

CITY OF TYLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2003

Daniel Crawford, Chief Financial Officer
Finance Department
City Hall
Tyler, Texas

INTRODUCTORY SECTION

INTRODUCTORY SECTION

- ◆ **TABLE OF CONTENTS**
- ◆ **LETTER OF TRANSMITTAL**
- ◆ **GFOA CERTIFICATE OF
ACHIEVEMENT FOR
EXCELLENCE IN
FINANCIAL REPORTING**
- ◆ **ORGANIZATIONAL BLUEPRINT**
- ◆ **LIST OF PRINCIPAL OFFICIALS**

CITY OF TYLER, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

TABLE OF CONTENTS

EXHIBIT/
SCHEDULE PAGE(S)

INTRODUCTORY SECTION

Title Page		
Table of Contents		
Letter of Transmittal		i-v
GFOA Certificate of Achievement for Excellence In Financial Reporting		vii
Organizational Blueprint		viii
List of Principal Officials		ix

FINANCIAL SECTION

Independent Auditors' Report		1-2
Management's Discussion and Analysis		3-10
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	12
Statement of Activities	2	13
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	14-15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	6	18-19
Statement of Net Assets – Proprietary Funds	7	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	8	21
Statement of Cash Flows – Proprietary Funds	9	22-23
Statement of Fiduciary Net Assets – Fiduciary Funds	10	24
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	11	25
Notes to the Financial Statements		26-48
Required Supplementary Information:		
Schedules of Funding Progress:		
Texas Municipal Retirement System	A-1	50
Tyler Firefighter's Relief and Retirement Fund	A-2	51

CITY OF TYLER, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

TABLE OF CONTENTS

	<u>EXHIBIT/ SCHEDULE</u>	<u>PAGE(S)</u>
Combining Statements:		
Combining Financial Statements – Nonmajor Governmental Funds:		
Combining Balance Sheet	B-1	55-57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	58-60
Combining Financial Statements – Internal Service Funds:		
Combining Statement of Net Assets	C-1	62
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	C-2	63
Combining Statement of Cash Flows	C-3	64-65
Capital Assets Used in the Operation of Governmental Funds:		
Comparative Schedules by Source	D-1	68
Schedule by Function and Activity	D-2	69
Schedule of Changes by Function and Activity	D-3	70
Additional Supplemental Information:		
General Fund:		
Detailed Schedule of Revenues – Budget and Actual	E-1	71-73
Detailed Schedule of Expenditures – Budget and Actual	E-2	74-78
Non-Major Governmental Funds:		
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:		
Police Department Judgment of Forfeitures Fund	F-1	79
Hotel/Motel Occupancy Fund	F-2	80
Tyler Tourism and Convention Facility Fund	F-3	81
Debt Service Fund	F-4	82
Schedules of Revenues and Expenses – Budget and Actual		
Rose Hill Cemetery Trust Fund	F-5	83
Oakwood Cemetery Trust Fund	F-6	84
Westview Cemetery Trust Fund	F-7	85
Internal Service Funds:		
Detail Schedules of Revenues and Expenses – Budget and Actual:		
Productivity Improvement Fund	G-1	86
Fleet Management Fund	G-2	87
Property and Liability Fund	G-3	88
Employee Benefits Fund	G-4	89
Property and Facility Management Fund	G-5	90
Technology Fund	G-6	91
Enterprise Funds:		
Combining Statement of Net Assets	H-1	94-95
Combining Statement of Revenues, Expenses and Changes in Net Assets	H-2	96-97
Combining Statement of Cash Flows	H-3	98-100

CITY OF TYLER, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

TABLE OF CONTENTS

	<u>EXHIBIT/ SCHEDULE</u>	<u>PAGE(S)</u>
Water and Sewer Funds:		
Combining Statement of Net Assets	H-4	101-102
Combining Statement of Revenues, Expenses and Changes in Net Assets	H-5	103-104
Schedule of Combining Statement of Cash Flows	H-6	105-106
Detail Schedule of Revenues – Budget and Actual	H-7	107
Detail Schedule of Expenses – Budget and Actual	H-8	108-109
Sanitation Fund:		
Detail Schedule of Revenues and Expenses – Budget and Actual	H-9	110-111
Municipal Airport Fund		
Detail Schedule of Revenues and Expenses – Budget and Actual	H-10	112
Pension and Other Employee Benefit Trusts		
Combining Statement of Net Assets	I-1	113
Combining Statement of Changes in Fiduciary Net Assets	I-2	114

STATISTICAL SECTION (UNAUDITED)

Government-wide Information:		
Government-wide Expenses by Function	1	116
Government-wide Revenues	2	117
Fund Information:		
General Government Expenditures by Function	3	118
General Government Revenues by Source	4	119
Property Tax Levies and Collections	5	120
Assessed and Estimated Actual Value of Property	6	121
Property Tax Rates – Direct and Overlapping Governments	7	122
Principal Taxpayers	8	123
Computation of Legal Debt Margin	9	124
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	10	125
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	11	126
Direct and Overlapping Bonded Debt	12	127
Water and Sewer Revenue Bond Coverage	13	128
Demographic Statistics	14	129
Property Value and Construction	15	130
Miscellaneous Statistics	16	131-132

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards	J-1	134-137
Schedule of Expenditures of State Awards	J-2	138-139
Summary Schedule of Prior Audit Findings		140
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		141-142

CITY OF TYLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

TABLE OF CONTENTS

	<u>EXHIBIT/ SCHEDULE</u>	<u>PAGE(S)</u>
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		143-144
Schedule of Findings and Questioned Costs		145

January 13, 2004

The Honorable Mayor and Members of the City Council
City of Tyler
Tyler, Texas

The Finance Department and the City Manager's office are pleased to submit the Comprehensive Annual Financial Report for the City of Tyler, Texas (City) for the fiscal year ended September 30, 2003.

This report is published to provide the City Council, City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of the City as measured by the financial activity of its various funds and account groups. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

THE REPORT

This report is presented in three sections: Introductory, Financial and Statistical. The introductory section includes this transmittal letter, a listing of the City Officials and an organizational chart of the City. The financial section includes a Management and Discussion Analysis (MD&A), basic financial statements and combining and individual fund statements and schedules, as well as the independent auditors' report on the basic financial statements. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Tyler's MD&A can be found immediately following the report of the independent auditors. The statistical section includes financial and demographic information, usually presented on a multi-year basis that is relevant to a financial statement reader.

The Financial Section described above is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations, as applicable.

CITY PROFILE

Location

The City of Tyler, Texas, the county seat of Smith County, is an important East Texas commercial and industrial center located on U.S. Highway 69 just south of Interstate 20. The City is equal distance (approximately 100 miles) between the cities of Dallas, Texas and Shreveport, Louisiana. The City, encompassing approximately 52 square miles, had a 2000 census population of 83,650, which is a 9.8% increase from the 1990 census population of 76,440. Currently, the City's population is estimated to be 86,371. The City is commonly referred to as the City of Roses.

The City is a home rule city operating under the Council-Manager form of government. The City Council is comprised of the Mayor and six Council members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Council and is responsible for the daily management of the City. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria no other governmental organizations are included in this report.

Services Provided

The City provides to its citizens those services that have proven to be necessary and meaningful and which the City at the least cost can provide. Major services provided under general government and enterprise functions are: police and fire protection, water and sewer services, sanitation services, park and recreational facilities, library services, street improvements and general administrative services. The City also offers an airport and a convention center. Internal services of the City, accounted for on a cost reimbursement basis, are the fleet services operations; technology services; property and facility management services; productivity pool; risk management services and the employee health and disability coverage.

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City charter provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by line item, and are distributed monthly to City departmental and divisional management and to others upon request.

Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures (items over \$3,000 and having a useful life of three or more years) are monitored and controlled item by item. Revenue budgets are reviewed monthly.

ECONOMIC OUTLOOK AND 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 operates.

Tyler has a diversified industrial base with over 250 manufacturers, distributors, and processors. The chief industries in and around Tyler include: growing and shipping rose bushes; oil production and refining; canning; railroad headquarters; manufacturing cast iron fittings, soil pipe and air conditioning units; prefabricated homes; tires; plastics; fertilizers; brick; tile and fishing lures. This diversification is evident in the fact that no single taxpayer represents more than 2.1% of assessed valuation in the City.

Three institutions of higher education are located here. They are The University of Texas at Tyler, Tyler Junior College, and Texas College.

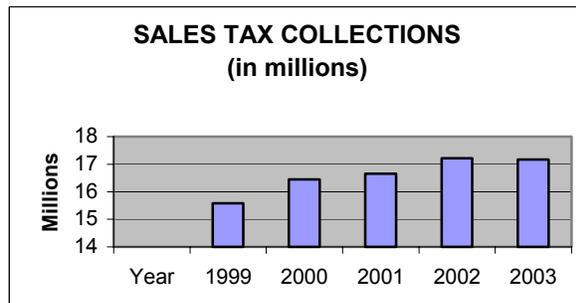
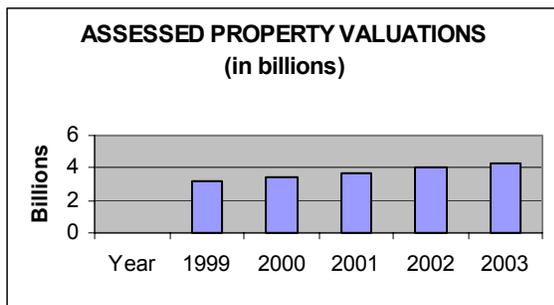
Tyler is also the medical center of East Texas with six hospitals and clinics. Including nursing homes and retirement centers, there are more than 2,000 beds available in health care facilities. There are more than 350 medical doctors and 95 dentists.

The area became involved in the oil and gas industry in 1931 when the East Texas oil field was discovered. The City still has several oil-related service and manufacturing companies located within the City limits.

The City actively works with the Tyler Economic Development Corporation and local industries to encourage expansions and business retentions to our community. Land is available for development and the area has an abundant water supply. Incentives are also available to facilitate business expansions or relocations.

The outlook is encouraging with industrial, commercial, and residential development expected to continue. The potential for sustained development is present, and many people are working to promote positive economic growth.

Economic Signs...



Cash Management

The City awards its depository contract through official bidding procedures for a three-year period with an option to extend the contract for an additional two years. The current depository contract with Bank of America expires December 31, 2003. Subsequent to this fiscal year end the City completed an RFP process. As a result of this process, the depository contract was awarded to Bank of America for a three-year term.

The City has a services-only contract, where a minimum amount of cash is held in interest bearing checking accounts to meet the City's operational needs.

The remaining idle cash is invested by City officials in securities as allowed by Texas Statutes and by the City's investment policy.

The average balance of the City's investment portfolio for fiscal year 2003 was approximately \$68,976,286. The overall portfolio provided \$1,027,305 in investment income, which represents interest revenue net of realized and unrealized gains and losses and investment expenses.

It is the City's policy that all demand deposits and time deposits are secured by pledged collateral with a market value equal to no less than 100% of the deposits less an amount insured by the FDIC. The Finance Department and a third party financial institution maintains evidence of the pledged collateral. Collateral is reviewed monthly to assure the market value of the securities pledged equals or exceeds the related bank balances.

All safekeeping arrangements are in accordance with a safekeeping agreement approved by the City Manager that clearly defines the procedural steps for gaining access to pledge collateral on deposits should the City of Tyler determine that the City's funds are in jeopardy. The safekeeping institution, or Custodian, is the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral. The safekeeping agreement is a three-party contract between the City, the depository bank and the Federal Reserve Bank as Custodian. Other investments are safe-kept by the City's depository bank, currently Bank of America.

All investments transacted by the City are purchased using the delivery versus payment method. That is, funds are not wired or paid until verification has been made that the Custodian has received the correct security. The security is held in the name of the City or held on behalf of the City. The Custodian's records must assure the notation of the City's ownership or explicit claim on the securities. The original copy of all safekeeping statements is delivered to the City.

All collateral is subject to inspection and audit by the Chief Financial Officer and the City's independent auditors.

Risk Management

Property and Liability Plans

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. A comprehensive Self-Insurance plan for property and casualty, airport liability, and general liability coverage has been established. Third-party administrators handle property and casualty claims review and processing. The administrators also coordinate excess coverage claims with insurance companies that provide individual stop-loss for property claims at \$25,000, aggregate stop-loss at \$975,000, and individual stop-loss for liability claims at \$50,000, aggregate stop-loss at \$3,000,000, and individual stop-loss and an aggregate stop-loss on airport liability claims of \$5,000,000. All claims and maximums are calculated for a plan year ending each September 30. The amount of settlements has not exceeded insurance coverage for the last three fiscal years.

Worker's Compensation Plan

The City is exposed to risk of loss due to injuries incurred by employees while performing work-related duties. The City has established and maintains a comprehensive self-insurance worker's compensation plan. Third party administrators also co-ordinate excess coverage claims with insurance companies that provide individual stop-loss for worker's compensation claims at \$300,000 and aggregate protection at \$1,000,000. The city tracks worker's compensation premiums and claim payments in the Employee Benefits Fund.

Health, Dental, and Life Plans

The City implemented a self-insured health plan for employees, their dependents and retirees under the age of 65. The employees can choose between two (2) PPO Plans. The employee pays a portion of the insurance premiums and the City pays the remainder. The City maintains an Employee Benefit Fund to track premiums and claim payments. The City has retained an insurance policy for specific and aggregate stop-loss coverage. There is an individual stop-loss of \$100,000 per illness. A Medicare Risk Plan is also in place for retirees and dependents over the age of 65. A third-party administrator administers health claims and payments.

The Dental Plan is also self-insured with a portion of the premiums paid by employees and retirees. Employees and retirees may elect to provide dental coverage for their dependents and are required to pay a portion of these premiums as well. A third-party administrator administers dental Plan claims.

The City's Employee Benefit Fund pays the premium on an insured life insurance plan for which coverage amounts are: \$10,000 for participants under 70 years of age and \$5,000 for participants over 70 years of age. Active employees may insure dependents or take additional or optional life insurance by paying the additional coverage premiums.

INDEPENDENT AUDIT

The City Charter requires an annual audit by independent certified public accountants. The accounting firm of Gollob, Morgan, Peddy & Co., P.C. was selected by the City's audit committee to perform the fiscal 2003 audit. In addition to meeting City Charter requirements, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The auditors' report on the general purpose financial statements and combining and individual fund and account group is in the financial section.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tyler, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2002.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of all City Departments. We would like to express our appreciation to all members of the City's staff who assisted and contributed to its preparation. We would also like to thank the mayor and city council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Bob Turner
City Manager

Daniel Crawford
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tyler,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

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



President

Executive Director

CITIZENS OF TYLER

City Boards & Commissions

CITY COUNCIL

Citizens Task Force Committees

CITY MANAGER

COMPETITIVE/CONTRACTUAL SERVICE DELIVERY
ORGANIZATIONAL CULTURE

BLUEPRINT

PUBLIC SAFETY SERVICES

Police
Fire

PUBLIC INFORMATION/
TECHNOLOGY SERVICES

City Clerk/Public Records
Public/Media Relations
Citizens Information
Library
Technology/Computer
Systems

ENGINEERING/
DEVELOPMENT SERVICES

Building Inspection
Planning & Zoning
Engineering
Capital Projects
Traffic Engineering
Transit System
Transportation Planning

ENTERPRISE/MAINTENANCE
OPERATIONS

Water Utilities
Solid Waste
Airport
Streets/Environmental Control
Parks/Landscape Maintenance
Labor Support Pool

◆ Highest premium placed on responsiveness to citizens' needs
◆ All city services competitively or contractually delivered
◆ Department Heads value being in accountable leadership; zero tolerance for static, status quo performance; sense of urgency & strategic fast track thinking to keep organization as streamlined, adaptable to change, and competitive as possible
◆ Organizational mindset for pro-action, innovation, service excellence and results
◆ All employees trained and quantifiably productive
◆ Postured with 21st century technology
◆ Excellence in minimizing liabilities and costs, improving service quality & delivery, identifying and implementing efficiency alternatives, measuring service costs, and managing contracts for services
◆ Constantly audited for performance productivity and operational effectiveness
◆ City Manager as business manager for city's new blueprint for competitive services, productive staff, & technologically correct processes

MUNICIPAL COURT SERVICES

Judicial
Administrative

COMMUNITY/STAFF SERVICES

Community Development
Housing Assistance
Recreation/Tourism
Staff Services
Clerical/Support Services Pool

BUSINESS/INTERDEPARTMENTAL
SERVICES

Legal
Risk Management
Accounting/Purchasing
Vehicle/Equipment Management
Property/Facility Management

CITY OF TYLER, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2003

MAYOR – JOEY SEEBER

Members of City Council:

Joyce Scurry
Ron Shaffer
Laura Corbett
Larry Snodgrass
Derrick Choice
Felicity Reedy

City Manager – Bob Turner

Chief Financial Officer - Daniel Crawford

City Clerk - Cassandra Brager

FINANCIAL SECTION

Gollob,
Morgan,
Peddy & Co., P. C.

Certified Public Accountants

MICHAEL D. GOLLOB, CPA
TONY K. MORGAN, CPA
ROBERT W. PEDDY, CPA
BARBARA R. BASS, CPA
TOMMY J. CHAMBERS, CPA
LISA G. ROBINSON, CPA
SHARON C. FORSYTH, CPA
JOE WYLIE, CPA

HARVEY W. JACKSON, CPA
KEVIN R. CASHION, CPA
JOHN W. WILLIAMS, CPA
BRENDA G. WATSON, CPA
DIANNE C. JOHNSTON, CPA
JEANNE C. LEWIS, CPA
KRISTEN L. GUSA, CPA
PATRICIA L. KINNAIRD, CPA
JENNY D. CLARK, CPA
CYNTHIA R. HALE, CPA
MICHAEL W. STEVENS, CPA
ROBERT SHANE ROHRBACH, CPA
JAIME N. KIRKLAND, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
AND PRIVATE COMPANIES
PRACTICE SECTION

OFC: (903) 534-0088
FAX: (903) 581-3915

3620 OLD BULLARD ROAD, SUITE 100
TYLER, TEXAS 75701

INDEPENDENT AUDITORS' REPORT

To the Honorable City Council and Audit Committee
City of Tyler, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas as of and for the year ended September 30, 2003, 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 Tyler, Texas' management. Our responsibility is to express an opinion 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 a 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 opinion.

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, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2004 on our consideration of the City of Tyler's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tyler, Texas' basic financial statements. The combining and individual non-major fund financial statements and the accompanying schedules of expenditures of federal and state awards are presented for purposes

of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and 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, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables 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.

The management's discussion and analysis is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

Certified Public Accountants

Tyler, Texas
January 13, 2004

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2003
(Unaudited)

As management of the City of Tyler, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report. The City implemented Governmental Accounting Standards Board Statement 34- Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments for the first time for fiscal year 2002. As discussed in footnote 1, Statement 34 allows for certain transition treatments in regards to infrastructure. The City fully capitalized its infrastructure in fiscal year 2002.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tyler exceeded its liabilities at the close of the most recent fiscal year by \$401,418,807 (Net assets). Of this amount, \$50,209,090 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$2,958,249.
- As of the close of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$21,365,063. (\$7,251,642 is unrestricted and available for use within the City's designation and policies.)
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,023,340 or 13.8% of the total general fund expenditures.
- The City's revenue bond payable increased \$12,750,000 from 49,325,000 due to its 2003 bond issue for the citywide replacement of water meters. The City's general obligation bond payable decreased \$4,015,000 due to its payoff of two outstanding bond issues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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'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 is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when 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 the future fiscal periods (e.g., uncollected taxes earned but unused and compensated absences).

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2003
(Unaudited)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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 and administration, public safety, library, and parks and recreation. The business-type activities of the City include Water and Sewer, Airport and Sanitation operations. The government-wide financial statements can be found on page 12-13 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into 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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 17 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and the Capital Projects Fund, both of which are considered to be major funds. Data from the other 15 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 14-16.

Proprietary Funds – The City 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 uses enterprise funds to account for its water and sewer, airport and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its fleet services; risk management; technology; property and facility management; productivity and employee health and disability programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Airport, and Sanitation funds since they are considered to be major funds of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 20-23 of this report.

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
 For Year Ended September 30, 2003
 (Unaudited)

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 on pages 26-48.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 50-51 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 55-70 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Tyler, assets exceeded liabilities by \$401,418,807 as of September 30, 2003.

The largest portion of the City's net assets, 82%, (\$327,459,793), reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF TYLER'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 37,718,949	\$ 39,352,952	\$ 49,482,836	\$ 65,028,839	\$ 87,201,785	\$ 104,381,791
Capital Assets	220,491,829	223,488,053	176,270,627	143,148,398	396,762,456	366,636,451
Total Assets	258,210,778	262,841,005	225,753,463	208,177,237	483,964,241	471,018,242
Long-term liabilities	11,213,681	14,497,052	61,313,510	48,007,604	72,527,191	62,504,656
Other liabilities	5,569,376	6,060,573	4,448,870	3,992,455	10,018,246	10,053,028
Total Liabilities	16,783,057	20,557,625	65,762,380	52,000,059	82,545,437	72,557,684
Net Assets:						
Invested in capital assets,						
Net of related debt	213,663,400	191,659,914	113,796,393	93,823,398	327,459,793	285,483,312
Restricted	13,940,300	14,480,855	9,809,624	1,040,402	23,749,924	15,521,257
Unrestricted	13,824,023	36,142,611	36,385,067	61,313,378	50,209,090	97,455,989
Total Net Assets	\$ 241,427,723	\$ 242,283,380	\$ 159,991,084	\$ 156,177,178	\$ 401,418,807	\$ 398,460,558

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
 For Year Ended September 30, 2003
 (Unaudited)

An additional portion of the City's net assets, 6.0%, (\$23,749,924), represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$50,209,090 may be used to meet the government's ongoing obligation to citizens and creditors.

As of September 30, 2003, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate categories-governmental and business-type activities. The same situation held true for the prior fiscal year.

Analysis of the City's Operations – Overall the City had an increase in net assets of \$2,958,249.

Governmental Activities: Governmental activities decreased the net assets by \$855,657. Net assets invested in capital assets, net of related debt increased by \$22,003,486 due to completion of capital projects and the retiring of two debt issues. Restricted net assets decreased by \$540,555 primarily due to a decrease in funds restricted for grants, donations and the municipal court. Unrestricted net assets decreased by \$22,318,588 due the use of unrestricted funds for capital purchases as well as the negative change in net assets of the internal service funds.

Total revenues for the governmental activities decreased from the previous year by \$1,599,396. General revenue had a net increase of \$643,644, which was due to an increase in sales tax, franchise tax, and property tax. Program revenues had a decrease of \$2,243,040, which was primarily due to a decrease in operating and capital grant funding.

Business-type Activities: Net Assets from business-type activities increased by \$3,813,906. This increase was primarily due to the completion of capital projects; increase in net assets restricted for construction from a revenue bond issuance and offset by a decrease in unrestricted net assets due to the use of unrestricted funds for capital purchases.

The following table provides a summary of the City's operations for the year ended September 30, 2003 with comparative totals for the year ended September 30, 2002.

CITY OF TYLER'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues:						
Charges for services	\$10,795,347	\$ 10,279,912	\$ 27,958,922	\$ 26,534,565	\$ 37,114,137	\$ 36,814,477
Operating grants and contributions	7,919,370	6,530,677	-	-	7,919,370	6,530,677
Capital grants and contributions	439,748	4,586,916	146,808	-	586,556	4,586,916
General revenues:						
Property taxes	10,904,265	10,710,574	-	-	10,904,265	10,710,574
Franchise taxes	8,432,209	8,282,437	-	-	8,432,209	8,282,437
Sales taxes	26,475,006	25,805,742	-	-	26,475,006	25,805,742
Investment earnings and use of money and property	835,144	1,158,852	1,244,536	1,473,822	3,719,812	2,632,674
Gain on sale of assets	154,845	200,220	193,124	36,940	347,969	237,160
Total revenues	\$65,955,934	\$67,555,330	\$29,543,390	\$28,045,327	\$95,499,324	\$95,600,657

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2003
(Unaudited)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Expenses:						
General government	\$7,810,926	\$8,496,768	\$ -	\$ -	\$ 7,810,926	\$ 8,496,768
Public safety	27,206,911	25,823,437	-	-	27,206,911	25,823,437
Streets	8,883,528	5,157,064	-	-	8,883,528	5,157,064
Public Services	15,504,438	12,737,742	-	-	15,504,438	12,737,742
Culture and Recreation	5,832,406	5,862,162	-	-	5,832,406	5,862,162
Interest on long-term debt	506,102	575,516	-	-	506,102	575,516
Water and Sewer	-	-	16,916,663	15,458,795	16,916,663	15,458,795
Solid Waste	-	-	8,008,148	6,925,144	8,008,148	6,925,144
Airport	-	-	1,871,953	1,594,141	1,871,953	1,594,141
Total Expenses	\$65,744,311	\$58,652,689	\$26,796,764	\$23,978,080	\$92,541,075	\$82,630,769
Increases in net assets						
Before Transfers	211,623	8,902,641	2,746,626	4,067,247	2,958,249	12,969,888
Transfers	(1,067,280)	(6,991,940)	1,067,280	6,991,940	-	-
Change in net assets	(855,657)	1,910,701	3,813,906	11,059,187	2,958,249	12,969,888
Net assets – October 1	\$242,283,380	\$240,372,679	\$156,177,178	\$145,117,991	\$398,460,558	\$385,490,670
Net assets – September 30	\$241,427,723	\$242,283,380	\$159,991,084	\$156,177,178	\$401,418,807	\$398,460,558

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds – The focus of the City of Tyler's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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.

At the end of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$21,365,063. Approximately 34.0% of this total amount (\$7,251,642) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for capital projects (\$8,847,228), 2) to pay for debt service (\$2,462,596), 3) to pay for the perpetual care of city cemeteries (\$1,882,512) and 4) to pay for other miscellaneous reservations (\$921,085).

In the general fund, the City budgeted for a decrease in the fund balance of \$4,796,975, which was partly due to capital expenditures of \$2,317,331. This was a planned reduction of excess fund balance to fund "pay as you go" capital projects. Due to actual revenues being more than budgeted and actual expenses being less than budgeted, the actual fund balance decrease for fiscal year 2003 was \$1,173,574. Debt service fund balance decreased in 2003 by \$2,834,876 and was primarily due to the retirement of two debt issues. Capital projects fund balance increased in 2003 by \$2,830,031, from \$6,017,199 to \$8,847,230 primarily due to an increase in sales tax revenue as well as beginning several multi-year construction projects.

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

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
 For Year Ended September 30, 2003
 (Unaudited)

Unrestricted net assets of the respective proprietary funds are Water and Sewer- \$42,374,778, Airport- \$(26,242) and Sanitation- \$4,309,147. Two funds had a net assets increase in 2003 as follows: Water and Sewer- \$4,192,008 and Sanitation- \$638,111. One fund had a net assets decrease in 2003 as follows: Airport- \$379,842

General Fund Budgetary Highlights – The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase of budgeted expenditures from the original budget of \$1,665,070. The majority of increase was due to projects not being completed in prior year as planned.

The City had budgeted for little or no increase in most revenue categories from the prior year collections based on economic conditions. However, actual revenues exceeded the budgeted amount by \$1,634,777.

CAPITAL ASSETS

The City of Tyler's investment in capital assets for its governmental and business-type activities as of September 30, 2003 amounts to \$396,762,456, (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress. The total increase in capital assets for the current fiscal year was \$30,126,005 or 8.2%.

Major capital asset events during the current fiscal year included the following:

- \$1,017,554 has been completed on a police station expansion.
- \$8,490,429 has been completed on highways and streets projects.
- \$1,882,140 has been completed on culture and recreation improvements.
- \$987,644 has been completed on public transit projects.
- \$8,001,818 has been completed on the water meter replacement project.
- \$16,628,997 has been completed on the Lake Palestine project.

Capital Assets at Year-end Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 5,309,001	\$ 5,299,501	5,627,226	\$ 5,609,931	\$ 10,936,227	\$ 10,909,432
Building	16,738,623	16,127,433	34,120,951	33,223,441	50,859,574	49,350,874
Improvements	69,422,972	73,003,531	123,819,071	64,532,506	193,242,043	137,536,037
Machinery & Equipment	13,425,289	14,145,814	3,074,427	1,991,965	16,499,716	16,137,779
Infrastructure	108,308,341	108,945,799	-	-	108,308,341	108,945,799
Construction in Progress	7,287,603	5,965,975	9,628,952	37,790,555	16,916,555	43,756,530
Total	\$ 220,491,829	\$ 223,488,053	\$ 176,270,627	\$ 143,148,398	\$ 396,762,456	\$ 366,636,451

Additional information on the City of Tyler's capital assets can be found in note 4 on page 5 of this report.

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
 For Year Ended September 30, 2003
 (Unaudited)

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Tyler had a total bonded debt of \$69,255,000. Of this amount, \$7,180,000 comprises bonded debt backed by the full faith and credit of the government and \$62,075,000 represents bonds secured solely by water and sewer revenues.

Outstanding Debt at Year End Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
General Obligations	\$ 7,180,000	\$ 11,195,000	\$ -	\$ -	\$ 7,180,000	\$ 11,195,000
Revenue Bonds Payable	-	-	62,075,000	49,325,000	62,075,000	49,325,000
Total	\$ 7,180,000	\$ 11,195,000	\$ 62,075,000	\$ 49,325,000	\$ 69,255,000	\$ 60,520,000

During the fiscal year, the City's total debt increased by \$8,735,000 or 14.0%. The increase was primarily due to the following:

- On July 15, 2003 the City issued \$14,475,000 in water and sewer system revenue bonds to be used in a project to replace all of the city water meters with radio read meters.

The City's General Obligation, Water Works and Sewer system Revenue Bond ratings are listed below.

	Moody's <u>Investors Service</u>	Standard & Poor's
General Obligation Bonds	Aa	AA
Revenue Bonds	Aa	AA

Several of the City's Bonds are insured thus holding a Triple A credit rating from both Moody's and Standard & Poor's.

Additional information on the City of Tyler's long term-debt can be found in footnote 4 on page 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the fiscal year 2003-04 Budget, General fund revenues and transfers in are budgeted to increase by 1.0% from the 2002-03 budget year with sales taxes making up about 40.0% of general fund budgeted revenues and transfers in. Certified assessed valuations increased 4.0% over the preceding year. The City has one of the lowest unemployment rates at 5.0% as compared to the State of Texas, which is 6.8% at September 30, 2003. The City's budgets for all funds has benefited from a strong and expanding economy for several years, but in the last fiscal year and the coming fiscal year, the City's budget has been impacted by a slow down in economic

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2003
(Unaudited)

growth. Sales tax receipts increased marginally during the end of the 2002-03 fiscal year, and appear to continue to show signs of increase during the 2003-04 fiscal year. This revenue source is the most volatile and subject to decline if the economic slowdown continues. A decrease in the amount of interest income could also be a factor during this budget year based upon the Federal Reserve's decision to remain at the lower rates. State and federal funding appears to be decreasing potentially due to the national economic condition restricting appropriations at all levels. In response to the decreases in other sources of operating revenue the city has implemented a small increase in the operating tax rate while keeping the overall tax rate at .248855 the lowest of Texas cities with similar population rates.

As a result of the potential impact in revenue, the City has made a concerted effort to limit appropriations to only those items truly necessary. This includes a reduction in the amount spent by the City for capital acquisitions.

The 2003-04 Water Utilities operating budget is supported by a 5% residential and commercial water rate increase, continuing a trend from the past several years. The City did not increase water rates during the 2002-03 fiscal year and therefore actual revenue did not increase. The City has contracted with the R W Beck Company to conduct a water and wastewater rate study to be completed during the 2003-04 fiscal year. This study will help the City plan for the sound financial operations and capital maintenance of its utility system for the foreseeable future.

The 2003-04 sanitation operations are budgeted to decline by approximately \$500,000 from the 2002-03 fiscal year. Revenue for the Sanitation Fund is budgeted to remain the same plus some inflationary adjustment.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance, Attn: Chief Financial Officer at P.O. Box 2039, Tyler, Texas 75710, call (903) 531-1140, or email dcrawford@tylertexas.com.

BASIC FINANCIAL STATEMENTS

CITY OF TYLER, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2003

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 15,051,430	\$ 14,847,914	\$ 29,899,344
Receivables (net of allowance for doubtful accounts)	6,868,999	3,595,135	10,464,134
Internal balances	240,117	(240,117)	-
Inventories	133,290	276,247	409,537
Prepaid items and deferred charges	190,507	575,455	765,962
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	13,000,551	17,904,002	30,904,553
Permanently restricted	1,882,514	-	1,882,514
Water rights - Lake Palestine	-	12,524,200	12,524,200
Investment in joint venture	351,541	-	351,541
Capital Assets (net of accumulated depreciation):			
Land	5,309,001	5,627,226	10,936,227
Buildings	16,738,623	34,120,951	50,859,574
Improvements, other than buildings	69,422,972	123,819,070	193,242,042
Machinery and equipment	13,425,289	3,074,429	16,499,718
Construction in progress	7,287,603	9,628,952	16,916,555
Infrastructure	108,308,341	-	108,308,341
Total Assets	258,210,778	225,753,464	483,964,242
LIABILITIES			
Accounts payable	3,125,623	2,055,796	5,181,419
Deposits and other refundable balances	117,424	261,576	379,000
Insurance claims payable	819,946	-	819,946
Accrued interest payable	42,483	174,105	216,588
Deferred revenues	117,376	-	117,376
Non-current liabilities:			
Due within one year	969,128	2,218,969	3,188,097
Due in more than one year	11,591,075	61,051,934	72,643,009
Total Liabilities	16,783,055	65,762,380	82,545,435
NET ASSETS			
Investment in capital assets, net of related debt	213,663,400	113,796,393	327,459,793
Restricted for:			
Debt service	2,462,596	277,125	2,739,721
Perpetual care	1,882,514	-	1,882,514
Capital projects	8,847,228	9,532,499	18,379,727
Grants and donations	399,767	-	399,767
Court	348,195	-	348,195
Unrestricted	13,824,023	36,385,067	50,209,090
Total Net Assets	\$ 241,427,723	\$ 159,991,084	\$401,418,807

The notes to the financial statements are an integral part of this statement.

**CITY OF TYLER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

PROGRAM ACTIVITIES	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government:							
Governmental activities:							
General government	\$ 7,810,926	\$ 4,869,033	\$ -	\$ 359,452	\$ (2,582,441)	\$ -	\$ (2,582,441)
Public safety	27,206,911	3,656,734	363,597	80,296	(23,106,284)	-	(23,106,284)
Highways and streets	14,857,558	124,524	-	-	(14,733,034)	-	(14,733,034)
Public services	9,530,408	730,677	7,336,737	-	(1,462,994)	-	(1,462,994)
Culture and recreation	5,832,406	1,414,379	219,036	-	(4,198,991)	-	(4,198,991)
Interest on long term debt	506,102	-	-	-	(506,102)	-	(506,102)
Total governmental activities	65,744,311	10,795,347	7,919,370	439,748	(46,589,846)	-	(46,589,846)
Business-type activities:							
Water and sewer	16,916,663	20,325,519	-	-	-	3,408,856	3,408,856
Sanitation	8,008,148	7,418,680	-	-	-	(589,468)	(589,468)
Airport	1,871,953	214,723	-	146,808	-	(1,510,422)	(1,510,422)
Total business-type activities	26,796,764	27,958,922	-	146,808	-	1,308,966	1,308,966
Total primary government	\$ 92,541,075	\$ 38,754,269	\$ 7,919,370	\$ 586,556	(46,589,846)	1,308,966	(45,280,880)
General revenues:							
Property taxes					10,904,265	-	10,904,265
Franchise taxes					8,432,209	-	8,432,209
Sales and use taxes					26,475,006	-	26,475,006
Unrestricted investment earnings and use of money and property					835,144	1,244,536	2,079,680
Gain on sale of assets					154,845	193,124	347,969
Transfers					(1,067,280)	1,067,280	-
Total general revenues and transfers					45,734,189	2,504,940	48,239,129
Change in net assets					(855,657)	3,813,906	2,958,249
Net assets - beginning of year					242,283,380	156,177,178	398,460,558
Net assets - end of year					\$ 241,427,723	\$ 159,991,084	\$ 401,418,807

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	MAJOR FUNDS		OTHER	TOTAL
	GENERAL	CAPITAL PROJECTS	NON-MAJOR GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 7,584,119	\$ 9,846,731	\$ 6,194,827	\$ 23,625,677
Investments	-	-	-	-
Receivables (net of allowance for doubtful accounts) :				
Property taxes	731,458	-	-	731,458
Other taxes	-	-	-	-
Accrued interest	-	-	-	-
Other	425,199	-	768,874	1,194,073
Due from other funds	395,129	-	-	395,129
Inventories	4,373	-	-	4,373
Prepaid items	168,750	-	21,757	190,507
Advances to other funds	-	-	-	-
Total assets	<u>\$ 9,309,028</u>	<u>\$ 9,846,731</u>	<u>\$ 6,985,458</u>	<u>\$ 26,141,217</u>
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,011,355	\$ 499,501	\$ 403,914	\$ 2,914,770
Contracts payable	31,960	-	85,461	117,421
Insurance claims payable	-	-	-	-
Due to other funds	-	500,000	395,129	895,129
Deferred revenues	786,955	-	61,879	848,834
Total liabilities	<u>2,830,270</u>	<u>999,501</u>	<u>946,383</u>	<u>4,776,154</u>
Fund Balances:				
Reserved for:				
Inventory	4,373	-	-	4,373
Prepaid items	168,750	-	-	168,750
Perpetual care	-	-	1,882,512	1,882,512
Court ordered disbursements	27,567	-	65,898	93,465
Debt service	-	-	2,462,596	2,462,596
Grants / Donations	-	-	399,767	399,767
Capital projects	-	8,847,230	-	8,847,230
Court security	43,459	-	-	43,459
Court technology	211,271	-	-	211,271
Total reserved fund balances	<u>455,420</u>	<u>8,847,230</u>	<u>4,810,773</u>	<u>14,113,423</u>
Unreserved fund balances				
Designated reported in:				
General Fund				
Utility rate litigation	-	-	-	-
Operating reserve	2,000,000	-	-	2,000,000
Total designated fund balances	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Undesignated reported in:				
General Fund				
	4,023,338	-	-	4,023,338
Special Revenue Fund	-	-	285,537	285,537
Permanent Fund	-	-	942,765	942,765
Total undesignated fund balances	<u>4,023,338</u>	<u>-</u>	<u>1,228,302</u>	<u>5,251,640</u>
Total fund balances	<u>6,478,758</u>	<u>8,847,230</u>	<u>6,039,075</u>	<u>21,365,063</u>
Total liabilities and fund balances	<u>\$ 9,309,028</u>	<u>\$ 9,846,731</u>	<u>\$ 6,985,458</u>	

(continued)

CITY OF TYLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

ECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS (Exhibit

	TOTAL GOVERNMENTAL FUNDS
Total fund balances governmental funds (Exhibit 3 page 1)	<u>21,365,063</u>
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	212,844,993
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	5,403,632
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.	(42,483)
Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. (Net of the amount allocated to business-type activities)	14,377,737
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	<u>(12,521,219)</u>
Net Assets of governmental activities	<u>\$ 241,427,723</u>

CITY OF TYLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes:					
Property	\$ 9,285,584	\$ -	\$ 1,668,739	\$ -	\$ 10,954,323
Franchise	7,038,607	-	1,393,602	-	8,432,209
Sales and use	17,421,058	8,582,840	-	-	26,003,898
Licenses and permits	710,908	-	-	-	710,908
Fines, forfeitures, and penalties	3,787,811	-	41,649	-	3,829,460
Revenues from use of money or property	227,213	85,549	408,636	-	721,398
Charges for current services	2,637,761	-	101,276	-	2,739,037
Revenues from other agencies	636,015	-	8,032,637	-	8,668,652
Donations	-	-	85,775	-	85,775
Miscellaneous	379,523	-	141,637	-	521,160
Total revenues	<u>42,124,480</u>	<u>8,668,389</u>	<u>11,873,951</u>	<u>-</u>	<u>62,666,820</u>
EXPENDITURES					
Current:					
General government	5,872,327	-	12,471	-	5,884,798
Public safety	25,935,383	-	29,708	-	25,965,091
Public services	782,422	-	8,827,179	-	9,609,601
Highways and streets	6,050,558	-	502,518	-	6,553,076
Culture and recreation	2,625,545	-	1,380,708	-	4,006,253
Capital outlay	2,317,331	5,457,995	299,351	-	8,074,677
Debt service:					
Principal retirement	-	-	4,015,000	-	4,015,000
Interest and fiscal charges	-	-	529,560	-	529,560
Total expenditures	<u>43,583,566</u>	<u>5,457,995</u>	<u>15,596,495</u>	<u>-</u>	<u>64,638,056</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,459,086)</u>	<u>3,210,394</u>	<u>(3,722,544)</u>	<u>-</u>	<u>(1,971,236)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	783,200	149,078	759,405	(925,605)	766,078
Transfers out	(498,217)	(529,441)	(526,746)	925,605	(628,799)
Sale of capital assets	529	-	-	-	529
Total other financing sources (uses)	<u>285,512</u>	<u>(380,363)</u>	<u>232,659</u>	<u>-</u>	<u>137,808</u>
Net change in fund balances	(1,173,574)	2,830,031	(3,489,885)	-	(1,833,428)
Fund balances - beginning of year	<u>7,652,332</u>	<u>6,017,199</u>	<u>9,528,960</u>	<u>-</u>	<u>23,198,491</u>
Fund balances - end of year	<u>\$ 6,478,758</u>	<u>\$8,847,230</u>	<u>\$ 6,039,075</u>	<u>\$ -</u>	<u>\$ 21,365,063</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 5

**CITY OF TYLER, 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, 2003**

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ (1,833,428)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(2,719,033)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(1,359)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	421,051
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,015,000
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(676,238)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	23,458
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities, net of amount allocated to business-type activities of (\$ 636,371).	<u>(85,108)</u>
Change in net assets of governmental activities	<u><u>\$ (855,657)</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF TYLER, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Property tax collections	\$ 9,139,814 #	\$ 9,139,814	\$ 9,285,584	\$ 145,770
Franchise fees	6,690,500 #	6,690,500	7,038,607	348,107
Sales and use taxes	17,086,100 #	17,086,100	17,421,058	334,958
Licenses and permits	542,300 #	542,300	710,908	168,608
Fines, forfeitures, and penalties	3,397,600 #	3,397,600	3,787,811	390,211
Revenues from use of money or property	212,300 #	212,300	227,213	14,913
Charges for current services	2,573,402 #	2,573,402	2,637,761	64,359
Revenues from other agencies	610,687 #	610,687	636,015	25,328
Miscellaneous	237,000 #	237,000	379,523	142,523
Total revenues	40,489,703	40,489,703	42,124,480	1,634,777
EXPENDITURES				
GENERAL GOVERNMENT:				
General government services	2,947,921 #	3,444,282	3,145,155	299,127
City Manager	420,368 #	420,368	369,742	50,626
City Clerk	109,009 #	109,009	113,810	(4,801)
City Hall	291,276 #	294,915	275,054	19,861
Accounting	422,193 #	422,193	392,960	29,233
Legal	349,666 #	349,666	375,400	(25,734)
Information services	971,176 #	971,176	904,531	66,645
Staff services	288,457 #	288,457	296,354	(7,897)
Total General Government	5,800,066	6,300,066	5,873,006	427,060
POLICE	16,567,377	16,625,578	15,904,756	720,822
FIRE	8,891,330	8,891,330	8,868,987	22,343
PUBLIC SERVICES				
Engineering	1,795,895 #	2,658,774	2,125,897	532,877
Street administration	1,585,034 #	1,715,034	1,616,823	98,211
Labor pool	1,731,701 #	1,731,701	1,909,752	(178,051)
Traffic operations	2,021,266 #	2,021,266	1,938,381	82,885
Total Public Services	7,133,896	8,126,775	7,590,853	535,922
LIBRARIES:				
Library administration	1,317,085 #	1,317,085	1,269,099	47,986
Total Libraries	1,317,085	1,317,085	1,269,099	47,986

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL		BUDGET AMENDED	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
EXPENDITURES (continued)					
PARKS AND RECREATION:					
Parks administration	1,182,788	#	1,182,788	1,198,242	(15,454)
Park maintenance	715,524	#	747,349	718,703	28,646
Total Parks and Recreation	1,898,312		1,930,137	1,916,945	13,192
PLANNING AND INSPECTION:					
Planning and zoning	199,013	#	199,013	196,924	2,089
Building inspection	508,881	#	508,881	494,660	14,221
Capital projects administration	105,899	#	105,899	107,095	(1,196)
Total Planning and Inspection	813,793		813,793	798,679	15,114
MUNICIPAL COURT	1,533,990	#	1,565,290	1,361,241	204,049
Total expenditures	43,955,849		45,570,054	43,583,566	1,986,488
Excess (deficiency) of revenues over (under) expenditures	(3,466,146)		(5,080,351)	(1,459,086)	3,621,265
OTHER FINANCING SOURCES (USES)					
Transfers in	693,665	#	693,665	783,200	89,535
Transfers out	(359,424)	#	(410,289)	(498,217)	(87,928)
Sale of property and equipment	-	#	-	529	529
Total other financing sources (uses)	334,241		283,376	285,512	2,136
Net change in fund balance	(3,131,905)		(4,796,975)	(1,173,574)	3,623,401
Fund Balance - October 1, 2002	-		-	7,652,332	7,652,332
FUND BALANCE - SEPTEMBER 30, 2003	\$ (3,131,905)		\$ (4,796,975)	\$ 6,478,758	\$ 11,275,733

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2003

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES
	ENTERPRISE FUNDS				
	WATER & SEWER FUND	SANITATION FUND	MUNICIPAL AIRPORT FUND	TOTAL ENTERPRISE FUNDS	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 10,956,140	\$ 3,876,763	\$ 13,281	\$ 14,846,184	\$ 6,248,818
Cash - demand deposits and on hand	1,700	30	-	1,730	60,000
Accounts receivable (net)	2,878,621	677,360	39,154	3,595,135	271,295
Due from other funds	-	500,000	-	500,000	-
Inventories - at average cost	276,247	-	-	276,247	128,917
Total current assets	<u>14,112,708</u>	<u>5,054,153</u>	<u>52,435</u>	<u>19,219,296</u>	<u>6,709,030</u>
Restricted Current assets:					
Temporarily restricted					
Customer deposits	261,576	-	-	261,576	-
Cash and cash equivalents for payment of current maturities of revenue bond principal and interest	598,479	-	-	598,479	-
Total restricted current assets	<u>860,055</u>	<u>-</u>	<u>-</u>	<u>860,055</u>	<u>-</u>
Noncurrent assets:					
Restricted assets:					
Temporarily restricted					
Cash and cash equivalents	17,043,947	-	-	17,043,947	-
Total restricted assets	<u>17,043,947</u>	<u>-</u>	<u>-</u>	<u>17,043,947</u>	<u>-</u>
Deferred charges (net)	575,455	-	-	575,455	-
Water rights - Lake Palestine	12,524,200	-	-	12,524,200	-
Capital assets:					
Land	1,897,452	2,995,009	734,765	5,627,226	65,000
Buildings	26,426,964	94,704	20,086,632	46,608,300	1,157,418
Improvements other than buildings	153,468,841	225,953	11,363,288	165,058,082	280,294
Machinery and equipment	1,543,814	3,764,452	225,033	5,533,299	18,513,335
Construction in progress	9,532,499	-	96,453	9,628,952	-
Less accumulated depreciation	(48,557,595)	(2,241,992)	(5,385,644)	(56,185,231)	(12,017,670)
Total capital assets net of accumulated depreciation	<u>144,311,975</u>	<u>4,838,126</u>	<u>27,120,527</u>	<u>176,270,628</u>	<u>7,998,377</u>
Total noncurrent assets	<u>174,455,577</u>	<u>4,838,126</u>	<u>27,120,527</u>	<u>206,414,230</u>	<u>7,998,377</u>
Total assets	<u>\$ 189,428,340</u>	<u>\$ 9,892,279</u>	<u>\$ 27,172,962</u>	<u>\$ 226,493,581</u>	<u>\$ 14,707,407</u>
LIABILITIES					
Current liabilities:					
Accounts and contracts payable	\$ 1,729,243	\$ 279,320	\$ 47,232	\$ 2,055,795	\$ 210,857
Insurance claims payable	-	-	-	-	819,946
Current portion of landfill closure postclosure costs payable	-	125,000	-	125,000	-
Current portion of compensated absences payable	6,184	1,361	1,424	8,969	311
Total current liabilities	<u>1,735,427</u>	<u>405,681</u>	<u>48,656</u>	<u>2,189,764</u>	<u>1,031,114</u>
Current liabilities payable from restricted assets:					
Revenue bonds payable	2,085,000	-	-	2,085,000	-
Customer deposits	261,576	-	-	261,576	-
Accrued interest	174,105	-	-	174,105	-
Total current liabilities payable from restricted assets	<u>2,520,681</u>	<u>-</u>	<u>-</u>	<u>2,520,681</u>	<u>-</u>
Noncurrent liabilities:					
Revenue bonds payable	60,389,235	-	-	60,389,235	-
Landfill closure postclosure costs payable	-	215,406	-	215,406	-
Compensated absences	293,354	123,919	30,021	447,294	38,673
Total noncurrent liabilities	<u>60,682,589</u>	<u>339,325</u>	<u>30,021</u>	<u>61,051,935</u>	<u>38,673</u>
Total liabilities	<u>64,938,697</u>	<u>745,006</u>	<u>78,677</u>	<u>65,762,380</u>	<u>1,069,787</u>
NET ASSETS					
Invested in capital assets, net of related debt	81,837,740	4,838,126	27,120,527	113,796,393	5,935,043
Restricted for debt service	277,125	-	-	277,125	-
Unrestricted	<u>42,374,778</u>	<u>4,309,147</u>	<u>(26,242)</u>	<u>46,657,683</u>	<u>7,702,577</u>
Total net assets	<u>\$ 124,489,643</u>	<u>\$ 9,147,273</u>	<u>\$ 27,094,285</u>	<u>160,731,201</u>	<u>\$ 13,637,620</u>
Reconciliation to government-wide statements of net assets:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			prior year current year	(103,746) (636,371)	
Net assets of business-type activities				<u>\$ 159,991,084</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	BUSINESS-TYPE ACTIVITIES			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL
	ENTERPRISE FUNDS				INTERNAL
	WATER & SEWER FUND	SANITATION FUND	MUNICIPAL AIRPORT FUND		SERVICE FUNDS
OPERATING REVENUES					
Water and sewer operations	\$ 18,799,652	\$ -	\$ -	\$ 18,799,652	\$ -
Trash and garbage	-	7,370,595	-	7,370,595	-
Airport sales and rentals	-	-	205,696	205,696	-
Charges for services	-	-	-	-	3,477,316
Contributions	-	-	-	-	9,071,435
Miscellaneous	1,525,867	48,085	9,027	1,582,979	635,100
Total operating revenues	20,325,519	7,418,680	214,723	27,958,922	13,183,851
OPERATING EXPENSES					
Water and sewer operations	13,208,108	-	-	13,208,108	-
Sanitation operations	-	7,423,327	-	7,423,327	-
Municipal Airport operations	-	-	1,034,328	1,034,328	-
Garage operations	-	-	-	-	743,617
Depreciation	2,927,514	195,805	817,708	3,941,027	1,736,988
Insurance claims	-	-	-	-	7,186,823
Administrative	-	-	-	-	2,139,732
Special services	-	-	-	-	660,157
Maintenance	-	-	-	-	470,562
Total operating expenses	16,135,622	7,619,132	1,852,036	25,606,790	12,937,879
Operating income (loss)	4,189,897	(200,452)	(1,637,313)	2,352,132	245,972
NON-OPERATING REVENUES (EXPENSES)					
Revenues from use of money and property	555,714	54,950	633,872	1,244,536	84,712
Amortization	(79,996)	-	-	(79,996)	-
Sale of property	-	192,774	350	193,124	155,675
Interest expense	(473,607)	-	-	(473,607)	-
Total non-operating revenues (expenses)	2,111	247,724	634,222	884,057	240,387
Income (loss) before operating transfers	4,192,008	47,272	(1,003,091)	3,236,189	486,359
Contributed capital	-	-	146,808	146,808	-
Transfers in	-	590,839	625,519	1,216,358	-
Transfers out	-	-	(149,078)	(149,078)	(1,207,839)
Net transfers and capital contributions	-	590,839	623,249	1,214,088	(1,207,839)
Change in net assets	4,192,008	638,111	(379,842)	4,450,277	(721,480)
Net Assets - October 1, 2002	120,297,635	8,509,162	27,474,127		14,359,100
NET ASSETS - SEPTEMBER 30, 2003	\$ 124,489,643	\$ 9,147,273	\$ 27,094,285		\$ 13,637,620
Reconciliation to government-wide statements of net assets					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(636,371)	
Change in net assets of business-type activities				<u>\$ 3,813,906</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

Increase (Decrease) In Cash and Cash Equivalents

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	WATER & SEWER FUND	SANITATION FUND	MUNICIPAL AIRPORT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 20,146,343	\$ 7,355,992	\$ 201,240	\$ 27,703,575	\$ 13,142,963
Cash paid to suppliers for goods and services	(8,504,210)	(5,602,062)	(731,837)	(14,838,109)	(2,046,395)
Cash paid for interfund services used	(1,597,346)	(197,400)	(49,800)	(1,844,546)	-
Cash paid to employees for services	(2,751,077)	(1,168,508)	(231,215)	(4,150,800)	(750,811)
Insurance claims paid	-	-	-	-	(8,216,415)
Net cash provided by (used in) operating activities	7,293,710	388,022	(811,612)	6,870,120	2,129,342
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers-in from other funds	-	389,264	625,519	1,014,783	(1,207,839)
Transfers-out to other funds	-	-	(149,078)	(149,078)	-
Net cash (used in) provided by non-capital financing activities	-	389,264	476,441	865,705	(1,207,839)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(35,565,765)	(1,181,170)	(515,899)	(37,262,834)	(1,770,786)
Proceeds from sale of assets	-	394,349	350	394,699	436,386
Proceeds from issuance of revenue bonds	29,023,998	-	-	29,023,998	-
Payments on bonded debt	(1,725,000)	-	-	(1,725,000)	-
Interest paid	(330,562)	-	-	(330,562)	-
Net cash provided by (used in) capital and related financing activities	(8,597,329)	(786,821)	(515,549)	(9,899,699)	(1,334,400)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	579,351	54,950	633,872	1,268,173	84,712
Net cash (used in) provided by investing activities	579,351	54,950	633,872	1,268,173	84,712
Net increase (decrease) in cash and cash equivalents	(724,268)	45,415	(216,848)	(895,701)	(328,185)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,586,110	3,831,378	230,129	33,647,617	6,637,003
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 28,861,842	\$ 3,876,793	\$ 13,281	\$ 32,751,916	\$ 6,308,818

(Continued)

**CITY OF TYLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL
	WATER & SEWER FUND	SANITATION FUND	MUNICIPAL AIRPORT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Operating income (loss)	\$ 4,189,897	\$ (200,452)	\$ (1,637,313)	\$ 2,352,132	\$ 245,972
Adjustments to reconcile operating income to net cash Provided by (used in) operating activities:					
Depreciation expense	2,927,514	195,805	817,708	3,941,027	1,736,988
Decrease (increase) in accounts receivable	(179,175)	(62,690)	(13,485)	(255,350)	(40,887)
(Increase) decrease in inventories	131	-	-	131	(4,779)
Increase (decrease) in accounts payable	323,313	105,944	21,793	451,050	138,894
Increase (decrease) in compensated absences payable	32,030	9,009	(315)	40,724	53,023
Increase (decrease) in landfill closure costs payable	-	340,406	-	340,406	131
Total adjustments	<u>3,103,813</u>	<u>588,474</u>	<u>825,701</u>	<u>4,517,988</u>	<u>1,883,370</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 7,293,710</u></u>	<u><u>\$ 388,022</u></u>	<u><u>\$ (811,612)</u></u>	<u><u>\$ 6,870,120</u></u>	<u><u>\$ 2,129,342</u></u>

Non-cash Investing, Capital and Financing Activities:

The Sanitation fund received a non-cash transfer of \$ 201,575 from the fleet fund for the book value of assets sold from the fleet fund with proceeds deposited into the sanitation fund.

The Municipal airport received capital asset contributions of \$ 146,808 from donations and grants from the federal government.

CITY OF TYLER, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2003

	<u>EMPLOYEE PENSION AND OTHER BENEFIT TRUSTS</u>	<u>GREENWOOD LANDFILL PRIVATE -PURPOSE TRUST</u>
ASSETS		
Equity in pooled cash and investments	\$ 700,245	\$ 1,264,058
Receivables		
Accounts receivable	13,156	-
Interest receivable	171,964	-
Total receivables	<u>185,120</u>	<u>-</u>
Investments - at fair value		
Equities	9,825,836	-
Bonds	11,005,040	-
Collectives	11,089,990	-
Total investments - at fair value	<u>31,920,866</u>	<u>-</u>
Total assets	32,806,231	1,264,058
LIABILITIES		
Accounts Payable	<u>6,619</u>	<u>-</u>
Total liabilities	<u>6,619</u>	<u>-</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 32,799,612</u>	<u>\$ 1,264,058</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	EMPLOYEE PENSION AND OTHER BENEFIT TRUSTS	GREENWOOD LANDFILL PRIVATE -PURPOSE TRUST
ADDITIONS		
Contributions:		
Employees	\$ 847,650	\$ -
Employer	906,639	-
Other	-	400,000
Total contributions	1,754,289	400,000
Investment income:		
Net appreciation in fair value of investments	3,067,635	-
Interest	788,467	11,720
Dividends	180,761	-
Gain (Loss) on sale of securities	274,749	-
Net investment income	4,311,612	11,720
Total additions	6,065,901	411,720
DEDUCTIONS		
Benefits	2,169,603	-
Administrative expenses	175,660	-
Total deductions	2,345,263	-
Change in net assets	3,720,638	411,720
Net Assets - October 1, 2002	29,078,974	852,338
NET ASSETS - SEPTEMBER 30, 2003	\$ 32,799,612	\$ 1,264,058

**CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Tyler, Texas (City) was incorporated January 29, 1850. The City Charter was adopted February 9, 1937. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

The City complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary Funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

B. Blended Component Unit

The Tyler One-Half Cent Sales Tax Corporation, Inc. was formed in 1996, and is governed by a seven-member board of directors. Each member of the City Council and the Mayor may nominate one member. Directors are appointed for a two-year term and are removable by the City Council at any time without cause. For financial reporting purposes, the Tyler One-Half Cent Sales Tax Corporation, Inc. has been presented as a blended component unit of the City. It is reported as a Capital Projects Fund, because its purpose is to account for construction activities funded by the revenues generated by the one-half cent sales tax. The Tyler One-Half Cent Sales Tax Corporation, Inc. does not issue separate financial statements.

The City uses the proceeds of the one-half cent sales tax to pay for infrastructure, thereby removing the need for debt financing of such improvements which will result in the elimination of general obligation indebtedness and enable the City to reduce its property tax rate.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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 statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital projects fund accounts for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

The government reports the following major proprietary funds:

The Water Utilities Fund is used to account for sale of water and wastewater treatment by the City to businesses and residential customers and to surrounding communities.

The Solid Waste (Sanitation) Fund accounts for residential and commercial solid waste collection, disposal services, and recycling operations of the City.

The Airport Fund is used to account for operations of the Tyler Pounds Regional Airport.

Additionally, the government reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

The City of Tyler reports the following Internal Service Funds:

1. Productivity Improvement – to track performance pay of City employees
2. Fleet – to track maintenance, repair and equipment replacement
3. Property Liability – accounts for property casualty and liability insurance programs
4. Employee Benefits – accounts for the City's health and workers' compensation self-insurance programs
5. Property and Facility Management – accounts for utility costs
6. Technology – accounts for the City's investment in technology and office automation.

Fiduciary Funds:

Landfill Trust is used to accumulate resources held in trust for Allied Waste Management, to be used for closure and post-closure expenses of the Greenwood Landfill.

The Firemen's Relief and Retirement Fund accounts for the activities of the firefighter's retirement system, which accumulates resources for pension and relief benefit payments to qualified firefighters.

The Section 125 Fund is used to account for the resources accumulated and payments made on behalf of City employees enrolled in the cafeteria plan administered by Health First. The City accounts for this fund as an agency fund and has no custodial rights.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu of taxes and other charges between the government's water utilities function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Assets, Liabilities, and Net Assets or Equity

1. Equity in Pooled Cash and Investments

The City classifies certain of its cash, investments, due to, and due from accounts into "equity in pooled cash and investments." Each fund participates on a daily transaction basis and income for all assets included in "pooled cash and investments" is allocated to individual funds based on their respective balance in "equity in pooled cash and investments."

For the purpose of the statements of cash flows for the Proprietary and Internal Service Funds, the City considers all assets included in "Equity in Pooled Cash and Investments" to be "Cash and Cash Equivalents."

A summary of assets included in "equity in pooled cash and investments" is included in Note 4,A. All assets in "equity in pooled cash and investments" and demand deposits on hand have been considered as cash equivalents for purposes of the statement of cash flows.

Additionally, deposits and investments continue to be held separately by several of the City's funds and the Pension Trust Fund. Income on these assets is recorded in the respective fund holding the deposits and investments.

2. Investments

Accounting pronouncement Governmental Accounting Standards Board Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, generally applied to investments in external investment pools, investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities need to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statement. Investments with maturities less than one year at the time of purchase are stated at cost or amortized cost. The fair value of the City's position in these investment pools is the same as the value of the pool shares.

Methods and assumptions used to estimate fair value

The City maintains investment accounting records and adjusts those records to "fair value" on an annual basis for material amounts. The City's investment custodian provides market values on each investment instrument on a monthly basis for material amounts. The investments held by the City are widely traded in the financial markets and trading values are readily available from numerous published sources. Material unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered "fair value". For the year ended September 30, 2003, there were no material unrealized gains or losses.

Investment Pools

The City holds investments in two external investment pools, TexPool and TexStar. Texas Local Government Investment Pool (TexPool) was created by the Texas Treasury Safekeeping Trust Company, which was authorized by the Texas Legislature in 1986. Only local governments having contracted to participate in TexPool have an undivided beneficial interest in its pool of assets. TexPool is not registered with the Securities and Exchange Commission as an investment company. In May 2003, the City Council approved joining the Texas Short Term Asset Reserve Program (TexStar), an investment pool established to provide for the joint investments of public funds. TexStar was created under the authority of applicable Texas law, including the Cooperation Act and the Investment Act.

Both investment pools carry investments at amortized cost, which approximates fair value. Investments are priced daily and compared to carrying value. If the ratio of the fair value of the portfolio of investments to the carrying value of investments is less than .995 or greater than 1.005, the investment pools will sell investment securities, as required, to maintain the ratio at a point between .995 and 1.005.

TexPool and TexStar adopted the provisions of Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, effective October 1, 1997. Statement No. 31 established accounting and financial reporting standards for all investments held by governmental external investment pools. There was no impact on the financial statements of TexPool or TexStar upon adoption of Statement No. 31.

Other

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements. The City is authorized by its governing board to invest in the obligations of the U.S. Treasury.

Investments are stated at cost or amortized cost.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or

“advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The City provides an allowance for doubtful accounts based upon the anticipated collectibility of each specific account, as determined by experience. All receivables are shown net of this allowance. A detail schedule of receivables can be found at Note 4.B.

All delinquent property taxes receivable are assets of the General Fund. Transfers to the Debt Service Fund are based on the entire current tax levy rather than amounts collected.

Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as deferred revenue on October 1. The deferred revenue from taxes is then recognized as revenue during the year as the taxes are actually received.

The City Charter limits the City's ad valorem tax rate to \$1.75 per \$100 of assessed valuation. The tax rate for the year ended September 30, 2003, was \$.254478 per \$100, which means that the City has a tax margin of \$1.495522 per \$100 and could raise up to \$63,220,297 additional taxes a year from the present valuation of \$4,227,306,408 before the limit is reached.

4. Inventories and Prepaid Items

Inventories of materials and supplies are accounted for using the consumption method. Under the consumption method, inventories are recorded as expenditures when they are used with significant amounts on hand reported on the balance sheet at average cost. In Governmental Funds, reported inventories do not represent available spendable resources and are, therefore, equally offset by a fund balance reserve account.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the government-wide and fund financial statements.

5. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Utilities Construction Fund is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The Water Fund – Debt Service Fund account is used to segregate resources accumulated for debt service payments over the life of the bonds. The City also classifies other cash and cash equivalents as restricted because of the restrictions placed on the bank account by bond covenants, grant agreements and trust agreements established to govern the spending of funds for the permanent care of the City's cemeteries.

6. Due from Other Funds

Current portions of long-term interfund loans receivable (reported in "Due from" asset accounts) are considered "available spendable resources."

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 (amount not rounded) and an estimated life in excess of three

years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current fiscal year was \$3,011,372. Of this amount, \$2,054,211 was included as part of the cost of capital assets under construction in the water utilities fund.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	10 to 20
Improvements other than buildings	10 to 50
Public domain infrastructure	15 to 50
Vehicles	3 to 5
Heavy equipment	7 to 10
Office equipment	3
Computer equipment	3

8. Construction-in-Progress

Expenditures on incomplete capital projects have been capitalized as construction-in-progress. The assets resulting from these projects will be transferred from the construction-in-progress accounts to the appropriate asset account as the projects are completed.

9. Compensated Absences

Non-Civil Service Employees

Full-time, permanent, non-civil service employees earn paid time off (PTO), which may be used as vacation, sick time or personal time. The PTO is accrued in hourly increments on the first day of each month. The total amounts accrued annually depend on the number of years of service with the City. Maximums are from 18 to 24 days. All existing non-civil service employees at January 1, 1999, with accumulated vacation and sick time, were allowed to carryover accrued vacation into the PTO program at a maximum of 240 hours. The employees with accrued sick time were allowed to carryover up to 720 hours, only to be paid after 10 years of service. The employees eligible to receive accrued sick leave balance upon termination would be paid at the pay rate applicable when the PTO program was implemented. Any non-civil service employees hired after January 1, 1999 were enrolled into the PTO program and may only carryover 30 days of PTO per year. Any amount accrued above the 30 days carryover is lost as of December 31 of that year. Unused PTO up to 30 days will be paid to the employee upon termination at employee's current pay rate.

Civil Service Employees

Civil service employees are granted vacation and sick time benefits in varying amounts to specified maximums depending on tenure with the City. Civil service employees are 100% vested in both sick time and vacation time at the start of their employment.

Civil and Non-Civil Service Employees

Vested or accumulated vacation leave is recorded as an expense and a liability, as the benefits accrue to employees, in the government-wide, proprietary, and fiduciary fund financial statements. In accordance with

the provisions of Governmental Accounting Standards Board Statement No.16, "Accounting For Compensated Absences," no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of cumulative sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

10. Fund Equity

Reserves of fund balance or retained earnings are used to indicate that a portion of fund equity is not available for expenditure or is legally segregated for a specific future use.

Designated fund balances represent tentative plans for future use of financial resources.

In the past, undesignated fund balance for the General Fund operating account has been reported as designated for operating reserve. This balance is intended for operating expenditures, which are not required to be accounted for in another fund.

11. Net Assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Net assets reported as restricted are those amounts which have limitations imposed on their use either through legislations adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations.

12. Deferred Bond Issue Costs

Deferred bond issue costs are amortized on the effective interest method over the remaining life of the bond.

13. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in Governmental Funds. Encumbrances outstanding at year-end are reported as reservations of Fund balances since they do not constitute expenditures or liabilities. There were no encumbrances outstanding at September 30, 2003.

In accordance with the budgetary policies of the City, encumbrance accounting is also employed by Proprietary Fund-Types for management control purposes. Encumbrances outstanding at year-end are not reported as reservations of retained earnings nor have they been included as expenses or liabilities of Proprietary Fund-Types.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that

reconciliation explains “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$12,521,219 difference are as follows:

Bonds payable	\$ 7,180,000
Claims and judgement	300,000
Compensated absences	<u>5,041,219</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$12,521,219</u>

Another element of that reconciliation states that “Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$212,844,993 difference are as follows:

Beginning balance of capital assets, net of accumulated depreciation	\$215,565,385
Capital asset additions, net of retirements	8,252,697
Depreciation of capital assets, current year	<u>(10,973,089)</u>
	<u>\$212,844,993</u>

Another element of that reconciliation states that “Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.” The details of this \$5,403,632 difference are as follows:

Deferred property tax revenues	\$ 731,458
Sales taxes receivable	4,731,460
Allowance for uncollectible property taxes receivable	<u>(59,286)</u>
	<u>\$5,403,632</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures”. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$2,719,033 difference are as follows:

Capital outlay	\$ 8,254,056
Depreciation expense	<u>(10,973,089)</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (2,719,033)</u>

Another element of that reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$421,051 difference are as follows:

Change in deferred property tax revenues	\$ (56,912)
Change in sales tax receivable	471,109
Change in allowance for uncollectible property taxes receivable	<u>6,854</u>
	<u>\$421,051</u>

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in Council chambers at City Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Charter prohibits budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances from prior years for each fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds (Hotel-Motel Occupancy Tax Fund, Police Department Judgment of Forfeiture Fund, and Tyler Tourism and Convention Facility Fund), Debt Service Fund, all Enterprise Funds, all Internal Service Funds, and certain Trust and Agency Funds (Rose Hill Cemetery Fund).

Budgets for the General Fund, certain Special Revenue Funds (Hotel-Motel Occupancy Tax Fund, Police Department Judgment of Forfeiture Fund and Tyler Tourism and Convention Facility Fund) and the Debt Service Fund are adopted by the Council and presented in this report on a basis consistent with generally accepted accounting principles (GAAP). Budgeted expenditures for the General Fund's current fiscal year as adopted in the original budget and amendments thereto were \$45,980,343. Appropriations, which are not expended or encumbered at year-end, must be rebudgeted in the succeeding year.

6. Comparison of budgeted and actual amounts as shown in Exhibit 3 in the accompanying financial report include the General Fund, those Special Revenue Funds which are included in the annual operating budget (Hotel-Motel Occupancy Tax Fund, Police Department Judgment of Forfeiture Fund, and Tyler Tourism and Convention Facility Fund), and the Debt Service Fund, which are included in the annual operating budget.

The budget ordinances encompassing various Federal and State programs are cumulative as opposed to annual budgets; therefore, budget and actual comparisons are not reported in the accompanying financial report for these funds.

7. Budgets for Proprietary Fund-Types are adopted on a basis consistent with GAAP (accrual basis) except that for budgetary comparisons capital outlay items are expensed, accrual for compensated absences is excluded, and principal payments on debt are treated as expenses. The budgetary comparisons for Proprietary Fund-Types are on this non-GAAP budgetary basis.

B. Expenditures Over Appropriations

Following is a summary of expenditures in excess of appropriations for individual Funds.

<u>Individual Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures In Excess of Appropriations</u>
G.O. Debt Service	\$4,544,560	\$4,543,800	\$ 760
Rose Hill Cemetery	226,132	193,861	32,271

As of September 30, 2003, no individual Fund had a deficit fund balance or net assets.

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At September 30, 2003, the carrying amount of the City's bank deposits was \$4,075,355, and the bank balance was \$7,444,313. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining balance was covered by collateral held in the pledging financial institutions' trust departments in the City's name.

Statutes authorize the City to invest in obligations of the U. S. Treasury and U. S. Agencies, municipal bonds, and managed public funds investment pools. The City's investments and deferred compensation plan assets for the year-ended September 30, 2003, are shown below.

**Deposits and Investments Included in Equity in Pooled Cash
And Investments**

	<u>Carrying Value</u>	<u>Fair Value</u>
U.S. Government Securities	\$14,969,343	\$14,969,343
TexPool	36,482,296	36,482,296
TexStar	7,159,417	7,159,417
Cash in bank	<u>4,075,355</u>	<u>4,075,355</u>
Total	<u>\$62,686,411</u>	<u>\$62,686,411</u>

The City's investments are categorized as either:

1. Insured or registered, or securities held by the City or its agent in the City's name.
2. Uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name.
3. Uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

Uncategorized – The City's investments in TexPool are managed public funds investment pools and are not categorized because such investments are not evidenced by securities that exist in physical or book entry form. The fair value of the City's position in these investment pools is the same as the carrying value.

<u>Investments</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
TexPool			<u>Uncategorized</u>	\$36,482,296	\$36,482,296
TexStar				7,159,417	7,159,417
U.S. Government Securities				14,969,343	14,969,343
		\$14,969,343			

The difference between the fair value of the U.S. Government Securities and the carrying amount of \$14,969,343 was insignificant.

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General and Internal Service <u>Fund</u>	Water Utilities <u>Fund</u>	Solid Waste <u>Fund</u>	Airport <u>Fund</u>	Nonmajor and Other <u>Funds</u>	<u>Total</u>
<u>Receivables:</u>						
Taxes	\$5,462,918	\$ -	\$ -	\$ -	\$ -	\$5,462,918
Miscellaneous	425,199	-	-	-	-	425,199
Grants	-	-	-	-	768,874	768,874
Accounts	<u>271,295</u>	<u>3,039,358</u>	<u>717,544</u>	<u>39,154</u>	<u>-</u>	<u>4,067,351</u>
Gross receivables	6,159,412	3,039,358	717,544	39,154	768,874	10,724,342
Less: Allowance for Uncollectibles	<u>59,287</u>	<u>160,737</u>	<u>40,184</u>	<u>-</u>	<u>-</u>	<u>260,208</u>
Net total receivables	<u>\$6,100,125</u>	<u>\$2,878,621</u>	<u>\$677,360</u>	<u>\$39,154</u>	<u>\$768,874</u>	<u>\$10,464,134</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Deferred grant revenues	<u>Unavailable</u> \$117,376
Deferred property taxes receivable (general fund)	<u>731,458</u>
Total deferred revenue for Governmental funds	<u>\$848,834</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2003 was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,299,501	\$ 9,500	\$ -	\$ 5,309,001
Construction in progress	<u>5,965,975</u>	<u>5,714,151</u>	<u>(4,392,523)</u>	<u>7,287,603</u>
Total capital assets not being depreciated	11,265,476	5,723,651	(4,392,523)	12,596,604
Capital assets, being depreciated:				
Buildings	23,894,338	1,184,127	-	25,078,465
Improvements, other than buildings	79,240,639	250,082	-	79,490,721
Machinery and equipment	31,150,339	2,476,202	(1,178,364)	32,448,176
Infrastructure	<u>214,019,384</u>	<u>4,754,386</u>	<u>-</u>	<u>218,773,770</u>
Total capital assets being depreciated	348,304,700	8,664,797	(1,178,364)	355,791,133
Less accumulated depreciation for:				
Buildings	(7,766,905)	(572,938)	-	(8,339,843)
Improvements other than buildings	(6,237,108)	(3,830,641)	-	(10,067,749)
Machinery and equipment	(17,004,525)	(2,914,656)	896,294	(19,022,887)
Infrastructure	<u>(105,073,585)</u>	<u>(5,391,844)</u>	<u>-</u>	<u>(110,465,429)</u>
Total accumulated depreciation	(136,082,123)	(12,710,079)	896,294	(147,895,908)
Total capital assets being depreciated	<u>212,222,577</u>	<u>(4,045,282)</u>	<u>(282,070)</u>	<u>207,895,225</u>
Government activities capital assets, net	<u>\$223,488,053</u>	<u>\$1,678,369</u>	<u>\$(4,674,594)</u>	<u>\$220,491,829</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,609,931	\$ 17,295	\$ -	\$ 5,627,226
Construction in progress	<u>37,790,555</u>	<u>27,030,201</u>	<u>(55,191,804)</u>	<u>9,628,952</u>
Total capital assets, not being depreciated	43,400,486	27,047,496	(55,191,804)	15,256,178
Capital assets, being depreciated:				
Buildings	45,218,699	1,389,601	-	46,608,300
Improvements, other than buildings	102,602,816	62,455,266	-	165,058,082
Machinery and equipment	<u>4,207,126</u>	<u>1,362,698</u>	<u>(36,525)</u>	<u>5,533,299</u>
Total capital assets being depreciated	152,028,641	65,207,565	(36,525)	217,199,682
Less accumulated depreciation for:				
Buildings	(11,995,258)	(492,091)	-	(12,487,349)
Improvements other than buildings	(38,070,310)	(3,168,702)	-	(41,239,012)
Machinery and equipment	<u>(2,215,161)</u>	<u>(280,234)</u>	<u>36,525</u>	<u>(2,458,870)</u>
Total accumulated depreciation	(52,280,729)	(3,941,027)	36,525	(56,185,231)
Total capital assets, being depreciated net,	<u>99,747,912</u>	<u>61,266,538</u>	<u>-</u>	<u>161,014,450</u>
Business-Type Activities Capital Assets, Net	<u>\$143,148,398</u>	<u>\$88,314,034</u>	<u>\$(55,191,804)</u>	<u>\$176,270,628</u>

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

Governmental activities:		
General government		\$ 134,838
Public safety		805,402
Highways and streets, including depreciation of general infrastructure assets		8,242,292
Culture and recreation		1,790,557
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>1,736,990</u>
Total depreciation expense – governmental activities		<u>\$12,710,079</u>
Business-type activities:		
Water		\$ 2,927,514
Airport		817,708
Solid Waste		<u>195,805</u>
Total depreciation expense – business-type activities		<u>\$ 3,941,027</u>

Construction commitments

The government has active construction projects as of September 30, 2003. The projects include street construction and expansion, police station expansion, and water meter replacement. At year-end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Estimated Remaining Commitment</u>
Police station expansion	\$ 1,226,120	\$2,773,880
Road expansion	4,287,110	1,632,890
Water meter replacement	<u>8,001,818</u>	<u>6,998,182</u>
Total	<u>\$13,515,048</u>	<u>\$11,404,952</u>

The commitment for water meter replacement is being financed by revenue bonds secured by water and sewer revenues. The projects for public purposes are either funded from existing resources held by the general fund or by resources held in the capital projects fund.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2003, is as follows:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Solid Waste Fund	Capital Projects	\$ 500,000
Water Operating	Meter Replacement	<u>15,023,998</u>
		<u>\$15,523,998</u>

Interfund transfers:

	Transfers In						Total
	General Fund	Capital Projects Fund	Nonmajor Governmental	Water Utilities Fund	Solid Waste Fund	Airport Fund	
Transfers out:							
General fund	\$ -	\$ -	\$351,785	\$ -	\$ -	\$146,432	\$ 498,217
Capital projects fund	31,200	-	15,875	-	-	479,087	526,162
Nonmajor governmental funds	135,000	-	-	-	-	-	135,000
Water utilities fund	-	-	-	-	-	-	-
Airport fund	-	149,078	-	-	-	-	149,078
Internal Service Funds	<u>617,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>590,839</u>	<u>-</u>	<u>1,207,839</u>
Total transfers out/in	<u>\$783,200</u>	<u>\$149,078</u>	<u>\$367,660</u>	<u>\$ -</u>	<u>\$590,839</u>	<u>\$625,519</u>	<u>\$2,516,296</u>

E. Leases

Operating Leases

The City operates under numerous lease agreements classified as operating leases. The leases are annual renewal and include leases for: copy machines, ice machines, uniforms, door mats, navigation equipment, portable sanitation, pagers and postage meters. The combined annual expenditures for operating leases during the fiscal year ended September 30, 2003 were \$416,500.

F. Long-term debt

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount issued in prior years was \$18,899,000. During the year the City issued no additional general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Issue	Purpose	Interest Rates	Amount
Series 1997	Refunding	3.85 to 4.90%	<u>\$7,180,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30	Principal	Interest
2004	\$ 880,000	\$ 337,092
2005	960,000	297,492
2006	1,000,000	253,333
2007	1,030,000	206,833
2008	1,055,000	158,423
2009-2010	<u>2,255,000</u>	<u>165,188</u>
Total	<u>\$7,180,000</u>	<u>\$1,418,361</u>

Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The revenue bonds issued by the City in prior years were to fund construction projects to improve or expand the water system and to refund prior issuances. Income derived from the sale of water will be used to service the debt requirements. The original amount issued in prior years was \$53,965,000.

During the year, \$14,475,000 of revenue bonds were issued to finance a project to replace all of the City's water meters with radio-read meters.

Revenue bonds currently outstanding are as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2000	Lake Palestine water treatment plant	5.00 to 5.70%	\$33,250,000
Series 2002	Lake Palestine water treatment plant	2.00 to 4.75%	14,350,000
Series 2003	Water meter replacement	2.00 to 5.00%	<u>14,475,000</u>
Total outstanding revenue bonds			<u>\$62,075,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 2,085,000	\$ 3,337,558
2005	2,265,000	3,172,512
2006	2,325,000	3,114,062
2007	2,390,000	3,049,487
2008	2,470,000	2,986,349
2009-2012	13,960,000	13,519,019
2013-2017	7,710,000	11,334,188
2018-2022	9,875,000	9,705,376
2023-2027	12,830,000	7,492,541
2028-2030	<u>6,165,000</u>	<u>2,227,110</u>
Total	<u>\$62,075,000</u>	<u>\$59,938,202</u>

Revenue Bond Requirements - Required Prior Lien Reserves

The ordinance authorizing the issuance of the 1983 Water and Sewer Prior Lien Revenue Bonds, as amended by the ordinance issuing the 1989-B Revenue Refunding Bonds and later amended by the ordinance issuing the 1999 Revenue Refunding Bonds, also created Debt Service and Reserve Funds and pledged the net revenues of the waterworks and sanitary sewer system in excess of the requirements of the 1982 bonds to the payment of the 1983 bonds. The Reserve Fund established by this ordinance requires that a balance equal to the average annual debt service requirements of the outstanding bonds be maintained. The issuance of the Series 2000 Revenue Bonds amended the reserve requirements mentioned above. As of September 30, 2003, the amended reserve requirement of \$2,545,789 has been satisfied through a reserve insurance policy and a surety bond taken out by the City. The reserve insurance policy would pay the annual debt service requirements in the event the City could not meet its debt service obligations, thus eliminating the need for the Debt Reserve Fund.

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2003, was as follows:

	Beginning Balance 10/1/02	Additions	Reductions	Ending Balance 9/30/03	Due Within One Year	Due in More Than One Year
Governmental Activities:						
General obligation bonds payable	\$11,195,000	\$ -	\$4,015,000	\$7,180,000	\$ 880,000	\$ 6,300,000
Claims and judgements	195,195	104,805	-	300,000	-	300,000
Compensated absences	4,507,564	614,690	42,051	5,080,203	89,128	4,991,075
Governmental Activity Long-Term Liabilities	<u>\$15,897,759</u>	<u>\$719,495</u>	<u>\$4,057,051</u>	<u>\$12,560,203</u>	<u>\$ 969,128</u>	<u>\$11,591,075</u>
Business-type Activities:						
Revenue bonds payable	\$49,325,000	\$14,475,000	\$1,725,000	\$62,075,000	\$2,085,000	\$59,990,000
Bond premium/discount	-	399,235	-	399,235	-	399,235
Compensated absences	415,537	40,725	-	456,262	8,969	447,293
Landfill closure and postclosure	-	340,406	-	340,406	125,000	215,406
Long-Term Liabilities	<u>\$49,740,537</u>	<u>\$15,255,366</u>	<u>\$1,725,000</u>	<u>\$63,270,903</u>	<u>\$2,218,969</u>	<u>\$61,051,934</u>

Defeased Bonds Outstanding

In prior years the City defeased certain bonds by placing the proceeds of other bond issues in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2003, \$7,030,000 of bonds outstanding are considered defeased. The issues and amounts of outstanding defeased bonds are as follows:

<u>Bond Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
General Obligation Bonds, Series 1990	1997	\$2,295,000
General Obligation Bonds, Series 1991	1997	2,050,000
General Obligation Bonds, Series 1992	1997	<u>2,685,000</u>
Total		<u>\$7,030,000</u>

NOTE 5: OTHER INFORMATION

A. Risk management

Property and Liability Plans

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. A comprehensive Self-Insurance plan for property and casualty, airport liability, and general liability coverage has been established. Third-party administrators handle property and casualty claims review and processing. The administrators also coordinate excess coverage claims with insurance companies that provide individual stop-loss for property claims at \$25,000, aggregate stop-loss at \$975,000, and individual stop-loss for liability claims at \$50,000 with an aggregate stop-loss at \$3,000,000, and individual stop-loss and an aggregate stop-loss on airport liability claims of \$5,000,000. All claims and maximums are calculated for a plan year ending each September 30. The amount of settlements has not exceeded insurance coverage for the last three fiscal years.

Worker's Compensation Plan

The City is exposed to risk of loss due to injuries incurred by employees while performing work-related duties. The City has established and maintains a comprehensive self-insurance worker's compensation plan. Third party administrators also co-ordinate excess coverage claims with insurance companies that provide individual stop-loss for

worker's compensation claims at \$300,000 and aggregate protection at \$1,000,000. The City tracks worker's compensation premiums and claim payments in the Employee Benefits Fund.

Health, Dental, and Life Plans

HEALTH

Employee/Dependents and Non-Medicare Eligible Retirees/Dependents

The City implemented a partially self-insured health plan for employees, their dependents and retirees/dependents, who are non-Medicare eligible. Employees can choose between two (2) PPO Plans. Non-Medicare Retirees and/or their dependents that have been continuously covered under the City's health plan may elect to continue their coverage at retirement. The employees and non-Medicare Retirees pay a portion of the premiums and the City pays the remainder. The City has retained an insurance policy for specific and aggregate stop-loss coverage. There is an individual stop-loss of \$100,000 per illness. A third-party administrator administers health claims and payments.

Medicare Eligible Retirees/Dependents

Retirees and/or their spouses who become eligible for Medicare and have been continuously covered under the City's health insurance plan may elect to participate in the City's self-funded prescription drug card plan and the Medicare Supplement Insurance Program. The retiree pays 30% and their dependent pays 60% of the premium, the City pays the remainder. The insurance provider for the Medicare Supplement Plan processes and pays health claims. A third-party administrator administers prescription claims and payments.

DENTAL

Employees/Retirees

The City offers fully self-funded dental and orthodontic benefits to eligible employees/dependents and retirees/dependents. Employees and retirees pay a portion of the premiums and the City pays the remainder. A third-party administrator administers dental claims and payments.

LIFE INSURANCE

Employees/Retirees

City provides \$10,000 basic life and AD&D insurance for each full-time active employee and \$5,000 basic life for eligible retirees. For employees actively at work, benefit amounts reduce to 65% of original coverage at age 65, 50% of original coverage at age 70 and to 30% of original coverage at age 75. This supplemental life coverage is portable. The insurance provider processes and pays life insurance claims.

Other Self-Insurance Plans

In addition, the City met self-insurance requirements as promulgated by the Environmental Protection Agency, through the Texas Water Commission, for potential third-party claims.

Estimated liabilities for claims incurred but not reported at year-end have been recorded in the Self-Insurance Funds and a reconciliation of changes in claims liabilities is included in the note on contingent liabilities.

B. Subsequent events

In November 2003, the City entered into an oil and gas lease agreement with C & W Resources. The agreement allows C & W to prospect and drill for oil and gas on City-owned property in and around Lake Tyler. Under the terms of the agreement, the City will receive a lump sum of \$1,118,150, along with royalties of any oil and gas produced. The primary term of the lease is 3 years. A lawsuit has been filed against the City by citizens concerned with saving Lake Tyler from the possible environmental hazards associated with oil and gas production.

C. Contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a

liability of the applicable Funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and collective legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government. City management and the collective legal counsel have determined that estimated liability for outstanding lawsuit contingencies at September 30, 2003, was \$300,000. See note 4, G. for a reconciliation of changes in claims and judgements.

The City has discovered an embezzlement scheme in its Municipal Court. A portion of the embezzled funds is a fee normally due to the State. Although the outcome of this matter is not presently determinable, in the opinion of the City's management, the resolution of this matter will not have a material adverse effect on the financial condition of the government.

The City's self-insurance program is described in Note 5, A. A reconciliation of the changes in the estimated liabilities for claims for the year ended September 30, 2003 and 2002, is presented below:

<u>Fund</u>	<u>Insurance Claims Payable At Beginning of Year</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Actual Claim Payments</u>	<u>Insurance Claims Payable At End of Year</u>
Employees Benefits Fund				
FYE 2002	\$771,772	\$7,064,254	\$7,068,026	\$768,000
FYE 2003	768,000	7,572,323	7,520,377	819,946

D. Joint venture

The Smith County Public Health District was established by a cooperative agreement between the City and Smith County, Texas pursuant to authority granted by the Texas Health & Safety Code for the purpose of providing public health services previously provided by the participating entities. The District is considered a joint venture between the City and County with each retaining an equity interest based upon the percentage each contributed to the budget.

The District was formed effective October 1, 1993 for what was considered a transition year. During this transition year all activity of the District was accounted for by the City or Smith County depending upon the services they provided and was, accordingly, reported on their respective financial statements. The year ended September 30, 2003 is the eighth year of operation of the District as a separate entity from the City and County.

For the year ended September 30, 2003, the City budgeted funding of \$ 675,000 for the Health District and \$ 290,000 for Animal/Vector Control contractual services to be provided by the District. The City's equity interest in the Health District was \$351,541 at September 30, 2003. Financial statements for the Health District may be obtained at the entity's administrative offices.

E. Other post-employment benefits

In addition to providing pension benefits, the City Council adopted a policy whereby the City provides healthcare and life insurance benefits. Benefits are provided to all fire fighters who retire on or after age 55 with at least 20 years of service and to all other employees who retire on or after age 60 with at least 10 years of service or who have at least 20 years of service, regardless of age.

Retirees and their dependents, non-Medicare eligible, will continue with the same health and dental insurance coverage as active employees and their dependents. Retirees are provided only \$5,000 group life insurance and are not allowed to purchase additional life insurance.

Retirees and their spouses who become Medicare-eligible and have been continuously covered under the City's health insurance plan may elect to participate in the City's prescription drug card plan and the Medicare Supplement insurance plan. Dental insurance coverage will continue as in prior years as will the retirees \$5,000 life insurance coverage.

Due to the fact that non-Medicare eligible retirees are included in the same plan as active employees, it is not economically efficient to separate the costs applicable to retirees. The cost breakdown below will include active employee costs for health and dental insurance in addition to the retirees costs.

	Number of Retirees <u>Participating</u>	Cost of Benefits <u>For YE 9-30-03</u>
Retirees – Life Insurance	268	\$ 32,039
Not Medicare Eligible – Health Employees, Retirees, and Dependents	776	6,055,637
Medicare Eligible Retiree and Spouse – Health	230	399,126
Retiree and Spouse – Prescription Plan	118	184,224
Dental Insurance Employees, Retirees, and Dependents	909	381,587

F. Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are not a part of the City's financial statements because a third party administrator holds these plan assets in trust.

The market value and carrying value of deferred compensation plan assets is \$6,813,571 for September 30, 2003.

G. Pension Plans

1. Texas Municipal Retirement System Plan

TMRS Plan Description:

The City provides pension benefits for all of its full-time employees with the exception of firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 774 administered by TMRS, an agent multiple-employer public employee retirement system. Firefighters are covered by a separate pension plan (see Note G.2 below); therefore, they are not included in the Texas Municipal Retirement System Plan. All assumptions for valuations at December 31, 2002 are contained in the 2002 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, TX 78714-9153.

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.

Members can retire at ages 60 and above with 10 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. 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.

Contributions Required and Contributions Made:

The contribution rate for the employees is 7%, and the City's matching percent is currently 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service 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 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. Contributions are made monthly by both the employees and the City.

When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began January 1999.

Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag 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, 2001 valuation is effective for rates beginning January 2003).

The City's contributions were based on an annual covered payroll of \$20,204,882. For the 2003 fiscal year, total contributions of \$2,776,331 were required and paid into the Fund. There were no related-party transactions. The City's current membership in TMRS is comprised of the following:

<u>Group</u>	<u>December 31, 2002</u>
Number of Annuitants	275
Number of Members	821
Number of Contributing Members	612

Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Contribution as a Percentage of Payroll	Net Pension Obligation
09/30/03	\$ 2,737,120	100%	12.65%	\$ 0
09/30/02	\$ 2,470,876	100%	12.52%	\$ 0
09/30/01	\$ 2,184,047	100%	11.56%	\$ 0

Actuarial Assumptions:

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 Statement No. 25, paragraphs 36e and 138)
Investment Rate of Return	8%
Projected Salary Increases	None
Includes Inflation At	None
Cost-of-Living Adjustments	None

Additional supplementary three-year trend information can be found at Schedule A-1.

2. Tyler Firefighter's Relief and Retirement Fund

Plan Description:

The Board of Trustees of the Tyler Firefighter's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. The Tyler Firefighter's Relief and Retirement Fund is considered part of the City's financial reporting entity and is included in the City's financial reports as a Pension Trust Fund.

Firefighters in the Tyler Fire Department are covered by the Tyler Firefighter's Relief and Retirement Fund. The table below summarizes the membership of the Fund at December 31, 2002:

<u>Group</u>	<u>December 31, 2002</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	75
Current employees:	
Fully vested	34
Nonvested	<u>93</u>
Total	<u>202</u>

The Tyler Firefighter's Relief and Retirement Fund provides service retirement, death, disability, and withdrawal benefits. These benefits vest after 20 years of credited service. Employees may retire at age 50 with 25 years of service or with 30 years of service regardless of age.

The plan effective November 1, 2000, provides a monthly normal service retirement benefit, payable in a Joint and 100% to Spouse form of annuity, equal to 71.5% of Highest 60-month Average Salary plus an additional \$113.00 per year of service for service in excess of 20 years.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided for, ad hoc postretirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

Contributions Required and Contributions Made

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using a level percentage of payroll method.

The costs of administering the plan are financed from the trust.

The funding policy of the Tyler Firefighter's Relief and Retirement Fund requires contributions equal to 11% of pay by the firefighters and 11.5% of payroll by the City of Tyler.

Annual Pension Cost:

For the fiscal year ending September 30, 2003, the City of Tyler, Texas' annual pension cost of \$714,901 for the Tyler Firefighter's Relief and Retirement Fund was equal to the City's required and actual contributions. While the required contributions were not actuarially determined but were a fixed 11.5% of salary, the plan of benefits which was most recently amended effective as of November 1, 2000 has been approved by the Board's actuary as having an adequate

financing arrangement. The required contributions were reflected in the December 31, 2002 actuarial valuation, which satisfied the parameters of the Governmental Accounting Standards Board (GASB) Statement No. 27.

The entry age actuarial cost method was used, with the normal cost calculated as a level percentage of payroll. The actuarial value of assets was determined based on the market value with equities smoothed based on a five-year smoothed fair market value of assets. The actuarial assumptions included an investment return assumption of 8% per year (net of administrative expenses), projected salary increases averaging 5.7% per year, and no postretirement cost-of-living adjustments. An inflation assumption of 4.0% per year is included in the investment return and salary increase assumptions. The unfunded actuarial accrued liability (UAAL) is amortized with the excess of the total contribution rate over the normal cost rate. The number of years needed to amortize the UAAL is determined using an open, level percentage of payroll method, assuming that the payroll will increase 4.0% per year, and was 33 years as of December 31, 2002. Actuarial valuation based on the plan provisions effective November 1, 2000.

Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Contribution as a Percentage of Payroll	Net Pension Obligation
09/30/03	\$714,901	100%	11.50%	\$ 0
09/30/02	\$637,952	100%	11.50%	\$ 0
09/30/01	\$626,719	100%	11.50%	\$ 0

For the 2003 fiscal year, total contributions of \$1,438,262 were required and were paid into the Fund. Total contributions made for the 2002 and 2001 fiscal year were \$1,238,604 and \$1,228,861, respectively.

Supplementary Trend Information:

Schedule of Employer Contributions:

Plan Year Ended December 31	Annual Contribution As a Fixed Percentage of Payroll	Annual Required Contribution ¹	Percentage Contributed
1997 ²	11.5%	\$643,209	100%
1998	11.5%	\$545,438	100%
1999	11.5%	\$592,260	100%
2000	11.5%	\$615,943	100%
2001	11.5%	\$634,385	100%
2002	11.5%	\$639,041	100%
2003	11.5%	\$714,901	100%

¹ The annual required contribution is based on actual covered payroll as reported in the Fund's annual report to the State of Texas Firefighter's Pension Commission.

² The 1997 Plan Year is from October 1, 1996 through December 31, 1997.

Additional supplementary three-year trend information can be found at Schedule A-2.

H. Commitments

The City has several on-going construction projects as of September 30, 2003. Most of these are accounted for within the City's Capital Projects Fund. The more significant of the City's projects under construction at September 30, 2003 are as follows:

Water Meter Replacement – The City has an agreement with Johnson Controls, Inc. for the replacement of old water meters with new radio-read meters. This project was funded by the issuance of \$14,475,000 in revenue bonds.

Grande Blvd Expansion – The City has committed to the extension of Grande Boulevard. This major road construction will connect Grande Boulevard from South Broadway over to Hwy 110S. This extension will facilitate traffic in the heavy growth area of the City.

Police Station Expansion – The City has approved a \$4 million dollar expansion and renovation of the main police station on Ferguson Street.

The City invested in other projects and contracts with outside parties. The more significant of these at September 30, 2003 are as follows:

Greenwood Landfill TX, L.P. – The City set up a trust fund to ensure the eventual closure and post-closure expenditure requirements. The trust fund will be 100% funded by Greenwood Landfill TX, L.P. Greenwood will initially fund the trust at the annual rate of \$400,000 for 5 years. At this point, the funding will be re-evaluated to determine future needs. The trust is set up as an expendable trust with expenditures restricted to closure and post-closure costs. Liability for closure and post-closure costs are the responsibility of Greenwood and will be calculated annually under requirements established by the Texas Commission on Environmental Quality.

Texas Department of Transportation – Loop 49 – The City has an agreement with the Texas Department of Transportation to pay \$2,170,000 over the next two years for construction and right-of-way costs.

Water Sales Contracts – The City has an agreement with surrounding cities and water supply corporations to provide a supplemental source of water supply. The amount to be provided is estimated to be 50% of the annual supply. The parties have established a minimum annual and monthly take or pay volume and a surcharge to water taken above maximum day volume.

911 Network of East Texas and Smith County – The City entered into an interlocal agreement with the 911 Network of East Texas and Smith County to consolidate the emergency communications centers of the City and the County into one location. The goal of the agreement is to enhance the emergency response efforts of the City and the County for the public welfare of the citizens of Smith County and for their individual and collective public safety. Construction has begun on this new facility.

I. Landfill Closure and Postclosure Costs

Ewing Landfill – The City of Tyler is responsible for closure and postclosure costs associated with the Ewing Landfill, a municipal solid waste landfill. The landfill stopped accepting waste in 1988. Currently, the City is in the process of final closure of the landfill and has three years remaining on a closure plan filed with the State of Texas. The City has recognized a postclosure liability of \$340,406 in the solid waste fund, which is an estimate of the total current cost of landfill closure and postclosure care. This estimate is subject to changes resulting from inflation/deflation, technology, or changes in applicable laws or regulations. One hundred percent of the landfill's capacity has been utilized and has no remaining useful life.

Greenwood Landfill – The City has contracted with a private enterprise to operate the Greenwood Landfill. The private enterprise bears the full financial responsibility of operating the landfill including all closure and postclosure costs. The operator is funding a landfill trust, which is administered by the City of Tyler and established for the future closure and postclosure costs of the Greenwood Landfill.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF TYLER, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) d=(b-a)	Funded Ratio c=(a/b)	Annual Covered Payroll (e)	UAAL as a Percentage of covered payroll ((b-a)/e)
12/31/2000	\$ 41,476,697	\$ 55,250,165	\$ 13,773,468	75.1%	\$ 17,992,751	76.6%
12/31/2001	44,887,612	60,542,339	15,654,727	74.1%	18,825,026	83.2%
12/31/2002	46,866,107	64,294,058	17,427,951	72.9%	20,204,882	86.3%

**CITY OF TYLER, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION
TYLER FIREFIGHTER'S RELIEF AND RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date (3)	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded (Overfunded) AAL (UAAL) (b - a) (1)	Funded Ratio (a/b)	Annual Covered Payroll C	UAAL as a Percentage of covered Payroll ((b-a)/C)
12/31/1997 (2)	\$ 26,142,708	\$ 28,606,574	\$ 2,463,866	91.4%	\$ 4,749,449	51.9%
12/31/1999	33,665,709	35,083,170	1,417,461	96.0%	5,096,747	27.8%
12/31/2001	38,040,060	39,820,577	1,780,517	95.5%	5,641,878	31.6%

Note 1 The covered payroll is based on estimated annualized salaries used in the valuation.

Note 2 Based on the Plan Effective as of November 1, 1998.

Note 3 Actuarial valuations are done every other year: therefore, actuarial information will be the same for two years

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The Police Department Judgment of Forfeiture Fund was established to account for the receipt and disbursement of funds seized by the Police Department and subsequently awarded to the City through court-ordered judgments, primarily cases involving illegal drugs.

The Hotel-Motel Occupancy Tax Fund was established to account for the receipt and disbursement of funds generated by the Hotel-Motel Occupancy Tax.

The Donations Fund was established to account for the receipt and disbursement of funds for specified miscellaneous projects. These are small projects budgeted in other City funds which were incomplete at year-end.

The Tyler Tourism and Convention Facility Fund was established to account for the operations of the Harvey Convention Center.

The Retained H.U.D. Administration Fee Fund was established to account for the receipt and disbursement of overhead allowances in excess of actual costs in the Section 8 Grant Program.

The Community Development Fund was established to account for the receipt and disbursement of Department of Housing and Urban Development - Community Development Block Grant Funds.

The Community Block Development Grant Fund (CBDG) was established to account for the receipt and disbursement of CDBG grant monies allocated to the City.

The Housing Assistance Payment Fund was established to account for the receipt and disbursement of Department of Housing and Urban Development - Housing Assistance Payments Program Funds.

The State and Federal Grant Fund was created to account for the receipt and disbursement of Federal and State Grants for which no separate fund has been established. These are generally fairly small grants which are expended fairly quickly.

The Transit Grant Fund was established to account for the receipt and disbursement of Federal and State Grant Funds received for the operation of the City's Transit System.

The Payroll Fund is a clearing account for the City's payroll. This Fund disburses payroll and is reimbursed by the other City funds.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources and payment of general long-term debt principal, interest, and related costs of all the City's general long-term debt.

PERMANENT FUNDS

Rose Hill Cemetery Fund - This fund was established to provide perpetual care and maintenance to the Rose Hill Cemetery. It is funded by a portion of the lot sales.

Oakwood Cemetery Fund – This fund was established to provide perpetual care and maintenance to the Oakwood Cemetery.

Westview Cemetery Fund – This fund was established to provide perpetual care and maintenance to the Westview Cemetery.

Parks Fund – This fund was established to provide maintenance to City parks.

CITY OF TYLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	SPECIAL REVENUE FUNDS						
	POLICE JUDGMENT OF FORFEITURE FUND	HOTEL-MOTEL OCCUPANCY TAX FUND	DONATIONS FUND	TYLER TOURISM AND CONVENTION FACILITY FUND	RETAINED H.U.D. ADMIN. FUND	COMMUNITY DEVELOPMENT FUND	2001 COMMUNITY BLOCK DEVELOPMENT GRANT
ASSETS							
Equity in pooled cash and investments	\$ 119,153	\$ 253,911	\$ 69,325	\$ 98,366	\$ 330,587	\$ 15,465	\$ 1,349
Accounts and grants receivable	-	-	-	-	-	42,590	1,743
Prepaid items	-	-	-	-	-	-	-
Total assets	\$ 119,153	\$ 253,911	\$ 69,325	\$ 98,366	\$ 330,587	\$ 58,055	\$ 3,092
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ 34,534	\$ 150	\$ 58,055	\$ 3,092
Deposits and other refundable balances	53,255	-	-	32,206	-	-	-
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	53,255	-	-	66,740	150	58,055	3,092
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-	-
Court ordered disbursements	65,898	-	-	-	-	-	-
Grants / donations	-	-	69,325	-	330,437	-	-
Total reserved fund balances	65,898	-	69,325	-	330,437	-	-
Unreserved fund balances:							
Undesignated, reported in:							
Permanent funds	-	-	-	-	-	-	-
Special revenue funds	-	253,911	-	31,626	-	-	-
Total unreserved undesignated fund balances	-	253,911	-	31,626	-	-	-
Total fund balances	65,898	253,911	69,325	31,626	330,437	-	-
Total liabilities and fund balances	\$ 119,153	\$ 253,911	\$ 69,325	\$ 98,366	\$ 330,587	\$ 58,055	\$ 3,092

**CITY OF TYLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30 , 2002**

SPECIAL REVENUE FUNDS (continued)							
	2002 COMMUNITY BLOCK DEVELOPMENT GRANT	HOUSING ASSISTANCE PAYMENT FUND	STATE AND FEDERAL GRANT FUND	TRANSIT GRANT FUND	PAYROLL FUND	TOTAL	DEBT SERVICE FUND
ASSETS							
Equity in pooled cash and investments	\$ -	\$ 13,429	\$ -	\$ -	\$ 65	901,650	\$ 2,462,596
Accounts and grants receivable	74,804	-	203,490	446,247	-	768,874	-
Prepaid items	-	-	-	21,757	-	21,757	-
Total assets	\$ 74,804	\$ 13,429	\$ 203,490	\$ 468,004	\$ 65	\$ 1,692,281	\$ 2,462,596
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 62,599	\$ 13,429	\$ 54,143	\$ 172,543	\$ 65	398,610	\$ -
Deposits and other refundable balances	-	-	-	-	-	85,461	-
Due to other funds	12,205	-	149,343	233,581	-	395,129	-
Deferred revenue	-	-	-	61,879	-	61,879	-
Total liabilities	74,804	13,429	203,486	468,003	65	941,079	-
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	-	-	2,462,596
Perpetual care	-	-	-	-	-	-	-
Court ordered disbursements	-	-	-	-	-	65,898	-
Grants / donations	-	-	4	1	-	399,767	-
Total reserved fund balances	-	-	4	1	-	465,665	2,462,596
Unreserved fund balances:							
Undesignated, reported in:							
Permanent funds	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	285,537	-
Total unreserved undesignated fund balances	-	-	-	-	-	285,537	-
Total fund balances	-	-	4	1	-	751,202	2,462,596
Total liabilities and fund balances	\$ 74,804	\$ 13,429	\$ 203,490	\$ 468,004	\$ 65	\$ 1,692,281	\$ 2,462,596

CITY OF TYLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	PERMANENT FUNDS					TOTAL NONMAJOR GOVERNMENTAL FUNDS
	ROSE HILL CEMETERY	OAKWOOD CEMETERY	WESTVIEW CEMETERY	PARKS TRUST	TOTAL	
ASSETS						
Equity in pooled cash and investments	\$ 2,560,085	\$ 133,953	\$ 135,420	\$ 1,123	\$ 2,830,581	\$ 6,194,827
Accounts and grants receivable	-	-	-	-	-	768,874
Prepaid items	-	-	-	-	-	21,757
Total assets	\$ 2,560,085	\$ 133,953	\$ 135,420	\$ 1,123	\$ 2,830,581	\$ 6,985,458
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 5,227	\$ 61	\$ 16	\$ -	\$ 5,304	\$ 403,914
Deposits and other refundable balances	-	-	-	-	-	85,461
Due to other funds	-	-	-	-	-	395,129
Deferred revenue	-	-	-	-	-	61,879
Total liabilities	5,227	61	16	-	5,304	946,383
Fund balances:						
Reserved for:						
Debt service	-	-	-	-	-	2,462,596
Perpetual care	1,629,945	125,722	125,722	1,123	1,882,512	1,882,512
Court ordered disbursements	-	-	-	-	-	65,898
Grants / donations	-	-	-	-	-	399,767
Total reserved fund balances	1,629,945	125,722	125,722	1,123	1,882,512	4,810,773
Unreserved fund balances:						
Undesignated, reported in:						
Permanent funds	924,913	8,170	9,682	-	942,765	942,765
Special revenue funds	-	-	-	-	-	285,537
Total unreserved undesignated fund balances	924,913	8,170	9,682	-	942,765	1,228,302
Total fund balances	2,554,858	133,892	135,404	1,123	2,825,277	6,039,075
Total liabilities and fund balances	\$ 2,560,085	\$ 133,953	\$ 135,420	\$ 1,123	\$ 2,830,581	\$ 6,985,458

CITY OF TYLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	SPECIAL REVENUE FUNDS					
	POLICE JUDGMENT OF FORFEITURE FUND	HOTEL-MOTEL OCCUPANCY TAX FUND	DONATIONS FUND	TYLER TOURISM AND CONVENTION FACILITY FUND	RETAINED H.U.D. ADMIN. FUND	COMMUNITY DEVELOPMENT FUND
REVENUES						
Taxes	\$ -	\$ 1,393,602	\$ -	\$ -	\$ -	\$ -
Grants	-	-	-	-	-	238,761
Fines, forfeitures, and penalties	41,649	-	-	-	-	-
Revenues from use of money and property	1,181	2,622	-	323,329	5,630	-
Donations	-	-	85,775	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	660	7	853
Total revenues	<u>42,830</u>	<u>1,396,224</u>	<u>85,775</u>	<u>323,989</u>	<u>5,637</u>	<u>239,614</u>
EXPENDITURES						
Current						
General government	-	-	12,471	-	-	-
Public safety	7,739	-	21,969	-	-	-
Highways and streets	-	-	-	-	-	86,729
Culture and recreations	-	-	131,154	762,823	25,627	64,357
Public enterprises	-	-	14,141	-	-	-
Miscellaneous:						
Hotel-Motel administration	-	1,153,275	-	-	-	-
Salaries, supplies and other	-	-	-	-	-	25,953
Housing assistance payments	-	-	-	-	27,672	87,676
Capital Outlay	404	-	-	-	-	3,000
Debt Service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>8,143</u>	<u>1,153,275</u>	<u>179,735</u>	<u>762,823</u>	<u>53,299</u>	<u>267,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,687</u>	<u>242,949</u>	<u>(93,960)</u>	<u>(438,834)</u>	<u>(47,662)</u>	<u>(28,101)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	295,000	-	-
Transfers out	-	(295,000)	(14,637)	-	(217,109)	-
Total other financing sources (uses)	<u>-</u>	<u>(295,000)</u>	<u>(14,637)</u>	<u>295,000</u>	<u>(217,109)</u>	<u>-</u>
Net change in fund balances	34,687	(52,051)	(108,597)	(143,834)	(264,771)	(28,101)
Fund balances - October 1, 2002	<u>31,211</u>	<u>305,962</u>	<u>177,922</u>	<u>175,460</u>	<u>595,208</u>	<u>28,101</u>
FUND BALANCES - SEPTEMBER 30, 2003	<u>\$ 65,898</u>	<u>\$ 253,911</u>	<u>\$ 69,325</u>	<u>\$ 31,626</u>	<u>\$ 330,437</u>	<u>\$ -</u>

CITY OF TYLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	SPECIAL REVENUE FUNDS (continued)						
	2001 COMMUNITY BLOCK DEVELOPMENT GRANT	2002 COMMUNITY BLOCK DEVELOPMENT GRANT	HOUSING ASSISTANCE PAYMENT FUND	STATE AND FEDERAL GRANT FUND	TRANSIT GRANT FUND	PAYROLL FUND	TOTAL
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -		\$ -	\$ 1,393,602
Grants	410,372	554,064	4,962,320	749,854	1,117,266	-	8,032,637
Fines, forfeitures, and penalties	-	-	-	-	-	-	41,649
Revenues from use of money and property	-	-	3,190	-	-	-	335,952
Donations	-	-	-	-	-	-	85,775
Charges for services	-	-	-	-	-	-	-
Miscellaneous	3,092	3,870	-	-	131,560	-	140,042
Total revenues	<u>413,464</u>	<u>557,934</u>	<u>4,965,510</u>	<u>749,854</u>	<u>1,248,826</u>	<u>-</u>	<u>10,029,657</u>
EXPENDITURES							
Current							
General government	-	-	-	-	-	-	12,471
Public safety	-	-	-	-	-	-	29,708
Highways and streets	317,858	97,931	-	-	-	-	502,518
Culture and recreations	26,100	143,690	-	-	-	-	1,153,751
Public enterprises	-	-	-	-	1,566,197	-	1,580,338
Miscellaneous:	-	-	-	-	-	-	-
Hotel-Motel administration	-	-	-	-	-	-	1,153,275
Salaries, supplies and other	3,092	304,223	584,411	525,445	-	-	1,443,124
Housing assistance payments	66,414	12,090	4,456,590	-	-	-	4,650,442
Capital Outlay	-	-	6,618	289,329	-	-	299,351
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>413,464</u>	<u>557,934</u>	<u>5,047,619</u>	<u>814,774</u>	<u>1,566,197</u>	<u>-</u>	<u>10,824,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(82,109)</u>	<u>(64,920)</u>	<u>(317,371)</u>	<u>-</u>	<u>(795,321)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	82,109	64,924	317,372	-	759,405
Transfers out	-	-	-	-	-	-	(526,746)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>82,109</u>	<u>64,924</u>	<u>317,372</u>	<u>-</u>	<u>232,659</u>
Net change in fund balances	-	-	-	4	1	-	(562,662)
Fund balances - October 1, 2002	-	-	-	-	-	-	1,313,864
FUND BALANCES - SEPTEMBER 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 751,202</u>

CITY OF TYLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>PERMANENT FUNDS</u>						TOTAL NONMAJOR GOVERNMENTAL FUNDS
	DEBT SERVICE FUND	ROSE HILL CEMETERY	OAKWOOD CEMETERY	WESTVIEW CEMETERY	PARKS TRUST	TOTAL	
REVENUES							
Taxes	\$ 1,668,739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,062,341
Grants	-	-	-	-	-	-	8,032,637
Fines, forfeitures, and penalties	-	-	-	-	-	-	41,649
Revenues from use of money and property	40,945	29,087	1,320	1,320	12	31,739	408,636
Donations	-	-	-	-	-	-	85,775
Charges for services	-	58,322	21,477	21,477	-	101,276	101,276
Miscellaneous	-	1,595	-	-	-	1,595	141,637
Total revenues	<u>1,709,684</u>	<u>89,004</u>	<u>22,797</u>	<u>22,797</u>	<u>12</u>	<u>134,610</u>	<u>11,873,951</u>
EXPENDITURES							
Current							
General government	-	-	-	-	-	-	12,471
Public safety	-	-	-	-	-	-	29,708
Highways and streets	-	-	-	-	-	-	502,518
Culture and recreations	-	226,132	645	180	-	226,957	1,380,708
Public enterprises	-	-	-	-	-	-	1,580,338
Miscellaneous:							
Hotel-Motel administration	-	-	-	-	-	-	1,153,275
Salaries, supplies and other	-	-	-	-	-	-	1,443,124
Housing assistance payments	-	-	-	-	-	-	4,650,442
Capital Outlay	-	-	-	-	-	-	299,351
Debt Service:							
Principal	4,015,000	-	-	-	-	-	4,015,000
Interest and fiscal charges	529,560	-	-	-	-	-	529,560
Total expenditures	<u>4,544,560</u>	<u>226,132</u>	<u>645</u>	<u>180</u>	<u>-</u>	<u>226,957</u>	<u>15,596,495</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,834,876)</u>	<u>(137,128)</u>	<u>22,152</u>	<u>22,617</u>	<u>12</u>	<u>(92,347)</u>	<u>(3,722,544)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	759,405
Transfers out	-	-	-	-	-	-	(526,746)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,659</u>
Net change in fund balances	(2,834,876)	(137,128)	22,152	22,617	12	(92,347)	(3,489,885)
Fund balances - October 1, 2002	<u>5,297,472</u>	<u>2,691,986</u>	<u>111,740</u>	<u>112,787</u>	<u>1,111</u>	<u>2,917,624</u>	<u>9,528,960</u>
FUND BALANCES - SEPTEMBER 30, 2003	<u>\$ 2,462,596</u>	<u>\$ 2,554,858</u>	<u>\$ 133,892</u>	<u>\$ 135,404</u>	<u>\$ 1,123</u>	<u>\$ 2,825,277</u>	<u>\$ 6,039,075</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

The Productivity Improvement Fund was established to track performance pay of City employees.

The Fleet Management Fund performs maintenance and repair work on vehicles of all City departments. The fund also acquires vehicles and equipment for use by all City departments.

The Property Liability Fund accounts for the City's property, casualty, and liability insurance program.

The Employee Benefits Fund accounts for the City's self-insurance program for health insurance and workmen's compensation.

The Property and Facility Management Fund was established to account for utility costs and savings under a contract with Johnson Controls.

The Technology Fund was established to account for the City's investment in technology and office automation.

CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2003

	PRODUCTIVITY IMPROVEMENT	FLEET MANAGEMENT	PROPERTY LIABILITY	EMPLOYEE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
ASSETS							
Current assets:							
Equity in pooled cash and investments	\$ 22,137	\$ 1,250,924	\$ 413,464	\$ 3,662,844	\$ 671,774	\$ 227,675	\$ 6,248,818
Deposits	-	-	50,000	10,000	-	-	60,000
Accounts receivable (net)	-	-	-	271,295	-	-	271,295
Inventories - at average cost	-	128,917	-	-	-	-	128,917
Total current assets	<u>22,137</u>	<u>1,379,841</u>	<u>463,464</u>	<u>3,944,139</u>	<u>671,774</u>	<u>227,675</u>	<u>6,709,030</u>
Noncurrent assets:							
Capital assets:							
Land	-	65,000	-	-	-	-	65,000
Buildings	-	341,165	-	-	812,986	3,267	1,157,418
Improvements other than buildings	-	203,594	-	-	76,700	-	280,294
Machinery and equipment	-	15,202,455	-	-	-	3,310,880	18,513,335
Less accumulated depreciation	-	(10,443,406)	-	-	(323,451)	(1,250,813)	(12,017,670)
Total Capital assets (net of accumulated depreciation)	<u>-</u>	<u>5,368,808</u>	<u>-</u>	<u>-</u>	<u>566,235</u>	<u>2,063,334</u>	<u>7,998,377</u>
Total assets	<u>\$ 22,137</u>	<u>\$ 6,748,649</u>	<u>\$ 463,464</u>	<u>\$ 3,944,139</u>	<u>\$ 1,238,009</u>	<u>\$ 2,291,009</u>	<u>\$ 14,707,407</u>
LIABILITIES							
Current liabilities:							
Accounts and contracts payable	\$ 15,928	\$ 23,468	\$ 68,815	\$ 78,408	\$ 2,168	22,070	210,857
Insurance claims payable	-	-	-	819,946	-	-	819,946
Current portion of compensated absences payable	-	193	-	-	118	-	311
Total current liabilities	<u>15,928</u>	<u>23,661</u>	<u>68,815</u>	<u>898,354</u>	<u>2,286</u>	<u>22,070</u>	<u>1,031,114</u>
Noncurrent liabilities:							
Compensated absences payable	-	32,167	-	-	6,506	-	38,673
Total noncurrent liabilities	<u>-</u>	<u>32,167</u>	<u>-</u>	<u>-</u>	<u>6,506</u>	<u>-</u>	<u>38,673</u>
Total Liabilities	<u>15,928</u>	<u>55,828</u>	<u>68,815</u>	<u>898,354</u>	<u>8,792</u>	<u>22,070</u>	<u>1,069,787</u>
NET ASSETS							
Invested in capital assets, net of related debt	-	5,368,808	-	-	566,235	-	5,935,043
Unrestricted	<u>6,209</u>	<u>1,324,013</u>	<u>394,649</u>	<u>3,045,785</u>	<u>662,982</u>	<u>2,268,939</u>	<u>7,702,577</u>
Total Net Assets	<u>\$ 6,209</u>	<u>\$ 6,692,821</u>	<u>\$ 394,649</u>	<u>\$ 3,045,785</u>	<u>\$ 1,229,217</u>	<u>\$ 2,268,939</u>	<u>\$ 13,637,620</u>

**CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	PRODUCTIVITY IMPROVEMENT	FLEET MANAGEMENT	PROPERTY LIABILITY	EMPLOYEE BENEFITS FUND	PROPERTY AND FACILITY MANAGEMENT FUND	TECHNOLOGY FUND	TOTAL
OPERATING REVENUES							
Charges for services	\$ 348,344	\$ 1,433,121	\$ 535,427	\$ -	\$ 106,398	\$ 1,054,026	\$ 3,477,316
Contributions	-	-	-	9,071,435	-	-	9,071,435
Miscellaneous	-	-	-	635,100	-	-	635,100
Total operating revenues	<u>348,344</u>	<u>1,433,121</u>	<u>535,427</u>	<u>9,706,535</u>	<u>106,398</u>	<u>1,054,026</u>	<u>13,183,851</u>
OPERATING EXPENSES							
Garage operations	-	743,617	-	-	-	-	743,617
Depreciation	-	1,475,925	-	-	9,221	251,842	1,736,988
Insurance claims	-	-	747,210	6,439,613	-	-	7,186,823
Administrative	159,984	-	-	1,654,908	42,613	282,227	2,139,732
Special services	470,016	-	-	45,750	10,730	133,661	660,157
Maintenance	-	-	-	-	71,258	399,304	470,562
Total operating expenses	<u>630,000</u>	<u>2,219,542</u>	<u>747,210</u>	<u>8,140,271</u>	<u>133,822</u>	<u>1,067,034</u>	<u>12,937,879</u>
Operating income (loss)	<u>(281,656)</u>	<u>(786,421)</u>	<u>(211,783)</u>	<u>1,566,264</u>	<u>(27,424)</u>	<u>(13,008)</u>	<u>245,972</u>
NON-OPERATING REVENUES (EXPENSES)							
Revenues form use of money and property	3,074	19,743	5,121	34,336	8,013	14,425	84,712
Gain (loss) on sale of assets	-	155,461	-	-	214	-	155,675
Total non-operating revenues (expenses)	<u>3,074</u>	<u>175,204</u>	<u>5,121</u>	<u>34,336</u>	<u>8,227</u>	<u>14,425</u>	<u>240,387</u>
Income (loss) before contributions and transfers	<u>(278,582)</u>	<u>(611,217)</u>	<u>(206,662)</u>	<u>1,600,600</u>	<u>(19,197)</u>	<u>1,417</u>	<u>486,359</u>
Transfers Out	<u>-</u>	<u>(590,839)</u>	<u>-</u>	<u>(617,000)</u>	<u>-</u>	<u>-</u>	<u>(1,207,839)</u>
Change in net assets	<u>(278,582)</u>	<u>(1,202,056)</u>	<u>(206,662)</u>	<u>983,600</u>	<u>(19,197)</u>	<u>1,417</u>	<u>(721,480)</u>
Total net assets - October 1, 2002	<u>284,791</u>	<u>7,894,877</u>	<u>601,311</u>	<u>2,062,185</u>	<u>1,248,414</u>	<u>2,267,522</u>	<u>14,359,100</u>
Total net assets - September 30, 2003	<u>\$ 6,209</u>	<u>\$ 6,692,821</u>	<u>\$ 394,649</u>	<u>\$ 3,045,785</u>	<u>\$ 1,229,217</u>	<u>\$ 2,268,939</u>	<u>\$ 13,637,620</u>

**CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

Increase (Decrease) in Cash and Cash Equivalents

	PRODUCTIVITY IMPROVEMENT	FLEET MANAGEMENT	PROPERTY LIABILITY	EMPLOYEE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL (EXHIBIT 9)
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers and users	\$ 348,344	\$ 1,433,121	\$ 535,427	\$ 9,665,647	\$ 106,398	\$ 1,054,026	\$ 13,142,963
Cash paid to suppliers for goods and services	(470,016)	(203,617)	-	(478,256)	(101,385)	(793,121)	(2,046,395)
Cash paid to employees for services	(170,182)	(538,239)	-	-	(42,390)	-	(750,811)
Insurance claims paid	-	-	(681,842)	(7,534,573)	-	-	(8,216,415)
Net cash provided by (used in) operating activities	<u>(291,854)</u>	<u>691,265</u>	<u>(146,415)</u>	<u>1,652,818</u>	<u>(37,377)</u>	<u>260,905</u>	<u>2,129,342</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Transfers out to other funds	-	(590,839)	-	(617,000)	-	-	(1,207,839)
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>(590,839)</u>	<u>-</u>	<u>(617,000)</u>	<u>-</u>	<u>-</u>	<u>(1,207,839)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	-	(1,511,742)	-	-	-	(259,044)	(1,770,786)
Proceeds from sale of assets	-	436,172	-	-	214	-	436,386
Interest paid	-	-	-	-	-	-	-
Principal payments on long-term debt	-	-	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(1,075,570)</u>	<u>-</u>	<u>-</u>	<u>214</u>	<u>(259,044)</u>	<u>(1,334,400)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends on investments	3,074	19,743	5,121	34,336	8,013	14,425	84,712
Net cash provided by investing activities	<u>3,074</u>	<u>19,743</u>	<u>5,121</u>	<u>34,336</u>	<u>8,013</u>	<u>14,425</u>	<u>84,712</u>
Net increase (decrease) in cash and cash equivalents	(288,780)	(955,401)	(141,294)	1,070,154	(29,150)	16,286	(328,185)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>310,917</u>	<u>2,206,325</u>	<u>604,758</u>	<u>2,602,690</u>	<u>700,924</u>	<u>211,389</u>	<u>6,637,003</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 22,137</u>	<u>\$ 1,250,924</u>	<u>\$ 463,464</u>	<u>\$ 3,672,844</u>	<u>\$ 671,774</u>	<u>\$ 227,675</u>	<u>\$ 6,308,818</u>

(continued)

**CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

**Reconciliation of Operating Income to Net Cash
Provided by (Used in) Operating Activities**

	PRODUCTIVITY IMPROVEMENT	FLEET MANAGEMENT	PROPERTY LIABILITY	EMPLOYEE BENEFITS FUND	PROPERTY FACILITY MANAGEMENT FUND	TECHNOLOGY FUND	TOTAL (EXHIBIT 9)
Operating income (loss)	\$ (281,656)	\$ (786,421)	\$ (211,783)	\$ 1,566,264	\$ (27,424)	\$ (13,008)	\$ 245,972
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	-	1,475,925	-	-	9,221	251,842	1,736,988
Decrease (increase) in receivables	-	-	-	(40,887)	-	-	(40,887)
Decrease (increase) in inventory	-	(4,779)	-	-	-	-	(4,779)
(Decrease) increase in accounts payable	(10,198)	5,463	65,368	75,495	(19,305)	22,071	138,894
(Decrease) Increase in claims payable	-	1,077	-	51,946	-	-	53,023
Increase (decrease) in compensated absences payable	-	-	-	-	131	-	131
Total adjustments	(10,198)	1,477,686	65,368	86,554	(9,953)	273,913	1,883,370
Net cash (used in) provided by operating activities	<u>\$ (291,854)</u>	<u>\$ 691,265</u>	<u>\$ (146,415)</u>	<u>\$ 1,652,818</u>	<u>\$ (37,377)</u>	<u>\$ 260,905</u>	<u>\$ 2,129,342</u>

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

CITY OF TYLER, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE (1)
SEPTEMBER 30, 2003

	TOTAL
GOVERNMENTAL FUNDS CAPITAL ASSETS:	
Land	\$ 5,244,001
Buildings	23,921,049
Improvements other than buildings	79,210,427
Machinery and equipment	13,934,842
Infrastructure	218,773,770
Construction in progress	7,287,599
Total governmental funds capital assets	\$ 348,371,688
 INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:	
General funds	293,113,573
Special revenue funds	7,441,879
Capital projects funds	40,385,489
Donations	7,430,747
Total governmental funds capital assets	\$ 348,371,688

(1) - This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF TYLER, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (1)
SEPTEMBER 30, 2003

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General government:							
City Manager	\$ -	\$ -	\$ 608,072	\$ 16,815	\$ -	\$ -	\$ 624,887
City Clerk	-	-	-	13,267	-	-	13,267
City Hall	25,185	100,000	-	13,224	-	-	138,409
Legal	-	-	-	62,001	-	-	62,001
Information services	-	9,376	-	729,489	-	-	738,865
Accounting	-	-	-	71,306	-	-	71,306
Municipal Court	50,000	352,030	-	266,005	-	-	668,035
City Council	-	73,381	32,030	2,994	-	-	108,405
Purchasing	-	-	-	31,863	-	-	31,863
Total general government	<u>75,185</u>	<u>534,787</u>	<u>640,102</u>	<u>1,206,964</u>	<u>-</u>	<u>-</u>	<u>2,457,038</u>
Public safety:							
Police	50,000	315,980	2,801,106	4,245,022	-	1,226,120	8,638,228
Fire	500,000	1,212,324	24,935	4,639,981	5,967	-	6,383,207
Traffic engineering	-	-	1,731,397	644,922	3,153	-	2,379,472
Total public safety	<u>550,000</u>	<u>1,528,304</u>	<u>4,557,438</u>	<u>9,529,925</u>	<u>9,120</u>	<u>1,226,120</u>	<u>17,400,907</u>
Highways and streets	32,195	362,300	63,497,014	34,814	218,759,701	5,765,475	288,451,499
Culture and recreation	4,466,621	18,637,954	10,150,958	1,645,435	4,949	296,004	35,201,921
Public enterprises	120,000	2,857,704	364,915	1,517,704	-	-	4,860,323
Total general capital assets	<u>\$ 5,244,001</u>	<u>\$ 23,921,049</u>	<u>\$ 79,210,427</u>	<u>\$ 13,934,842</u>	<u>\$ 218,773,770</u>	<u>\$ 7,287,599</u>	<u>\$ 348,371,688</u>

(1) - This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF TYLER, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY (1)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS CAPITAL ASSETS			GOVERNMENTAL FUNDS CAPITAL ASSETS
	OCTOBER 1, 2002	ADDITIONS	DEDUCTIONS	SEPTEMBER 30, 2003
General government:				
City Manager	\$ 624,887	\$ -	\$ -	\$ 624,887
City Clerk	13,267	-	-	13,267
City Hall	138,409	-	-	138,409
Legal	56,157	5,844	-	62,001
Information services	738,865	-	-	738,865
Accounting	71,306	-	-	71,306
Municipal Court	620,404	47,631	-	668,035
City Council	108,405	-	-	108,405
Purchasing	31,863	-	-	31,863
Total general government	<u>2,403,563</u>	<u>53,475</u>	<u>-</u>	<u>2,457,038</u>
Public safety:				
Police	7,620,674	1,017,554	-	8,638,228
Fire	6,196,786	186,421	-	6,383,207
Traffic engineering	2,379,472	-	-	2,379,472
Total public safety	<u>16,196,932</u>	<u>1,203,975</u>	<u>-</u>	<u>17,400,907</u>
Highways and streets	283,216,996	8,490,429	3,255,926	288,451,499
Culture and recreation	34,050,765	1,882,139	730,983	35,201,921
Public enterprises	4,296,533	987,644	423,854	4,860,323
Total general capital assets	<u>\$ 340,164,789</u>	<u>\$ 12,617,662</u>	<u>\$ 4,410,763</u>	<u>\$ 348,371,688</u>

(1) - This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
PROPERTY TAX COLLECTIONS				
Current taxes	\$ 8,834,814	\$ 8,834,814	\$ 8,872,609	\$ 37,795
Delinquent taxes	125,000	125,000	155,131	30,131
Penalty and interest	130,000	130,000	190,490	60,490
Tax collection fee	50,000	50,000	67,354	17,354
Total property tax collections	<u>9,139,814</u>	<u>9,139,814</u>	<u>9,285,584</u>	<u>145,770</u>
GROSS RECEIPTS TAXES				
Franchise - light and power	4,100,000	4,100,000	4,009,719	(90,281)
Franchise - natural gas	620,000	620,000	918,629	298,629
Franchise - telephone	954,000	954,000	1,070,081	116,081
Franchise - cable television	780,900	780,900	767,739	(13,161)
Franchise - street use fee	235,600	235,600	272,439	36,839
Total gross receipts taxes	<u>6,690,500</u>	<u>6,690,500</u>	<u>7,038,607</u>	<u>348,107</u>
SALES AND USE TAXES				
General sales tax	16,868,400	16,868,400	17,165,695	297,295
Mixed drink tax	186,100	186,100	220,954	34,854
Bingo tax	31,600	31,600	34,409	2,809
Total sales and use taxes	<u>17,086,100</u>	<u>17,086,100</u>	<u>17,421,058</u>	<u>334,958</u>
LICENSES AND PERMITS				
Building	200,000	200,000	230,875	30,875
Electrical	74,000	74,000	118,627	44,627
Plumbing	64,000	64,000	87,820	23,820
Zoning	12,000	12,000	24,087	12,087
Parking meter	85,400	85,400	107,760	22,360
Mechanical permits	20,000	20,000	38,218	18,218
Occupation	7,500	7,500	7,940	440
Wrecker	400	400	768	368
Taxicab and limousine	600	600	235	(365)
Burglar alarm	40,000	40,000	44,982	4,982
Sign	11,000	11,000	14,630	3,630
Contractors	27,000	27,000	21,172	(5,828)
House movers license	400	400	1,244	844
Permit fee	-	-	12,550	12,550
Total licenses and permits	<u>542,300</u>	<u>542,300</u>	<u>710,908</u>	<u>168,608</u>
FINES, FORFEITURES, AND PENALTIES				
Moving violation fines	2,100,000	2,100,000	2,293,316	193,316
Library fines and rents	3,500	3,500	4,024	524
Tax service fees on fines	90,000	90,000	112,318	22,318
Arrest fee fines	125,000	125,000	137,527	12,527
Municipal court administrative fees	84,000	84,000	80,688	(3,312)
Warrant fees	385,000	385,000	388,266	3,266
Child safety fees	1,000	1,000	2,913	1,913

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
FINES, FORFEITURES, AND PENALTIES (cont'd.)				
Teen court fees	\$ 2,000	\$ 2,000	\$ 1,670	\$ (330)
Municipal court security	117,100	117,100	117,193	93
Miscellaneous municipal court fines	9,000	9,000	14,501	5,501
Court time payment fee	107,700	107,700	139,471	31,771
Technology fees	88,300	88,300	110,031	21,731
Special court fees	285,000	285,000	387,167	102,167
Collection firm fee	-	-	(891)	(891)
Court fee - Clearing	-	-	(383)	(383)
	<u>3,397,600</u>	<u>3,397,600</u>	<u>3,787,811</u>	<u>390,211</u>
REVENUES FROM USE OF MONEY OR PROPERTY				
Rent - miscellaneous	12,300	12,300	4,190	(8,110)
Paving and drainage assessment	-	-	1,967	1,967
Distributed interest	200,000	200,000	221,056	21,056
	<u>212,300</u>	<u>212,300</u>	<u>227,213</u>	<u>14,913</u>
CHARGES FOR CURRENT SERVICES				
Swimming pool admissions	4,000	4,000	11,519	7,519
Fire inspection fees	5,500	5,500	8,666	3,166
False alarm fees	-	-	-	-
Map sales	300	300	1,592	1,292
Lot mowing	7,200	7,200	7,415	215
Copying fees	84,500	84,500	13,717	(70,783)
Street repair utility cuts	40,000	40,000	7,288	(32,712)
Platting fees	15,000	15,000	17,050	2,050
Hazardous material response fees	-	-	-	-
Open records	300	300	40,547	40,247
Rental of Glass and Bergfeld	11,600	11,600	18,875	7,275
Miscellaneous charges	40,000	40,000	147,878	107,878
Contribution for construction	2,000	2,000	393	(1,607)
	<u>210,400</u>	<u>210,400</u>	<u>274,940</u>	<u>64,540</u>
INTERGOVERNMENTAL REVENUES				
Reimbursement of overhead from water and sewer operating fund	668,995	668,995	668,995	-
Reimbursement of overhead from sanitation fund	197,400	197,400	197,400	-
Reimbursement of overhead from municipal airport fund	49,800	49,800	49,800	-
Reimbursement of overhead from hotel/motel occupancy tax fund	514,275	514,275	514,275	-
In lieu of franchise taxes from water and sewer operating fund	932,532	932,532	932,351	(181)
	<u>2,363,002</u>	<u>2,363,002</u>	<u>2,362,821</u>	<u>(181)</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES FROM OTHER AGENCIES				
County government	\$ 264,600	\$ 264,600	\$ 302,732	\$ 38,132
Historic properties survey	-	-	9,786	9,786
State government	14,000	14,000	14,335	335
County hazardous material service	5,000	5,000	5,000	-
Prior year restitution income	500	500	908	408
DEA Project reimbursement	35,145	35,145	37,075	1,930
Auto theft task force grant	62,700	62,700	58,256	(4,444)
ETEX violent crimes task force	24,282	24,282	12,719	(11,563)
ET arson/Expl task force	5,000	5,000	-	(5,000)
Bullet proof vest grant	-	-	11,412	11,412
Local law enforcement grant	94,185	94,185	19,509	(74,676)
Safe and Sober Grant	-	-	49,941	49,941
Click it or ticket grant	-	-	15,888	15,888
Gates grant	-	-	1,598	1,598
T.I.S.D. police officers	80,275	80,275	71,356	(8,919)
School crossing guards	25,000	25,000	25,500	500
Total revenues from other agencies	<u>610,687</u>	<u>610,687</u>	<u>636,015</u>	<u>25,328</u>
MISCELLANEOUS				
Oil leases and royalties	8,000	8,000	31,000	23,000
Contractor testing fees	12,000	12,000	22,856	10,856
Unclaimed property revenue	-	-	29,327	29,327
Returned check fees	2,000	2,000	2,170	170
Participant fees	178,300	178,300	243,839	65,539
Concessions	6,700	6,700	9,191	2,491
Field rental	3,000	3,000	9,335	6,335
Sports field maintenance	27,000	27,000	31,805	4,805
Total miscellaneous	<u>237,000</u>	<u>237,000</u>	<u>379,523</u>	<u>142,523</u>
Total revenues before other financing sources	<u>40,489,703</u>	<u>40,489,703</u>	<u>42,124,480</u>	<u>1,634,777</u>
OTHER FINANCING SOURCES				
Transfer from half-cent sales tax fund	31,200	31,200	31,200	-
Transfer from Forfeiture fund	-	-	-	-
Transfer from State / Federal grant fund	10,465	10,465	10,465	-
Transfer from HUD	35,000	35,000	124,535	89,535
Transfer from self-insurance fund	617,000	617,000	617,000	-
Sale of equipment	300	300	529	229
Total other financing sources	<u>693,965</u>	<u>693,965</u>	<u>783,729</u>	<u>89,764</u>
TOTAL REVENUES	<u><u>\$ 41,183,668</u></u>	<u><u>\$ 41,183,668</u></u>	<u><u>\$ 42,908,209</u></u>	<u><u>\$ 1,724,541</u></u>

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
GENERAL GOVERNMENT				
GENERAL GOVERNMENT SERVICES:				
Salaries and benefits	\$ 785,823	\$ 785,823	\$ 785,823	\$ -
Supplies and services	2,162,098	2,658,459	2,359,332	299,127
Total general government services	<u>2,947,921</u>	<u>3,444,282</u>	<u>3,145,155</u>	<u>299,127</u>
CITY MANAGER:				
Salaries and benefits	380,125	380,125	332,281	47,844
Supplies and services	38,323	38,323	35,618	2,705
Utilities	1,920	1,920	1,843	77
Total city manager	<u>420,368</u>	<u>420,368</u>	<u>369,742</u>	<u>50,626</u>
CITY CLERK:				
Salaries and benefits	85,240	85,240	91,684	(6,444)
Supplies and services	21,599	21,599	20,836	763
Utilities	1,100	1,100	736	364
Maintenance	770	770	554	216
Capital outlay	300	300	-	300
Total city clerk	<u>109,009</u>	<u>109,009</u>	<u>113,810</u>	<u>(4,801)</u>
CITY HALL:				
Salaries and benefits	86,285	86,285	91,111	(4,826)
Supplies and services	91,531	95,170	84,820	10,350
Utilities	87,710	87,710	79,266	8,444
Maintenance	25,750	25,750	19,857	5,893
Total city hall	<u>291,276</u>	<u>294,915</u>	<u>275,054</u>	<u>19,861</u>
ACCOUNTING:				
Salaries and benefits	364,795	364,795	337,584	27,211
Supplies and services	54,703	54,703	53,642	1,061
Utilities	2,695	2,695	1,734	961
Total accounting	<u>422,193</u>	<u>422,193</u>	<u>392,960</u>	<u>29,233</u>
LEGAL:				
Salaries and benefits	279,593	279,593	302,070	(22,477)
Supplies and services	62,836	62,836	66,005	(3,169)
Utilities	1,900	1,900	1,481	419
Maintenance	30	30	-	30
Capital outlay	5,307	5,307	5,844	(537)
Total legal	<u>349,666</u>	<u>349,666</u>	<u>375,400</u>	<u>(25,734)</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
GENERAL GOVERNMENT (continued)				
INFORMATION SERVICES ADMINISTRATION:				
Salaries and benefits	\$ 845,297	\$ 845,297	\$ 812,905	\$ 32,392
Supplies and services	107,494	107,494	79,861	27,633
Utilities	18,385	18,385	11,765	6,620
Total information services administration	<u>971,176</u>	<u>971,176</u>	<u>904,531</u>	<u>66,645</u>
STAFF SERVICES:				
Salaries and benefits	222,300	222,300	234,504	(12,204)
Supplies and services	63,090	63,090	58,746	4,344
Utilities	2,967	2,967	2,325	642
Maintenance	100	100	100	-
Capital outlay	-	-	679	(679)
Total personnel	<u>288,457</u>	<u>288,457</u>	<u>296,354</u>	<u>(7,897)</u>
Total general government	<u>5,800,066</u>	<u>6,300,066</u>	<u>5,873,006</u>	<u>427,060</u>
POLICE ADMINISTRATION				
Salaries and benefits	14,833,756	14,804,556	14,440,794	363,762
Supplies and services	1,101,391	1,188,792	954,068	234,724
Utilities	157,024	157,024	126,058	30,966
Maintenance	437,456	437,456	355,952	81,504
Capital outlay	37,750	37,750	27,884	9,866
Total police administration	<u>16,567,377</u>	<u>16,625,578</u>	<u>15,904,756</u>	<u>720,822</u>
FIRE ADMINISTRATION				
Salaries and benefits	8,178,355	8,178,355	8,176,333	2,022
Supplies and services	302,239	302,239	300,128	2,111
Utilities	116,061	116,061	108,514	7,547
Maintenance	151,450	151,450	163,053	(11,603)
Capital outlay	143,225	143,225	120,959	22,266
Total fire administration	<u>8,891,330</u>	<u>8,891,330</u>	<u>8,868,987</u>	<u>22,343</u>
PUBLIC SERVICES				
ENGINEERING:				
Salaries and benefits	565,107	531,641	528,492	3,149
Supplies and services	54,007	87,473	94,736	(7,263)
Utilities	8,781	8,781	11,336	(2,555)
Maintenance	1,168,000	2,030,879	1,491,333	539,546
Total engineering	<u>1,795,895</u>	<u>2,658,774</u>	<u>2,125,897</u>	<u>532,877</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
PUBLIC SERVICES (cont'd.)				
STREETS:				
Salaries and benefits	\$ 1,160,794	\$ 1,160,794	\$ 1,104,413	\$ 56,381
Supplies and services	162,445	162,445	158,345	4,100
Utilities	4,470	4,470	4,532	(62)
Maintenance	238,100	368,100	333,276	34,824
Capital outlay	19,225	19,225	16,257	2,968
Total streets	<u>1,585,034</u>	<u>1,715,034</u>	<u>1,616,823</u>	<u>98,211</u>
LABOR POOL:				
Salaries and benefits	873,521	873,521	827,874	45,647
Supplies & services	242,777	242,777	326,412	(83,635)
Utilities	157,505	157,505	355,321	(197,816)
Maintenance	410,600	410,600	353,822	56,778
Capital outlay	47,298	47,298	46,323	975
Total labor pool	<u>1,731,701</u>	<u>1,731,701</u>	<u>1,909,752</u>	<u>(223,698)</u>
TRAFFIC OPERATIONS:				
Salaries and benefits	675,470	675,470	561,644	113,826
Supplies and services	137,576	137,576	171,654	(34,078)
Utilities	1,073,300	1,073,300	1,089,043	(15,743)
Maintenance	119,920	119,920	100,062	19,858
Capital outlay	15,000	15,000	15,978	(978)
Total traffic operations	<u>2,021,266</u>	<u>2,021,266</u>	<u>1,938,381</u>	<u>82,885</u>
Total public services	<u>7,133,896</u>	<u>8,126,775</u>	<u>7,590,853</u>	<u>490,275</u>
LIBRARY ADMINISTRATION				
Salaries and benefits	844,061	844,061	857,270	(13,209)
Supplies and services	163,244	163,244	152,770	10,474
Utilities	65,305	65,305	63,685	1,620
Maintenance	77,500	77,500	43,258	34,242
Capital outlay	166,975	166,975	152,116	14,859
Total library administration	<u>1,317,085</u>	<u>1,317,085</u>	<u>1,269,099</u>	<u>47,986</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
PARKS AND RECREATION				
PARKS:				
Salaries and benefits	\$ 550,791	\$ 550,791	\$ 417,291	\$ 133,500
Supplies and services	252,714	252,714	365,922	(113,208)
Utilities	73,006	73,006	122,261	(49,255)
Maintenance	33,320	33,320	32,868	452
Capital outlay	272,957	272,957	259,900	13,057
Total parks administration	<u>1,182,788</u>	<u>1,182,788</u>	<u>1,198,242</u>	<u>(15,454)</u>
ROSE GARDEN MAINTENANCE:				
Salaries and benefits	341,456	341,456	334,104	7,352
Supplies and services	97,353	97,353	96,502	851
Utilities	90,015	90,015	94,169	(4,154)
Maintenance	44,700	44,700	51,289	(6,589)
Capital outlay	142,000	173,825	142,639	31,186
Total Rose Garden maintenance	<u>715,524</u>	<u>747,349</u>	<u>718,703</u>	<u>28,646</u>
Total parks and recreation	<u>1,898,312</u>	<u>1,930,137</u>	<u>1,916,945</u>	<u>13,192</u>
PLANNING AND INSPECTION				
PLANNING AND ZONING:				
Salaries and benefits	168,962	168,962	166,514	2,448
Supplies and services	25,563	25,563	26,846	(1,283)
Utilities	2,300	2,300	2,195	105
Maintenance	2,188	2,188	1,369	819
Total planning and zoning	<u>199,013</u>	<u>199,013</u>	<u>196,924</u>	<u>2,089</u>
BUILDING INSPECTION:				
Salaries and benefits	431,385	431,385	433,140	(1,755)
Supplies and services	64,879	64,879	55,049	9,830
Utilities	4,757	4,757	4,598	159
Maintenance	7,860	7,860	1,873	5,987
Total building inspection	<u>508,881</u>	<u>508,881</u>	<u>494,660</u>	<u>14,221</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
CAPITAL PROJECTS ADMINISTRATION:				
Salaries and benefits	\$ 96,530	\$ 96,530	\$ 100,716	\$ (4,186)
Supplies and services	8,749	8,749	5,803	2,946
Utilities	620	620	576	44
Total capital projects	<u>105,899</u>	<u>105,899</u>	<u>107,095</u>	<u>(1,196)</u>
Total planning and inspection	<u>813,793</u>	<u>813,793</u>	<u>798,679</u>	<u>15,114</u>
MUNICIPAL COURT				
Salaries and benefits	734,106	734,106	584,578	149,528
Supplies and services	553,013	551,213	700,100	(148,887)
Utilities	18,167	18,167	15,209	2,958
Maintenance	21,522	21,522	10,596	10,926
Capital outlay	207,182	240,282	50,758	189,524
Total municipal court	<u>1,533,990</u>	<u>1,565,290</u>	<u>1,361,241</u>	<u>204,049</u>
OTHER FINANCING USES				
Transfer to enterprise	146,432	146,432	146,432	-
Transfer to special revenue	212,992	263,857	351,785	(87,928)
Total other financing uses	<u>359,424</u>	<u>410,289</u>	<u>498,217</u>	<u>(87,928)</u>
TOTAL EXPENDITURES	<u><u>\$ 44,315,273</u></u>	<u><u>\$ 45,980,343</u></u>	<u><u>\$ 44,081,783</u></u>	<u><u>\$ 1,852,913</u></u>

CITY OF TYLER, TEXAS
POLICE DEPARTMENT JUDGMENT OF FORFEITURE FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
REVENUES				
Fines, forfeitures, and penalties	\$ 25,500	\$ 25,500	\$ 41,649	\$ 16,149
Revenues from use of money and property	<u>2,000</u>	<u>2,000</u>	<u>1,181</u>	<u>(819)</u>
Total revenues	<u>27,500</u>	<u>27,500</u>	<u>42,830</u>	<u>15,330</u>
EXPENDITURES				
Public Safety:				
Supplies and services	12,500	12,500	7,739	4,761
Capital Outlay	<u>1,000</u>	<u>1,000</u>	<u>404</u>	<u>596</u>
Total expenditures	<u>13,500</u>	<u>13,500</u>	<u>8,143</u>	<u>5,357</u>
Excess of revenues over (under) expenditures	<u>14,000</u>	<u>14,000</u>	<u>34,687</u>	<u>20,687</u>
OTHER FINANCING (USES)				
Transfers out	<u>(10,465)</u>	<u>(10,465)</u>	<u>-</u>	<u>10,465</u>
Total other financing (uses)	<u>(10,465)</u>	<u>(10,465)</u>	<u>-</u>	<u>10,465</u>
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP basis	<u>\$ 3,535</u>	<u>\$ 3,535</u>	34,687	<u>\$ 31,152</u>
Fund Balance - October 1, 2002			<u>31,211</u>	
FUND BALANCE - SEPTEMBER 30, 2003			<u>\$ 65,898</u>	

CITY OF TYLER, TEXAS
HOTEL-MOTEL OCCUPANCY TAX FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Taxes	\$ 1,250,000	\$ 1,250,000	\$ 1,393,602	\$ 143,602
Revenue from use of money and property	3,000	3,000	2,622	(378)
Total revenues	<u>1,253,000</u>	<u>1,253,000</u>	<u>1,396,224</u>	<u>143,224</u>
EXPENDITURES				
Hotel-Motel Administration:				
East Texas Symphony	25,000	25,000	25,000	-
Tyler Museum of Art	55,000	55,000	55,000	-
Smith County Historical Society	19,000	19,000	19,000	-
Tyler Chamber of Commerce	530,000	530,000	530,000	-
McClendon House	10,000	10,000	10,000	-
Miscellaneous	514,275	514,275	514,275	-
Total Hotel-Motel administration	<u>1,153,275</u>	<u>1,153,275</u>	<u>1,153,275</u>	<u>-</u>
Total expenditures	<u>1,153,275</u>	<u>1,153,275</u>	<u>1,153,275</u>	<u>-</u>
Excess of revenues over expenditures	<u>99,725</u>	<u>99,725</u>	<u>242,949</u>	<u>143,224</u>
OTHER FINANCING (USES)				
Transfers out	<u>(295,000)</u>	<u>(295,000)</u>	<u>(295,000)</u>	<u>-</u>
Total other financing (uses)	<u>(295,000)</u>	<u>(295,000)</u>	<u>(295,000)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	<u>\$ (195,275)</u>	<u>\$ (195,275)</u>	<u>(52,051)</u>	<u>\$ 143,224</u>
Fund balance - October 1, 2002			<u>305,962</u>	
FUND BALANCE - SEPTEMBER 30, 2003			<u>\$ 253,911</u>	

CITY OF TYLER, TEXAS
TYLER TOURISM AND CONVENTION FACILITY FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Revenues from use of money and property	\$ 323,125	\$ 323,125	\$ 323,329	\$ 204
Miscellaneous revenues	-	-	660	660
Total revenues	<u>323,125</u>	<u>323,125</u>	<u>323,989</u>	<u>864</u>
EXPENDITURES				
Parks and Recreation:				
Salaries and benefits	367,284	367,284	337,946	29,338
Supplies and services	84,325	84,325	103,598	(19,273)
Utilities	169,658	169,658	171,916	(2,258)
Maintenance	56,500	56,500	55,763	737
Capital outlay	106,755	106,755	93,600	13,155
Total parks and recreation	<u>784,522</u>	<u>784,522</u>	<u>762,823</u>	<u>21,699</u>
Total expenditures	<u>784,522</u>	<u>784,522</u>	<u>762,823</u>	<u>21,699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(461,397)</u>	<u>(461,397)</u>	<u>(438,834)</u>	<u>22,563</u>
OTHER FINANCING SOURCES				
Transfers in	<u>295,000</u>	<u>295,000</u>	<u>295,000</u>	<u>-</u>
Total other financing sources	<u>295,000</u>	<u>295,000</u>	<u>295,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - GAAP basis	<u>\$ (166,397)</u>	<u>\$ (166,397)</u>	(143,834)	<u>\$ 22,563</u>
Fund Balance - October 1, 2002			<u>175,460</u>	
FUND BALANCE - SEPTEMBER 30, 2003			<u>\$ 31,626</u>	

CITY OF TYLER, TEXAS
DEBT SERVICE FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
REVENUES				
Property tax collections	\$ 1,663,800	\$ 1,663,800	\$ 1,668,739	\$ 4,939
Revenue from use of money and property	<u>92,375</u>	<u>92,375</u>	<u>40,945</u>	<u>(51,430)</u>
Total revenues	<u>1,756,175</u>	<u>1,756,175</u>	<u>1,709,684</u>	<u>(46,491)</u>
EXPENDITURES				
Paying agent fees	5,572	5,572	6,333	(761)
Principal retirements	4,015,000	4,015,000	4,015,000	-
Interest and redemption	<u>523,228</u>	<u>523,228</u>	<u>523,227</u>	<u>1</u>
Total expenditures	<u>4,543,800</u>	<u>4,543,800</u>	<u>4,544,560</u>	<u>(760)</u>
Deficiency of revenues over expenditures	<u>(2,787,625)</u>	<u>(2,787,625)</u>	(2,834,876)	<u>(47,251)</u>
Fund balance - October 1, 2002			<u>5,297,472</u>	
FUND BALANCE - SEPTEMBER 30, 2003			<u><u>\$ 2,462,596</u></u>	

**CITY OF TYLER, TEXAS
ROSE HILL CEMETERY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Trust Fund:				
Revenues from use of money and property	\$ 18,000	\$ 18,000	\$ 17,907	\$ (93)
Mausoleum and lot sales	12,000	12,000	32,936	20,936
Operations:				
Revenues from use of money and property	18,000	18,000	11,180	(6,820)
Licenses and permits	1,000	1,000	1,595	595
Mausoleum and lot sales	10,000	10,000	25,386	15,386
TOTAL REVENUES - BUDGET BASIS	<u>\$ 59,000</u>	<u>\$ 59,000</u>	<u>\$ 89,004</u>	<u>\$ 30,004</u>
EXPENSES				
Operations:				
Salaries and benefits	\$ 87,545	\$ 87,545	\$ 88,463	\$ (918)
Supplies and services	23,446	23,446	23,373	73
Utilities	31,960	31,960	41,109	(9,149)
Maintenance	24,710	24,710	23,749	961
Capital outlay	26,200	26,200	49,438	(23,238)
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 193,861</u>	<u>\$ 193,861</u>	<u>\$ 226,132</u>	<u>\$ (32,271)</u>

**CITY OF TYLER, TEXAS
OAKWOOD CEMETERY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
REVENUES				
Trust Fund:				
Revenues from use of money and property	\$ 1,600	\$ 1,600	\$ 1,320	\$ (280)
Mausoleum and lot sales	<u>6,400</u>	<u>6,400</u>	<u>21,477</u>	<u>15,077</u>
TOTAL REVENUES - BUDGET BASIS	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 22,797</u>	<u>\$ 14,797</u>
EXPENSES				
Operations:				
Utilities	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 645</u>	<u>\$ 655</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 645</u>	<u>\$ 655</u>

**CITY OF TYLER, TEXAS
WESTVIEW CEMETERY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
REVENUES				
Trust Fund:				
Revenues from use of money and property	\$ 1,600	\$ 1,600	\$ 1,320	\$ (280)
Mausoleum and lot sales	<u>6,400</u>	<u>6,400</u>	<u>21,477</u>	<u>15,077</u>
TOTAL REVENUES - BUDGET BASIS	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 22,797</u>	<u>\$ 14,797</u>
EXPENSES				
Operations:				
Utilities	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 180</u>	<u>\$ 420</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 180</u>	<u>\$ 420</u>

CITY OF TYLER, TEXAS
PRODUCTIVITY IMPROVEMENT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
REVENUES				
Revenues from use of money and property	\$ 3,000	\$ 3,000	\$ 3,074	\$ 74
Intergovernmental revenue	<u>348,344</u>	<u>348,344</u>	<u>348,344</u>	<u>-</u>
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 351,344</u>	<u>\$ 351,344</u>	<u>\$ 351,418</u>	<u>\$ 74</u>
EXPENSES				
Salaries and benefits	\$ 96,250	\$ 96,250	\$ 159,984	\$ (63,734)
Supplies and services	<u>553,750</u>	<u>553,750</u>	<u>470,016</u>	<u>83,734</u>
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 630,000</u>	<u>\$ 20,000</u>

**CITY OF TYLER, TEXAS
FLEET MANAGEMENT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Revenues from use of money and property	\$ 20,000	\$ 20,000	\$ 19,743	\$ (257)
Current service charges	1,424,080	1,424,080	1,433,121	9,041
Miscellaneous income	150,200	150,200	-	(150,200)
TOTAL REVENUES - BUDGET BASIS	<u>1,594,280</u>	<u>1,594,280</u>	1,452,864	<u>(141,416)</u>
Gain on sale of fixed assets			<u>155,461</u>	
TOTAL REVENUES - GAAP BASIS			<u><u>\$ 1,608,325</u></u>	
EXPENSES				
Garage administration and operations:				
Salaries and benefits	548,132	548,132	540,196	7,936
Supplies and services	194,987	194,987	136,769	58,218
Utilities	4,400	4,400	3,093	1,307
Maintenance	48,440	48,440	45,311	3,129
Capital outlay	1,915,350	1,915,350	1,843,539	71,811
Total garage administration	<u>2,711,309</u>	<u>2,711,309</u>	<u>2,568,908</u>	<u>142,401</u>
TOTAL EXPENSES - BUDGET BASIS	<u><u>\$ 2,711,309</u></u>	<u><u>\$ 2,711,309</u></u>	2,568,908	<u><u>\$ 142,401</u></u>
Financial statement adjustments:				
Transfer out			590,839	
Capital outlay items not expensed			(1,825,291)	
Depreciation expense			<u>1,475,925</u>	
TOTAL EXPENSES - GAAP BASIS			<u><u>\$ 2,810,381</u></u>	

CITY OF TYLER, TEXAS
CITY PROPERTY AND LIABILITY INSURANCE FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 31, 2003

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
REVENUES				
Revenues from use of money and property	\$ 2,000	\$ 2,000	\$ 5,121	\$ 3,121
Intergovernmental revenue	<u>535,427</u>	<u>535,427</u>	<u>535,427</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 537,427</u>	<u>\$ 537,427</u>	<u>\$ 540,548</u>	<u>\$ 3,121</u>
EXPENSES				
Claims and premiums	<u>\$ 928,213</u>	<u>\$ 928,213</u>	<u>\$ 747,210</u>	<u>\$ 181,003</u>
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 928,213</u>	<u>\$ 928,213</u>	<u>\$ 747,210</u>	<u>\$ 181,003</u>

**CITY OF TYLER, TEXAS
EMPLOYEE BENEFITS FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 31, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Revenues from use of money and property	\$ 25,000	\$ 25,000	\$ 34,336	\$ 9,336
Health Stop / Loss reimbursement	100,000	100,000	635,100	535,100
Contributions from City of Tyler	7,267,752	7,267,752	7,090,007	(177,745)
Contributions from employees	1,542,244	1,542,244	1,981,428	439,184
Total revenues	<u>8,934,996</u>	<u>8,934,996</u>	<u>9,740,871</u>	<u>805,875</u>
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 8,934,996</u>	<u>\$ 8,934,996</u>	<u>\$ 9,740,871</u>	<u>\$ 805,875</u>
EXPENSES				
Employee insurance fund administration:				
Special services	\$ 42,000	\$ 42,000	\$ 45,750	\$ (3,750)
Claims	6,827,388	6,827,388	6,283,928	543,460
Administrative fees	1,776,256	1,776,256	1,654,908	121,348
Life insurance	144,000	144,000	155,685	(11,685)
Total employee insurance fund administration	<u>8,789,644</u>	<u>8,789,644</u>	<u>8,140,271</u>	<u>649,373</u>
Other financing uses:				
Transfers out	<u>617,000</u>	<u>617,000</u>	<u>617,000</u>	<u>-</u>
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 9,406,644</u>	<u>\$ 9,406,644</u>	<u>\$ 8,757,271</u>	<u>\$ 649,373</u>

**CITY OF TYLER, TEXAS
PROPERTY AND FACILITY MANAGEMENT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Revenues from use of money and property	\$ 4,300	\$ 4,300	\$ 8,013	\$ 3,713
Sale of property	-	-	214	214
Charges for services	105,698	105,698	106,398	700
Total revenues	<u>\$ 109,998</u>	<u>\$ 109,998</u>	<u>\$ 114,625</u>	<u>\$ 4,627</u>
EXPENSES				
Property and facility administration:				
Salaries and benefits	\$ 42,426	\$ 42,426	\$ 42,613	\$ (187)
Supplies and services	61,024	61,024	9,409	51,615
Utilities	2,184	2,184	1,321	863
Maintenance	63,900	63,900	71,258	(7,358)
Capital outlay	55,900	55,900	-	55,900
Total property and facility administration	<u>225,434</u>	<u>225,434</u>	<u>124,601</u>	<u>100,833</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 225,434</u>	<u>\$ 225,434</u>	<u>124,601</u>	<u>\$ 100,833</u>
Financial statement adjustments:				
Depreciation expense			9,221	
TOTAL EXPENSES - GAAP BASIS			<u>\$ 133,822</u>	

**CITY OF TYLER, TEXAS
TECHNOLOGY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Revenues from use of money and property	\$ 6,950	\$ 6,950	\$ 14,425	\$ 7,475
Charges for services	1,157,202	1,157,202	1,054,026	(103,176)
TOTAL REVENUES - BUDGET BASIS	<u>\$ 1,164,152</u>	<u>\$ 1,164,152</u>	<u>\$ 1,068,451</u>	<u>\$ (95,701)</u>
EXPENSES				
Office technology fund administration:				
Supplies and services	\$ 517,885	\$ 517,885	\$ 415,888	\$ 101,997
Maintenance	417,130	417,130	253,043	164,087
Capital outlay	436,900	436,900	342,547	
City Capital Projects	-	102,598	62,758	39,840
Total office technology fund administration	<u>1,371,915</u>	<u>1,474,513</u>	<u>1,074,236</u>	<u>305,924</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 1,371,915</u>	<u>\$ 1,474,513</u>	<u>1,074,236</u>	<u>\$ 305,924</u>
Financial statement adjustments:				
Capital outlay items not expensed			(259,044)	
Depreciation			<u>251,842</u>	
TOTAL EXPENSES - GAAP BASIS			<u>\$ 1,067,034</u>	

ADDITIONAL
SUPPLEMENTAL INFORMATION

**CITY OF TYLER, TEXAS
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2003**

	WATER & SEWER FUND (H-4)	SANITATION FUND	MUNICIPAL AIRPORT FUND	TOTAL
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 28,860,142	\$ 3,876,763	\$ 13,281	\$ 32,750,186
Cash - demand deposits and on hand	1,700	30	-	1,730
Accounts receivable (net)	2,878,621	677,360	39,154	3,595,135
Due from other funds	-	500,000	-	500,000
Inventories - at average cost	276,247	-	-	276,247
Total current assets	<u>32,016,710</u>	<u>5,054,153</u>	<u>52,435</u>	<u>37,123,298</u>
Capital assets:				
Land	1,897,452	2,995,009	734,765	5,627,226
Buildings	26,426,964	94,704	20,086,632	46,608,300
Improvements other than buildings	153,468,841	225,953	11,363,288	165,058,082
Machinery and equipment	1,543,814	3,764,452	225,033	5,533,299
Construction in progress	9,532,499	-	96,453	9,628,952
Less accumulated depreciation	<u>(48,557,595)</u>	<u>(2,241,992)</u>	<u>(5,385,644)</u>	<u>(56,185,231)</u>
Net capital assets	<u>144,311,975</u>	<u>4,838,126</u>	<u>27,120,527</u>	<u>176,270,628</u>
Other assets:				
Deferred charges (net of accumulated amortization of \$153,074)	575,455	-	-	575,455
Water rights - Lake Palestine	<u>12,524,200</u>	<u>-</u>	<u>-</u>	<u>12,524,200</u>
Total other assets	<u>13,099,655</u>	<u>-</u>	<u>-</u>	<u>13,099,655</u>
Total assets	<u>\$ 189,428,340</u>	<u>\$ 9,892,279</u>	<u>\$ 27,172,962</u>	<u>\$ 226,493,581</u>

(Continued)

**CITY OF TYLER, TEXAS
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2003**

	WATER & SEWER FUND (H-4)	SANITATION FUND	MUNICIPAL AIRPORT FUND	TOTAL
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Accounts and contracts payable	\$ 1,903,348	\$ 279,320	\$ 47,232	\$ 2,229,900
Current portion of landfill closure postclosure costs	-	125,000	-	125,000
Refundable water and sewer contracts	261,576	-	-	261,576
Current portion of revenue bonds payable	2,085,000	-	-	2,085,000
Current portion of compensated absences payable	6,184	1,361	1,424	8,969
Total current liabilities	<u>4,256,108</u>	<u>405,681</u>	<u>48,656</u>	<u>4,710,445</u>
Noncurrent liabilities:				
Landfill closure postclosure costs- long-term portion	-	215,406	-	215,406
Revenue bonds payable (net of \$399,235 unamortized bond discounts and premium)	60,389,235	-	-	60,389,235
Compensated absences payable	293,354	123,919	30,021	447,294
Total noncurrent liabilities	<u>60,682,589</u>	<u>339,325</u>	<u>30,021</u>	<u>61,051,935</u>
Total liabilities	<u>64,938,697</u>	<u>745,006</u>	<u>78,677</u>	<u>65,762,380</u>
Net Assets:				
Invested in capital assets, net of related debt	81,837,740	4,838,126	27,120,527	113,796,393
Restricted for debt service	277,125	-	-	277,125
Unrestricted	42,374,778	4,309,147	(26,242)	46,657,683
Total net assets	<u>\$ 124,489,643</u>	<u>\$ 9,147,273</u>	<u>\$ 27,094,285</u>	<u>\$ 160,731,201</u>

**CITY OF TYLER, TEXAS
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	WATER & SEWER FUND (H-5)	SANITATION FUND	MUNICIPAL AIRPORT FUND	TOTAL
OPERATING REVENUES				
Charges for sales and services:				
Metered water sales	\$ 12,400,160	\$ -	\$ -	\$ 12,400,160
Sewer service charges	6,233,516	-	-	6,233,516
Charges to other funds	165,976	-	-	165,976
Trash and garbage fees	-	7,370,595	-	7,370,595
Airport services	-	-	205,696	205,696
Miscellaneous	1,525,867	48,085	9,027	1,582,979
Total operating revenues	<u>20,325,519</u>	<u>7,418,680</u>	<u>214,723</u>	<u>27,958,922</u>
OPERATING EXPENSES				
Water and sewer administration	3,464,243	-	-	3,464,243
Water and sewer office	1,293,614	-	-	1,293,614
Water distribution	1,420,596	-	-	1,420,596
Water plants	2,644,637	-	-	2,644,637
Waste collection	1,062,340	-	-	1,062,340
Waste treatment plant	2,755,639	-	-	2,755,639
Lake Tyler	567,039	-	-	567,039
Sanitation administration	-	1,616,403	-	1,616,403
Collection department	-	5,688,111	-	5,688,111
Maintenance complex	-	118,813	-	118,813
Municipal airport operations	-	-	1,034,328	1,034,328
Depreciation	2,927,514	195,805	817,708	3,941,027
Total operating expenses	<u>16,135,622</u>	<u>7,619,132</u>	<u>1,852,036</u>	<u>25,606,790</u>
Operating income (loss)	<u>4,189,897</u>	<u>(200,452)</u>	<u>(1,637,313)</u>	<u>2,352,132</u>

(Continued)

**CITY OF TYLER, TEXAS
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	WATER & SEWER FUND (H-5)	SANITATION FUND	MUNICIPAL AIRPORT FUND	TOTAL
NON-OPERATING REVENUES (EXPENSES)				
Revenues from use of money and property	\$ 555,714	\$ 54,950	\$ 633,872	\$ 1,244,536
Amortization	(79,996)	-	-	(79,996)
Sale of property	-	192,774	350	193,124
Interest expense	(473,607)	-	-	(473,607)
Total non-operating revenues	<u>2,111</u>	<u>247,724</u>	<u>634,222</u>	<u>884,057</u>
Income (loss) before contributions and transfers	<u>4,192,008</u>	<u>47,272</u>	<u>(1,003,091)</u>	<u>3,236,189</u>
Contributed capital	-	-	146,808	146,808
Transfers in	-	590,839	625,519	1,216,358
Transfers out	-	-	(149,078)	(149,078)
Total transfers and contributed capital	<u>-</u>	<u>590,839</u>	<u>623,249</u>	<u>1,214,088</u>
Change in net assets	4,192,008	638,111	(379,842)	4,450,277
Net Assets - October 1, 2002	<u>120,297,635</u>	<u>8,509,162</u>	<u>27,474,127</u>	<u>156,280,924</u>
NET ASSETS - SEPTEMBER 30, 2003	<u><u>\$ 124,489,643</u></u>	<u><u>\$ 9,147,273</u></u>	<u><u>\$ 27,094,285</u></u>	<u><u>\$ 160,731,201</u></u>

**CITY OF TYLER, TEXAS
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

Increase (Decrease) in Cash and Cash Equivalents

	WATER & SEWER FUND (H-6)	SANITATION FUND	MUNICIPAL AIRPORT FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 20,146,343	\$ 7,355,992	\$ 201,240	\$ 27,703,575
Cash paid to suppliers for goods and services	(8,504,210)	(5,602,062)	(731,837)	(14,838,109)
Cash paid for interfund services used	(1,597,346)	(197,400)	(49,800)	(1,844,546)
Cash paid to employees for services	(2,751,077)	(1,168,508)	(231,215)	(4,150,800)
Net cash provided by (used in) operating activities	<u>7,293,710</u>	<u>388,022</u>	<u>(811,612)</u>	<u>6,870,120</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers - in from other funds	-	389,264	625,519	1,014,783
Transfers - out to other funds	-	-	(149,078)	(149,078)
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>389,264</u>	<u>476,441</u>	<u>865,705</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets and equipment	(35,565,765)	(1,181,170)	(515,899)	(37,262,834)
Proceeds from sale of equipment	-	394,349	350	394,699
Proceeds from issuance of revenue bonds	29,023,998	-	-	29,023,998
Payments on bonded debt	(1,725,000)	-	-	(1,725,000)
Interest paid on revenue bonds	(330,562)	-	-	(330,562)
Net cash provided by (used in) capital and related financing activities	<u>(8,597,329)</u>	<u>(786,821)</u>	<u>(515,549)</u>	<u>(9,899,699)</u>

(Continued)

**CITY OF TYLER, TEXAS
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

Increase (Decrease) in Cash and Cash Equivalents

	WATER & SEWER FUND (H-6)	SANITATION FUND	MUNICIPAL AIRPORT FUND	TOTAL
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends on investments	579,351	54,950	633,872	1,268,173
Net cash provided by (used in) investing activities	579,351	54,950	633,872	1,268,173
Net increase (decrease) in cash and cash equivalents	(724,268)	45,415	(216,848)	(895,701)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,586,110	3,831,378	230,129	33,647,617
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 28,861,842</u>	<u>\$ 3,876,793</u>	<u>\$ 13,281</u>	<u>\$ 32,751,916</u>

(Continued)

**CITY OF TYLER, TEXAS
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

**Reconciliation of Operating Income (Loss) To Net Cash
Provided By (Used In) Operating Activities:**

	WATER & SEWER FUND (H-6)	SANITATION FUND	MUNICIPAL AIRPORT FUND	TOTAL
Operating income (loss)	\$ 4,189,897	\$ (200,452)	\$ (1,637,313)	\$ 2,352,132
Adjustments to reconcile net income (loss) to net cash Provided by (used in) operating activities:				
Depreciation expense	2,927,514	195,805	817,708	3,941,027
(Increase) decrease in accounts receivable	(179,175)	(62,690)	(13,485)	(255,350)
(Increase) decrease in prepaid expenses	-	-	-	-
Decrease in inventories	131	-	-	131
Increase (decrease) in accounts payable	323,313	105,944	21,793	451,050
Increase (decrease) in compensated absences payable	32,030	9,009	(315)	40,724
Increase (decrease) in landfill closure costs payable	-	340,406	-	340,406
Total adjustments	<u>3,103,813</u>	<u>588,474</u>	<u>825,701</u>	<u>4,517,988</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 7,293,710</u>	<u>\$ 388,022</u>	<u>\$ (811,612)</u>	<u>\$ 6,870,120</u>

Non-cash Investing, Capital and Financing Activities:

The Sanitation fund received a non-cash transfer of \$201,575 from the fleet fund for the book value of assets sold from the fleet fund with proceeds deposited into the sanitation fund.

The Municipal airport received capital asset contributions of \$146,808 from donations and grants from the federal government.

**CITY OF TYLER, TEXAS
WATER & SEWER FUND
COMBINING SCHEDULE OF NET ASSETS
SEPTEMBER 30, 2003**

	OPERATING FUND	CAPITAL PROJECT FUND	DEBT SERVICE FUND	ELIMINATIONS	TOTAL (H-1)
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 11,217,716	\$ 17,043,947	\$ 598,479	\$ -	\$ 28,860,142
Cash - demand deposits and on hand	1,700	-	-	-	1,700
Accounts receivable (net)	2,878,621	-	-	-	2,878,621
Due from other funds	15,023,998	-	-	(15,023,998)	-
Inventories - at average cost	276,247	-	-	-	276,247
Total current assets	<u>29,398,282</u>	<u>17,043,947</u>	<u>598,479</u>	<u>(15,023,998)</u>	<u>32,016,710</u>
Capital assets:					
Land	1,897,452	-	-	-	1,897,452
Buildings	26,426,964	-	-	-	26,426,964
Improvements other than buildings	153,468,841	-	-	-	153,468,841
Machinery and equipment	1,543,814	-	-	-	1,543,814
Construction in progress	-	9,532,499	-	-	9,532,499
Less accumulated depreciation	(48,557,595)	-	-	-	(48,557,595)
Net capital assets	<u>134,779,476</u>	<u>9,532,499</u>	<u>-</u>	<u>-</u>	<u>144,311,975</u>
Other assets:					
Deferred charges (net of accumulated amortization of \$153,074)	575,455	-	-	-	575,455
Water rights - Lake Palestine	12,524,200	-	-	-	12,524,200
Total other assets	<u>13,099,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,099,655</u>
Total assets	<u>\$ 177,277,413</u>	<u>\$ 26,576,446</u>	<u>\$ 598,479</u>	<u>\$ (15,023,998)</u>	<u>\$ 189,428,340</u>

(Continued)

**CITY OF TYLER, TEXAS
WATER & SEWER FUND
COMBINING SCHEDULE OF NET ASSETS
SEPTEMBER 30, 2003**

	OPERATING FUND	CAPITAL PROJECT FUND	DEBT SERVICE FUND	ELIMINATIONS	TOTAL (H-1)
LIABILITIES AND FUND EQUITY					
Current liabilities:					
Accounts and contracts payable	\$ 707,142	\$ 874,852	\$ 321,354	\$ -	\$ 1,903,348
Due to other funds	-	15,023,998	-	(15,023,998)	-
Customer deposits	261,576	-	-	-	261,576
Current portion of revenue bonds payable	2,085,000	-	-	-	2,085,000
Current portion of compensated absences payable	6,184	-	-	-	6,184
Total current liabilities	<u>3,059,902</u>	<u>15,898,850</u>	<u>321,354</u>	<u>(15,023,998)</u>	<u>4,256,108</u>
Noncurrent liabilities:					
Revenue bonds payable - (net of \$399,235 unamortized bond discounts and premiums)	60,389,235	-	-	-	60,389,235
Compensated absences payable	293,354	-	-	-	293,354
Total noncurrent liabilities	<u>60,682,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,682,589</u>
Total liabilities	<u>63,742,491</u>	<u>15,898,850</u>	<u>321,354</u>	<u>(15,023,998)</u>	<u>64,938,697</u>
Net Assets:					
Invested in capital assets, net of related debt	72,305,241	9,532,499	-	-	81,837,740
Restricted for debt service	-	-	277,125	-	277,125
Unrestricted	41,229,681	1,145,097	-	-	42,374,778
Total net assets	<u>\$ 113,534,922</u>	<u>\$ 10,677,596</u>	<u>\$ 277,125</u>	<u>\$ -</u>	<u>\$ 124,489,643</u>

**CITY OF TYLER, TEXAS
WATER & SEWER FUND
SCHEDULE OF COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	OPERATING FUND	CAPITAL PROJECT FUND	DEBT SERVICE FUND	ELIMINATIONS	TOTAL (H-2)
OPERATING REVENUES					
Charges for sales and services:					
Metered water sales	\$ 12,400,160	\$ -	\$ -	\$ -	\$ 12,400,160
Sewer service charges	6,233,516	-	-	-	6,233,516
Miscellaneous income	165,976	-	-	-	165,976
Other water and sewer revenue	1,525,867	-	-	-	1,525,867
Total operating revenues	<u>20,325,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,325,519</u>
OPERATING EXPENSES					
Water and sewer administration	3,448,479	-	15,764	-	3,464,243
Water and sewer office	1,293,614	-	-	-	1,293,614
Water distribution	1,420,593	3	-	-	1,420,596
Water plants	2,644,637	-	-	-	2,644,637
Waste collection	1,062,340	-	-	-	1,062,340
Waste treatment plant	2,755,639	-	-	-	2,755,639
Lake Tyler	567,039	-	-	-	567,039
Depreciation	2,927,514	-	-	-	2,927,514
Total operating expenses	<u>16,119,855</u>	<u>3</u>	<u>15,764</u>	<u>-</u>	<u>16,135,622</u>
Operating income (loss)	<u>4,205,664</u>	<u>(3)</u>	<u>(15,764)</u>	<u>-</u>	<u>4,189,897</u>

(Continued)

**CITY OF TYLER, TEXAS
WATER & SEWER FUND
SCHEDULE OF COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	OPERATING FUND	CAPITAL PROJECT FUND	DEBT SERVICE FUND	ELIMINATIONS	TOTAL (H-2)
NON-OPERATING REVENUES (EXPENSES)					
Revenues from use of money and property	\$ 178,180	\$ 377,534	\$ -	\$ -	\$ 555,714
Amortization	(79,996)	-	-	-	(79,996)
Sale of property	-	-	-	-	-
Interest expense	-	-	(473,607)	-	(473,607)
Total non-operating revenues (expenses)	<u>98,184</u>	<u>377,534</u>	<u>(473,607)</u>	<u>-</u>	<u>2,111</u>
Income (loss) before transfers	<u>4,303,848</u>	<u>377,531</u>	<u>(489,371)</u>	<u>-</u>	<u>4,192,008</u>
Transfers in	11,176,015	130,845	3,636,150	(14,943,010)	-
Transfers out	<u>(3,394,234)</u>	<u>(7,638,720)</u>	<u>(3,910,056)</u>	<u>14,943,010</u>	<u>-</u>
Total transfers in (out)	<u>7,781,781</u>	<u>(7,507,875)</u>	<u>(273,906)</u>	<u>-</u>	<u>-</u>
Change in net assets	12,085,629	(7,130,344)	(763,277)	-	4,192,008
Net Assets - October 1, 2002	<u>101,449,293</u>	<u>17,807,940</u>	<u>1,040,402</u>	<u>-</u>	<u>120,297,635</u>
NET ASSETS - SEPTEMBER 30, 2003	<u><u>\$ 113,534,922</u></u>	<u><u>\$ 10,677,596</u></u>	<u><u>\$ 277,125</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 124,489,643</u></u>

**CITY OF TYLER, TEXAS
WATER & SEWER FUND
SCHEDULE OF COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

Increase (Decrease) in Cash and Cash Equivalents

	OPERATING FUND	CAPITAL PROJECT FUND	DEBT SERVICE FUND	ELIMINATIONS	TOTAL (H-3)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 20,146,343	\$ -	\$ -	\$ -	\$ 20,146,343
Cash paid to suppliers for goods and services	(8,488,443)	(3)	(15,764)	-	(8,504,210)
Cash paid for interfund services used	(1,597,346)	-	-	-	(1,597,346)
Cash paid to employees for services	<u>(2,751,077)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,751,077)</u>
Net cash provided by (used in) operating activities	<u>7,309,477</u>	<u>(3)</u>	<u>(15,764)</u>	<u>-</u>	<u>7,293,710</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Advance from operating fund	-	29,023,998	-	(29,023,998)	-
Due from capital projects fund	(29,023,998)	-	-	29,023,998	-
Transfers - in from other funds	3,779,211	130,845	3,636,150	(7,546,206)	-
Transfers - out to other funds	<u>(3,394,234)</u>	<u>(241,916)</u>	<u>(3,910,056)</u>	<u>7,546,206</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities	<u>(28,639,021)</u>	<u>28,912,927</u>	<u>(273,906)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets and equipment	(8,269,883)	(27,295,882)	-	-	(35,565,765)
Proceeds from issuance of revenue bonds	29,023,998	-	-	-	29,023,998
Payments on bonded debt	(1,725,000)	-	-	-	(1,725,000)
Interest paid on revenue bonds	<u>-</u>	<u>-</u>	<u>(330,562)</u>	<u>-</u>	<u>(330,562)</u>
Net cash provided by (used in) capital and related financing activities	<u>19,029,115</u>	<u>(27,295,882)</u>	<u>(330,562)</u>	<u>-</u>	<u>(8,597,329)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	<u>178,180</u>	<u>377,534</u>	<u>23,637</u>	<u>-</u>	<u>579,351</u>
Net cash provided by investing activities	<u>178,180</u>	<u>377,534</u>	<u>23,637</u>	<u>-</u>	<u>579,351</u>
Net increase (decrease) in cash and cash equivalents	(2,122,249)	1,994,576	(596,595)	-	(724,268)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>13,341,665</u>	<u>15,049,371</u>	<u>1,195,074</u>	<u>-</u>	<u>29,586,110</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 11,219,416</u>	<u>\$ 17,043,947</u>	<u>\$ 598,479</u>	<u>\$ -</u>	<u>\$ 28,861,842</u>

(Continued)

**CITY OF TYLER, TEXAS
WATER & SEWER FUND
SCHEDULE OF COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used In) Operating Activities**

	<u>OPERATING FUND</u>	<u>UTILITIES CONSTRUCTION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>ELIMINATIONS</u>	<u>TOTAL (H-3)</u>
Operating income (loss)	\$ 4,205,664	\$ (3)	\$ (15,764)	\$ -	\$ 4,189,897
Adjustments to reconcile net income (loss) to net cash provided by (used in)					
Operating activities:					
Depreciation expense	2,927,514	-	-	-	2,927,514
Increase in accounts receivable	(179,175)	-	-	-	(179,175)
Decrease in inventories	131	-	-	-	131
Increase in accounts payable	323,313	-	-	-	323,313
Increase in compensated absences payable	32,030	-	-	-	32,030
Total adjustments	<u>3,103,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,103,813</u>
Net cash provided by (used in) operating activities	<u>\$ 7,309,477</u>	<u>\$ (3)</u>	<u>\$ (15,764)</u>	<u>\$ -</u>	<u>\$ 7,293,710</u>

Non-cash Investing, Capital and Financing Activities:

Non cash transfers totaling \$ 7,396,804 were transferred out of the capital projects fund into the utility operating fund to capitalize completed construction projects.

**CITY OF TYLER, TEXAS
WATER & SEWER OPERATING FUND
DETAILED SCHEDULE OF REVENUES - BUDGET
AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
REVENUES				
Revenues from use of money or property	\$ 214,400	\$ 214,400	\$ 178,180	\$ (36,220)
Charges for current services	19,242,000	19,242,000	20,159,543	917,543
Miscellaneous income	<u>65,850</u>	<u>65,850</u>	<u>165,976</u>	<u>100,126</u>
TOTAL REVENUES BUDGET BASIS	<u>\$ 19,522,250</u>	<u>\$ 19,522,250</u>	20,503,699	<u>\$ 981,449</u>
Financial Statement Adjustments:				
Transfers in			<u>11,176,015</u>	
TOTAL REVENUES GAAP BASIS			<u>\$ 31,679,714</u>	

**CITY OF TYLER, TEXAS
WATER & SEWER OPERATING FUND
DETAILED SCHEDULE OF EXPENSES - BUDGET
AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
WATER ADMINISTRATION AND SUNDRY				
Salaries and benefits	\$ 513,175	\$ 513,175	\$ 538,096	\$ (24,921)
Supplies and services	3,205,254	3,213,907	2,862,983	(350,924)
Utilities	27,766	27,766	24,098	3,668
Maintenance	23,011	23,011	23,302	(291)
Transfers out	4,525,645	4,525,645	3,394,234	(1,131,411)
Total water administration and sundry	<u>8,294,851</u>	<u>8,303,504</u>	<u>6,842,713</u>	<u>1,460,791</u>
WATER OFFICE				
Salaries and benefits	682,531	682,531	644,022	38,509
Supplies and services	459,694	459,694	594,894	(135,200)
Utilities	4,028	4,028	5,035	(1,007)
Maintenance	52,112	52,112	49,663	2,449
Total water office	<u>1,198,365</u>	<u>1,198,365</u>	<u>1,293,614</u>	<u>(95,249)</u>
WATER DISTRIBUTION				
Salaries and benefits	774,609	774,609	766,822	7,787
Supplies and services	100,868	100,868	301,359	(200,491)
Utilities	14,508	14,508	28,109	(13,601)
Maintenance	332,812	332,812	320,029	12,783
Capital outlay	1,361,706	1,361,706	878,235	483,471
Total water distribution	<u>2,584,503</u>	<u>2,584,503</u>	<u>2,294,554</u>	<u>289,949</u>
WATER PLANT				
Salaries and benefits	933,381	933,381	750,797	182,584
Supplies and services	433,560	433,560	355,558	78,002
Utilities	1,649,943	2,449,943	1,399,568	1,050,375
Maintenance	180,330	180,330	128,197	52,133
Capital outlay	2,084,500	2,084,500	305,252	1,779,248
Total water plant	<u>5,281,714</u>	<u>6,081,714</u>	<u>2,939,372</u>	<u>3,142,342</u>

(Continued)

**CITY OF TYLER, TEXAS
WATER & SEWER OPERATING FUND
DETAILED SCHEDULE OF EXPENSES - BUDGET
AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
WASTE COLLECTION				
Salaries and benefits	\$ 588,871	\$ 588,871	\$ 435,085	\$ 153,786
Supplies and services	54,889	54,889	296,580	(241,691)
Utilities	763	763	527	236
Maintenance	308,500	308,500	323,498	(14,998)
Capital outlay	3,621,489	4,170,447	4,224,439	(53,992)
Total waste collection	<u>4,574,512</u>	<u>5,123,470</u>	<u>5,280,129</u>	<u>(156,659)</u>
WASTE TREATMENT PLANT				
Salaries and benefits	1,081,144	1,081,144	1,051,399	29,745
Supplies and services	1,660,214	1,660,214	976,272	683,942
Utilities	481,048	481,048	576,324	(95,276)
Maintenance	186,000	186,000	145,443	40,557
Capital outlay	1,577,800	2,237,017	835,228	1,401,789
Total waste treatment plant	<u>4,986,206</u>	<u>5,645,423</u>	<u>3,584,666</u>	<u>2,060,757</u>
LAKE TYLER				
Salaries and benefits	360,765	360,765	315,849	44,916
Supplies and services	81,759	81,759	61,332	20,427
Utilities	13,451	13,451	17,565	(4,114)
Maintenance	186,520	186,520	172,293	14,227
Capital outlay	7,000	19,500	15,916	3,584
Total Lake Tyler	<u>649,495</u>	<u>661,995</u>	<u>582,955</u>	<u>79,040</u>
TOTAL EXPENSES AND TRANSFERS - BUDGET BASIS	<u>\$ 27,569,646</u>	<u>\$ 29,598,974</u>	22,818,003	<u>\$ 6,780,971</u>
Financial statement adjustments:				
Amortization			79,996	
Capital outlay items not expensed			(6,231,428)	
Depreciation expense			<u>2,927,514</u>	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS			<u>\$ 19,594,085</u>	

**CITY OF TYLER, TEXAS
SANITATION FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Franchise Fees	\$ 408,000	\$ 408,000	\$ 425,257	\$ 17,257
Revenue from use of money or property	92,000	92,000	54,950	(37,050)
Charges for current services	6,624,000	6,624,000	6,945,338	321,338
Miscellaneous revenues	29,000	29,000	48,085	19,085
TOTAL REVENUES - BUDGET BASIS	<u>\$ 7,153,000</u>	<u>\$ 7,153,000</u>	7,473,630	<u>\$ 320,630</u>
Financial statement adjustments:				
Sale of property			192,774	
Transfers in			590,839	
TOTAL REVENUES - GAAP BASIS			<u>\$ 8,257,243</u>	
EXPENSES				
Solid waste administration:				
Salaries and benefits	\$ 423,370	\$ 423,370	\$ 503,428	\$ (80,058)
Supplies and services	496,315	533,315	763,023	(229,708)
Utilities	7,319	7,319	3,836	3,483
Maintenance	4,730	4,730	5,710	(980)
Transfers out	153,989	153,989	-	153,989
Capital outlay	170,000	130,000	29,585	100,415
Total solid waste administration	<u>1,255,723</u>	<u>1,252,723</u>	<u>1,305,582</u>	<u>(52,859)</u>
Residential collections:				
Salaries and benefits	1,016,904	1,016,904	922,025	94,879
Supplies and services	1,836,625	1,839,625	1,852,302	(12,677)
Utilities	2,650	2,650	2,029	621
Maintenance	658,210	658,210	712,445	(54,235)
Capital outlay	156,500	218,410	190,435	27,975
Total residential collections	<u>3,670,889</u>	<u>3,735,799</u>	<u>3,679,236</u>	<u>56,563</u>
Commercial collections:				
Salaries and benefits	466,656	466,656	494,058	(27,402)
Supplies and services	1,070,616	1,070,616	1,254,233	(183,617)
Utilities	2,050	2,050	1,759	291
Maintenance	330,700	330,700	381,552	(50,852)
Capital outlay	823,252	785,252	574,283	210,969
Total commercial collections	<u>2,693,274</u>	<u>2,655,274</u>	<u>2,705,885</u>	<u>(50,611)</u>
Litter control:				
Supplies and services	74,700	74,700	65,308	9,392
Total litter control	<u>74,700</u>	<u>74,700</u>	<u>65,308</u>	<u>9,392</u>

(Continued)

**CITY OF TYLER, TEXAS
SANITATION FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
Maintenance complex:				
Supplies and services	\$ 23,171	\$ 23,171	\$ 18,220	\$ 4,951
Utilities	79,800	79,800	79,936	(136)
Maintenance	<u>33,500</u>	<u>33,500</u>	<u>20,657</u>	<u>12,843</u>
Total maintenance complex	<u>136,471</u>	<u>136,471</u>	<u>118,813</u>	<u>17,658</u>
TOTAL EXPENSES - BUDGET BASIS	<u><u>\$ 7,831,057</u></u>	<u><u>\$ 7,854,967</u></u>	7,874,824	<u><u>\$ (19,857)</u></u>
Financial statement adjustments:				
Accrual of future landfill postclosure costs			340,406	
Capital outlay items not expensed			(791,903)	
Depreciation expense			<u>195,805</u>	
TOTAL EXPENSES - GAAP BASIS			<u><u>\$ 7,619,132</u></u>	

**CITY OF TYLER, TEXAS
MUNICIPAL AIRPORT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Airport services	\$ 245,900	\$ 245,900	\$ 205,696	\$ (40,204)
Revenue from use of money or property	718,685	718,685	633,872	(84,813)
Miscellaneous revenues	7,660	7,660	9,027	1,367
Total Revenues	972,245	972,245	848,595	(123,650)
Transfers in	146,432	146,432	625,519	479,087
TOTAL REVENUES - BUDGET BASIS	<u>\$ 1,118,677</u>	<u>\$ 1,118,677</u>	1,474,114	<u>\$ 355,437</u>
Sale of property			350	
Contributed Capital			146,808	
TOTAL REVENUES - GAAP BASIS			<u>\$ 1,621,272</u>	
EXPENSES				
Municipal airport operations:				
Salaries and benefits	\$ 419,636	\$ 419,636	\$ 374,697	\$ 44,939
Supplies and services	299,879	306,120	339,840	(33,720)
Utilities	180,050	180,050	226,902	(46,852)
Maintenance	97,050	97,050	83,655	13,395
Capital outlay	25,781	49,261	46,044	3,217
Total municipal airport operations	1,022,396	1,052,117	1,071,138	(19,021)
Transfers out	219,800	219,800	149,078	70,722
TOTAL EXPENSES AND TRANSFERS - BUDGET BASIS	<u>\$ 1,242,196</u>	<u>\$ 1,271,917</u>	1,220,216	<u>\$ 51,701</u>
Financial statement adjustments:				
Capital outlay items not expensed			(36,810)	
Depreciation expense			817,708	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS			<u>\$ 2,001,114</u>	

CITY OF TYLER, TEXAS
COMBINING STATEMENT OF NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUSTS
FIDUCIARY FUNDS
SEPTEMBER 30, 2003

	FIREMAN'S RELIEF AND RETIREMENT FUND	SECTION 125 EMPLOYEE BENEFIT	TOTAL (EXHIBIT-10)
ASSETS			
Equity in pooled cash and investments	\$ 619,474	\$ 80,771	\$ 700,245
Receivables	-	-	-
Accounts receivable	-	13,156	13,156
Interest receivable	171,964	-	171,964
Total receivables	<u>171,964</u>	<u>-</u>	<u>185,120</u>
Investments - at fair market value			
Equities	9,825,836	-	9,825,836
Bonds	11,005,040	-	11,005,040
Collectives	11,089,990	-	11,089,990
	<u>31,920,866</u>	<u>-</u>	<u>31,920,866</u>
Total assets	<u>32,712,304</u>	<u>93,927</u>	<u>32,806,231</u>
LIABILITIES			
Accounts Payable	<u>-</u>	<u>6,619</u>	<u>6,619</u>
Total liabilities	<u>-</u>	<u>6,619</u>	<u>6,619</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 32,712,304</u>	<u>\$ 87,308</u>	<u>\$ 32,799,612</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUSTS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	FIREMAN'S RELIEF AND RETIREMENT FUND	SECTION 125 EMPLOYEE BENEFIT	TOTAL (EXHIBIT-11)
ADDITIONS			
Contributions:			
Employees	\$ 726,582	\$ 121,068	\$ 847,650
Employer	711,680	194,959	906,639
Total contributions	<u>1,438,262</u>	<u>316,027</u>	<u>1,754,289</u>
Investment income:			
Net appreciation in fair value of investments	3,067,635	-	3,067,635
Interest	788,467	-	788,467
Dividends	180,761	-	180,761
Gain (Loss) on sale of securities	274,749	-	274,749
Net investment income	<u>4,311,612</u>	<u>-</u>	<u>4,311,612</u>
Total additions	<u>5,749,874</u>	<u>316,027</u>	<u>6,065,901</u>
DEDUCTIONS			
Benefits	1,855,450	314,153	2,169,603
Administrative expenses	141,207	34,453	175,660
Total deductions	<u>1,996,657</u>	<u>348,606</u>	<u>2,345,263</u>
Change in net assets	<u>3,753,217</u>	<u>(32,579)</u>	<u>3,720,638</u>
Net Assets - October 1, 2002	<u>28,959,087</u>	<u>119,887</u>	<u>29,078,974</u>
NET ASSETS - SEPTEMBER 30, 2003	<u><u>\$ 32,712,304</u></u>	<u><u>\$ 87,308</u></u>	<u><u>\$ 32,799,612</u></u>

The notes to the financial statements are an integral part of this statement.

STATISTICAL SECTION

TABLE 1

**CITY OF TYLER
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS (1)
(UNAUDITED)**

<u>FISCAL YEAR ENDED SEPT 30,</u>	<u>GENERAL GOVERNMENT</u>	<u>PUBLIC SAFETY</u>	<u>HIGHWAYS AND STREETS</u>	<u>PUBLIC SERVICES</u>	<u>CULTURE AND RECREATION</u>	<u>INTEREST ON LONG-TERM DEBT</u>	<u>WATER UTILITIES</u>	<u>SOLID WASTE</u>	<u>MUNICIPAL AIRPORT</u>	<u>TOTAL</u>
2002	\$ 8,496,768	\$ 25,823,437	\$ 5,157,064	\$ 12,737,742	\$ 5,862,162	\$ 575,516	\$ 15,458,795	\$ 6,925,144	\$ 1,594,141	\$ 82,630,769
2003	7,810,926	27,206,911	14,857,558	9,530,408	5,832,406	506,102	16,916,663	8,008,148	1,871,953	92,541,075

Source: Government-wide Statement of Activities

- (1) City of Tyler first applied GASB Statement No. 34 in fiscal year 2002; government-wide financial information for years prior to fiscal year 2002 is not available.

TABLE 2

**CITY OF TYLER
GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS (1)
(UNAUDITED)**

FISCAL YEAR ENDED SEPT 30,	PROGRAM REVENUES			GENERAL REVENUES					TOTAL
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PROPERTY TAXES	FRANCHISE TAXES	SALES AND USE TAXES	INVESTMENT EARNINGS	GAIN ON SALE OF ASSETS	
2002	\$ 36,814,477	\$ 6,530,677	\$ 4,586,916	\$ 10,710,574	\$ 8,282,437	\$ 25,805,742	\$ 2,632,674	\$ 237,160	\$ 95,600,657
2003	38,754,269	7,919,370	586,556	10,904,265	8,432,209	26,475,006	2,079,680	347,969	95,499,324

Source: Government-wide Statement of Activities

- (1) City of Tyler first applied GASB Statement No. 34 in fiscal year 2002; government-wide financial information for years prior to fiscal year 2002 is not available.

TABLE 3

CITY OF TYLER, TEXAS
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1)
LAST FIFTEEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR ENDED SEPT 30,	GENERAL GOVERNMENT	PUBLIC SAFETY	HIGHWAYS AND STREETS	PUBLIC HEALTH	LIBRARIES	PARKS AND RECREATION	PUBLIC ENTERPRISES	MISCELLANEOUS	TOTAL
1989	\$ 2,492,741	\$ 11,996,149	\$ 2,767,239	\$ 1,136,729	\$ 807,733	\$ 1,943,517	\$ 56,753	\$ 1,643,289	\$ 22,844,150
1990	2,743,935	13,249,561	2,813,595	1,256,733	770,404	1,944,904	70,530	1,941,268	24,790,930
1991	2,556,433	14,016,481	3,139,165	1,201,604	809,876	2,008,335	72,359	2,099,496	25,903,749
1992	2,599,035	14,583,181	2,976,844	1,211,581	856,006	1,936,480	95,630	2,384,358	26,643,115
1993	2,657,961	15,395,704	2,998,172	1,050,001	898,699	2,097,711	59,390	2,170,080	27,327,718
1994	3,145,265	17,541,460	3,325,250	1,307,571	965,718	2,496,246	220,939	2,405,448	31,407,897
1995	6,416,928	18,308,964	2,842,089	-	958,742	2,083,130	366,788	1,440,012	32,416,653
1996	6,572,759	19,092,869	3,379,352	-	1,040,373	2,327,149	98,986	745,658	33,257,146
1997	6,119,352	17,340,083	4,864,543	-	1,064,475	2,295,514	21,489	532,334	32,237,790
1998	5,362,201	19,301,097	5,572,399	-	1,041,816	2,714,665	122,825	616,153	34,731,156
1999	6,970,427	20,692,062	4,749,978	-	1,127,246	2,446,713	-	514,393	36,500,819
2000	4,790,562	21,473,857	6,320,633	-	1,073,738	2,352,092	-	553,449	36,564,331
2001	4,933,949	22,972,495	7,960,979	-	1,142,793	1,890,340	-	714,632	39,615,188
2002	5,919,103	24,784,622	7,696,866	-	1,168,086	2,309,810	-	727,715	42,606,202
2003	5,873,006	26,134,984	7,590,853	-	1,269,099	1,916,945	-	798,679	43,583,566

NOTES:

(1) Includes the City's General Fund only.

TABLE 4

**CITY OF TYLER, TEXAS
GENERAL REVENUES BY SOURCE (1)
LAST FIFTEEN FISCAL YEARS
(UNAUDITED)**

FISCAL YEAR ENDED SEPT 30,	PROPERTY TAX INCLUDING PENALTY AND INTEREST	TAXES OTHER THAN PROPERTY TAX	LICENSES AND PERMITS	FINES, FORFEITS AND PENALTIES	REVENUE FROM USE OF MONEY AND PROPERTY	CHARGES FOR CURRENT SERVICES	INTER- GOVERNMENTAL AND OTHER AGENCIES REVENUES	MISCELLANEOUS	TOTAL
1989	\$ 8,515,963	\$ 12,229,733	\$ 295,325	\$ 854,259	\$ 356,842	\$ 280,751	\$ 1,049,604	\$ 268,677	\$ 23,851,154
1990	8,777,107	12,613,597	280,392	952,915	378,333	274,148	1,031,986	256,916	24,565,394
1991	9,378,185	12,944,303	317,199	910,121	353,789	293,142	1,095,972	266,108	25,558,819
1992	9,430,678	13,793,607	398,910	883,770	262,638	306,438	1,178,739	412,035	26,666,815
1993	9,263,846	15,115,947	411,108	740,051	262,831	296,178	1,214,872	523,606	27,828,439
1994	9,312,019	17,705,838	548,025	919,423	343,827	335,258	1,653,943	314,909	31,133,242
1995	9,503,557	18,250,569	456,136	1,514,879	513,195	141,947	1,470,819	296,473	32,147,575
1996	9,717,902	18,903,670	500,762	2,277,829	290,393	238,206	1,486,225	326,185	33,741,172
1997	8,111,942	19,621,508	606,506	2,218,798	449,502	200,490	1,320,505	556,645	33,085,896
1998	7,916,127	21,190,911	647,087	2,676,277	443,066	157,833	2,042,861	413,823	35,487,985
1999	8,226,078	21,642,340	628,986	3,146,467	449,491	126,630	2,083,865	330,595	36,634,452
2000	8,434,732	22,519,822	642,352	3,308,252	638,591	105,844	2,066,190	238,419	37,954,202
2001	9,004,754	24,186,452	602,246	3,496,928	655,642	193,139	2,406,923	339,594	40,885,678
2002	9,127,166	24,451,292	674,411	3,736,417	355,870	169,065	3,165,353	363,016	42,042,590
2003	9,285,584	24,459,665	710,908	3,787,811	227,213	274,940	2,998,836	379,523	42,124,480

NOTES:

(1) Includes the City's General Fund only.

TABLE 5

**CITY OF TYLER, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST FIFTEEN FISCAL YEARS
(UNAUDITED)**

FISCAL YEAR ENDED SEPTEMBER 30,	CURRENT COLLECTIONS			DELINQUENT COLLECTIONS	TOTAL COLLECTIONS	PERCENT TOTAL COLLECTIONS TO LEVY	ACCUMULATED DELINQUENT TAXES	
	CITY TAX LEVY (1)	AMOUNT	PERCENT				AMOUNT	PERCENT TO LEVY
1989	\$ 10,484,299	\$ 10,169,797	97.00%	\$ 304,809	\$ 10,474,606	99.91%	\$ 793,494	7.57%
1990	10,998,429	10,644,419	96.78%	171,439	10,815,858	98.34%	972,273	8.84%
1991	12,179,941	11,819,062	97.04%	205,596	12,024,658	98.73%	1,114,022	9.15%
1992	12,564,813	12,203,041	97.12%	325,797	12,528,838	99.71%	1,134,906	9.03%
1993	12,948,303	12,604,373	97.34%	275,050	12,879,423	99.47%	1,167,907	9.02%
1994	13,178,540	12,854,984	97.54%	263,350	13,118,334	99.54%	1,183,775	8.98%
1995	14,143,919	13,879,378	98.13%	264,541	14,143,919	100.00%	1,178,732	8.33%
1996	14,331,267	14,048,079	98.02%	202,795	14,250,874	99.44%	1,094,263	7.64%
1997	12,505,882	12,052,507	96.37%	257,772	12,310,279	98.44%	1,080,752	8.64%
1998	11,885,938	11,734,756	98.73%	181,853	11,916,609	100.26%	1,028,233	8.65%
1999	9,956,733	9,718,544	97.61%	132,234	9,850,778	98.94%	1,046,257	10.51%
2000	9,992,642	9,773,079	97.80%	202,241	9,975,320	99.83%	998,885	10.00%
2001	10,412,559	10,202,005	97.98%	214,315	10,416,320	100.04%	915,810	8.80%
2002	10,614,957	10,370,865	97.70%	184,284	10,555,149	99.44%	873,734	8.23%
2003	10,757,565	10,495,402	97.56%	201,070	10,696,472	99.43%	731,458	6.80%

NOTE:

- (1) City taxes become due October 1; delinquent after January 31. No discounts allowed. Penalty not to exceed 12%, plus interest of 1% per month plus a collection fee of 15% is charged on delinquent taxes.

TABLE 6

**CITY OF TYLER, TEXAS
 ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY
 LAST FIFTEEN FISCAL YEARS
 (UNAUDITED)**

FISCAL YEAR ENDED SEPTEMBER 30,	ASSESSED VALUE			TOTAL PROPERTY		RATIO OF ASSESSED VALUE TO ESTIMATED ACTUAL VALUE
	REAL PROPERTY	PERSONAL PROPERTY	MINERAL PROPERTY	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	
1989	\$ 1,956,481,976	\$ 542,159,320	\$ -	\$ 2,498,641,296	\$ 2,498,641,296	100%
1990	1,935,283,754	564,336,364	17,170	2,499,637,288	2,499,637,288	100%
1991	1,940,255,260	578,268,868	7,500	2,518,531,628	2,518,531,628	100%
1992	1,932,976,245	525,888,197	-	2,458,864,442	2,458,864,442	100%
1993	1,908,982,312	517,605,429	-	2,426,587,741	2,426,587,741	100%
1994	1,937,264,284	532,461,880	-	2,469,726,164	2,469,726,164	100%
1995	2,088,753,408	547,496,084	-	2,636,249,492	2,636,249,492	100%
1996	2,181,521,095	599,844,779	-	2,781,365,874	2,781,365,874	100%
1997	2,226,010,505	634,629,673	-	2,860,640,178	2,860,640,178	100%
1998	2,336,349,850	684,136,444	-	3,020,486,294	3,020,486,294	100%
1999	2,508,008,904	689,297,785	-	3,197,306,689	3,197,306,689	100%
2000	2,663,151,956	716,222,434	-	3,379,374,390	3,379,374,390	100%
2001	2,943,394,224	777,656,574	-	3,721,050,798	3,721,050,798	100%
2002	3,286,256,501	765,795,045	-	4,052,051,546	4,052,051,546	100%
2003	3,385,651,770	841,654,638	-	4,227,306,408	4,227,306,408	100%

TABLE 7

**CITY OF TYLER, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST FIFTEEN FISCAL YEARS
(RATES PER HUNDRED DOLLARS)
(UNAUDITED)**

<u>FISCAL YEAR ENDED SEPTEMBER 30,</u>	<u>CITY OF TYLER (1)</u>	<u>TYLER INDEPENDENT SCHOOL DISTRICT</u>	<u>TYLER JUNIOR COLLEGE</u>	<u>SMITH COUNTY</u>	<u>CHAPEL HILL INDEPENDENT SCHOOL DISTRICT</u>	<u>WHITEHOUSE INDEPENDENT SCHOOL DISTRICT</u>
1989	0.3948	0.6900	0.1046	0.2190	0.9550	0.8600
1990	0.4196	0.7600	0.1046	0.1640	0.9550	0.8600
1991	0.4400	0.8677	0.1046	0.1849	0.9550	0.8825
1992	0.4833	0.9600	0.1045	0.1906	0.9550	0.9650
1993	0.5110	0.3999	0.1100	0.1951	0.4200	0.4500
1994	0.5336	1.3050	0.1223	0.2147	1.3050	1.3600
1995	0.5336	1.2900	0.1223	0.2397	1.2800	1.3400
1996	0.51526	1.30300	0.1223	0.23696	1.33459	1.3400
1997	0.43717	1.31609	0.1223	0.23631	1.35650	1.3700
1998	0.39364	1.31609	0.1223	0.23110	1.45370	1.3700
1999	0.31141	1.33609	0.1223	0.23110	1.49370	1.5100
2000	0.29537	1.36000	0.1223	0.22947	1.55000	1.4840
2001	0.27981	1.36000	0.1223	0.25447	1.59000	1.4890
2002	0.26196	1.41500	0.1223	0.25447	1.59000	1.4840
2003	0.25448	1.47000	0.1223	0.25447	1.59000	1.5230

NOTES:

(1) The City tax rate is limited by charter to \$1.75 for all purposes.

TABLE 8

**CITY OF TYLER, TEXAS
PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2003
(UNAUDITED)**

<u>NAME OF TAXPAYER</u>	<u>NATURE OF PROPERTY OR PRODUCT</u>	<u>FYE SEPTEMBER 30, 2003 ASSESSED VALUATION</u>	<u>% OF TOTAL ASSESSED VALUATION</u>
Brookshire Grocery Company	Supermarkets; distribution facilities	\$ 86,647,429	2.09%
American Standard, Inc. - Trane Division	Manufacturing of heating and cooling units	73,103,389	1.72%
Southwestern Bell Telephone	Telephone Utility	68,572,038	1.62%
Texas Utilities Electric Company	Electric Utility	45,188,650	1.06%
Wal-Mart Stores/Sam's	Retail Sales	44,266,043	1.04%
Simon Property Group	Commercial Property	42,525,683	1.00%
Carrier Corporation	Manufacturing of heating and cooling units	41,337,720	0.97%
Crown/La Gloria Oil & Gas Company	Oil and Gas Refinery	34,990,235	0.82%
Genecov Group	Commercial Property	29,658,296	0.70%
Hood Packaging	Commercial Property	16,136,338	0.38%
TOTALS		<u>\$ 482,425,821</u>	<u>11.40%</u>

TABLE 9

CITY OF TYLER, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2003
(UNAUDITED)

Assessed Value

(Assessed as of January 1, 2002, Effective October 1, 2002
for fiscal year ended September 30, 2003)

Real property		\$ 3,385,651,770
Personal property		841,654,638
Mineral property		-
		<hr/>
TOTAL		<u>\$ 4,227,306,408</u>
<u>Debt Limit</u> - The charter of the City of Tyler limits the bonded debt to ten percent of assessed value		\$ 422,730,641
<u>Amount of Debt Applicable to Debt Limit:</u>		
General obligation bonded debt	\$ 7,180,000	
Less: Debt Service Fund Balance	<u>2,462,596</u>	
		<hr/>
Net Bonded Debt		4,717,404
		<hr/>
LEGAL DEBT MARGIN		<u>\$ 418,013,237</u>

TABLE 10

CITY OF TYLER, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST FIFTEEN FISCAL YEARS
(UNAUDITED)

<u>FISCAL YEAR ENDED SEPTEMBER 30,</u>	<u>ESTIMATED POPULATION (1)</u>	<u>ASSESSED VALUE</u>	<u>GENERAL BONDED DEBT (2)</u>	<u>LESS SINKING FUNDS</u>	<u>NET BONDED DEBT</u>	<u>PERCENT NET BONDED DEBT TO ASSESSED VALUE</u>	<u>NET BONDED DEBT PER CAPITA</u>
1989	\$ 84,440	\$ 2,498,641,296	\$ 30,210,973	\$ 5,487,003	\$ 24,723,970	0.99%	293
1990	76,440	2,499,637,288	32,547,646	5,398,921	27,148,725	1.09%	355
1991	74,450	2,520,159,379	35,496,200	5,236,307	30,259,893	1.20%	406
1992	76,506	2,458,864,442	37,259,349	5,256,057	32,003,292	1.30%	418
1993	77,034	2,426,587,741	30,975,037	5,072,532	25,902,505	1.07%	336
1994	77,562	2,469,726,164	31,240,037	4,621,508	26,618,529	1.08%	343
1995	78,090	2,636,249,492	26,260,037	5,225,435	21,034,602	0.80%	269
1996	78,618	2,781,365,874	21,510,037	5,967,582	15,542,455	0.56%	198
1997	81,303	2,860,640,178	21,483,601	6,167,509	15,316,092	0.54%	188
1998	81,303	3,020,486,294	17,311,228	6,334,859	10,976,369	0.36%	135
1999	82,908	3,197,306,689	16,086,702	6,402,553	9,684,149	0.30%	117
2000	83,650	3,379,374,390	14,825,000	6,519,457	8,305,543	0.25%	99
2001	84,400	3,721,050,798	12,285,000	5,187,778	7,097,222	0.19%	84
2002	85,603	4,052,051,546	11,195,000	5,297,472	5,897,528	0.15%	69
2003	86,371	4,227,306,408	7,180,000	2,462,596	4,717,404	0.11%	55

NOTES:

- (1) Information obtained from Tyler Area Chamber of Commerce, except for year 1990 and 2000, which was obtained from U.S. Census
(2) Includes all long-term general obligation bonds

* Information obtained from Smith County Tax Office

TABLE 11

CITY OF TYLER, TEXAS
RATIO OF ANNUAL DEBT SERVICE
EXPENDITURES FOR GENERAL BONDED DEBT TO
TOTAL GENERAL EXPENDITURES
LAST FIFTEEN FISCAL YEARS
(IN THOUSANDS)
(UNAUDITED)

<u>FISCAL YEAR ENDED SEPTEMBER 30,</u>	<u>TOTAL DEBT SERVICE</u>	<u>TOTAL GENERAL EXPENDITURES (1)</u>	<u>RATIO OF DEBT SERVICE TO TOTAL GENERAL EXPENDITURES</u>
1989	\$ 4,830	\$ 22,844	21.14%
1990	4,835	24,791	19.50%
1991	5,445	25,904	21.02%
1992	5,966	26,643	22.39%
1993	5,979	27,327	21.88%
1994	6,574	31,048	21.17%
1995	6,488	32,417	20.01%
1996	6,049	33,257	18.19%
1997	6,182	32,238	19.18%
1998	5,994	34,731	17.26%
1999	2,139	36,501	5.86%
2000	2,083	36,564	5.70%
2001	3,234	39,615	8.16%
2002	1,665	42,606	3.91%
2003	4,538	43,584	10.41%

NOTES:

(1) Includes the City's General Fund only.

TABLE 12

CITY OF TYLER, TEXAS
DIRECT AND OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2003
(UNAUDITED)

<u>TAXING JURISDICTION</u>	<u>TOTAL BOND DEBT (1)</u>	<u>PERCENTAGE OF DEBT APPLICABLE TO CITY OF TYLER (2)</u>	<u>AMOUNT APPLICABLE TO CITY OF TYLER</u>
Direct:			
City of Tyler	\$ 7,180,000 (3)	100.00%	\$ 7,180,000
Overlapping:			
Tyler Independent School District	29,495,000	71.04%	20,953,248
Smith County	20,193,230	52.18%	10,536,827
Tyler Junior College	18,690,000	65.00%	12,148,500
Chapel Hill Independent School District	11,001,887	19.15%	2,106,861
Whitehouse Independent School District	<u>27,894,998</u>	27.37%	<u>7,634,861</u>
 Total Overlapping Bond Debt	 <u>\$ 107,275,115</u>		 <u>\$ 53,380,297</u>
 Total Direct and Overlapping	 <u>\$ 114,455,115</u>		 <u>\$ 60,560,297</u>
 Ratio overlapping bond debt to assessed valuation			 <u>1.26%</u>
 Per Capita Overlapping Bond Debt			 <u>618</u>

NOTES:

- (1) Information from each respective taxing jurisdiction
- (2) Percentages are estimated
- (3) General Obligation Bonded Debt

TABLE 13

**CITY OF TYLER, TEXAS
WATER AND SEWER REVENUE BOND COVERAGE
LAST FIFTEEN FISCAL YEARS
(IN THOUSANDS)
(UNAUDITED)**

FISCAL YEAR ENDED SEPTEMBER 30,	GROSS REVENUE (1)	DIRECT OPERATING EXPENSES (2)	WATER PURCHASED (3)	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS (4)	COVERAGE
1989	\$ 13,789	\$ 5,733	\$ 496	\$ 7,560	\$ 2,340	3.23
1990	13,980	6,074	496	7,410	2,190	3.38
1991	13,376	6,890	496	5,990	2,189	2.74
1992	14,007	7,171	496	6,340	2,183	2.90
1993	14,768	7,421	496	6,851	2,184	3.14
1994	15,088	8,189	496	6,403	2,192	2.92
1995	15,799	8,762	496	6,541	2,191	2.99
1996	16,822	8,805	496	7,521	2,182	3.45
1997	16,323	9,884	496	5,943	2,202	2.70
1998	18,609	10,443	496	7,670	2,209	3.47
1999	17,092	10,392	496	6,204	2,186	2.84
2000	20,229	10,968	496	8,765	1,749	5.01
2001	20,061	11,648	248	8,165	3,207	2.55
2002	19,658	12,469	-	7,189	3,586	2.00
2003	20,881	13,192	-	7,689	4,213	1.83

NOTES:

- (1) Includes total operating revenues, interest income and royalty income of the City's Water and Sewer Fund only.
- (2) Includes all direct operating expenses, except depreciation, of the City's Water and Sewer Fund only. Operating transfers out are not considered direct operating expenses and therefore are not included in this total.
- (3) Payments made to the Upper Neches River Municipal Water Authority, pursuant to a 1965 water supply contract.
- (4) Includes principal and interest.

TABLE 14

**CITY OF TYLER, TEXAS
DEMOGRAPHIC STATISTICS
LAST FIFTEEN FISCAL YEARS
(UNAUDITED)**

FISCAL YEAR ENDED SEPTEMBER 30,	TYLER POPULATION (1)	SMSA MEDIAN AGE (2)	SCHOOL ENROLLMENT (3)	TYLER PUBLIC SMSA UNEMPLOYMENT RATE (4)
1989	84,440	33.2	16,127	6.9%
1990	76,440	32.9	16,205	6.5%
1991	74,450	33.2	16,642	6.4%
1992	76,506	33.6	16,648	8.0%
1993	77,034	33.8	16,731	6.6%
1994	77,562	34.2	16,773	5.0%
1995	78,090	34.5	16,771	5.7%
1996	78,618	34.9	16,201	6.7%
1997	81,303	34.8	16,714	6.8%
1998	81,303	34.8	16,672	4.9%
1999	82,908	34.6	16,587	3.9%
2000	83,650	34.6	16,630	4.2%
2001	84,400	34.1	16,778	4.3%
2002	85,603	34.2	16,626	4.9%
2003	86,371	34.2	16,702	5.0%

SOURCES:

- (1) Tyler Area Chamber of Commerce except for year 1990 and 2000 which was obtained from U.S. Census Bureau.
- (2) Sales and Marketing Management's Annual Survey of Buying Power
- (3) Tyler Independent School District Records
- (4) Texas Employment Commission

TABLE 15

CITY OF TYLER, TEXAS
PROPERTY VALUE AND CONSTRUCTION
LAST FIFTEEN YEARS
(IN THOUSANDS)
(UNAUDITED)

<u>FISCAL YEAR ENDED SEPTEMBER 30,</u>	<u>PROPERTY VALUE *</u>	<u>CONSTRUCTION PERMITS (1)</u>
1989	\$ 2,498,641	52,615
1990	2,499,637	34,028
1991	2,520,159	64,630
1992	2,458,864	85,271
1993	2,426,588	119,275
1994	2,469,726	101,077
1995	2,636,249	82,060
1996	2,781,366	97,083
1997	2,860,640	94,987
1998	3,020,486	106,268
1999	3,197,307	101,676
2000	3,379,374	218,081
2001	3,721,050	229,554
2002	4,052,052	244,974
2003	4,227,306	230,875

SOURCE:

(1) City Inspection Department

* Estimated Actual Value in thousands

CITY OF TYLER, TEXAS
MISCELLANEOUS STATISTICAL DATA
SEPTEMBER 30, 2003
(UNAUDITED)

Date founded:	April 11, 1846
Date of Incorporation:	January 29, 1850
City Charter adopted:	February 9, 1937
Square miles in corporate limits	52.746
Form of government:	Council-Manager

Tyler is the county seat of Smith County.

Chief Industries in and around Tyler

Growing and shipping rose bushes, oil production and refining, canning, railroad headquarters, manufacturing cast iron fittings and soil pipe and air conditioning units, prefabricated homes, tires, plastics, fertilizers, brick, tile and fishing lures.

Miles of Streets and Sidewalks

Paved streets	678
---------------	-----

Building Permits - Fiscal Year

Number issued	1,198
Estimated cost	\$ 230,174

Fire Protection

Number of stations	9
Number of employees - civil service	131
Number of employees - non-civil service	5
Number of part-time employees - non-civil service	0

Police Protection

Number of stations	3
Number of employees - civil service	175
Number of employees - non-civil service	63
Number of part-time employees - non-civil service	2

CITY OF TYLER, TEXAS
MISCELLANEOUS STATISTICAL DATA
SEPTEMBER 30, 2003
(UNAUDITED)

Parks and Recreation

City parks - acres	1,113.43
Recreation centers	3
Number of playgrounds	17
Number of swimming pools	2
Rose Garden - acres (included in parks above)	22
Lighted tennis courts	12
Unlighted tennis courts	8
Multi-use courts	10

The water department operated ten park areas at three City-owned lakes. The lakes and surrounding areas consist of approximately 10,000 acres.

Water and Sewer

Number of water customers	31,576	
Number of sewer customers	29,379	
Number of garbage customers	29,675	
Average daily water consumption	17,789,985	*
Highest daily water consumption	37,040,000	*
Plant capacity and wells	60,350,000	*
Storage capacity - overhead	8,500,000	gallons
Miles - water mains	588	
Miles - sewer mains	517	
Valves	6,874	
Number of fire hydrants	2,444	
Water supply	3 Lakes and 12 Water Wells	

* Gallons per day

Number of Employees

Civil service	306
Non-civil service	475
Total employees	<u>781</u>

SINGLE AUDIT SECTION

CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTORS NUMBER	ACCRUED OR (DEFERRED) REVENUE AT 10-1-02	RECEIPTS	MATCHING FUNDS/ OTHER REVENUES	FEDERAL EXPENDITURES	MATCHING FUNDS/ OTHER EXPENDITURES	TOTAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9-30-03
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>									
Direct Programs:									
Community Development Block Grant Program, Entitlement Grants:									
Program Year:									
9-30-02	14.218	B01MC480028	\$ 313,735	\$ (316,567)	\$ -	\$ 2,832	\$ -	\$ 2,832	\$ -
9-30-03	14.218	B02MC480028	-	(925,118)	-	1,034,054	-	1,034,054	108,936
Total Community Development Block Grant Program			313,735	(1,241,685)	-	1,036,886	-	1,036,886	108,936
Section 8 Rental Voucher Program									
Program Year:									
9-30-00	14.871	TX456CE	(7,577)	-	-	7,577	-	7,577	-
9-30-01	14.871	TX456VO	(407,287)	-	-	407,287	-	407,287	-
9-30-02	14.871	TX456VO	-	(4,547,456)	(85,299)	4,547,456	85,299	4,632,755	-
Total Section 8 Voucher Program			(414,864)	(4,547,456)	(85,299)	4,962,320	85,299	5,047,619	-
Home Investment Partnerships Program									
Program Year:									
9-30-01	14.239	-	30,323	(30,323)	-	-	-	-	-
9-30-02	14.239	-	13,303	(77,972)	-	66,413	-	66,413	1,744
9-30-03	14.239	-	-	(91,441)	-	99,897	-	99,897	8,456
Total Home Investment Partnerships Program			43,626	(199,736)	-	166,310	-	166,310	10,200
Total U.S. Department of Housing and Urban Development			(57,503)	(5,988,877)	(85,299)	6,165,516	85,299	6,250,815	119,136
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>									
Direct Programs:									
Airport Improvement Program	20.106	-	1,000,000	(1,005,836)	-	5,836	-	5,836	-
Airport Improvement Program	20.106	-	10,955	(101,731)	-	90,776	-	90,776	-
Airport Improvement Program	20.106	-	-	(29,515)	-	29,515	-	29,515	-
Airport Improvement Program	20.106	-	-	(46,786)	(9,645)	86,808	9,645	96,453	40,022
Total Airport Improvement Program			1,010,955	(1,183,868)	(9,645)	212,935	9,645	222,580	40,022
Passed Through Federal Transit Administration:									
Federal Transit Capital and Operating Assistance Formula	20.507	-	225,878	(698,888)	(448,933)	592,001	448,933	1,040,934	118,991
Total Urban Mass Transportation - Capital and Operating Assistance Grants			225,878	(698,888)	(448,933)	592,001	448,933	1,040,934	118,991
Passed Through Transportation Security Administration									
Transportation Security Grant	20.000	-	8,618	(22,144)	-	38,906	-	38,906	25,380
Total Transportation Security Administration			8,618	(22,144)	-	38,906	-	38,906	25,380

CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTORS NUMBER	ACCRUED OR (DEFERRED) REVENUE AT 10-1-02	RECEIPTS	MATCHING FUNDS/ OTHER REVENUES	FEDERAL EXPENDITURES	MATCHING FUNDS/ OTHER EXPENDITURES	TOTAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9-30-03
Passed Through Texas Department of Highways and Public Transportation:									
Highway Research, Planning and Construction Grants:									
Section 104F Grant									
Program Year:									
2002 - PL Funds	20.205	-	34,656	(34,656)	-	-	-	-	-
2003 - PL Funds	20.205	-	-	(113,767)	-	146,517	-	146,517	32,750
Total Highway Research Planning and Construction Grants			34,656	(148,423)	-	146,517	-	146,517	32,750
Passed Through Texas Department of Highways and Public Transportation:									
Safe and Sober Selective Traffic Enforcement Program	20.600	582XXF6094	17,606	(17,606)	-	-	-	-	-
Safe and Sober Selective Traffic Enforcement Program	20.600	582XXF6007	25,605	(25,605)	-	-	-	-	-
Safe and Sober Selective Traffic Enforcement Program	20.600	583XXF6068	-	(30,390)	-	49,941	-	49,941	19,551
Safe and Sober Selective Traffic Enforcement Program	20.600	583XXF6132	-	(15,610)	-	15,888	-	15,888	278
Total Safe and Sober			43,211	(89,211)	-	65,829	-	65,829	19,829
Capital Investment Grant	20.500	51210F6016	-	-	-	64,000	-	64,000	64,000
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	51210F3018	-	-	-	75,936	-	75,936	75,936
Recreational Trails Program (Tyler Pedestrian & Bike Trail)	20.219	-	1,311	(1,311)	(6,229)	24,918	6,229	31,147	24,918
Total U.S. Department of Transportation			1,324,629	(2,143,845)	(464,807)	1,221,042	464,807	1,685,849	401,826
<u>U.S. DEPARTMENT OF THE INTERIOR</u>									
Passed Through Texas Historical Commission:									
Historic Preservation Fund Grants In Aid	15.904	48-02-17574-026	10,772	(10,772)	-	-	-	-	-
Historic Preservation Fund Grants In Aid	15.904	-	-	-	-	9,786	-	9,786	9,786
Total U. S. Department of the Interior			10,772	(10,772)	-	9,786	-	9,786	9,786
<u>U.S. DEPARTMENT OF JUSTICE</u>									
Direct Programs:									
D.E.A./Tyler Multi-Agency Task Force (Byrne Formula Grant)									
9-30-02	16.579	-	8,424	(8,424)	-	-	-	-	-
9-30-03	16.579	-	-	(18,623)	-	37,075	-	37,075	18,452
Total Byrne Formula Grant			8,424	(27,047)	-	37,075	-	37,075	18,452
Local Law Enforcement Block Grants:									
Local Law Enforcement Block Grant	16.592	-	(11)	-	-	11	-	11	-
Local Law Enforcement Block Grant	16.592	2001-LB-BX-2750	(19,433)	-	(66)	19,433	66	19,499	-
Local Law Enforcement Block Grant	16.592	2002-LB-BX-2875	(94,381)	-	(1,152)	-	-	-	(95,533)
Total Local Law Enforcement Block Grants			(113,825)	-	(1,218)	19,444	66	19,510	(95,533)
Bulletproof Vest Partnership Program	16.607	-	-	(11,412)	-	11,412	-	11,412	-
Total Bulletproof Vest Partnership Program			-	(11,412)	-	11,412	-	11,412	-

CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTORS NUMBER	ACCRUED OR (DEFERRED) REVENUE AT 10-1-02	RECEIPTS	MATCHING FUNDS/ OTHER REVENUES	FEDERAL EXPENDITURES	MATCHING FUNDS/ OTHER EXPENDITURES	TOTAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9-30-03
Discretionary Drug and Criminal Justice Assistance Program	16.580	-	231	(12,951)	-	12,720	-	12,720	-
Total Discretionary Drug and Criminal Justice Assistance Program			231	(12,951)	-	12,720	-	12,720	-
Total U.S. Department of Justice			(105,170)	(51,410)	(1,218)	80,651	66	80,717	(77,081)
<u>FEDERAL EMERGENCY MANAGEMENT ASSISTANCE</u>									
Direct Program:									
Assistance to Firefighters Grant Program	85.554	EMW-2002-FG-18086	-	(28,945)	(34,413)	80,296	34,413	114,709	51,351
Total Federal Emergency Management Assistance			-	(28,945)	(34,413)	80,296	34,413	114,709	51,351
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
Passed Through Texas Department of Human Services:									
Summer Food Service Program									
Program Year:									
9-30-03	10.559	-	-	(86,884)	-	86,884	-	86,884	-
Total U.S. Department of Agriculture			-	(86,884)	-	86,884	-	86,884	-
TOTAL FEDERAL ASSISTANCE			\$ 1,172,728	\$ (8,310,733)	\$ (585,737)	\$ 7,644,175	\$ 584,585	\$ 8,228,760	\$ 505,018

CITY OF TYLER, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

NOTE A – BASIS OF PRESENTATION

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

**CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

STATE GRANTOR	STATE NUMBER	ACCRUED OR (DEFERRED) REVENUE AT 10-1-02	RECEIPTS	MATCHING FUNDS/ OTHER REVENUE	STATE EXPENDITURES	MATCHING FUNDS/ OTHER EXPENDITURES	TOTAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9-30-03
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>								
Public Transportation Grant	51310F1025	\$ 149,608	\$ (149,608)	\$ -	\$ -	\$ -	\$ -	\$ -
Public Transportation Grant	51410F7065	-	(319,967)	-	385,328	-	385,328	65,361
Total Texas Department of Transportation		149,608	(469,575)	-	385,328	-	385,328	65,361
<u>TEXAS CRIMINAL JUSTICE DIVISION</u>								
East Texas Auto Theft Task Force	-	5,225	(62,750)	(17,381)	63,029	17,381	80,410	5,504
Total Texas Criminal Justice Division		5,225	(62,750)	(17,381)	63,029	17,381	80,410	5,504
<u>TEXAS STATE LIBRARY AND ARCHIVES COMMISSION</u>								
Lone Star Library Grant	442-02474	-	(6,066)	-	6,066	-	6,066	-
Total Texas State Library and Archives Commission		-	(6,066)	-	6,066	-	6,066	-
<u>TELECOMMUNICATIONS INFRASTRUCTURE FUND BOARD</u>								
Library Grant	QE-2001-LTA5S-5190	78,470	(78,722)	-	252	-	252	-
Connect Tyler	QE-2000-CN1C-3963	107,135	(155,765)	-	48,630	-	48,630	-
Total Telecommunications Infrastructure Fund Board		185,605	(234,487)	-	48,882	-	48,882	-
<u>TEXAS PARKS AND WILDLIFE DEPARTMENT</u>								
Texas Recreation and Parks Account Agreement	50-00283	-	-	(14,637)	14,636	14,637	29,273	14,636
Total Texas Parks and Wildlife Department		-	-	(14,637)	14,636	14,637	29,273	14,636
TOTAL STATE ASSISTANCE		\$ 340,438	\$ (772,878)	\$ (32,018)	\$ 517,941	\$ 32,018	\$ 549,959	\$ 85,501

CITY OF TYLER, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

NOTE – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state awards includes the state grant activity of the City of Tyler, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the State of Texas Uniform Grant Management Standards Chapter IV “Texas State Single Audit Circular”. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**CITY OF TYLER, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2003**

DEPARTMENT OF TRANSPORTATION

FINDING 2002-01: Federal Transit Formula Grant

Condition: The City purchased two paratransit vehicles during the year. The City did not comply with Disadvantaged Business Enterprises (DBE) participation provisions as found in the A-133 procurement requirements for this program.

Recommendation: It was recommended the City exercise due care to ensure all appropriate certifications are obtained for future vehicle procurements.

Current Status: Appropriate certifications were obtained for vehicle purchases occurring in fiscal year 2003. No further action is necessary.

FINDING 2002-02: Federal Transit Formula Grant

Condition: Financial status reports, which are required to be prepared and submitted to the FTA quarterly, were not completed.

Recommendation: It was recommended the City complete the reports required by the FTA.

Current Status: For fiscal year 2003, all financial status reports required to be submitted by the FTA were submitted. No further comment is necessary.

**Gollob,
Morgan,
Peddy & Co., P. C.**

Certified Public Accountants

MICHAEL D. GOLLOB, CPA
TONY K. MORGAN, CPA
ROBERT W. PEDDY, CPA
BARBARA R. BASS, CPA
TOMMY J. CHAMBERS, CPA
LISA G. ROBINSON, CPA
SHARON C. FORSYTH, CPA
JOE WYLIE, CPA

HARVEY W. JACKSON, CPA
KEVIN R. CASHION, CPA
JOHN W. WILLIAMS, CPA
BRENDA G. WATSON, CPA
DIANNE C. JOHNSTON, CPA
JEANNE C. LEWIS, CPA
KRISTEN L. GUSA, CPA
PATRICIA L. KINNAIRD, CPA
JENNY D. CLARK, CPA
CYNTHIA R. HALE, CPA
MICHAEL W. STEVENS, CPA
ROBERT SHANE ROHRBACH, CPA
JAIME N. KIRKLAND, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
AND PRIVATE COMPANIES
PRACTICE SECTION

OFC: (903) 534-0088
FAX: (903) 581-3915

3620 OLD BULLARD ROAD, SUITE 100
TYLER, TEXAS 75701

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

To the City Council
City of Tyler, Texas

We have audited the financial statements of City of Tyler, Texas, as of and for the year ended September 30, 2003, and have issued our report thereon dated January 13, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether City of Tyler, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City of Tyler, Texas in a separate letter dated January 13, 2004.

Internal Control Over Financial Reporting

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

reporting, which we have reported to management of City of Tyler, Texas in a separate letter dated January 13, 2004.

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

Certified Public Accountants

Tyler, Texas
January 13, 2004

**Gollob,
Morgan,
Peddy & Co., P. C.**

Certified Public Accountants

MICHAEL D. GOLLOB, CPA
TONY K. MORGAN, CPA
ROBERT W. PEDDY, CPA
BARBARA R. BASS, CPA
TOMMY J. CHAMBERS, CPA
LISA G. ROBINSON, CPA
SHARON C. FORSYTH, CPA
JOE WYLIE, CPA

HARVEY W. JACKSON, CPA
KEVIN R. CASHION, CPA
JOHN W. WILLIAMS, CPA
BRENDA G. WATSON, CPA
DIANNE C. JOHNSTON, CPA
JEANNE C. LEWIS, CPA
KRISTEN L. GUSA, CPA
PATRICIA L. KINNAIRD, CPA
JENNY D. CLARK, CPA
CYNTHIA R. HALE, CPA
MICHAEL W. STEVENS, CPA
ROBERT SHANE ROHRBACH, CPA
JAIME N. KIRKLAND, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
AND PRIVATE COMPANIES
PRACTICE SECTION

OFC: (903) 534-0088
FAX: (903) 581-3915

3620 OLD BULLARD ROAD, SUITE 100
TYLER, TEXAS 75701

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

To the City Council
City of Tyler, Texas

Compliance

We have audited the compliance of City of Tyler, Texas 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 each of its major federal programs for the year ended September 30, 2003. The City of Tyler, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Tyler, Texas' management. Our responsibility is to express an opinion on the City of Tyler, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Tyler, Texas' 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 of Tyler, Texas' compliance with those requirements.

In our opinion, City of Tyler, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of the City of Tyler, Texas 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 of Tyler, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Certified Public Accountants

Tyler, Texas
January 13, 2004

**CITY OF TYLER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *Unqualified*
 Internal control over financial reporting:
 • Material weakness(es) identified? _____Yes X No
 • Reportable condition(s) identified that are not considered to be material weaknesses? _____Yes X None reported
 Noncompliance material to financial statements noted? _____Yes X No

Federal Awards

Internal Control over major programs:
 • Material weakness(es) identified? _____Yes X No
 • Reportable condition(s) identified that are not considered to be material weaknesses? _____Yes X None reported

Type of auditor’s report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant Program, Entitlement Grants
14.871	Section 8 Rental Voucher Program
20.507	Federal Transit Cluster - Federal Transit Formula Grant
20.500	Federal Transit Cluster - Capital Investment Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ _____ 300,000

Auditee qualified as low-risk auditee? _____Yes X No

Section II – Financial Statement Findings

No matters requiring reporting under *Government Auditing Standards* were noted.

Section III – Federal Award Findings and Questioned Costs

None.