

City of Taylor, Texas

Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2007

Prepared by:

Department of Finance and Administration

Rosemarie Dennis - Director of Finance

Alice Benjiman - Accountant



TABLE OF CONTENTS

INTRODUCTORY SECTION:

Letter of Transmittal	i
Organizational Chart	vi
List of Elected and Appointed Officials	vii

FINANCIAL SECTION:

Independent Auditors' Report	3
-------------------------------------	----------

Management's Discussion and Analysis	5
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Basic Financial Statements

Government Wide Financial Statements:

Statement of Net Assets	18
Statement of Activities	20

Fund Financial Statements:

Governmental Funds Balance Sheet	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	25
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	31
Statement of Net Assets - Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	35
Statement of Cash Flows - Proprietary Funds	36

Notes to Financial Statements	40
--------------------------------------	-----------

Required Supplementary Information

Schedule of Funding Progress	70
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Combining Fund Statements

Nonmajor Governmental Funds:

Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures and Changes in in Fund Balances	74

Internal Service Funds:

Combining Statement of Net Assets	78
Combining Statement of Revenues, Expenses and Changes in Net Assets	79
Combining Statement of Cash Flows	80

Supplemental Schedule-Singe Audit

Schedule of Expenditures of Federal Awards	82
Notes to the Schedule of Expenditures of Federal Awards	83

Statistical Section

Net Assets by Component	88
Changes in Net Assets	90
Governmental Activities Tax Revenues by Source	94
General Governmental Tax Revenues by Source	95
Fund Balances of Governmental Funds	96
Changes in Fund Balances of Governmental Funds	98
Assessed Value and Estimated Actual Value of Taxable Property	100
Property Tax Rates Direct and Overlapping Governments	102
Principal Property Taxpayers	104
Property Tax Levies and Collections	106
Pledge-Revenue Coverage	107
Ratios of Outstanding Debt by Type	108
Ratios of Net General Bonded Debt Outstanding	110
Direct and Overlapping Governmental Activities Debt	111
Legal Debt Margin Information	112
Principal Employers	114
Demographic and Economic Statistics	116
Full-time Equivalent City Government Employees by Function/Program	118
Operating Indicators by Function/Program	120
Capital Asset Statistics by Function	122

Single Audit Section

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	127
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	129
Schedule of Findings and Questioned Costs	131

INTRODUCTORY SECTION





City of Taylor

400 Porter Street, Taylor, Texas 76574 Ph: 512-352-3675 Fax: 512-352-8483 www.ci.taylor.tx.us

February 12, 2008

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, 2007, 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, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting that amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Taylor's financial statements for the fiscal year ended September 30, 2007, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first page 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 of 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 provides a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to 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.

Go places. Start here. www.abouttaylor.tx.org

DAVID
TEXAS
A record of
resourcefulness

Profile of the City

The City of Taylor, incorporated in 1876, is located in eastern Williamson County in the central region of the State of Texas. It is located approximately 29 miles northeast of Austin and 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 17,202 residents. The City of Taylor is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

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

The City of Taylor provides a full range of services, including police and fire protection; the construction and maintenance of 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 30th, 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 between departments within a fund and within major line item categories. Increases or decreases of appropriations to a fund; however, require special approval of the City Council in the form of an Ordinance formally amending the adopted budget. Budget-to-actual comparisons for the general fund are provided in this report on page 31, as part of the basic financial statements.

Factors Affecting Financial Condition

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

Local Economy

The City of Taylor's economy continues to enjoy moderate, sustained growth as evidenced by local economic indicators such as increased tax appraisal values and sales tax receipts. A major industry that is located within the City of Taylor is the Electric Reliability Council of Texas (ERCOT), who manages the flow of electric power to approximately 20 million Texas customers and has its operations center located in Taylor. ERCOT employs 630 employees and is the City's largest employer. The Taylor Independent School District (TISD) is the second largest employer in the City with 540 employees. TISD enrolled 3,033 students in 2007. Most of their growth has been at the elementary level. The regional economy is bolstered by the opening of the new toll road S.H. 130 and it is anticipated that more growth will come to the East Williamson County region. Taylor has had a continuous growth in the retail base of national and regional companies with three banking franchises opening their branch offices along with a number of new restaurants opening in Taylor during 2007.

After an intense year of planning, the Temple College Board of Trustees selected Taylor as the site for the new East Williamson County Higher Education Center (EWCHEC). This will be a multi-institutional teaching center that will provide college courses and workforce readiness classes offered by Temple College and Texas State Technical College of Waco. Recognizing the need to provide higher education opportunities for residents in this area has been the driving force behind the efforts of the City of Taylor, Taylor Economic Development Corporation, Taylor Independent School District, Temple College and Texas State Technical College.

Because of the City's location in a region with a varied economic base, unemployment is relatively stable. During the past ten years, the unemployment rate rose from an initial low of 1.9 percent in 1998 to a decade high of 5.6 percent in 2003, only to descend once more to the current rate of 3.8 percent. Unemployment is expected to remain stable in this region.

Long-term financial planning

Unreserved, undesignated fund balance in the general fund is at 25 percent of total general fund revenues which falls within the goals set by Management and Council for budgetary and planning purposes. Following its most recent review of the City of Taylor's strategic plan, the focus is to invest in infrastructure to support the growth of business and enhance the quality of life of its citizens. The City is seeking funding from the State and Williamson County for improvements that are needed for infrastructure and the physical appearance of 2nd Street (Business U.S. Hwy. 79). Also underway is the construction of the Mustang Creek Wastewater Interceptor which is necessary for the future growth of the City.

Also as part of the strategic plan, the Council has worked hard toward the development of the East Williamson County Regional Park which will serve as an athletic complex for the City of Taylor and East Williamson County. This facility will cost approximately \$ 7,200,000, which will be funded through debt issuances, sale of parkland and grants from the Texas Parks and Wildlife Department. In addition, the City has used its own funds for the design costs of this project. Construction is anticipated to begin early in 2008. Once completed, the City of Taylor would likely incur additional operating costs to staff, operate, and maintain the new park. However, the hope is that this facility will attract people to Taylor who will shop here and increase the City's sales tax base.

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, MBIA, TexPool and TexStar. The City earned interest revenue of \$680,832 on all investments for the FY2006-07. 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 details regarding the City's employee retirement program is contained in Note IV-C of the financial statements.

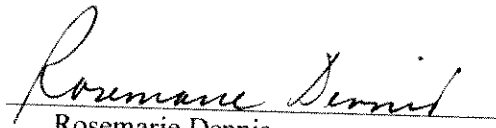
Acknowledgements

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 departments 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.

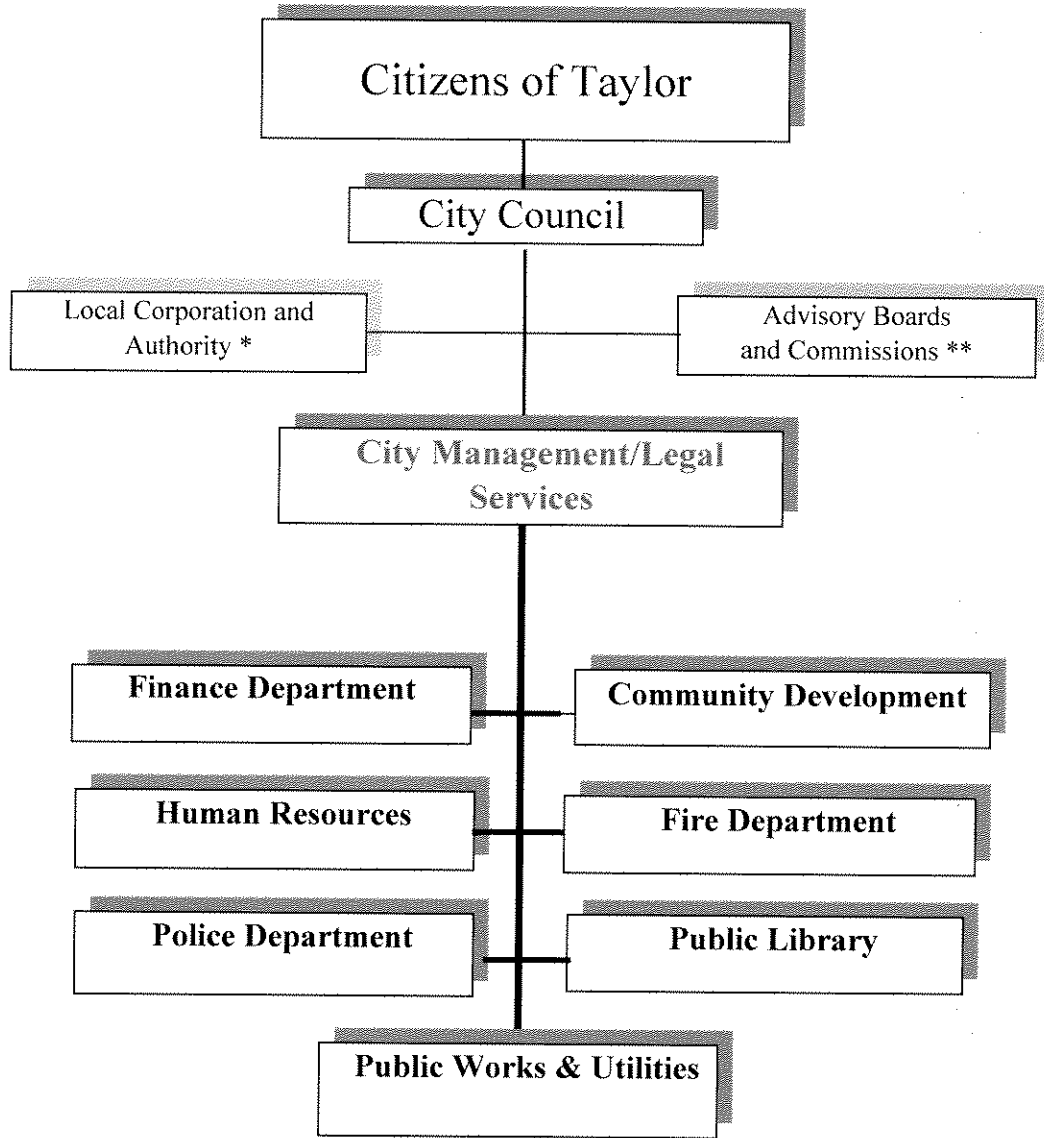
Furthermore, the work of the independent auditors from Brockway, Gersbach, McKinnon & Niemeier, P.C. is greatly appreciated.

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, 2007

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
Bruce Watson	Fire Chief
Karen Ellis	Library Director
Bob vanTil	Director of Community Development
Danny Thomas	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, 2007, 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2007, 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.

The Management's Discussion and Analysis on pages 5 through 16 and Schedule of Funding Progress on page 70 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

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 statements, 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 statistical section 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 Atchuck McKinnon & Nimsen PC

October 29, 2007

CITY OF TAYLOR, TEXAS MANAGEMENT'S DISCUSSION ANALYSIS

MANAGEMENT'S DISCUSSION 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, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on i through vii of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Taylor exceeded its liabilities at the close of the most recent fiscal year by \$ 58,888,950 (net assets). Of this amount, \$ 7,891,184 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$ 4,103,707.
- As of the end of the current fiscal year, the City's general fund reported an ending fund balance of \$ 2,870,578, an increase of \$ 1,147,264 over the prior year.
- As of the close of the fiscal year, the City of Taylor's total governmental funds reported combined ending fund balances of \$ 6,122,455, a decrease of \$ 1,154,595 from the prior year.
- The City's total long-term debt increased by \$ 2,998,830 or 12 percent during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF TAYLOR, TEXAS MANAGEMENT'S DISCUSSION ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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, the general capital improvements and the I & S for CO bonds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in a separate section of this report.

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

The basic governmental fund financial statements can be found on pages 22-31 of this report.

CITY OF TAYLOR, TEXAS MANAGEMENT'S DISCUSSION ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 and its Municipal Airport. The City also uses Internal Service Funds to account for the Equipment Services, Replacement Operations, and Civil Service Sick Leave.

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statement and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits 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 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 \$ 58,888,950 for the year ended September 30, 2007.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

The following table reflects the Condensed Statement of Net Assets as of September 30, 2007.

City of Taylor's Net Assets						
(amounts expressed in thousands)						
	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 7,508	\$ 9,094	\$ 4,996	\$ 1,650	\$ 12,504	\$ 10,744
Capital assets	53,486	49,955	22,276	20,856	75,762	70,811
Total assets	60,994	59,049	27,272	22,506	88,266	81,555
Long-term liabilities outstanding	13,911	14,494	14,079	10,497	27,990	24,991
Other liabilities	956	1,426	431	353	1,387	1,779
Total liabilities	14,867	15,920	14,510	10,850	29,377	26,770
Net assets:						
Invested in capital assets, net of related debt	39,767	35,594	8,140	10,379	47,907	45,973
Restricted	3,091	5,447	-	-	3,091	5,447
Unrestricted	3,269	2,088	4,622	1,277	7,891	3,365
Total net assets	\$ 46,127	\$ 43,129	\$ 12,762	\$ 11,656	\$ 58,889	\$ 54,785

The City's combined net assets were \$ 58,888,950 as September 30, 2007. Of the \$ 58,888,950, \$ 46,127,155 was in the governmental activities and \$ 12,761,795 was in the business-type activities. The City's total net assets increased during the current year by \$ 4,103,707 or 7.5 percent.

Net assets consist of three components, invested in capital assets net of related debt, restricted net assets and unrestricted net assets. The first and largest portion of the net assets (\$ 47,906,947 or 81.4 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 \$ 1,934,580 or 4.2 percent. The City uses the capital assets to provide services to its citizen; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The second portion consists of unrestricted net assets totaled \$ 7,891,184 or 13.4 percent of total net assets. Unrestricted net assets may be used to meet the City's ongoing obligation to citizens and creditors. Unrestricted net assets increased by \$ 4,525,762 compared to September 30, 2006.

The third portion consists of restricted net assets totaled \$ 3,090,819 at September 30, 2007 or 5.2 percent of overall net assets. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets decreased \$ 2,356,635 during the year ended September 30, 2007.

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, 2007 were \$ 21,569,562. Total revenues increased when compared to the prior year by \$ 2,365,948 or 12.3 percent. The total cost of all programs and services decreased from the prior year's amount of \$ 18,271,989 to \$ 18,154,521, a decrease of .6 percent. The table on the next page presents a summary of the changes in net assets for the fiscal year ended September 30, 2007.

Governmental Activities

Governmental activities revenues such as ad valorem, sales and franchise taxes are not shown by program, but are effectively used to support program activities citywide. Ad valorem taxes reflected an increase over the prior year of \$ 460,188 or 9.7 percent. The Ad Valorem tax rate for fiscal year 2007 was \$.079500 per \$ 100 of assessed valuation. Of this, \$ 0.59653 was for Operation and Maintenance (O&M) and \$ 0.19847 was for Interest and Sinking (I&S). Charges for services increased \$ 12,587, which is an increase of 1.5 percent compared to last year. Other taxes such as sales tax, franchise tax, and hotel occupancy tax increased by \$ 1,141,597 or 37 percent compared to last year. However, investment earnings decreased from \$ 627,190 to \$ 446,973, which is a decrease of 28.7 percent. This decrease is due to the depletion of bond proceeds that had been invested during the construction phase of a new library and fire station. These projects have been completed.

The Expenses and Program Revenues- Governmental Activities chart illustrates the City's governmental expenses by function. As shown, public safety is the largest function of \$ 4,043,066, followed by public works of \$ 3,422,645, and general government of \$ 2,933,496.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Taylor's Changes in Net Assets							
(amounts expressed in thousands)							
	Governmental activities		Business-type Activities		Total		
	2007	2006	2007	2006	2007	2006	
Revenues:							
Program revenues:							
Charges for services	\$ 3,464	\$ 3,451	\$ 5,529	\$ 5,387	\$ 8,993	\$ 8,838	
Capital grants and contributions	1,335	909	826	110	2,161	1,019	
General revenues:							
Property taxes	5,184	4,723	-	-	5,184	4,723	
Other taxes	4,232	3,091	-	-	4,232	3,091	
Investment earnings	447	627	234	70	681	697	
Other	248	243	71	592	319	835	
Total Revenues	14,910	13,044	6,660	6,159	21,570	19,203	
Expenses:							
General government	2,933	3,010	-	-	2,933	3,010	
Public safety	4,043	4,161	-	-	4,043	4,161	
Public works	3,423	3,118	-	-	3,423	3,118	
Sanitation	858	730	-	-	858	730	
Culture and recreation	-	226	-	-	-	226	
Interest on long-term debt	655	682	613	494	1,268	1,176	
Water/Sewer Utility	-	-	5,226	5,474	5,226	5,474	
Airport	-	-	404	377	404	377	
Total Expenses	11,912	11,927	6,243	6,345	18,155	18,272	
Increase (decrease) in net assets before transfers	2,998	1,117	417	(186)	3,415	931	
Increase (decrease) in net assets	2,998	1,117	417	(186)	3,415	931	
Net assets –beginning	43,129	37,112	11,656	9,273	54,785	46,385	
Prior Period Adjustment	-	4,900	689	2,569	689	7,469	
Net assets – ending	\$ 46,127	\$ 43,129	\$ 12,762	\$ 11,656	\$ 58,889	\$ 54,785	

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

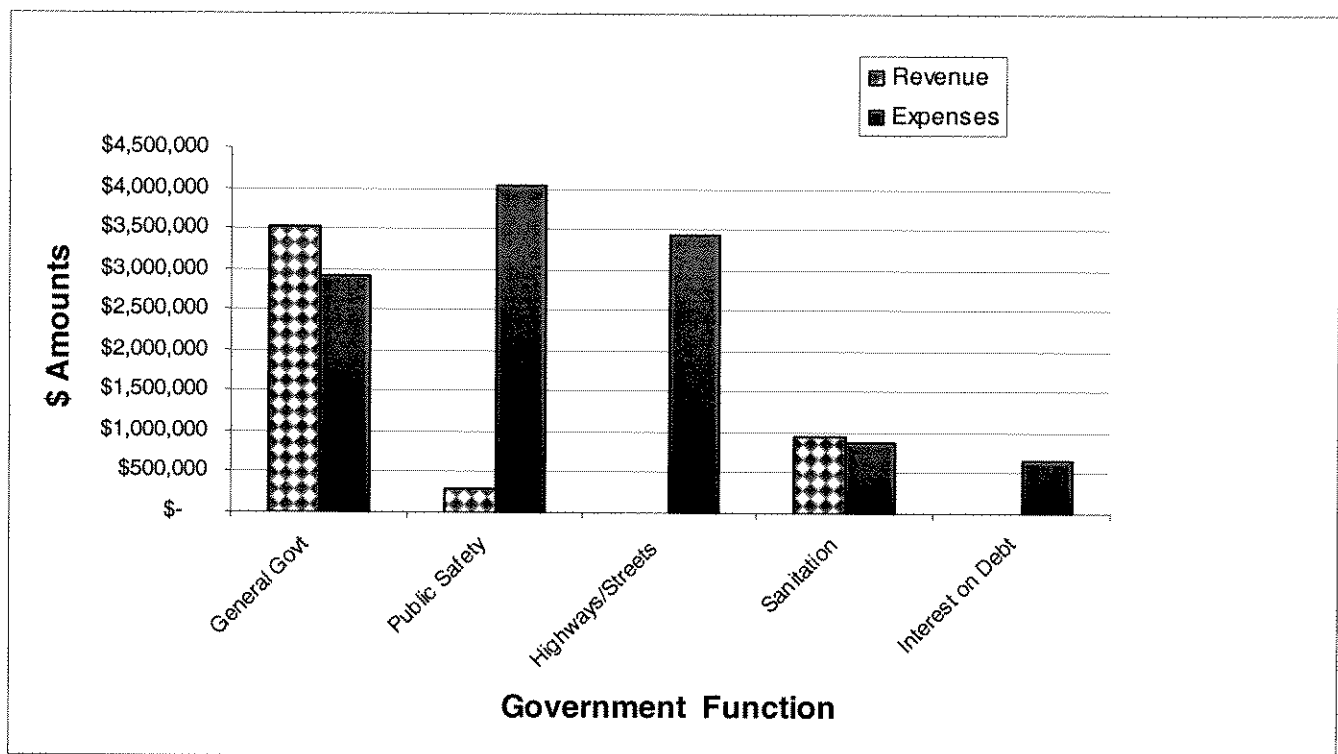
Business Activities

Business-type activities increased the City's net assets by \$ 417,041. Charges for services provided the largest share of revenues at 83 percent, with other miscellaneous revenue income at 1.1 percent, and investment earnings and capital grant and contributions making up for 15.9 percent of all business-type activities revenues.

Water and sewer fees are the major revenue source for the business-type activities of the City, which amounted to \$ 5,141,474 in revenue. Compared to the prior year, water and sewer increased \$ 108,390 or 2.2 percent. The Airport fund also increased by \$ 33,191 or 9.4 percent.

Total expenses for the business-type activities were \$ 6,242,184, a decrease of 1.6 percent from the prior year. Public Utilities, the largest proprietary fund recorded \$ 5,225,681 in expenses, a decrease of \$ 248,353 or 4.8 percent. The Airport expenses increased slightly from \$ 376,778 in 2006 to \$ 403,824 in 2007, an increase of \$ 27,046 or 26.7 percent.

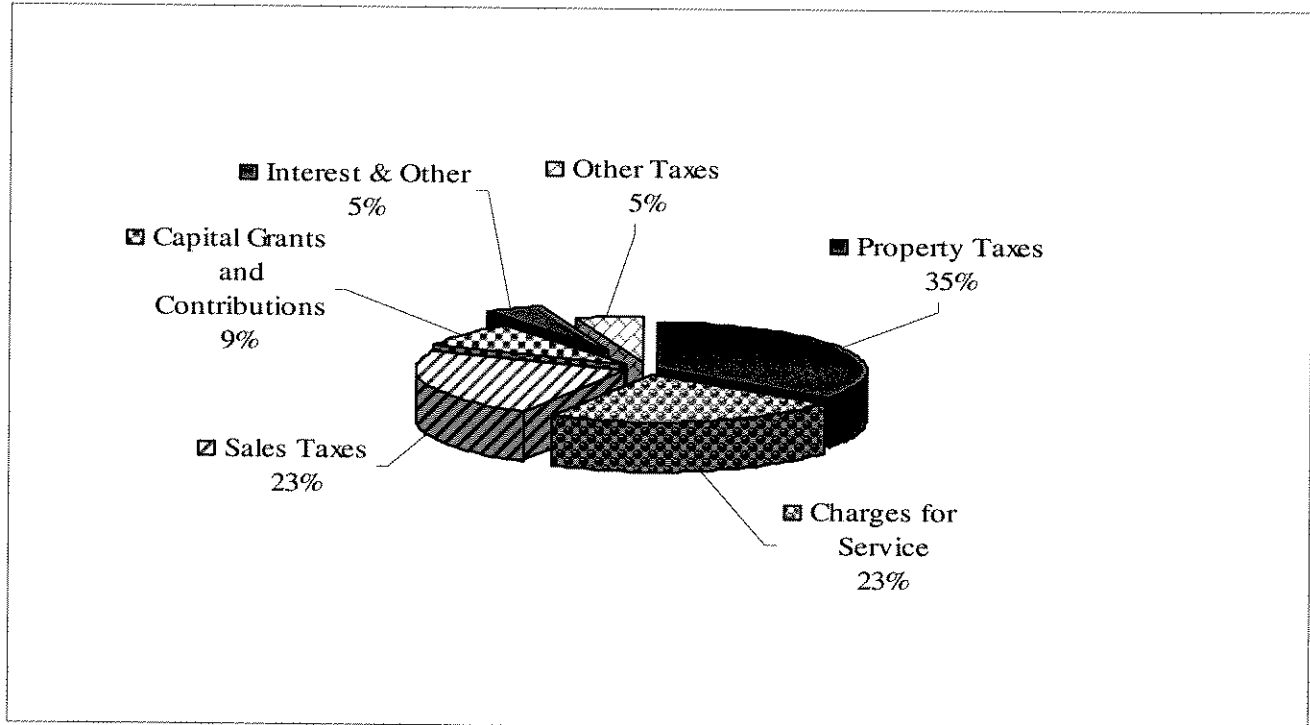
Expenses and Program Revenues-Governmental Activities



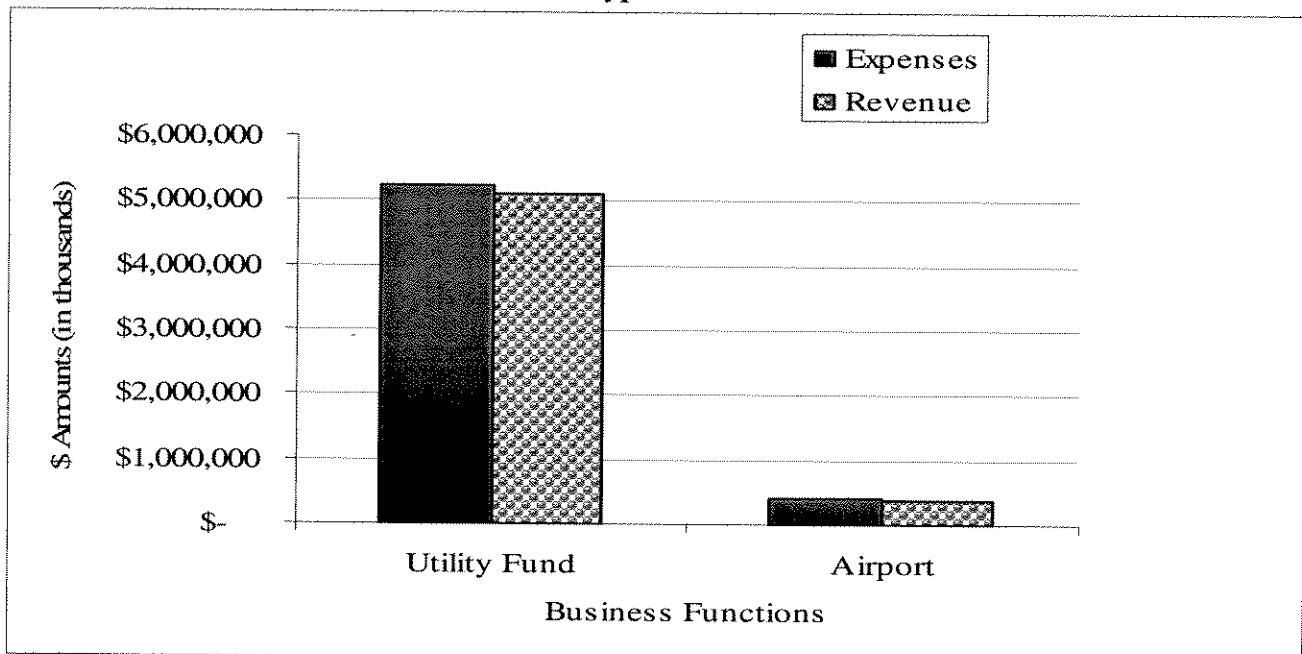
**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Revenue by Source-Governmental Activities



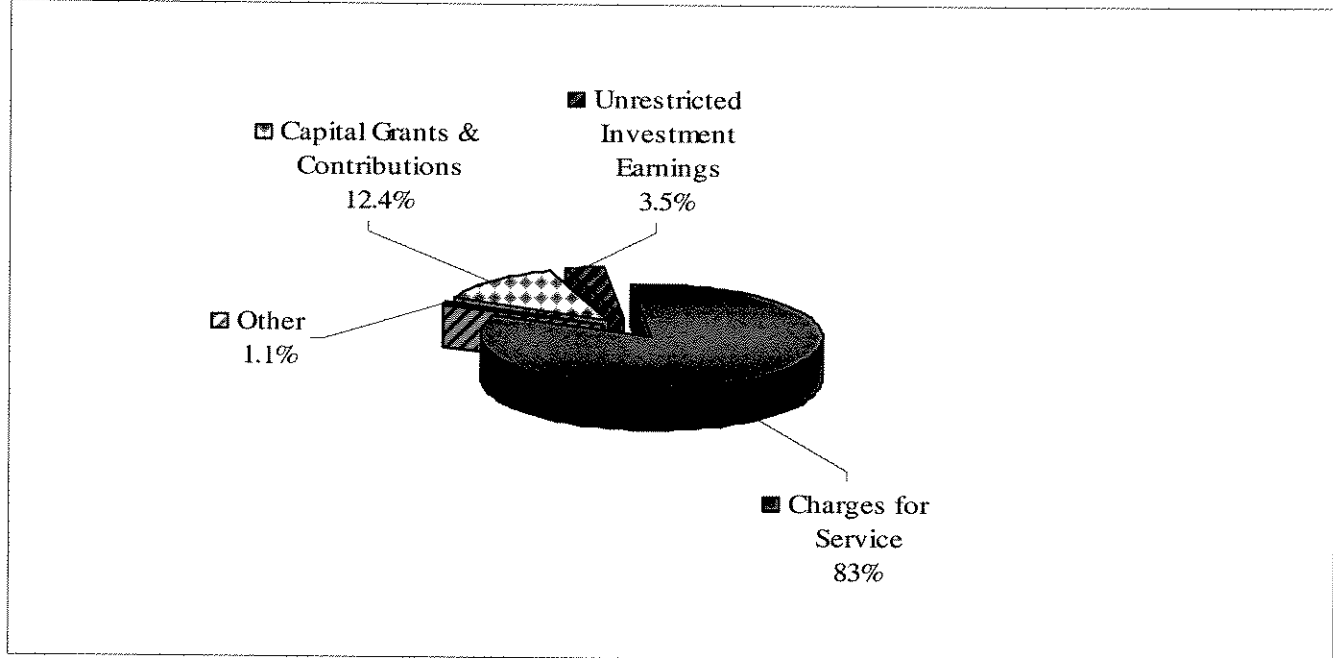
Expenses and Program Revenues-Business-type Activities



**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION 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 funds, 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 fund balance of \$ 6,122,455. This is a decrease of \$ 1,154,595 from the prior year. The primary reason for the decrease is the use of funds to complete capital projects included in the 2005 GO Issue.

The general fund is the chief operating fund of the City. At September 30, 2007, unreserved fund balance of the general fund was \$ 2,870,578. 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 28.7 percent of total general fund expenditures.

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

FINANCIAL ANALYSIS OF THE CITY 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 \$ 4,819,928 an increase of \$ 3,327,435. Unrestricted net assets for the Airport Fund reflected a deficit of (\$ 346,084). The total for the proprietary funds unrestricted net asset was \$ 4,473,844. The unrestricted net assets of the internal service funds were \$ 341,110.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2007, the City had \$ 75,762,331 invested in various capital assets, net of accumulated depreciation. Of the \$ 75,762,331 in capital assets, \$ 53,486,102 is invested in governmental activities and \$ 22,276,229 in business-type activities. Compared to last year, total capital assets increased \$ 4,951,217. Capital assets in the governmental activities increased \$ 3,351,359 or 7.1 percent from the prior year. The largest increase can be identified within the buildings and improvements line item with an increase of \$ 6,585,438 from the prior year. This is directly related to the decrease in construction in progress as projects were finished and reclassified. Capital assets in Business-type activities saw an overall increase of \$ 1,419,858.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2007. Additional information on the City's capital assets may be found in Note III-C on pages 55-57 of this report.

City of Taylor's Capital Assets (net of depreciation) (amounts expressed in thousands)						
	<u>Governmental activities</u> 2007 2006		<u>Business-type activities</u> 2007 2006		<u>Total</u> 2007 2006	
Land	\$ 2,235	\$ 1,880	\$ 1,296	\$ 419	\$ 3,531	\$ 2,299
Buildings and improvements	7,564	979	3,788	3,652	11,352	4,631
Machinery and equipment	1,065	901	200	361	1,265	1,262
Plant						
Distribution/Collection	-	-	15,262	15,292	15,262	15,292
Infrastructure	41,167	39,291	-	-	41,167	39,291
Construction in progress	1,455	6,904	1,730	1,132	3,185	8,036
Total	\$ 53,486	\$ 49,955	\$ 22,276	\$ 20,856	\$ 75,762	\$ 70,811

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

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At the end of the current fiscal year, the City of Taylor had a total bonded debt outstanding of \$ 27,989,480. This debt is 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 increased by \$ 2,998,830 during the current fiscal year, the key factor in this increase was the issuance of the certificate of obligation.

The following schedule shows the outstanding debt of the City (both current and long-term) for September 30, 2007. Further details can be found in Note III-F to the financial statement.

City of Taylor's Outstanding Debt						
(amounts expressed in thousands)						
	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 9,625	\$ 9,980	\$ -	\$ -	\$9,625	\$ 9,980
Refunding Bonds	1,347	1,414	378	396	1,725	1,810
Certificate of Obligation Bonds	2,145	2,141	10,954	7,332	13,099	9,473
Revenue Bonds	-	-	2,725	2,750	2,725	2,750
Other	794	959	22	19	816	978
Total	\$13,911	\$14,494	\$14,079	\$10,497	\$27,990	\$24,991

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 ANALYSIS**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- ❖ The unemployment for the City, according to Texas Workforce statistics, is 3.8% a decrease of 0.2% from last year.
- ❖ Economic trends in the region compare somewhat favorably with state and national indices.

The development of the City's budget is guided by several factors including the City's strategic plan, prevailing economic conditions and by the continuing need to provide basic and improved customer service for a growing community. The FY2007-08 budget was adopted by the City Council and adheres to City financial policies and goals, but also preserves the City's financial position while providing the best level of service to its citizens.

The City's expenditure for annual street maintenance for the fiscal year ended September 30, 2007 was \$ 375,984. The City has appropriated in the fiscal year 2007-08 budget \$ 800,000 for annual street maintenance and rehabilitation.

As a measure to remain competitive with other area municipalities, the FY2007-08 budget includes restructuring of the civil service pay scale for fire personnel and for police budgeted pay increases.

In the FY2007-08 budget, water and sewer rates will be increased by 10% for all customers. These rate increases are necessary to ensure that appropriate funding for water and wastewater projects and will provide the ability to finance the utility debt service.

The City of Taylor still continues to enjoy a slow but favorable economic environment, with local economic indicators such as increased tax appraisal values and sales tax receipts. Taylor' growth does create new challenges which must be addressed, and the Strategic Plan provides a framework for the future. Meeting these challenges takes financial resources, a Council vision directing the Strategic Plan, and a management team to implement it.

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

**CITY OF TAYLOR, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Taylor Economic Development
<u>ASSETS</u>				
Cash and cash equivalents	\$ 448,923	\$ 5,288	\$ 454,211	\$ 812,439
Investments	5,660,199	4,794,188	10,454,387	-
Receivables (net of allowances for uncollectibles)-				
Property taxes, including				
interest and penalties	191,287	-	191,287	-
Accounts & other	185,924	754,795	940,719	24,500
Internal balances	896,159	(896,159)	-	-
Inventories	-	92,180	92,180	-
Land held for investment	-	-	-	1,372,411
Restricted investments -				
Customer deposits	-	245,160	245,160	-
Deferred charges, net	125,756	-	125,756	-
Capital assets -				
Land and construction in progress	3,690,478	3,025,830	6,716,308	-
Capital assets, net of accumulated depreciation	49,795,624	19,250,399	69,046,023	21,873
Total assets	<u>\$ 60,994,350</u>	<u>\$ 27,271,681</u>	<u>\$ 88,266,031</u>	<u>\$ 2,231,223</u>

(continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Taylor Economic Development
<u>LIABILITIES</u>				
Accounts payable	\$ 672,169	\$ 100,631	\$ 772,800	\$ 5,140
Accrued payroll	162,303	5,710	168,013	3,826
Unearned revenue	37,783	-	37,783	-
Customer deposits	-	245,160	245,160	-
Accrued interest payable	84,240	79,605	163,845	-
Noncurrent liabilities:				
Due within one year	756,780	439,400	1,196,180	51,389
Due in more than one year	13,153,920	13,639,380	26,793,300	607,386
Total liabilities	14,867,195	14,509,886	29,377,081	667,741
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	39,767,186	8,139,761	47,906,947	21,873
Restricted for:				
Investments	-	-	-	1,372,411
Debt service	162,681	-	162,681	-
Construction	1,954,321	-	1,954,321	-
Cemetery	973,817	-	973,817	-
Unrestricted	3,269,150	4,622,034	7,891,184	169,198
Total net assets	\$ 46,127,155	\$ 12,761,795	\$ 58,888,950	\$ 1,563,482

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 3,791,089	\$ 3,132,354	\$ -	\$ -
Public safety	4,043,066	331,605	-	-
Public works	3,422,645	-	-	1,335,302
Interest on long-term debt	655,537	-	-	-
Total governmental activities	<u>11,912,337</u>	<u>3,463,959</u>	<u>-</u>	<u>1,335,302</u>
Business-type activities:				
Public utilities fund	5,820,213	5,141,474	-	825,814
Airport fund	421,971	387,224	-	-
Total business-type activities	<u>6,242,184</u>	<u>5,528,698</u>	<u>-</u>	<u>825,814</u>
Total primary government	<u>\$ 18,154,521</u>	<u>\$ 8,992,657</u>	<u>\$ -</u>	<u>\$ 2,161,116</u>
Component Unit:				
Taylor Economic Development	\$ 635,315	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 635,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Taylor Economic Development
\$ (658,735)	\$ -	\$ (658,735)	\$ -
(3,711,461)	-	(3,711,461)	-
(2,087,343)	-	(2,087,343)	-
(655,537)	-	(655,537)	-
<u>(7,113,076)</u>	<u>-</u>	<u>(7,113,076)</u>	<u>-</u>
-	147,075	147,075	-
-	(34,747)	(34,747)	-
<u>-</u>	<u>112,328</u>	<u>112,328</u>	<u>-</u>
<u>(7,113,076)</u>	<u>112,328</u>	<u>(7,000,748)</u>	<u>-</u>
-	-	-	(635,315)
<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (635,315)</u>
5,183,652	-	5,183,652	-
719,411	-	719,411	-
3,431,242	-	3,431,242	1,143,746
81,482	-	81,482	-
446,973	233,859	680,832	33,595
248,316	70,854	319,170	4,012
<u>10,111,076</u>	<u>304,713</u>	<u>10,415,789</u>	<u>1,181,353</u>
2,998,000	417,041	3,415,041	546,038
43,129,155	11,656,088	54,785,243	1,017,444
-	688,666	688,666	-
<u>\$ 46,127,155</u>	<u>\$ 12,761,795</u>	<u>\$ 58,888,950</u>	<u>\$ 1,563,482</u>

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2007**

	General Fund	Capital Project Fund	2005 GO Issue
<u>ASSETS</u>			
Cash and cash equivalents	\$ 216,237	\$ 4,955	\$ -
Investments	2,972,416	280,140	-
Receivables (net of allowances for uncollectibles) -			
Property taxes	148,131	-	-
Accounts and other	185,924	-	-
Interfund receivables	327,548	25,968	10,635
Total assets	<u>\$ 3,850,256</u>	<u>\$ 311,063</u>	<u>\$ 10,635</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities-			
Accounts payable	\$ 629,490	\$ -	\$ 10,635
Accrued payroll	162,303	-	-
Interfund payables	1,971	-	-
Unearned revenue	185,914	-	-
Total liabilities	<u>979,678</u>	<u>-</u>	<u>10,635</u>
Fund balances -			
Reserved for debt service	-	-	-
Reserved for construction	-	311,063	-
Reserved for cemetery	-	-	-
Unreserved, reported in-			
General fund	2,870,578	-	-
Special revenue funds	-	-	-
Total fund balances	<u>2,870,578</u>	<u>311,063</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,850,256</u>	<u>\$ 311,063</u>	<u>\$ 10,635</u>

General Capital Improvements	I & S For CO Bonds	Other Funds	Total Governmental Funds
\$ 227,310	\$ -	\$ 421	\$ 448,923
1,312,478	42,249	1,052,916	5,660,199
-	43,156	-	191,287
-	-	-	185,924
74,390	120,432	173,800	732,773
<u>\$ 1,614,178</u>	<u>\$ 205,837</u>	<u>\$ 1,227,137</u>	<u>\$ 7,219,106</u>

\$ 19,853	\$ -	\$ 80	\$ 660,058
-	-	-	162,303
-	-	43,249	45,220
-	43,156	-	229,070
<u>19,853</u>	<u>43,156</u>	<u>43,329</u>	<u>1,096,651</u>

-	162,681	-	162,681
1,594,325	-	48,933	1,954,321
-	-	973,817	973,817
-	-	-	2,870,578
-	-	161,058	161,058
<u>1,594,325</u>	<u>162,681</u>	<u>1,183,808</u>	<u>6,122,455</u>
<u>\$ 1,614,178</u>	<u>\$ 205,837</u>	<u>\$ 1,227,137</u>	<u>\$ 7,219,106</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, 2007

Total Fund Balances - Governmental Funds	\$ 6,122,455
<p>The City uses internal service funds to charge the costs of certain activities, such as the equipment service fund, equipment replacement fund, and civil service sick leave to appropriate functions in other governmental funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect is to increase net assets.</p>	
	571,881
<p>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 \$ 56,617,166 and the accumulated depreciation was \$ 6,662,423. 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.</p>	
	35,160,445
<p>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 2007 capital outlays and debt principal payments is to increase net assets.</p>	
	5,856,304
<p>The 2007 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.</p>	
	(1,753,253)
<p>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.</p>	
	<u>169,323</u>
Net Assets of Governmental Activities	<u><u>\$ 46,127,155</u></u>

The accompanying notes are an integral part of this statement.

CITY OF TAYLOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Fund	Capital Project Fund	2005 GO Issue
Revenues:			
Property taxes	\$ 3,808,857	\$ -	\$ -
Sales taxes	3,431,242	-	-
Franchise tax	719,411	-	-
Hotel occupancy tax	-	-	-
Penalties and interest on taxes	56,317	-	-
Licenses, permits and fees	160,260	-	-
Charges for services	2,092,262	-	-
Fines and forfeitures	331,605	-	-
Intergovernmental	461,023	798,558	-
Other revenues	192,798	15,623	-
Investment earnings	206,279	17,662	26,078
Total revenues	<u>11,460,054</u>	<u>831,843</u>	<u>26,078</u>
Expenditures:			
Current:			
General government	2,670,926	-	-
Public safety	3,790,923	-	-
Public works	3,238,648	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	301,729	943,904	2,276,134
Total expenditures	<u>10,002,226</u>	<u>943,904</u>	<u>2,276,134</u>
Excess (deficiency) of revenues over expenditures	<u>1,457,828</u>	<u>(112,061)</u>	<u>(2,250,056)</u>
Other financing sources (uses):			
Bond proceeds	-	-	200,000
Transfers in	35,536	100	-
Transfers out	(346,100)	-	-
Total other financing sources (uses)	<u>(310,564)</u>	<u>100</u>	<u>200,000</u>
Net changes in fund balances	<u>1,147,264</u>	<u>(111,961)</u>	<u>(2,050,056)</u>
Fund balances, beginning of year	<u>1,723,314</u>	<u>423,024</u>	<u>2,050,056</u>
Fund balances, end of year	<u><u>\$ 2,870,578</u></u>	<u><u>\$ 311,063</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

General Capital Improvements	I & S for CO Bonds	Other Funds	Total Governmental Funds
\$ -	\$ 1,295,209	\$ 21,750	\$ 5,125,816
-	-	-	3,431,242
-	-	-	719,411
-	-	81,482	81,482
-	-	-	56,317
-	-	-	160,260
-	-	33,614	2,125,876
-	-	-	331,605
61,772	-	13,949	1,335,302
-	-	39,895	248,316
120,252	29,371	47,331	446,973
182,024	1,324,580	238,021	14,062,600
-	6,425	95,209	2,772,560
-	-	-	3,790,923
-	-	-	3,238,648
-	712,590	25,021	737,611
-	633,982	-	633,982
676,220	-	15,484	4,213,471
676,220	1,352,997	135,714	15,387,195
(494,196)	(28,417)	102,307	(1,324,595)
-	-	-	200,000
316,000	-	-	351,636
-	-	(35,536)	(381,636)
316,000	-	(35,536)	170,000
(178,196)	(28,417)	66,771	(1,154,595)
1,772,521	191,098	1,117,037	7,277,050
\$ 1,594,325	\$ 162,681	\$ 1,183,808	\$ 6,122,455



**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, 2007**

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

Net Change in Fund Balances - Total Governmental Funds	\$ (1,154,595)
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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.	69,989
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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 2007 capital outlays and debt principal payments is to increase net assets.	5,856,304
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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.	(1,753,253)
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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.	<u>(20,445)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 2,998,000</u></u>
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The accompanying notes are an integral part of this statement.



CITY OF TAYLOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	\$ 3,981,439	\$ 3,826,201	\$ 3,808,857	(17,344)
Sales taxes	2,200,000	2,913,594	3,431,242	517,648
Franchise tax	812,120	797,556	719,411	(78,145)
Penalties and interest on taxes	52,000	52,000	56,317	4,317
Licenses, permits and fees	167,200	160,200	160,260	60
Charges for services	2,108,650	1,867,050	2,092,262	225,212
Fines and forfeitures	297,300	320,452	331,605	11,153
Intergovernmental	111,000	137,596	461,023	323,427
Other revenues	221,200	210,977	192,798	(18,179)
Investment earnings	139,000	191,000	206,279	15,279
Total revenues	10,089,909	10,476,626	11,460,054	983,428
Expenditures:				
Current:				
General government	2,736,384	2,980,250	2,670,926	309,324
Public safety	3,852,194	4,090,180	3,790,923	299,257
Public works	3,501,331	3,406,196	3,238,648	167,548
Capital outlay	-	-	301,729	(301,729)
Total expenditures	10,089,909	10,476,626	10,002,226	474,400
Excess of revenues over expenditures	-	-	1,457,828	1,457,828
Other financing sources (uses):				
Transfers in	-	-	35,536	35,536
Transfers out	-	-	(346,100)	(346,100)
Total other financing sources (uses)	-	-	(310,564)	(310,564)
Net change in fund balance	-	-	1,147,264	1,147,264
Fund balance, beginning of year	1,723,314	1,723,314	1,723,314	-
Fund balance, end of year	\$ 1,723,314	\$ 1,723,314	\$ 2,870,578	\$ 1,147,264

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007**

	Business-Type Activities Enterprise Funds			Governmental Activities
	Public	Airport		Internal
<u>ASSETS</u>	<u>Utilities Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Service Funds</u>
Current assets:				
Cash and cash equivalents	\$ 5,288	\$ -	\$ 5,288	\$ -
Investments	4,794,188	-	4,794,188	-
Restricted investments:				
Customer deposits	245,160	-	245,160	-
Customer receivables (net of allowance for uncollectibles) -	745,213	9,582	754,795	-
Interfund receivables	-	-	-	356,796
Inventories	92,180	-	92,180	-
Total current assets	<u>5,882,029</u>	<u>9,582</u>	<u>5,891,611</u>	<u>356,796</u>
Noncurrent assets:				
Capital Assets:				
Land and construction in progress	2,165,997	859,833	3,025,830	-
Capital assets being depreciated	16,480,402	2,769,997	19,250,399	571,825
Total noncurrent assets	<u>18,646,399</u>	<u>3,629,830</u>	<u>22,276,229</u>	<u>571,825</u>
Total assets	<u>\$ 24,528,428</u>	<u>\$ 3,639,412</u>	<u>\$ 28,167,840</u>	<u>\$ 928,621</u>

	Business-Type Activities Enterprise Funds			Governmental Activities
	Public Utilities Fund	Airport Fund	Total	Internal Service Funds
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 98,310	\$ 2,321	\$ 100,631	\$ 12,111
Accrued payroll	5,710	-	5,710	-
Accrued interest	77,417	2,188	79,605	-
Interfund payables	693,192	351,157	1,044,349	-
Customer deposits	245,160	-	245,160	-
Bonds payable- current	419,690	19,710	439,400	-
Capital lease payable- current	-	-	-	34,933
Total current liabilities	<u>1,539,479</u>	<u>375,376</u>	<u>1,914,855</u>	<u>47,044</u>
Noncurrent liabilities:				
Accrued compensated absences payable	21,917	-	21,917	3,575
Capital lease payable	-	-	-	157,931
Bonds payable	13,259,398	358,065	13,617,463	-
Total noncurrent liabilities	<u>13,281,315</u>	<u>358,065</u>	<u>13,639,380</u>	<u>161,506</u>
Total liabilities	<u>14,820,794</u>	<u>733,441</u>	<u>15,554,235</u>	<u>208,550</u>
Net assets:				
Invested in capital assets, net of related debt	4,887,706	3,252,055	8,139,761	378,961
Unrestricted	<u>4,819,928</u>	<u>(346,084)</u>	<u>4,473,844</u>	<u>341,110</u>
Total net assets	<u>\$ 9,707,634</u>	<u>\$ 2,905,971</u>	<u>12,613,605</u>	<u>\$ 720,071</u>
Reconciliation to government-wide statement of net assets:				
Adjustment to reflect the cumulative net profit of the internal service fund that was allocated to enterprise fund functions.			148,190	
Net assets of business-type activities			<u>\$ 12,761,795</u>	

The accompanying notes are an integral part of this statement.



CITY OF TAYLOR, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business-Type Activities- Enterprise Funds			Governmental Activities
	Public Utilities Fund	Airport Fund	Total	Internal Service Funds
Operating revenues -				
Charges for Service	\$ -	\$ -	\$ -	\$ 869,548
Charges for Water Services	3,128,401	-	3,128,401	-
Charges for Sewerage Service	1,989,743	-	1,989,743	-
Charges for Airport Services	-	387,224	387,224	-
Rents and Royalties	36,000	-	36,000	-
Other Revenue	34,854	-	34,854	-
Total operating revenues	5,188,998	387,224	5,576,222	869,548
Operating expenses -				
Personnel services	1,169,598	26,829	1,196,427	111,079
Contractual services	718,295	255,900	974,195	477,785
Supplies	1,598,130	31,500	1,629,630	-
Purchased professional and technical services	760,092	-	760,092	-
Depreciation	899,490	89,595	989,085	174,178
Total operating expenses	5,145,605	403,824	5,549,429	763,042
Operating income (loss)	43,393	(16,600)	26,793	106,506
Non-operating revenues (expenses) -				
Contributions from developers	825,814	-	825,814	-
Loss on sale of assets	(80,076)	-	(80,076)	(33,437)
Investment Earnings	233,859	-	233,859	-
Interest Expense	(594,532)	(18,147)	(612,679)	(9,750)
Total Non-operating revenues (expenses)	385,065	(18,147)	366,918	(43,187)
Income (loss) before transfers	428,458	(34,747)	393,711	63,319
Transfers in	-	-	-	30,000
Change in net assets	428,458	(34,747)	393,711	93,319
Total Net Assets - beginning of year	9,279,176	2,252,052	11,531,228	626,752
Prior Period Adjustment	-	688,666	688,666	-
Total Net Assets - end of year	<u>\$ 9,707,634</u>	<u>\$ 2,905,971</u>	<u>\$ 12,613,605</u>	<u>\$ 720,071</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			23,330	
Change in net assets of business-type activities			<u>\$ 417,041</u>	

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Business Type Activities- Enterprise Funds			Governmental Activities
	Public Utilities Fund	Airport Fund	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from user charges	\$ 5,205,699	\$ 384,566	\$ 5,590,265	\$ -
Cash received from other funds for services provided	-	-	-	902,985
Cash received from others	70,854	-	70,854	-
Cash payments to suppliers	(2,970,669)	(286,183)	(3,256,852)	(634,367)
Cash payments to employees	(1,168,135)	(26,829)	(1,194,964)	(109,795)
Net cash provided by operating activities	<u>1,137,749</u>	<u>71,554</u>	<u>1,209,303</u>	<u>158,823</u>
Cash flows from noncapital financing activities:				
(Increase) decrease in amounts due to/from other funds	(29,118)	6,718	(22,400)	81,570
Transfers from other funds	-	-	-	30,000
Net cash provided (used) by noncapital financing activities	<u>(29,118)</u>	<u>6,718</u>	<u>(22,400)</u>	<u>111,570</u>
Cash flows from capital and related financing activities:				
Receipts of capital contributions	825,814	-	825,814	-
Acquisition and construction of capital assets, net of disposals	(1,837,933)	(42,496)	(1,880,429)	(206,971)
Issuance of debt	4,000,000	-	4,000,000	-
Principal paid on debt	(402,337)	(18,615)	(420,952)	(57,020)
Interest and fiscal charges paid	(576,069)	(18,256)	(594,325)	(9,750)
Net cash provided (used) by capital and related financing activities	<u>2,009,475</u>	<u>(79,367)</u>	<u>1,930,108</u>	<u>(273,741)</u>
Cash flows from investing activities:				
Net purchase of investments	(3,398,596)	-	(3,398,596)	-
Investment and other income	<u>233,859</u>	<u>-</u>	<u>233,859</u>	<u>-</u>
Net cash used by investing activities	<u>(3,164,737)</u>	<u>-</u>	<u>(3,164,737)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(46,631)	(1,095)	(47,726)	(3,348)
Cash and cash equivalents at beginning of year	<u>51,919</u>	<u>1,095</u>	<u>53,014</u>	<u>3,348</u>
Cash and cash equivalents at end of year	<u>\$ 5,288</u>	<u>\$ -</u>	<u>\$ 5,288</u>	<u>\$ -</u>

(Continued)

CITY OF TAYLOR, TEXAS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities
	Public Utilities Fund	Airport Fund	Total	Internal Service Funds
<u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>				
Operating income (loss)	\$ 43,393	\$ (16,600)	\$ 26,793	\$ 106,506
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	899,490	89,595	989,085	174,178
Loss on disposal of assets	80,076	-	80,076	33,437
(Increase) decrease in receivables	7,479	(2,658)	4,821	-
Decrease in inventories	50,310	-	50,310	-
Increase (decrease) in accounts payable	55,538	1,217	56,755	(156,582)
Increase in accrued payroll	1,463	-	1,463	1,284
Total adjustments	1,094,356	88,154	1,182,510	52,317
Net cash provided by operating activities	<u>\$ 1,137,749</u>	<u>\$ 71,554</u>	<u>\$ 1,209,303</u>	<u>\$ 158,823</u>

The accompanying notes are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

**CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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, 2007

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, 2007

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 government-wide financial statements. The expenditures that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the City as a whole.

C. GOVERNMENTAL FUND TYPES

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

General Fund - The General Fund 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, 2007

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, Dickey Street drainage and Meadow Lane inlets.

General Capital Improvements – The general capital improvements fund is used to account for the following major construction and acquisition projects: downtown streetscape, home program, Robinson Park, Murphy Park, East Williamson County Regional Park, and Bull Ranch hike and bike.

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

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, 2007

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, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. BASIS OF ACCOUNTING (CONTINUED)

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, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

H. 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.

I. 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 \$ 5,000 and a useful life of at least 1 year. Contributed assets are recorded at the estimated fair market value at the time received.

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

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

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

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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.

K. 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.

L. 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, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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.

N. 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.

O. 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.

P. RECLASSIFICATIONS

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

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 \$ 346,084 at September 30, 2007. The Equipment Services fund had a net assets deficit of \$ 1,273 at September 30, 2007.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

Additional Contractual Provisions governing deposits and investments are as follows:

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

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

As of September 30, 2007, the City's deposit balances were as follows:

	Primary Government	Component Unit	Total Reporting Entity
1. Insured (FDIC) collateralized with securities held by entity's agent in the entity's name	\$ 960,459	\$ 804,317	\$ 1,764,776
2. Uninsured, collateralized with securities held by pledging financial institution's agent in the entity's name	-	-	-
3. Uninsured and uncollateralized	-	52,009	52,009
Total Deposits	<u>\$ 960,459</u>	<u>\$ 856,326</u>	<u>\$ 1,816,785</u>
Carrying Amount	<u>\$ 454,211</u>	<u>\$ 812,439</u>	<u>\$ 1,266,650</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 fully collateralized during the year for deposits.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

As of September 30, 2007, the City had the following investments:

	Carrying Amount	Fair Value
<u>Primary Government</u>		
U. S. Treasury obligations	\$ 278,805	\$ 278,805
Mutual Funds	57,393	57,393
U. S. Government Bonds	2,405,769	2,405,769
Investment Pools:		
MBIA	135,512	135,512
TexPool	3,172,175	3,172,175
TexSTAR	4,649,893	4,649,893
Total investment in pools:	<u>\$ 7,957,580</u>	<u>\$ 7,957,580</u>
Total investments	<u><u>\$ 10,699,547</u></u>	<u><u>\$ 10,699,547</u></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, 2007

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.

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

Concentration Risk – The City invests only in pools and U. S. Government Securities. State law authorizes the City to invest in obligations of the United States government and its agencies, commercial paper and certificates of deposit of any state or federally chartered bank. All investments made in 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, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 was as follows:

	<u>October 1, 2006</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>September 30, 2007</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,879,916	\$ 744,081	\$ (388,528)	\$ 2,235,469
Construction in progress	6,904,140	4,229,440	(9,678,571)	1,455,009
Total capital assets not being depreciated	8,784,056	4,973,521	(10,067,099)	3,690,478
Capital assets being depreciated:				
Streets and bridges	38,320,615	3,058,459	-	41,379,074
Parks and Dams	2,659,805	-	-	2,659,805
Sidewalks, Curbs and Gutters	1,069,350	-	-	1,069,350
Buildings and improvements	1,689,354	6,920,465	(156,480)	8,453,339
Operating Equipment	3,203,237	623,047	(445,604)	3,380,680
Equipment in Internal Service Funds	890,749	191,484	(105,863)	976,370
Total capital assets being depreciated	47,833,110	10,793,455	(707,947)	57,918,618
Less accumulated depreciation for:				
Streets and bridges	3,097,782	1,042,732	-	4,140,514
Parks and Dams	160,271	78,565	-	238,836
Sidewalks, Curbs and Gutters	106,902	26,734	-	133,636
Buildings and improvements	710,500	222,624	(44,077)	889,047
Operating Equipment	2,302,125	382,598	(368,307)	2,316,416
Equipment in Internal Service Funds	284,843	174,178	(54,476)	404,545
Total accumulated depreciation	6,662,423	1,927,431	(466,860)	8,122,994
Total capital assets being depreciated, net	41,170,687	8,866,024	(241,087)	49,795,624
Governmental activities capital assets, net	<u>\$ 49,954,743</u>	<u>\$ 13,839,545</u>	<u>\$(10,308,186)</u>	<u>\$ 53,486,102</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

	October 1, 2006	Additions/ Completions	Retirements/ Adjustments	September 30, 2007
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 418,811	\$ 942,362	\$ (64,887)	\$ 1,296,286
Construction in progress	1,131,794	1,917,954	(1,320,204)	1,729,544
Total capital assets not being depreciated	1,550,605	2,860,316	(1,385,091)	3,025,830
Capital assets being depreciated:				
Plant distribution and collection	23,341,677	1,100,969	(455,739)	23,986,907
Buildings	3,068,006	316,081	(45,676)	3,338,411
Runway	2,003,709	-	-	2,003,709
Equipment	1,184,420	19,379	(129,112)	1,074,687
Total capital assets being depreciated	29,597,812	1,436,429	(630,527)	30,403,714
Less accumulated depreciation for:				
Plant distribution and collection	8,049,490	715,378	(40,169)	8,724,699
Buildings	1,248,680	96,984	(12,591)	1,333,073
Runway	170,521	50,093	-	220,614
Equipment	823,355	126,630	(75,056)	874,929
Total accumulated depreciation	10,292,046	989,085	(127,816)	11,153,315
Total capital assets being depreciated, net	19,305,766	447,344	(502,711)	19,250,399
Business-type activities capital assets, net	<u>\$ 20,856,371</u>	<u>\$ 3,307,660</u>	<u>\$ (1,887,802)</u>	<u>\$ 22,276,229</u>

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

Governmental activities:	
General government	\$ 693,875
Public safety	713,149
Public works	520,407
Total depreciation expense-governmental activities	<u>\$ 1,927,431</u>
Business-type activities:	
Public Utilities Fund	\$ 899,490
Airport Fund	89,595
Total depreciation expense-business-type activities	<u>\$ 989,085</u>

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.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

Changes in capital assets for the Taylor Economic Development Corporation for the year ended September 30, 2007 are as follows:

	October 1, 2006	Additions	September 30, 2007
Office Equipment	\$ 37,113	\$ 6,275	\$ 43,388
Less accumulated depreciation	(17,031)	(4,484)	(21,515)
	<u>\$ 20,082</u>	<u>\$ 1,791</u>	<u>\$ 21,873</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 Loan	Pooled Cash	Other	Total
Receivables:				
Major Funds:				
General Fund	\$ 299,488	\$ 28,060	\$ -	\$ 327,548
Capital Project Funds	-	25,968	-	25,968
I&S For CO Bonds	-	118,461	-	118,461
2005 GO Issue	-	10,635	-	10,635
General Capital Improvements	-	74,390	-	74,390
Nonmajor funds:				
Hotel/Motel Fund	-	17,420	-	17,420
Texas Capital Fund	-	6,337	-	6,337
Main Street Revenue Fund	-	24,371	-	24,371
Cemetery Land Purchases	-	35,351	-	35,351
Municipal Court Special Fee	-	41,388	-	41,388
I&S General Government Debt				
Service Fund	-	-	1,971	1,971
2003 CO Capital Project Fund	-	48,933	-	48,933
Equipment Services Fund	-	13,813	-	13,813
Equipment Replacement Fund	-	274,332	-	274,332
Civil Service Sick Leave Fund	-	68,651	-	68,651
Total Due From Other Funds	<u>\$ 299,488</u>	<u>\$ 788,110</u>	<u>\$ 1,971</u>	<u>\$ 1,089,569</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. INTERFUND ACTIVITIES (CONTINUED)

	Interfund Loan	Pooled Cash	Other	Total
Payables:				
Major Funds:				
General Fund	\$ -	\$ -	\$ 1,971	\$ 1,971
Nonmajor Funds:				
Public Utilities Fund	-	693,192	-	693,192
Airport Fund	299,488	51,669	-	351,157
Cemetery Permanent Fund	-	43,249	-	43,249
Total Due to Other Funds	<u>\$ 299,488</u>	<u>\$ 788,110</u>	<u>\$ 1,971</u>	<u>\$ 1,089,569</u>

Interfund receivables (payables) between the General Fund and the Airport Fund represent short term loans to be repaid with future operating revenues. These are expected to be repaid in the current year.

	Transfers In	Transfers Out
General Fund -		
Civil Service Sick Leave Fund	\$ -	\$ 30,000
Police Donation Fund	5,536	-
Cemetery Permanent Fund	30,000	-
Major 2005 Capital Project Fund	-	100
Major General Capital Improvements	-	316,000
	<u>35,536</u>	<u>346,100</u>
Cemetery Permanent Fund-		
General Fund	-	30,000
Police Donation Fund		
General Fund	-	5,536
Civil Service Sick Leave Fund		
General Fund	30,000	-
Major Capital Project Fund-		
General Fund	100	-
Major General Capital Improvements		
General Fund	316,000	-
	<u>\$ 381,636</u>	<u>\$ 381,636</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, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2007, in the Statement of Net Assets were as follows:

	Property (Net of Allowance)	Accounts and Other	Total Receivables
General Fund	\$ 148,131	\$ 185,924	\$ 334,055
Capital Project Fund	-	-	-
2005 GO Issue	-	-	-
General Capital Improvements	-	-	-
I & S for CO Bonds	43,156	-	43,156
Nonmajor Governmental Funds	-	-	-
Public Utilities Fund	-	745,213	745,213
Airport Fund	-	9,582	9,582
Total	<u>\$ 191,287</u>	<u>\$ 940,719</u>	<u>\$ 1,132,006</u>

Payables at September 30, 2007, in the Statement of Net Assets were as follows:

	Accounts Payable	Accrued Payroll	Deposits	Accrued Interest	Total Payables
General Fund	\$ 629,490	\$ 162,303	\$ -	\$ 84,240	\$ 876,033
2005 GO Issue	10,635	-	-	-	10,635
General Capital Improvements	19,853	-	-	-	19,853
Nonmajor Governmental Funds	80	-	-	-	80
Internal Service Fund	12,111	-	-	-	12,111
Public Utilities Fund	98,310	5,710	245,160	77,417	426,597
Airport Fund	2,321	-	-	2,188	4,509
Total	<u>\$ 772,800</u>	<u>\$ 168,013</u>	<u>\$ 245,160</u>	<u>\$ 163,845</u>	<u>\$ 1,349,818</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

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, 2007:

	Balance October 1, 2006	Additions	Retirements	Balance September 30, 2007	Due within one year
<u>Governmental Activities</u>					
General obligation bonds	\$ 11,693,610	\$ -	\$ (516,385)	\$ 11,177,225	\$ 510,290
Certificates of Obligation	2,141,063	200,000	(196,205)	2,144,858	136,537
Texas Department of Commerce Obligation	270,506	-	(25,021)	245,485	25,020
LaSalle Bank Capital Lease	249,884	-	(57,020)	192,864	34,933
Compensated absences	136,534	10,159	-	146,693	50,000
Compensated absences -internal service fund	2,291	1,284	-	3,575	-
Total governmental activities	<u>14,493,888</u>	<u>211,443</u>	<u>(794,631)</u>	<u>13,910,700</u>	<u>756,780</u>
<u>Business-Type Activities</u>					
Combination Tax and Revenue Bonds	10,081,425	4,000,000	(402,337)	13,679,088	419,690
General obligation bonds	396,390	-	(18,615)	377,775	19,710
Compensated absences	18,947	2,970	-	21,917	-
Total business-type activities	<u>10,496,762</u>	<u>4,002,970</u>	<u>(420,952)</u>	<u>14,078,780</u>	<u>439,400</u>
Total primary government	<u>\$ 24,990,650</u>	<u>\$ 4,214,413</u>	<u>\$ (1,215,583)</u>	<u>\$ 27,989,480</u>	<u>\$ 1,196,180</u>
<u>Component Unit</u>					
Real estate lien notes					
First State Bank	\$ 102,109	\$ -	\$ (102,109)	\$ -	\$ -
JP Morgan Chase Note	731,737	-	(72,962)	658,775	51,389
	<u>\$ 833,846</u>	<u>\$ -</u>	<u>\$ (175,071)</u>	<u>\$ 658,775</u>	<u>\$ 51,389</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, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Long-term debt at September 30, 2007 is comprised of the following:

	Governmental Type Activities	Business - Type 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%	\$ 2,790,000	\$ -
\$ 2,400,000 General Obligation Bonds, Series 2000, due in annual installments through 2020, interest at 4.9% to 5.5%	1,875,000	-
\$ 1,604,955 General Obligation Refunding and Improvement Bonds, Series 2002, due in annual installments through 2022, interest at 4.25% to 5%	1,347,225	-
\$ 640,000 Limited Tax Notes, due in annual installments through 2009, interest at 4%	205,000	-
\$ 5,100,000 General Obligation Bonds, Series 2005, due in installments through 2025, interest at 3%-4.3%	4,960,000	
\$ 450,545 General Obligation Refunding and Improvement Bonds, Series 2002, due in annual installments through 2022, interest at 4.25%-5.00%	-	377,775
Total General Obligation bonds	<u>\$ 11,177,225</u>	<u>\$ 377,775</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

	Governmental Type Activities	Business - Type Activities
Combination Tax and Revenue/Certificates of Obligation:		
\$ 750,000 Combination Tax and Revenue Certificates of Obligation, Series 1999, due in annual installments through 2014, interest at 5.46%	\$ 423,946	\$ -
\$ 3,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2000, due in annual installments through 2010, interest at 4.9% - 5.5%	242,252	-
\$ 4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through 2023, interest at 2.5% - 4.65%	1,353,660	-
\$3,100,000 Combination Tax and Revenue Certificates of Obligation, Series 1999, due in annual installments through 2015, interest at 2.7% - 4.45%	-	1,975,000
\$ 2,950,000 Waterworks and Sewer System Revenue Bonds, Series 1997, due in annual installments through 2017, interest at 3.16% -4.41%	-	2,725,000
\$ 3,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2000, due in annual installments through 2020, interest at 4.9% - 5.5%	-	2,482,748
\$ 4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through 2023, interest at 2.50% to 4.65%	-	2,496,340
\$ 4,200,000 Combination Tax and Revenue Certificates of Obligation, Series 2006, due in annual installments through 2026, interest at 4.45%	125,000	4,000,000
Total Combination Tax and Revenue/Certificates of Obligation	<u>2,144,858</u>	<u>13,679,088</u>
Texas Department of Commerce:		
\$ 499,931 Obligation to the Texas Department of Commerce Texas Capital Fund, due in monthly installments of \$ 2,083 through January 2017	245,485	-
Capital Lease Payable:		
\$ 507,323 Capital Lease Payable to LaSalle Bank, due in semi-annual installments through 2010, interest at 4%	192,864	-
Compensated absences	150,268	21,917
Total Debt	<u>\$ 13,910,700</u>	<u>\$ 14,078,780</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

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, 2007, including interest, are as follows:

General Obligation Bonds

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
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	652,005	201,795	22,995	6,961	883,756
2013-2017	3,742,505	772,146	132,495	26,525	4,673,671
2018-2022	3,212,030	342,713	137,970	9,897	3,702,610
2023-2025	1,310,000	49,232	-	-	1,359,232
Total	<u>\$ 11,177,225</u>	<u>\$ 2,302,654</u>	<u>\$ 377,775</u>	<u>\$ 75,808</u>	<u>\$ 13,933,462</u>

Certificates of Obligation

Year Ending September 30	Governmental Activities		Business - type Activities		Total
	Principal	Interest	Principal	Interest	
2008	\$ 136,537	\$ 52,162	\$ 419,690	\$ 398,667	\$ 1,007,056
2009	141,576	48,802	437,488	389,755	1,017,621
2010	153,973	45,245	463,083	380,311	1,042,612
2011	159,334	41,248	825,880	370,102	1,396,564
2012	167,070	37,065	861,475	351,965	1,417,575
2013-2017	701,706	124,574	3,149,608	1,454,718	5,430,606
2018-2022	570,392	52,393	4,861,132	916,770	6,400,687
2023-2026	114,270	2,660	2,660,732	289,033	3,066,695
Total	<u>\$ 2,144,858</u>	<u>\$ 404,149</u>	<u>\$ 13,679,088</u>	<u>\$ 4,551,321</u>	<u>\$ 20,779,416</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Capital Lease Payable

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2008	\$ 34,933	\$ 7,592	\$ 42,525
2009	61,418	5,352	66,770
2010	63,743	3,028	66,771
2011	32,770	614	33,384
Total	<u>\$ 192,864</u>	<u>\$ 16,586</u>	<u>\$ 209,450</u>

Notes Payable

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2008	\$ 25,020	\$ -	\$ 25,020
2009	25,020	-	25,020
2010	25,020	-	25,020
2011	25,020	-	25,020
2012	25,020	-	25,020
2013-2017	120,385	-	120,385
Total	<u>\$ 245,485</u>	<u>\$ -</u>	<u>\$ 245,485</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, 2007.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. PRIOR YEAR ADJUSTMENT

The business-type activities' Airport Fund was restated to reflect contributions of capital assets as a result of reconciling to the tax roles.

Net Assets, beginning of year, as previously reported	\$ 2,252,052
Capital assets additions previously not recorded	<u>688,666</u>
Net Assets, beginning of year, as restated	<u><u>\$ 2,940,718</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 provide post-employment healthcare benefits to those mandated by COBRA. But also for full-time City employees who retire from the City under the TMRS on or after January 1, 2000, and who are covered by the City's group hospitalization and medical insurance at the time of retirement, will be eligible to receive HMO or PPO hospitalization and medical insurance provided by the City to its employees, from the date of retirement until the fifth (5th) anniversary date after retirement. The City will pay the full premiums for the HMO or PPO insurance coverage for any retiree who retired between January 1, 2000 and August 11, 2005 until the fifth (5th) anniversary after retirement unless any one of the three events listed below, also pertaining to retirement after August 11, 2005, occurs.

Employees retiring after August 11, 2005, shall not receive full premium payment from the City. The City will pay only the premium amount paid by the City for its active employees provided the retirees pays the difference.

1. the retiree attains the age 65, or
2. the retiree becomes eligible for hospitalization and medical insurance coverage by virtue of other employment, or
3. the retiree becomes eligible for disability retirement provided by the Federal Government.

**CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007**

IV. OTHER INFORMATION (CONTINUED)

A. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Post-employment Healthcare Benefits (Continued)

In the event any of the conditions set forth in 1, 2 or 3 about occurs, the City shall have and reserves the right to immediately terminate both the coverage and premium payment for the City group hospitalization and medical insurance that would otherwise be provided for the retiree.

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 821 administered by *TMRS*, an agent multiple-employer public employee retirement system.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

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:

Deposit rate:	7%
Matching Ratio (City to Employee):	1.5-1%
A member is vested after	10 years

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, 2007

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, 2006 valuation is effective for rates beginning January 2008).

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2003	\$ 415,093	100%	\$ -
9/30/2004	404,000	100%	-
9/30/2005	421,441	100%	-
9/30/2006	443,766	100%	-

The following assumptions utilized by *TMRS*, and applicable 6-year trend information are contained in the 2006 *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 paragraphs 36e and 138)
Investment Rate of Return –	7%
Projected Salary Increases –	None
Includes Inflation At –	3.5%
Cost of Living Adjustments	None

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TAYLOR, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2007**

Actuarial Valuation Date	Actuarial Value for Assets	Actuarial Accrued Liability (AAL) Unit Credit	Percentage Funded (1)/(2)	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Payroll (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%
12/31/2006	6,202,873	9,807,829	63.24%	3,604,956	5,368,408	67.15%

NONMAJOR GOVERNMENTAL FUNDS

**CITY OF TAYLOR, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007**

	Hotel/ Motel Fund	Texas Capital Fund	Main Street Revenue Fund	Cemetery Land Purchases	Municipal Court Special Fee	Police Donation Fund
<u>ASSETS</u>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 421
Investments	-	-	-	-	-	-
Interfund receivables	17,420	6,337	24,371	35,351	41,388	-
Total assets	<u>\$ 17,420</u>	<u>\$ 6,337</u>	<u>\$ 24,371</u>	<u>\$ 35,351</u>	<u>\$ 41,388</u>	<u>\$ 421</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities -						
Accounts payable	\$ -	\$ 80	\$ -	\$ -	\$ -	\$ -
Interfund payables	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances -						
Reserved for cemetery	-	-	-	-	-	-
Reserved for construction	-	-	-	-	-	-
Unreserved - undesignated	17,420	6,257	24,371	35,351	41,388	421
Total fund balances	<u>17,420</u>	<u>6,257</u>	<u>24,371</u>	<u>35,351</u>	<u>41,388</u>	<u>421</u>
Total liabilities and fund balances	<u>\$ 17,420</u>	<u>\$ 6,337</u>	<u>\$ 24,371</u>	<u>\$ 35,351</u>	<u>\$ 41,388</u>	<u>\$ 421</u>

<u>TIF Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>	<u>Nonmajor 2003 CO Capital Project Fund</u>	<u>Cemetery Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 421	\$ -	\$ -	\$ 421
35,850	35,850	-	1,017,066	1,052,916
-	124,867	48,933	-	173,800
<u>\$ 35,850</u>	<u>\$ 161,138</u>	<u>\$ 48,933</u>	<u>\$ 1,017,066</u>	<u>\$ 1,227,137</u>

\$ -	\$ 80	\$ -	\$ -	\$ 80
-	-	-	43,249	43,249
-	80	-	43,249	43,329

-	-	-	973,817	973,817
-	-	48,933	-	48,933
35,850	161,058	-	-	161,058
<u>35,850</u>	<u>161,058</u>	<u>48,933</u>	<u>973,817</u>	<u>1,183,808</u>

<u>\$ 35,850</u>	<u>\$ 161,138</u>	<u>\$ 48,933</u>	<u>\$ 1,017,066</u>	<u>\$ 1,227,137</u>
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CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Hotel/ Motel Fund	Texas Capital Fund	Main Street Revenue Fund	Cemetery Land Purchases	Municipal Court Special Fee	Police Donation Fund
Revenues -						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	2,674	17,567	-
Hotel occupancy tax	81,482	-	-	-	-	-
Investment revenue	-	-	-	-	-	20
Rents and royalties	-	25,021	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Other revenue	-	-	14,174	-	-	700
Total revenues	<u>81,482</u>	<u>25,021</u>	<u>14,174</u>	<u>2,674</u>	<u>17,567</u>	<u>720</u>
Expenditures -						
Current-						
General government	68,562	-	13,755	-	9,140	698
Debt service: principal	-	25,021	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total expenditures	<u>68,562</u>	<u>25,021</u>	<u>13,755</u>	<u>-</u>	<u>9,140</u>	<u>698</u>
Excess (deficiency) of revenues over expenditures	<u>12,920</u>	<u>-</u>	<u>419</u>	<u>2,674</u>	<u>8,427</u>	<u>22</u>
Other financing uses -						
Transfers out	-	-	-	-	-	(5,536)
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,536)</u>
Net change in fund balances	12,920	-	419	2,674	8,427	(5,514)
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 17,420</u>	<u>\$ 6,257</u>	<u>\$ 24,371</u>	<u>\$ 35,351</u>	<u>\$ 41,388</u>	<u>\$ 421</u>

TIF Fund	Total Nonmajor Special Revenue Funds	Nonmajor 2003 CO Capital Project Fund	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
\$ 21,750	\$ 21,750	\$ -	\$ -	\$ 21,750
-	20,241	-	13,373	33,614
-	81,482	-	-	81,482
151	171	-	47,160	47,331
-	25,021	-	-	25,021
13,949	13,949	-	-	13,949
-	14,874	-	-	14,874
<u>35,850</u>	<u>177,488</u>	<u>-</u>	<u>60,533</u>	<u>238,021</u>
-	92,155	-	3,054	95,209
-	25,021	-	-	25,021
-	-	15,484	-	15,484
<u>-</u>	<u>117,176</u>	<u>15,484</u>	<u>3,054</u>	<u>135,714</u>
<u>35,850</u>	<u>60,312</u>	<u>(15,484)</u>	<u>57,479</u>	<u>102,307</u>
-	(5,536)	-	(30,000)	(35,536)
<u>-</u>	<u>(5,536)</u>	<u>-</u>	<u>(30,000)</u>	<u>(35,536)</u>
35,850	54,776	(15,484)	27,479	66,771
<u>-</u>	<u>106,282</u>	<u>64,417</u>	<u>946,338</u>	<u>1,117,037</u>
<u>\$ 35,850</u>	<u>\$ 161,058</u>	<u>\$ 48,933</u>	<u>\$ 973,817</u>	<u>\$ 1,183,808</u>



INTERNAL SERVICE FUNDS

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2007

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
ASSETS				
Current Assets:				
Due from other funds	\$ 13,813	\$ 274,332	\$ 68,651	\$ 356,796
Total Current Assets	13,813	274,332	68,651	356,796
Noncurrent Assets:				
Capital Assets:				
Machinery and equipment	-	976,369	-	976,369
Accumulated depreciation	-	(404,544)	-	(404,544)
Total Noncurrent Assets	-	571,825	-	571,825
Total Assets	13,813	846,157	68,651	928,621
LIABILITIES				
Current Liabilities:				
Accounts payable	11,511	600	-	12,111
Compensated absences payable	3,575	-	-	3,575
Capital lease payable	-	34,933	-	34,933
Total Current Liabilities	15,086	35,533	-	50,619
Noncurrent Liabilities:				
Capital leases payable	-	157,931	-	157,931
Total Noncurrent Liabilities	-	157,931	-	157,931
Total Liabilities	15,086	193,464	-	208,550
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	-	378,961	-	378,961
Unrestricted net assets (deficit)	(1,273)	273,732	68,651	341,110
Total Net Assets (Deficit)	\$ (1,273)	\$ 652,693	\$ 68,651	\$ 720,071

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 608,557	\$ 260,991	\$ -	\$ 869,548
Total Operating Revenues	608,557	260,991	-	869,548
OPERATING EXPENSES:				
Personnel services	104,902	-	6,177	111,079
Contractual services	477,785	-	-	477,785
Depreciation	-	174,178	-	174,178
Total operating expenses	582,687	174,178	6,177	763,042
Operating Income (Loss)	25,870	86,813	(6,177)	106,506
NON-OPERATING REVENUES (EXPENSES):				
Interest expense - non-operating	-	(9,750)	-	(9,750)
Loss on sale of assets	-	(33,437)	-	(33,437)
Total Non-operating Revenue (Expenses)	-	(43,187)	-	(43,187)
Income (Loss) before transfers	25,870	43,626	(6,177)	63,319
Transfers in	-	-	30,000	30,000
Change in Net Assets	25,870	43,626	23,823	93,319
Total Net Assets (Deficit) - beginning of year	(27,143)	609,067	44,828	626,752
Total Net Assets (Deficit) - end of year	\$ (1,273)	\$ 652,693	\$ 68,651	\$ 720,071

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
Cash flows from Operating Activities:				
Cash received from user charges	\$ 608,557	\$ 294,428	\$ -	\$ 902,985
Cash payments to employees for services	(103,618)	-	(6,177)	(109,795)
Cash payments for suppliers	(470,296)	(164,071)	-	(634,367)
Net Cash Provided (Used) by Operating Activities	<u>34,643</u>	<u>130,357</u>	<u>(6,177)</u>	<u>158,823</u>
Cash flows from Noncapital Financing Activities:				
(Increase) decrease in amounts due/from other funds	(37,991)	143,384	(23,823)	81,570
Transfers in	-	-	30,000	30,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(37,991)</u>	<u>143,384</u>	<u>6,177</u>	<u>111,570</u>
Cash flows from Capital and Related Financing Activities:				
Acquisition of capital assets, net of disposals	-	(206,971)	-	(206,971)
Principal paid on debt	-	(57,020)	-	(57,020)
Interest and fiscal charges paid	-	(9,750)	-	(9,750)
Net Cash Used by Capital & Related Financing Activities	<u>-</u>	<u>(273,741)</u>	<u>-</u>	<u>(273,741)</u>
Net Decrease in Cash and Cash Equivalents	(3,348)	-	-	(3,348)
Cash and Cash Equivalents at Beginning of the Year	<u>3,348</u>	<u>-</u>	<u>-</u>	<u>3,348</u>
Cash and Cash Equivalents at End of the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 25,870	\$ 86,813	\$ (6,177)	\$ 106,506
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	-	174,178	-	174,178
Loss on disposal of assets	-	33,437	-	33,437
Increase (decrease) in accounts payable	7,489	(164,071)	-	(156,582)
Increase in accrued payroll	1,284	-	-	1,284
Net Cash Provided (Used) by Operating Activities	<u>\$ 34,643</u>	<u>\$ 130,357</u>	<u>\$ (6,177)</u>	<u>\$ 158,823</u>

SUPPLEMENTAL SCHEDULE – SINGLE AUDIT

**CITY OF TAYLOR, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Federal Expenditures
U. S. Department of Housing & Urban Development:		
Community Development Block Grant - 2006	14.228	\$ 798,558
Total U. S. Department of Housing & Urban Development		<u>798,558</u>
Texas Department of Housing & Community Affairs		
Home - Owner Occupied	14.239	38,829
U. S. Department of Homeland Security:		
State Homeland Security Grant	97.044	<u>700</u>
Total expenditures of federal awards		<u><u>\$ 838,087</u></u>

CITY OF TAYLOR, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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.



STATISTICAL SECTION (UNAUDITED)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental activities			
Invested in capital assets, net of related debt	\$39,767,186	\$35,593,811	\$27,060,385
Restricted	3,090,819	5,447,454	7,801,262
Unrestricted	<u>3,269,150</u>	<u>2,087,890</u>	<u>2,250,623</u>
Total governmental activities net assets	<u><u>\$46,127,155</u></u>	<u><u>\$43,129,155</u></u>	<u><u>\$37,112,270</u></u>
 Business-type activities			
Invested in capital assets, net of related debt	\$ 8,139,761	\$10,378,556	\$ 7,768,365
Unrestricted	<u>4,622,034</u>	<u>1,277,532</u>	<u>1,504,663</u>
Total business-type activities net assets	<u><u>\$12,761,795</u></u>	<u><u>\$11,656,088</u></u>	<u><u>\$ 9,273,028</u></u>
 Primary government			
Invested in capital assets, net of related debt	\$47,906,947	\$45,972,367	\$34,828,750
Restricted	3,090,819	5,447,454	7,801,262
Unrestricted	<u>7,891,184</u>	<u>3,365,422</u>	<u>3,755,286</u>
Total primary government net assets	<u><u>\$58,888,950</u></u>	<u><u>\$54,785,243</u></u>	<u><u>\$46,385,298</u></u>

Source: Audited Financial Statements of City of Taylor, Texas

<u>2004</u>	<u>2003</u>	<u>2002</u>
\$30,242,702	\$29,396,412	\$33,038,209
2,774,506	3,947,062	2,201,633
1,483,254	1,756,118	(824,044)
<u>\$34,500,462</u>	<u>\$35,099,592</u>	<u>\$34,415,798</u>
\$ 8,777,087	\$ 1,872,132	\$ 5,692,741
4,043,256	4,285,025	1,465,899
<u>\$12,820,343</u>	<u>\$ 6,157,157</u>	<u>\$ 7,158,640</u>
\$39,019,789	\$31,268,544	\$38,730,950
2,774,506	3,947,062	2,201,633
5,526,510	6,041,143	641,855
<u>\$47,320,805</u>	<u>\$41,256,749</u>	<u>\$41,574,438</u>

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses			
Governmental activities:			
General government	\$ 3,791,089	\$ 3,740,078	\$ 2,636,013
Public safety	4,043,066	4,161,454	3,743,894
Public works	3,422,645	3,118,037	3,300,004
Culture and recreation		226,110	463,835
Interest on long-term debt	655,537	681,884	454,224
Other	-	-	-
Total governmental activities expenses	<u>11,912,337</u>	<u>11,927,563</u>	<u>10,597,970</u>
Business-type activities:			
Public utilities fund	5,820,213	5,948,540	5,432,576
Airport fund	421,971	395,886	318,448
Interest on long-term debt	-	-	-
Other	-	-	-
Total business-type activities expenses	<u>6,242,184</u>	<u>6,344,426</u>	<u>5,751,024</u>
Total primary government expenses	<u><u>\$ 18,154,521</u></u>	<u><u>\$ 18,271,989</u></u>	<u><u>\$ 16,348,994</u></u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 3,132,354	\$ 3,169,711	\$ 2,292,637
Public safety	331,605	281,661	232,280
Public works	-	-	3,382
Culture and recreation	-	-	4,740
Operating grants and contributions	-	-	118,577
Capital grants and contributions	1,335,302	908,961	385,437
Other	-	-	-
Total governmental activities program revenues	<u>4,799,261</u>	<u>4,360,333</u>	<u>3,037,053</u>
Business-type activities:			
Charges for services:			
Public utilities fund	5,141,474	5,033,084	4,832,243
Airport fund	387,224	354,033	254,490
Capital grants and contributions	825,814	109,702	225,698
Total business-type activities program revenue	<u>6,354,512</u>	<u>5,496,819</u>	<u>5,312,431</u>
Total primary government program revenues	<u><u>\$ 11,153,773</u></u>	<u><u>\$ 9,857,152</u></u>	<u><u>\$ 8,349,484</u></u>

Source: Audited Financial Statements of City of Taylor, Texas

<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 3,314,123	\$ 943,250	\$ 1,063,670
4,135,542	3,449,803	3,395,614
2,912,174	3,496,627	3,176,893
141,546	701,197	648,782
514,207	448,735	430,559
-	489,757	335,672
<u>11,017,592</u>	<u>9,529,369</u>	<u>9,051,190</u>
3,030,511	4,652,811	2,003,443
248,850	228,882	
-	704,827	660,981
-	3,351	766,364
<u>3,279,361</u>	<u>5,589,871</u>	<u>3,430,788</u>
<u>\$ 14,296,953</u>	<u>\$ 15,119,240</u>	<u>\$ 12,481,978</u>
\$ 2,171,567	\$ 1,845,099	\$ 770,795
356,500	307,994	300,444
-	-	-
39,438	-	37,795
59,984	-	315,338
-	1,060,221	5,596
-	1,052,300	-
<u>2,627,489</u>	<u>4,265,614</u>	<u>1,429,968</u>
4,894,120	4,309,897	4,025,449
119,924	202,773	-
9,708	-	-
<u>5,023,752</u>	<u>4,512,670</u>	<u>4,025,449</u>
<u>\$ 7,651,241</u>	<u>\$ 8,778,284</u>	<u>\$ 5,455,417</u>

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net (Expenses) Revenue			
Governmental activities	\$ (7,113,076)	\$ (7,567,230)	\$ (7,560,917)
Business-type activities	<u>112,328</u>	<u>(847,607)</u>	<u>(438,593)</u>
Total primary government net expense	<u>\$ (7,000,748)</u>	<u>\$ (8,414,837)</u>	<u>\$ (7,999,510)</u>
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Property taxes	\$ 5,183,652	\$ 4,723,464	\$ 4,380,395
Franchise taxes	719,411	792,962	780,219
Sales taxes	3,431,242	2,237,062	2,097,890
Hotel occupancy taxes	81,482	60,514	46,773
Investment earnings	446,973	627,190	171,853
Miscellaneous	<u>248,316</u>	<u>243,341</u>	<u>1,262,317</u>
Total governmental activities	<u>10,111,076</u>	<u>8,684,533</u>	<u>8,739,447</u>
Business-type activities:			
Investment earnings	233,859	70,441	160,785
Miscellaneous	<u>70,854</u>	<u>591,488</u>	<u>59,731</u>
Total business-type activities	<u>304,713</u>	<u>661,929</u>	<u>220,516</u>
Total primary government	<u><u>\$ 10,415,789</u></u>	<u><u>\$ 9,346,462</u></u>	<u><u>\$ 8,959,963</u></u>
Change in Net Assets			
Governmental activities	\$ 2,998,000	\$ 1,117,303	\$ 1,178,530
Business-type activities	<u>417,041</u>	<u>(185,678)</u>	<u>(218,077)</u>
Total primary government	<u><u>\$ 3,415,041</u></u>	<u><u>\$ 931,625</u></u>	<u><u>\$ 960,453</u></u>

Source: Audited Financial Statements of City of Taylor, Texas

<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ (8,390,103)	\$ (5,263,755)	\$ (7,621,222)
<u>1,744,391</u>	<u>(1,077,201)</u>	<u>594,661</u>
<u>\$ (6,645,712)</u>	<u>\$ (6,340,956)</u>	<u>\$ (7,026,561)</u>

\$ 4,246,128	\$ 3,461,590	\$ 3,559,046
660,212	741,849	679,601
1,913,789	1,644,947	1,709,022
40,825	37,690	45,288
89,106	81,937	189,889
<u>105,865</u>	<u>(20,464)</u>	<u>1,803,376</u>
<u>7,055,925</u>	<u>5,947,549</u>	<u>7,986,222</u>

		122,631
<u>210,836</u>	<u>75,717</u>	<u>(1,314,282)</u>
<u>210,836</u>	<u>75,717</u>	<u>(1,191,651)</u>
<u>\$ 7,266,761</u>	<u>\$ 6,023,266</u>	<u>\$ 6,794,571</u>

\$ (1,334,178)	\$ 683,794	\$ 365,000
<u>1,955,227</u>	<u>(1,001,484)</u>	<u>(596,990)</u>
<u>\$ 621,049</u>	<u>\$ (317,690)</u>	<u>\$ (231,990)</u>

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

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

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales & Use</u>	<u>Occupancy (Mobile Home)</u>	<u>Franchise Revenue</u>	<u>Other</u>	<u>Total</u>
2002	\$ 3,559,246	\$ 1,709,022	\$ 250	\$ 679,351	\$ 45,288	\$ 5,993,157
2003	3,461,590	1,644,947	1,050	740,799	37,690	5,886,076
2004	4,290,656	1,913,789	250	659,962	40,825	6,905,482
2005	4,380,395	2,097,890	250	779,969	46,773	7,305,277
2006	4,723,464	2,237,062	500	792,462	60,514	7,814,002
2007	5,183,652	3,431,242	750	718,661	81,482	9,415,787

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

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

Fiscal Year	Property	Sales & Use	Occupancy (Mobile Home)	Franchise Revenue ¹	Other	Total
1998	\$ 1,863,387	\$ 1,282,656	\$ 750	\$ -	\$ 116,089	\$ 3,262,882
1999	2,421,905	1,379,332	1,250	-	55,220	3,857,707
2000	2,597,285	1,604,769	250	-	169,246	4,371,550
2001	3,111,333	1,826,298	750	-	175,995	5,114,376
2002	3,466,913	1,709,022	250	679,351	45,288	5,900,824
2003	3,440,532	1,644,947	1,050	740,799	37,690	5,865,018
2004	4,223,093	1,913,789	250	659,962	40,825	6,837,919
2005	4,292,903	2,097,890	250	779,969	46,773	7,217,785
2006	4,722,459	2,237,062	500	792,462	60,514	7,812,997
2007	5,125,816	3,431,242	750	718,661	81,482	9,357,951

¹ 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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund				
Unreserved	<u>\$ 2,870,578</u>	<u>\$ 1,723,314</u>	<u>\$ 1,477,018</u>	<u>\$ 1,506,540</u>
Total general fund	<u><u>\$ 2,870,578</u></u>	<u><u>\$ 1,723,314</u></u>	<u><u>\$ 1,477,018</u></u>	<u><u>\$ 1,506,540</u></u>
 All Other Governmental Funds				
Reserved	\$ 3,090,819	\$ 5,447,454	\$ 877,280	\$ 2,844,708
Unreserved, reported in:				
Special revenue funds	161,058	106,282	85,325	97,400
Capital projects funds	<u>-</u>	<u>-</u>	<u>7,647,408</u>	<u>-</u>
Total all other governmental funds	<u><u>\$ 3,251,877</u></u>	<u><u>\$ 5,553,736</u></u>	<u><u>\$ 8,610,013</u></u>	<u><u>\$ 2,942,108</u></u>

<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<u>\$ 1,718,417</u>	<u>\$ 1,319,007</u>	<u>\$ 1,372,674</u>	<u>\$ 1,185,208</u>	<u>\$ 1,073,035</u>	<u>\$ 731,706</u>
<u><u>\$ 1,718,417</u></u>	<u><u>\$ 1,319,007</u></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>
\$ 3,947,062	\$ 2,201,633	\$ 2,041,167	\$ 936,196	\$ 2,109,394	\$ 3,674,501
102,595	98,938	74,094	54,512	88,999	5,222
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u><u>\$ 4,049,657</u></u>	<u><u>\$ 2,300,571</u></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>

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

	2007	2006	2005	2004
Revenues				
Taxes	\$ 9,414,268	\$ 7,881,607	\$ 7,261,659	\$ 6,882,447
Licenses, permits, and fees	160,260	190,797	152,579	327,022
Charges for services	2,125,876	2,064,751	2,140,058	1,971,913
Fines and forfeitures	331,605	281,661	237,020	202,803
Special assessments	-	2,049	3,382	26,904
Intergovernmental	1,335,302	615,261	504,014	32,592
Other revenues	248,316	241,292	91,458	95,622
Investment earnings	446,973	664,090	171,853	89,106
Contributions	-	293,700	12,304	31,970
Total revenues	<u>\$ 14,062,600</u>	<u>\$ 12,235,208</u>	<u>\$ 10,574,327</u>	<u>\$ 9,660,379</u>
Expenditures				
Current:				
General government	2,772,560	2,370,078	2,371,916	2,352,231
Public safety	3,790,923	3,640,964	3,305,776	3,677,702
Public works	3,238,648	2,738,220	3,016,854	2,593,956
Culture and recreation	-	85,437	329,137	123,862
Debt Service:				
Principal retirement	737,611	625,775	539,993	499,889
Interest and fiscal changes	633,982	670,835	469,630	492,610
Other	-	-	-	-
Capital outlay:	4,213,471	4,840,710	2,840,810	1,974,044
Total expenditures	<u>15,387,195</u>	<u>14,972,019</u>	<u>12,874,116</u>	<u>11,714,294</u>
Excess (deficiency) of revenues over expenditures	<u>(1,324,595)</u>	<u>(2,736,811)</u>	<u>(2,299,789)</u>	<u>(2,053,915)</u>
Other financing sources (uses):				
Capital related debt issued (regular bonds)	200,000	-	5,092,750	-
Sale of real & Personal property	-	-	1,752,444	-
Transfers in	351,636	600,000	10,500	133,504
Transfers out	(381,636)	(673,170)	(10,500)	(133,504)
Total other financing sources (uses)	<u>170,000</u>	<u>(73,170)</u>	<u>6,845,194</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,154,595)</u>	<u>\$ (2,809,981)</u>	<u>\$ 4,545,405</u>	<u>\$ (2,053,915)</u>
Debt service as percentage of noncapital expenditures	12.3%	12.8%	10.1%	10.2%

2003	2002	2001	2000	1999	1998
\$ 5,925,018	\$ 5,221,223	\$ 5,113,626	\$ 4,926,400	\$ 4,390,702	\$ 3,762,017
1,845,099	2,577,974	1,610,123	823,920	693,977	63,339
-	-	-	-	-	570,532
307,994	-	-	-	-	62,021
-	-	-	-	-	162
1,060,221	281,856	927,751	698,670	1,382,719	417,423
1,052,300	286,903	871,371	216,069	665,607	29,473
81,937	189,889	281,955	179,168	138,093	174,141
-	-	-	-	-	-
<u>\$ 10,272,569</u>	<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>

823,981	860,675	931,084	936,152	767,656	1,440,953
3,294,388	3,277,094	3,087,873	2,811,217	2,167,885	2,130,621
2,377,640	2,307,403	1,566,835	1,110,093	1,165,620	1,139,008
685,656	635,976	630,083	435,259	381,503	215,118
373,230	617,779	515,837	370,718	228,744	14,591
475,214	-	-	-	-	-
489,757	335,672	602,551	601,807	1,181,770	-
1,103,494	3,178,065	3,152,506	2,312,497	3,354,581	512,579
<u>9,623,360</u>	<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>649,209</u>	<u>(2,654,819)</u>	<u>(1,681,943)</u>	<u>(1,733,516)</u>	<u>(1,976,661)</u>	<u>(373,762)</u>
----------------	--------------------	--------------------	--------------------	--------------------	------------------

1,575,000	2,244,955	2,711,150	-	750,000	4,010,282
-	-	-	-	-	-
18,990	895,605	430,874	795,533	261,890	285,076
(94,707)	(354,105)	(148,062)	(157,529)	(175,199)	(997)
<u>1,499,283</u>	<u>2,786,455</u>	<u>2,993,962</u>	<u>638,004</u>	<u>836,691</u>	<u>4,294,361</u>
<u>\$ 2,148,492</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>

10.0%	7.7%	7.0%	5.9%	3.9%	0.3%
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CITY OF TAYLOR, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended Sept 30	Real Property			Personal Property		Less Exemptions Real Property
	Residential Assessed Value	Commercial Assessed Value	Agriculture	Personal	Other	
1998	\$ 168,409	\$ 159,035	\$ 5,880	\$ 79,802	\$ -	\$ 27,778
1999	237,236	102,920	9,700	98,813	-	33,753
2000	265,987	119,916	11,584	96,405	-	26,319
2001	287,811	124,064	12,078	107,820	-	30,826
2002	331,354	106,857	13,448	127,895	-	27,400
2003	333,952	178,568	18,188	119,937	-	53,254
2004	351,100	203,593	17,608	110,000	-	57,047
2005	373,469	255,778	19,487	85,862	-	71,081
2006	394,317	236,063	23,783	59,329	-	50,375
2007	423,939	192,852	32,873	108,373	-	58,184

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

Source: Williamson County Appraisal District Reports

Total Assessed Value	Tax Rate	Estimated Tax Value	Ratio of Total Assessed Value to Total Estimated Actual Value
\$ 385,348	0.51010	\$ 385,348	100.0%
414,916	0.62753	414,916	100.0%
467,573	0.62920	467,573	100.0%
500,947	0.69421	500,947	100.0%
552,154	0.71452	552,154	100.0%
597,391	0.74876	597,391	100.0%
625,254	0.74000	625,254	100.0%
663,515	0.78650	663,515	100.0%
663,117	0.79500	663,117	100.0%
699,853	0.79000	699,853	100.0%

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

Fiscal Year	CITY OF TAYLOR			WILLIAMSON COUNTY			
	Operating	Debt Service	Total Rate	Operating	Debt Service	RD/FM Operating	Total Rate
1998	0.51010	-	0.51010	0.23730	0.05860	0.05000	0.34590
1999	0.57534	0.052195	0.62754	0.25010	0.04940	0.04810	0.34760
2000	0.55350	0.075700	0.62920	0.25620	0.09650	0.04730	0.40000
2001	0.57747	0.116740	0.69421	0.25066	0.10363	0.04100	0.39529
2002	0.58955	0.124970	0.71452	0.27270	0.15270	0.03290	0.45830
2003	0.58955	0.159212	0.74876	0.30113	0.14710	0.03358	0.48181
2004	0.56980	0.170200	0.74000	0.30055	0.17831	0.03337	0.51222
2005	0.56980	0.216700	0.78650	0.30050	0.16566	0.03350	0.49966
2006	0.59653	0.198470	0.79500	0.28336	0.18414	0.03217	0.49966
2007	0.60446	0.185537	0.79000	0.27500	0.18410	0.03000	0.48910

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

Source: Williamson County Tax Collector

TAYLOR SCHOOL DISTRICT			Total Direct & Overlapping Rates
Operating	Debt Service	Total Rate	
1.17000	0.30000	1.47000	2.32600
1.29000	0.26000	1.55000	2.52514
1.39100	0.14500	1.53600	2.56520
1.42300	0.15700	1.58000	2.66950
1.45000	0.13000	1.58000	3.03892
1.46000	0.15000	1.61000	2.84057
1.50000	0.17000	1.67000	2.92222
1.50000	0.17000	1.67000	2.95616
1.37000	0.17000	1.54000	2.83466
1.04000	0.16000	1.20000	2.74910

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

2007			
Taxpayer	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation
CCA Properties of Texas	\$ 14,350,003	1	2.05%
HEB Grocery Company	13,464,627	2	1.92%
ERCOT	9,718,500	3	1.39%
Walmart Real Estate Business Trust	9,021,962	4	1.29%
TXU Electric Delivery Company	8,095,646	5	1.16%
Texas HWY 95, LP	6,591,414	6	0.94%
Electric Reliability Council of TX	6,492,466	7	0.93%
Walmart Stores East Inc	6,114,657	8	0.87%
KB Homes Lone Star LP	5,989,918	9	0.86%
Durcon Laboratory Tops Inc	5,293,305	10	0.76%

1998			
Taxpayer	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation
CCA Prison Realty Trust	\$ 20,221,138	1	5.25%
Intercraft Industries	10,692,600	2	2.77%
Texas Utilities Electric	5,850,134	3	1.52%
Intercraft Company	5,198,333	4	1.35%
Laboratory Tops Inc	4,613,927	5	1.20%
Southwestern Bell Telephone	4,566,177	6	1.18%
Carpenter, LLC	3,497,790	7	0.91%
TX Cotton Growers Coop Assoc	3,206,718	8	0.83%
Maxwell Chrysler Plymouth	2,855,761	9	0.74%
HE Butt, Inc.	2,276,815	10	0.59%

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Percentage			Percentage
		Amount	of Tax Levy		Amount	of Tax Levy
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%
2007	5,106,729	5,006,268	98.0%	93,043	5,099,311	99.9%

Source: Williamson County Appraisal District Reports

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

Fiscal Year	Water Revenue Bonds						
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections
				Principal	Interest		
1998	\$ 3,737,917	\$ 1,948,147	\$ 1,789,770	\$ 2,950,000	\$ -	60.7%	\$ -
1999	4,466,271	2,260,926	2,205,345	2,925,000	-	75.4%	-
2000	4,833,197	2,545,532	2,287,665	2,900,000	1,757,059	49.1%	-
2001	4,768,679	2,613,646	2,155,033	2,875,000	1,631,535	47.8%	-
2002	3,886,678	2,018,443	1,868,235	2,850,000	1,506,825	42.9%	-
2003	4,240,549	4,027,268	213,281	2,825,000	1,382,955	5.1%	-
2004	5,002,406	3,377,069	1,625,337	2,800,000	1,260,840	40.0%	-
2005	4,986,548	4,344,134	642,414	2,775,000	1,139,627	16.4%	-
2006	5,624,572	4,822,018	802,554	2,750,000	1,019,343	21.3%	-
2007	5,188,998	4,246,115	942,883	2,725,000	899,997	26.0%	-

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

**CITY OF TAYLOR, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Combination Tax & Revenue Bonds	Certificates of Obligation	Capital Lease
1998	\$ 4,000,000	\$ -	\$ 483,267	\$ 336,716
1999	4,000,000	750,000	428,271	216,345
2000	3,875,000	714,714	418,475	318,592
2001	6,145,000	990,728	393,479	290,720
2002	7,534,955	1,583,424	368,483	231,848
2003	7,286,525	3,033,623	343,487	105,385
2004	7,003,570	2,848,916	318,462	-
2005	11,789,995	2,647,518	293,441	370,013
2006	11,693,610	2,141,063	270,506	249,884
2007	11,177,225	2,144,858	245,485	192,864

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

Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
Combination Tax & Revenue Bonds	General Obligation Bonds	Capital Lease			
\$ 12,990,000	\$ -	\$ 206,851	\$ 18,016,834	1.18%	\$ 1,116
12,450,000	-	-	17,844,616	1.23%	1,303
11,855,000	-	-	17,181,781	4.16%	1,668
14,443,850	-	-	22,412,703	4.42%	1,033
13,704,119	-	-	23,571,755	6.72%	1,058
15,863,217	-	-	26,787,687	11.32%	1,078
11,274,582	-	462,401	22,316,019	12.77%	1,299
10,885,970	-	-	26,436,165	10.01%	1,151
10,081,425	396,390	-	24,990,650	8.57%	1,180
13,679,088	377,775	-	27,989,480	1.25%	1,225

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Franchise Value ¹ Property	Per Capita ²
1998	\$ 4,000,000	\$ 20,748	\$ 3,979,252	1.03%	\$ 299
1999	4,000,000	9,796	3,990,204	0.96%	296
2000	3,875,000	13,002	3,861,998	0.83%	284
2001	6,145,000	50,868	6,094,132	1.22%	430
2002	7,534,955	49,238	7,485,717	1.36%	512
2003	7,286,525	84,381	7,202,144	1.21%	488
2004	7,003,570	110,821	6,892,749	1.10%	442
2005	11,789,995	153,854	11,636,141	1.75%	746
2006	11,693,610	191,098	11,502,512	1.73%	713
2007	11,177,225	162,681	11,014,544	1.57%	640

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

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

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

CITY OF TAYLOR, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2007
UNAUDITED

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
County	\$ 688,395	3.38%	\$ 23,268
School	\$ 18,207	72.34%	13,171
Subtotal, overlapping debt			<u>36,439</u>
 City of Taylor	 13,322	 100%	 <u>13,322</u>
 Total direct and overlapping debt			 <u><u>\$ 49,761</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 that every taxpayer is a resident – and therefore responsible for repaying the debt – of each overlapping government.

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

**CITY OF TAYLOR, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST SIX FISCAL YEARS
UNAUDITED**

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

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 699,853
Add back: exempt real property	<u>58,184</u>
Total assessed value	<u>\$ 758,037</u>
Debt limit (10% of total assessed value)	189,509
Debt applicable to limit:	
General obligation bonds	27,379
Less: Amount set aside for repayment of general obligation debt	<u>(12,182)</u>
Total net debt applicable to limit	<u>15,197</u>
Legal debt margin	<u><u>\$ 174,312</u></u>

2002

\$ 121,255

8,849

\$ 112,406

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

Employer	2007		
	No. Employees	Rank	Percentage of Total City Employment
ERCOT	630	1	23.1%
Taylor ISD	540	2	19.8%
Corrections Corp of America	275	3	10.1%
Wal-Mart	265	4	9.7%
Johns Community Hospital	215	5	7.9%
Durcon Labatory Tops	207	6	7.6%
FloydCo (Floyd's Glass)	150	7	5.5%
H.E.B.	150	8	5.5%
City of Taylor	148	9	5.4%
Burrows Cabinets	142	10	5.2%
City of Taylor Total	<u>2,722</u>		<u>100.00%</u>

Employer	1998		
	No. Employees	Rank	Percentage of Total City Employment
Intercraft Industries	690	1	29.6%
Taylor ISD	414	2	17.8%
ERCOT	200	3	8.6%
Durcon Laboratory Tops	190	4	8.2%
H.E.B.	185	5	7.9%
Wal-Mart	153	6	6.6%
Johns Community Hospital	140	7	6.0%
Sweatbriar Nursing Home	130	8	5.6%
FloydCo (Floyd's Glass)	120	9	5.1%
City of Taylor	109	10	4.7%
	<u>2,331</u>		<u>100.00%</u>

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

Fiscal Year	Population¹	Personal Income³ (amounts expressed in thousands)	Per Capita⁵ Personal Income	School Enrollment⁴	Unemployment Rate²
1998	13,301	\$ 211,965	\$ 15,936	2,812	1.9%
1999	13,475	219,548	16,293	2,875	1.6%
2000	13,575	226,472	16,683	2,899	2.7%
2001	14,167	243,913	17,217	3,005	4.7%
2002	14,622	257,786	17,630	3,089	5.5%
2003	14,757	265,110	17,965	3,030	5.6%
2004	15,598	289,468	18,558	2,979	4.4%
2005	15,598	299,310	19,189	3,041	4.4%
2006	16,138	317,418	19,669	3,042	4.0%
2007	17,202	351,179	20,415	3,115	3.8%

Data Sources:

- ¹ Texas State Data Center & Office of the State Demographer
- ² State Department of Labor and City-Data.com
- ³ US 2000 Census adjusted by CPI for inflation
- ⁴ Taylor Independent School District
- ⁵ Texas Workforce Commission



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

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

Source: City of Taylor Human Resources Department

<u>2001</u>	<u>2000</u>	<u>1999</u>
2	4	5
3	1	-
5	4	6
3	4	7
4	4	4
1	1	-
1	1	-
1	4	3
1	2	-
26	32	30
13	10	7
1	-	-
25	27	37
1	1	1
2	-	11
6	7	-
10	10	8
4	4	4
6	8	8
16	19	16
2	3	4
1	1	-
5	0	-
2	2	-
1	-	-
<u>142</u>	<u>149</u>	<u>151</u>

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

Function/Program	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General government					
Building permits issued	368	459	331	378	453
Building inspections conducted	692	2144	1261	2030	2497
Public Safety					
Police:					
Physical arrests	955	990	917	950	1,457
Parking violations	102	150	104	133	170
Traffic violations	3798	4,792	2,660	3,318	3,764
Fire:					
Emergency responses	1550	1,600	1,440	1,393	1,280
Fires extinguished	117	131	118	114	105
Inspections	294	570	137	275	265
Highways and streets					
Street resurfacing (miles)	6	0	8	8	9
Potholes repaired	1655	1553	1932	2604	1796
Library					
Volumes in collection	43,636	35,930	34,377	37,307	36,512
Total volumes borrowed	69,419	56,107	55,722	56,961	40,910
Water					
New connections	928	495	321	210	176
Water main breaks	388	567	548	477	604
Average daily consumption (thousands of gallons)	2	2	2	2	2
Peak daily consumption (thousands of gallons)	3	3	3	3	3
Wastewater					
Average daily treatment (thousands of gallons)	1.85	1.69	1.98	1.93	1.70

Source: Various Departments within the City of Taylor

2002	2001	2000	1999	1998
251	165	76	155	191
715	1730	1524	N/A	N/A
1,085	N/A	N/A	N/A	N/A
46	N/A	N/A	N/A	N/A
3,648	N/A	N/A	N/A	N/A
1,382	N/A	N/A	N/A	N/A
113	N/A	N/A	N/A	N/A
240	N/A	N/A	N/A	N/A
7	8	9	N/A	N/A
2241	772	242	N/A	N/A
39,040	36,849	36,205	35,922	36,000
45,211	54,628	44,880	37,018	35,426
117	117	105	104	83
604	640	785	743	154
3	2	2	2	2
3	3	3	3	3
1.90	2.10	1.66	1.44	N/A

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

Function	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Police					
Number of stations	1	1	1	1	1
Zone Officers	27	27	27	27	26
Number of patrol units	12	12	12	12	8
Fire					
Number of stations	2	2	2	2	3
Highways and streets					
Streets (miles)	87	85	81	80	75
Streetlights	1,072	1,069	1,054	965	915
Traffic signals	10	9	9	9	9
Culture and recreation					
Acreage	387	312	312	292	144
Swimming pools	2	2	2	2	2
Tennis courts	10	10	10	10	8
Water					
Water mains	-	-	-	99	45
Fire hydrants	580	580	580	425	415
Storage capacity	5	5		5	5
Wastewater					
Treatment capacity	4	4	4	4	4
Sanitary sewer (miles)	84	84	83	81	74
Storm sewers (miles)	3	3	3	3	3

Source: Various Departments within City of Taylor

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

2002

1
30
8

3

75
908
9

144
2
8

45
415
5

4
74
3



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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Taylor, Texas (the City) as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated October 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter dated October 29, 2007.

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 Atchuck McKinnon & Neimeier PC

October 29, 2007



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 year ended September 30, 2007. 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/state 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 year ended September 30, 2007.

Internal Control Over Compliance

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Brockway Strobach McKinnon & Neimeier PC

October 29, 2007

**CITY OF TAYLOR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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 significant deficiencies or material weaknesses 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 significant deficiencies or material weaknesses 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:

14.228 CDBG – Department of Housing and Urban Development

- 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.

