

**CITY OF TAYLOR, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**September 30, 2006**

**TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON**  
**AND SUPPLEMENTARY INFORMATION**



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## **INTRODUCTORY SECTION**



# CITY OF TAYLOR

400 Porter Street • Taylor, Texas 76574



TEL 512.352.3675  
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February 6, 2007

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

The comprehensive annual financial report of the City of Taylor, Texas for the fiscal year ended September 30, 2006 is submitted in accordance with the provisions of Section 10.3 of the City Charter. This report is in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and audited in accordance with U.S. Generally Accepted Auditing Standards and Government Auditing Standards by a firm of licensed independent certified public accountants.

This report consists of management's representations concerning the finances of the City of Taylor. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. 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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Taylor's financial statements have been audited by Brockway, Gersbach, McKinnon & 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, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting 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, 2006, 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.

The independent audit of the financial statements of the City of Taylor was part of a broader, federally mandated, "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Taylor's MD&A can be found immediately following the report of the independent auditors.



## GOVERNMENT STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

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 25 miles northeast of Austin and 17 miles east of Interstate Highway 35. State highway 95 and U.S. Highway 79 intersect in downtown Taylor. The City currently occupies a land area of 13.5 square miles and services approximately 16,138 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 other members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and Municipal Court Judges. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government and appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve three year staggered terms. The three-year election cycle consists of two members being elected in consecutive years and a single member being elected in the third years of the cycle. Four of the council members are elected by district with the remaining council member being elected at-large. After each election, the five members of the Council select one of the members to serve as Mayor until the next election.

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

The annual budget serves as the foundation for the City of Taylor's financial planning and control. All units and departments of the City of Taylor are required to submit requests for appropriations to the City Manager on or before the first week of June each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents a proposed budget to Council for review prior to the first week in August. The Council is required to hold public hearings on the proposed budget and to adopt the final budget no later than September 30<sup>th</sup>, which is the close of the fiscal year. As a practical matter, however, the budget is usually adopted by the end of August and no later than mid-September.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager may authorize transfers of appropriations within a department and within major line item categories. Transfers of appropriations between departments, however, require special approval of the City Council in the form of an ordinance formally amending the adopted budget. Budget-to-actual comparisons are provided in this report on page 31, as part of the basic financial statements for the general fund.

The Taylor Independent School District (TISD) provides high quality education to its students and the TAKS results indicated that TISD student performance is at or above state averages in most areas. One of TISD's major goals for the 2005-06 school year was to develop an individual success plan for every student. The enrollment for the fiscal year 2005-06 was 3,041. TISD operates the following facilities: one primary high school, one middle school, and two elementary schools. There is one private catholic school located in the City. An extension of Temple College is located in the City as well that provides secondary educational opportunities.



Also located within the City of Taylor is Johns Community Hospital, which has a 25-bed critical access facility with 24-hour emergency room services. Johns Community Hospital provides primary and specialty health care services to the citizens of Taylor and the surrounding communities.

The City of Taylor currently enjoys a slow but favorable economic environment, with positive local economic indicators such as increased tax appraisal values and sales tax receipts.

Ad Valorem Taxes. Total assessed value within the City has increased by approximately 20 percent since fiscal year 2001-02. The fiscal year 2005-06 projections, based on the data provided by Williamson County Appraisal District, indicated a 5.3 percent growth in assessed value over fiscal year 2004-05 levels.

Sales Tax. Sales tax collections have increased by approximately 23.1 percent since fiscal year 2001-02. Collections for fiscal year 2005-06 have increased by approximately 6.6 percent over fiscal year 2004-05 levels.

Another indicator of a healthy economy is a sustained number of building permits issued. Total building permits issued during the fiscal year 2005-06 totaled in value over \$22 million. New residential construction made up \$13 million and \$ 9 million is attributed to commercial construction.

The City continued to monitor its service delivery and has implemented long-range plans and improved services through organizational changes and personnel training. In addition, City management is committed to providing quality service through recruitment and retention of quality employees.

### **Future Goals**

The City Council formally adopted the Strategic Plan for the City of Taylor in the fiscal year 2005-06. The Strategic Plan exhibits the vision, mission, and goals for the City of Taylor. One of the major goals in the plan is to focus on "Economic Development Initiatives, by developing incentive policies to recruit developers for upper-end housing and a strategy to attract jobs with an earning power of +\$ 50,000. Additional information about the Strategic Plan and its vision, mission statement, and goals is attached as Appendix I.

## **MAJOR INITIATIVES**

The City of Taylor has two major capital improvement projects currently in the construction phase, a new \$1.7 million fire station and a \$3.4 million library facility. In 2003, a bond election was held and the voters approved construction for these facilities. In August of 2005, the City closed and received the bond proceeds to finance these two projects. The new fire station and library are expected to be completed in the fall of 2006 or early 2007.

The City has numerous street improvement needs, including the streets around the new fire station and completing street work in progress. In the upcoming year, management will be focusing on street improvements throughout the City.

In the fiscal year 2004-05, the City was awarded a \$ 500,000 grant through Williamson County from the Community Development Block Grant (CDBG). An additional \$ 400,000 was awarded in 2005-06 fiscal year for a storm water drainage system and flood relief project. This project includes the installation of storm sewer lines and inlets on Pecan, Dickey, Bland and Sturgis streets that will empty into the Mustang Creek basin.

The population of the City is expected to nearly double with the next 20 years and improving the water and wastewater infrastructure is another important major initiative for the City management. Plans to construct an Upper Water Pressure Plant will provide additional water pressure to locations within both the existing City limits and the City's extra territorial jurisdictions.

Key areas of focus for the City are extending water and wastewater into new areas for future development, and if approved by City Council, creating a drainage utility fund to help with persistent storm drainage issues. The City focus is the Mustang Creek Wastewater interceptor as well as the rehabilitation of wastewater lines in Basin 4, 5, and 7. The City is seeking grants and additional alternative funding for these projects.

## ACCOMPLISHMENTS

During the 2005-06 fiscal year the City of Taylor had a number of major projects ongoing that are worth noting.

The parks and street improvements head the list of the major projects accomplished during the fiscal year. Major construction projects got underway and strides were made in communications for a growing city. Three successful grant applications for parks improvements with Texas Parks & Wildlife awarded \$ 500,000 for the East Williamson County Park, \$ 100,000 for Bull Branch Park Trails, and \$ 50,000 for Murphy Park improvements. New restroom facilities for Murphy and Robinson Parks were completed. The lighting at Robinson Park baseball field was upgraded at a cost of \$ 80,000. Additional acreage was acquired for the park. New shade structures were installed at the Murphy Park Aquatics Center.

Approximately \$ 2.2 million for the North Drive street improvement project from Lake Drive to the Carlos Parker Loop was completed with full water and sewer rehabilitation, along with reconstruction of the Mallard and North Drive intersection and the addition of new sidewalks.

The City received a grant from the Texas Department of Housing and Community Affairs (TDHCA) in the amount of \$ 400,000. From this grant seven new homes were built under the HOME grant program for families in need during fiscal year 2005-06.

## OTHER INFORMATION

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

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

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

**Cash Management:** Cash temporarily idle during the year can be invested in demand deposits, money markets, federal government securities, federal agency securities, and TexPool and TexStar (local government investment pools). The City earned interest revenue of \$ 697,631 on all investments for fiscal year 2005-06. The City's investment policies stress:

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

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

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

**Pension Benefits:** The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the State-wide Texas Municipal Retirement System (TMRS), an agent/multiple-employer public employee retirement system.

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

## ACKNOWLEDGEMENTS

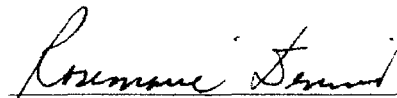
The presentation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department, and all department head directors. We would like to express our appreciation to all members of the department who assisted and contributed to the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

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

Respectfully submitted,

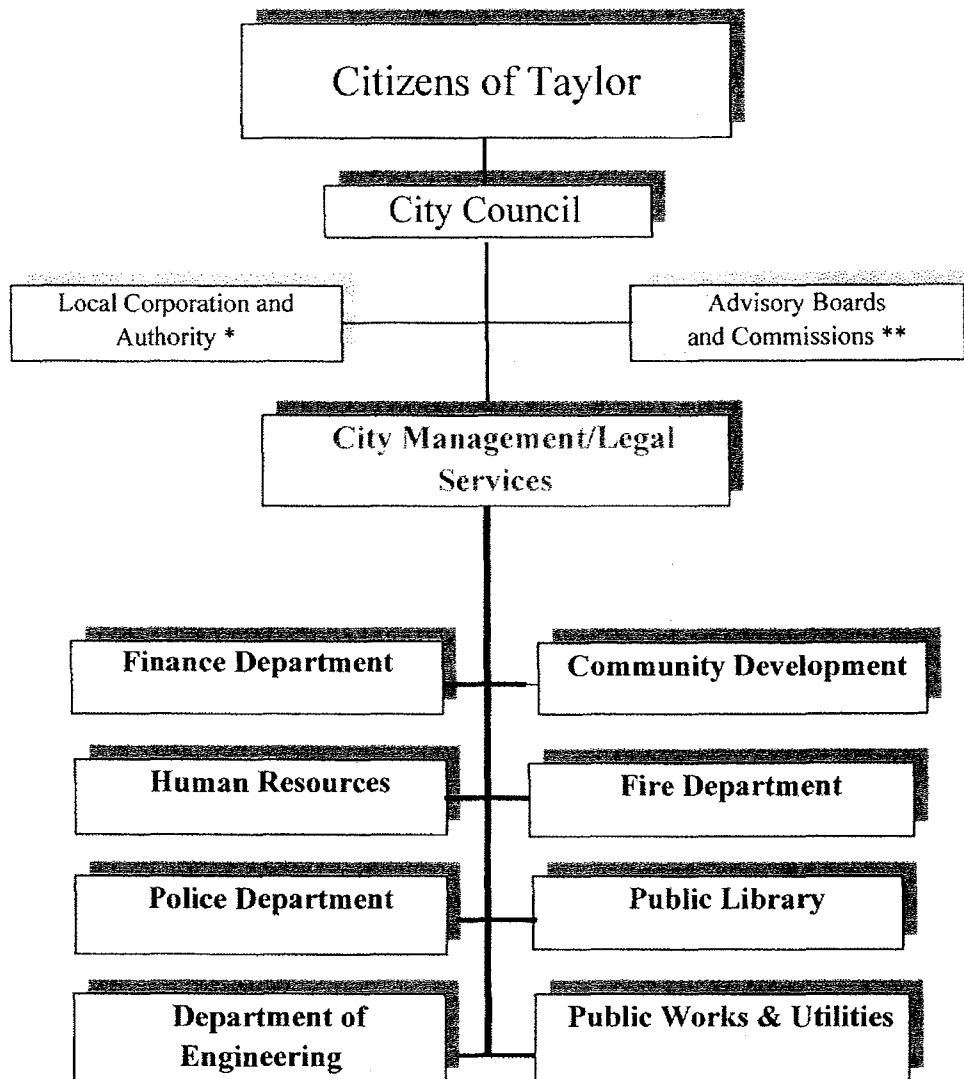


Frank Salvato  
City Manager



Rosemarie Dennis  
Finance Director

## City of Taylor - Organizational Chart



\*Taylor Economic Development Corp.  
Taylor Housing Authority

\*\* Planning and Zoning Commission  
Building and Standards Commission  
Zoning Board of Adjustments  
Park and Recreation Board  
Airport Board  
Library Board  
Moody Museum Board  
Main Street Advisory Board

City of Taylor  
List of Elected and Appointed Officials  
September 30, 2006

**Elected Officials**

|                    |                |
|--------------------|----------------|
| Bernabe Gonzales   | Mayor          |
| Donald Hill        | Mayor Pro Tem  |
| John McDonald      | Council Member |
| Rodney Hortenstine | Council Member |
| Ella Jez           | Council Member |

**Appointed Officials**

|               |                 |
|---------------|-----------------|
| Frank Salvato | City Manager    |
| Ted Hejl      | City Attorney   |
| Randall Pick  | Municipal Court |

**Other City Officials**

|                   |  |
|-------------------|--|
| Jim Dunaway       | Assistant City Manager                   |
| Susan Brock       | City Clerk                               |
| Rosemarie Dennis  | Director of Finance                      |
| Starla Hall       | Director of Human Resource/Civil Service |
| Jeff Straub       | Police Chief                             |
| Jonathan Fontenot | Interim Fire Chief                       |
| Karen Ellis       | Library Director                         |
| Bob vanTil        | Director of Community Development        |
| Jim Dunaway       | Director of Public Works                 |



## **FINANCIAL SECTION**







**BROCKWAY, GERSBACH, MCKINNON & NIEMEIER, P.C.**  
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 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, 2006, 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, 2006, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 5 through 16 and Schedule of Funding Progress on page 70 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 7, 2006, 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)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Taylor's basic financial statements. The combining and individual fund statements and schedules, as well as the accompanying schedule of expenditures of federal awards as required by U. S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and the selected statistical information sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

*Brockway Strickland McKinnon & Neimeier PC*

November 7, 2006

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

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

As management of the City of Taylor, Texas, we offer readers of the City of Taylor's financial statements this narrative overview and analysis of the financial activities of the City of Taylor for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### **HIGHLIGHTS OF THE FINANCIAL STATEMENTS**

- The assets of the City of Taylor exceeded its liabilities at the close of the most recent fiscal year by \$ 54,785,243 (net assets). Of this amount, \$ 3,365,422 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the current fiscal year, the City's general fund reported an ending fund balance of \$ 1,723,314, an increase of \$ 246,296 in comparison with prior year.
- As of the close of the fiscal year being reported, the City of Taylor's total governmental funds reported combined ending fund balances of \$ 7,277,050, a decrease of \$ 2,809,981 in comparison with the prior year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction of the City of Taylor's basic financial statements. The City of Taylor's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

The government-wide financial statements can be found on pages 18-21 of this report.

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

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

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

The City of Taylor maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Project Fund, the 2005 GO Issue, General Capital Improvements, and the I&S for CO Bonds, all of which are considered 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 22-31 of this report.

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

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

### **OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

#### ***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.

#### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. This information can be found on page 70 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 72-80 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 along with the current year information as a comparative analysis of government-wide data.

#### ***Net Assets***

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Taylor, assets exceeded liabilities by \$ 54,785,243 for the year ended September 30, 2006.

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following table reflects the Condensed Statement of Net Assets as of September 30, 2006.

| <b>City of Taylor's Net Assets</b><br>(amounts expressed in thousands) |                         |                  |                          |                 |                  |                  |
|--|-------------------------|------------------|--------------------------|-----------------|------------------|------------------|
|  | Governmental activities |                  | Business-type activities |                 | Total            |                  |
|  | 2006                    | 2005             | 2006                     | 2005            | 2006             | 2005             |
| Current and other assets   | \$ 9,094                | \$ 6,963         | \$ 1,650                 | \$ 1,907        | \$ 10,744        | \$ 8,870         |
| Capital assets   | 49,955                  | 46,779           | 20,856                   | 18,655          | 70,811           | 65,434           |
| <b>Total assets</b>  | <b>59,049</b>           | <b>53,742</b>    | <b>22,506</b>            | <b>20,562</b>   | <b>81,555</b>    | <b>74,304</b>    |
| Long-term liabilities outstanding                                      | 13,744                  | 14,400           | 10,076                   | 10,478          | 23,820           | 24,878           |
| Other liabilities  | 2,176                   | 2,230            | 774                      | 811             | 2,950            | 3,041            |
| <b>Total liabilities</b>   | <b>15,920</b>           | <b>16,630</b>    | <b>10,850</b>            | <b>11,289</b>   | <b>26,770</b>    | <b>27,919</b>    |
| <b>Net assets:</b>   |                         |                  |                          |                 |                  |                  |
| Invested in capital assets, net of related debt                        | 35,594                  | 27,060           | 10,379                   | 7,495           | 45,973           | 34,555           |
| Restricted   | 5,447                   | 7,801            | -                        | -               | 5,447            | 7,801            |
| Unrestricted   | 2,088                   | 2,251            | 1,277                    | 1,778           | 3,365            | 4,029            |
| <b>Total net assets</b>  | <b>\$ 43,129</b>        | <b>\$ 37,112</b> | <b>\$ 11,656</b>         | <b>\$ 9,273</b> | <b>\$ 54,785</b> | <b>\$ 46,385</b> |

The City's combined net assets were \$ 54,785,243 as of September 30, 2006. Of the \$ 54,785,243, \$ 43,129,155 was in the governmental activities and \$ 11,656,088 was in the business-type activities. The City's total net assets increased when compared to the prior year with an increase of \$ 8,399,945 or 18.1 percent.

Net assets consist of three components, investment in capital assets net of related debt, restricted net assets and unrestricted net assets. The first and largest portion of the net assets (\$ 45,972,367 or 83.9 percent) reflects the City's investment in capital assets (e.g., land, buildings, machinery, infrastructure, equipment and systems) less any related debt used to acquire or construct those assets that is still outstanding. Compared to last year, the City's investment in capital assets net of related debt increased \$ 11,416,782 or 24.8 percent. The City uses the capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second portion consists of restricted net assets and totaled \$ 5,447,454 at September 30, 2006 or 9.9 percent of overall total net assets. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets decreased \$ 2,353,808 or 30.2 percent compared to September 30, 2005.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The third portion consists of unrestricted net assets totaling \$ 3,365,422 or 6.2 percent of total net assets. Unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets decreased \$ 663,864 or 16.5 percent compared to September 30, 2005.

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 and business-type activities.

***Changes in Net Assets***

The City's total revenues for the fiscal year ended September 30, 2006 were \$ 19,203,614. Total revenues increased when compared to the prior year by \$ 3,008,848 or 18.6 percent. The City's total cost of all programs and services also increased from the prior year amount of \$ 16,348,994 to \$ 18,271,989, an increase of 11.8 percent. The table on the next page presents a summary of the changes in net assets for the fiscal year ended September 30, 2006.

***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 city-wide. Ad valorem taxes reflected an increase when compared to the prior year with an increase of \$ 343,069 or 7.8 percent. Charges for services increased \$ 918,333, which is an increase of 36.3 percent compared to last year. Other taxes such as sales tax, franchise tax, and hotel occupancy tax increased by \$ 165,656 or 5.4 percent compared to last year. However, investment earnings increased significantly from \$ 171,853 to \$ 627,190, which is an increase of \$ 455,337 or 265 percent. This was due to the \$ 5.1 million in bond proceeds received during fiscal year 2004-05 for the construction of a new library and fire station. These funds were invested during the construction phase.

The Expenses and Program Revenues – Governmental Activities chart illustrates the City's governmental expenses by function. As shown, public safety is the largest function with expenses of \$ 4,161,454, followed by highways/streets at \$ 3,118,037, and general government recorded at \$ 3,009,964.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

| <b>City of Taylor's Changes in Net Assets</b>                       |                            |               |                             |              |               |               |  |
|---|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|--|
| (amounts expressed in thousands)                                    |                            |               |                             |              |               |               |  |
|   | Governmental<br>activities |               | Business-type<br>activities |              | Total         |               |  |
|   | 2006                       | 2005          | 2006                        | 2005         | 2006          | 2005          |  |
| <b>Revenues:</b>  |                            |               |                             |              |               |               |  |
| <b>Program revenues:</b>  |                            |               |                             |              |               |               |  |
| Charges for services  | \$ 3,451                   | \$ 2,533      | \$ 5,387                    | \$ 5,087     | \$ 8,838      | \$ 7,620      |  |
| Operating grants and contributions                                  | -                          | 119           | -                           | -            | -             | 119           |  |
| Capital grants and contributions                                    | 909                        | 385           | 110                         | 226          | 1,019         | 611           |  |
| <b>General revenues:</b>  |                            |               |                             |              |               |               |  |
| Property taxes  | 4,723                      | 4,424         | -                           | -            | 4,723         | 4,424         |  |
| Other taxes   | 3,091                      | 2,925         | -                           | -            | 3,091         | 2,925         |  |
| Investment earnings   | 627                        | 172           | 70                          | 60           | 697           | 232           |  |
| <b>Grants and contributions not restricted to specific programs</b> |                            |               |                             |              |               |               |  |
| Other   | 243                        | 91            | 592                         | 161          | 835           | 252           |  |
| <b>Total Revenues</b>   | <b>13,044</b>              | <b>10,661</b> | <b>6,159</b>                | <b>5,534</b> | <b>19,203</b> | <b>16,195</b> |  |
| <b>Expenses:</b>  |                            |               |                             |              |               |               |  |
| General government  | 3,010                      | 1,955         | -                           | -            | 3,010         | 1,955         |  |
| Public safety   | 4,161                      | 3,744         | -                           | -            | 4,161         | 3,744         |  |
| Highways/streets  | 3,118                      | 3,300         | -                           | -            | 3,118         | 3,300         |  |
| Sanitation  | 730                        | 681           | -                           | -            | 730           | 681           |  |
| Culture and recreation  | 226                        | 464           | -                           | -            | 226           | 464           |  |
| Interest on long-term debt  | 682                        | 454           | 494                         | 509          | 1,176         | 963           |  |
| Water/Sewer Utility   | -                          | -             | 5,474                       | 4,944        | 5,474         | 4,944         |  |
| Airport   | -                          | -             | 377                         | 299          | 377           | 299           |  |
| <b>Total Expenses</b>   | <b>11,927</b>              | <b>10,598</b> | <b>6,345</b>                | <b>5,752</b> | <b>18,272</b> | <b>16,350</b> |  |
| Increase in net assets before transfers                             | 1,117                      | 759           | (186)                       | (218)        | 931           | (155)         |  |
| Non-Operating Revenue(Expenses)                                     |                            | 1,115         |                             |              |               | 1,115         |  |
| Increase in net assets  | 1,117                      | 1,178         | (186)                       | (218)        | 931           | 960           |  |
| Net assets –October 1   | 37,112                     | 34,500        | 9,273                       | 9,820        | 46,385        | 44,269        |  |
| Prior Period Adjustment   | 4,900                      | 1,434         | 2,569                       | (329)        | 7,469         | 1,156         |  |
| Net assets – September 30   | \$ 43,129                  | \$ 37,112     | \$ 11,656                   | \$ 9,273     | \$ 54,785     | \$ 46,385     |  |



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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

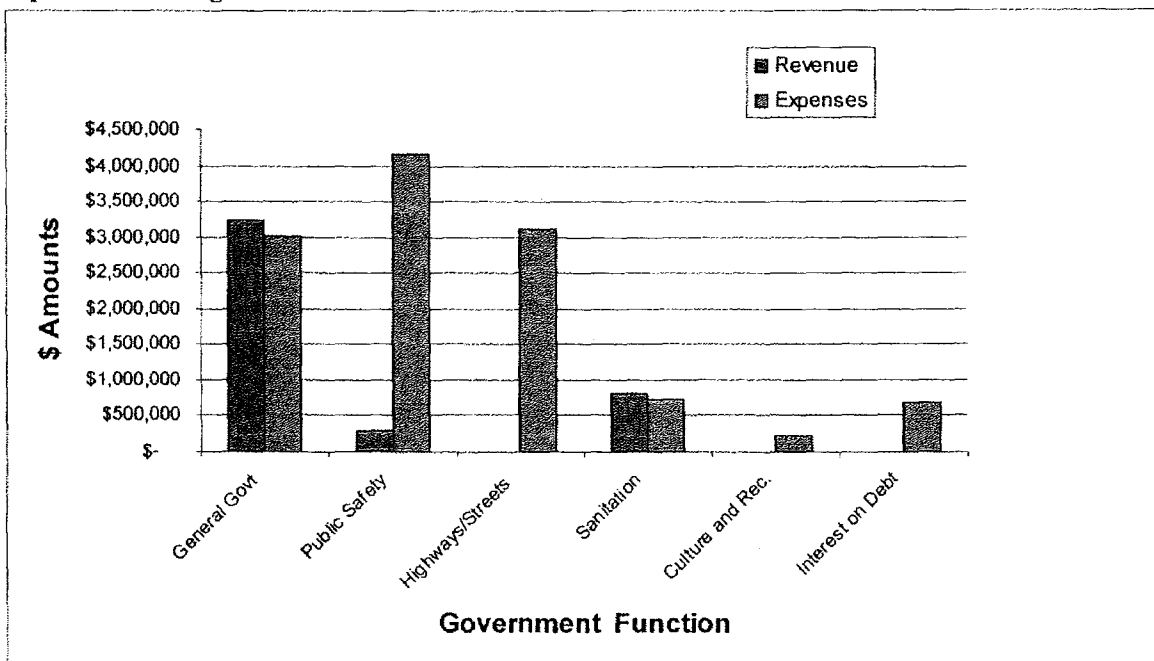
***Business Activities***

Business-type activities decreased the City's net assets by \$ 185,678 which is a decrease of \$ 32,399 from the previous year. Charges for services provided the largest share of revenues at 87.5 percent, followed by other miscellaneous revenue income at 9.6 percent. Investment earnings and capital grants and contributions make up 2.9 percent of revenues for all business-type activities.

Water and sewer fees are the major revenue source for the business-type activities of the City, which recorded \$ 5,033,084 in revenue. Compared to the prior year, water and sewer revenues increased \$ 200,841 or 4.2 percent. The Airport fund revenues also increased \$ 99,543 or 39.1 percent.

Total expenses for business-type activities were \$ 6,344,426, an increase of 10.3 percent compared to the prior year. Water and Sewer, the largest proprietary fund recorded \$ 5,948,540 in expenses, an increase of \$ 515,964 or 9.5 percent increase compared to the prior year. The Airport expense also increased slightly from \$ 318,448 in 2005 to \$ 395,886 in 2006, an increase of \$ 77,438 or 24.3 percent.

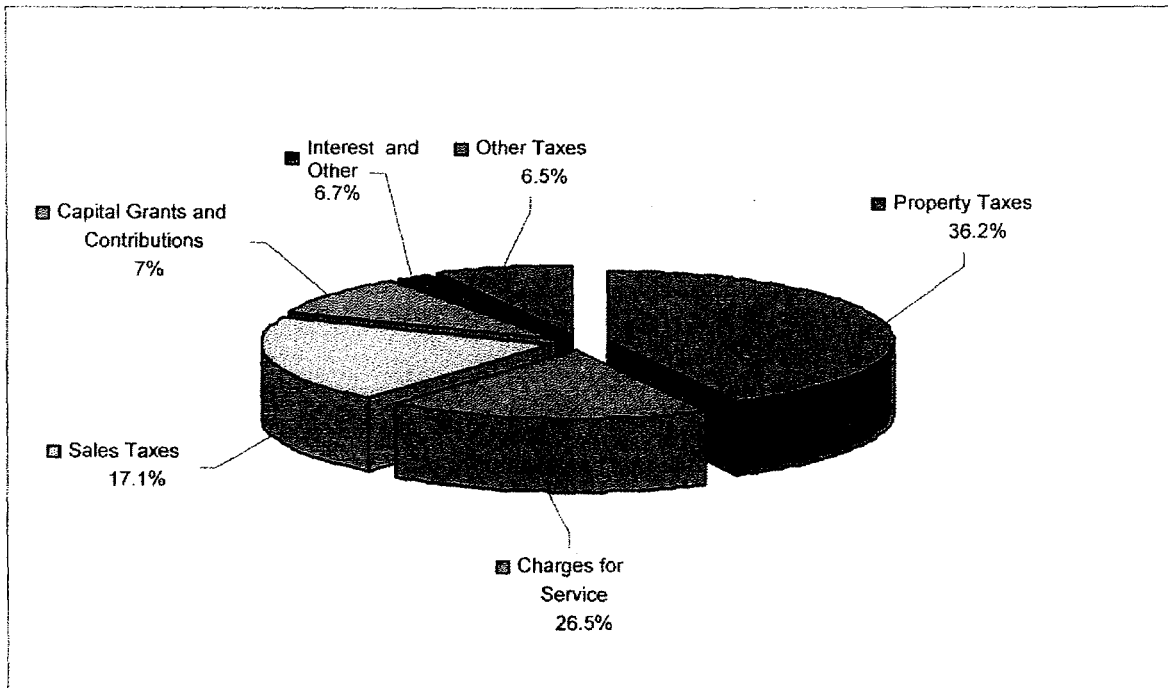
**Expenses and Program Revenues-Governmental Activities**



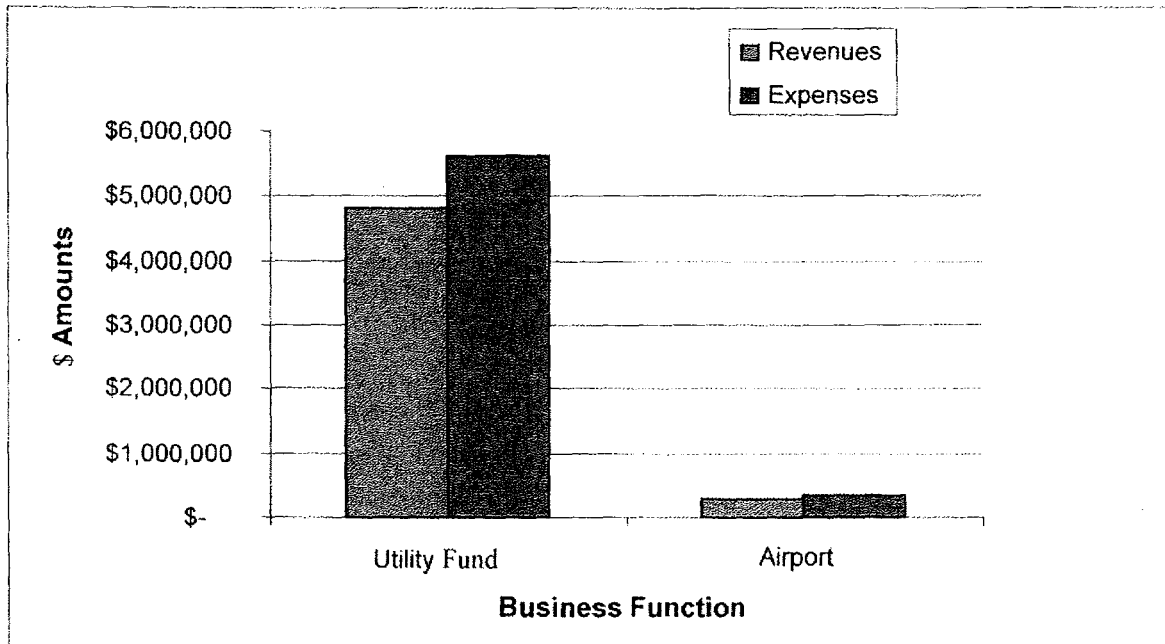
**CITY OF TAYLOR, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Revenues by Source-Governmental Activities**



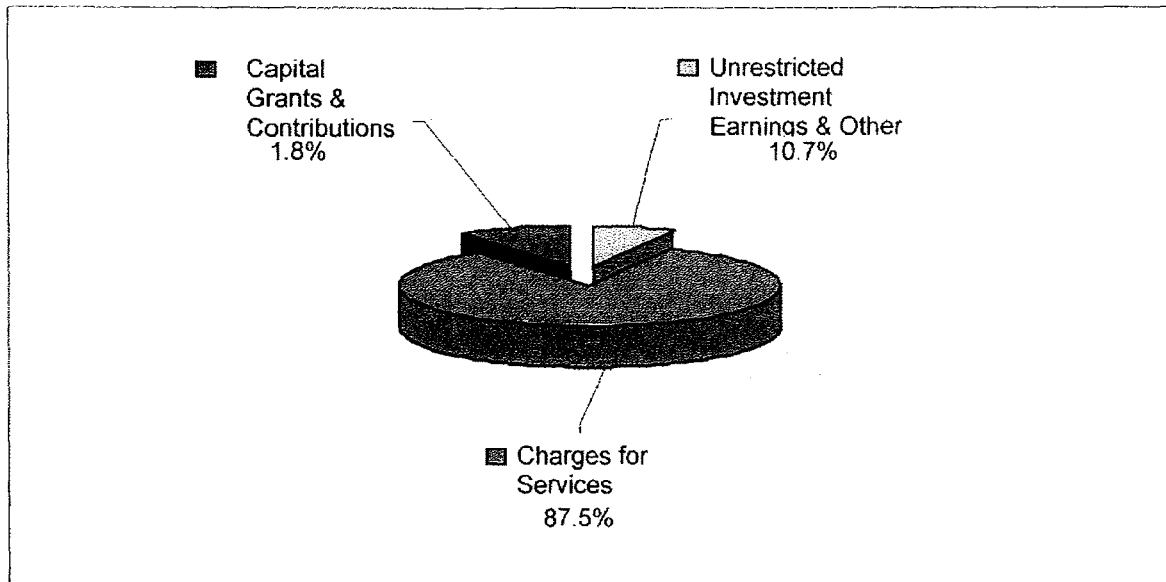
**Expenses and Program Revenues-Business-type Activities**



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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Revenues by Source-Business-type Activities**



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

As of the end of the current fiscal year, the City's governmental funds reported a combined unreserved fund balance of \$ 7,277,050. This is a decrease of \$ 2,809,981 from the prior year. The primary reason for the decrease is the use of funds to start the capital projects included in the 2005 GO capital project fund.

The general fund is the chief operating fund of the City. At September 30, 2006, unreserved fund balance of the general fund was \$ 1,723,314. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. The unreserved fund balance represents 19.7 percent of total general fund expenditures.

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

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

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

Unrestricted net assets of the Public Utility Fund at the end of the year amounted to \$ 1,492,493, a decrease of \$ 189,473 or 11.3 percent. Unrestricted net assets for the Airport Fund reflected a deficit of (\$ 339,821). The net total on the business-type activities for the proprietary funds unrestricted net assets was \$ 1,152,672. The unrestricted net assets of the internal service fund was \$ 626,752.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

As of September 30, 2006, the City has \$ 70,811,114 invested in various capital assets, net of accumulated depreciation. Of the \$ 70,811,114 in capital assets, \$ 49,954,743 is invested in governmental activities and \$ 20,856,371 in business-type activities. Compared to last year, total capital assets increased \$ 9,995,428. Capital assets in the governmental activities increased \$ 7,793,392 or 15.4 percent from the prior year. The largest increase can be identified within the Infrastructure line item with an increase of over \$ 4.3 million from the prior year. Significant increases also took place in construction in progress and machinery and equipment. Capital assets in business-type activities saw an overall increase of \$ 2,202,036.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2006. Additional information on the City's capital assets may be found in Note III-C on pages 55-57 of this report.

| <b>City of Taylor's Capital Assets</b><br>(net of depreciation)<br>(amounts expressed in thousands) |  |                  |   |                  |                                |                  |
|---|--|------------------|---|------------------|--------------------------------|------------------|
|   | <u>Governmental activities</u><br>2006      2005 |                  | <u>Business-type activities</u><br>2006      2005 |                  | <u>Total</u><br>2006      2005 |                  |
| Land  | \$ 1,880   | \$ 1,880         | \$ 419  | \$ 419           | \$ 2,299                       | \$ 2,299         |
| Buildings and improvements  | 979  | 997              | 3,652   | 3,790            | 4,631                          | 4,787            |
| Machinery and equipment   | 901  | 1,228            | 361   | 483              | 1,262                          | 1,711            |
| Plant   |  |                  |   |                  |                                |                  |
| Distribution/Collection   | -  | -                | 15,292  | 13,177           | 15,292                         | 13,177           |
| Infrastructure  | 39,291   | 39,413           | -   | -                | 39,291                         | 39,413           |
| Construction in progress  | 6,904  | 3,261            | 1,132   | 786              | 8,036                          | 4,047            |
| <b>Total</b>  | <b>\$ 49,955</b>                                 | <b>\$ 46,779</b> | <b>\$ 20,856</b>                                  | <b>\$ 18,655</b> | <b>\$ 70,811</b>               | <b>\$ 65,434</b> |

**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 total bonded debt outstanding of \$ 24,990,650. Of this amount, 100 percent comprises debt backed by the full faith and credit of the government. 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).

The City of Taylor's total debt decreased by \$ 1,163,257 during the current fiscal year. The key factor in this decrease was that the City did not issue any debt during the fiscal year and the only activity was the payments made to the outstanding debt.

The following schedule shows the outstanding debt of the City (both current and long-term) for September 30, 2006. Further details can be found in Note III-F to the financial statements.

| <b>City of Taylor's Outstanding Debt</b> |                            |                 |                             |                 |                 |                 |
|--|----------------------------|-----------------|-----------------------------|-----------------|-----------------|-----------------|
| (amounts expressed in thousands)         |                            |                 |                             |                 |                 |                 |
|  | Governmental<br>activities |                 | Business-type<br>activities |                 | Total           |                 |
|  | 2006                       | 2005            | 2006                        | 2005            | 2006            | 2005            |
| General Obligation Bonds                 | \$ 9,980                   | \$10,310        | \$ -                        | \$ -            | \$9,980         | \$10,310        |
| Refunding Bonds                          | 1,414                      | 1,480           | 396                         | 415             | 1,810           | 1,895           |
| Certificate of Obligation Bonds          | 2,141                      | 2,258           | 7,332                       | 7,695           | 9,473           | 9,953           |
| Revenue Bonds                            | -                          | -               | 2,750                       | 2,775           | 2,750           | 2,775           |
| Other                                    | 959                        | 1,220           | 19                          | -               | 978             | 1,220           |
| <b>Total</b>                             | <b>\$14,494</b>            | <b>\$15,268</b> | <b>\$10,497</b>             | <b>\$10,885</b> | <b>\$24,991</b> | <b>\$26,153</b> |

The City of Taylor and its Water/Wastewater Utility both maintain a "BBB+" rating from Standard & Poor's and "A3" rating from Moody's for general obligation and certificate of obligation debt.

Additional information on the City of Taylor's long-term debt can be found on pages 60 through 64 of this report.

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

**ECONOMIC FACTORS**

At the time this MD&A was written, the national and state leading economic indicators reflect a continuing economic recovery. The labor market has continued to strengthen over the last quarter and unemployment rates have declined nationally and locally. Consumers' overall assessment of present-day conditions is more upbeat than it has been in months according to the Bureau of Labor Statistics and the Consumer Research Center. Increases are driven solely by consumers' assessment of current economic conditions, especially their more optimistic view of the job market. Although speculation has predicted a slow down in the residential housing market, new housing development remains stable in recent periods. Gross domestic products are expected to grow moderately throughout the remainder of the year and threats of inflation have seemed less ominous.

The City of Taylor currently enjoys a slow but favorable economic environment, with positive local economic indicators such as increased tax appraisal values and sales tax receipts. Taylor's growth does create new challenges which must be addressed, and the Strategic Plan provides a framework for the future. Virtually every sector of the City has construction projects underway, with projects pending by developers for residential housing, retail, and governmental sectors. Meeting these challenges takes financial resources, a Council vision directing the Strategic Plan, and a management team to implement it.

**REQUESTS FOR INFORMATION**

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

City of Taylor Finance Department  
400 Porter Street  
Taylor, TX 76574  
(512) 352-5997  
[www.taylor.ci.tx.us](http://www.taylor.ci.tx.us)

## **BASIC FINANCIAL STATEMENTS**

**CITY OF TAYLOR, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

|   | Primary Government         |                             |                      | Component Unit                 |
|---|----------------------------|-----------------------------|----------------------|--------------------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                | Taylor Economic<br>Development |
| <b><u>ASSETS</u></b>                                |                            |                             |                      |                                |
| Cash and cash equivalents                           | \$ 1,868,362               | \$ 53,014                   | \$ 1,921,376         | \$ 455,868                     |
| Investments   | 5,712,019                  | 1,395,592                   | 7,107,611            | -                              |
| Receivables (net of allowances for uncollectibles)- |                            |                             |                      |                                |
| Property taxes, including                           |                            |                             |                      |                                |
| interest and penalties                              | 189,768                    | -                           | 189,768              | -                              |
| Accounts & other                                    | 240,003                    | 759,616                     | 999,619              | 40,142                         |
| Internal balances                                   | 941,889                    | (941,889)                   | -                    | -                              |
| Inventories   | -                          | 142,490                     | 142,490              | -                              |
| Other current assets                                | 9,675                      | -                           | 9,675                | -                              |
| Land held for investment                            | -                          | -                           | -                    | 1,349,183                      |
| Restricted assets -                                 |                            |                             |                      |                                |
| Customer deposits                                   | -                          | 240,564                     | 240,564              | -                              |
| Deferred charges, net                               | 132,956                    | -                           | 132,956              | -                              |
| Capital assets -                                    |                            |                             |                      |                                |
| Land and construction in progress                   | 8,784,056                  | 1,550,605                   | 10,334,661           | -                              |
| Capital assets, net of accumulated depreciation     | 41,170,687                 | 19,305,766                  | 60,476,453           | 20,082                         |
| Total assets  | <u>\$ 59,049,415</u>       | <u>\$ 22,505,758</u>        | <u>\$ 81,555,173</u> | <u>\$ 1,865,275</u>            |



|  | Primary Government         |                             |                      | Component Unit                 |
|--|----------------------------|-----------------------------|----------------------|--------------------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total                | Taylor Economic<br>Development |
| <b><u>LIABILITIES</u></b>                          |                            |                             |                      |                                |
| Accounts payable                                   | \$ 590,644                 | \$ 43,876                   | \$ 634,520           | \$ 7,910                       |
| Accrued payroll                                    | 144,028                    | 7,217                       | 151,245              | 6,075                          |
| Unearned revenue                                   | 612,065                    | -                           | 612,065              | -                              |
| Customer deposits                                  | -                          | 240,564                     | 240,564              | -                              |
| Accrued interest payable                           | 79,635                     | 61,251                      | 140,886              | -                              |
| Noncurrent liabilities:                            |                            |                             |                      |                                |
| Due within one year                                | 749,761                    | 439,900                     | 1,189,661            | 135,792                        |
| Due in more than one year                          | 13,744,127                 | 10,056,862                  | 23,800,989           | 698,054                        |
| Total liabilities                                  | <u>15,920,260</u>          | <u>10,849,670</u>           | <u>26,769,930</u>    | <u>847,831</u>                 |
| <b><u>NET ASSETS</u></b>                           |                            |                             |                      |                                |
| Invested in capital assets,<br>net of related debt | 35,593,811                 | 10,378,556                  | 45,972,367           | 20,082                         |
| Restricted for:                                    |                            |                             |                      |                                |
| Debt service                                       | 191,098                    | -                           | 191,098              | -                              |
| Construction                                       | 4,310,018                  | -                           | 4,310,018            | -                              |
| Cemetery   | 946,338                    | -                           | 946,338              | -                              |
| Unrestricted                                       | <u>2,087,890</u>           | <u>1,277,532</u>            | <u>3,365,422</u>     | <u>997,362</u>                 |
| Total net assets                                   | <u>\$ 43,129,155</u>       | <u>\$ 11,656,088</u>        | <u>\$ 54,785,243</u> | <u>\$ 1,017,444</u>            |

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| Functions/Programs              | Expenses             | Program Revenues        |  |  |
|---------------------------------|----------------------|-------------------------|--|--|
|                                 |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Primary Government</b>       |                      |                         |  |  |
| Governmental activities:        |                      |                         |  |  |
| General government              | \$ 3,740,078         | \$ 3,169,711            | \$ -                                     | \$ -                                   |
| Public safety                   | 4,161,454            | 281,661                 | -  | -                                      |
| Public works                    | 3,118,037            | -                       | -  | 908,961                                |
| Culture and recreation          | 226,110              | -                       | -  | -                                      |
| Interest on long-term debt      | 681,884              | -                       | -  | -                                      |
| Total governmental activities   | <u>11,927,563</u>    | <u>3,451,372</u>        | <u>-</u>                                 | <u>908,961</u>                         |
| Business-type activities:       |                      |                         |  |  |
| Public utilities fund           | 5,948,540            | 5,033,084               | -  | 109,702                                |
| Airport fund                    | 395,886              | 354,033                 | -  | -                                      |
| Total business-type activities  | <u>6,344,426</u>     | <u>5,387,117</u>        | <u>-</u>                                 | <u>109,702</u>                         |
| <b>Total primary government</b> | <u>\$ 18,271,989</u> | <u>\$ 8,838,489</u>     | <u>\$ -</u>                              | <u>\$ 1,018,663</u>                    |
| <b>Component Unit:</b>          |                      |                         |  |  |
| Taylor Economic Development     | \$ 759,231           | \$ -                    | \$ -                                     | \$ 16,806                              |
| Total Component Unit            | <u>\$ 759,231</u>    | <u>\$ -</u>             | <u>\$ -</u>                              | <u>\$ 16,806</u>                       |

General revenues:

Taxes:

Property taxes

Franchise taxes

Sales tax

Hotel occupancy tax

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets-beginning

Prior period adjustment

Net assets-ending

| Net (Expense) Revenue and<br>Changes in Net Assets |                             |               |                                |
|--|-----------------------------|---------------|--------------------------------|
| Primary Government                                 |                             |               | Component Unit                 |
| Governmental<br>Activities                         | Business-Type<br>Activities | Total         | Taylor Economic<br>Development |
| \$ (570,367)                                       | \$ -                        | \$ (570,367)  | \$ -                           |
| (3,879,793)  | -                           | (3,879,793)   | -                              |
| (2,209,076)  | -                           | (2,209,076)   | -                              |
| (226,110)  | -                           | (226,110)     | -                              |
| (681,884)  | -                           | (681,884)     | -                              |
| (7,567,230)  | -                           | (7,567,230)   | -                              |
| -  | (805,754)                   | (805,754)     | -                              |
| -  | (41,853)                    | (41,853)      | -                              |
| -  | (847,607)                   | (847,607)     | -                              |
| (7,567,230)  | (847,607)                   | (8,414,837)   | -                              |
| -  | -                           | -             | (742,425)                      |
| -  | -                           | -             | (742,425)                      |
| 4,723,464  | -                           | 4,723,464     | -                              |
| 792,962  | -                           | 792,962       | -                              |
| 2,237,062  | -                           | 2,237,062     | 741,260                        |
| 60,514   | -                           | 60,514        | -                              |
| 627,190  | 70,441                      | 697,631       | 12,939                         |
| 243,341  | 591,488                     | 834,829       | 25,095                         |
| 8,684,533  | 661,929                     | 9,346,462     | 779,294                        |
| 1,117,303  | (185,678)                   | 931,625       | 36,869                         |
| 37,112,270   | 9,273,028                   | 46,385,298    | 980,575                        |
| 4,899,582  | 2,568,738                   | 7,468,320     | -                              |
| \$ 43,129,155                                      | \$ 11,656,088               | \$ 54,785,243 | \$ 1,017,444                   |

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2006**

|  | General<br>Fund     | Capital<br>Project<br>Fund | 2005<br>GO<br>Issue |
|--|---------------------|----------------------------|---------------------|
| <u>ASSETS</u>  |                     |                            |                     |
| Cash and cash equivalents                            | \$ 1,054,303        | \$ 367,365                 | \$ 221,129          |
| Investments  | 1,490,757           | 164,757                    | 1,609,743           |
| Receivables (net of allowances for uncollectibles) - |                     |                            |                     |
| Property taxes                                       | 146,694             | -                          | -                   |
| Accounts and other                                   | 138,561             | 101,442                    | -                   |
| Interfund receivables                                | 285,299             | -                          | 440,313             |
| Other current assets                                 | 9,675               | -                          | -                   |
| Total assets   | <u>\$ 3,125,289</u> | <u>\$ 633,564</u>          | <u>\$ 2,271,185</u> |
| <u>LIABILITIES AND FUND BALANCES</u>                 |                     |                            |                     |
| Liabilities-   |                     |                            |                     |
| Accounts payable                                     | \$ 148,940          | \$ -                       | \$ 221,129          |
| Accrued payroll                                      | 144,028             | -                          | -                   |
| Interfund payables                                   | 350,248             | 210,540                    | -                   |
| Unearned revenue                                     | 758,759             | -                          | -                   |
| Total liabilities                                    | <u>1,401,975</u>    | <u>210,540</u>             | <u>221,129</u>      |
| Fund balances -                                      |                     |                            |                     |
| Reserved for debt service                            | -                   | -                          | -                   |
| Reserved for construction                            | -                   | 423,024                    | 2,050,056           |
| Reserved for cemetery                                | -                   | -                          | -                   |
| Unreserved, reported in-                             |                     |                            |                     |
| General fund   | 1,723,314           | -                          | -                   |
| Special revenue funds                                | -                   | -                          | -                   |
| Total fund balances                                  | <u>1,723,314</u>    | <u>423,024</u>             | <u>2,050,056</u>    |
| Total liabilities and fund balances                  | <u>\$ 3,125,289</u> | <u>\$ 633,564</u>          | <u>\$ 2,271,185</u> |

| General<br>Capital<br>Improvements | I & S<br>For<br>CO Bonds | Other<br>Funds      | Total<br>Governmental<br>Funds |
|------------------------------------|--------------------------|---------------------|--------------------------------|
| \$ 166,930                         | \$ 28,269                | \$ 27,018           | \$ 1,865,014                   |
| 1,476,842                          | -                        | 969,920             | 5,712,019                      |
| -                                  | 35,321                   | 7,753               | 189,768                        |
| -                                  | -                        | -                   | 240,003                        |
| 146,687                            | 268,459                  | 179,655             | 1,320,413                      |
| -                                  | -                        | -                   | 9,675                          |
| <u>\$ 1,790,459</u>                | <u>\$ 332,049</u>        | <u>\$ 1,184,346</u> | <u>\$ 9,336,892</u>            |
|                                    |                          |                     |                                |
| \$ 17,938                          | \$ -                     | \$ 33,944           | \$ 421,951                     |
| -                                  | -                        | -                   | 144,028                        |
| -                                  | -                        | 131,242             | 692,030                        |
| -                                  | 35,321                   | 7,753               | 801,833                        |
| <u>17,938</u>                      | <u>35,321</u>            | <u>172,939</u>      | <u>2,059,842</u>               |
|                                    |                          |                     |                                |
| -                                  | 296,728                  | (105,630)           | 191,098                        |
| 1,772,521                          | -                        | 64,417              | 4,310,018                      |
| -                                  | -                        | 946,338             | 946,338                        |
| -                                  | -                        | -                   | 1,723,314                      |
| -                                  | -                        | 106,282             | 106,282                        |
| <u>1,772,521</u>                   | <u>296,728</u>           | <u>1,011,407</u>    | <u>7,277,050</u>               |
| <u>\$ 1,790,459</u>                | <u>\$ 332,049</u>        | <u>\$ 1,184,346</u> | <u>\$ 9,336,892</u>            |

The accompanying notes are an integral part of this statement.



**CITY OF TAYLOR, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

|  |    |           |
|--|----|-----------|
| Total Fund Balances - Governmental Funds | \$ | 7,277,050 |
|--|----|-----------|

The City uses internal service funds to charge the costs of certain activities, such as the equipment service fund, equipment replacement fund, and civil service sick leave to appropriate functions in other governmental funds. 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. |  | 501,892 |
|---|--|---------|

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 \$ 51,976,603 and the accumulated depreciation was \$ 5,197,928. In addition, long-term liabilities including bonds, leases and loans payable are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. 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.

|  |  |            |
|--|--|------------|
|  |  | 31,534,338 |
|--|--|------------|

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2006 capital outlays and debt principal payments is to increase net assets.

|  |  |           |
|--|--|-----------|
|  |  | 5,119,672 |
|--|--|-----------|

The 2006 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

|  |  |             |
|--|--|-------------|
|  |  | (1,406,730) |
|--|--|-------------|

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.

|  |  |         |
|--|--|---------|
|  |  | 102,933 |
|--|--|---------|

|                                       |  |               |
|---------------------------------------|--|---------------|
| Net Assets of Governmental Activities |  | \$ 43,129,155 |
|---------------------------------------|--|---------------|

|  |  |                          |
|--|--|--------------------------|
|  |  | <u><u>43,129,155</u></u> |
|--|--|--------------------------|

The accompanying notes are an integral part of this financial statement.

**CITY OF TAYLOR, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

|  | General<br>Fund            | Capital<br>Project<br>Fund | 2005<br>GO<br>Issue        |
|--|----------------------------|----------------------------|----------------------------|
| Revenues:  |                            |                            |                            |
| Property taxes                                       | \$ 3,410,144               | \$ -                       | \$ -                       |
| Sales taxes  | 2,237,062                  | -                          | -                          |
| Franchise tax  | 792,962                    | -                          | -                          |
| Hotel occupancy tax                                  | -                          | -                          | -                          |
| Penalties and interest on taxes                      | 68,610                     | -                          | -                          |
| Licenses, permits and fees                           | 190,797                    | -                          | -                          |
| Charges for services                                 | 2,028,004                  | -                          | -                          |
| Fines and forfeitures                                | 281,661                    | -                          | -                          |
| Intergovernmental                                    | 155,411                    | 101,441                    | -                          |
| Other revenues                                       | 202,757                    | -                          | -                          |
| Investment earnings                                  | 150,209                    | 42,204                     | 182,230                    |
| Contributions  | 97,900                     | -                          | -                          |
| Total revenues                                       | <u>9,615,517</u>           | <u>143,645</u>             | <u>182,230</u>             |
| Expenditures:  |                            |                            |                            |
| Current:   |                            |                            |                            |
| General government                                   | 2,291,430                  | -                          | -                          |
| Public safety  | 3,640,964                  | -                          | -                          |
| Public works   | 2,738,220                  | -                          | -                          |
| Culture and recreation                               | 85,437                     | -                          | -                          |
| Debt service:  |                            |                            |                            |
| Principal retirement                                 | -                          | -                          | -                          |
| Interest and fiscal charges                          | -                          | -                          | -                          |
| Capital outlay                                       | -                          | 742,718                    | 2,983,253                  |
| Total expenditures                                   | <u>8,756,051</u>           | <u>742,718</u>             | <u>2,983,253</u>           |
| Excess (deficiency) of revenues<br>over expenditures | <u>859,466</u>             | <u>(599,073)</u>           | <u>(2,801,023)</u>         |
| Other financing sources (uses):                      |                            |                            |                            |
| Transfers in   | 30,000                     | -                          | 435,000                    |
| Transfers out  | (643,170)                  | -                          | -                          |
| Total other financing sources (uses)                 | <u>(613,170)</u>           | <u>-</u>                   | <u>435,000</u>             |
| Net changes in fund balances                         | <u>246,296</u>             | <u>(599,073)</u>           | <u>(2,366,023)</u>         |
| Fund balances, beginning of year                     | <u>1,477,018</u>           | <u>1,022,097</u>           | <u>4,416,079</u>           |
| Fund balances, end of year                           | <u><u>\$ 1,723,314</u></u> | <u><u>\$ 423,024</u></u>   | <u><u>\$ 2,050,056</u></u> |

The accompanying notes are an integral part of this financial statement.



| General<br>Capital<br>Improvements | I & S<br>for<br>CO Bonds | Other<br>Funds   | Total<br>Governmental<br>Funds |
|------------------------------------|--------------------------|------------------|--------------------------------|
| \$ -                               | \$ 1,050,410             | \$ 261,905       | \$ 4,722,459                   |
| -                                  | -                        | -                | 2,237,062                      |
| -                                  | -                        | -                | 792,962                        |
| -                                  | -                        | 60,514           | 60,514                         |
| -                                  | -                        | -                | 68,610                         |
| -                                  | -                        | -                | 190,797                        |
| -                                  | -                        | 36,747           | 2,064,751                      |
| -                                  | -                        | -                | 281,661                        |
| 358,409                            | -                        | 36,900           | 652,161                        |
| -                                  | -                        | 40,584           | 243,341                        |
| 187,222                            | 1,279                    | 64,046           | 627,190                        |
| -                                  | -                        | 195,800          | 293,700                        |
| <u>545,631</u>                     | <u>1,051,689</u>         | <u>696,496</u>   | <u>12,235,208</u>              |
| -                                  | 2,016                    | 76,632           | 2,370,078                      |
| -                                  | -                        | -                | 3,640,964                      |
| -                                  | -                        | -                | 2,738,220                      |
| -                                  | -                        | -                | 85,437                         |
| -                                  | 456,534                  | 169,241          | 625,775                        |
| -                                  | 565,094                  | 105,741          | 670,835                        |
| 729,558                            | -                        | 385,181          | 4,840,710                      |
| <u>729,558</u>                     | <u>1,023,644</u>         | <u>736,795</u>   | <u>14,972,019</u>              |
| <u>(183,927)</u>                   | <u>28,045</u>            | <u>(40,299)</u>  | <u>(2,736,811)</u>             |
| 135,000                            | -                        | -                | 600,000                        |
| -                                  | -                        | (30,000)         | (673,170)                      |
| <u>135,000</u>                     | <u>-</u>                 | <u>(30,000)</u>  | <u>(73,170)</u>                |
| <u>(48,927)</u>                    | <u>28,045</u>            | <u>(70,299)</u>  | <u>(2,809,981)</u>             |
| 1,821,448                          | 268,683                  | 1,081,706        | 10,087,031                     |
| <u>\$ 1,772,521</u>                | <u>\$ 296,728</u>        | <u>1,011,407</u> | <u>\$ 7,277,050</u>            |



**CITY OF TAYLOR, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

|  |    |             |
|--|----|-------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | (2,809,981) |
|--|----|-------------|

|  |  |         |
|--|--|---------|
| 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. |  | 278,555 |
|--|--|---------|

|   |  |           |
|---|--|-----------|
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government -wide financial statements. The net effect of removing the 2006 capital outlays and debt principal payments is to increase net assets. |  | 5,119,672 |
|---|--|-----------|

|   |  |             |
|---|--|-------------|
| 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. |  | (1,406,730) |
|---|--|-------------|

|  |  |          |
|--|--|----------|
| 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 decrease net assets. |  | (64,213) |
|--|--|----------|

|   |    |           |
|---|----|-----------|
| Change in Net Assets of Governmental Activities | \$ | 1,117,303 |
|---|----|-----------|

The accompanying notes are an integral part of this financial statement.



**CITY OF TAYLOR, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2006**

|   | Budgeted Amounts    |                     | Actual              | Variance With     |
|---|---------------------|---------------------|---------------------|-------------------|
|   | Original            | Final               |                     | Final Budget      |
| Revenues:   |                     |                     |                     |                   |
| Property taxes                                    | \$ 3,446,652        | \$ 3,446,652        | \$ 3,410,144        | \$ (36,508)       |
| Sales taxes                                       | 2,154,011           | 2,154,011           | 2,237,062           | 83,051            |
| Franchise tax                                     | 847,964             | 847,964             | 792,962             | (55,002)          |
| Penalties and interest on taxes                   | 47,800              | 47,800              | 68,610              | 20,810            |
| Licenses, permits and fees                        | 168,296             | 175,296             | 190,797             | 15,501            |
| Charges for services                              | 2,066,250           | 2,032,950           | 2,028,004           | (4,946)           |
| Fines and forfeitures                             | 346,750             | 349,700             | 281,661             | (68,039)          |
| Intergovernmental                                 | 114,300             | 119,700             | 155,411             | 35,711            |
| Other revenues                                    | 159,975             | 260,962             | 202,757             | (58,205)          |
| Investment earnings                               | 100,400             | 100,553             | 150,209             | 49,656            |
| Contributions                                     | -                   | -                   | 97,900              | 97,900            |
| Total revenues                                    | <u>9,452,398</u>    | <u>9,535,588</u>    | <u>9,615,517</u>    | <u>79,929</u>     |
| Expenditures:                                     |                     |                     |                     |                   |
| Current:  |                     |                     |                     |                   |
| General government                                | 2,172,191           | 2,466,225           | 2,291,430           | 174,795           |
| Public safety                                     | 3,713,211           | 3,668,678           | 3,640,964           | 27,714            |
| Public works                                      | 3,024,072           | 2,835,431           | 2,738,220           | 97,211            |
| Culture and recreation                            | 572,884             | 559,066             | 85,437              | 473,629           |
| Total expenditures                                | <u>9,482,358</u>    | <u>9,529,400</u>    | <u>8,756,051</u>    | <u>773,349</u>    |
| Excess (deficiency) of revenues over expenditures | <u>(29,960)</u>     | <u>6,188</u>        | <u>859,466</u>      | <u>853,278</u>    |
| Other financing sources (uses):                   |                     |                     |                     |                   |
| Transfers in                                      | 30,000              | 30,000              | 30,000              | -                 |
| Transfers out                                     | -                   | -                   | (643,170)           | (643,170)         |
| Total other financing sources (uses)              | <u>30,000</u>       | <u>30,000</u>       | <u>(613,170)</u>    | <u>(643,170)</u>  |
| Net change in fund balance                        | <u>40</u>           | <u>36,188</u>       | <u>246,296</u>      | <u>210,108</u>    |
| Fund balance, beginning of year                   | <u>1,477,018</u>    | <u>1,477,018</u>    | <u>1,477,018</u>    | <u>-</u>          |
| Fund balance, end of year                         | <u>\$ 1,477,058</u> | <u>\$ 1,513,206</u> | <u>\$ 1,723,314</u> | <u>\$ 210,108</u> |

The accompanying notes are an integral part of this financial statement.

**CITY OF TAYLOR, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2006**

|   | Business-Type Activities<br>Enterprise Funds |                     |                      | Governmental<br>Activities |
|---|--|---------------------|----------------------|----------------------------|
|   | Public                                       | Airport             |                      | Internal                   |
|   | Utilities Fund                               | Fund                | Total                | Service Funds              |
| <b><u>ASSETS</u></b>  |  |                     |                      |                            |
| Current assets:   |  |                     |                      |                            |
| Cash and cash equivalents                                       | \$ 51,919                                    | \$ 1,095            | \$ 53,014            | \$ 3,348                   |
| Investments   | 1,395,592                                    | -                   | 1,395,592            | -                          |
| Restricted cash and investments:                                |  |                     |                      |                            |
| Customer deposits   | 240,564                                      | -                   | 240,564              | -                          |
| Customer receivables (net of allowance<br>for uncollectibles) - | 752,692                                      | 6,924               | 759,616              | -                          |
| Interfund receivables   | -  | -                   | -                    | 462,544                    |
| Inventories   | 142,490                                      | -                   | 142,490              | -                          |
| Total current assets  | <u>2,583,257</u>                             | <u>8,019</u>        | <u>2,591,276</u>     | <u>465,892</u>             |
| Noncurrent assets:  |  |                     |                      |                            |
| Capital Assets:   |  |                     |                      |                            |
| Land and construction in progress                               | 1,151,352                                    | 399,253             | 1,550,605            | -                          |
| Capital assets being depreciated                                | 16,716,756                                   | 2,589,010           | 19,305,766           | 605,906                    |
| Total noncurrent assets   | <u>17,868,108</u>                            | <u>2,988,263</u>    | <u>20,856,371</u>    | <u>605,906</u>             |
| Total assets  | <u>\$ 20,451,365</u>                         | <u>\$ 2,996,282</u> | <u>\$ 23,447,647</u> | <u>\$ 1,071,798</u>        |

|  | Business-Type Activities<br>Enterprise Funds |                     |                      | Governmental<br>Activities |
|--|--|---------------------|----------------------|----------------------------|
|  | Public                                       | Airport             |                      | Internal                   |
|  | Utilities Fund                               | Fund                | Total                | Service Funds              |
| <u>LIABILITIES AND NET ASSETS</u>  |  |                     |                      |                            |
| Current liabilities:   |  |                     |                      |                            |
| Accounts payable   | \$ 42,772                                    | \$ 1,104            | \$ 43,876            | \$ 168,693                 |
| Accrued payroll  | 7,217  | -                   | 7,217                | -                          |
| Accrued interest   | 58,954                                       | 2,297               | 61,251               | -                          |
| Interfund payables   | 722,310                                      | 344,439             | 1,066,749            | 24,178                     |
| Customer deposits  | 240,564                                      | -                   | 240,564              | -                          |
| Bonds payable- current   | 402,338                                      | 18,615              | 420,953              | -                          |
| Capital lease payable- current   | -  | -                   | -                    | 32,775                     |
| Total current liabilities  | <u>1,474,155</u>                             | <u>366,455</u>      | <u>1,840,610</u>     | <u>225,646</u>             |
| Noncurrent liabilities:  |  |                     |                      |                            |
| Accrued compensated<br>absences payable  | 18,947                                       | -                   | 18,947               | 2,291                      |
| Capital lease payable  | -  | -                   | -                    | 217,109                    |
| Bonds payable  | 9,679,087                                    | 377,775             | 10,056,862           | -                          |
| Total noncurrent liabilities   | <u>9,698,034</u>                             | <u>377,775</u>      | <u>10,075,809</u>    | <u>219,400</u>             |
| Total liabilities  | <u>11,172,189</u>                            | <u>744,230</u>      | <u>11,916,419</u>    | <u>445,046</u>             |
| Net assets:  |  |                     |                      |                            |
| Invested in capital assets,<br>net of related debt   | 7,786,683                                    | 2,591,873           | 10,378,556           | 356,022                    |
| Unrestricted   | <u>1,492,493</u>                             | <u>(339,821)</u>    | <u>1,152,672</u>     | <u>270,730</u>             |
| Total net assets   | <u>\$ 9,279,176</u>                          | <u>\$ 2,252,052</u> | <u>11,531,228</u>    | <u>\$ 626,752</u>          |
| Reconciliation to government-wide statement of net assets:   |  |                     |                      |                            |
| Adjustment to reflect the cumulative net profit of the internal<br>service fund that was allocated to enterprise fund functions. |  |                     | 124,860              |                            |
| Net assets of business-type activities   |  |                     | <u>\$ 11,656,088</u> |                            |

The accompanying notes are an integral part of this financial statement.





**CITY OF TAYLOR, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

|   | Business-Type Activities-<br>Enterprise Funds |                     |                      | Governmental<br>Activities<br>Internal<br>Service Funds |
|---|---|---------------------|----------------------|---|
|   | Public<br>Utilities Fund                      | Airport<br>Fund     | Total                |   |
| Operating revenues -  |   |                     |                      |   |
| Charges for Service   | \$ -  | \$ -                | \$ -                 | \$ 970,115  |
| Charges for Water Services  | 3,199,595                                     | -                   | 3,199,595            | -   |
| Charges for Sewerage Service  | 1,833,489                                     | -                   | 1,833,489            | -   |
| Charges for Airport Services  | -   | 354,033             | 354,033              | -   |
| Rents and Royalties   | 18,000  | -                   | 18,000               | -   |
| Other Revenue   | 573,488                                       | -                   | 573,488              | -   |
| Total operating revenues  | 5,624,572                                     | 354,033             | 5,978,605            | 970,115   |
| Operating expenses -  |   |                     |                      |   |
| Personnel services  | 1,047,281                                     | 28,509              | 1,075,790            | 81,505  |
| Contractual services  | 845,765                                       | 252,779             | 1,098,544            | 464,843   |
| Supplies  | 1,844,614                                     | 15,947              | 1,860,561            | -   |
| Purchased professional and technical services   | 1,084,358                                     | -                   | 1,084,358            | -   |
| Depreciation  | 744,868                                       | 79,543              | 824,411              | 111,089   |
| Total operating expenses  | 5,566,886                                     | 376,778             | 5,943,664            | 657,437   |
| Operating income (loss)   | 57,686  | (22,745)            | 34,941               | 312,678   |
| Non-operating revenues (expenses) -   |   |                     |                      |   |
| Contributions from developers   | 85,400  | -                   | 85,400               | -   |
| Grants  | 24,302  | -                   | 24,302               | -   |
| Investment Earnings   | 70,441  | -                   | 70,441               | -   |
| Interest Expense  | (474,506)                                     | (19,108)            | (493,614)            | (14,441)  |
| Total Non-operating revenues (expenses)   | (294,363)                                     | (19,108)            | (313,471)            | (14,441)  |
| Income (loss) before transfers  | (236,677)                                     | (41,853)            | (278,530)            | 298,237   |
| Transfers in  | -   | -                   | -                    | 73,170  |
| Change in net assets  | (236,677)                                     | (41,853)            | (278,530)            | 371,407   |
| Total Net Assets - beginning of year  | 6,947,115                                     | 2,293,905           | 9,241,020            | 255,345   |
| Prior Period Adjustment   | 2,568,738                                     | -                   | 2,568,738            | -   |
| Total Net Assets - end of year  | <u>\$ 9,279,176</u>                           | <u>\$ 2,252,052</u> | <u>\$ 11,531,228</u> | <u>\$ 626,752</u>                                       |
| Adjustment to reflect the consolidation of internal<br>service fund activities related to enterprise funds. |   |                     | 92,852               |   |
| Change in net assets of business-type activities  |   |                     | <u>\$ (185,678)</u>  |   |

The accompanying notes are an integral part of this financial statement.

**CITY OF TAYLOR, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

|   | Business Type Activities-<br>Enterprise Funds |                  |                    | Governmental<br>Activities |
|---|---|------------------|--------------------|----------------------------|
|   | Public Utilities<br>Fund                      | Airport<br>Fund  | Total              | Internal<br>Service Funds  |
| Cash flows from operating activities:                               |   |                  |                    |                            |
| Cash received from user charges                                     | \$ 4,897,923                                  | \$ 355,744       | \$ 5,253,667       | \$ -                       |
| Cash received from other funds for<br>services provided             | -   | -                | -                  | 970,115                    |
| Cash received from others   | 591,488                                       | -                | 591,488            | -                          |
| Cash payments to suppliers  | (3,611,541)                                   | (270,889)        | (3,882,430)        | (340,949)                  |
| Cash payments to employees  | (1,053,072)                                   | (27,660)         | (1,080,732)        | (81,404)                   |
| Net cash provided by<br>operating activities                        | <u>824,798</u>                                | <u>57,195</u>    | <u>881,993</u>     | <u>547,762</u>             |
| Cash flows from noncapital financing activities:                    |   |                  |                    |                            |
| (Increase) decrease in amounts due from other funds                 | (143,589)                                     | 131,211          | (12,378)           | (247,013)                  |
| Transfers from other funds  | -   | -                | -                  | 73,170                     |
| Net cash provided (used) by noncapital<br>financing activities      | <u>(143,589)</u>                              | <u>131,211</u>   | <u>(12,378)</u>    | <u>(173,843)</u>           |
| Cash flows from capital and related<br>financing activities:        |   |                  |                    |                            |
| Receipts of capital contributions                                   | 85,400  | -                | 85,400             | -                          |
| Acquisition and construction of capital assets,<br>net of disposals | (308,125)                                     | (149,585)        | (457,710)          | (230,426)                  |
| Principal paid on debt  | (389,540)                                     | (18,615)         | (408,155)          | (120,129)                  |
| Receipts of grants  | 24,302  | -                | 24,302             | -                          |
| Interest and fiscal charges paid                                    | (474,737)                                     | (19,197)         | (493,934)          | (22,124)                   |
| Net cash used by capital and<br>related financing activities        | <u>(1,062,700)</u>                            | <u>(187,397)</u> | <u>(1,250,097)</u> | <u>(372,679)</u>           |
| Cash flows from investing activities:                               |   |                  |                    |                            |
| Net proceeds of investments   | 60,565  | -                | 60,565             | -                          |
| Investment and other income   | 70,441  | -                | 70,441             | -                          |
| Net cash provided by<br>investing activities                        | <u>131,006</u>                                | <u>-</u>         | <u>131,006</u>     | <u>-</u>                   |
| Net increase (decrease) in cash and cash equivalents                | (250,485)                                     | 1,009            | (249,476)          | 1,240                      |
| Cash and cash equivalents at beginning of year                      | <u>542,968</u>                                | <u>86</u>        | <u>543,054</u>     | <u>2,108</u>               |
| Cash and cash equivalents at end of year                            | <u>\$ 292,483</u>                             | <u>\$ 1,095</u>  | <u>\$ 293,578</u>  | <u>\$ 3,348</u>            |

(Continued)

**CITY OF TAYLOR, TEXAS**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

|   | Business-Type Activities<br>Enterprise Funds |                  |                   | Governmental<br>Activities |
|---|--|------------------|-------------------|----------------------------|
|   | Public Utilities<br>Fund                     | Airport<br>Fund  | Total             | Internal<br>Service Funds  |
| <u>Reconciliation of operating income (loss) to<br/>net cash provided by operating activities</u> |  |                  |                   |                            |
| Operating income (loss)   | \$ 57,686                                    | \$ (22,745)      | \$ 34,941         | \$ 312,678                 |
| Adjustments to reconcile operating income (loss)<br>to net cash provided by operating activities: |  |                  |                   |                            |
| Depreciation  | 744,868                                      | 79,543           | 824,411           | 111,089                    |
| (Increase) decrease in receivables  | (134,568)                                    | 1,711            | (132,857)         | -                          |
| Decrease in inventories   | 186,000                                      | -                | 186,000           | -                          |
| Increase (decrease) in accounts payable   | (34,386)                                     | (465)            | (34,851)          | 123,894                    |
| Increase (decrease) in accrued payroll  | 5,791  | (849)            | 4,942             | 101                        |
| (Decrease) in deposits  | (593)  | -                | (593)             | -                          |
| Total adjustments   | <u>767,112</u>                               | <u>79,940</u>    | <u>847,052</u>    | <u>235,084</u>             |
| Net cash provided by operations   | <u>\$ 824,798</u>                            | <u>\$ 57,195</u> | <u>\$ 881,993</u> | <u>\$ 547,762</u>          |

The accompanying notes are an integral part of this financial statement.



## **NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF TAYLOR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. REPORTING ENTITY**

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

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

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

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

Taylor Economic Development Corporation (TEDC)

Although the TEDC is legally separate from the City, the TEDC is reported as if it were part of the primary government because the City provides the majority of its funding, and the TEDC provides services almost exclusively for the benefit of the primary government. The TEDC is authorized to act on behalf of the City in order to encourage the promotion and development of commercial, industrial and manufacturing enterprises within the area. The TEDC is discretely presented; it is reported in a separate column to emphasize that it is legally separate from the primary government.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**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, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Fund Financial Statements:**

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. An emphasis is placed on major funds within the governmental and proprietary categories. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The major governmental funds are the general fund, the I & S for CO Bonds, the Capital Project Fund, the General Capital Improvements Fund and the 2005 GO Issue Fund. The major enterprise funds are the Public Utilities fund and the Airport Fund. The nonmajor funds are combined in a separate column in the fund financial statements.

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

**C. GOVERNMENTAL FUND TYPES**

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

**General Fund** - The General Fund accounts for financial resources in use for general types of operations, which are not encompassed within other funds.



**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. GOVERNMENTAL FUND TYPES (CONTINUED)**

**Capital Project Fund** - The capital projects fund is used to account for the following major construction and acquisition projects: North Drive, Howard Street reconstruction, storm drainage master plan, and parks master plan.

**General Capital Improvements** - The general capital improvements fund is used to account for the following major construction and acquisition projects: fire department portable building, transportation study, Thorndale Road bridge replacement, annual street maintenance program, FM 397 and SH 95 improvements.

**2005 GO Issue** - The 2005 general obligation bonds were issued for the purpose of acquiring, constructing, improving, renovating, and equipping a fire station and for the purpose of acquiring, constructing, improving, renovating and equipping a city library.

**I & S For CO Bonds** - The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the City reports the following fund types:

**Governmental Funds:**

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

**Debt Service Fund** - The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

**Capital Project Fund** - The proceeds from 2003 CO long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects 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 non-major Permanent Fund is the Cemetery Permanent Fund.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. PROPRIETARY FUND TYPES**

**The Proprietary Funds** are used to account for the City's ongoing organizations and activities that are similar to those found in the private sector. The measurement focus is upon capital maintenance and upon determination of net income, financial position and cash flows. The City maintains the following Proprietary Fund types:

**Enterprise Funds** – The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in enterprise funds.

The City reports the following major enterprise funds:

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

**Airport Fund** – The City reports the operation of the municipal airport.

**Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the City on a cost reimbursement basis are accounted for in an internal service fund. The City's Internal Service Funds are: the Equipment Services Fund, Equipment Replacement Fund and the Civil Service Sick Leave Fund.

**E. NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES**

GASB Statement No. 34 eliminated the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide statement of net assets.

**F. BASIS OF ACCOUNTING**

**Government-wide Statements**

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

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. BASIS OF ACCOUNTING**

**Fund Financial Statements**

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

**Governmental Funds**

***Revenue Recognition***

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

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

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

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

**CITY OF TAYLOR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. BASIS OF ACCOUNTING (CONTINUED)**

**Governmental Funds (Continued)**

***Revenue Recognition (Continued)***

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

***Expenditure Recognition***

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

**Proprietary Funds**

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

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

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

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. CASH AND CASH EQUIVALENTS**

In accordance with GASB Statement 9, for reporting purposes, the City has developed a definition of cash equivalents. Cash equivalents are demand deposit account balances, investments with the State Investment Pool, repurchase agreements, obligations of the United States government and its agencies, commercial paper and certificates of deposit with original maturities of three months or less.

**I. INVENTORIES AND PREPAID ITEMS**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as **prepaid items** (other current assets) in both the government-wide and fund financial statements.

**J. CAPITAL ASSETS**

**Capital assets** are stated at historical cost. Maintenance and repairs are charged to operations as incurred. Improvements and betterments, which extend the useful lives of assets, are capitalized.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by the fund's measurement focus. The minimum capitalization threshold is any individual item with a total cost greater than \$ 1,000 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, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. 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.

**L. UNPAID COMPENSATED ABSENCES**

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

**M. TRANSACTIONS BETWEEN FUNDS**

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring or non-routine transfers of equity between funds – for example, contribution of capital assets to a proprietary fund or transfers of residual balances of discontinued funds to other funds - are accounted for as transfers.

**CITY OF TAYLOR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. RESTRICTED ASSETS**

Certain bond proceeds, as well as resources set aside for their repayment, are classified as restricted assets because their use is limited by bond covenants. Other assets are restricted due to City Ordinance restrictions on their use.

Net assets have been restricted for the excess of restricted assets over related liabilities to the extent such restricted assets were accumulated from revenues (i.e., in some cases, restricted assets were obtained in total or in part from the proceeds of bond sales or grants).

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**O. NET ASSETS/FUND EQUITY**

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reserved fund balances represent a portion of fund equity that is legally segregated for a specific future use or is not appropriate for expenditures.

**P. COMPARATIVE DATA/RECLASSIFICATIONS**

Comparative total data for the prior year has not been presented. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**Q. 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. Accordingly, actual results could differ from those estimates.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY ACCOUNTING**

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

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

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

**B. ENCUMBRANCES**

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

**C. DEFICIT NET ASSETS/FUND BALANCE**

The Airport Fund had an unrestricted net assets deficit of \$ 339,821 at September 30, 2006. The I & S General Government Debt Service Fund had a deficit of \$ 105,630 at September 30, 2006. The Equipment Services fund had a net assets deficit of \$ 27,143 at September 30, 2006.



**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**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, 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, 2006**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits**

As of September 30, 2006, the City's deposit balances were as follows:

|  | Primary<br>Government | Component<br>Unit | Total<br>Reporting<br>Entity |
|--|-----------------------|-------------------|------------------------------|
| 1. Insured (FDIC) collateralized with securities held by entity's agent in the entity's name                     | \$ 1,402,532          | \$ 476,449        | \$ 1,878,981                 |
| 2. Uninsured, collateralized with securities held by pledging financial institution's agent in the entity's name | -                     | -                 | -                            |
| 3. Uninsured and uncollateralized  | 1,062,939             | 4,546             | 1,067,485                    |
| Total Deposits   | <u>\$ 2,465,471</u>   | <u>\$ 480,995</u> | <u>\$ 2,946,466</u>          |
| Carrying Amount  | <u>\$ 1,921,376</u>   | <u>\$ 455,868</u> | <u>\$ 2,377,244</u>          |

Foreign Currency Risk – The City's deposits are not exposed to foreign currency risk.

Custodial Credit Risk – The City's policy is to be collateralized. The City was not fully collateralized during the year for deposits.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

As of September 30, 2006, the City had the following investments:

|                                  | <u>Carrying<br/>Amount</u> | <u>Fair<br/>Value</u> |
|----------------------------------|----------------------------|-----------------------|
| <b><u>Primary Government</u></b> |                            |                       |
| U. S. Treasury obligations       | \$ 278,805                 | \$ 278,805            |
| Mutual Funds                     | 93,135                     | 93,135                |
| U. S. Government Bonds           | 1,030,296                  | 1,030,296             |
| Investment Pools:                |                            |                       |
| TexPool                          | 2,826,325                  | 2,826,325             |
| TexSTAR                          | 2,513,858                  | 2,513,858             |
| Texas CLASS                      | 365,192                    | 365,192               |
| Total investment in pools:       | <u>\$ 5,705,375</u>        | <u>\$ 5,705,375</u>   |
| Total investments                | <u>\$ 7,107,611</u>        | <u>\$ 7,107,611</u>   |

**Foreign Currency Risk** – The City’s investments are not exposed to foreign currency risk.

**Custodial Credit Risk** – 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.

**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.

**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.

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, 2006**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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 the consultants for Texas CLASS, including the Program Administrator and the Custodian. The City's fair value position is stated at the value of the position upon withdrawal.

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 2006 were of the aforementioned categories. There are no positions of 5 percent or more in the securities of a single issuer.

**B. PROPERTY TAXES AND RECEIVABLES**

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

The City Council levies taxes based upon the appraised values. Williamson County bills and collects the City's property taxes.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2006 was as follows:

|   | October 1, 2005 |                           |                             | September 30, |
|---|-----------------|---------------------------|-----------------------------|---------------|
|   | As<br>Restated  | Additions/<br>Completions | Retirements/<br>Adjustments | 2006          |
| <b>Governmental Activities:</b>             |                 |                           |                             |               |
| Capital assets not being depreciated:       |                 |                           |                             |               |
| Land  | \$ 1,879,916    | \$ -                      | \$ -                        | \$ 1,879,916  |
| Construction in progress                    | 3,261,080       | 4,473,354                 | (830,294)                   | 6,904,140     |
| Total capital assets not being depreciated  | 5,140,996       | 4,473,354                 | (830,294)                   | 8,784,056     |
| Capital assets being depreciated:           |                 |                           |                             |               |
| Streets and bridges                         | 37,572,455      | 748,160                   | -                           | 38,320,615    |
| Parks and Dams                              | 2,608,628       | 51,177                    | -                           | 2,659,805     |
| Sidewalks, Curbs and Gutters                | 1,069,350       | -                         | -                           | 1,069,350     |
| Buildings and improvements                  | 1,658,396       | 30,958                    | -                           | 1,689,354     |
| Operating Equipment                         | 3,266,455       | -                         | (63,218)                    | 3,203,237     |
| Equipment in Internal Service Funds         | 660,323         | 230,426                   | -                           | 890,749       |
| Total capital assets being depreciated      | 46,835,607      | 1,060,721                 | (63,218)                    | 47,833,110    |
| Less accumulated depreciation for:          |                 |                           |                             |               |
| Streets and bridges                         | 2,150,216       | 947,566                   | -                           | 3,097,782     |
| Parks and Dams                              | 94,501          | 65,770                    | -                           | 160,271       |
| Sidewalks, Curbs and Gutters                | 80,168          | 26,734                    | -                           | 106,902       |
| Buildings and improvements                  | 661,436         | 49,064                    | -                           | 710,500       |
| Operating Equipment                         | 2,037,853       | 317,596                   | (53,324)                    | 2,302,125     |
| Equipment in Internal Service Funds         | 173,754         | 111,089                   | -                           | 284,843       |
| Total accumulated depreciation              | 5,197,928       | 1,517,819                 | (53,324)                    | 6,662,423     |
| Total capital assets being depreciated, net | 41,637,679      | (457,098)                 | (9,894)                     | 41,170,687    |
| Governmental activities capital assets, net | \$ 46,778,675   | \$ 4,016,256              | \$ (840,188)                | \$ 49,954,743 |

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. CAPITAL ASSETS (CONTINUED)**

|  | October 1, 2005 |              |              | September 30, |
|--|-----------------|--------------|--------------|---------------|
|  | As              | Additions/   | Retirements/ | 2006          |
|  | Restated        | Completions  | Adjustments  |               |
| <b>Business-type Activities:</b>             |                 |              |              |               |
| Capital assets not being depreciated:        |                 |              |              |               |
| Land   | \$ 418,811      | \$ -         | \$ -         | \$ 418,811    |
| Construction in progress                     | 785,542         | 372,309      | (26,057)     | 1,131,794     |
| Total capital assets not being depreciated   | 1,204,353       | 372,309      | (26,057)     | 1,550,605     |
| Capital assets being depreciated:            |                 |              |              |               |
| Plant distribution and collection            | 23,230,220      | 111,457      | -            | 23,341,677    |
| Buildings                                    | 3,068,006       | -            | -            | 3,068,006     |
| Runway                                       | 2,003,709       | -            | -            | 2,003,709     |
| Equipment                                    | 1,184,420       | -            | -            | 1,184,420     |
| Total capital assets being depreciated       | 29,486,355      | 111,457      | -            | 29,597,812    |
| Less accumulated depreciation for:           |                 |              |              |               |
| Plant distribution and collection            | 7,483,286       | 566,204      | -            | 8,049,490     |
| Buildings                                    | 1,162,182       | 86,498       | -            | 1,248,680     |
| Runway                                       | 120,428         | 50,093       | -            | 170,521       |
| Equipment                                    | 701,739         | 121,616      | -            | 823,355       |
| Total accumulated depreciation               | 9,467,635       | 824,411      | -            | 10,292,046    |
| Total capital assets being depreciated, net  | 20,018,720      | (712,954)    | -            | 19,305,766    |
| Business-type activities capital assets, net | \$ 21,223,073   | \$ (340,645) | \$ (26,057)  | \$ 20,856,371 |

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

|   |                     |
|---|---------------------|
| <b>Governmental activities:</b>                     |                     |
| General government                                  | \$ 394,633          |
| Public safety                                       | 561,593             |
| Public works  | 409,811             |
| Culture and recreation                              | 151,782             |
| Total depreciation expense-governmental activities  | <u>\$ 1,517,819</u> |
| <b>Business-type activities:</b>                    |                     |
| Public Utilities Fund                               | \$ 744,868          |
| Airport Fund  | 79,543              |
| Total depreciation expense-business-type activities | <u>\$ 824,411</u>   |

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. CAPITAL ASSETS (CONTINUED)**

The beginning balances have been adjusted for prior period adjustments to include donated streets in the governmental activities and donated plant distribution and collection in the Business-type activities.

Changes in capital assets for the Taylor Economic Development Corporation for the year ended September 30, 2006 are as follows:

|                               | October 1,<br>2005 | Additions/<br>Completions | Retirements/<br>Adjustments | September 30,<br>2006 |
|-------------------------------|--------------------|---------------------------|-----------------------------|-----------------------|
| Office Equipment              | \$ 19,099          | \$ 18,014                 | \$ -                        | \$ 37,113             |
| Less accumulated depreciation | (15,340)           | (1,691)                   | -                           | (17,031)              |
|                               | <u>\$ 3,759</u>    | <u>\$ 16,323</u>          | <u>\$ -</u>                 | <u>\$ 20,082</u>      |

**D. INTERFUND ACTIVITIES**

The City maintains a pooled cash fund. This fund is used for the normal receipts and disbursements for all City funds. At the end of the year, some funds had deficit balances in this fund. These deficit balances have been reported as due to other funds while the amounts of positive balances have been reported as due from other funds.

|                               | Interfund<br>Loan | Pooled<br>Cash      | Other           | Total               |
|-------------------------------|-------------------|---------------------|-----------------|---------------------|
| Major Funds:                  |                   |                     |                 |                     |
| General Fund                  | \$ 285,299        | \$ -                | \$ -            | \$ 285,299          |
| I&S For CO Bonds              | -                 | 268,459             | -               | 268,459             |
| 2005 GO Issue                 | -                 | 440,313             | -               | 440,313             |
| General Capital Improvements  | -                 | 146,687             | -               | 146,687             |
| Nonmajor funds:               |                   |                     |                 |                     |
| Hotel/Motel Fund              | -                 | 4,500               | -               | 4,500               |
| Texas Capital Fund            | -                 | 6,337               | -               | 6,337               |
| Main Street Revenue Fund      | -                 | 23,952              | -               | 23,952              |
| Cemetery Land Purchases       | -                 | 32,677              | -               | 32,677              |
| Municipal Court Special Fee   | -                 | 32,961              | -               | 32,961              |
| Police Donation Fund          | -                 | 15,562              | -               | 15,562              |
| I&S General Government Debt   |                   |                     |                 |                     |
| Service Fund                  | -                 | -                   | 1,971           | 1,971               |
| 2003 CO Capital Project Fund  | -                 | 61,695              | -               | 61,695              |
| Equipment Replacement Fund    | -                 | 417,716             | -               | 417,716             |
| Civil Service Sick Leave Fund | -                 | 44,828              | -               | 44,828              |
| Total Due From Other Funds    | <u>\$ 285,299</u> | <u>\$ 1,495,687</u> | <u>\$ 1,971</u> | <u>\$ 1,782,957</u> |

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. INTERFUND ACTIVITIES (CONTINUED)**

|                          | Interfund<br>Loan | Pooled<br>Cash      | Other           | Total               |
|--------------------------|-------------------|---------------------|-----------------|---------------------|
| Major Funds:             |                   |                     |                 |                     |
| General Fund             | \$ -              | \$ 348,277          | \$ 1,971        | \$ 350,248          |
| Capital Projects Fund    | -                 | 210,540             | -               | 210,540             |
| Nonmajor Funds:          |                   |                     |                 |                     |
| I & S General Government |                   |                     |                 |                     |
| Debt Service Funds       | -                 | 107,601             | -               | 107,601             |
| Public Utilities Fund    | -                 | 722,310             | -               | 722,310             |
| Airport Fund             | 285,299           | 59,140              | -               | 344,439             |
| Equipment Services Fund  | -                 | 24,178              | -               | 24,178              |
| Cemetery Permanent Fund  | -                 | 23,641              | -               | 23,641              |
| Total Due to Other Funds | <u>\$ 285,299</u> | <u>\$ 1,495,687</u> | <u>\$ 1,971</u> | <u>\$ 1,782,957</u> |

Interfund receivables (payables) between the General Fund and the Airport Fund represent short term loans to be repaid with future operating revenues.

|                                    | Transfers In      | Transfers Out     |
|------------------------------------|-------------------|-------------------|
| General Fund -                     |                   |                   |
| Equipment Services Fund            | \$ -              | \$ 73,170         |
| Cemetery Permanent Fund            | 30,000            | -                 |
| Major 2005 GO issue                | -                 | 435,000           |
| Major General Capital Improvements | -                 | 135,000           |
|                                    | <u>30,000</u>     | <u>643,170</u>    |
| Permanent Fund-                    |                   |                   |
| Cemetery Permanent Fund            | -                 | 30,000            |
|                                    | -                 | <u>30,000</u>     |
| Internal Service Fund-             |                   |                   |
| Equipment Services Fund            | 73,170            | -                 |
|                                    | <u>73,170</u>     | -                 |
| Major Capital Projects Funds-      |                   |                   |
| 2005 GO issue                      | 435,000           | -                 |
| General Capital Improvements       | 135,000           | -                 |
|                                    | <u>570,000</u>    | -                 |
|                                    | <u>\$ 673,170</u> | <u>\$ 673,170</u> |

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



**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2006, in the Statement of Net Assets were as follows:

|                              | Property<br>(Net of<br>Allowance) | Accounts<br>and<br>Other | Interfund<br>Receivables | Total<br>Receivables |
|------------------------------|-----------------------------------|--------------------------|--------------------------|----------------------|
| General Fund                 | \$ 146,694                        | \$ 138,561               | \$ 285,299               | \$ 570,554           |
| Capital Project Fund         | -                                 | 101,442                  | -                        | 101,442              |
| 2005 GO Issue                | -                                 | -                        | 440,313                  | 440,313              |
| General Capital Improvements | -                                 | -                        | 146,687                  | 146,687              |
| I & S for CO Bonds           | 35,321                            | -                        | 268,459                  | 303,780              |
| Nonmajor Governmental Funds  | 7,753                             | -                        | 179,655                  | 187,408              |
| Public Utilities Fund        | -                                 | 752,692                  | -                        | 752,692              |
| Airport Fund                 | -                                 | 6,924                    | -                        | 6,924                |
| Total                        | <u>\$ 189,768</u>                 | <u>\$ 999,619</u>        | <u>\$ 1,320,413</u>      | <u>\$ 2,509,800</u>  |

Payables at September 30, 2006, in the Statement of Net Assets were as follows:

|                              | Accounts<br>Payable | Accrued<br>Payroll | Deposits          | Interfund<br>Payables | Accrued<br>Interest | Total<br>Payables   |
|------------------------------|---------------------|--------------------|-------------------|-----------------------|---------------------|---------------------|
| General Fund                 | \$ 148,940          | \$ 144,028         | \$ -              | \$ 350,248            | \$ -                | \$ 643,216          |
| Capital Project Fund         | -                   | -                  | -                 | 210,540               | -                   | 210,540             |
| 2005 GO Issue                | 221,129             | -                  | -                 | -                     | -                   | 221,129             |
| General Capital Improvements | 17,938              | -                  | -                 | -                     | -                   | 17,938              |
| Nonmajor Governmental Funds  | 33,944              | -                  | -                 | 131,242               | -                   | 165,186             |
| Public Utilities Fund        | 42,772              | 7,217              | 240,564           | 722,310               | 58,954              | 1,071,817           |
| Airport Fund                 | 1,104               | -                  | -                 | 344,439               | 2,297               | 347,840             |
| Total                        | <u>\$ 465,827</u>   | <u>\$ 151,245</u>  | <u>\$ 240,564</u> | <u>\$ 1,758,779</u>   | <u>\$ 61,251</u>    | <u>\$ 2,677,666</u> |

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**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, 2006:

|   | Balance<br>October 1,<br>2005<br>As Restated | Additions        | Retirements         | Balance<br>September 30,<br>2006 | Due within<br>one year |
|---|--|------------------|---------------------|----------------------------------|------------------------|
| <u>Governmental Activities</u>              |  |                  |                     |                                  |                        |
| General obligation bonds                    | \$ 12,179,995                                | \$ -             | \$ 486,385          | \$ 11,693,610                    | \$ 516,385             |
| Combination Tax and Revenue Bonds           | 2,257,518                                    | -                | 116,455             | 2,141,063                        | 121,204                |
| Texas Department of Commerce Obligation     | 293,441                                      | -                | 22,935              | 270,506                          | 27,106                 |
| LaSalle Bank Capital Lease                  | 370,013                                      | -                | 120,129             | 249,884                          | 32,775                 |
| Compensated absences                        | 166,970                                      | -                | 30,436              | 136,534                          | 50,000                 |
| Compensated absences -internal service fund | -  | 2,291            | -                   | 2,291                            | 2,291                  |
| Total governmental activities               | <u>15,267,937</u>                            | <u>2,291</u>     | <u>776,340</u>      | <u>14,493,888</u>                | <u>749,761</u>         |
| <u>Business-Type Activities</u>             |  |                  |                     |                                  |                        |
| Combination Tax and Revenue Bonds           | 10,470,965                                   | -                | 389,540             | 10,081,425                       | 402,338                |
| General obligation bonds                    | 415,005                                      | -                | 18,615              | 396,390                          | 18,615                 |
| Compensated absences                        | -  | 18,947           | -                   | 18,947                           | 18,947                 |
| Total business-type activities              | <u>10,885,970</u>                            | <u>18,947</u>    | <u>408,155</u>      | <u>10,496,762</u>                | <u>439,900</u>         |
| Total government                            | <u>\$ 26,153,907</u>                         | <u>\$ 21,238</u> | <u>\$ 1,184,495</u> | <u>\$ 24,990,650</u>             | <u>\$ 1,189,661</u>    |

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

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT (CONTINUED)**

Long-term debt at September 30, 2006 is comprised of the following:

|  | Governmental<br>Type<br>Activities | Business -<br>Type<br>Activities |
|--|------------------------------------|----------------------------------|
| General obligation bonds:  |                                    |                                  |
| \$ 4,000,000 General Obligation Bonds, Series 1998, due in annual installments through 2018, interest at 3.9% to 5.9%                          | \$ 2,970,000                       | \$ -                             |
| \$ 2,400,000 General Obligation Bonds, Series 2000, due in annual installments through 2020, interest at 4.9% to 5.5%                          | 1,975,000                          | -                                |
| \$ 1,604,955 General Obligation Refunding and Improvement Bonds, Series 2002, due in annual installments through 2022, interest at 4.25% to 5% | 1,413,610                          | -                                |
| \$ 640,000 Limited Tax Notes, due in annual installments through 2009, interest at 4%  | 300,000                            | -                                |
| \$ 5,100,000 General Obligation Bonds, Series 2005, due in installments through 2025, interest at 3%-4.3%                                      | 5,035,000                          |                                  |
| \$ 450,545 General Obligation Refunding and Improvement Bonds, Series 2002, due in annual installments through 2022, interest at 4.25%-5.00%   | -                                  | 396,390                          |
|  | <u>\$ 11,693,610</u>               | <u>\$ 396,390</u>                |

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT (CONTINUED)**

|   | Governmental<br>Type<br>Activities | Business -<br>Type<br>Activities |
|---|------------------------------------|----------------------------------|
| Combination Tax and Revenue:  |                                    |                                  |
| \$ 750,000 Combination Tax and Revenue Certificates of Obligation,<br>Series 1999, due in annual installments through 2014, interest<br>at 5.46%            | \$ 472,488                         | \$ -                             |
| \$ 3,500,000 Combination Tax and Revenue Certificates of Obligation,<br>Series 2000, due in annual installments through 2010, interest<br>at 4.9% - 5.5%    | 255,143                            | -                                |
| \$ 4,500,000 Combination Tax and Revenue Certificates of Obligation,<br>Series 2003, due in annual installments through 2023, interest<br>at 2.5% - 4.65%   | 1,413,432                          | -                                |
| \$3,100,000 Combination Tax and Revenue Certificates of Obligation,<br>Series 1999, due in annual installments through 2015, interest<br>at 2.7% - 4.45%.   | -                                  | 2,110,000                        |
| \$ 2,950,000 Waterworks and Sewer System Revenue Bonds, Series<br>1997, due in annual installments through 2017, interest at<br>3.16% - 4.41%               | -                                  | 2,750,000                        |
| \$ 3,500,000 Combination Tax and Revenue Certificates of Obligation,<br>Series 2000, due in annual installments through 2020, interest<br>at 4.9% - 5.5%    | -                                  | 2,614,857                        |
| \$ 4,500,000 Combination Tax and Revenue Certificates of Obligation,<br>Series 2003, due in annual installments through 2023, interest<br>at 2.50% to 4.65% | -                                  | 2,606,568                        |
|   | <u>2,141,063</u>                   | <u>10,081,425</u>                |
| Texas Department of Commerce:   |                                    |                                  |
| \$ 499,931 Obligation to the Texas Department of Commerce Texas<br>Capital Fund, due in monthly installments of \$ 2,083 through<br>January 2017            | 270,506                            | -                                |
| Capital Lease Payable:  |                                    |                                  |
| \$ 507,323 Capital Lease Payable to LaSalle Bank, due in semi-annual<br>installments through 2010, interest at 4%.  | 249,884                            | -                                |
| Compensated absences  | 138,825                            | 18,947                           |
|   | <u>\$ 14,493,888</u>               | <u>\$ 10,496,762</u>             |

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**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, 2006, including interest, are as follows:

General Obligation Bonds

| Year Ending<br>September 30 | Governmental Activities |                     | Business-type Activities |                  | Total                |
|-----------------------------|-------------------------|---------------------|--------------------------|------------------|----------------------|
|                             | Principal               | Interest            | Principal                | Interest         |                      |
| 2007                        | \$ 516,385              | \$ 264,763          | \$ 18,615                | \$ 9,147         | \$ 808,910           |
| 2008                        | 510,290                 | 252,517             | 19,710                   | 8,752            | 791,269              |
| 2009                        | 539,195                 | 240,118             | 20,805                   | 8,333            | 808,451              |
| 2010                        | 589,195                 | 228,547             | 20,805                   | 7,891            | 846,438              |
| 2011                        | 622,005                 | 215,586             | 22,995                   | 7,449            | 868,035              |
| 2012-2016                   | 3,582,980               | 854,277             | 127,020                  | 29,411           | 4,593,688            |
| 2017-2021                   | 3,404,840               | 421,350             | 140,160                  | 13,315           | 3,979,665            |
| 2022-2025                   | 1,928,720               | 90,259              | 26,280                   | 657              | 2,045,916            |
| Total                       | <u>\$ 11,693,610</u>    | <u>\$ 2,567,417</u> | <u>\$ 396,390</u>        | <u>\$ 84,955</u> | <u>\$ 14,742,372</u> |

Certificates of Obligations

| Year Ending<br>September 30 | Governmental Activities |                   | Business - type Activities |                     | Total                |
|-----------------------------|-------------------------|-------------------|----------------------------|---------------------|----------------------|
|                             | Principal               | Interest          | Principal                  | Interest            |                      |
| 2007                        | \$ 121,204              | \$ 49,311         | \$ 402,338                 | \$ 228,940          | \$ 801,793           |
| 2008                        | 126,537                 | 46,600            | 419,690                    | 220,667             | 813,494              |
| 2009                        | 131,576                 | 43,684            | 437,488                    | 211,755             | 824,503              |
| 2010                        | 138,973                 | 40,574            | 463,083                    | 202,311             | 844,941              |
| 2011                        | 144,334                 | 37,243            | 825,880                    | 192,103             | 1,199,560            |
| 2012-2016                   | 684,540                 | 133,287           | 4,646,844                  | 669,270             | 6,133,941            |
| 2017-2021                   | 570,632                 | 65,543            | 2,474,368                  | 189,850             | 3,300,393            |
| 2022-2023                   | 223,267                 | 7,848             | 411,734                    | 14,473              | 657,322              |
| Total                       | <u>\$ 2,141,063</u>     | <u>\$ 424,090</u> | <u>\$ 10,081,425</u>       | <u>\$ 1,929,369</u> | <u>\$ 14,575,947</u> |

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT (CONTINUED)**

Capital Lease Payable

| Year Ending<br>September 30 | Governmental Activities |                  | Total             |
|-----------------------------|-------------------------|------------------|-------------------|
|                             | Principal               | Interest         |                   |
| 2007                        | \$ 32,775               | \$ 8,681         | \$ 41,456         |
| 2008                        | 59,178                  | 7,592            | 66,770            |
| 2009                        | 61,418                  | 5,352            | 66,770            |
| 2010                        | 63,743                  | 3,028            | 66,771            |
| 2011                        | 32,770                  | 614              | 33,384            |
| Total                       | <u>\$ 249,884</u>       | <u>\$ 25,267</u> | <u>\$ 275,151</u> |

Notes Payable

| Year Ending<br>September 30 | Governmental Activities |             | Total             |
|-----------------------------|-------------------------|-------------|-------------------|
|                             | Principal               | Interest    |                   |
| 2007                        | \$ 27,106               | \$ -        | \$ 27,106         |
| 2008                        | 25,020                  | -           | 25,020            |
| 2009                        | 25,020                  | -           | 25,020            |
| 2010                        | 25,020                  | -           | 25,020            |
| 2011                        | 25,020                  | -           | 25,020            |
| 2012-2017                   | 143,320                 | -           | 143,320           |
| Total                       | <u>\$ 270,506</u>       | <u>\$ -</u> | <u>\$ 270,506</u> |

The City is required, under the debt covenants, to charge rates sufficient to pay all operating, maintenance, depreciation, replacement and betterment expenses, and interest and principal maturities. The City must further segregate funds monthly for the pro rata part of the next maturing principal and interest payments (the debt service revenue reserve) and must maintain a separate revenue bond reserve. Management has indicated that the City is in compliance with all significant limitations and restrictions at September 30, 2006, except that the I & S General Government CO Debt Service Fund has a deficit fund balance of \$ 105,630 at year end.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. PRIOR YEAR ADJUSTMENT**

The governmental activities net assets were restated to reflect the contributions of streets by developers and to adjust for over accrual of compensated absences.

|   |                             |
|---|-----------------------------|
| Net Assets, beginning of year, as previously reported | \$ 37,112,270               |
| Contributions by developer                            | 4,617,324                   |
| Plus over accrual of compensated absences             | <u>282,258</u>              |
| Net Assets, beginning of year as restated             | <u><u>\$ 42,011,852</u></u> |

The business-type activities' Public Utility Fund was restated to reflect contributions of plant distribution and collection assets by developers.

|   |                             |
|---|-----------------------------|
| Net Assets, beginning of year, as previously reported | \$ 9,273,028                |
| Contributions by developers                           | <u>2,568,738</u>            |
| Net Assets, beginning of year, as restated            | <u><u>\$ 11,841,766</u></u> |

**IV. OTHER INFORMATION**

**A. COMMITMENTS AND CONTINGENCIES**

**Other**

The City is a defendant in a number of lawsuits arising principally from claims against the City for alleged improper actions by City employees. Total damages claimed are substantial; however, it has been the City's experience that such actions are usually dismissed or settled for amounts substantially less than the claimed amounts. The City Attorney estimates that the potential claims against the City not covered by various insurance policies would not materially affect the financial condition of the City.

**Post-employment Healthcare Benefits**

The City does not provide post-employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**IV. OTHER INFORMATION (CONTINUED)**

**A. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

**C. EMPLOYEE RETIREMENT PLAN**

**Plan Description**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide *Texas Municipal Retirement System (TMRS)*, one of 811 administered by *TMRS*, an agent multiple-employer public employee retirement system.



**CITY OF TAYLOR, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2006**

**IV. OTHER INFORMATION (CONTINUED)**

**C. EMPLOYEE RETIREMENT PLAN (CONTINUED)**

**Plan Description (Continued)**

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

|   |                 |
|---|-----------------|
| <b>Deposit rate:</b>                      | <b>6%</b>       |
| <b>Matching Ratio (City to Employee):</b> | <b>1.5-1%</b>   |
| <b>A member is vested after</b>           | <b>10 years</b> |

Members can retire at certain ages, based on the years of service to the City.

The Service Retirement Eligibilities for the City are: with 10 yrs/age 60; with 20 yrs/any age.

**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006**

**IV. OTHER INFORMATION (CONTINUED)**

**C. EMPLOYEE RETIREMENT PLAN (CONTINUED)**

**Contributions**

Under the state law governing *TMRS*, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution 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 is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2005 valuation is effective for rates beginning January 2007).

|           | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation (NPO) |
|-----------|---------------------------------|-------------------------------------|------------------------------------|
| 9/30/2003 | \$ 415,093                      | 100%                                | \$ -                               |
| 9/30/2004 | 404,000                         | 100%                                | -                                  |
| 9/30/2005 | 421,441                         | 100%                                | -                                  |

The following assumptions utilized by *TMRS*, and applicable 6-year trend information are contained in the 2005 *TMRS Comprehensive Annual Financial Report*, a copy of which can be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

|                                 |  |
|---------------------------------|--|
| Actuarial Cost Method –         | Unit Credit  |
| Amortization Method –           | Level Percent of Payroll   |
| Remaining Amortization Period – | 25 Years – Open Period   |
| Asset Valuation Method –        | Amortized Cost (to accurately reflect the requirements of GASB Stmt. No. 25) |
| Investment Rate of Return –     | 7%   |
| Projected Salary Increases –    | None   |
| Includes Inflation At –         | 3.5%   |
| Payroll Growth Rate             | 4%   |

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF TAYLOR, TEXAS  
SCHEDULE OF FUNDING PROGRESS  
SEPTEMBER 30, 2006**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>for Assets | Actuarial<br>Accrued<br>Liability (AAL)<br>Unit Credit | Percentage<br>Funded<br>(1)/(2) | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(UAAL) | Annual<br>Covered<br>Payroll | UAAL as a<br>Percentage<br>of Payroll<br>(4)/(5) |
|--------------------------------|----------------------------------|--|---------------------------------|---|------------------------------|--|
| 12/31/2004                     | \$ 5,248,485                     | \$ 7,999,265   | 65.60%                          | \$ 2,750,780  | \$ 4,913,750                 | 56.00%   |
| 12/31/2005                     | 5,913,268                        | 8,690,290  | 68.00%                          | 2,777,022   | 4,981,696                    | 55.70%   |

**NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF TAYLOR, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2006**

|   | Hotel/<br>Motel<br>Fund | Texas<br>Capital<br>Fund | Main Street<br>Revenue<br>Fund | Cemetery<br>Land<br>Purchases | Municipal<br>Court<br>Special<br>Fee | Police<br>Donation<br>Fund |
|---|-------------------------|--------------------------|--------------------------------|-------------------------------|--------------------------------------|----------------------------|
| <b><u>ASSETS</u></b>                            |                         |                          |                                |                               |                                      |                            |
| Cash and cash equivalents                       | \$ -                    | \$ -                     | \$ -                           | \$ -                          | \$ -                                 | \$ 401                     |
| Investments                                     | -                       | -                        | -                              | -                             | -                                    | -                          |
| Receivables -                                   |                         |                          |                                |                               |                                      |                            |
| Accounts and other                              | -                       | -                        | -                              | -                             | -                                    | -                          |
| Interfund receivables                           | 4,500                   | 6,337                    | 23,952                         | 32,677                        | 32,961                               | 15,562                     |
| Total assets                                    | <u>\$ 4,500</u>         | <u>\$ 6,337</u>          | <u>\$ 23,952</u>               | <u>\$ 32,677</u>              | <u>\$ 32,961</u>                     | <u>\$ 15,963</u>           |
| <b><u>LIABILITIES<br/>AND FUND BALANCES</u></b> |                         |                          |                                |                               |                                      |                            |
| Liabilities -                                   |                         |                          |                                |                               |                                      |                            |
| Accounts payable                                | \$ -                    | \$ 80                    | \$ -                           | \$ -                          | \$ -                                 | \$ 10,028                  |
| Interfund payables                              | -                       | -                        | -                              | -                             | -                                    | -                          |
| Unearned revenue                                | -                       | -                        | -                              | -                             | -                                    | -                          |
| Total liabilities                               | <u>-</u>                | <u>80</u>                | <u>-</u>                       | <u>-</u>                      | <u>-</u>                             | <u>10,028</u>              |
| Fund balances -                                 |                         |                          |                                |                               |                                      |                            |
| Reserved for debt service                       | -                       | -                        | -                              | -                             | -                                    | -                          |
| Reserved for cemetery                           | -                       | -                        | -                              | -                             | -                                    | -                          |
| Reserved for construction                       | -                       | -                        | -                              | -                             | -                                    | -                          |
| Unreserved - undesignated                       | 4,500                   | 6,257                    | 23,952                         | 32,677                        | 32,961                               | 5,935                      |
| Total fund balances                             | <u>4,500</u>            | <u>6,257</u>             | <u>23,952</u>                  | <u>32,677</u>                 | <u>32,961</u>                        | <u>5,935</u>               |
| Total liabilities and<br>fund balances          | <u>\$ 4,500</u>         | <u>\$ 6,337</u>          | <u>\$ 23,952</u>               | <u>\$ 32,677</u>              | <u>\$ 32,961</u>                     | <u>\$ 15,963</u>           |

| Total<br>Nonmajor<br>Special<br>Revenue<br>Funds | Nonmajor<br>I & S<br>General<br>Government<br>Debt Service<br>Fund | Nonmajor<br>2003<br>CO<br>Capital Project<br>Fund | Cemetery<br>Permanent<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|--|---|-------------------------------|--|
| \$ 401   | \$ -   | \$ 23,836   | \$ 2,781                      | \$ 27,018                                  |
| -  | -  | 2,722   | 967,198                       | 969,920                                    |
| -  | 7,753  | -   | -                             | 7,753                                      |
| 115,989  | 1,971  | 61,695  | -                             | 179,655                                    |
| <u>\$ 116,390</u>                                | <u>\$ 9,724</u>  | <u>\$ 88,253</u>                                  | <u>\$ 969,979</u>             | <u>\$ 1,184,346</u>                        |
|  |  |   |                               |  |
| \$ 10,108  | \$ -   | \$ 23,836   | \$ -                          | \$ 33,944                                  |
| -  | 107,601  | -   | 23,641                        | 131,242                                    |
| -  | 7,753  | -   | -                             | 7,753                                      |
| 10,108   | 115,354  | 23,836  | 23,641                        | 172,939                                    |
| -  | (105,630)  | -   | -                             | (105,630)                                  |
| -  | -  | -   | 946,338                       | 946,338                                    |
| -  | -  | 64,417  | -                             | 64,417                                     |
| 106,282  | -  | -   | -                             | 106,282                                    |
| 106,282  | (105,630)  | 64,417  | 946,338                       | 1,011,407                                  |
| <u>\$ 116,390</u>                                | <u>\$ 9,724</u>  | <u>\$ 88,253</u>                                  | <u>\$ 969,979</u>             | <u>\$ 1,184,346</u>                        |

**CITY OF TAYLOR, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

|  | Hotel/<br>Motel<br>Fund | Texas<br>Capital<br>Fund | Main Street<br>Revenue<br>Fund | Cemetery<br>Land<br>Purchases | Municipal<br>Court<br>Special<br>Fee | Police<br>Donation<br>Fund |
|--|-------------------------|--------------------------|--------------------------------|-------------------------------|--------------------------------------|----------------------------|
| Revenues -   |                         |                          |                                |                               |                                      |                            |
| Property taxes                                       | \$ -                    | \$ -                     | \$ -                           | \$ -                          | \$ -                                 | \$ -                       |
| Charges for services                                 | -                       | -                        | -                              | 3,201                         | 17,541                               | -                          |
| Hotel occupancy tax                                  | 60,514                  | -                        | -                              | -                             | -                                    | -                          |
| Investment revenue                                   | -                       | -                        | -                              | -                             | -                                    | 440                        |
| Rents and royalties                                  | -                       | 25,021                   | -                              | -                             | -                                    | -                          |
| Contributions  | -                       | -                        | -                              | -                             | -                                    | -                          |
| Intergovernmental                                    | -                       | -                        | -                              | -                             | -                                    | -                          |
| Other revenue  | -                       | -                        | 15,563                         | -                             | -                                    | -                          |
| Total revenues                                       | <u>60,514</u>           | <u>25,021</u>            | <u>15,563</u>                  | <u>3,201</u>                  | <u>17,541</u>                        | <u>440</u>                 |
| Expenditures -                                       |                         |                          |                                |                               |                                      |                            |
| Current-   |                         |                          |                                |                               |                                      |                            |
| General government                                   | 60,514                  | -                        | 12,424                         | -                             | -                                    | -                          |
| Debt service: principal                              | -                       | 22,936                   | -                              | -                             | -                                    | -                          |
| Debt service: interest                               | -                       | -                        | -                              | -                             | -                                    | -                          |
| Capital Outlay                                       | -                       | -                        | -                              | -                             | 5,449                                | -                          |
| Total expenditures                                   | <u>60,514</u>           | <u>22,936</u>            | <u>12,424</u>                  | <u>-</u>                      | <u>5,449</u>                         | <u>-</u>                   |
| Excess (deficiency) of<br>revenues over expenditures | <u>-</u>                | <u>2,085</u>             | <u>3,139</u>                   | <u>3,201</u>                  | <u>12,092</u>                        | <u>440</u>                 |
| Other financing sources /(uses) -                    |                         |                          |                                |                               |                                      |                            |
| Transfers out  | -                       | -                        | -                              | -                             | -                                    | -                          |
| Total other financing<br>sources/(uses)              | <u>-</u>                | <u>-</u>                 | <u>-</u>                       | <u>-</u>                      | <u>-</u>                             | <u>-</u>                   |
| Net change in fund balances                          | -                       | 2,085                    | 3,139                          | 3,201                         | 12,092                               | 440                        |
| Fund balances (deficit), beginning of year           | <u>4,500</u>            | <u>4,172</u>             | <u>20,813</u>                  | <u>29,476</u>                 | <u>20,869</u>                        | <u>5,495</u>               |
| Fund balances (deficit), end of year                 | <u>\$ 4,500</u>         | <u>\$ 6,257</u>          | <u>\$ 23,952</u>               | <u>\$ 32,677</u>              | <u>\$ 32,961</u>                     | <u>\$ 5,935</u>            |



| Total<br>Nonmajor<br>Special<br>Revenue<br>Funds | Nonmajor<br>I&S<br>General<br>Government<br>Debt Service<br>Fund | Nonmajor<br>2003<br>CO<br>Capital Project<br>Fund | Cemetery<br>Permanent<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|--|---|-------------------------------|--|
| \$ -   | \$ 261,905   | \$ -  | \$ -                          | \$ 261,905                                 |
| 20,742   | -  | -   | 16,005                        | 36,747                                     |
| 60,514   | -  | -   | -                             | 60,514                                     |
| 440  | -  | 19,465  | 44,141                        | 64,046                                     |
| 25,021   | -  | -   | -                             | 25,021                                     |
| -  | -  | -   | 195,800                       | 195,800                                    |
| -  | -  | 36,900  | -                             | 36,900                                     |
| 15,563   | -  | -   | -                             | 15,563                                     |
| <u>122,280</u>                                   | <u>261,905</u>   | <u>56,365</u>                                     | <u>255,946</u>                | <u>696,496</u>                             |
| 72,938   | 660  | -   | 3,034                         | 76,632                                     |
| 22,936   | 146,305  | -   | -                             | 169,241                                    |
| -  | 105,741  | -   | -                             | 105,741                                    |
| 5,449  | -  | 379,732   | -                             | 385,181                                    |
| <u>101,323</u>                                   | <u>252,706</u>   | <u>379,732</u>                                    | <u>3,034</u>                  | <u>736,795</u>                             |
| <u>20,957</u>                                    | <u>9,199</u>   | <u>(323,367)</u>                                  | <u>252,912</u>                | <u>(40,299)</u>                            |
| -  | -  | -   | (30,000)                      | (30,000)                                   |
| -  | -  | -   | (30,000)                      | (30,000)                                   |
| 20,957   | 9,199  | (323,367)   | 222,912                       | (70,299)                                   |
| <u>85,325</u>                                    | <u>(114,829)</u>   | <u>387,784</u>                                    | <u>723,426</u>                | <u>1,081,706</u>                           |
| <u>\$ 106,282</u>                                | <u>\$ (105,630)</u>  | <u>\$ 64,417</u>                                  | <u>\$ 946,338</u>             | <u>\$ 1,011,407</u>                        |



## **INTERNAL SERVICE FUNDS**

**CITY OF TAYLOR, TEXAS**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2006**

|                                       | Equipment<br>Services<br>Fund | Equipment<br>Replacement<br>Fund | Civil<br>Service<br>Sick Leave | Total<br>Internal<br>Service<br>Funds |
|---------------------------------------|-------------------------------|----------------------------------|--------------------------------|---------------------------------------|
| <b>ASSETS</b>                         |                               |                                  |                                |                                       |
| <b>Current Assets:</b>                |                               |                                  |                                |                                       |
| Cash                                  | \$ 3,348                      | \$ -                             | \$ -                           | \$ 3,348                              |
| Due From Other Funds                  | -                             | 417,716                          | 44,828                         | 462,544                               |
| Total Current Assets                  | 3,348                         | 417,716                          | 44,828                         | 465,892                               |
| <b>Noncurrent Assets:</b>             |                               |                                  |                                |                                       |
| Capital Assets:                       |                               |                                  |                                |                                       |
| Machinery and Equipment               | -                             | 890,749                          | -                              | 890,749                               |
| Accumulated Depreciation              | -                             | (284,843)                        | -                              | (284,843)                             |
| Total Noncurrent Assets               | -                             | 605,906                          | -                              | 605,906                               |
| Total Assets                          | <u>\$ 3,348</u>               | <u>\$ 1,023,622</u>              | <u>\$ 44,828</u>               | <u>\$ 1,071,798</u>                   |
| <b>LIABILITIES</b>                    |                               |                                  |                                |                                       |
| <b>Current Liabilities:</b>           |                               |                                  |                                |                                       |
| Accounts Payable                      | \$ 4,022                      | \$ 164,671                       | \$ -                           | \$ 168,693                            |
| Compensated absences payable          | 2,291                         | -                                | -                              | 2,291                                 |
| Due to Other Funds                    | 24,178                        | -                                | -                              | 24,178                                |
| Capital Lease Payable                 | -                             | 32,775                           | -                              | 32,775                                |
| Total Current Liabilities             | 30,491                        | 197,446                          | -                              | 227,937                               |
| <b>Noncurrent Liabilities:</b>        |                               |                                  |                                |                                       |
| Capital Leases Payable                | -                             | 217,109                          | -                              | 217,109                               |
| Total Noncurrent Liabilities          | -                             | 217,109                          | -                              | 217,109                               |
| Total Liabilities                     | 30,491                        | 414,555                          | -                              | 445,046                               |
| <b>NET ASSETS (LIABILITIES)</b>       |                               |                                  |                                |                                       |
| Unrestricted Net Assets (Liabilities) | (27,143)                      | 609,067                          | 44,828                         | 626,752                               |
| Total Net Assets (Liabilities)        | <u>\$ (27,143)</u>            | <u>\$ 609,067</u>                | <u>\$ 44,828</u>               | <u>\$ 626,752</u>                     |

**CITY OF TAYLOR, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

|  | Equipment<br>Services<br>Fund | Equipment<br>Replacement<br>Fund | Civil<br>Service<br>Sick Leave | Total<br>Internal<br>Service<br>Funds |
|--|-------------------------------|----------------------------------|--------------------------------|---------------------------------------|
| <b>OPERATING REVENUES</b>                          |                               |                                  |                                |                                       |
| Charges for Services                               | \$ 486,298                    | \$ 438,989                       | \$ 44,828                      | \$ 970,115                            |
| Total Operating Revenues                           | 486,298                       | 438,989                          | 44,828                         | 970,115                               |
| <b>OPERATING EXPENSES:</b>                         |                               |                                  |                                |                                       |
| Personal Services                                  | 81,505                        | -                                | -                              | 81,505                                |
| Contractual Services                               | 464,843                       | -                                | -                              | 464,843                               |
| Depreciation                                       | -                             | 111,089                          | -                              | 111,089                               |
| Total Operating Expenses                           | 546,348                       | 111,089                          | -                              | 657,437                               |
| Operating Income (Loss)                            | (60,050)                      | 327,900                          | 44,828                         | 312,678                               |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>          |                               |                                  |                                |                                       |
| Interest Expense - Non-Operating                   | -                             | (14,441)                         | -                              | (14,441)                              |
| Total Non-operating Revenue (Expenses)             | -                             | (14,441)                         | -                              | (14,441)                              |
| Income (Loss) before transfers                     | (60,050)                      | 313,459                          | 44,828                         | 298,237                               |
| Transfers in                                       | 73,170                        | -                                | -                              | 73,170                                |
| Change in Net Assets                               | 13,120                        | 313,459                          | 44,828                         | 371,407                               |
| Total Net Assets (Liabilities) - beginning of year | (40,263)                      | 295,608                          | -                              | 255,345                               |
| Total Net Assets (Liabilities) - end of year       | \$ (27,143)                   | \$ 609,067                       | \$ 44,828                      | \$ 626,752                            |

**CITY OF TAYLOR, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

|  | Equipment<br>Services<br>Fund | Equipment<br>Replacement<br>Fund | Civil<br>Service<br>Sick Leave | Total<br>Internal<br>Service Funds |
|--|-------------------------------|----------------------------------|--------------------------------|------------------------------------|
| <b>Cash flows from Operating Activities:</b>   |                               |                                  |                                |                                    |
| Cash received from user charges  | \$ 486,298                    | \$ 438,989                       | \$ 44,828                      | \$ 970,115                         |
| Cash payments to employees for services  | (81,404)                      | -                                | -                              | (81,404)                           |
| Cash payments for suppliers  | (468,620)                     | 127,671                          | -                              | (340,949)                          |
| Net Cash Provided (Used) by Operating Activities   | (63,726)                      | 566,660                          | 44,828                         | 547,762                            |
| <b>Cash flows from Noncapital Financing Activities:</b>  |                               |                                  |                                |                                    |
| Increase in amounts due from other funds   | (6,096)                       | (196,089)                        | (44,828)                       | (247,013)                          |
| Transfers in   | 73,170                        | -                                | -                              | 73,170                             |
| Net Cash Provided (Used) by Noncapital Financing Activities  | 67,074                        | (196,089)                        | (44,828)                       | (173,843)                          |
| <b>Cash flows from Capital and Related Financing Activities:</b>   |                               |                                  |                                |                                    |
| Acquisition of capital assets  | -                             | (230,426)                        | -                              | (230,426)                          |
| Principal paid on debt   | -                             | (120,129)                        | -                              | (120,129)                          |
| Cash payments for interest   | -                             | (22,124)                         | -                              | (22,124)                           |
| Net Cash Used by Capital & Related Financing Activities  | -                             | (372,679)                        | -                              | (372,679)                          |
| Net Increase (Decrease) in Cash and Cash Equivalents   | 3,348                         | (2,108)                          | -                              | 1,240                              |
| Cash and Cash Equivalents at Beginning of the Year:  | -                             | 2,108                            | -                              | 2,108                              |
| Cash and Cash Equivalents at End of the Year:  | <u>\$ 3,348</u>               | <u>\$ -</u>                      | <u>\$ -</u>                    | <u>\$ 3,348</u>                    |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>        |                               |                                  |                                |                                    |
| Operating Income (Loss):   | \$ (60,050)                   | \$ 327,900                       | \$ 44,828                      | \$ 312,678                         |
| <b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                               |                                  |                                |                                    |
| Depreciation   | -                             | 111,089                          | -                              | 111,089                            |
| <b>Effect of Increases and Decreases in Current Assets and Liabilities:</b>                                  |                               |                                  |                                |                                    |
| Increase (decrease) in accounts payable  | (3,777)                       | 127,671                          | -                              | 123,894                            |
| Increase in accrued payroll  | 101                           | -                                | -                              | 101                                |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ (63,726)</u>            | <u>\$ 566,660</u>                | <u>\$ 44,828</u>               | <u>\$ 547,762</u>                  |

**SUPPLEMENTAL SCHEDULE – SINGLE AUDIT**

**CITY OF TAYLOR, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

| Federal Grantor/Pass-through Grantor<br>Program Title       | CFDA<br>Number | Federal Grant<br>I. D. | Federal<br>Expenditures  |
|---|----------------|------------------------|--------------------------|
| <b>U. S. Department of Housing &amp; Urban Development:</b> |                |                        |                          |
| Community Development Block Grant - 2006                    | 14.218         |                        | \$ 101,442               |
| Community Development Block Grant - 2005                    | 14.218         | 723791                 | <u>24,302</u>            |
| Total U. S. Department of Housing & Urban Development       |                |                        | <u>125,744</u>           |
| <b>Texas Department of Housing &amp; Community Affairs</b>  |                |                        |                          |
| Home - Owner Occupied                                       | 14.239         | 1000179                | 393,709                  |
| <b>U. S. Department of Homeland Security:</b>               |                |                        |                          |
| Pass-through from Texas Engineering Service:                |                |                        |                          |
| State Homeland Security Grant                               | 97.004         |                        | <u>47,772</u>            |
| <b>Total expenditures of federal awards</b>                 |                |                        | <u><u>\$ 567,225</u></u> |



**CITY OF TAYLOR, TEXAS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

1. BASIS OF PRESENTATION

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

2. BASIS OF ACCOUNTING

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



**SELECTED STATISTICAL INFORMATION (UNAUDITED)**

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

|   | <u>2006</u>          | <u>2005</u>          |
|---|----------------------|----------------------|
| <b>Governmental activities</b>                  |                      |                      |
| Invested in capital assets, net of related debt | \$ 35,593,811        | \$ 27,060,385        |
| Restricted                                      | 5,447,454            | 7,801,262            |
| Unrestricted                                    | 2,087,890            | 2,250,623            |
| Total governmental activities net assets        | <u>\$ 43,129,155</u> | <u>\$ 37,112,270</u> |
| <b>Business-type activities</b>                 |                      |                      |
| Invested in capital assets, net of related debt | \$ 10,378,556        | \$ 7,768,365         |
| Unrestricted                                    | 1,277,532            | 1,504,663            |
| Total business-type activities net assets       | <u>\$ 11,656,088</u> | <u>\$ 9,273,028</u>  |
| <b>Primary government</b>                       |                      |                      |
| Invested in capital assets, net of related debt | \$ 45,972,367        | \$ 34,828,750        |
| Restricted                                      | 5,447,454            | 7,801,262            |
| Unrestricted                                    | 3,365,422            | 3,755,286            |
| Total primary government net assets             | <u>\$ 54,785,243</u> | <u>\$ 46,385,298</u> |

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

|  | <u>2006</u>                 | <u>2005</u>                 |
|--|-----------------------------|-----------------------------|
| <b>Expenses</b>                                |                             |                             |
| Governmental activities:                       |                             |                             |
| General government                             | \$ 3,740,078                | \$ 2,636,013                |
| Public Safety                                  | 4,161,454                   | 3,743,894                   |
| Public Works                                   | 3,118,037                   | 3,300,004                   |
| Culture and recreation                         | 226,110                     | 463,835                     |
| Interest on long-term debt                     | 681,884                     | 454,224                     |
| Total governmental activities expenses         | <u>11,927,563</u>           | <u>10,597,970</u>           |
| Business-type activities                       |                             |                             |
| Public utilities fund                          | 5,948,540                   | 5,432,576                   |
| Airport fund                                   | 395,886                     | 318,448                     |
| Total business-type activities expenses        | <u>6,344,426</u>            | <u>5,751,024</u>            |
| Total primary government expenses              | <u><u>\$ 18,271,989</u></u> | <u><u>\$ 16,348,994</u></u> |
| <b>Program Revenues</b>                        |                             |                             |
| Governmental activities:                       |                             |                             |
| Charges for services                           |                             |                             |
| General government                             | \$ 3,169,711                | \$ 2,292,637                |
| Public safety                                  | 281,661                     | 232,280                     |
| Public Works                                   | -                           | 3,382                       |
| Culture and Recreation                         | -                           | 4,740                       |
| Operating grants and contributions             | -                           | 118,577                     |
| Capital grants and contributions               | 908,961                     | 385,437                     |
| Total governmental activities program revenues | <u>4,360,333</u>            | <u>3,037,053</u>            |
| Business-type activities:                      |                             |                             |
| Charges for services                           |                             |                             |
| Public utilities fund                          | 5,033,084                   | 4,832,243                   |
| Airport fund                                   | 354,033                     | 254,490                     |
| Capital grants and contributions               | 109,702                     | 225,698                     |
| Total business-type activities program revenue | <u>5,496,819</u>            | <u>5,312,431</u>            |
| Total primary government program revenues      | <u><u>\$ 9,857,152</u></u>  | <u><u>\$ 8,349,484</u></u>  |

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

|   | <u>2006</u>           | <u>2005</u>           |
|---|-----------------------|-----------------------|
| <b>Net (Expenses) Revenue</b>                           |                       |                       |
| Governmental activities                                 | (7,567,230)           | (7,560,917)           |
| Business-type activities                                | (847,607)             | (438,593)             |
| Total primary government net expense                    | <u>\$ (8,414,837)</u> | <u>\$ (7,999,510)</u> |
| <b>General Revenues and Other Changes in Net Assets</b> |                       |                       |
| Governmental activities:                                |                       |                       |
| Taxes   |                       |                       |
| Property taxes  | \$ 4,723,464          | 4,436,573             |
| Franchise taxes   | 792,962               | 780,219               |
| Sales taxes   | 2,237,062             | 2,097,890             |
| Hotel occupancy taxes                                   | 60,514                | 46,773                |
| Investment earnings                                     | 627,190               | 171,853               |
| Miscellaneous   | 243,341               | 1,206,139             |
| Total governmental activities                           | <u>8,684,533</u>      | <u>8,739,447</u>      |
| Business-type activities:                               |                       |                       |
| Investment earnings                                     | 70,441                | 59,731                |
| Miscellaneous   | 591,488               | 160,785               |
| Total business-type activities                          | <u>661,929</u>        | <u>220,516</u>        |
| Total primary government                                | <u>\$ 9,346,462</u>   | <u>\$ 8,959,963</u>   |
| <b>Change in Net Assets</b>                             |                       |                       |
| Governmental activities                                 | \$ 1,117,303          | \$ 1,178,530          |
| Business-type activities                                | (185,678)             | (218,077)             |
| Total primary government                                | <u>\$ 931,625</u>     | <u>\$ 960,453</u>     |

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

| Fiscal<br>Year        | Property     | Sales & Use  | Occupancy<br>(Mobile Home) | Franchise<br>Revenue <sup>1</sup> | Other      | Total        |
|-----------------------|--------------|--------------|----------------------------|-----------------------------------|------------|--------------|
| 1997                  | \$ 1,493,286 | \$ 1,213,846 | N/A                        | \$ -                              | \$ 119,463 | \$ 2,826,595 |
| 1998                  | 1,863,387    | 1,282,656    | N/A                        | -                                 | 116,089    | 3,262,132    |
| 1999                  | 2,421,905    | 1,379,332    | N/A                        | -                                 | 55,220     | 3,856,457    |
| 2000                  | 2,597,285    | 1,604,769    | N/A                        | -                                 | 169,246    | 4,371,300    |
| 2001                  | 3,111,333    | 1,826,298    | N/A                        | -                                 | 175,995    | 5,113,626    |
| 2002                  | 3,466,913    | 1,709,022    | 250                        | -                                 | 45,288     | 5,221,473    |
| 2003                  | 3,461,590    | 1,644,947    | 1,050                      | -                                 | 37,690     | 5,145,277    |
| 2004                  | 4,290,656    | 1,913,789    | 250                        | 660,212                           | 40,825     | 6,905,732    |
| 2005                  | 4,380,395    | 2,097,890    | 250                        | 780,219                           | 46,773     | 7,305,527    |
| 2006                  | 4,723,464    | 2,237,062    | 500                        | 792,962                           | 60,514     | 7,814,502    |
| Change<br>1997 - 2006 | 216%         | 84%          | 100%                       | 20%                               | -49%       | 176%         |

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

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

|                                     | <u>2006</u>                | <u>2005</u>                | <u>2004</u>                | <u>2003</u>                | <u>2002</u>                |
|-------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>General Fund</b>                 |                            |                            |                            |                            |                            |
| Reserved                            | \$ -                       | \$ -                       | \$ -                       | \$ -                       | \$ -                       |
| Unreserved                          | <u>1,723,314</u>           | <u>1,477,018</u>           | <u>1,506,540</u>           | <u>1,718,417</u>           | <u>1,319,007</u>           |
| Total general fund                  | <u><u>\$ 1,723,314</u></u> | <u><u>\$ 1,477,018</u></u> | <u><u>\$ 1,506,540</u></u> | <u><u>\$ 1,718,417</u></u> | <u><u>\$ 1,319,007</u></u> |
| <b>All Other Governmental Funds</b> |                            |                            |                            |                            |                            |
| Reserved                            | \$ 5,447,454               | \$ 8,524,688               | \$ 2,844,708               | \$ 3,947,062               | \$ 2,201,633               |
| Unreserved, reported in:            |                            |                            |                            |                            |                            |
| Special revenue funds               | <u>106,282</u>             | <u>85,325</u>              | <u>97,400</u>              | <u>102,595</u>             | <u>98,938</u>              |
| Total all other governmental funds  | <u><u>\$ 5,553,736</u></u> | <u><u>\$ 8,610,013</u></u> | <u><u>\$ 2,942,108</u></u> | <u><u>\$ 4,049,657</u></u> | <u><u>\$ 2,300,571</u></u> |



| <u>2001</u>                | <u>2000</u>                | <u>1999</u>                | <u>1998</u>                | <u>1997</u>              |
|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| \$ -                       | \$ -                       | \$ -                       | \$ -                       | \$ -                     |
| <u>1,372,674</u>           | <u>1,185,208</u>           | <u>1,073,035</u>           | <u>731,706</u>             | <u>481,831</u>           |
| <u><u>\$ 1,372,674</u></u> | <u><u>\$ 1,185,208</u></u> | <u><u>\$ 1,073,035</u></u> | <u><u>\$ 731,706</u></u>   | <u><u>\$ 481,831</u></u> |
| <br>                       |                            |                            |                            |                          |
| \$ 2,041,167               | \$ 936,196                 | \$ 2,109,394               | \$ 3,674,501               | \$ 997                   |
| <br>                       |                            |                            |                            |                          |
| <u>74,094</u>              | <u>54,512</u>              | <u>88,999</u>              | <u>5,222</u>               | <u>8,002</u>             |
| <u><u>\$ 2,115,261</u></u> | <u><u>\$ 990,708</u></u>   | <u><u>\$ 2,198,393</u></u> | <u><u>\$ 3,679,723</u></u> | <u><u>\$ 8,999</u></u>   |

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

|   | 2006                  | 2005                 | 2004                  | 2003                 |
|---|-----------------------|----------------------|-----------------------|----------------------|
| <b>Revenues</b>                                       |                       |                      |                       |                      |
| Taxes   | \$ 7,881,607          | \$ 7,261,659         | \$ 6,882,447          | \$ 5,925,018         |
| Licenses, permits, and fees                           | 190,797               | 152,579              | 327,022               | 1,845,099            |
| Charges for services                                  | 2,064,751             | 2,140,058            | 1,971,913             | -                    |
| Fines and forfeitures                                 | 281,661               | 237,020              | 202,803               | 307,994              |
| Special assessments                                   | 2,049                 | 3,382                | 26,904                | -                    |
| Intergovernmental                                     | 615,261               | 504,014              | 32,592                | 1,060,221            |
| Other revenues  | 241,292               | 91,458               | 95,622                | 1,052,300            |
| Investment earnings                                   | 664,090               | 171,853              | 89,106                | 81,937               |
| Contributions   | 293,700               | 12,304               | 31,970                | -                    |
| <b>Total revenues</b>                                 | <u>\$ 12,235,208</u>  | <u>\$ 10,574,327</u> | <u>\$ 9,660,379</u>   | <u>\$ 10,272,569</u> |
| <b>Expenditures</b>                                   |                       |                      |                       |                      |
| <b>Current:</b>                                       |                       |                      |                       |                      |
| General Government                                    | \$ 2,370,078          | \$ 2,371,916         | \$ 2,352,231          | \$ 823,981           |
| Public safety   | 3,640,964             | 3,305,776            | 3,677,702             | 3,294,388            |
| Public works  | 2,738,220             | 3,016,854            | 2,593,956             | 2,377,640            |
| Culture and recreation                                | 85,437                | 329,137              | 123,862               | 685,656              |
| <b>Debt Service:</b>                                  |                       |                      |                       |                      |
| Principal retirement                                  | 625,775               | 539,993              | 499,889               | 373,230              |
| Interest and fiscal changes                           | 670,835               | 469,630              | 492,610               | 475,214              |
| Other   | -                     | -                    | -                     | 489,757              |
| <b>Capital outlay:</b>                                | <u>4,840,710</u>      | <u>2,840,810</u>     | <u>1,974,044</u>      | <u>1,103,494</u>     |
| <b>Total expenditures</b>                             | <u>\$ 14,972,019</u>  | <u>\$ 12,874,116</u> | <u>\$ 11,714,294</u>  | <u>\$ 9,623,360</u>  |
| Excess (deficiency) of revenues over expenditures     | <u>(2,736,811)</u>    | <u>(2,299,789)</u>   | <u>(2,053,915)</u>    | <u>649,209</u>       |
| <b>Other financing sources (uses):</b>                |                       |                      |                       |                      |
| Capital related debt issued (regular bonds)           | -                     | 5,092,750            | -                     | 1,575,000            |
| Sale of real & Personal property                      | -                     | 1,752,444            | -                     | -                    |
| Transfers in  | 600,000               | 10,500               | 133,504               | 18,990               |
| Transfers out   | (673,170)             | (10,500)             | (133,504)             | (94,707)             |
| <b>Total other financing sources (uses)</b>           | <u>(73,170)</u>       | <u>6,845,194</u>     | <u>-</u>              | <u>1,499,283</u>     |
| Net change in fund balance                            | <u>\$ (2,809,981)</u> | <u>\$ 4,545,405</u>  | <u>\$ (2,053,915)</u> | <u>\$ 2,148,492</u>  |
| Debt service as percentage of noncapital expenditures | 12.8%                 | 10.1%                | 10.2%                 | 10.0%                |

| 2002                 | 2001                 | 2000                  | 1999                  | 1998                | 1997                |
|----------------------|----------------------|-----------------------|-----------------------|---------------------|---------------------|
| \$ 5,221,223         | \$ 5,113,626         | \$ 4,926,400          | \$ 4,390,702          | \$ 3,762,017        | \$ 3,319,237        |
| 2,577,974            | 1,610,123            | 823,920               | 693,977               | 63,339              | 82,503              |
| -                    | -                    | -                     | -                     | 570,532             | 469,310             |
| -                    | -                    | -                     | -                     | 62,021              | 50,217              |
| -                    | -                    | -                     | -                     | 162                 | 2,614               |
| 281,856              | 927,751              | 698,670               | 1,382,719             | 417,423             | 919,703             |
| 286,903              | 871,371              | 216,069               | 665,607               | 29,473              | 206,105             |
| 189,889              | 281,955              | 179,168               | 138,093               | 174,141             | 33,805              |
| -                    | -                    | -                     | -                     | -                   | -                   |
| <u>\$ 8,557,845</u>  | <u>\$ 8,804,826</u>  | <u>\$ 6,844,227</u>   | <u>\$ 7,271,098</u>   | <u>\$ 5,079,108</u> | <u>\$ 5,083,494</u> |
| <br>                 |                      |                       |                       |                     |                     |
| \$ 860,675           | \$ 931,084           | \$ 936,152            | \$ 767,656            | \$ 1,440,953        | 931,353             |
| 3,277,094            | 3,087,873            | 2,811,217             | 2,167,885             | 2,130,621           | 1,931,317           |
| 2,307,403            | 1,566,835            | 1,110,093             | 1,165,620             | 1,139,008           | 1,006,857           |
| 635,976              | 630,083              | 435,259               | 381,503               | 215,118             | 432,091             |
| <br>                 |                      |                       |                       |                     |                     |
| 617,779              | 515,837              | 370,718               | 228,744               | 14,591              | 61,286              |
| -                    | -                    | -                     | -                     | -                   | -                   |
| 335,672              | 602,551              | 601,807               | 1,181,770             | -                   | -                   |
| 3,178,065            | 3,152,506            | 2,312,497             | 3,354,581             | 512,579             | 873,483             |
| <u>\$ 11,212,664</u> | <u>\$ 10,486,769</u> | <u>\$ 8,577,743</u>   | <u>\$ 9,247,759</u>   | <u>\$ 5,452,870</u> | <u>\$ 5,236,387</u> |
| <br>                 |                      |                       |                       |                     |                     |
| (2,654,819)          | (1,681,943)          | (1,733,516)           | (1,976,661)           | (373,762)           | (152,893)           |
| <br>                 |                      |                       |                       |                     |                     |
| 2,244,955            | 2,711,150            | -                     | 750,000               | 4,010,282           | -                   |
| -                    | -                    | -                     | -                     | -                   | -                   |
| 895,605              | 430,874              | 795,533               | 261,890               | 285,076             | 335,627             |
| (354,105)            | (148,062)            | (157,529)             | (175,199)             | (997)               | (24,000)            |
| <u>2,786,455</u>     | <u>2,993,962</u>     | <u>638,004</u>        | <u>836,691</u>        | <u>4,294,361</u>    | <u>311,627</u>      |
| <u>\$ 131,636</u>    | <u>\$ 1,312,019</u>  | <u>\$ (1,095,512)</u> | <u>\$ (1,139,970)</u> | <u>\$ 3,920,599</u> | <u>\$ 158,734</u>   |
| <br>                 |                      |                       |                       |                     |                     |
| 7.7%                 | 7.0%                 | 5.9%                  | 3.9%                  | 0.3%                | 1.4%                |

**CITY OF TAYLOR, TEXAS**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**

| Fiscal<br>Year | Real Property          |                      | Less:<br>Tax Exempt<br>Real Property | Total<br>Taxable<br>Assessed<br>Value |
|----------------|------------------------|----------------------|--------------------------------------|---------------------------------------|
|                | Commercial<br>Property | Residential<br>Value |                                      |                                       |
| 1997           | \$ 308,476             | \$ 78,740            | \$ 15,663                            | \$ 371,553                            |
| 1998           | 333,297                | 79,802               | 27,751                               | 385,348                               |
| 1999           | 349,856                | 98,813               | 33,753                               | 414,916                               |
| 2000           | 397,487                | 96,405               | 26,319                               | 467,573                               |
| 2001           | 423,114                | 109,729              | 31,896                               | 500,947                               |
| 2002           | 442,554                | 136,080              | 26,480                               | 552,154                               |
| 2003           | 515,402                | 119,967              | 37,978                               | 597,391                               |
| 2004           | 537,847                | 127,429              | 40,023                               | 625,254                               |
| 2005           | 583,180                | 110,080              | 29,745                               | 663,515                               |
| 2006           | 607,412                | 115,840              | 60,135                               | 663,117                               |

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

| Fiscal<br>Year | City of Taylor, Texas |                         |                       | Overlapping                  |                      |                   |
|----------------|-----------------------|-------------------------|-----------------------|------------------------------|----------------------|-------------------|
|                | Basic<br>Rate         | Debt<br>Service<br>Rate | Total<br>City<br>Rate | Taylor<br>School<br>District | Williamson<br>County | County<br>(Other) |
| 1997           | 0.48190               | -                       | 0.48190               | 1.47000                      | 0.27120              | 0.05000           |
| 1998           | 0.51010               | -                       | 0.51010               | 1.47000                      | 0.29590              | 0.05000           |
| 1999           | 0.57534               | 0.052195                | 0.62754               | 1.55000                      | 0.29950              | 0.04810           |
| 2000           | 0.55350               | 0.075700                | 0.62920               | 1.53600                      | 0.35270              | 0.04730           |
| 2001           | 0.57747               | 0.116740                | 0.69421               | 1.58000                      | 0.35429              | 0.04100           |
| 2002           | 0.58955               | 0.124970                | 0.71452               | 1.58000                      | 0.41540              | 0.04290           |
| 2003           | 0.58955               | 0.159212                | 0.74876               | 1.61000                      | 0.44823              | 0.03358           |
| 2004           | 0.56980               | 0.170200                | 0.74000               | 1.67000                      | 0.47885              | 0.03337           |
| 2005           | 0.56980               | 0.216700                | 0.78650               | 1.67000                      | 0.46616              | 0.03350           |
| 2006           | 0.59653               | 0.198470                | 0.79500               | 1.54000                      | 0.46749              | 0.03217           |

**CITY OF TAYLOR, TEXAS  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR  
UNAUDITED**

| <b>2006</b>                           |                       |      |  |
|---------------------------------------|-----------------------|------|--|
| Taxpayer                              | Assessed<br>Valuation | Rank | Percentage of<br>Total City<br>Assessed<br>Valuation |
| Electric Reliability Council of Texas | \$ 31,112,491         | 1    | 29%  |
| HEB Grocery Company LP                | \$ 15,678,547         | 2    | 14%  |
| CCA Poperties of Texas LP             | \$ 14,822,565         | 3    | 14%  |
| Wal-Mart Real Estate Business Trust   | \$ 9,301,200          | 4    | 9%   |
| ERCOT                                 | \$ 8,452,720          | 5    | 8%   |
| TXU Electric Delivery Company         | \$ 8,119,934          | 6    | 7%   |
| Wal-Mart Stores East Inc.             | \$ 6,843,599          | 7    | 6%   |
| ER Carpenter LP                       | \$ 4,928,033          | 8    | 5%   |
| TX Cotton Growers Coop Assoc.         | \$ 4,754,031          | 9    | 4%   |
| Burnes Operating Company LLC          | \$ 4,703,391          | 10   | 4%   |
|                                       | <b>\$ 108,716,511</b> |      | <b>100%</b>  |

**CITY OF TAYLOR, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED**

| Fiscal Year<br>Ended<br>September 30 | Total Tax<br>Levy for<br>Fiscal Year | Collected within the<br>Fiscal year of the Levy |                       | Collection<br>in Subsequent<br>Years | Tax Collection<br>To Date |                       |
|--------------------------------------|--------------------------------------|---|-----------------------|--------------------------------------|---------------------------|-----------------------|
|                                      |                                      | Amount  | Percentage<br>of Levy |                                      | Amount                    | Percentage<br>of Levy |
| 1997                                 | \$ 1,500,400                         | \$ 1,455,388                                    | 97.0%                 | \$ 46,158                            | \$ 1,493,286              | 99.5%                 |
| 1998                                 | 1,873,432                            | 1,817,229                                       | 97.0%                 | 53,309                               | 1,863,387                 | 99.5%                 |
| 1999                                 | 2,441,851                            | 2,368,596                                       | 97.0%                 | 52,457                               | 2,421,905                 | 99.2%                 |
| 2000                                 | 2,603,653                            | 2,544,828                                       | 97.7%                 | 46,664                               | 2,597,285                 | 99.8%                 |
| 2001                                 | 3,125,791                            | 3,064,669                                       | 98.0%                 | 64,324                               | 3,111,333                 | 99.5%                 |
| 2002                                 | 3,541,083                            | 3,437,247                                       | 97.1%                 | 45,729                               | 3,482,976                 | 98.4%                 |
| 2003                                 | 4,221,245                            | 4,118,660                                       | 97.6%                 | 96,674                               | 4,215,334                 | 99.9%                 |
| 2004                                 | 4,339,430                            | 4,108,997                                       | 94.7%                 | 108,624                              | 4,217,621                 | 97.2%                 |
| 2005                                 | 4,339,777                            | 4,219,125                                       | 97.2%                 | 59,297                               | 4,278,422                 | 98.6%                 |
| 2006                                 | 4,709,141                            | 4,626,689                                       | 98.2%                 | 97,930                               | 4,724,619                 | 100.3%                |

**CITY OF TAYLOR, TEXAS  
RATIOS OF OUTSTANDING DEBT BY TYPE  
CURRENT FISCAL YEAR  
UNAUDITED**

| Fiscal<br>Year | Governmental Activities        |                                       |                                  |                  |                         |
|----------------|--------------------------------|---------------------------------------|----------------------------------|------------------|-------------------------|
|                | General<br>Obligation<br>Bonds | Combination<br>Tax & Revenue<br>Bonds | Certificates<br>of<br>Obligation | Capital<br>Lease | Compensated<br>Absences |
| 2006           | \$ 11,693,610                  | \$ 2,141,063                          | \$ 270,506                       | \$ 249,884       | \$ 138,825              |

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



| Business-type Activities              |                                |                         | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income | Per<br>Capita |
|---------------------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------------------|---------------|
| Combination<br>Tax & Revenue<br>Bonds | General<br>Obligation<br>Bonds | Compensated<br>Absences |                                |                                     |               |
| \$ 10,081,425                         | \$ 396,390                     | \$ 18,947               | \$ 24,990,650                  | 0.06%                               | \$ 906        |

**CITY OF TAYLOR, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF SEPTEMBER 30, 2006**  
**UNAUDITED**

| Governmental Unit                     | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable<sup>1</sup></u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|---------------------------------------|-----------------------------|--|--|
| Debt repaid with property taxes:      |                             |  |  |
| County                                | \$ 537,770                  | 2.54%  | \$ 13,659  |
| School                                | 18,810                      | 100.00%  | <u>18,810</u>  |
| Subtotal, overlapping debt            |                             |  | <u>32,469</u>  |
| <br>City of Taylor                    | <br>24,312                  | <br>100  | <br><u>24,312</u>                                      |
| <br>Total direct and overlapping debt |                             |  | <br><u><u>\$ 56,781</u></u>                            |

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

<sup>1</sup> 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 FIVE FISCAL YEARS  
UNAUDITED**

|   | <u>2006</u>       | <u>2005</u>       | <u>2004</u>       | <u>2003</u>       | <u>2002</u>       |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Debt Limit  | \$ 174,875        | \$ 129,593        | \$ 131,460        | \$ 126,245        | \$ 121,255        |
| Total net debt applicable to limit                                  | <u>11,528</u>     | <u>12,090</u>     | <u>6,036</u>      | <u>10,165</u>     | <u>8,849</u>      |
| Legal debt margin   | <u>\$ 163,347</u> | <u>\$ 117,503</u> | <u>\$ 125,424</u> | <u>\$ 116,080</u> | <u>\$ 112,406</u> |
| Total net debt applicable to limit<br>as a percentage of debt limit | 6.59%             | 9.33%             | 4.59%             | 8.05%             | 7.30%             |

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By the law, general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

**Legal Debt Margin Calculation for Fiscal Year 2006**

|  |                   |
|--|-------------------|
| Assessed value   | \$ 663,117        |
| Add back: exempt real property                                     | <u>29,923</u>     |
| Total assessed value   | \$ 693,040        |
| Debt limit (10% of total assessed value)                           | 174,875           |
| Debt applicable to limit:  |                   |
| General obligation bonds   | 24,312            |
| Less: Amount set aside for repayment of<br>general obligation debt | <u>(12,784)</u>   |
| Total net debt applicable to limit                                 | <u>11,528</u>     |
| Legal debt margin  | <u>\$ 163,347</u> |

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

| <b>Employer</b>          | <b>2006</b>      |             |  |
|--------------------------|------------------|-------------|--|
|                          | <b>Employees</b> | <b>Rank</b> | <b>Percentage<br/>of Total City<br/>Employment</b> |
| ERCOT                    | 579              | 1           | 24.33%   |
| Taylor ISD               | 543              | 2           | 22.82%   |
| Wal-Mart                 | 240              | 3           | 10.08%   |
| Durcon Labatory Tops     | 200              | 4           | 8.40%  |
| Johns Community Hospital | 187              | 5           | 7.86%  |
| City of Taylor           | 144              | 6           | 6.05%  |
| Burrows Cabinets         | 142              | 7           | 5.97%  |
| Accurate                 | 140              | 8           | 5.88%  |
| FloydCo (Floyd's Glass)  | 120              | 9           | 5.04%  |
| E R Carpenter            | 85               | 10          | 3.57%  |
| Intercraft Industries    | -                |             | 0.00%  |
| H.E.B.                   | -                |             | 0.00%  |
| Sweatbriar Nursing Home  | -                |             | 0.00%  |
| Totals                   | <u>2,380</u>     |             | <u>100.00%</u>                                     |

| 1998                     |                  |             |  |
|--------------------------|------------------|-------------|--|
| <u>Employer</u>          | <u>Employees</u> | <u>Rank</u> | <u>Percentage<br/>of Total City<br/>Employment</u> |
| ERCOT                    | 200              | 3           | 9.92%  |
| Taylor ISD               | 414              | 2           | 20.54%   |
| Wal-Mart                 | 153              | 6           | 7.59%  |
| Durcon Laboratory Tops   | 190              | 4           | 9.42%  |
| Johns Community Hospital | 140              | 7           | 6.94%  |
| City of Taylor           | 109              | 10          | 5.41%  |
| Burrows Cabinets         | -                |             | 0.00%  |
| Accurate                 | -                |             | 0.00%  |
| FloydCo (Floyd's Glass)  | 120              | 9           | 5.95%  |
| E R Carpenter            | -                |             | 0.00%  |
| Intercraft Industries    | 690              | 1           | 34.23%   |
| H.E.B.                   | 185              | 5           | 9.18%  |
| Sweatbriar Nursing Home  | 130              | 8           | 6.45%  |
| Totals                   | 2,016            |             | 100.00%  |

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

| Fiscal<br>Year | Population <sup>1</sup> | Per<br>Capita <sup>5</sup><br>Personal Income | Median<br>Age <sup>3</sup> | Education<br>Level in Years<br>of Formal<br>Schooling | School<br>Enrollment <sup>4</sup> | Unemployment<br>Rate <sup>2</sup> |
|----------------|-------------------------|---|----------------------------|---|-----------------------------------|-----------------------------------|
| 1997           | 12,992                  | N/A   | N/A                        | N/A   | 2,785                             | N/A                               |
| 1998           | 13,301                  | N/A   | N/A                        | N/A   | 2,812                             | N/A                               |
| 1999           | 13,475                  | N/A   | N/A                        | N/A   | 2,875                             | N/A                               |
| 2000           | 13,575                  | N/A   | N/A                        | N/A   | 2,899                             | N/A                               |
| 2001           | 14,167                  | \$ 19,485                                     | 35.43                      | N/A   | 3,005                             | N/A                               |
| 2002           | 14,622                  | \$ 21,558                                     | 33.70                      | N/A   | 3,089                             | N/A                               |
| 2003           | 14,757                  | N/A   | N/A                        | N/A   | 3,030                             | N/A                               |
| 2004           | 15,598                  | N/A   | 33.40                      | N/A   | 2,979                             | N/A                               |
| 2005           | 15,598                  | N/A   | 33.40                      | N/A   | 3,041                             | N/A                               |
| 2006           | 16,138                  | \$ 15,102                                     | 31.22                      | N/A   | 3,042                             | N/A                               |

**Data Sources:**

- <sup>1</sup> Year 2000 population based on Federal Census, other years are prorated projections based on percentage increases provided by Texas State Data Center - Texas A&M University.
- <sup>2</sup> State Department of Labor
- <sup>3</sup> State Department of Commerce
- <sup>4</sup> Taylor Independent School District
- <sup>5</sup> City-Data.com

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

| <b>Function / Program</b>                 | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>General Government</b>                 |             |             |             |             |             |             |             |             |
| Management services                       | 5           | 4           | 2           | 3           | 3           | 3           | 3           | 4           |
| Human Resources                           | -           | 1           | 3           | 1           | 1           | 1           | 1           | 1           |
| Finance                                   | 6           | 4           | 5           | 7           | 7           | 8           | 8           | 6           |
| Municipal Court                           | 7           | 4           | 3           | 4           | 4           | 4           | 4           | 4           |
| C D - Planning                            | 4           | 4           | 4           | 5           | 5           | 5           | 4           | 6           |
| Main Street                               | -           | 1           | 1           | -           | 1           | -           | 1           | 1           |
| C D - Recreation                          | -           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Building                                  | 3           | 4           | 1           | 2           | 1           | 1           | 1           | 1           |
| Other                                     | -           | 2           | 1           | -           | -           | -           | -           | -           |
| <b>Police</b>                             |             |             |             |             |             |             |             |             |
| Officers                                  | 30          | 32          | 26          | 28          | 25          | 26          | 21          | 27          |
| Civilians                                 | 7           | 10          | 13          | 14          | 12          | 11          | 11          | 10          |
| Animal Control                            | -           | -           | 1           | 1           | 1           | 2           | 2           | 1           |
| <b>Fire</b>                               |             |             |             |             |             |             |             |             |
| Firefighters and Officers                 | 37          | 27          | 25          | 22          | 25          | 24          | 25          | 24          |
| Civilians                                 | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| <b>Other Public Works</b>                 |             |             |             |             |             |             |             |             |
| Engineering/Inspection                    | 11          | -           | 2           | 3           | 3           | 3           | 1           | 2           |
| Street Maintenance                        | -           | 7           | 6           | 7           | 8           | 7           | 10          | 9           |
| Grounds                                   | 8           | 10          | 10          | 10          | 11          | 10          | 10          | 10          |
| Other                                     | 4           | 4           | 4           | 2           | 2           | 2           | 2           | 1           |
| <b>Parks and recreation</b>               |             |             |             |             |             |             |             |             |
| Library                                   | 8           | 8           | 6           | 8           | 8           | 8           | 7           | 7           |
| Water                                     | 16          | 19          | 16          | 16          | 13          | 13          | 13          | 12          |
| Wastewater                                | 4           | 3           | 2           | 5           | 3           | 3           | 3           | 3           |
| Utilities Admin                           | -           | 1           | 1           | 2           | 2           | 2           | 3           | 6           |
| Airport                                   | -           | -           | 5           | 3           | 3           | 3           | 3           | 3           |
| Cemetery                                  | -           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Fleet Services                            | -           | -           | 1           | -           | 2           | 2           | 2           | 2           |
| <b>Total all other governmental funds</b> | <b>151</b>  | <b>149</b>  | <b>142</b>  | <b>147</b>  | <b>144</b>  | <b>142</b>  | <b>139</b>  | <b>144</b>  |

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

| <b>Function/Program</b>                             | <u><b>2006</b></u> | <u><b>2005</b></u> |
|---|--------------------|--------------------|
| General government                                  |                    |                    |
| Building permits issued                             | -                  | -                  |
| Building inspections conducted                      | -                  | -                  |
| Public Safety                                       |                    |                    |
| Police:   |                    |                    |
| Physical arrests                                    | 990                | 917                |
| Parking violations                                  | 150                | 104                |
| Traffic violations                                  | 4,792              | 2,660              |
| Fire  |                    |                    |
| Emergency responses                                 | 1,731              | 1,558              |
| Fires extinguished                                  |                    |                    |
| Inspections   | 570                | 137                |
| Sanitation (OUT SOURCED)                            |                    |                    |
| Refuse collected (tons per day)                     | -                  | -                  |
| Recyclables collected (tons per day)                | -                  | -                  |
| Highways and streets                                |                    |                    |
| Street resurfacing (miles)                          | -                  | -                  |
| Potholes repaired                                   | -                  | -                  |
| Culture and recreation                              |                    |                    |
| Athletic field permits issued                       | -                  | -                  |
| Community center admissions                         | -                  | -                  |
| Library   |                    |                    |
| Volumes in collection                               | -                  | -                  |
| Total volumes borrowed                              | -                  | -                  |
| Water   |                    |                    |
| New connections                                     | -                  | -                  |
| Water main breaks                                   | -                  | -                  |
| Average daily consumption<br>(thousands of gallons) | 2,385              | 2,385              |
| Peak daily consumption<br>(thousands of gallons)    | 5                  | 5                  |
| Wastewater  |                    |                    |
| Average daily treatment<br>(thousands of gallons)   | 2,063              | 2,063              |



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

| <b>Function</b>                  | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|----------------------------------|-------------|-------------|-------------|-------------|
| Police                           |             |             |             |             |
| Number of stations               | 1           | 1           | N/A         | N/A         |
| Zone Offices                     |             |             |             |             |
| Number of patrol units           | 12          | 12          | N/A         | N/A         |
| Fire                             |             |             |             |             |
| Number of stations               | 2           | 2           | N/A         | N/A         |
| Highways and streets             |             |             |             |             |
| Streets (miles)                  | 85          | 81          | 80          | 75          |
| Highway (miles)                  |             |             |             |             |
| Streetlights                     | 1,069       | 1,054       | 965         | 915         |
| Traffic signals                  |             |             |             |             |
| Sanitation (OUT SOURCED)         |             |             |             |             |
| Refuse collected (tons/day)      | -           | -           | -           | -           |
| Recyclables collected (tons/day) | -           | -           | -           | -           |
| Culture and recreation           |             |             |             |             |
| Acreage                          | 312         | 312         | N/A         | N/A         |
| Playgrounds                      |             |             |             |             |
| Baseball/softball diamonds       |             |             |             |             |
| Swimming pools                   | 2           | 2           | -           | -           |
| Tennis courts                    | 10          | 10          |             |             |
| Community centers                | -           | -           | -           | -           |
| Water                            |             |             |             |             |
| Water mains                      |             |             |             |             |
| Fire hydrants                    | 580         | 580         | N/A         | N/A         |
| Storage capacity                 |             |             |             |             |
| Wastewater                       |             |             |             |             |
| Treatment capacity               | 4           | 4           | N/A         | N/A         |
| Sanitary sewer (miles)           | 84          | 83          | N/A         | N/A         |
| Storm sewers (miles)             | 3           | 3           | N/A         | N/A         |





## **Strategic Plan 2006**

### **Vision**

**Taylor: A proud, diverse, enthusiastic, viable City, which embraces growing businesses, quality education, and economic growth.**

### **Mission Statement**

- To be fiscally responsible
- To continuously focus on Council goals
- To be productive
- To ensure health and safety
- To be accountable
- To be proactive

### **1.0 Economic Development**

- 1.1 Develop incentive policies to recruit developers for upper-end housing.
- 1.2 Develop Strategy to attract jobs (+\$50,000)
- 1.3 Develop Strategy to increase sales tax revenue
- 1.4 Increase sales tax annually by 15%
- 1.5 Recruit two quality family restaurants to Taylor.
- 1.6 Develop accountability mechanism for the Economic Development Plan.
- 1.7 Focus on industrial recruitment/retention portion of the TEDC Plan.
- 1.8 Continually focus on regional opportunities for economic development.

### **2.0 Community Pride**

- 2.1 Develop internal public relations program.
- 2.2 Develop external public relations program.
- 2.3 Develop an aggressive community improvement strategy.
- 2.4 Develop and promote cultural awareness program.

**3.0 Continued Measurable Improvement of The City of Taylor's Infrastructure**

- 3.1 Resolve wholesale water agreement.
- 3.2 Develop strategy for implementing a CIP plan.
- 3.3 Complete and utilize "Project Management System".

**4.0 Revitalization of Downtown**

- 4.1 Initiate implementation of revitalization strategy for downtown.

**5.0 Alternative Funding Sources**

- 5.1 Develop strategy to define & legislate implementation of alternative funding sources.

**6.0 Information Technology**

- 6.1 Develop and implement an information technology plan (with e-government).

**7.0 Implement Existing Plans**

- 7.1 Develop strategy for implementation of existing plans.

**8.0 Legislative Agenda**

- 8.1 Develop a Legislative Agenda.

**9.0 Goal Setting**

- 9.1 Schedule Goal Setting Conferences with Boards/Commissions.

**10. Annual Review of Strategic Plan**

- 10.1 Annual Review of Strategic Plan in January 2007.

**SINGLE AUDIT SECTION**





**BROCKWAY, GERSBACH, MCKINNON & NIEMEIER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

**Independent Auditors' Report**

The Honorable Mayor and  
City Council  
City of Taylor, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Taylor, Texas (the City) as of and for the fiscal year ended September 30, 2006 which collectively comprise the City's basic financial statements and have issued our report thereon dated November 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter dated November 7, 2006.

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

*Brockway Gersbach McKinnon & Niemeier PC*

November 7, 2006







**BROCKWAY, GERSBACH, MCKINNON & NIEMEIER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

**Independent Auditors' Report**

The Honorable Mayor and  
City Council  
City of Taylor, Texas

Compliance

We have audited the compliance of the City of Taylor, Texas (the City) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended September 30, 2006. The City's major federal program is identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended September 30, 2006.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133  
(CONTINUED)**

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Brockway Andrew McKinnon, President PC*

November 7, 2006

**CITY OF TAYLOR, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**I. Summary of the Auditors' Results:**

- a. The type of auditors' report issued on the financial statements of the City of Taylor, Texas was an unqualified opinion.
- b. No material weaknesses or reportable conditions in internal control over financial reporting were identified.
- c. The audit did not note any noncompliance which was material to the financial statements of the auditee.
- d. No material weaknesses or reportable conditions in internal control over major programs were identified.
- e. The type of auditors' report the auditor issued on compliance for major programs was an unqualified opinion.
- f. There were no audit findings that are required to be reported under Section 510 (a) of Circular A-133.
- g. Major Federal Program included:

14.239                      HOME-Owner Occupied

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
- i. The auditee qualified as a low-risk auditee.

**II. No Findings Required to be Reported in Accordance with *Government Auditing Standards* were noted.**

**III. No Findings or Questioned Costs for Federal Awards were noted.**

**IV. No Findings or Questioned Costs for Federal Awards noted in the prior year.**

