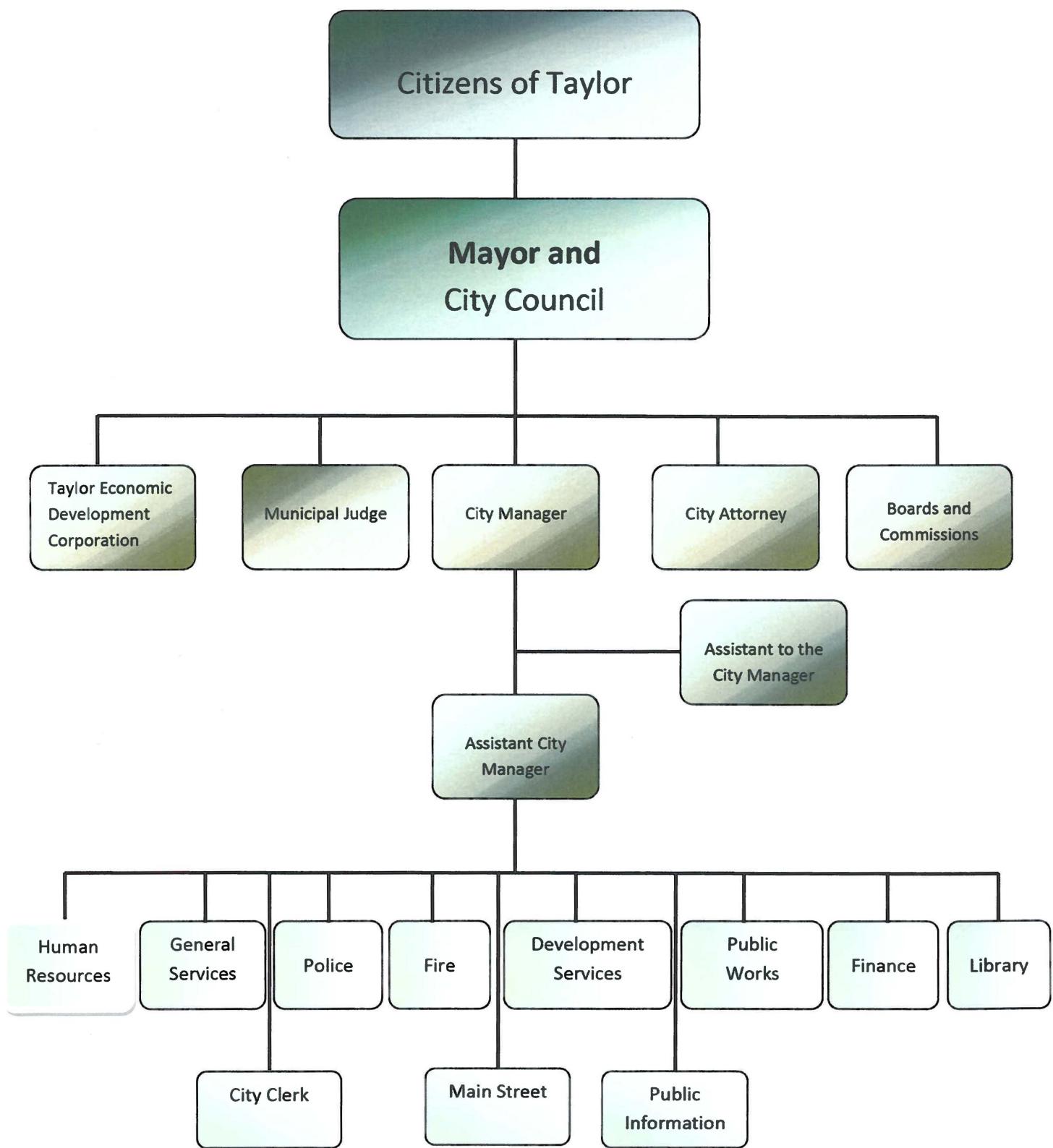
Jim Dunaway
City Manager



Rosemarie Dennis
Finance Director

City of Taylor

Organizational Chart



CITY OF TAYLOR
PRINCIPAL OFFICIALS

City Council

Donald Hill.....	Mayor
Christopher Gonzales.....	Mayor Pro Tem
Chris Osborn.....	Council Member
Jesse Ancira.....	Council Member
Brandt Rydell.....	Council Member

City Staff :

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

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, 2011

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.



Christopher P. Morrell

President

Jeffrey R. Emar

Executive Director

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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

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, 2012, 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, 2012, and the respective changes in financial position and where applicable, cash flows and the respective budgetary comparison for the General Fund 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 February 18, 2013, 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

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, 2012, 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, 2012, and the respective changes in financial position and where applicable, cash flows and the respective budgetary comparison for the General Fund 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 February 18, 2013, 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 81 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 combining and individual fund statements and schedules on pages 84 through 101 are presented for purposes of additional analysis and are not a required part of the financial statements. These statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This 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 as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements and collectively comprise the City of Taylor's financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



February 18, 2013

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 discussion and analysis (MD&A) of the financial activities of the City of Taylor for the fiscal year ended September 30, 2012. 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 \$ 63,573,584 (net assets). Of this amount, \$ 4,394,278 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$ 278,740. The majority of the increase in net assets can be attributed to increases in charges for services, sales tax receipts, 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 \$ 4,898,790, an increase of \$ 1,321,928 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 \$ 12,346,741, an increase of \$ 4,992,292. Of the governmental funds reported combined fund balances, \$ 3,865,584, 31 percent is unassigned fund balance and is available for spending within the City's guidelines.
- The City's total long-term debt increased by \$ 925,667 or 2 percent during the current fiscal year. The City issued \$ 3,000,000 in Certificates of Obligations was issued during the current year to pay for street infrastructure and drainage projects.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction of the City of Taylor's basic financial statements. The City of Taylor's basic financial statements comprise three components:

- 1) government-wide financial 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 of Taylor include general government, police, fire, streets, planning, library, and solid waste 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 81 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 84-87 and pages 99-101 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 \$ 63,573,584 for the year ended September 30, 2012.

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, 2012 and 2011.

City of Taylor Net Assets (Amounts expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 13,279	\$ 8,265	\$ 5,108	\$ 7,448	\$ 18,387	\$ 15,713
Capital assets	60,956	62,057	38,150	38,665	99,106	100,722
Total Assets	<u>74,235</u>	<u>70,322</u>	<u>43,258</u>	<u>46,113</u>	<u>117,493</u>	<u>116,435</u>
Other liabilities	2,199	1,987	1,867	2,066	4,066	4,053
Long-term liabilities	22,765	18,907	27,089	30,181	49,854	49,088
Total Liabilities	<u>24,964</u>	<u>20,894</u>	<u>28,956</u>	<u>32,247</u>	<u>53,920</u>	<u>53,141</u>
Net Assets:						
Invested in capital assets, net of related debt	39,458	42,533	12,109	12,333	51,567	54,866
Restricted	7,612	4,142	-	-	7,612	4,142
Unrestricted	2,201	2,753	2,193	1,533	4,394	4,286
Total Net Assets	<u>\$ 49,271</u>	<u>\$ 49,428</u>	<u>\$ 14,302</u>	<u>\$ 13,866</u>	<u>\$ 63,573</u>	<u>\$ 63,294</u>

CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's combined net assets were \$ 63,573,584 as September 30, 2012. Of the \$ 63,573,584, \$ 49,271,313 was reported in the governmental activities and \$ 14,302,271 was reported in the business-type activities. The City's total net assets increased when compared to the prior year with an increase of \$ 278,740.

Net assets consist of three components, investment in capital assets net of related debt, restricted net assets and unrestricted net assets. The largest portion of the net assets, \$ 51,567,666 or 81 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 decreased \$ 3,298,198. 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 additional portion of the City's net assets, \$ 7,611,640 or 11.9 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 4,394,278 or 7 percent may be used to meet the City's ongoing obligations to citizens and creditors.

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, 2012 were \$ 20,972,960. Total revenues decreased when compared to the prior year by \$ 2,485,641 or 11 percent. The City total cost of all programs and services decreased from the prior year of \$ 21,069,173 to \$ 20,694,220, a decrease of 2 percent. The table on the following page presents a summary of the changes in net assets for the fiscal year ended September 30, 2012 with comparative totals for year ended September 30, 2011.

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		
	2012	2011	2012	2011	2012	2011	
Revenues:							
Program Revenues:							
Charges for services	\$ 3,046	\$ 2,898	\$ 7,698	\$ 8,358	\$ 10,744	\$ 11,256	
Capital grants and contributions	69	1,047	-	-	69	1,047	
General revenues:							
Property taxes	6,213	6,078	-	-	6,213	6,078	
Other taxes	3,302	3,036	-	-	3,302	3,036	
Investment earnings	26	38	5	10	31	48	
Other	392	1,373	222	620	614	1,993	
Total Revenues	13,048	14,470	7,925	8,988	20,973	23,458	
Expenses:							
General government	5,426	4,107	-	-	5,426	4,107	
Public safety	4,761	4,938	-	-	4,761	4,938	
Public works	2,989	4,334	-	-	2,989	4,334	
Community services	-	344	-	-	-	344	
Interest on long-term debt	900	827	-	-	900	827	
Public utility	-	-	6,090	6,005	6,090	6,005	
Airport	-	-	409	426	409	426	
Cemetery	-	-	120	88	120	88	
Total Expenses	14,076	14,550	6,619	6,519	20,695	21,069	
Increase (decrease) in net assets before transfers	(1,028)	(80)	1,306	2,469	278	2,389	
Transfers	870	805	(870)	(805)	-	-	
Increase (decrease) in net assets	(158)	725	436	1,664	278	2,389	
Net assets - October 1	49,429	48,703	13,866	12,202	63,295	60,905	
Net assets - September 30	\$ 49,271	\$ 49,428	\$ 14,302	\$ 13,866	\$ 63,573	\$ 63,294	

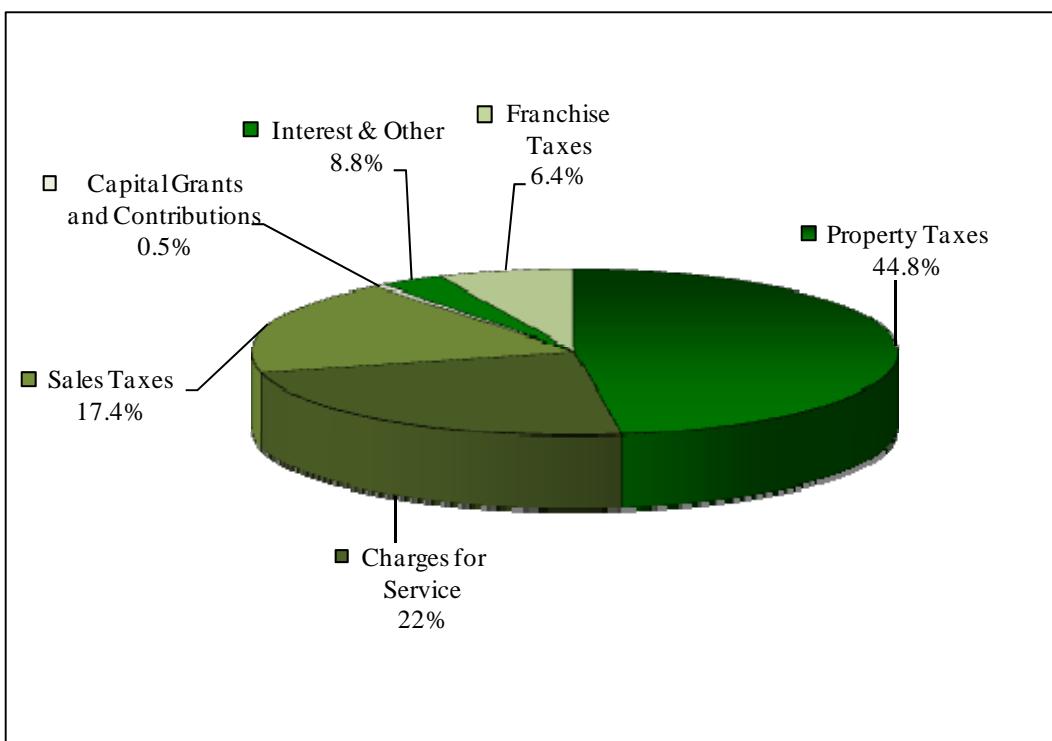
CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$ 134,690 or 2 percent when compared to the prior year. The Ad valorem tax rate for fiscal year 2012 was \$.813893 per \$ 100 of assessed valuation. Of this, \$ 0.606476 was for Operation and Maintenance (O&M) and \$0.207417 was for Interest and Sinking (I&S) for debt service. Charges for services increased \$ 147,564 or 5 percent, compared to last year. Other taxes such as sales tax, franchise tax, and hotel occupancy tax increased by \$ 266,739 or 9 percent, compared to last year, due to the improvement in the local economy. Investment earnings decreased from \$ 38,451 to \$ 25,783, which is a decrease of \$ 12,668 or 33 percent. During 2012, miscellaneous revenue decreased from \$ 1,373,359 to \$ 391,765, a decrease of \$ 981,594 or 71 percent. The decrease in miscellaneous revenue is due to a bequest that was given to the City of Taylor in 2011 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

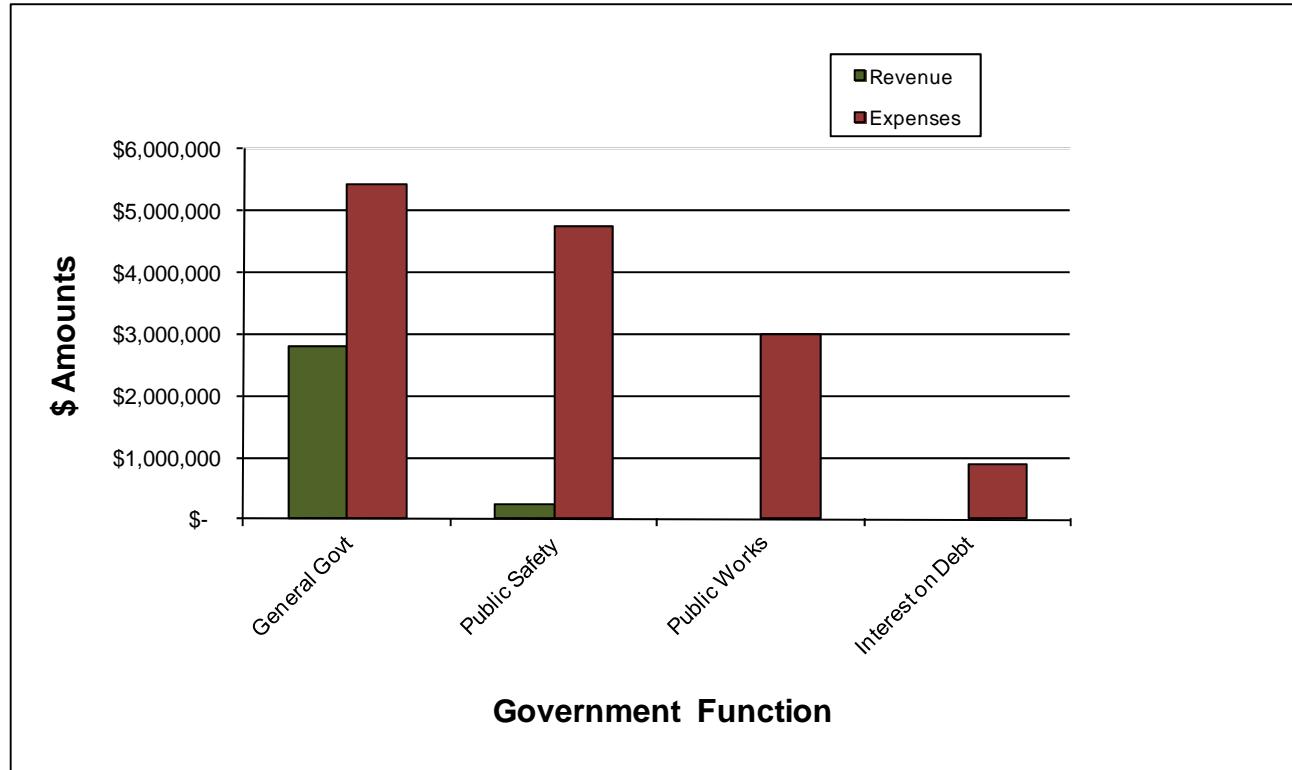


CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following chart illustrates the City's governmental expenses by function. As shown, general government is the largest function in expenses at \$ 5,425,376, followed by public safety recorded at \$ 4,760,938, and public works at \$ 2,988,768. For fiscal year 2012, interest on long-term debt was \$ 900,074, an increase of \$ 73,514 from fiscal year 2011.

Expenses and Program Revenues-Governmental Activities



CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

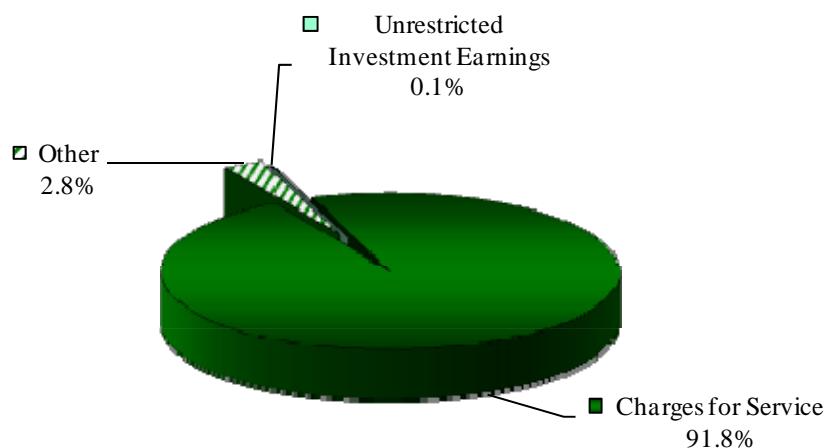
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business Activities

Business-type activities increased the City's net assets by \$ 436,096. Charges for services provided the largest share of revenues 97 percent, with investment earnings and other miscellaneous revenue making up less than 3 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 \$ 7,150,801 in revenue. Compared to the prior year, public utilities revenues decreased \$ 418,143 or 6 percent, due to a decrease in water sales to customers. In the prior year 2011, Texas experienced severe drought conditions which resulted in increased water revenue for the City. The Airport fees decreased \$ 242,651 or 36 percent which was due to a grant received in fiscal year 2011 from the Texas Department of Transportation – Aviation Division. During fiscal year 2012, the Cemetery Operating fund reported revenues in the amount of \$ 120,529 due to services related to the operation of the City's cemetery.

Revenues by Source-Business-type Activities

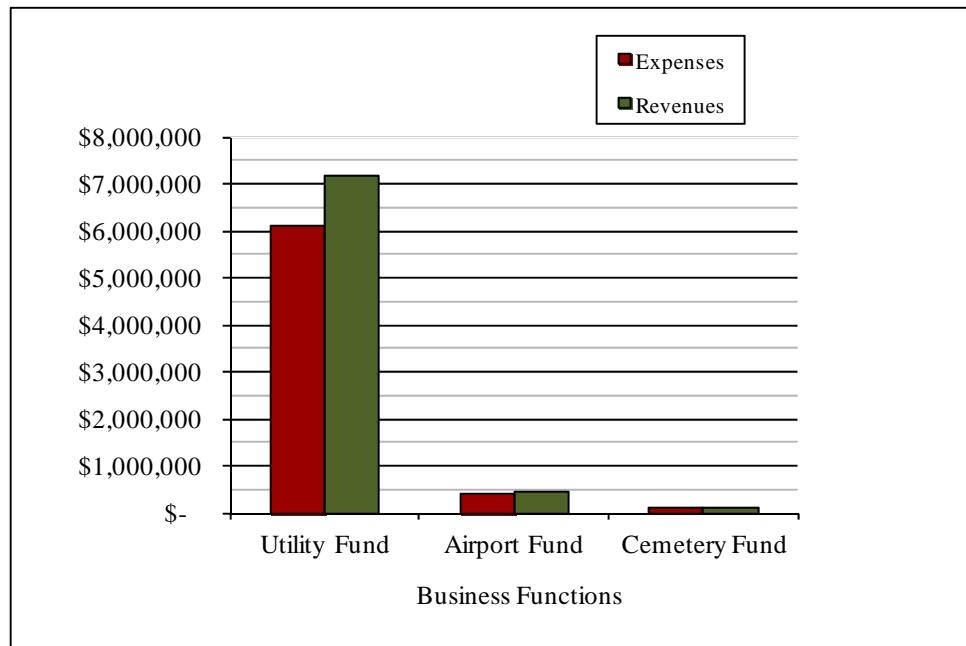


CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Total expenses for business-type activities were \$ 6,619,064, an increase of \$ 99,265 or 2 percent compared to the prior year . Public Utilities, the largest proprietary fund recorded \$ 6,089,947 in expenses, an increase of \$ 84,858 or 1 percent increase compared to the prior year. The Airport fund expenses decreased from \$ 426,345 in 2011 to \$ 409,086 in 2012, a decrease of \$ 17,259 or 4 percent and the Cemetery Operating fund reported expenses in the amount of \$ 120,031, an increase of \$ 31,663 or 36 percent compared to the prior year, related to the operation of the City's cemetery.

Expenses and Program Revenues-Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds - The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of spendable 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.

CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental funds (continued) - As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$ 12,346,741 which is an increase of \$ 4,992,292 from the prior year, due to increase in property tax, sales tax and franchise tax receipts, and the issuance of bonds. A total of \$ 729,268, 6 percent, 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, \$ 7,002,113, 57 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 \$ 339,807, 3 percent, has been committed by City Council for drainage and other projects. Additionally, a total of \$ 409,969, 3 percent, has been assigned by the City Manager for personnel and equipment needs. Approximately 31 percent, \$ 3,865,584 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 2012, the fund balance of the City's General Fund increased by \$ 1,321,928 during the current fiscal year. At September 30, 2012, unassigned fund balance of the general fund was \$ 3,865,584. 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 37 percent of total general fund expenditures.

The General Capital Improvement Funds is used to account for the proceeds of debt issuances, which took place in fiscal year of 2010 and 2012. These proceeds are to be 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 2011-2012. Construction on Second and Sloan Street is expected to be completed in 2013. Additionally, the fund was used to account for grant funds received from Texas Parks and Wildlife for a five acre park located at the entrance to the Taylor Regional Park and Sports Complex that will be completed in late fall of 2012. New amenities include a concrete trail and fishing platform, a climbing wall, an angle exercise platform, a feeding station for the ducks and park benches.

The Debt Service Fund has a total fund balance of \$ 145,607, all of which is restricted for the debt payments. Fund balances decreased from the prior year by \$ 135,522 which was used to pay current year debt obligations.

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.

For the current fiscal year, revenues were \$ 10,222,479 as compared to the amended budget of \$ 10,082,470. The majority of the \$ 140,009 variance was due to an increase in sale tax receipts and an increase in charges for services. Actual expenditures in the General Fund were \$ 10,353,449 compared to the amended budget of \$ 10,921,654. The majority of the \$ 568,205 variance is mainly due to adding contingency reserves for anticipated expenditures that did not get expended by year end.

CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Proprietary funds - The City of Taylor'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 \$ 2,155,806, an increase of \$ 643,977, due to the 2010 Series bonds were reclassified to the governmental activities. Unrestricted net assets for the Airport Fund reflected a deficit of (\$ 13,984), a decrease of deficit in the amount of \$ 50,077. Unrestricted net assets for the Cemetery Operating Fund at the end of the year were \$ 72,967. The net total on the business-type activities for the proprietary funds unrestricted net assets was \$ 2,214,789. The unrestricted net asset of the internal service fund reflected a deficit balance of (\$ 225,233), which is an increase in the deficit of \$ 144,935, due to no transfers from the other funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2012, the City had \$ 99,105,884 invested in various capital assets, net of accumulated depreciation. Of the \$ 99,105,884 in capital assets, \$ 60,956,162 is invested in governmental activities and \$ 38,149,722 in business-type activities. Compared to last year, total capital assets decreased \$ 1,616,381. Capital assets in the governmental activities decreased \$ 1,100,895 or 2 percent from the prior year and decreased in the business-type activities \$ 515,486 or approximately 1 percent from the prior year.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2012. Additional information on the City's capital assets may be found in Note III-C on pages 55-57 of this report.

	Change in Capital Assets (net of depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,511	\$ 2,511	\$ 1,317	\$ 1,317	\$ 3,828	\$ 3,828
Buildings and improvements	7,571	7,511	5,618	5,821	13,189	13,332
Machinery and equipment	584	716	64	73	648	789
Plant Distribution/Collection	-	-	28,441	27,196	28,441	27,196
Infrastructure	48,960	49,863	1,533	1,583	50,493	51,446
Construction in progress	1,330	1,456	1,177	2,675	2,507	4,131
Total	\$ 60,956	\$ 62,057	\$ 38,150	\$ 38,665	\$ 99,106	\$ 100,722

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 \$ 52,421,742 all of which is backed by full faith and credit of the City. 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 increased by \$ 925,667, 2 percent during the current fiscal year.

The following schedule shows the outstanding debt of the City for September 30, 2012. Further details can be found in Note III-F on pages 61-66 of this report.

	Outstanding Debt					
	(amounts expressed in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 8,430	\$ 9,192	\$ 5,170	\$ 5,983	\$ 13,600	\$ 15,175
Certificate of Obligation Bonds	14,491	9,768	23,229	25,441	37,720	35,209
Revenue Bonds	-	-	-	-	-	-
Deferred Charges	(82)	(93)	(92)	(102)	(174)	(195)
Other	1,259	1,287	17	19	1,276	1,306
Total	<u>\$ 24,098</u>	<u>\$ 20,154</u>	<u>\$ 28,324</u>	<u>\$ 31,341</u>	<u>\$ 52,422</u>	<u>\$ 51,495</u>

During the current fiscal year, the City bond rating increased from Standard & Poor's rating service from "A" to "A+". Standard & Poor's review of the City's strengthen financial position over the past several years, evidenced by increasing unassigned general fund balances and supported by good financial management practices. The City also maintains an "A3" rating from Moody's Investors Services 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 \$ 174,104,000, which is significantly more than the City's outstanding general obligation debt at the end of fiscal year 2012.

Additional information on the City of Taylor's long-term debt can be found on pages 61-66 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The average rate for unemployment for Williamson County in 2012 was 6.8%, which is a decrease from a rate of 7.2% in 2011. However, this is lower than the national average unemployment rate of 7.8%.

The development of the City's budget is guided by several factors including the City's strategic plan, prevailing economic conditions and by the continuing need to provide basic and improved customer service for a growing community. The fiscal year 2012-2013 budget was adopted by the City Council adheres to City financial policies and goals, but also preserves the City's financial position while providing the best level of service to its citizens.

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

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

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.

All of these factors were considered in preparing the fiscal year 2012-13 budget for the City of Taylor.

At the end of the fiscal year 2012, unassigned fund balance in the General Fund is \$ 3,865,584. It is intended that the available fund balance beyond the minimum be used for capital outlay and personnel. For the fiscal year 2013, fund balance in all budgeted funds is projected to remain at adequate levels to provide for unexpected decreases in revenue and unbudgeted expenditures.

The property tax rate for fiscal year 2012-13 is \$ 0.813893 per \$ 100 valuation. Of this tax rate 71 percent or \$ 0.573019 is utilized for General Fund activities. The remaining 29 percent or \$ 0.240874 is used for debt service. The General Fund's portion of property tax revenue for fiscal year 2012-13 is estimated to be \$ 4,358,597. Sales tax revenue for fiscal year 2012-13 is budgeted at \$ 2,300,000.

The largest revenue source for the Utility Fund is water sales at \$ 4,719,746. The rate for fiscal year 2011-12 is \$ 24.54 as a base rate and \$ 5.01 per 1,000 gallons used. The second largest revenue source is sewer charges at \$ 2,431,055 based on a fiscal year 2011-12 base rate of \$ 16.40 plus \$ 5.31 per \$ 1,000 gallons over 2,000 gallons. For the fiscal year 2012-13 rates will remain the same.

The sanitation fee for residential garbage is a base charge of \$ 11.66 per month which is a 3.9% increase that was approved by the City Council during the fiscal year 2011-12 budget. Additionally, the drainage fee remained at a \$ 2.00 per single family dwelling per month.

City of Taylor has seen some growth and has made adjustments to meet the new challenges. The City's Strategic Plan provides a framework for the future. Meeting these challenges takes financial resources, a Council vision directing the Strategic Plan, and management team to implement it.

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

CITY OF TAYLOR, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government			Component Unit	
	Governmental Activities		Business-Type Activities	Total	Taylor Economic
					Development
ASSETS					
Cash and cash equivalents	\$ 329,031	\$ 1,350	\$ 330,381	\$ 2,250,424	-
Investments	12,011,434	2,720,970	14,732,404		
Receivables (net of allowances for uncollectibles)					
Property taxes, including interest and penalties	110,326	-	110,326	-	
Accounts & other	298,641	1,224,000	1,522,641	155,149	
Sales tax	620,595	-	620,595	-	
Internal balances	(360,952)	360,952	-	-	
Inventories	-	248,731	248,731	-	
Land held for investment	-	-	-	661,368	
Restricted investments:					
Customer deposits	-	327,350	327,350	-	
Deferred charges	269,826	225,253	495,079	28,056	
Capital assets:					
Land and construction in progress	3,841,032	2,493,766	6,334,798	-	
Capital assets, net of accumulated depreciation	<u>57,115,130</u>	<u>35,655,956</u>	<u>92,771,086</u>	<u>-</u>	
Total assets	<u>\$ 74,235,063</u>	<u>\$ 43,258,328</u>	<u>\$ 117,493,391</u>	<u>\$ 3,094,997</u>	

The accompanying notes are an integral part of this statement.

	Primary Government			Component Unit	
	Governmental Activities		Business-Type Activities	Total	Taylor Economic
					Development
<u>LIABILITIES</u>					
Accounts payable	\$ 632,264	\$ 153,360	\$ 785,624	\$ 31,229	
Accrued payroll	114,189	3,384	117,573		32
Customer deposits	-	327,350	327,350		-
Accrued interest expense	119,742	147,775	267,517		15,700
Noncurrent liabilities:					
Due within one year	1,297,596	1,186,174	2,483,770		46,635
Due in more than one year	22,799,959	27,138,014	49,937,973		1,154,095
Total liabilities	24,963,750	28,956,057	53,919,807		1,247,691
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	39,458,232	12,109,434	51,567,666		-
Restricted for:					
Debt service	25,866	-	25,866		-
Capital projects	5,385,101	-	5,385,101		-
Special revenue purposes	858,953	-	858,953		-
Cemetery	729,268	-	729,268		-
Other	612,452	-	612,452		1,847,306
Unrestricted, net assets	2,201,441	2,192,837	4,394,278		-
Total net assets	<u>\$ 49,271,313</u>	<u>\$ 14,302,271</u>	<u>\$ 63,573,584</u>	<u>\$ 1,847,306</u>	

CITY OF TAYLOR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 5,425,376	\$ 2,798,540	\$ -	\$ 6,660
Public safety	4,760,938	247,130	-	62,821
Public works	2,988,768	-	-	-
Interest on long-term debt	900,074	-	-	-
Total governmental activities	<u>14,075,156</u>	<u>3,045,670</u>	<u>-</u>	<u>69,481</u>
Business-type activities:				
Public utilities fund	6,089,947	7,150,801	-	-
Airport fund	409,086	426,859	-	-
Cemetery operating fund	120,031	120,529	-	-
Total business-type activities	<u>6,619,064</u>	<u>7,698,189</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 20,694,220</u>	<u>\$ 10,743,859</u>	<u>\$ -</u>	<u>\$ 69,481</u>
Component Unit:				
Taylor Economic Development	\$ 773,003	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 773,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes
Sales tax
Franchise taxes
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

Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Taylor Economic Development	
\$ (2,620,176)	\$ -	\$ (2,620,176)	\$ -	
(4,450,987)	-	(4,450,987)	-	
(2,988,768)	-	(2,988,768)	-	
(900,074)	-	(900,074)	-	
<u>(10,960,005)</u>	<u>-</u>	<u>(10,960,005)</u>	<u>-</u>	
	1,060,854	1,060,854	-	
-	17,773	17,773	-	
-	498	498	-	
<u>-</u>	<u>1,079,125</u>	<u>1,079,125</u>	<u>-</u>	
<u>(10,960,005)</u>	<u>1,079,125</u>	<u>(9,880,880)</u>	<u>-</u>	
			(773,003)	
			<u>(773,003)</u>	
6,212,695	-	6,212,695	-	
2,411,533	-	2,411,533	796,045	
831,595	-	831,595	-	
59,279	-	59,279	-	
25,783	5,467	31,250	7,362	
391,765	221,503	613,268	42,628	
869,999	(869,999)	-	-	
<u>10,802,649</u>	<u>(643,029)</u>	<u>10,159,620</u>	<u>846,035</u>	
(157,356)	436,096	278,740	73,032	
49,428,669	13,866,175	63,294,844	1,774,274	
<u>\$ 49,271,313</u>	<u>\$ 14,302,271</u>	<u>\$ 63,573,584</u>	<u>\$ 1,847,306</u>	

CITY OF TAYLOR, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2012

<u>ASSETS</u>	General Fund	General Capital Improvements
Cash and cash equivalents	\$ 329,031	\$ -
Investments	4,875,671	5,405,162
Receivables (net of allowances for uncollectibles) -		
Property taxes	83,479	-
Accounts and other	248,091	-
Sales tax	620,595	-
Interfund receivables	-	77,670
Total assets	<u>\$ 6,156,867</u>	<u>\$ 5,482,832</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 500,391	\$ 97,731
Accrued payroll	113,752	-
Interfund payables	560,455	-
Deferred revenue	83,479	-
Total liabilities	<u>1,258,077</u>	<u>97,731</u>
Fund balances:		
Nonspendable:		
Permanent fund	-	-
Restricted:		
Debt service	-	-
Capital projects	-	5,385,101
Other purposes	612,452	-
Committed:		
Drainage	10,785	-
Assigned:		
Other purposes	409,969	-
Unassigned	3,865,584	-
Total fund balances	<u>4,898,790</u>	<u>5,385,101</u>
Total liabilities and fund balances	<u>\$ 6,156,867</u>	<u>\$ 5,482,832</u>

The accompanying notes are an integral part of this statement.

I & S For CO Bonds	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 329,031
205,969	1,524,632	12,011,434
26,847	-	110,326
-	50,550	298,641
-	-	620,595
7,264	690,770	775,704
\$ 240,080	\$ 2,265,952	\$ 14,145,731

\$ 7,667	\$ 17,177	\$ 622,966
-	-	113,752
59,959	331,532	951,946
26,847	-	110,326
94,473	348,709	1,798,990

-	729,268	729,268
145,607	-	145,607
-	-	5,385,101
-	858,953	1,471,405
-	329,022	339,807
-	-	409,969
-	-	3,865,584
145,607	1,917,243	12,346,741
\$ 240,080	\$ 2,265,952	\$ 14,145,731

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CITY OF TAYLOR, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total Fund Balances - Governmental Funds	\$ 12,346,741
The City uses internal service funds to charge the costs of certain activities 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.	58,408
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 \$ 76,109,624 and the accumulated depreciation was \$ 14,549,697. In addition, long-term liabilities 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 \$ 20,056,530 including compensated absences of \$ 597,636 and other post employment benefits of \$ 123,817. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.	41,503,397
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements.	896,991
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The net effect of including the 2012 debt principal payments and issuance of long-term debt is to decrease net assets. These include:	
Principal payments on debt	\$ 993,484
Bond issuance	<u>(4,875,000)</u>
	<u>\$ (3,881,516)</u>
	(3,881,516)
Payment of compensated absences and other post-employment benefits are reported as expenditures in the governmental funds when actually paid. However, on the government-wide statement of changes in net assets they are expensed as they are accrued. These include:	
Net increase other post-employment benefits	\$ (49,323)
Net increase in compensated absences	<u>(14,001)</u>
	<u>\$ (63,324)</u>
	(63,324)
The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,938,675)
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	\$ (113,479)
Uncollected taxes	110,326
Bond issuance costs	269,826
Deferred amount on refunding	147,812
Premium on bond	<u>(65,194)</u>
	<u>\$ 349,291</u>
	349,291
Net Assets of Governmental Activities	<u>\$ 49,271,313</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, 2012

	General Fund	General Capital Improvements
Revenues:		
Property taxes	\$ 4,568,953	\$ -
Sales taxes	2,411,533	-
Franchise tax	831,595	-
Hotel occupancy tax	-	-
Penalties and interest on taxes	51,273	-
Licenses, permits and fees	169,159	-
Charges for services	1,686,305	-
Fines and forfeitures	247,130	-
Intergovernmental	45,917	62,820
Other revenues	190,384	-
Investment earnings	20,230	3,518
Total revenues	10,222,479	66,338
Expenditures:		
Current:		
General government	3,774,590	-
Public safety	4,051,068	-
Public works	2,465,391	-
Debt service:		
Principal retirement	54,378	-
Interest and fiscal charges	8,023	-
Bond issuance costs	-	54,500
Capital outlay	-	801,103
Total expenditures	10,353,450	855,603
Excess (deficiency) of revenues over expenditures	(130,971)	(789,265)
Other financing sources (uses):		
Transfers in	1,535,120	60,618
Transfers out	(82,221)	-
Issuance of bonds	-	4,323,880
Total other financing sources (uses)	1,452,899	4,384,498
Net change in fund balances	1,321,928	3,595,233
Fund balances, beginning of year	3,576,862	1,789,868
Fund balances, end of year	\$ 4,898,790	\$ 5,385,101

The accompanying notes are an integral part of this statement.

I & S for CO Bonds	Other Funds	Total Governmental Funds
\$ 1,602,569	\$ 63,489	\$ 6,235,011
-	-	2,411,533
-	-	831,595
-	59,279	59,279
-	-	51,273
-	-	169,159
-	273,763	1,960,068
-	-	247,130
-	38,043	146,780
-	45,177	235,561
1,171	462	25,381
1,603,740	480,213	12,372,770
-	99,470	3,874,060
-	-	4,051,068
-	-	2,465,391
914,083	25,023	993,484
831,944	-	839,967
-	-	54,500
-	24,302	825,405
1,746,027	148,795	13,103,875
(142,287)	331,418	(731,105)
-	-	1,595,738
-	(665,120)	(747,341)
-	551,120	4,875,000
-	(114,000)	5,723,397
(142,287)	217,418	4,992,292
287,894	1,699,825	7,354,449
\$ 145,607	\$ 1,917,243	\$ 12,346,741

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, 2012

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

Net Change in Fund Balances - Total Governmental Funds \$ 4,992,292

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. (143,626)

Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. 896,991

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The net effect of including the 2012 debt principal payments and issuance of long-term debt is to decrease net assets. These include:

Principal payments on debt	\$ 993,484	
Bond issuance	<u>(4,875,000)</u>	
	<u><u>\$ (3,881,516)</u></u>	(3,881,516)

Payment of compensated absences and other post-employment benefits are reported as expenditures in the governmental funds when actually paid. However, on the government-wide statement of changes in net assets they are expensed as they are accrued. These include:

Net increase other post-employment benefits	\$ (49,323)	
Net increase in compensated absences	<u>(14,001)</u>	
	<u><u>\$ (63,324)</u></u>	(63,324)

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. (1,938,675)

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	\$ (22,315)	
Amortization of issuance costs	<u>(22,935)</u>	
Amortization of refunding costs	<u>(17,585)</u>	
Amortization of bond premium	<u>7,085</u>	
Change in accrued interest	<u>(18,248)</u>	
Bond costs	<u>54,500</u>	
	<u><u>\$ (19,498)</u></u>	<u>(19,498)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (157,356)</u></u>	

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, 2012

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 4,435,000	\$ 4,561,500	\$ 4,568,953	\$ 7,453
Sales taxes	2,230,480	2,280,000	2,411,533	131,533
Franchise tax	750,430	841,475	831,595	(9,880)
Penalties and interest on taxes	62,000	50,000	51,273	1,273
Licenses, permits and fees	129,050	159,500	169,159	9,659
Charges for services	1,575,900	1,657,255	1,686,305	29,050
Fines and forfeitures	336,900	268,995	247,130	(21,865)
Intergovernmental	48,150	46,660	45,917	(743)
Other revenues	141,000	186,715	190,384	3,669
Investment earnings	35,300	30,370	20,230	(10,140)
Total revenues	9,744,210	10,082,470	10,222,479	140,009
Expenditures:				
Current:				
General government	3,813,722	4,262,799	3,774,590	488,209
Public safety	4,118,710	4,058,881	4,051,068	7,813
Public works	2,697,078	2,537,574	2,465,391	72,183
Debt service				
Principal retirement	54,378	54,378	54,378	-
Interest and fiscal charges	8,022	8,022	8,023	(1)
Total expenditures	10,691,910	10,921,654	10,353,450	568,204
Excess (deficiency) of revenues over expenditures	(947,700)	(839,184)	(130,971)	708,213
Other financing sources (uses):				
Transfers in	980,000	1,535,120	1,535,120	-
Transfers out	(10,000)	(82,118)	(82,221)	(103)
Total other financing sources (uses)	970,000	1,453,002	1,452,899	(103)
Net change in fund balance	22,300	613,818	1,321,928	708,110
Fund balance, beginning of year	3,576,862	3,576,862	3,576,862	-
Fund balance, end of year	\$ 3,599,162	\$ 4,190,680	\$ 4,898,790	\$ 708,110

The accompanying notes are an integral part of this statement.

CITY OF TAYLOR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

<u>ASSETS</u>	Business-Type Activities				Governmental Activities	
	Enterprise Funds			Total	Internal Service Funds	
	Public Utilities Fund	Airport Fund	Cemetery Operating Fund			
Current assets:						
Cash and cash equivalents	\$ 1,350	\$ -	\$ -	\$ 1,350	\$ -	-
Investments	2,720,970	-	-	2,720,970	-	-
Restricted investments:						
Customer deposits	327,350	-	-	327,350	-	-
Accounts and other receivables						
(net of allowance for uncollectibles) -	1,212,600	6,610	4,790	1,224,000	-	-
Interfund receivables	630,452	90,853	277,507	998,812	12,494	
Inventories	248,731	-	-	248,731	-	-
Total current assets	5,141,453	97,463	282,297	5,521,213		12,494
Noncurrent assets:						
Deferred charges	219,885	5,368	-	225,253	-	-
Capital Assets:						
Land and construction in progress	1,399,225	1,094,541	-	2,493,766	-	-
Capital assets being depreciated	33,330,114	2,325,842	-	35,655,956	437,919	
Total noncurrent assets	34,949,224	3,425,751	-	38,374,975		437,919
Total assets	\$ 40,090,677	\$ 3,523,214	\$ 282,297	\$ 43,896,188		\$ 450,413

The accompanying notes are an integral part of this statement.

	Business-Type Activities				Governmental Activities	
	Enterprise Funds					
	Public Utilities Fund	Airport Fund	Cemetery Operating Fund	Total	Internal Service Funds	
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Accounts payable	\$ 119,575	\$ 28,568	\$ 5,217	\$ 153,360	\$ 9,299	
Accrued payroll	3,110	105	169	3,384	437	
Accrued interest	146,588	1,187	-	147,775	6,265	
Interfund payables	326,877	85,086	203,945	615,908	219,156	
Customer deposits	327,350	-	-	327,350	-	
Current maturities of long-term liabilities	1,161,174	25,000	-	1,186,174	39,315	
Total current liabilities	<u>2,084,674</u>	<u>139,946</u>	<u>209,331</u>	<u>2,433,951</u>	<u>274,472</u>	
Noncurrent liabilities:						
Capital lease payable	-	-	-	-	139,485	
Bonds payable	26,881,146	256,868	-	27,138,014	-	
Total noncurrent liabilities	<u>26,881,146</u>	<u>256,868</u>	<u>-</u>	<u>27,138,014</u>	<u>139,485</u>	
Total liabilities	<u>28,965,820</u>	<u>396,814</u>	<u>209,331</u>	<u>29,571,965</u>	<u>413,957</u>	
Net assets:						
Invested in capital assets, net of related debt	8,969,051	3,140,383	-	12,109,434	261,689	
Unrestricted (deficit)	<u>2,155,806</u>	<u>(13,984)</u>	<u>72,967</u>	<u>2,214,789</u>	<u>(225,233)</u>	
Total net assets	<u>\$ 11,124,857</u>	<u>\$ 3,126,399</u>	<u>\$ 72,967</u>	<u>14,324,223</u>	<u>\$ 36,456</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>(21,952)</u>
Net assets of business-type activities	<u>\$ 14,302,271</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, 2012

	Business-Type Activities				Governmental Activities
	Public Utilities Fund	Airport Fund	Cemetery Operating Fund	Total	
Operating revenues :					
Charges for water services	\$ 4,719,746	\$ -	\$ -	\$ 4,719,746	\$ -
Charges for sewer service	2,431,055	-	-	2,431,055	-
Charges for airport services	-	426,859	-	426,859	-
Charges for cemetery services	-	-	120,529	120,529	-
Charges for services	-	-	-	-	669,313
Rents and royalties	35,700	-	-	35,700	-
Other revenue	179,190	4,105	2,509	185,804	13,132
Total operating revenues	7,365,691	430,964	123,038	7,919,693	682,445
Operating expenses :					
Personnel services	1,108,618	28,006	26,343	1,162,967	152,859
Contractual services	2,250,573	280,740	91,962	2,623,275	597,987
Supplies	344,884	908	1,725	347,517	-
Depreciation	1,131,417	86,195	-	1,217,612	151,179
Total operating expenses	4,835,492	395,849	120,030	5,351,371	902,025
Operating income (loss)	2,530,199	35,115	3,008	2,568,322	(219,580)
Non-operating revenues (expenses) :					
Investment earnings	5,234	-	232	5,466	400
Gain (loss) from disposition of assets	-	-	-	-	14,501
Interest expense	(1,206,580)	(13,237)	-	(1,219,817)	(8,425)
Total Non-operating revenues (expenses)	(1,201,346)	(13,237)	232	(1,214,351)	6,476
Income (loss) before transfers	1,328,853	21,878	3,240	1,353,971	(213,104)
Transfers in	-	-	50,000	50,000	21,603
Transfers out	(850,000)	(30,000)	(40,000)	(920,000)	-
Change in net assets	478,853	(8,122)	13,240	483,971	(191,501)
Total Net Assets - beginning of year	10,646,004	3,134,521	59,727		227,957
Total Net Assets - end of year	\$ 11,124,857	\$ 3,126,399	\$ 72,967		\$ 36,456
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					
Change in net assets of business-type activities				(47,875)	
				\$ 436,096	

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, 2012

	Business Type Activities				Governmental Activities Internal Service Funds	
	Enterprise Funds			Total		
	Public Utilities Fund	Airport Fund	Cemetery Operating Fund			
Cash flows from operating activities:						
Cash received from user charges	\$ 7,343,071	\$425,532	\$ 115,739	\$ 7,884,342	\$ -	
Cash received from other funds for services provided	-	-	-	-	669,313	
Cash received from others	214,890	4,105	2,509	221,504	23,021	
Cash payments to suppliers	(2,882,690)	(254,446)	(93,263)	(3,230,399)	(603,880)	
Cash payments to employees	(1,107,334)	(27,979)	(26,211)	(1,161,524)	(152,385)	
Net cash provided (used) by operating activities	<u>3,567,937</u>	<u>147,212</u>	<u>(1,226)</u>	<u>3,713,923</u>	<u>(63,931)</u>	
Cash flows from noncapital financing activities:						
Increase (decrease) in amounts due to other funds	(620,292)	(74,855)	(212,951)	(908,098)	134,201	
Transfers from other funds	(850,000)	(30,000)	10,000	(870,000)	21,603	
Net cash provided (used) by noncapital financing activities	<u>(1,470,292)</u>	<u>(104,855)</u>	<u>(202,951)</u>	<u>(1,778,098)</u>	<u>155,804</u>	
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets, net of disposals	(702,125)	-	-	(702,125)	(91,967)	
Bond premium	10,523	(187)	-	10,336	-	
Bond issuance costs	24,655	537	-	25,192	-	
Principal paid on debt	(2,997,922)	(27,995)	-	(3,025,917)	(12,644)	
Interest and fiscal charges paid	(1,241,703)	(14,712)	-	(1,256,415)	(2,163)	
Net cash provided (used) by capital and related financing activities	<u>(4,906,572)</u>	<u>(42,357)</u>	<u>-</u>	<u>(4,948,929)</u>	<u>(106,774)</u>	
Cash flows from investing activities:						
Investment and other income	5,236	-	232	5,468	14,901	
Net cash provided (used) by investing activities	<u>5,236</u>	<u>-</u>	<u>232</u>	<u>5,468</u>	<u>14,901</u>	
Net change in cash and cash equivalents	(2,803,691)	-	(203,945)	(3,007,636)	-	
Cash and cash equivalents at beginning of year	5,853,361	-	203,945	6,057,306	-	
Cash and cash equivalents at end of year	<u>\$ 3,049,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,049,670</u>	<u>\$ -</u>	

The accompanying notes are an integral part of this statement.

(Continued)

Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds	
Public Utilities Fund	Airport Fund	Cemetery Operating Fund	Total		

Reconciliation of operating income (loss) to net cash
provided (used) by operating activities

Operating income (loss)	\$ 2,530,199	\$ 35,115	\$ 3,008	\$ 2,568,322	\$ (219,580)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,131,417	86,194	-	1,217,611	151,179
(Increase) decrease in receivables	169,830	(1,327)	(4,790)	163,713	9,889
(Increase) decrease in inventory	2,637	-	-	2,637	-
Increase (decrease) in accounts payable	(289,870)	27,203	424	(262,243)	(5,893)
Increase (decrease) in customer deposits	22,440	-	-	22,440	-
Increase (decrease) in accrued payroll and compensated absences	1,284	27	132	1,443	474
Total adjustments	<u>1,037,738</u>	<u>112,097</u>	<u>(4,234)</u>	<u>1,145,601</u>	<u>155,649</u>
Net cash provided (used) by operating activities	<u><u>\$ 3,567,937</u></u>	<u><u>\$ 147,212</u></u>	<u><u>\$ (1,226)</u></u>	<u><u>\$ 3,713,923</u></u>	<u><u>\$ (63,931)</u></u>

Reconciliation of cash and cash equivalents
from Statement of Cash Flows to Statement
of Net Assets

Cash	\$ 1,350	\$ -	\$ -	\$ 1,350	\$ -
Investments	2,720,970	-	-	2,720,970	-
Restricted investments	327,350	-	-	327,350	-
Total cash and cash equivalents	<u><u>\$ 3,049,670</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,049,670</u></u>	<u><u>\$ -</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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 entity has 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, 2012

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, 2012

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.

The Internal Service funds, which provides services to the other funds of the government, is presented as part of the proprietary funds fund financial statements. Because the principal users are the City's governmental activities, financial statements of the internal service fund are consolidated into the governmental column when presented at the government-wide level.

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, public works 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, 2012

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 in a special revenue fund. These funds consist of the Hotel/Motel fund, Texas Capital fund, Main Street Revenue fund, Cemetery Land Purchases fund, Municipal Court Special Fee fund and Drainage fund.

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, 2012

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 as are the proprietary fund financial statements. 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, governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. 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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

C. DEFICIT NET ASSETS/FUND BALANCE

The Airport fund had an unrestricted net assets deficit at September 30, 2012 of \$ 13,984.

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, 2012

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

As of September 30, 2012, the City's deposit balances were as follows:

	Primary Government	Component Unit	Total Reporting Entity
1. Insured (FDIC) collateralized with securities held by entity's agent in the entity's name	\$ 250,000	\$ 2,254,038	\$ 2,504,038
2. Uninsured, collateralized with securities held by pledging financial institution's agent in the entity's name	98,354	-	98,354
3. Uninsured and uncollateralized	-	-	-
Total Deposits	\$ 348,354	\$ 2,254,038	\$ 2,602,392
 Carrying Amount	 \$ 330,381	 \$ 2,250,424	 \$ 2,580,805

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, 2012

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, 2012 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, 2012, the City had the following investments:

	Carrying Amount	Fair Value
Primary Government		
U. S. Government Bonds	\$ 1,513,764	\$ 1,513,764
Investment Pools:		
MBIA	30,480	30,480
TexPool	7,990,202	7,990,202
TexSTAR	5,525,308	5,525,308
Total investment in pools:	<u>\$ 13,545,990</u>	<u>\$ 13,545,990</u>
Total investments	<u>\$ 15,059,754</u>	<u>\$ 15,059,754</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, 2012

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 2012 were of the aforementioned categories. There are no positions of 5 percent or more in the securities of a single issuer.

Interest Rate Risk – In order to minimize risk of loss due to interest rate fluctuations, the City's Investment Policy sets limits in regards to maturity. The policy limits the investment as listed below:

1. Current Operating Funds – maximum allowable maturity of two years
2. Repair and Replacement Funds – maximum allowable maturity of three years
3. Bond Reserve Funds – maturities do not exceed the call provisions or the final maturity of the bond issue
4. Operating Reserve Funds – maximum maturity of ten years and the weighted average life of five years

At September 30, 2012, the City was not in compliance with the investment policy in regards to maturity.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and business property located in the City. The City Council levies taxes based upon the appraised values. The tax assessment of October 1, 2011 set a tax levy at \$.813893 per \$ 100 assessed valuation at 100 percent of assumed market value.

Taxes are due by January 31 following the October 1 levy date, at which time a lien attaches to the property.

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

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

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

	October 1, 2011	Additions/ Completions	Retirements/ Adjustments	September 30, 2012
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,510,932	\$ -	\$ -	\$ 2,510,932
Construction in progress	1,455,791	816,059	(941,750)	1,330,100
Total capital assets not being depreciated	<u>3,966,723</u>	<u>816,059</u>	<u>(941,750)</u>	<u>3,841,032</u>
Capital assets being depreciated:				
Streets and bridges	45,380,387	565,377	-	45,945,764
Parks and Dams	12,619,452	45,442	-	12,664,894
Sidewalks, Curbs and Gutters	1,586,416	-	-	1,586,416
Buildings and improvements	9,350,858	329,258	-	9,680,116
Operating Equipment	3,205,788	82,605	(48,081)	3,240,312
Equipment in Internal Service Funds	1,541,364	97,797	(102,015)	1,537,146
Total capital assets being depreciated	<u>73,684,265</u>	<u>1,120,479</u>	<u>(150,096)</u>	<u>74,654,648</u>
Less accumulated depreciation for:				
Streets and bridges	8,549,007	1,156,899	-	9,705,906
Parks and Dams	921,948	317,136	-	1,239,084
Sidewalks, Curbs and Gutters	252,440	39,660	-	292,100
Buildings and improvements	1,839,536	270,055	-	2,109,591
Operating Equipment	2,986,766	154,925	(48,081)	3,093,610
Equipment in Internal Service Funds	1,044,234	151,179	(96,186)	1,099,227
Total accumulated depreciation	<u>15,593,931</u>	<u>2,089,854</u>	<u>(144,267)</u>	<u>17,539,518</u>
Total capital assets being depreciated, net	<u>58,090,334</u>	<u>(969,375)</u>	<u>(5,829)</u>	<u>57,115,130</u>
Governmental activities capital assets, net	<u>\$ 62,057,057</u>	<u>\$ (153,316)</u>	<u>\$ (947,580)</u>	<u>\$ 60,956,162</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

	October 1, 2011	Additions/ Completions	Retirements/ Adjustments	September 30, 2012
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,317,035	\$ -	\$ -	\$ 1,317,035
Construction in progress	<u>2,674,902</u>	<u>674,007</u>	<u>(2,172,178)</u>	<u>1,176,731</u>
Total capital assets not being depreciated	<u>3,991,937</u>	<u>674,007</u>	<u>(2,172,178)</u>	<u>2,493,766</u>
Capital assets being depreciated:				
Plant distribution and collection	39,165,936	2,194,678	-	41,360,614
Buildings	7,628,470	-	-	7,628,470
Runway	2,003,709	-	-	2,003,709
Equipment	<u>1,033,305</u>	<u>5,619</u>	<u>(23,955)</u>	<u>1,014,969</u>
Total capital assets being depreciated	<u>49,831,420</u>	<u>2,200,297</u>	<u>(23,955)</u>	<u>52,007,762</u>
Less accumulated depreciation for:				
Plant distribution and collection	11,970,018	949,829	-	12,919,847
Buildings	1,807,579	202,508	-	2,010,087
Runway	420,987	50,093	-	471,080
Equipment	<u>959,565</u>	<u>15,182</u>	<u>(23,955)</u>	<u>950,792</u>
Total accumulated depreciation	<u>15,158,149</u>	<u>1,217,612</u>	<u>(23,955)</u>	<u>16,351,806</u>
Total capital assets being depreciated, net	<u>34,673,271</u>	<u>982,685</u>	<u>-</u>	<u>35,655,956</u>
Business-type activities capital assets, net	<u><u>\$ 38,665,208</u></u>	<u><u>\$ 1,656,692</u></u>	<u><u>\$ (2,172,178)</u></u>	<u><u>\$ 38,149,722</u></u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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	\$ 697,923
Public safety	717,310
Public works	523,442
Internal service funds	151,179
Total depreciation expense-governmental activities	<u><u>\$ 2,089,854</u></u>

Business-type activities:

Public Utilities Fund	\$ 1,131,417
Airport Fund	86,195
Total depreciation expense-business-type activities	<u><u>\$ 1,217,612</u></u>

Changes in capital assets for the Taylor Economic Development Corporation for the year ended September 30, 2012 are as follows:

	October 1, 2011	Additions	Deletions	September 30, 2012
Office Equipment	\$ 25,023	\$ -	\$ -	\$ 25,023
Less accumulated depreciation	<u><u>(25,023)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(25,023)</u></u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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 Capital Improvements	\$ 77,670
I&S For CO Bonds	7,264
Public Utilities Fund	630,452
Airport Fund	90,853
Cemetery Operating Fund	277,507

Nonmajor funds:

Hotel/Motel Fund	83,947
Texas Capital Fund	6,337
Main Street Revenue Fund	27,683
Cemetery Land Purchases	203,945
Municipal Court Special Fee	90,282
Drainage Fund	<u>278,576</u>
Nonmajor Funds	<u>690,770</u>

Nonmajor Internal Service Funds:

Equipment Services Fund	12,494
Nonmajor Internal Service Funds:	<u>12,494</u>
Total Due From Other Funds	<u>\$ 1,787,010</u>

Payables:

Major Funds:

General Fund	\$ 560,455
I&S For CO Bonds	59,959
Public Utilities Fund	326,877
Airport Fund	85,086
Cemetery Operating Fund	203,945

Non Major Funds:

Cemetery Land Purchases	197,035
Cemetery Permanent Fund	<u>134,497</u>
Nonmajor Funds	<u>331,532</u>

Nonmajor Internal Service Funds:

Equipment Replacement Fund	219,156
Nonmajor Internal Service Funds:	<u>219,156</u>
Total Due to Other Funds	<u>\$ 1,787,010</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. INTERFUND ACTIVITIES (CONTINUED)

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

	Transfers In	Transfers Out
General Fund -		
General Capital Improvements	\$ -	\$ 60,618
Civil Service Sick Leave Fund	-	21,603
Drainage Fund	615,120	-
Public Utilities Fund	850,000	-
Airport Fund	30,000	-
Cemetery Operating Fund	40,000	-
	<hr/> 1,535,120	<hr/> 82,221
General Capital Improvements -		
General Fund	60,618	-
Cemetery Permanent Fund -		
Cemetery Operating Fund	-	50,000
Drainage Fund -		
General Fund	-	615,120
Public Utilities Fund -		
General Fund	-	850,000
Airport Fund -		
General Fund	-	30,000
Cemetery Operating Fund -		
General Fund	-	40,000
Cemetery Permanent Fund	50,000	-
	<hr/> 50,000	<hr/> 40,000
Internal Service Funds -		
General Fund	21,603	-
	<hr/> \$ 1,667,341	<hr/> \$ 1,667,341

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2012, 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	\$ 83,479	\$ 248,091	\$ 620,595	\$ 952,165
I & S for CO Bonds	26,847	-	-	26,847
Cemetery Land Fund	-	17	-	17
Drainage Fund	-	50,446	-	50,446
Cemetery Permanent Fund	-	87	-	87
Public Utilities Fund	-	1,212,600	-	1,212,600
Airport Fund	-	6,610	-	6,610
Cemetery Operating Fund	-	4,790	-	4,790
Total	\$ 110,326	\$ 1,522,641	\$ 620,595	\$ 2,253,562

The Public Utilities and the Airport fund accounts receivable include unbilled charges for services rendered at September 30, 2012. Payables at September 30, 2012, 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	Total Payables
General Fund	\$ 500,390	\$ 113,752	\$ -	\$ 614,142
General Capital Improvements	97,731	-	-	97,731
I & S for CO Bonds	7,667	-	-	7,667
Hotel Motel Fund	3,865	-	-	3,865
Municipal Court Fund	5,212	-	-	5,212
TIF Fund	8,100	-	-	8,100
Internal Service Funds	9,299	437	-	9,736
Public Utilities Fund	119,575	3,110	327,350	450,035
Airport Fund	28,568	105	-	28,673
Cemetery Operating Fund	5,217	169	-	5,386
Total	\$ 785,624	\$ 117,573	\$ 327,350	\$ 1,230,547

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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, 2012:

	Balance October 1, 2011	Additions	Retirements	Balance September 30, 2012	Due within one year
<u>Governmental Activities</u>					
General obligation bonds	\$ 9,192,005	\$ -	\$ (762,005)	\$ 8,430,000	\$ 785,000
Certificates of Obligation	9,768,476	4,875,000	(152,078)	14,491,398	250,594
Less deferred amounts:					
For discounts and premiums	72,281	-	(7,085)	65,196	7,085
On refunding	(165,397)	-	17,586	(147,811)	(17,585)
Total bonds payable	18,867,365	4,875,000	(903,582)	22,838,783	1,025,094
Texas Department of Commerce					
Obligation	145,398	-	(25,023)	120,375	25,023
Motorola Capital lease	229,198	-	(54,378)	174,820	56,282
John Deere lease	42,727	-	(12,643)	30,084	14,223
GCC Capital lease	146,146	-	-	146,146	21,474
Other post employment benefits	123,817	61,718	(12,395)	173,140	-
Compensated absences	597,636	203,362	(189,361)	611,637	152,930
Compensated absences -internal service fund	2,193	3,492	(3,115)	2,570	2,570
Total governmental activities	<u>20,154,480</u>	<u>5,143,572</u>	<u>(1,200,497)</u>	<u>24,097,555</u>	<u>1,297,596</u>
<u>Business-Type Activities</u>					
General obligation bonds	5,982,995	-	(812,995)	5,170,000	820,000
Combination Tax and Revenue Bonds	25,441,524	-	(2,212,922)	23,228,602	359,406
Less deferred amounts:					
For discounts and premiums	149,009	-	(22,576)	126,433	22,576
On refunding	(250,863)	-	32,912	(217,951)	(32,912)
Total bonds payable	<u>31,322,665</u>	<u>-</u>	<u>(3,015,581)</u>	<u>28,307,084</u>	<u>1,169,070</u>
Compensated absences	18,930	30,419	(32,245)	17,104	17,104
Total business-type activities	<u>31,341,595</u>	<u>30,419</u>	<u>(3,047,826)</u>	<u>28,324,188</u>	<u>1,186,174</u>
Total primary government	<u><u>\$ 51,496,075</u></u>	<u><u>\$ 5,173,991</u></u>	<u><u>\$ (4,248,323)</u></u>	<u><u>\$ 52,421,743</u></u>	<u><u>\$ 2,483,770</u></u>
<u>Component Unit</u>					
Citizen's National Bank	\$ -	\$ 1,200,000	\$ -	\$ 1,200,000	\$ 45,905
Compensated absences	11,209	-	(10,479)	730	730
	<u><u>\$ 11,209</u></u>	<u><u>\$ 1,200,000</u></u>	<u><u>\$ (10,479)</u></u>	<u><u>\$ 1,200,730</u></u>	<u><u>\$ 46,635</u></u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Long-term debt at September 30, 2012 is comprised of the following:

	Governmental Type Activities	Business - Type Activities
General Obligation bonds:		
\$ 5,100,000 General Obligation Bonds, Series 2005, due in installments through 2025, interest at 3% to 4.3%	\$ 4,275,000	\$ -
\$ 8,995,000 General Obligation Refunding Bonds, Series 2009, due in installments through 2029, interest at 2% to 4%	3,155,000	2,845,000
\$ 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%	-	-
\$ 3,945,000 General Obligation Refunding Bonds, Series 2010, due in installments through 2022, interest at 1.5% to 4%	1,000,000	2,325,000
Total General Obligation bonds	8,430,000	5,170,000
Combination Tax and Revenue/Certificates of Obligation:		
\$ 4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through 2023, interest at 2.5% to 4.65%	1,021,398	-
\$ 4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through 2023, interest at 3% to 4.65%	-	1,883,602
\$ 4,200,000 Combination Tax and Revenue Certificates of Obligation, Series 2006, due in annual installments through 2026, interest at 4.45%	60,000	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%	2,940,000	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%	2,980,000	6,130,000
\$ 8,780,000 Combination Tax and Revenue Certificates of Obligation, Series 2010, due in annual installments through 2034, interest at 4.25% to 5%	4,490,000	4,215,000
\$ 1,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2012, due in annual installments through 2032, interest at 4.25% to 5%	3,000,000	-
Total Combination Tax and Revenue/Certificates of Obligation	14,491,398	23,228,602

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

	Governmental Type Activities	Business - Type Activities
Less Deferred amounts:		
Discounts and premiums	\$ 65,196	\$ 126,433
On refunding	<u>(147,812)</u>	<u>(217,951)</u>
Total Deferred Amounts	<u>(82,616)</u>	<u>(91,518)</u>
Contractual Obligation		
\$ 499,931 Obligation to the Texas Department of Commerce Texas Capital Fund, due in monthly installments of \$ 2,085 through January 2017, interest at 0.00%	120,375	-
Total Contractual Obligations	<u>120,375</u>	<u>-</u>
Capital Leases Payable:		
\$ 381,545 Capital Lease Payable to Motorola, due in annual installments of \$ 66,400 through 2015, interest at 3.5%	174,820	-
\$ 62,622 Capital Lease Payable to John Deere, due in monthly installments of \$ 1,298 through 2014, interest at 5.9%	30,084	-
\$ 169,727 Capital Lease Payable to GCC, due in annual installments of \$ 28,815 through 2017, interest at 5.02%	146,146	-
Total Capital Leases Payable	<u>351,050</u>	<u>-</u>
Compensated absences	614,207	17,104
Other post employment benefits	173,140	-
Total Debt	<u>\$ 24,097,554</u>	<u>\$ 28,324,188</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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, 2012 including interest are as follows. Due to the nature of the obligation for compensated absences and other post-employment benefits, annual requirements to amortize such obligations are not determinable and have not been included in the following summary.

General Obligation Bonds

Year Ending September 30	Governmental Activities			Business-type Activities			Total
	Principal	Interest	Principal	Interest	Principal	Interest	
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	810,000	209,983	885,000	69,298	1,974,281		
2018-2022	3,155,000	638,443	900,000	75,378	4,768,821		
2023-2025	1,310,000	98,458	-	-	1,408,458		
Total	<u>\$ 8,430,000</u>	<u>\$ 2,052,266</u>	<u>\$ 5,170,000</u>	<u>\$ 702,070</u>	<u>\$ 16,354,336</u>		

Year Ending September 30	Governmental Activities			Business - type Activities			Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$ 250,594	\$ 588,407	\$ 359,406	\$ 1,007,098	\$ 2,205,505		
2014	294,110	554,826	375,890	987,200	2,212,026		
2015	360,868	544,856	394,132	966,468	2,266,324		
2016	389,384	531,501	460,616	945,040	2,326,541		
2017	402,900	518,116	472,100	926,215	2,319,331		
2018-2022	3,389,272	2,299,122	6,950,728	4,012,151	16,651,273		
2023-2027	5,374,270	1,471,844	9,625,730	2,313,959	18,785,803		
2028-2032	3,030,000	592,863	3,655,000	558,872	7,836,735		
2033-2034	1,000,000	67,190	935,000	62,739	2,064,929		
Total	<u>\$ 14,491,398</u>	<u>\$ 7,168,725</u>	<u>\$ 23,228,602</u>	<u>\$ 11,779,742</u>	<u>\$ 56,668,467</u>		

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Capital Leases Payable

Year Ending September 30	Governmental Activities			Total
	Principal	Interest		
2013	\$ 91,979	\$ 14,809		\$ 106,788
2014	96,663	10,889		107,552
2015	83,975	7,240		91,215
2016	24,874	3,940		28,814
2017	26,124	2,690		28,814
2018	27,435	1,378		28,813
Total	\$ 351,050	\$ 40,946		\$ 391,996

Notes Payable

Year Ending September 30	Governmental Activities			Total
	Principal	Interest		
2013	\$ 25,023	\$ -		\$ 25,023
2014	25,023	-		25,023
2015	25,023	-		25,023
2016	25,023	-		25,023
2017	20,283	-		20,283
Total	\$ 120,375	\$ -		\$ 120,375

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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, 2012.

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.

In April of 2012, the City issued \$ 3,000,000 in Combination Tax and Revenue Certificates of Obligations, Series 2012. The net proceeds of the bonds, after payment of issuance fees, are to be used to fund the costs to construct, improve and expand the City's drainage system, parks, streets, water and waste water system.

Additionally, the City restructured \$ 1,875,000 of the Combination Tax and Revenue Certificates of Obligations, Series 2010 previously issued debt. The amounts were originally intended to be used to expand the City's water and wastewater system and the proceeds were issued to the Public Utilities fund. During 2012, the City restructured the proceeds to be used to fund the cost for public improvements. Therefore, the proceeds were subsequently moved to the governmental activities.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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, 2012

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:

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
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	5
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/5, 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, 2012

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)
9/30/2010	\$ 784,080	\$ 784,080	100%	-
9/30/2011	828,288	828,288	100%	-
9/30/2012	737,456	737,456	100%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Schedule of Actuarial Valuations

	12/31/2009	Prior to Restructuring		Restructured	12/31/2011
		12/31/2010	12/31/2010	12/31/2010	
Actuarial Cost Method	Projected Unit Credit				
Amortization Method	Level Percent of Payroll				
GASB 25 Equivalent Single Amortization Period	28 years; closed period	26.9 years; closed period	26.9 years; closed period	26 years; closed period	26 years; closed period
Amortization Period for new Gains/Losses	30 years 10-year	30 years	30 years	30 years	30 years
Assets Valuation Method	Smoothed Market	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	7.5%	7.5%	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service				
Includes Inflation at Cost-of-Living Adjustments	3.0% 2.1%	3.0% 2.1%	3.0% 2.1%	3.0% 2.1%	3.0% 2.1%

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

IV. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

The funded status as of December 31, 2011, 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
12/31/09	\$ 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%
12/31/11	15,411,297	20,429,115	5,017,818	75.44%	5,896,049	85.10%

(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, 2012

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 2011</u>	<u>Plan Year 2012</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 2012, 2011 and 2010 were \$ 1,563, \$ 2,028, and \$ 1,803, 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 Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of APC Contributed</u>
2010	0.06%	0.06%	100.00%
2011	0.06%	0.06%	100.00%
2012	0.06%	0.06%	100.00%

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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, 2012

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, 2012

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, 2012

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, 2012, is as follows:

OPEB	
Annual Required Contribution	\$ 56,146
Interest on net OPEB obligation	5,572
Adjustment to annual required contribution	<u>(5,162)</u>
Annual OPEB cost	56,556
Estimated contribution made	<u>(7,233)</u>
Estimated increase in net OPEB obligation	49,323
Net OPEB obligation - beginning of year	<u>123,817</u>
Net OPEB obligation - end of year	<u><u>\$ 173,140</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, 2012 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer			Net OPEB Obligation
		Amount Contributed	Percentage Contributed		
9/30/2010	\$ 60,091	\$ 12,200	20.30%	\$ 79,729	
9/30/2011	54,775	10,687	19.51%	123,817	
9/30/2012	56,146	7,233	12.88%	172,730	

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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, the date of last required valuation 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%
12/31/2011	-	-	Not Available	-	-	-

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, the date of last required valuation.

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%
Inflation Rate	3.00%
Salary Growth	3.00%
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, 2012

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.

F. SUBSEQUENT EVENTS

On November 20, 2012, the City issued \$ 5,450,000 of General Obligation Refunding Bonds. The bonds were issued to refund \$ 2,235,000 of Combination Tax and Revenue Certificates of Obligations, Series 2003 and \$ 3,070,000 of General Obligation Bonds, Series 2005. The interest rate of the bonds range from 1.0% to 2.5% and the maturity date of the bonds is August 15, 2022. The refunding of the bonds produces a net present value debt service savings of \$ 747,000.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF TAYLOR, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2012

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
12/31/09	\$ 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%
12/31/11	15,411,297	20,429,115	5,017,818	75.44%	5,896,049	85.10%

(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	Amortization Factor*	OPEB Cost	Change in NOO	NOO Balance
	Annual Required Contribution	Amount Contributed (estimate)	Interest on NOO (9) x 4.5%	Adjustment (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	60,091	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	
9/30/2011	56,146	7,233	5,572	5,162	23.98540	46,556	49,323	173,140	

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF TAYLOR, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	Hotel Motel Fund	Texas Capital Fund	Main Street Revenue Fund	Cemetery Land Purchases
<u>ASSETS</u>				
Investments	\$ -	\$ -	\$ -	\$ 204,177
Receivables (net of allowances for uncollectibles) -				
Accounts and other	- -	- -	- -	17
Interfund receivables	<u>83,947</u>	<u>6,337</u>	<u>27,683</u>	<u>203,945</u>
Total assets	<u><u>\$ 83,947</u></u>	<u><u>\$ 6,337</u></u>	<u><u>\$ 27,683</u></u>	<u><u>\$ 408,139</u></u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 3,865	\$ -	\$ -	\$ -
Interfund payables	- -	- -	- -	197,035
Total liabilities	<u><u>3,865</u></u>	<u><u>- -</u></u>	<u><u>- -</u></u>	<u><u>197,035</u></u>
Fund balances:				
Nonspendable:				
Permanent fund	- -	- -	- -	- -
Restricted:				
Other	80,082	6,337	27,683	211,104
Committed:				
Drainage	- -	- -	- -	- -
Total fund balances	<u><u>80,082</u></u>	<u><u>6,337</u></u>	<u><u>27,683</u></u>	<u><u>211,104</u></u>
Total liabilities and fund balances	<u><u>\$ 83,947</u></u>	<u><u>\$ 6,337</u></u>	<u><u>\$ 27,683</u></u>	<u><u>\$ 408,139</u></u>

Municipal Court Special Fee	TIF Fund	Drainage Fund	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ 452,528	\$ -	\$ 656,705	\$ 867,927	\$ 1,524,632
90,282	-	50,446	50,463	87	50,550
	-	278,576	690,770	-	690,770
\$ 90,282	\$ 452,528	\$ 329,022	\$ 1,397,938	\$ 868,014	\$ 2,265,952
\$ 5,212	\$ 8,100	\$ -	\$ 17,177	\$ -	\$ 17,177
-	-	-	197,035	134,497	331,532
5,212	8,100	-	214,212	134,497	348,709
-	-	-	-	729,268	729,268
85,070	444,428	-	854,704	4,249	858,953
-	-	329,022	329,022	-	329,022
85,070	444,428	329,022	1,183,726	733,517	1,917,243
\$ 90,282	\$ 452,528	\$ 329,022	\$ 1,397,938	\$ 868,014	\$ 2,265,952

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Hotel Motel Fund	Texas Capital Fund	Main Street Revenue Fund	Cemetery Land Purchases
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Hotel occupancy tax	59,279	-	-	-
Charges for services	-	-	-	2,720
Intergovernmental	-	-	-	-
Other revenue	-	25,023	20,154	-
Investment earnings	-	-	-	-
Total revenues	59,279	25,023	20,154	2,720
Expenditures:				
Current:				
General government	63,150	-	21,273	-
Debt service:				
Principal retirement	-	25,023	-	-
Capital outlay	-	-	-	-
Total expenditures	63,150	25,023	21,273	-
Excess (deficiency) of revenues over expenditures	(3,871)	-	(1,119)	2,720
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of bond	-	-	-	-
Total other financing uses	-	-	-	-
Net change in fund balances	(3,871)	-	(1,119)	2,720
Fund balances, beginning of year	83,953	6,337	28,802	208,384
Fund balances, end of year	\$ 80,082	\$ 6,337	\$ 27,683	\$ 211,104

Municipal Court Special Fee	TIF Fund	Drainage Fund	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ 63,489	\$ -	\$ 63,489	\$ -	\$ 63,489
-	-	-	59,279	-	59,279
14,968	-	244,352	262,040	11,723	273,763
-	38,043	-	38,043	-	38,043
-	-	-	45,177	-	45,177
-	462	-	462	-	462
14,968	101,994	244,352	468,490	11,723	480,213
14,938	-	89	99,450	20	99,470
-	-	-	25,023	-	25,023
-	17,646	6,656	24,302	-	24,302
14,938	17,646	6,745	148,775	20	148,795
30	84,348	237,607	319,715	11,703	331,418
-	-	-	-	-	-
-	-	(615,120)	(615,120)	(50,000)	(665,120)
-	-	551,120	551,120	-	551,120
-	-	(64,000)	(64,000)	(50,000)	(114,000)
30	84,348	173,607	255,715	(38,297)	217,418
85,040	360,080	155,415	928,011	771,814	1,699,825
\$ 85,070	\$ 444,428	\$ 329,022	\$ 1,183,726	\$ 733,517	\$ 1,917,243

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, 2012

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Hotel occupancy tax	\$ 80,000	\$ 60,616	\$ 59,279	\$ (1,337)
Total revenues	<u>80,000</u>	<u>60,616</u>	<u>59,279</u>	<u>(1,337)</u>
Expenditures:				
Current:				
General government	60,000	65,000	63,150	1,850
Total expenditures	<u>60,000</u>	<u>65,000</u>	<u>63,150</u>	<u>1,850</u>
Excess of revenues over expenditures	<u>20,000</u>	<u>(4,384)</u>	<u>(3,871)</u>	<u>513</u>
Other financing uses:				
Transfers out	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	\$ 20,000	\$ (4,384)	(3,871)	\$ 513
Fund balance, October 1, 2011				<u>83,953</u>
Fund balance, September 30, 2012				<u>\$ 80,082</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, 2012

	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	\$ -	\$ -	-	\$ -
Fund balance, October 1, 2011			<u>6,337</u>	
Fund balance, September 30, 2012			<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, 2012

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Other earnings	\$ 21,000	\$ 20,177	\$ 20,154	\$ (23)
Total revenues	<u>21,000</u>	<u>20,177</u>	<u>20,154</u>	<u>(23)</u>
Expenditures:				
Current:				
General government	35,500	36,299	21,273	15,026
Total expenditures	<u>35,500</u>	<u>36,299</u>	<u>21,273</u>	<u>15,026</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (14,500)</u>	<u>\$ (16,122)</u>	<u>(1,119)</u>	<u>\$ 15,003</u>
Fund balance, October 1, 2011			<u>28,802</u>	
Fund balance, September 30, 2012			<u>\$ 27,683</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, 2012

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 2,600	\$ 2,600	\$ 2,720	\$ 120
Total revenues	<u>2,600</u>	<u>2,600</u>	<u>2,720</u>	<u>120</u>
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>2,600</u>	<u>2,600</u>	<u>2,720</u>	<u>120</u>
Other financing sources:				
Transfers in	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 2,600</u>	<u>\$ 2,600</u>	<u>2,720</u>	<u>\$ 120</u>
Fund balance, October 1, 2011			<u>208,384</u>	
Fund balance, September 30, 2012			<u>\$ 211,104</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, 2012

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 21,000	\$ 17,000	\$ 14,968	\$ (2,032)
Total revenues	<u>21,000</u>	<u>17,000</u>	<u>14,968</u>	<u>(2,032)</u>
Expenditures:				
Current:				
General government	-	16,075	14,938	1,137
Total expenditures	-	<u>16,075</u>	<u>14,938</u>	<u>1,137</u>
Excess (deficiency) of revenues over expenditures	\$ 21,000	\$ 925	30	\$ (895)
Fund balance, October 1, 2011			<u>85,040</u>	
Fund balance, September 30, 2012			<u>\$ 85,070</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, 2012

	Budgeted Amounts			Variance-Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes				
including interest and penalties	\$ 57,504	\$ 63,489	\$ 63,489	\$ -
Intergovernmental	34,620	38,043	38,043	-
Investment earnings	300	405	462	57
Total revenues	92,424	101,937	101,994	57
Expenditures:				
Current:				
General government	20,000	-	-	-
Capital outlay	-	20,000	17,646	
Total expenditures	20,000	20,000	17,646	-
Excess of revenues over expenditures	\$ 72,424	\$ 81,937	84,348	\$ 57
Fund balance, October 1, 2011			360,080	
Fund balance, September 30, 2012			\$ 444,428	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
DRAINAGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 156,400	\$ 223,000	\$ 244,352	\$ 21,352
Other revenue	-	3,000	-	(3,000)
Total revenues	156,400	226,000	244,352	21,352
Expenditures:				
General government	-	3,090	89	(3,001)
Capital outlay	-	7,556	6,656	(900)
Total expenditures	-	10,646	6,745	(3,901)
Excess of revenues over expenditures	156,400	215,354	237,607	17,451
Other financing sources:				
Transfers out	(60,000)	(615,120)	(615,120)	-
Payment to bond escrow agent	-	555,120	551,120	(4,000)
Total other financing uses	(60,000)	(60,000)	(64,000)	-
Net change in fund balances	\$ 96,400	\$ 155,354	173,607	\$ 18,253
Fund balance, October 1, 2011			155,415	
Fund balance, September 30, 2012			\$ 329,022	

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, 2012

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 12,000	\$ 14,000	\$ 11,723	\$ (2,277)
Investment earnings	22,000	22,000	-	(22,000)
Total revenues	<u>34,000</u>	<u>36,000</u>	<u>11,723</u>	<u>(24,277)</u>
Expenditures:				
Current:				
General government	25	25	20	5
Total expenditures	<u>25</u>	<u>25</u>	<u>20</u>	<u>5</u>
Excess of revenues over expenditures	<u>33,975</u>	<u>35,975</u>	<u>11,703</u>	<u>(24,272)</u>
Other financing uses:				
Transfers out	\$ (22,000)	\$ (50,000)	\$ (50,000)	-
Total financing uses	<u>(22,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ 11,975</u>	<u>\$ (14,025)</u>	<u>\$ (38,297)</u>	<u>\$ (24,272)</u>
Fund balance, October 1, 2011			<u>771,814</u>	
Fund balance, September 30, 2012			<u>\$ 733,517</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, 2012

	Budgeted Amounts			Variance-Positive (Negative)	
	Original	Final	Actual		
Revenues:					
Property taxes	\$ 1,542,404	\$ 1,600,000	\$ 1,602,569	\$ 2,569	
Investment earnings	1,200.00	1,200.00	1,171	(29)	
Other revenues	-	-	-	-	
Total revenues	1,543,604	1,601,200	1,603,740	2,540	
Expenditures:					
Debt service:					
Principal retirement	894,083	914,083	914,083	-	
Interest and fiscal charges	750,421	832,160	831,944	216	
Total expenditures	1,644,504	1,746,243	1,746,027	216	
Excess (deficiency) of revenues over expenditures	(100,900)	(145,043)	(142,287)	2,756	
Other financing sources (uses):					
Transfers out	-	-	-	-	
Refunding bonds issued	-	-	-	-	
Payments to bond escrow agent	-	-	-	-	
Total other financing uses	-	-	-	-	
Net change in fund balances	\$ (100,900)	\$ (145,043)	(142,287)	\$ 2,756	
Fund balance, October 1, 2011				287,894	
Fund balance, September 30, 2012				\$ 145,607	

INTERNAL SERVICE FUNDS

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CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2012

<u>ASSETS</u>	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts and other receivables (net of allowance for uncollectibles) -	- -	- -	- -	- -
Interfund receivables	12,494	- -	- -	12,494
Total current assets	<u>12,494</u>	<u>- -</u>	<u>- -</u>	<u>12,494</u>
Noncurrent assets:				
Capital assets:				
Machinery and equipment	- -	1,537,146	- -	1,537,146
Accumulated depreciation	- -	(1,099,227)	- -	(1,099,227)
Total noncurrent assets	- -	437,919	- -	437,919
Total assets	<u>12,494</u>	<u>437,919</u>	- -	<u>450,413</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	9,299	- -	- -	9,299
Accrued payroll	437	- -	- -	437
Accrued interest	- -	6,265	- -	6,265
Interfund payables	- -	219,156	- -	219,156
Current maturities of long-term liabilities	2,570	36,745	- -	39,315
Total current liabilities	<u>12,306</u>	<u>262,166</u>	- -	<u>274,472</u>
Noncurrent liabilities:				
Capital lease payable	- -	139,485	- -	139,485
Total noncurrent liabilities	- -	139,485	- -	139,485
Total liabilities	<u>12,306</u>	<u>401,651</u>	- -	<u>413,957</u>
Net Assets:				
Invested in capital assets, net of related debt	- -	261,689	- -	261,689
Unrestricted net assets	188	(225,421)	- -	(225,233)
Total net assets	<u>\$ 188</u>	<u>\$ 36,268</u>	<u>\$ -</u>	<u>\$ 36,456</u>

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
Operating revenues:				
Charges for services	\$ 669,313	\$ -	\$ -	\$ 669,313
Other revenue	-	13,132	-	13,132
Total operating revenues	669,313	13,132	-	682,445
Operating expenses:				
Personnel services	131,256	-	21,603	152,859
Contractual services	539,563	58,424	-	597,987
Supplies	-	-	-	-
Depreciation	-	151,179	-	151,179
Total operating expenses	670,819	209,603	21,603	902,025
Operating loss	(1,506)	(196,471)	(21,603)	(219,580)
Non-operating revenues (expenses):				
Investment earnings	-	400	-	400
Gain (loss) from disposition of assets	-	14,501	-	14,501
Interest expense	-	(8,425)	-	(8,425)
Total non-operating expenses	-	6,476	-	6,476
Loss before transfers	(1,506)	(189,995)	(21,603)	(213,104)
Transfers in	-	-	21,603	21,603
Change in net assets	(1,506)	(189,995)	-	(191,501)
Total net assets - beginning of year	1,694	226,263	-	227,957
Total net assets - end of year	\$ 188	\$ 36,268	\$ -	\$ 36,456

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
Cash flows from operating activities:				
Cash received from user charges	\$ 669,313	\$ -	\$ -	\$ 669,313
Cash received from others	-	23,021	-	23,021
Cash payments to suppliers	(535,567)	(68,313)	-	(603,880)
Cash payments to employees	(130,782)	-	(21,603)	(152,385)
Net cash provided (used) by operating activities	2,964	(45,292)	(21,603)	(63,931)
Cash flows from noncapital financing activities:				
Increase (decrease) in amounts due to other funds	(2,964)	137,165	-	134,201
Transfers from other funds	-	-	21,603	21,603
Net cash provided (used) by noncapital financing activities	(2,964)	137,165	21,603	155,804
Cash flows from capital and related financing activities:				
Acquisition of capital assets, net of disposals	-	(91,967)	-	(91,967)
Principal paid on debt	-	(12,644)	-	(12,644)
Interest and fiscal charges paid	-	(2,163)	-	(2,163)
Net cash provided (used) by capital and related financing activities	-	(106,774)	-	(106,774)
Cash flows from investing activities:				
Investment and other income	-	14,901	-	14,901
Net cash provided (used) by investing activities	-	14,901	-	14,901
Net change 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 loss to net cash provided (used) by operating activities				
Operating loss	\$ (1,506)	\$ (196,471)	\$ (21,603)	\$ (219,580)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	-	151,179	-	151,179
(Increase) decrease in accounts receivable	-	9,889	-	9,889
Increase (decrease) in accounts payable	3,996	(9,889)	-	(5,893)
Increase (decrease) in accrued payroll and compensated absences	474	-	-	474
Net cash provided (used) by operating activities	\$ 2,964	\$ (45,292)	\$ (21,603)	\$ (63,931)

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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

	2012	2011	2010	2009
Governmental activities				
Invested in capital assets, net of related debt	\$ 39,458,232	\$ 42,533,107	\$ 41,533,094	\$ 43,701,642
Restricted	7,611,640	4,142,402	3,253,125	1,055,079
Unrestricted	2,201,441	2,753,160	3,916,431	3,369,829
Total governmental activities net assets	\$ 49,271,313	\$ 49,428,669	\$ 48,702,650	\$ 48,126,550
Business-type activities				
Invested in capital assets, net of related debt	\$ 12,109,434	\$ 12,332,757	\$ 12,419,757	\$ 11,782,669
Unrestricted (Deficit)	2,192,837	1,533,418	(216,991)	560,831
Total business-type activities net assets	\$ 14,302,271	\$ 13,866,175	\$ 12,202,766	\$ 12,343,500
Primary government				
Invested in capital assets, net of related debt	\$ 51,567,666	\$ 54,865,864	\$ 53,952,851	\$ 55,484,311
Restricted	7,611,640	4,142,402	3,253,125	1,055,079
Unrestricted	4,394,278	4,286,578	3,699,440	3,930,660
Total primary government net assets	\$ 63,573,584	\$ 63,294,844	\$ 60,905,416	\$ 60,470,050

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

2008	2007	2006	2005	2004	2003
\$ 40,988,706	\$ 40,723,892	\$ 35,593,811	\$ 27,060,385	\$ 30,242,702	\$ 29,396,412
1,353,386	2,092,597	5,447,454	7,801,262	2,774,506	3,947,062
4,481,859	3,310,666	2,087,890	2,250,623	1,483,254	1,756,118
\$ 46,823,951	\$ 46,127,155	\$ 43,129,155	\$ 37,112,270	\$ 34,500,462	\$ 35,099,592
\$ 12,539,086	\$ 12,577,691	\$ 10,378,556	\$ 7,768,365	\$ 8,777,087	\$ 1,872,132
82,049	184,104	1,277,532	1,504,663	4,043,256	4,285,025
\$ 12,621,135	\$ 12,761,795	\$ 11,656,088	\$ 9,273,028	\$ 12,820,343	\$ 6,157,157
\$ 53,527,792	\$ 53,301,583	\$ 45,972,367	\$ 34,828,750	\$ 39,019,789	\$ 31,268,544
1,353,386	2,092,597	5,447,454	7,801,262	2,774,506	3,947,062
4,563,908	3,494,770	3,365,422	3,755,286	5,526,510	6,041,143
\$ 59,445,086	\$ 58,888,950	\$ 54,785,243	\$ 46,385,298	\$ 47,320,805	\$ 41,256,749

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

	2012	2011	2010	2009
Expenses				
Governmental activities:				
General government	\$ 5,425,376	\$ 4,106,565	\$ 4,274,435	\$ 4,038,624
Public safety	4,760,938	4,937,819	4,986,776	4,799,854
Public works	2,988,768	4,334,567	4,159,734	3,797,620
Community services	-	343,860	-	-
Interest on long-term debt	900,074	826,560	760,678	723,851
Other	-	-	-	-
Total governmental activities expenses	<u>14,075,156</u>	<u>14,549,371</u>	<u>14,181,623</u>	<u>13,359,949</u>
Business-type activities:				
Public utilities fund	6,089,947	6,005,089	5,607,082	5,250,058
Airport fund	409,086	426,345	430,473	408,404
Cemetery operating fund	120,031	88,368	-	-
Other	-	-	-	-
Total business-type activities expenses	<u>6,619,064</u>	<u>6,519,802</u>	<u>6,037,555</u>	<u>5,658,462</u>
Total primary government expenses	<u><u>\$ 20,694,220</u></u>	<u><u>\$ 21,069,173</u></u>	<u><u>\$ 20,219,178</u></u>	<u><u>\$ 19,018,411</u></u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 2,798,540	\$ 2,515,187	\$ 2,378,935	\$ 2,257,670
Public safety	247,130	382,919	287,821	308,439
Public works	-	-	-	-
Community services	-	338,965	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	69,481	707,816	1,813,591	1,230,851
Other	-	-	-	-
Total governmental activities program revenues	<u>3,115,151</u>	<u>3,944,887</u>	<u>4,480,347</u>	<u>3,796,960</u>
Business-type activities:				
Charges for services:				
Public utilities fund	7,150,801	7,568,944	6,227,101	5,897,077
Airport fund	426,859	669,510	427,323	466,097
Cemetery operating fund	120,529	119,721	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenue	<u>7,698,189</u>	<u>8,358,175</u>	<u>6,654,424</u>	<u>6,363,174</u>
Total primary government program revenues	<u><u>\$ 10,813,340</u></u>	<u><u>\$ 12,303,062</u></u>	<u><u>\$ 11,134,771</u></u>	<u><u>\$ 10,160,134</u></u>

Source: Audited Financial Statements of City of Taylor, Texas

2008	2007	2006	2005	2004	2003
\$ 4,682,994	\$ 3,791,089	\$ 3,740,078	\$ 2,636,013	\$ 3,314,123	\$ 943,250
5,079,499	4,043,066	4,161,454	3,743,894	4,135,542	3,449,803
3,912,591	3,422,645	3,118,037	3,300,004	2,912,174	3,496,627
-	-	226,110	463,835	141,546	701,197
704,241	655,537	681,884	454,224	514,207	448,735
-	-	-	-	-	489,757
<u>14,379,325</u>	<u>11,912,337</u>	<u>11,927,563</u>	<u>10,597,970</u>	<u>11,017,592</u>	<u>9,529,369</u>
6,282,526	5,820,213	5,948,540	5,432,576	3,030,511	4,652,811
599,040	421,971	395,886	318,448	248,850	228,882
-	-	-	-	-	-
-	-	-	-	-	708,178
<u>6,881,566</u>	<u>6,242,184</u>	<u>6,344,426</u>	<u>5,751,024</u>	<u>3,279,361</u>	<u>5,589,871</u>
<u>\$ 21,260,891</u>	<u>\$ 18,154,521</u>	<u>\$ 18,271,989</u>	<u>\$ 16,348,994</u>	<u>\$ 14,296,953</u>	<u>\$ 15,119,240</u>
\$ 3,650,952	\$ 3,132,354	\$ 3,169,711	\$ 2,292,637	\$ 2,171,567	\$ 1,845,099
305,708	331,605	281,661	232,280	356,500	307,994
-	-	-	3,382	-	-
-	-	-	4,740	39,438	-
-	-	-	118,577	59,984	-
476,057	1,335,302	908,961	385,437	-	1,060,221
-	-	-	-	-	1,052,300
<u>4,432,717</u>	<u>4,799,261</u>	<u>4,360,333</u>	<u>3,037,053</u>	<u>2,627,489</u>	<u>4,265,614</u>
5,845,601	5,141,474	5,033,084	4,832,243	4,894,120	4,309,897
607,746	387,224	354,033	254,490	119,924	202,773
-	-	-	-	-	-
-	825,814	109,702	225,698	9,708	-
<u>6,453,347</u>	<u>6,354,512</u>	<u>5,496,819</u>	<u>5,312,431</u>	<u>5,023,752</u>	<u>4,512,670</u>
<u>\$ 10,886,064</u>	<u>\$ 11,153,773</u>	<u>\$ 9,857,152</u>	<u>\$ 8,349,484</u>	<u>\$ 7,651,241</u>	<u>\$ 8,778,284</u>

(Continued)

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net (Expenses) Revenue				
Governmental activities	\$ (10,960,005)	\$ (10,604,484)	\$ (9,701,276)	\$ (9,562,989)
Business-type activities	1,079,125	1,838,373	616,869	704,712
Total primary government net expense	<u>\$ (9,880,880)</u>	<u>\$ (8,766,111)</u>	<u>\$ (9,084,407)</u>	<u>\$ (8,858,277)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 6,212,695	\$ 6,078,005	\$ 5,811,529	\$ 5,741,878
Sales taxes	2,411,533	2,219,629	2,239,952	2,248,042
Franchise taxes	831,595	754,242	751,877	723,591
Hotel occupancy taxes	59,279	61,797	93,357	77,533
Investment earnings	25,783	38,451	114,902	140,589
Miscellaneous	391,765	1,373,359	435,759	930,977
Transfers	869,999	805,020	830,000	1,128,168
Total governmental activities	<u>10,802,649</u>	<u>11,330,503</u>	<u>10,277,376</u>	<u>10,990,778</u>
Business-type activities:				
Investment earnings	5,467	10,086	16,284	64,899
Miscellaneous	221,503	619,970	56,113	80,922
Transfers	(869,999)	(805,020)	(830,000)	(1,128,168)
Total business-type activities	<u>(643,029)</u>	<u>(174,964)</u>	<u>(757,603)</u>	<u>(982,347)</u>
Total primary government	<u><u>\$ 10,159,620</u></u>	<u><u>\$ 11,155,539</u></u>	<u><u>\$ 9,519,773</u></u>	<u><u>\$ 10,008,431</u></u>
Change in Net Assets				
Governmental activities	\$ (157,356)	\$ 726,019	\$ 576,100	\$ 1,427,789
Business-type activities	436,096	1,663,409	(140,734)	(277,635)
Total primary government	<u><u>\$ 278,740</u></u>	<u><u>\$ 2,389,428</u></u>	<u><u>\$ 435,366</u></u>	<u><u>\$ 1,150,154</u></u>

Source: Audited Financial Statements of City of Taylor, Texas

2008	2007	2006	2005	2004	2003
\$ (9,946,608)	\$ (7,113,076)	\$ (7,567,230)	\$ (7,560,917)	\$ (8,390,103)	\$ (5,263,755)
(428,219)	112,328	(847,607)	(438,593)	1,744,391	(1,077,201)
<u>\$ (10,374,827)</u>	<u>\$ (7,000,748)</u>	<u>\$ (8,414,837)</u>	<u>\$ (7,999,510)</u>	<u>\$ (6,645,712)</u>	<u>\$ (6,340,956)</u>
\$ 5,589,548	\$ 5,183,652	\$ 4,723,464	\$ 4,380,395	\$ 4,246,128	\$ 3,461,590
3,020,333	3,431,242	2,237,062	2,097,890	1,913,789	1,644,947
764,227	719,411	792,962	780,219	660,212	741,849
99,597	81,482	60,514	46,773	40,825	37,690
301,223	446,973	627,190	171,853	89,106	81,937
201,993	248,316	243,341	1,262,317	105,865	(20,464)
-	-	-	-	-	-
<u>9,976,921</u>	<u>10,111,076</u>	<u>8,684,533</u>	<u>8,739,447</u>	<u>7,055,925</u>	<u>5,947,549</u>
239,913	233,859	70,441	160,785		
47,646	70,854	591,488	59,731	210,836	75,717
-	-	-	-	-	-
<u>287,559</u>	<u>304,713</u>	<u>661,929</u>	<u>220,516</u>	<u>210,836</u>	<u>75,717</u>
<u>\$ 10,264,480</u>	<u>\$ 10,415,789</u>	<u>\$ 9,346,462</u>	<u>\$ 8,959,963</u>	<u>\$ 7,266,761</u>	<u>\$ 6,023,266</u>
\$ 30,313	\$ 2,998,000	\$ 1,117,303	\$ 1,178,530	\$ (1,334,178)	\$ 683,794
(140,660)	417,041	(185,678)	(218,077)	1,955,227	(1,001,484)
<u>\$ (110,347)</u>	<u>\$ 3,415,041</u>	<u>\$ 931,625</u>	<u>\$ 960,453</u>	<u>\$ 621,049</u>	<u>\$ (317,690)</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
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
2012	6,212,698	2,411,533	500	831,595	110,552	9,566,878

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
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
2012	6,235,011	2,411,533	500	831,595	110,552	9,589,191

¹ Property taxes does not include penalties and interest on taxes

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund				
Unreserved	\$ -	\$ -	\$ 3,567,124	\$ 3,899,851
Restricted	612,452	615,461	-	-
Committed	10,785	17,739	-	-
Assigned	409,969	-	-	-
Unassigned	<u>3,865,584</u>	<u>2,943,662</u>	-	-
Total general fund	<u><u>\$ 4,898,790</u></u>	<u><u>\$ 3,576,862</u></u>	<u><u>\$ 3,567,124</u></u>	<u><u>\$ 3,899,851</u></u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ 3,353,764	\$ 1,055,079
Unreserved, reported in:				
Special revenue funds	-	-	499,523	392,573
Capital projects funds	-	-	-	-
Non-spendable	729,268	735,606	-	-
Restricted	6,389,661	2,886,566	-	-
Committed	<u>329,022</u>	<u>155,415</u>	-	-
Total all other governmental funds	<u><u>\$ 7,447,951</u></u>	<u><u>\$ 3,777,587</u></u>	<u><u>\$ 3,853,287</u></u>	<u><u>\$ 1,447,652</u></u>

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

2008	2007	2006	2005	2004	2003
\$ 3,809,353	\$ 2,870,578	\$ 1,723,314	\$ 1,477,018	\$ 1,506,540	\$ 1,718,417
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,809,353</u>	<u>\$ 2,870,578</u>	<u>\$ 1,723,314</u>	<u>\$ 1,477,018</u>	<u>\$ 1,506,540</u>	<u>\$ 1,718,417</u>
\$ 4,702,011	\$ 3,090,819	\$ 5,447,454	\$ 877,280	\$ 2,844,708	\$ 3,947,062
248,681	161,058	106,282	85,325	97,400	102,595
-	-	-	7,647,408	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,950,692</u>	<u>\$ 3,251,877</u>	<u>\$ 5,553,736</u>	<u>\$ 8,610,013</u>	<u>\$ 2,942,108</u>	<u>\$ 4,049,657</u>

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

	2012	2011	2010	2009
Revenues				
Taxes	\$ 9,588,691	\$ 9,168,082	\$ 9,074,489	\$ 8,843,496
Licenses, permits, and fees	169,159	92,220	113,208	105,591
Charges for services	1,960,068	1,794,596	1,662,049	1,464,667
Fines and forfeitures	247,130	382,919	287,821	308,439
Special assessments	-	-	-	-
Intergovernmental	146,780	1,046,781	991,107	1,027,208
Other revenues	235,561	1,294,289	351,900	875,655
Investment earnings	25,381	38,452	114,902	140,589
Contributions	-	-	-	-
Total revenues	<u>12,372,770</u>	<u>13,817,339</u>	<u>12,595,476</u>	<u>12,765,645</u>
Expenditures				
Current:				
General government	3,874,060	2,527,926	2,846,860	2,628,035
Public safety	4,051,068	4,214,072	4,330,047	4,214,449
Public works	2,465,391	3,823,790	3,681,843	3,380,810
Community services	-	343,860	-	-
Debt Service:				
Principal retirement	993,484	938,129	891,896	795,792
Interest and fiscal changes	894,466	808,698	733,766	982,337
Other		-	-	-
Capital outlay:	<u>825,405</u>	<u>2,086,699</u>	<u>1,857,267</u>	<u>8,215,648</u>
Total expenditures	<u>13,103,874</u>	<u>14,743,174</u>	<u>14,341,679</u>	<u>20,217,071</u>
Excess (deficiency) of revenues over expenditures	<u>(731,104)</u>	<u>(925,835)</u>	<u>(1,746,203)</u>	<u>(7,451,426)</u>
Other financing sources (uses):				
Transfers in	1,595,738	1,648,065	1,005,766	1,287,399
Transfers out	(747,342)	(853,657)	(182,037)	(169,422)
Premium on debt issuance	-	-	-	33,886
Debt issuance	4,875,000	1,030,000	2,655,000	7,675,000
Lease issuance	-	-	-	-
Payments to escrow agent	-	(964,535)	-	(4,662,789)
Total other financing sources (uses)	<u>5,723,396</u>	<u>859,873</u>	<u>3,478,729</u>	<u>4,164,074</u>
Net change in fund balances	<u>\$ 4,992,292</u>	<u>\$ (65,962)</u>	<u>\$ 1,732,526</u>	<u>\$ (3,287,352)</u>
Debt service as percentage of noncapital expenditures	15.4%	13.8%	13.0%	14.8%

2008	2007	2006	2005	2004	2003
\$ 9,442,425	\$ 9,414,268	\$ 7,881,607	\$ 7,261,659	\$ 6,882,447	\$ 5,925,018
129,750	160,260	190,797	152,579	327,022	1,845,099
2,604,165	2,125,876	2,064,751	2,140,058	1,971,913	-
305,708	331,605	281,661	237,020	202,803	307,994
-	-	2,049	3,382	26,904	-
476,057	1,335,302	615,261	504,014	32,592	1,060,221
201,213	248,316	241,292	91,458	95,622	1,052,300
301,223	446,973	664,090	171,853	89,106	81,937
-	-	293,700	12,304	31,970	-
13,460,541	14,062,600	12,235,208	10,574,327	9,660,379	10,272,569
3,281,548	2,772,560	2,370,078	2,371,916	2,352,231	823,981
4,199,718	3,790,923	3,640,964	3,305,776	3,677,702	3,294,388
3,528,574	3,238,648	2,738,220	3,016,854	2,593,956	2,377,640
-	-	85,437	329,137	123,862	685,656
671,849	737,611	625,775	539,993	499,889	373,230
700,119	633,982	670,835	469,630	492,610	475,214
-	-	-	-	-	489,757
2,469,171	4,213,471	4,840,710	2,840,810	1,974,044	1,103,494
14,850,979	15,387,195	14,972,019	12,874,116	11,714,294	9,623,360
(1,390,438)	(1,324,595)	(2,736,811)	(2,299,789)	(2,053,915)	649,209
1,280,839	351,636	600,000	10,500	133,504	18,990
(1,300,839)	(381,636)	(673,170)	(10,500)	(133,504)	(94,707)
-	-	-	-	-	-
3,000,000	200,000	-	5,092,750	-	1,575,000
381,545	-	-	1,752,444	-	-
-	-	-	-	-	-
3,361,545	170,000	(73,170)	6,845,194	-	1,499,283
\$ 1,971,107	\$ (1,154,595)	\$ (2,809,981)	\$ 4,545,405	\$ (2,053,915)	\$ 2,148,492
11.1%	12.3%	12.8%	10.1%	10.2%	10.0%

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

Fiscal Year Ended Sept 30	Real Property			Personal Property			Less Exemptions Real Property
	Residential Assessed	Commercial Assessed	Agriculture	Personal	Other		
	Value	Value					
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	
2012	444,086	220,153	38,771	144,280	-	26,915	

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
\$ 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%
820,375	0.81389	820,375	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
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
2012	0.57302	0.24087	0.81389	0.28153	0.16750	0.04000	0.48903

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
\$ 1.46000	\$ 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
1.17000	0.28000	1.45000	2.75292

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

2012

Taxpayer	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation
ERCOT	\$ 42,136,699	1	5.14%
Electric Reliability Council of TX	30,601,547	2	3.73%
CCA Properties of Texas	13,100,000	3	1.60%
HEB Grocery Company	11,854,421	4	1.44%
Walmart Real Estate Business Trust	10,531,400	5	1.28%
Oncor Electric Delivery Company	8,490,536	6	1.04%
Walmart Stores East Inc	5,779,618	7	0.70%
Union Pacific RR Co.	5,756,647	8	0.70%
Taylor Plaza LLC	5,175,000	9	0.63%
Taylor CPB Property	4,900,000	10	0.60%

Source: Williamson County Appraisal District

2003

Taxpayer	Assessed Valuation	Rank	Percentage of Total City
			Assessed Valuation
ERCOT	\$ 19,386,030	1	3.25%
CCA Properties of Texas	15,999,885	2	2.68%
Intercraft Company	8,003,880	3	1.34%
Intercraft Industries	7,654,080	4	1.28%
Oncor Electric Delivery Company	6,251,440	5	1.05%
Laboratory Tops Inc	4,601,477	6	0.77%
Maxwell Chrysler Plymouth	3,766,828	7	0.63%
Southwestern Bell Telephone	3,519,874	8	0.59%
E.R. Carpenter LP	3,437,112	9	0.58%
Walmart Stores East Inc	3,267,746	10	0.55%

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
2003	\$ 4,221,245	\$ 4,118,660	97.6%	\$ 98,769	\$ 4,217,429	99.9%
2004	4,339,430	4,108,997	94.7%	226,379	4,335,376	99.9%
2005	4,339,777	4,219,125	97.2%	117,232	4,336,357	99.9%
2006	4,709,141	4,626,689	98.2%	78,160	4,704,849	99.9%
2007	5,106,729	5,006,268	98.0%	95,394	5,101,662	99.9%
2008	5,524,316	5,416,832	98.1%	102,682	5,519,514	99.9%
2009	5,820,781	5,658,597	97.2%	155,394	5,813,991	99.9%
2010	5,802,025	5,694,713	98.2%	96,614	5,791,327	99.8%
2011	6,050,622	5,976,895	98.8%	46,906	6,023,801	99.6%
2012	6,195,426	6,119,868	98.8%	-	6,119,868	98.8%

Source: Williamson County Appraisal District

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

Fiscal Year	Water Revenue Bonds							Coverage	
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service					
				Principal	Interest				
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%		
2012	7,259,363	3,704,075	3,555,288	-	-		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
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
2012	8,430,000	14,491,398	120,375	351,050

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
\$ 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
23,228,602	5,170,000	-	51,791,425	15.89%	1,218

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

Fiscal Year	General Obligation Bonds ¹	Less: Amounts Available in Debt			Total	Percentage of Actual Taxable Value ² of Property	Per Capita ³
		Service Fund					
2003	\$ 7,003,570	\$ 84,381	\$ 6,919,189		1.12%	469	
2004	11,789,995	110,821	11,679,174		1.05%	749	
2005	11,693,610	153,854	11,539,756		1.72%	740	
2006	11,573,615	191,098	11,382,517		1.63%	705	
2007	11,044,710	162,681	10,882,029		1.55%	633	
2008	11,025,000	155,140	10,869,860		1.43%	615	
2009	15,015,000	102,626	14,912,374		1.94%	806	
2010	14,075,000	233,182	13,841,818		1.77%	714	
2011	15,175,000	287,894	14,887,106		1.91%	980	
2012	13,600,000	145,607	13,454,393		1.64%	838	

¹Amounts reported include governmental and business type general obligations.

²See the Schedule of Assessed and Estimated Actual Value of Taxable Property for property value data.

³Population 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	\$ 792,035	2.24%	\$ 17,742
School	59,805	83.17%	<u>49,740</u>
Subtotal, overlapping debt			<u>67,481</u>
City of Taylor	21,835	100%	<u>21,835</u>
Total direct and overlapping debt			<u>\$ 89,317</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)

	2012	2011	2010	2009	2008
Debt limit	\$ 211,823	\$ 204,358	\$ 205,222	\$ 202,532	\$ 196,763
Total net debt applicable to limit	<u>37,719</u>	<u>35,210</u>	<u>38,281</u>	<u>30,045</u>	<u>24,381</u>
Legal debt margin	<u><u>\$ 174,104</u></u>	<u><u>\$ 169,148</u></u>	<u><u>\$ 166,941</u></u>	<u><u>\$ 172,487</u></u>	<u><u>\$ 172,382</u></u>

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 820,375
Add back: exempt real property	<u>26,915</u>
Total assessed value	<u>847,290</u>
Debt limit (10% of total assessed value)	211,823
Debt applicable to limit:	
General obligation bonds	51,319
Less: Amount set aside for repayment of general obligation debt	<u>(13,600)</u>
Total net debt applicable to limit	<u>37,719</u>
Legal debt margin	<u><u>\$ 174,104</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.

2007	2006	2005	2004	2003
\$ 189,509	\$ 174,875	\$ 129,593	\$ 131,460	\$ 126,245
<u>15,197</u>	<u>11,528</u>	<u>12,090</u>	<u>6,036</u>	<u>10,165</u>
<u>\$ 174,312</u>	<u>\$ 163,347</u>	<u>\$ 117,503</u>	<u>\$ 125,424</u>	<u>\$ 116,080</u>

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

Employer	2012		
	No. Employees¹	Rank	Percentage of Total City Employment²
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	148	8	1.7%
FloydCo (Floyd's Glass)	130	9	1.5%
Burrows Cabinets	100	10	1.1%
 City of Taylor Total	 <u>2,497</u>		 <u>28.05%</u>

¹Source: Taylor Economic Development Corp.

²Source: Estimate based on statistical data for Williamson County

<u>Employer</u>	2003		
	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			
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%	
2012	16,061	325,974	20,296	3,178	6.8%	

Data Sources:

- ¹ Texas State Data Center & Office of the State Demographer
- ² State Department of Labor and City-Data.com
- ³ US 2010 Census adjusted by CPI for inflation
- 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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Function / Program										
General Government										
Management services	4	4	3	2	3	3	4	3	3	3
Human Resources	2	2	3	3	3	3	1	1	1	1
Finance	4	4	4	4	4	4	6	8	8	7
Municipal Court	5	5	4	4	4	4	4	4	4	4
C D - Planning	5	5	5	6	6	6	6	4	5	5
Main Street	1	1	2	2	1	2	1	1	-	1
C D - Recreation	-	-	1	1	1	1	1	1	1	1
Building	3	3	1	1	1	1	1	1	1	1
General services	1	1	1	1	1	-	-	-	-	-
Information technology	1	1	1	1	1	-	-	-	-	-
Other	1	1	-	-	-	-	-	-	-	-
Police										
Officers	25	25	27	27	26	26	27	21	26	25
Civilians	8	8	11	11	11	11	10	11	11	12
Animal Control	2	2	1	1	2	1	1	2	2	1
Fire										
Firefighters and Officers	23	23	25	25	23	25	24	25	24	25
Civilians	1	1	1	1	1	1	1	1	1	1
Other Public Works										
Engineering/Inspection	2	2	2	3	2	2	2	1	3	3
Street Maintenance	13	13	10	10	9	7	9	10	7	8
Grounds	-	-	15	11	7	10	10	10	10	11
Other	1	2	3	4	2	2	1	2	2	2
Parks and Recreation										
Library	6	6	-	-	-	-	-	-	-	-
Water	7	7	7	8	7	7	7	7	8	8
Wastewater	14	14	15	14	12	14	12	13	13	13
Utilities Admin	2	2	3	3	3	2	3	3	3	3
Airport	6	6	6	7	7	7	6	3	2	2
Cemetery	2	3	1	2	3	3	3	3	3	3
Fleet Services	1	2	1	1	2	2	2	2	2	2
Total all governmental funds	<u>142</u>	<u>145</u>	<u>155</u>	<u>153</u>	<u>144</u>	<u>147</u>	<u>144</u>	<u>139</u>	<u>142</u>	<u>144</u>

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

	2012	2011	2010	2009
Function/Program				
General government				
Building permits issued	82	33	35	481
Building inspections conducted	1,637	1,291	540	410
Public Safety				
Police:				
Physical arrests	653	653	699	730
Parking violations	86	76	87	63
Traffic violations	2,660	3,388	2,457	3,489
Fire:				
Emergency responses	1,813	2,225	1,788	2,302
Fires extinguished	45	110	112	121
Inspections	194	315	503	427
Highways and streets				
Street resurfacing (miles)	-	-	-	-
Potholes repaired	771	171	741	1,430
Culture and Recreation				
Athletic field permits issued	37	36	24	-
Community center admissions	-	-	-	-
Library				
Volumes in collection	45,413	46,099	42,733	40,330
Total volumes borrowed	87,895	91,408	88,622	81,893
Water				
New connections	720	1,246	1,240	872
Water main breaks	445	584	350	515
Average daily consumption (millions of gallons)	2	3	2	2
Peak daily consumption (millions of gallons)	4	4	3	3
Wastewater				
Average daily treatment (millions of gallons)	1	2	2	2
Airport				
LL fuel (thousand gallon)	35	47	56	67
Jet A fuel (thousand gallon)	23	26	23	26
Landings/Take off (thousand)	11	12	12	11
Cemetery				
Lots sold	75	63	63	40
Municipal Court				
Cases processed	4,852	6,863	7,278	6,419
General Services				
Facilities - work orders	450	423	417	-
Fleet - work orders	1,270	1,243	877	-
Information Technology				
Personal computers/laptops	132	120	114	-
Service requests	562	413	300	-

Source: Various Departments within the City of Taylor.

2008	2007	2006	2005	2004	2003
530	368	459	331	378	453
503	692	2,144	1,261	2,030	2,497
707	955	990	917	950	1,457
72	102	150	104	133	170
2,063	3,798	4,792	2,660	3,318	3,764
1,704	1,550	1,600	1,440	1,393	1,280
149	117	131	118	114	105
394	294	570	137	275	265
-	6	-	8	8	9
851	1,655	1,553	1,932	2,604	1,796
-	-	-	-	-	-
-	-	-	-	-	-
37,809	43,636	35,930	34,377	37,307	36,512
81,274	69,419	56,107	55,722	56,961	40,910
873	928	495	321	210	176
511	388	567	548	477	604
2	2	2	2	2	2
4	3	3	3	3	3
1	2	2	2	2	2
76	-	-	-	-	-
36	-	-	-	-	-
13	-	-	-	-	-
70	-	-	-	-	-
5,684	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

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

	2012	2011	2010	2009
Function				
Police				
Number of stations	1	1	1	1
Zone Officers	25	25	27	21
Number of patrol units	15	12	12	12
Fire				
Number of stations	2	2	2	2
Highways and streets				
Streets (miles)	93	93	92	87
Streetlights	1,102	1,097	1,097	1,097
Traffic signals	13	11	13	11
Culture and recreation				
Acreage	387	387	387	387
Playgrounds	7	6	6	6
Baseball/softball diamond	20	20	20	20
Swimming pools	3	2	2	2
Tennis courts	8	10	10	10
Water				
Water mains	119	115	109	109
Fire hydrants	598	596	583	450
Storage capacity	5	5	5	
Airport				
Runway length (ft)	4,000	4,000	4,000	4,000
Hanger spaces	52	52	52	52
Tie-downs	27	27	27	27
Cemetery				
Acreage	135	135	114	114
General Services				
Facilities	16	14	14	-
Fleet vehicles	157	154	150	-
Network servers	4	3	3	-

Source: Various Departments within City of Taylor

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

2008	2007	2006	2005	2004	2003
1 27 12	1 27 12	1 27 12	1 27 12	1 27 12	1 26 8
2	2	2	2	2	3
87 1,097 11	87 1,072 10	85 1,069 9	81 1,054 9	80 965 9	75 915 9
387 4 10 2 10	387 - - 2 10	312 - - 2 10	312 - - 2 10	292 - - 2 10	144 - - 2 8
99 582 5	99 580 5	99 580 5	99 580 5	99 425 5	45 415 5
4,000 52 27	- - -	- - -	- - -	- - -	- - -
114	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

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COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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 as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated February 18, 2013. 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

Management of City of Taylor, Texas, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Taylor, Texas' 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 City of Taylor's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Taylor, Texas' 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

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

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



February 18, 2013

