

CITY OF TYLER

2004-2005

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

TYLER, TEXAS

FOR FISCAL YEAR ENDED

SEPTEMBER 30, 2005

CITY OF TYLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2005

MAYOR – JOEY SEEBER

Members of City Council:

Joyce Scurry
Nathaniel Moran
Chris Simons
Steve Smith
Derrick Choice
Charles Alworth

City Manager – Bob Turner

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

CITY OF TYLER, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

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INTRODUCTORY SECTION



February 22, 2006

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

The City of Tyler, Texas' (City) *Charter* requires an audit of the City's financial activities to be conducted at the end of each fiscal year by an independent certified public accountant. Upon completion of the audit the results shall be reported in writing to Council as soon as reasonably possible. This report is published to fulfill that requirement for the fiscal year ended September 30, 2005.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control. In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal 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 that are free of any material misstatements. 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 controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. To further ensure the validity of internal controls, the City has budgeted for and hired an Internal Auditor in Fiscal Year 2004-2005.

Prothro, Wilhelmi & Company PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Tyler's financial statements for the year ended September 30, 2005. 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 independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal, and therefore should be read in conjunction with it.

Profile of the Government

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 9.2% increase from the 1990 census population of 76,440. Currently, the City's population is estimated to be 102,001. The City is commonly referred to as the Rose Capital of America.

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 including appointing the various department heads. Council members serve two-year terms, with three members elected every other year. The mayor also serves for a two-year term. The mayor is elected at large; the remaining Council members are elected by district.

The City provides to its citizens those services that have proven to be necessary and meaningful and to which the City can provide at the lowest cost. Major services provided under general government and enterprise functions are: police and fire protection, water and sewer services, sanitation services, parks 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. 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 Governmental Accounting Standards Board (GASB). Based on these criteria no other governmental organizations are included in this report.

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 no later than the close of the prior fiscal year. Budgetary control has been established at the individual fund level. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total revenues or expenditures of any fund must be approved by the City Council. Although the budget is adopted at a fund level, continued line item review and forecasting is done on a monthly and quarterly basis throughout the fiscal year to ensure compliance with the budget and completion of projects.

Local Economy

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. The chief industries in and around Tyler include: health care and research; education; grocery distribution; air conditioning unit manufacturing; passenger tire fabrication; engineering services; cast iron pipes and fitting manufacturing; government services; retail distribution; cable & internet services; banking services; meat packing and processing; sporting good manufacturing; oil and gas refining; ready mix concrete production; and growing and shipping rose bushes. This diversification is evident in the fact that no single taxpayer represents more than 2.5% of assessed valuation in the City.

Four institutions of higher education are located here. They are The University of Texas at Tyler, The University of Texas Health Science Center, Texas College, and Tyler Junior College. Tyler is also the medical center of East Texas with seven hospitals and specialty hospitals with a total of 1,119 beds. Including nursing homes and retirement centers, there are more than 2,000 beds available in health care facilities. There are more than 825 medical doctors and 99 dentists. Additionally, Tyler has many tourist attractions. The Tyler Rose Festival attracts some 150,000 visitors annually. The azalea trails in the spring attracts additional tourism. Tyler State Park is located just north of Tyler and provides nature trails and camping in a scenic setting. Lake Tyler and Lake Tyler East, located twelve miles southeast of the City, are popular recreational and fishing sites. A location on Lake Tyler was chosen for the 2005 HGTV "Dream Home" site. The City actively works with the Tyler Economic Development Corporation and local industries to encourage expansions and relocations 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, as well as historic preservation.

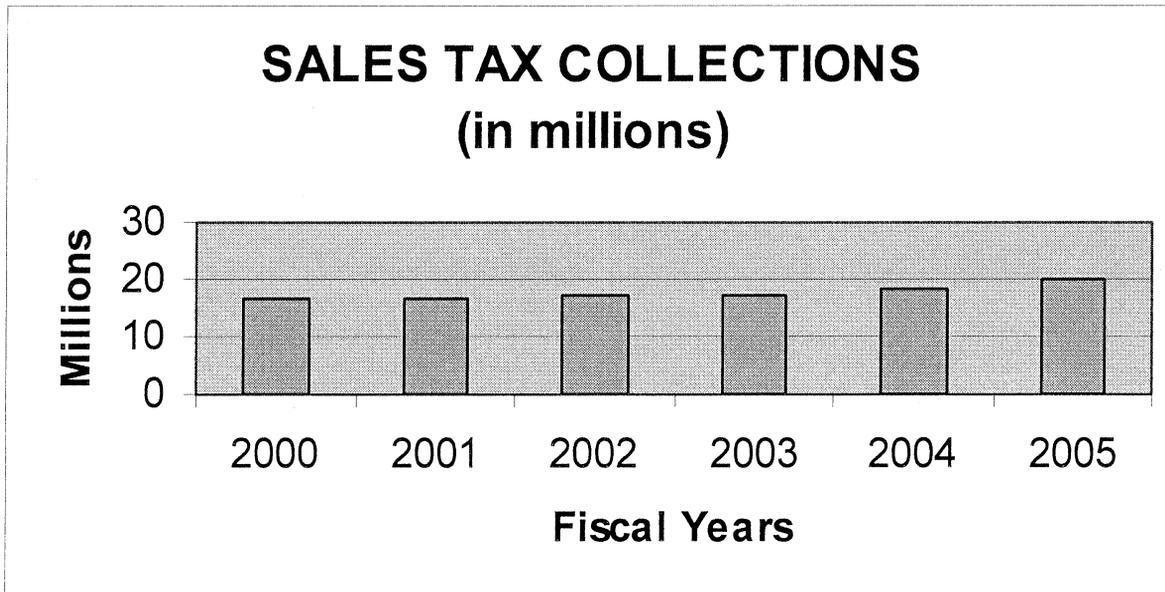
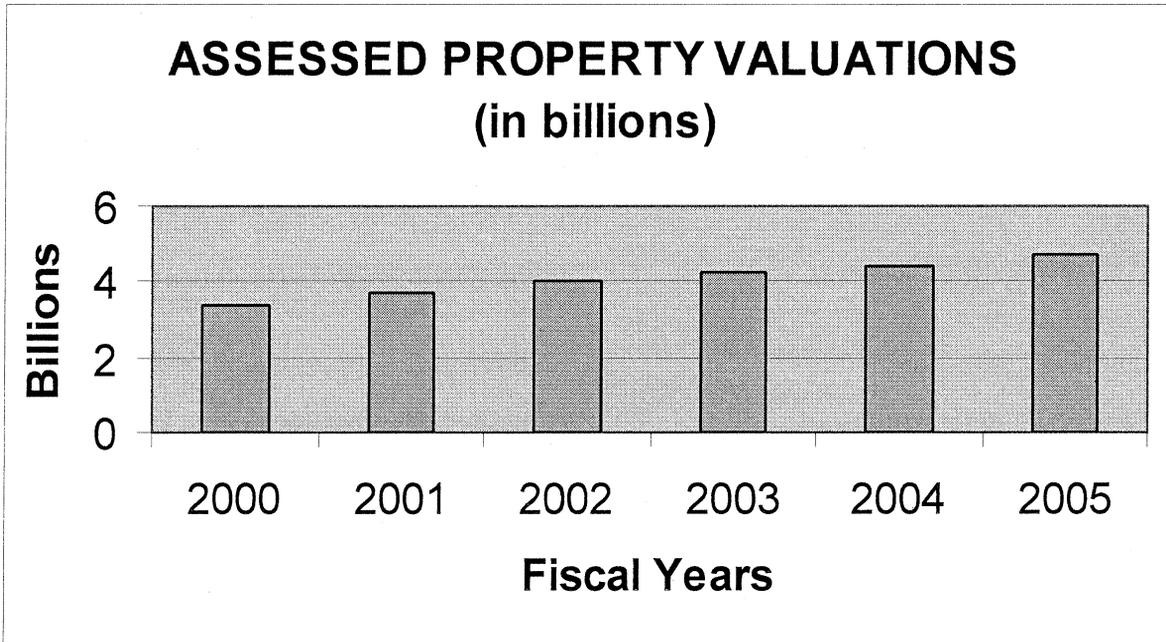
Because of its location in a region with a varied economic base, unemployment is relatively stable, and in the last five years remained consistently below the state average. During the past ten years, the unemployment rate has ranged from a low of 4.6 percent (2000) to a decade high of 7.5 percent (1996), only to end at the stable current rate of 5.1 percent. The total workforce for the City of Tyler has increased from 42,620 in 1995 to 49,552 in 2004. Unemployment is expected to remain stable in the near term for several reasons. First, the population growth in the last five years was more than double that of the last decade. The population grew 10 percent from 1990 to the year 2000. From the year 2000 to the current year 2005, the growth has been an astounding 22 percent. Second, state officials estimate that as many as 270,000 people come to Tyler each day to work, attend school, seek medical services, or shop. Third, the construction of Phase I of Loop 49 that, when completed, will connect to I-20 both east and west of Tyler and surround the City's southern regions. The loop will allow for increased traffic from I-20 into the City of Tyler for shopping and economic development purposes. Along with the Loop 49 project, the Northeast Texas Regional Mobility Authority was authorized in 2004 to construct, operate and maintain turnpike projects in

the state which includes the Tyler area. Finally, the East Texas Council of Governments has qualified Tyler as the first Certified Retirement City in Texas. Tyler meets high standards for retiree living such as low crime rate, affordable housing, quality health care, abundant recreation and cultural opportunities.

The office space occupancy rate for the City of Tyler was 90 percent in 2004, up from 84 percent in 1995. The office lease space is comprised of three classes for total square footage of 1,980,000. Tyler placed 11th on the Milken Institute's "Best Performing Cities" list of 118 small metropolitan areas in 2004.

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

Economic Signs:



Long-term financial planning

Within the policy guidelines set by the Council for budgetary and planning purposes, the City of Tyler must keep a designated fund balance equal to 10 percent of total General Fund expenditures. This goal was met during the proceeding fiscal year with a remaining unreserved fund balance designated to be transferred to a new General Capital Projects Fund to help pay for one time capital purchases on a cash basis. In addition to the new Capital Projects Fund, the City takes advantage of half cent sales tax (4B) dollars to pay for capital projects on a cash basis. By paying cash for capital purchases, the Council has the ultimate goal of reducing and eventually eliminating general obligation debt.

Council has maintained the lowest property tax rate for mid to large-sized cities in Texas in an effort to balance citizen desire for lower property tax rates and the City's need to match operating costs associated with future planning initiatives. Sales tax has played a large role in allowing the City to obtain this objective with a ten year average increase of 4.8 percent. By maintaining an adequate reserve and monitoring future economic conditions, the City has an opportunity to provide for future citizen needs in a streamlined and cost effective manner.

Relevant financial policies

The City of Tyler has implemented several financial policies in the prior and current fiscal years. These include the creation of the General Capital Projects Fund, the Oil and Natural Gas Fund and the Development Services Fund. Any remaining fund balance in excess of the 10 percent designated reserve in the General Fund is to be transferred to the new General Capital Projects Fund to pay for one time only capital purchases. The Oil and Natural Gas Fund was created to track revenue received from lease royalties to be used for future one time projects identified by the Council. The Development Services Fund has been created to track costs associated with planning and building development in an effort to better match fees associated with direct related costs, and make adjustments to spending based upon development activity.

Major Initiatives

The City of Tyler is growing at an unprecedented rate. An independent study conducted in 2004 by the largest demographic consulting firm in Texas concluded that Tyler has over 100,000 inhabitants. As our City's population increases, so do demands on infrastructure and many services the City provides. At the same time, the City is faced with the important challenge of preserving and enhancing our "sense of place" and natural beauty while accommodating significant growth.

In order to manage this exponential growth, ensure that Tyler maintains its unique identity, and maintain the ability to provide quality and responsive services, an overall master plan is needed. Tyler 21, a new comprehensive master planning effort for the City, will serve this purpose. Tangible and direct benefits will be realized from Tyler 21 through coordinated public participation, addressing the many needs that the City is already facing with regard to issues such as redevelopment and revitalization, a shortage of parks and open space, significant congestion on our roadways, deficiencies in affordable housing, compatible zoning and development, and underutilization of historic assets. In addition, this effort will extend into the City's new five mile extraterritorial jurisdiction to ensure adequate utility extension planning, City services, facilities, and land use designations are in place to accommodate additional growth.

Awards and Acknowledgements

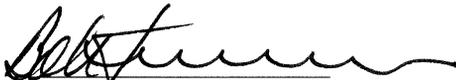
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2004. This is the nineteenth consecutive year that the City has received this prestigious award. 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. City staff affirms that the current report continues to conform to Certificate of Achievement Program requirements, and the City is submitting it to GFOA to determine its eligibility for another certificate.

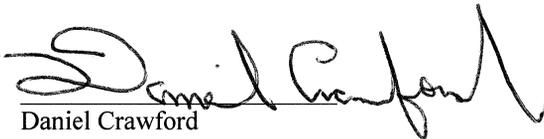
In addition, the City also received the Government Treasurer's Organization of Texas (GTOT) Investment Policy Certificate of Distinction for the annually adopted investment policy of the City. The award is valid for a two year period. In order to qualify for the award, the City must demonstrate compliance with the State investment act and fiscal responsibility of their investments.

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. Appreciation is expressed to all members of the City's staff who assisted and contributed to its preparation. Sincere thanks are extended to 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, 2004

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.



Nancy L. Zelle

President

Jeffrey R. Emmer

Executive Director

CITIZENS OF TYLER

City Boards & Commissions

CITY COUNCIL

Citizens Task Force Committees

CITY MANAGER

COMPETITIVE/CONTRACTUAL SERVICE DELIVERY
ORGANIZATIONAL CULTURE

BLUEPRINT

Bob Turner

Legal
Capital Projects
Staff Services
Internal Auditor
CDBG/Housing
Business Services
Manager

Dan Brotton

Solid Waste
G.I.S.
V.E.S

Gary Swindle

Police
911 Dispatch

Stephanie Rollings

Planning & Zoning
Transit
Airport
Main Street
Historic Preservation

◆ 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 production, 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

Mark McDaniel

City Clerk
Media Relations
Library
Technology
Municipal Court
Accounting
Parks

Neal Franklin

Fire
EOC
911 General Operations
EMS – Contract
Administration

Greg Morgan

Water Administration
Water Business Office
Water
Waste Water
Purchasing
Development Services

Dan Peden

Engineering
Traffic Engineering
Streets

**CITY OF TYLER, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2005**

MAYOR – JOEY SEEBER

Members of City Council:

Derrick Choice
Steve Smith
Joyce Scurry
Charles Alworth
Chris Simons
Nathaniel Moran

City Manager – Bob Turner

Chief Financial Officer – Daniel Crawford

City Clerk – Cassandra Brager

FINANCIAL SECTION



INDEPENDENT AUDITOR'S 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, 2005, 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 upon 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 Controller 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4: G. to the financial statements, net assets and fund balances at the government-wide statements and government fund statements, respectively, have been restated as of October 1, 2004, in order to comply with reporting requirements of GASB #33 "*Accounting and Financial Reporting for Nonexchange Transactions*" and to correct the capitalization of certain costs.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated February 15, 2006, 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's 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 the 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.

PROTHRO, WILHELMI AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Management's discussion and analysis and schedule of funding progress on pages 3 through 11 and 53 are not a required part of the basis financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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.

Prothro, Wilkch. & Company, PLLC
Certified Public Accountants

Tyler, Texas
February 15, 2006

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2005
(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, 2005. 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-v of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tyler exceeded its liabilities at the close of the most recent fiscal year by \$417,989,288 (Net assets). Of this amount, \$46,404,153 (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 \$9,690,272.
- As of the close of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$40,780,855. (\$9,412,582 is unreserved and available for use within the City's fund designation and fiscal policies.)
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,341,920 or 11% of the total general fund expenditures. The general fund operating designation was \$4,894,292, approximately 10% of total general fund expenditures and transfers.
- The City's revenue bond payable decreased \$1,885,000. The City's general obligation bond payable decreased \$960,000.
- Series 2000 Water & Sewer Revenue Bonds were advanced refunded in an effort to reduce total debt service payments over the next 25 years by approximately \$1,675,000 and resulted in a real economic gain of approximately \$1,245,000.

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 and earned but unused compensated absences).

Both of the government-wide financial statements distinguish between 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, public safety, highways and streets, public services and culture 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 13-14 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 three categories-governmental funds, proprietary funds and fiduciary 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 18 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 ½ Cent Sales Tax Fund, both of which are considered to be major funds. Data from the other 16 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 15-17.

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 pay 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 Utilities, 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 21-23 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Tyler's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 24-25 of this report. The Fireman's Relief and Retirement Fund is no longer reported in the City's financial statements; a separate independent audit of the Fund's financial condition was completed during the current fiscal year and details can be found in footnote 5:F on pages 48-51.

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 26-51.

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 page 53 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 57-90 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 \$417,989,288 as of September 30, 2005.

The largest portion of the City's net assets, 81%, or \$339,245,216, 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	
	2005	2004	2005	2004	2005	2004
	(as restated)				(as restated)	
Current and other assets	\$57,591,253	\$ 48,853,931	\$34,818,937	\$ 36,569,312	\$92,410,190	\$ 85,423,243
Capital Assets	213,252,601	216,319,457	188,740,796	187,262,177	401,993,397	403,581,634
Total Assets	270,843,854	265,173,388	223,559,733	223,831,489	494,403,587	489,004,877
Non Current liabilities	10,838,054	11,533,907	58,645,466	61,121,897	69,483,520	72,655,804
Other liabilities	5,422,341	5,837,470	1,508,438	2,212,586	6,930,779	8,050,056
Total Liabilities	16,260,395	17,371,377	60,153,904	63,334,483	76,414,299	80,705,860
Net Assets:						
Invested in capital assets, net of related debt	208,396,601	210,539,926	130,848,615	126,955,956	339,245,216	337,495,882
Restricted	26,062,078	19,396,444	6,277,841	6,921,624	32,339,919	26,318,068
Unrestricted	20,124,780	17,865,641	26,279,373	26,619,426	46,404,153	44,485,067
Total Net Assets	\$254,583,459	\$ 247,802,011	\$163,405,829	\$ 160,497,006	\$417,989,288	\$ 408,299,017

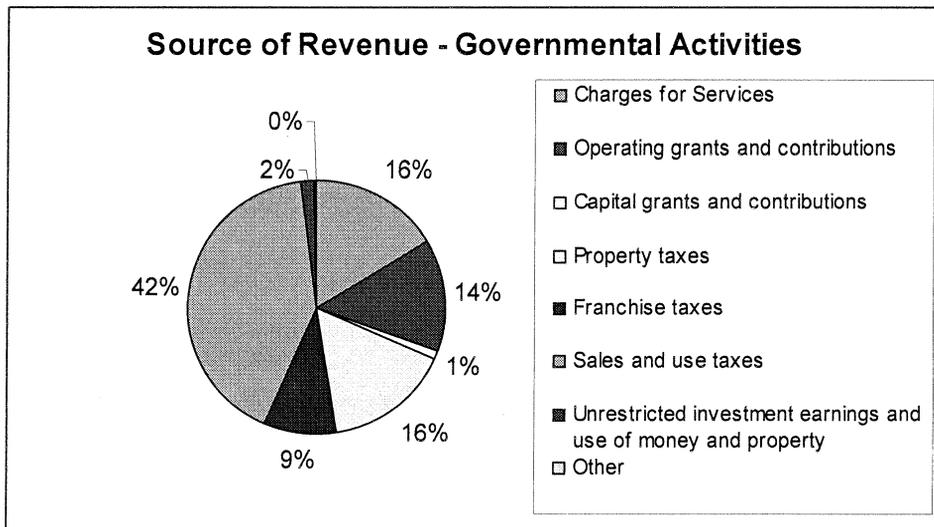
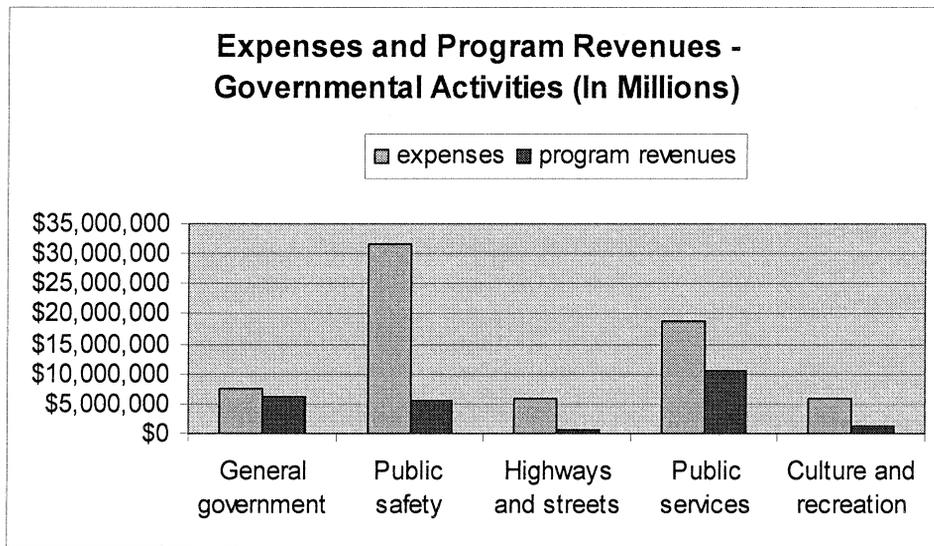
An additional portion of the City's net assets 7 %, or \$32,339,919, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$46,404,153 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2005 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 governmental and business-type activities. The same situation held true for the prior fiscal year.

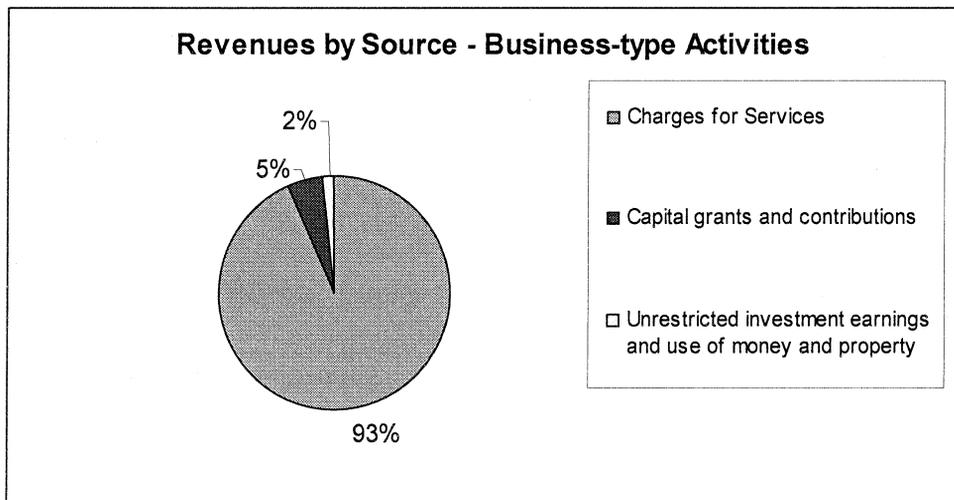
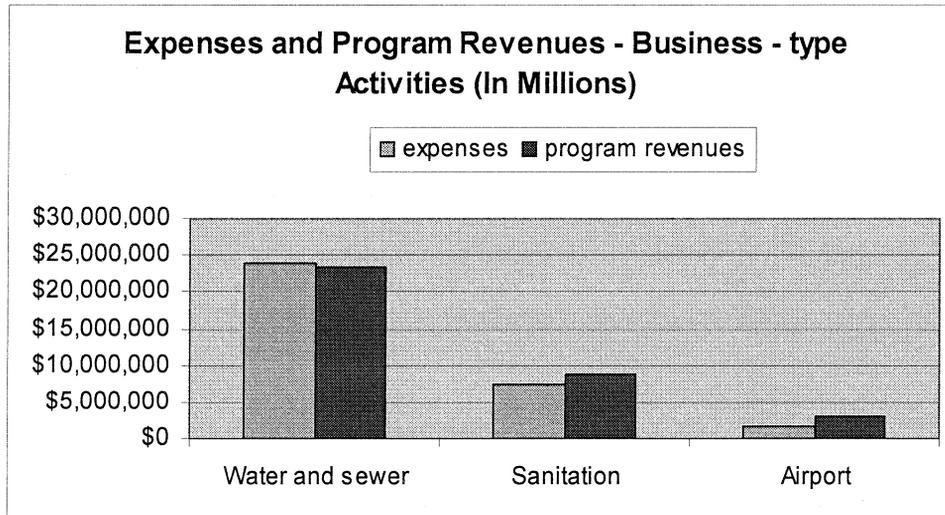
Analysis of the City's Operations - Overall the City had an increase in net assets of \$9,690,272.

Governmental Activities: Governmental activities increased the net assets by \$6,781,449. Net assets invested in capital assets, net of related debt decreased by \$2,143,325 due to depreciation totaling more than new additions. Restricted net assets increased by \$6,665,634 primarily due to increase in money restricted for capital projects both in ½ Cent Sales Tax Fund and in Grant Funds. Unrestricted net assets increased by \$2,259,139 due to increased operating and capital grant contributions; property and sales and use tax collections; and investment earnings. Prior period adjustments have occurred restating Loop 49 contributions as expenses rather than capital assets; as well as accruing 60 days of franchise revenue and hotel tax revenue not previously recorded.

Total revenues for the governmental activities increased from the previous year by \$2,773,360. General revenue had an increase of \$2,377,893, which was due to an increase in sales and use taxes, property tax and investment income. Program revenues had an increase of \$395,467, which was primarily due to an increase in operating and capital grant contributions.



Business-type Activities: Net Assets from business-type activities increased by \$2,908,823. This increase was primarily due to program revenues exceeding expenses and increased interest earnings. The airport has continued to receive several large FAA capital grants to pay for improvements to facilities.



The following table provides a summary of the City's operations for the year ended September 30, 2005 with comparative totals for the year ended September 30, 2004.

CITY OF TYLER'S CHANGES IN NET ASSETS						
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:	(as restated)				(as restated)	
Program Revenues:						
Charges for services	\$12,711,974	\$13,719,416	\$33,541,472	\$30,507,188	\$46,253,446	\$44,226,604
Operating grants and contributions	10,732,572	9,652,510	-	-	10,732,572	9,652,510
Capital grants and contributions	1,025,441	702,594	1,834,325	227,805	2,859,766	930,399
General revenues:						
Property taxes	12,011,517	11,260,696	-	-	12,011,517	11,260,696
Franchise taxes	6,928,917	9,685,136	-	-	6,928,917	9,685,136
Sales and use taxes	32,235,770	28,524,436	-	-	32,235,770	28,524,436
Investment earnings and use of money and property	1,181,976	544,607	564,244	396,603	1,746,220	941,210
Gain on sale of assets	216,729	182,141	19,013	(553,731)	235,742	(371,590)
Total revenues	77,044,896	74,271,536	35,959,054	30,577,865	113,003,950	104,849,401
Expenses:						
General government	7,457,535	7,178,812	-	-	7,457,535	7,178,812
Public safety	31,757,773	27,952,461	-	-	31,757,773	27,952,461
Streets	6,097,617	12,834,897	-	-	6,097,617	12,834,897
Public Services	18,796,772	14,644,612	-	-	18,796,772	14,644,612
Culture and Recreation	5,880,907	4,842,201	-	-	5,880,907	4,842,201
Interest on long-term debt	295,946	335,321	-	-	295,946	335,321
Water and Sewer	-	-	23,933,574	21,249,718	23,933,574	21,249,718
Sanitation	-	-	7,349,545	7,190,230	7,349,545	7,190,230
Airport	-	-	1,744,009	1,740,939	1,744,009	1,740,939
Total Expenses	70,286,550	67,788,304	33,027,128	30,180,887	103,313,678	97,969,191
Increases in net assets						
Before Transfers	6,758,346	6,483,232	2,931,926	396,978	9,690,272	6,880,210
Transfers	23,102	(108,944)	(23,103)	108,944	(1)	-
Change in net assets	6,781,448	6,374,288	2,908,823	505,922	9,690,271	6,880,210
Net assets – October 1	247,802,011	241,427,723	160,497,006	159,991,084	408,299,017	401,418,807
Net assets – September 30	<u>\$254,583,459</u>	<u>\$247,802,011</u>	<u>\$163,405,829</u>	<u>\$160,497,006</u>	<u>\$417,989,288</u>	<u>\$408,299,017</u>

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 \$40,780,855. Approximately 23% of this total amount, \$9,412,582, 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, \$20,173,859; 2) to pay for debt service, \$2,612,169; 3) to pay for the perpetual care of city cemeteries, \$2,036,054; and 4) to pay for other miscellaneous reservations, \$1,651,262. The City of Tyler also self imposes an operating designation in the general fund equivalent to approximately 10 percent of total expenditures, \$4,894,292. It is important to note that a prior period adjustment has been made to account for the 60 day accrual of Sales Tax revenue, Franchise revenue and Hotel Tax revenue according to Generally Accepted Accounting Principles, (GAAP). These revenues were reported on a cash basis in prior reports, but to better adhere to GASB requirements and internal policy, the City has implemented a 60 day accrual of all previously mentioned revenue.

In the general fund, the City budgeted for a decrease in the fund balance on a budget basis of \$2,347,756, which was partly due to capital expenditures. 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 but actual expenditures being higher than originally budgeted, the actual fund balance decrease for fiscal year 2005 was \$1,579,183. A contributing factor was also the creation and transfer of dollars to a General Capital Projects Fund to pay for one time only capital improvements. Capital Projects ½ Cent Sales Tax Fund balance increased in 2005 by \$4,283,199, from \$14,092,372 to \$18,375,571 primarily due to an increase in sales tax revenue as well as continuing several multi-year construction projects. Other governmental fund balances increased in 2005 by \$3,910,810, primarily due to an increase in property values, increase in grant contributions, increased royalties associated with natural gas drilling at Lake Tyler and a decrease in debt service payments due to the retirement of all but one general obligation issues in prior fiscal years.

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.

Unrestricted net assets of the respective proprietary funds are Water and Sewer- \$18,645,366, Airport- \$194,293 and Sanitation- \$6,664,067. One fund had a net asset decrease in 2005 as follows: Water and Sewer- \$374,796. Two funds had net asset increases in 2005 as follows: Sanitation- \$1,436,385 and Municipal Airport- \$1,344,065.

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 and transfers from the original budget of \$1,440,774. The majority of the increase was due to the creation of the General Capital Projects Fund.

The City had anticipated and revised the budget to include an increase in Sales Tax revenue. However, actual revenues in all categories exceeded the final budgeted amounts by a total of \$1,920,349.

CAPITAL ASSETS

The City of Tyler's investment in capital assets for its governmental and business-type activities as of September 30, 2005 amounts to \$401,993,397, (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress. The total decrease in capital assets for the current fiscal year was \$1,588,237 or 0.4 %.

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

- \$430,490 additional work completed on a police station expansion.
- \$2,868,226 has been completed on Grande Road Extension.
- \$2,302,492 has been completed on additional streets and drainage projects.
- \$798,000 was spent to build a memorial Children’s Park of which \$548,000 was donated to the City.
- \$2,221,048 has been completed on water and sewer building improvements.

**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 5,347,881	\$ 5,310,881	\$ 5,917,529	\$ 5,644,303	\$ 11,265,410	\$ 10,955,184
Building	15,898,880	16,489,719	37,022,095	35,995,529	52,920,975	52,485,248
Improvements	64,516,016	66,843,083	140,652,516	142,475,209	205,168,532	209,318,292
Machinery & Equipment	12,117,915	13,189,364	2,908,755	2,970,127	15,026,670	16,159,491
Infrastructure	98,237,400	103,563,969	645,408	-	98,882,808	103,563,969
Construction in Progress	17,134,509	10,922,441	1,594,493	177,009	18,729,002	11,099,450
Total	\$213,252,601	\$216,319,457	\$188,740,796	\$187,262,177	\$401,993,397	\$403,581,634

Additional information on the City of Tyler’s capital assets can be found in note 4 on pages 38-39 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Tyler had a total bonded debt of \$63,445,000. Of this amount, \$5,340,000 comprises bonded debt backed by the full faith and credit of the government and \$58,105,000 represents bonds secured solely by water and sewer revenues.

**Outstanding Debt at Year End
Bonds and Notes Payable**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligations	\$ 5,340,000	\$ 6,300,000	\$ -	\$ -	\$ 5,340,000	\$ 6,300,000
Revenue Bonds Payable	-	-	58,105,000	59,990,000	58,105,000	59,990,000
Total	\$ 5,340,000	\$ 6,300,000	\$ 58,105,000	\$ 59,990,000	\$ 63,445,000	\$ 66,290,000

During the fiscal year, the City’s total debt decreased by \$2,845,000 or 4 %. The decrease was primarily due to the following:

- Annual debt principal payments made August 15 and August 31 for the general obligation debt and water and sewer debt respectively.
- Advanced refunding of Series 2000 Water & Sewer Revenue Bonds in order to reduce debt service payments over the next 25 years.

The City's General Obligation and 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.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Tyler is \$475,723,780, which is significantly higher than the City of Tyler's outstanding general obligation debt.

Additional information on the City of Tyler's long term-debt can be found in footnote 4 on pages 40-42 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the City of Tyler is currently 4.8 percent, which is a slight decrease from a rate of 5.0 percent a year ago. This compares favorably to the state's average unemployment rate of 5.3 percent and the national average rate of 4.8 percent.
- The office space occupancy rate for the City of Tyler has increased steadily to 90 percent over the past 10 years.
- Sales tax receipts have increased at a five year average rate of 4.0 percent, as well as property values increasing at a five year average rate of 7.1 percent.

All of these factors were considered in preparing the City of Tyler's budget for the fiscal year 2005-06. During the current fiscal year, unreserved, undesignated fund balance in the General Fund increased to \$5,341,920. For fiscal year 2005-06, the City has budgeted to match revenues and expenditures in the General Fund. The City of Tyler has also implemented several financial policies in the prior and current fiscal years in an attempt to better analyze and track costs. One such policy includes the creation of the General Capital Projects Fund. Any remaining fund balance in excess of the 10 percent reserve in the General Fund is to be transferred to the new General Capital Projects Fund to pay for one time only capital purchases. Another policy change implemented in the new 2005-06 budget is the creation of the Development Services Fund. The Development Services Fund has been created to track costs associated with planning and building development in an effort to better match fees associated with direct related costs, and make adjustments to spending based upon development activity. The fiscal year 2005-06 budget was accomplished with a decrease to effective tax rate because of better than expected sales tax receipts and increased property values.

The 2005-06 Water Utilities operating budget is supported by a 7 percent increase in sewer rates to fund capital and maintenance costs associated with waste water collection and treatment. The City has also implemented a storm water drainage fee as a percentage of the water billing to meet the State regulations regarding Storm Water Management. Further monies are being set aside to pay for capital improvements to the water system based on cost savings and revenue increases from the draught like conditions experienced in fiscal year 2004-05.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a 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, 2005

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 22,101,388	\$ 10,958,816	\$ 33,060,204
Receivables (net of allowance for doubtful accounts)	9,578,288	4,065,851	13,644,139
Internal balances	5,773	(5,773)	-
Inventories	376,473	261,466	637,939
Prepaid items and deferred charges	125,982	545,927	671,909
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	22,883,295	6,468,449	29,351,744
Permanently restricted	2,036,054	-	2,036,054
Water rights - Lake Palestine	-	12,524,200	12,524,200
Investment in joint venture	484,000	-	484,000
Capital Assets (net of accumulated depreciation):			
Land	5,347,881	5,917,529	11,265,410
Buildings	15,898,879	37,022,095	52,920,974
Improvements, other than buildings	64,516,017	140,652,517	205,168,534
Machinery and equipment	12,117,915	2,908,755	15,026,670
Construction in progress	17,134,509	1,594,493	18,729,002
Infrastructure	98,237,400	645,408	98,882,808
Total Assets	270,843,854	223,559,733	494,403,587
LIABILITIES			
Accounts payable	3,845,780	1,296,209	5,141,989
Deposits and other refundable balances	475,413	-	475,413
Insurance claims payable	757,320	-	757,320
Accrued interest payable	31,667	212,229	243,896
Deferred revenues	312,161	-	312,161
Non-current liabilities:			
Due within one year	1,460,153	1,965,164	3,425,317
Due in more than one year	9,377,901	56,680,302	66,058,203
Total Liabilities	16,260,395	60,153,904	76,414,299
NET ASSETS			
Investment in capital assets, net of related debt	208,396,601	130,848,615	339,245,216
Restricted for:			
Debt service	2,612,169	495,172	3,107,341
Perpetual care			
Nonexpendable	2,036,054	-	2,036,054
Capital projects	20,173,856	5,782,669	25,956,525
Grants and donations	709,502	-	709,502
Court	530,497	-	530,497
Unrestricted	20,124,780	26,279,373	46,404,153
Total Net Assets	\$ 254,583,459	\$ 163,405,829	\$ 417,989,288

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, 2005**

FUNCTIONS / PROGRAMS	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
Governmental activities:							
General government	\$ 7,457,535	\$ 6,029,023	\$ 309,501	\$ 13,777	\$ (1,105,234)	\$ -	\$ (1,105,234)
Public safety	31,757,773	4,789,289	424,792	252,299	(26,291,393)	-	(26,291,393)
Highways and streets	6,097,617	122,430	212,855	227,867	(5,534,465)	-	(5,534,465)
Public services	18,796,772	923,159	9,696,289	-	(8,177,324)	-	(8,177,324)
Culture and recreation	5,880,907	848,073	89,135	531,498	(4,412,201)	-	(4,412,201)
Interest on long term debt	295,946	-	-	-	(295,946)	-	(295,946)
Total governmental activities	<u>70,286,550</u>	<u>12,711,974</u>	<u>10,732,572</u>	<u>1,025,441</u>	<u>(45,816,563)</u>	<u>-</u>	<u>(45,816,563)</u>
Business-type activities:							
Water and sewer	23,933,574	23,474,563	-	-	-	(459,011)	(459,011)
Sanitation	7,349,545	8,784,501	-	-	-	1,434,956	1,434,956
Airport	1,744,009	1,282,408	-	1,834,325	-	1,372,724	1,372,724
Total business-type activities	<u>33,027,128</u>	<u>33,541,472</u>	<u>-</u>	<u>1,834,325</u>	<u>-</u>	<u>2,348,669</u>	<u>2,348,669</u>
Total primary government	<u>\$ 103,313,678</u>	<u>\$ 46,253,446</u>	<u>\$ 10,732,572</u>	<u>\$ 2,859,766</u>	<u>(45,816,563)</u>	<u>2,348,669</u>	<u>(43,467,894)</u>
General revenues:							
Property taxes					12,011,517	-	12,011,517
Franchise taxes					6,928,917	-	6,928,917
Sales and use taxes					32,235,770	-	32,235,770
Unrestricted investment earnings and use of money and property					1,181,976	564,244	1,746,220
Gain (loss) on sale of assets					216,729	19,013	235,742
Transfers					23,103	(23,103)	-
Total general revenues and transfers					<u>52,598,012</u>	<u>560,154</u>	<u>53,158,166</u>
Change in net assets					<u>6,781,449</u>	<u>2,908,823</u>	<u>9,690,272</u>
Net assets - beginning of year, as previously reported					247,736,930	160,497,006	408,233,936
Prior period adjustments					65,081	-	65,081
Net assets - beginning of year, as restated					<u>247,802,011</u>	<u>160,497,006</u>	<u>408,299,017</u>
Net assets - end of year					<u>\$ 254,583,460</u>	<u>\$ 163,405,829</u>	<u>\$ 417,989,289</u>

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

CITY OF TYLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	MAJOR FUNDS		OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	1/2 CENT SALES TAX		
ASSETS				
Cash and cash equivalents	\$ 7,025,845	\$ 17,057,794	\$ 12,088,342	\$ 36,171,981
Receivables (net of allowance for doubtful accounts) :				
Property taxes	614,590	-	-	614,590
Other	5,502,762	1,853,962	1,484,495	8,841,219
Due from other funds	291,421	-	-	291,421
Inventories	2,029	-	-	2,029
Prepaid items	45,996	-	19,626	65,622
Total assets	\$ 13,482,643	\$ 18,911,756	\$ 13,592,463	\$ 45,986,862
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,879,810	\$ 536,185	\$ 1,173,009	\$ 3,589,004
Deposits and other refundable balances	320,912	-	154,501	475,413
Due to other funds	-	-	291,421	291,421
Deferred revenues	550,020	-	300,149	850,169
Total liabilities	2,750,742	536,185	1,919,080	5,206,007
Fund Balances:				
Reserved for:				
Perpetual care	-	-	2,036,054	2,036,054
Court ordered disbursements	60,653	-	162,090	222,743
Debt service	-	-	2,612,169	2,612,169
Grants / donations	-	-	709,502	709,502
Capital projects	-	18,375,571	1,798,288	20,173,859
Court security	23,136	-	-	23,136
Court technology	-	-	284,618	284,618
Utility rate	363,238	-	-	363,238
Total reserved fund balances	447,027	18,375,571	7,602,721	26,062,081
Unreserved fund balances				
Designated for:				
Operations	4,894,292	-	-	4,894,292
Inventory	2,029	-	-	2,029
Prepaid items	45,996	-	-	45,996
Total designated fund balances	4,942,317	-	-	4,942,317
Undesignated reported in:				
General Fund	5,342,557	-	-	5,342,557
Special Revenue Fund	-	-	4,070,662	4,070,662
Permanent Fund	-	-	-	-
Total undesignated fund balances	5,342,557	-	4,070,662	9,413,219
Total fund balances	10,731,901	18,375,571	11,673,383	40,417,617
Total liabilities and fund balances	\$ 13,482,643	\$ 18,911,756	\$ 13,592,463	\$ 45,623,624

(continued)

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

CITY OF TYLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS (Exhibit 1)

	TOTAL GOVERNMENTAL FUNDS
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 40,417,617
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	205,866,995
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	485,154
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.	(31,667)
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)	18,238,545
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>(10,756,423)</u>
Net Assets of governmental activities	<u>\$ 254,220,221</u>

CITY OF TYLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	MAJOR FUNDS		OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	1/2 CENT SALES TAX		
REVENUES				
Taxes:				
Property	\$ 10,808,297	\$ -	\$ 1,273,438	\$ 12,081,735
Franchise	6,928,917	-	-	6,928,917
Sales and use	20,549,309	10,131,739	1,554,722	32,235,770
Licenses and permits	805,151	-	-	805,151
Fines, forfeitures, and penalties	4,666,473	-	122,816	4,789,289
Revenues from use of money or property	276,541	387,342	562,011	1,225,894
Charges for current services	2,411,529	-	83,320	2,494,849
Revenues from other agencies	250,689	132,983	10,636,967	11,020,639
Donations	-	-	184,723	184,723
Miscellaneous	696,054	60,358	1,243,202	1,999,614
Total revenues	47,392,960	10,712,422	15,661,199	73,766,581
EXPENDITURES				
Current:				
General government	6,498,634	31,200	-	6,529,834
Public safety	28,555,362	-	34,658	28,590,020
Public services	1,198,994	-	10,334,506	11,533,500
Highways and streets	5,413,493	450,000	75	5,863,568
Culture and recreation	4,213,529	-	910,059	5,123,588
Capital outlay	630,939	6,000,087	1,652,835	8,283,861
Debt service:				
Principal retirement	-	-	960,000	960,000
Interest and fiscal charges	-	-	301,466	301,466
Total expenditures	46,510,951	6,481,287	14,193,599	67,185,837
Excess of revenues over expenditures	882,009	4,231,135	1,467,600	6,580,744
OTHER FINANCING SOURCES (USES)				
Transfers in	1,962	219,646	2,817,381	3,038,989
Transfers out	(2,467,260)	(167,582)	(374,171)	(3,009,013)
Sale of capital assets	4,106	-	-	4,106
Total other financing sources (uses)	(2,461,192)	52,064	2,443,210	34,082
Net change in fund balances	(1,579,183)	4,283,199	3,910,810	6,614,826
Fund balances - beginning of year, as previously reported	7,638,577	12,418,065	7,637,071	27,693,713
Prior period adjustments	4,672,507	1,674,307	125,502	6,472,316
Fund balances - beginning of year, as restated	12,311,084	14,092,372	7,762,573	34,166,029
Fund balances - end of year	\$ 10,731,901	\$ 18,375,571	\$ 11,673,383	\$ 40,780,855

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

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, 2005

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

Net change in fund balances - total governmental funds	\$ 6,614,826
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.	(2,985,874)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	489,471
Tax revenue is reported in the government-wide statement of activities and changes in net assets but a portion of the revenue does not provide current financial resources. The current adjustment reflects a net reduction in the deferral of the revenue.	(70,218)
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.	960,000
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. This amount reflects the net change in the accrued liability for such expenses.	(221,159)
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.	5,520
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 (\$503,169).	<u>1,988,882</u>
Change in net assets of governmental activities	<u><u>\$ 6,781,448</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, 2005

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Property tax collections	\$ 10,601,600	\$ 10,601,600	\$ 10,808,297	\$ 206,697
Franchise fees	7,920,542	6,812,200	6,928,917	116,717
Sales and use taxes	18,964,850	20,267,679	20,549,309	281,630
Licenses and permits	761,700	761,700	805,151	43,451
Fines, forfeitures, and penalties	3,909,900	3,909,900	4,666,473	756,573
Revenues from use of money or property	107,775	78,500	276,541	198,041
Charges for current services	1,402,800	2,402,717	2,411,529	8,812
Revenues from other agencies	353,115	353,115	250,689	(102,426)
Miscellaneous	150,700	285,200	696,054	410,854
Total revenues	<u>44,172,982</u>	<u>45,472,611</u>	<u>47,392,960</u>	<u>1,920,349</u>
EXPENDITURES				
GENERAL GOVERNMENT:				
General government services	3,723,156	3,605,858	4,315,571	(709,713)
City Manager	501,633	507,369	516,110	(8,741)
City Clerk	112,178	112,178	120,267	(8,089)
City Hall	319,530	320,092	321,878	(1,786)
Accounting	460,434	460,434	450,786	9,648
Legal	457,843	457,843	492,253	(34,410)
Information services	-	-	-	-
Staff services	324,289	324,289	321,711	2,578
Total General Government	<u>5,899,063</u>	<u>5,788,063</u>	<u>6,538,576</u>	<u>(750,513)</u>
POLICE	<u>17,567,755</u>	<u>17,594,765</u>	<u>17,425,042</u>	<u>169,723</u>
FIRE	<u>9,565,267</u>	<u>9,513,127</u>	<u>9,881,329</u>	<u>(368,202)</u>
PUBLIC SERVICES				
Engineering	1,031,225	1,031,225	960,134	71,091
Street administration	2,524,807	2,570,807	2,580,127	(9,320)
Labor pool	-	-	-	-
Traffic operations	2,363,477	2,134,093	2,097,284	36,809
Total Public Services	<u>5,919,509</u>	<u>5,736,125</u>	<u>5,637,545</u>	<u>98,580</u>
LIBRARIES:				
Library administration	<u>1,351,652</u>	<u>1,347,676</u>	<u>1,299,058</u>	<u>48,618</u>
Total Libraries	<u>1,351,652</u>	<u>1,347,676</u>	<u>1,299,058</u>	<u>48,618</u>

(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, 2005

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES (continued)				
PARKS AND RECREATION:				
Parks administration	2,696,312	2,650,312	2,762,628	(112,316)
Park maintenance	654,005	654,005	696,750	(42,745)
Total Parks and Recreation	<u>3,350,317</u>	<u>3,304,317</u>	<u>3,459,378</u>	<u>(155,061)</u>
PLANNING AND INSPECTION:				
Planning and zoning	235,797	246,797	239,874	6,923
Building inspection	561,378	561,378	538,883	22,495
Capital projects administration	111,649	111,649	117,102	(5,453)
Total Planning and Inspection	<u>908,824</u>	<u>919,824</u>	<u>895,859</u>	<u>23,965</u>
MUNICIPAL COURT				
	<u>1,801,411</u>	<u>1,508,792</u>	<u>1,374,164</u>	<u>134,628</u>
Total expenditures	<u>46,363,798</u>	<u>45,712,689</u>	<u>46,510,951</u>	<u>(798,262)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,190,816)</u>	<u>(240,078)</u>	<u>882,009</u>	<u>1,122,087</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,962	1,962
Transfers out	(389,524)	(2,481,407)	(2,467,260)	14,147
Sale of property and equipment	3,200	3,200	4,106	906
Total other financing sources (uses)	<u>(386,324)</u>	<u>(2,478,207)</u>	<u>(2,461,192)</u>	<u>17,015</u>
Net change in fund balance	<u>(2,577,140)</u>	<u>(2,718,285)</u>	<u>(1,579,183)</u>	<u>1,139,102</u>
Fund Balance - October 1, 2004, as previously reported	7,638,577	7,638,577	7,638,577	-
Prior period adjustment	-	-	4,672,507	4,672,507
Fund Balance - October 1, 2004, as restated	<u>7,638,577</u>	<u>7,638,577</u>	<u>12,311,084</u>	<u>4,672,507</u>
Fund Balance - September 30, 2005	<u>\$ 5,061,437</u>	<u>\$ 4,920,292</u>	<u>\$ 10,731,901</u>	<u>\$ 5,811,609</u>

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, 2005

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL	
	ENTERPRISE FUNDS			ACTIVITIES	
ASSETS	UTILITIES	SANITATION	AIRPORT	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Current assets:					
Cash and cash equivalents	\$ 4,340,189	\$ 6,122,511	\$ 494,386	\$ 10,957,086	\$ 10,763,756
Cash - demand deposits and on hand	1,700	30	-	1,730	85,000
Prepaid expenses	-	-	-	-	60,360
Accounts receivable (net)	2,922,021	1,069,979	73,851	4,065,851	175,336
Inventories - at average cost	261,466	-	-	261,466	374,444
Total current assets	<u>7,525,376</u>	<u>7,192,520</u>	<u>568,237</u>	<u>15,286,133</u>	<u>11,458,896</u>
Restricted Current assets:					
Temporarily restricted					
Cash and cash equivalents for payment of current maturities of revenue bond principal and interest	706,590	-	-	706,590	-
Total restricted current assets	<u>706,590</u>	<u>-</u>	<u>-</u>	<u>706,590</u>	<u>-</u>
Noncurrent assets:					
Restricted assets:					
Temporarily restricted					
Cash and cash equivalents	5,761,859	-	-	5,761,859	-
Total restricted assets	<u>5,761,859</u>	<u>-</u>	<u>-</u>	<u>5,761,859</u>	<u>-</u>
Deferred charges (net)	545,927	-	-	545,927	-
Water rights - Lake Palestine	12,524,200	-	-	12,524,200	-
Capital assets:					
Land	1,897,452	3,285,312	734,765	5,917,529	65,000
Buildings	31,585,181	94,704	20,097,532	51,777,417	1,173,485
Improvements other than buildings	176,827,567	225,953	12,141,086	189,194,606	285,404
Machinery and equipment	1,706,525	3,945,784	243,378	5,895,687	21,002,055
Construction in progress	-	-	1,594,493	1,594,493	-
Less accumulated depreciation	<u>(56,089,044)</u>	<u>(2,590,485)</u>	<u>(6,959,406)</u>	<u>(65,638,935)</u>	<u>(14,656,340)</u>
Total capital assets net of accumulated depreciation	<u>155,927,681</u>	<u>4,961,268</u>	<u>27,851,848</u>	<u>188,740,797</u>	<u>7,869,604</u>
Total noncurrent assets	<u>174,759,667</u>	<u>4,961,268</u>	<u>27,851,848</u>	<u>207,572,783</u>	<u>7,869,604</u>
Total assets	<u>182,991,633</u>	<u>12,153,788</u>	<u>28,420,085</u>	<u>223,565,506</u>	<u>19,328,500</u>
LIABILITIES					
Current liabilities:					
Accounts and contracts payable	\$ 985,642	\$ 154,265	\$ 156,302	\$ 1,296,209	\$ 256,776
Insurance claims payable	-	-	-	-	757,320
Current portion of landfill closure postclosure costs payable	-	250,000	-	250,000	-
Current portion of compensated absences payable	17,117	6,209	1,838	25,164	4,082
Total current liabilities	<u>1,002,759</u>	<u>410,474</u>	<u>158,140</u>	<u>1,571,373</u>	<u>1,018,178</u>
Current liabilities payable from restricted assets:					
Revenue bonds payable	1,690,000	-	-	1,690,000	-
Accrued interest	212,229	-	-	212,229	-
Total current liabilities payable from restricted assets	<u>1,902,229</u>	<u>-</u>	<u>-</u>	<u>1,902,229</u>	<u>-</u>
Noncurrent liabilities:					
Revenue bonds payable	56,202,182	-	-	56,202,182	-
Landfill closure postclosure costs payable	-	-	-	-	-
Compensated absences	325,221	117,979	34,920	478,120	77,550
Total noncurrent liabilities	<u>56,527,403</u>	<u>117,979</u>	<u>34,920</u>	<u>56,680,302</u>	<u>77,550</u>
Total liabilities	<u>59,432,391</u>	<u>528,453</u>	<u>193,060</u>	<u>60,153,904</u>	<u>1,095,728</u>
NET ASSETS					
Invested in capital assets, net of related debt	98,035,499	4,961,268	27,851,848	130,848,615	7,869,604
Restricted net assets:					
Debt service	495,172	-	-	495,172	-
Storm water	781,420	-	-	781,420	-
Capital projects	5,601,785	-	180,884	5,782,669	-
Unrestricted	<u>18,645,366</u>	<u>6,664,067</u>	<u>194,293</u>	<u>25,503,726</u>	<u>10,363,168</u>
Total net assets	<u>\$ 123,559,242</u>	<u>\$ 11,625,335</u>	<u>\$ 28,227,025</u>	<u>163,411,602</u>	<u>\$ 18,232,772</u>
Reconciliation to government-wide statements of net assets:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			prior years	(508,942)	
			current year	503,169	
Net assets of business-type activities				<u>\$ 163,405,829</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, 2005

	BUSINESS-TYPE ACTIVITIES			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL
	ENTERPRISE FUNDS				ACTIVITIES
	UTILITIES	SANITATION	AIRPORT		INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Water and sewer operations	\$ 23,008,813	\$ -	\$ -	\$ 23,008,813	\$ -
Trash and garbage	-	8,317,796	-	8,317,796	-
Airport sales and rentals	-	-	1,261,154	1,261,154	-
Charges for services	-	-	-	-	6,117,997
Contributions	-	-	-	-	9,061,316
Miscellaneous	149,930	297,583	3,027	450,540	-
Total operating revenues	<u>23,158,743</u>	<u>8,615,379</u>	<u>1,264,181</u>	<u>33,038,303</u>	<u>15,179,313</u>
OPERATING EXPENSES					
Water and sewer operations	15,617,537	-	-	15,617,537	-
Sanitation operations	-	7,037,189	-	7,037,189	-
Municipal Airport operations	-	-	967,226	967,226	-
Garage operations	-	-	-	-	964,338
Depreciation	5,684,753	312,356	776,783	6,773,892	2,002,440
Insurance claims	-	-	-	-	5,420,926
Administrative	-	-	-	-	3,646,801
Special services	-	-	-	-	435,122
Maintenance	-	-	-	-	718,060
Total operating expenses	<u>21,302,290</u>	<u>7,349,545</u>	<u>1,744,009</u>	<u>30,395,844</u>	<u>13,187,687</u>
Operating income (loss)	<u>1,856,453</u>	<u>1,265,834</u>	<u>(479,828)</u>	<u>2,642,459</u>	<u>1,991,626</u>
NON-OPERATING REVENUES (EXPENSES)					
Revenues from use of money and property	400,035	151,538	12,671	564,244	291,855
Income from other agencies	-	-	1,834,325	1,834,325	-
Amortization	(22,665)	-	-	(22,665)	-
Sale of property	-	19,013	-	19,013	215,443
Interest expense	(2,608,619)	-	-	(2,608,619)	-
Total non-operating revenues (expenses)	<u>(2,231,249)</u>	<u>170,551</u>	<u>1,846,996</u>	<u>(213,702)</u>	<u>507,298</u>
Income (loss) before operating transfers	<u>(374,796)</u>	<u>1,436,385</u>	<u>1,367,168</u>	<u>2,428,757</u>	<u>2,498,924</u>
Transfers in	-	-	196,543	196,543	-
Transfers out	-	-	(219,646)	(219,646)	(6,873)
Net transfers and capital contributions	-	-	(23,103)	(23,103)	(6,873)
Change in net assets	(374,796)	1,436,385	1,344,065	2,405,654	2,492,051
Net Assets - October 1, 2004	<u>123,934,038</u>	<u>10,188,950</u>	<u>26,882,960</u>		<u>15,740,721</u>
Net Assets - September 30, 2005	<u>\$ 123,559,242</u>	<u>\$ 11,625,335</u>	<u>\$ 28,227,025</u>		<u>\$ 18,232,772</u>
Reconciliation to government-wide statements of net assets					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				503,169	
Change in net assets of business-type activities				<u>\$ 2,908,823</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, 2005

Increase (Decrease) In Cash and Cash Equivalents

	BUSINESS-TYPE ACTIVITIES			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL
	ENTERPRISE FUNDS				INTERNAL
	UTILITIES	SANITATION	AIRPORT		SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 22,926,786	\$ 8,493,220	\$ 1,226,734	\$ 32,646,740	\$ 15,370,551
Cash paid to suppliers for goods and services	(11,453,080)	(5,185,168)	(438,507)	(17,076,755)	(3,918,986)
Cash paid to employees for services	(4,789,904)	(2,010,380)	(406,891)	(7,207,175)	(1,860,501)
Insurance claims paid	-	-	-	-	(5,498,007)
Net cash provided by operating activities	<u>6,683,802</u>	<u>1,297,672</u>	<u>381,336</u>	<u>8,362,810</u>	<u>4,093,057</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers-in from other funds	-	-	196,543	196,543	-
Transfers-out to other funds	-	-	(219,646)	(219,646)	(6,873)
Net cash (used in) provided by non-capital financing activities	<u>-</u>	<u>-</u>	<u>(23,103)</u>	<u>(23,103)</u>	<u>(6,873)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(5,722,865)	(463,269)	(2,066,378)	(8,252,512)	(1,344,243)
Proceeds from grants for capital purposes	-	-	1,834,325	1,834,325	-
Proceeds from sale of assets	-	19,013	-	19,013	164,168
Proceeds from revenue bond advance refunding	29,750,000	-	-	29,750,000	-
Payments on bonded debt	(32,164,039)	-	-	(32,164,039)	-
Bond issuance costs	(47,461)	-	-	(47,461)	-
Interest paid	(2,623,705)	-	-	(2,623,705)	-
Net cash provided by (used in) capital and related financing activities	<u>(10,808,070)</u>	<u>(444,256)</u>	<u>(232,053)</u>	<u>(11,484,379)</u>	<u>(1,180,075)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	400,035	151,538	12,671	564,244	291,855
Net cash provided by investing activities	<u>400,035</u>	<u>151,538</u>	<u>12,671</u>	<u>564,244</u>	<u>291,855</u>
Net increase (decrease) in cash and cash equivalents	(3,724,233)	1,004,954	138,851	(2,580,428)	3,197,964
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>14,534,571</u>	<u>5,117,587</u>	<u>355,535</u>	<u>20,007,693</u>	<u>7,650,792</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,810,338</u>	<u>\$ 6,122,541</u>	<u>\$ 494,386</u>	<u>\$ 17,427,265</u>	<u>\$ 10,848,756</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 1,856,453	\$ 1,265,834	\$ (479,828)	\$ 2,642,459	\$ 1,991,626
Adjustments to reconcile operating income to net cash					
Provided by (used in) operating activities:					
Depreciation expense	5,684,753	312,356	776,783	6,773,892	2,002,440
(Increase) decrease in accounts receivable	(291,059)	(32,683)	(37,447)	(361,189)	191,238
(Increase) decrease in prepaid expenses	-	-	-	-	(1,212)
(Increase) decrease in inventories	59,102	-	-	59,102	(187,900)
Increase (decrease) in accounts payable	(641,413)	(165,039)	117,390	(689,062)	124,971
Increase (decrease) in claims payable	-	-	-	-	(71,094)
Increase (decrease) in compensated absences payable	15,966	6,680	4,438	27,084	42,988
Increase (decrease) in landfill closure costs payable	-	(89,476)	-	(89,476)	-
Total adjustments	<u>4,827,349</u>	<u>31,838</u>	<u>861,164</u>	<u>5,720,351</u>	<u>2,101,431</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 6,683,802</u>	<u>\$ 1,297,672</u>	<u>\$ 381,336</u>	<u>\$ 8,362,810</u>	<u>\$ 4,093,057</u>

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

**CITY OF TYLER, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2005**

	EMPLOYEE BENEFIT TRUST (SECTION 125 PLAN)	GREENWOOD LANDFILL PRIVATE - PURPOSE TRUST
ASSETS		
Equity in pooled cash and investments	\$ 121,955	\$ 1,753,705
Receivables		
Accounts receivable	8,968	-
Interest receivable	-	5,948
Total receivables	<u>8,968</u>	<u>5,948</u>
Total assets	<u>130,923</u>	<u>1,759,653</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 130,923</u>	<u>\$ 1,759,653</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, 2005

	EMPLOYEE BENEFIT TRUST (SECTION 125 PLAN)	GREENWOOD LANDFILL PRIVATE -PURPOSE TRUST
ADDITIONS		
Contributions:		
Employees	\$ 153,825	\$ -
Employer	235,620	-
Other	-	33,000
Total contributions	<u>389,445</u>	<u>33,000</u>
Investment income:		
Interest	-	44,222
Net investment income	<u>-</u>	<u>44,222</u>
Total additions	<u>389,445</u>	<u>77,222</u>
DEDUCTIONS		
Benefits	366,027	-
Administrative expenses	-	-
Total deductions	<u>366,027</u>	<u>-</u>
Change in net assets	<u>23,418</u>	<u>77,222</u>
Net Assets - October 1, 2004	<u>107,505</u>	<u>1,682,431</u>
Net Assets - September 30, 2005	<u>\$ 130,923</u>	<u>\$ 1,759,653</u>

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

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting practices generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

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. 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.

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

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, sales taxes, franchise taxes, 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 1/2 Cent Sales Tax 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 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 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 the operations of Tyler Pounds Regional Airport.

Additionally, the government reports the following fund types:

Internal service funds 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 Fund – to track performance pay of City employees.
2. Fleet Maintenance and Replacement Fund – to track acquisition, maintenance, and repair of all vehicles used by the City departments.
3. Property and Liability Insurance Fund – accounts for property casualty and liability insurance programs.

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

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

Internal Service Funds – continued:

4. Employee Benefits Fund – accounts for the City’s health and workers’ compensation self-insurance programs.
5. Property and Facility Management Fund – accounts for utility costs.
6. Technology Fund – accounts for the City’s investment in technology and office automation.

Fiduciary Funds:

The Greenwood Landfill Private – Purpose Trust Fund is used to accumulate resources held in trust for Allied Waste Management and is used for closure and post-closure expenses of the Greenwood Landfill.

The Employee Benefit Trust (Section 125 Plan) 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.

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.

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

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

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. 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*", applied to investments in external investment pools, investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities are required 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. This information is provided by the City's investment custodian. 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, 2005, 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.

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

E. Assets, Liabilities, and Net Assets or Equity – continued

2. Investments – continued

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.

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). All other outstanding balances between funds are reported as “due to/from other funds.” 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 General Debt Services 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, 2005, was \$.248855 per \$100, which means that the City has a tax margin of \$1.501145 per \$100 and could raise up to \$71,387,178 additional taxes a year from the present valuation of \$4,755,515,165 before the limit is reached.

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

E. Assets, Liabilities, and Net Assets or Equity – continued

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

Infrastructure assets are reported retroactively based on estimated historical cost and include assets acquired or constructed prior to June 30, 1980.

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.

CITY OF TYLER
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

E. Assets, Liabilities, and Net Assets or Equity – continued

7. Capital Assets – continued

Property, plant, and equipment of the primary government, as well as the component units, are 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.

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

E. Assets, Liabilities, and Net Assets or Equity – continued

9. Compensated Absences - continued

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. Long-Term Obligations

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

11. Fund Equity

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

12. Net Assets

Net assets represent 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 legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations.

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. However, encumbrances in the Governmental Funds lapse at the end of the each year and are re-budgeted during the next fiscal year.

Encumbrance accounting is also employed in Proprietary Funds for management control purposes. Encumbrances outstanding at year-end are not reported as restrictions of net assets nor have they been included as expenses or liabilities of Proprietary Funds.

CITY OF TYLER
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

E. Assets, Liabilities, and Net Assets or Equity – continued

15. New Accounting Pronouncements

During fiscal year 2005, the City implemented GASB Statement #40 (GASB #40), “*Deposit and Investment Risk Disclosures*.” GASB #40 establishes and modifies disclosure requirements related to investment and deposit risks. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Disclosures related to GASB #40 are included in Note 4.

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 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 \$10,756,422 difference are as follows:

Bonds payable	\$ 5,340,000
Claims and judgment	195,000
Compensated absences	<u>5,221,422</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$10,756,422</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 \$205,866,997 difference are as follows:

Beginning balance of capital assets, net of accumulated depreciation as restated (see Note 4: G.)	\$208,363,399
Capital asset additions, net of retirements	8,244,571
Donated property received	492,292
Depreciation of capital assets, current year	<u>(11,233,265)</u>
	<u>\$205,866,997</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 \$485,154 difference are as follows:

Deferred property tax revenues	\$ 538,008
Allowance for uncollectible property taxes receivable	<u>(52,854)</u>
	<u>\$485,154</u>

CITY OF TYLER
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

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

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 \$(2,985,874) difference are as follows:

Capital outlay	\$ 8,247,391
Depreciation expense	<u>(11,233,265)</u>
 Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ (2,985,874)</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 \$(70,218) difference are as follows:

Change in deferred property tax revenues	\$(80,147)
Change in allowance for uncollectible property taxes receivable	<u>9,929</u>
	<u>\$ (70,218)</u>

Another element of that reconciliation states that “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.” The details of this \$(221,159) difference are as follows:

Change in compensated absences	\$ (221,159)
Change in accrued legal claims	<u>-</u>
	<u>\$ (221,159)</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.

CITY OF TYLER
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTIBILITY - continued

A. Budgetary Information – continued

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 Forfeiture Fund, and Tourism and Convention Fund), General Debt Services Fund, all Enterprise Funds, all Internal Service Funds, and Permanent Funds.

Budgets for the General Fund, certain Special Revenue Funds (Hotel-Motel Occupancy Tax Fund, Police Forfeiture Fund and Tourism and Convention Fund) and the General Debt Services 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 \$48,194,096. Appropriations, which are not expended or encumbered at year-end, must be rebudgeted in the succeeding year.

6. Budgets for Proprietary Funds 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 Funds 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>
Tourism and Convention Fund	\$ 662,121	\$ 654,862	\$ 7,259
Homeownership and Housing Fund	140,673	118,765	21,908

C. Deficit Fund Equity

The Tourism and Convention Fund had a deficit fund balance of \$1,170 as of September 30, 2005. The City plans to transfer from the General Fund to cover the expenditures.

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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 (Note 5: E) for the year ended September 30, 2005, are as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>
U.S. Government Securities	\$25,853,278	.85	AAA
TexPool	34,699,893	.15	AAA
TexStar	4,887,596	.13	AAA
Cash in bank	<u>1,085,964</u>		
Total fair value	<u>\$66,526,731</u>		
Portfolio weighted average maturity		.42	

CITY OF TYLER
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and Investments - continued

Credit Risk – In accordance with its investment policy, the City’s investment strategies are to identify suitable investments options, preserve principal by investing in options with limited perceived credit risk, and to diversify investment types. In addition, the City only uses approved broker / dealers meeting strict qualifications.

Interest Rate Risk – It’s the City’s policy to invest in shorter-term securities to protect market valuation from unanticipated rate movements. In addition, the City will not directly invest in securities maturing more than two years from the date of purchase.

Concentration of Credit Risk – The City will attempt to avoid over-investment in local government pools and match a portion of its investments with anticipated cash flow requirements.

Custodial Credit Risk – Deposits – At September 30, 2005, the carrying amount of the City’s bank deposits was \$1,085,964 and the bank balance was \$2,069,534. 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 department in the City’s name. In accordance with the City’s deposit and investment policy, all deposits placed at a financial institution shall be insured or collateralized in compliance with applicable State law. The City requires market value of pledged securities in excess of 102% of all uninsured deposits.

B. Receivables

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

	Major and Internal Service Funds	Business-Type			Nonmajor Funds	Total
		Water & Sewer Fund	Sanitation Fund	Municipal Airport Fund		
Receivables:						
Accounts	\$5,464,307	\$ 3,046,166	\$ 1,089,244	\$ 48,995	\$ 445,997	\$ 10,094,709
Grants	-	-	-	23,076	1,007,796	1,030,872
Taxes	2,410,795	-	-	-	-	2,410,795
Miscellaneous	271,545	36,592	20,919	1,780	30,702	361,538
Gross receivables	\$8,146,647	\$ 3,082,758	\$ 1,110,163	\$ 73,851	\$ 1,484,495	\$ 13,897,914
Less: allowance for uncollectibles	(52,854)	(160,737)	(40,184)	-	-	(253,775)
Net total receivables	<u>\$8,093,793</u>	<u>\$ 2,922,021</u>	<u>\$ 1,069,979</u>	<u>\$ 73,851</u>	<u>\$ 1,484,495</u>	<u>\$ 13,644,139</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:

	<u>Unavailable</u>
Deferred grant revenues	\$ 69,718
Deferred revenue	230,431
Deferred property taxes receivable (General Fund)	<u>550,020</u>
Total deferred revenue for Governmental funds	<u>\$ 850,169</u>

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

C. Capital Assets

Capital asset activity for the year ended September 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,310,881	\$ 37,000	\$ -	\$ 5,347,881
Construction in progress	10,922,441	7,285,515	(1,073,447)	17,134,509
Total capital assets not being depreciated	16,233,322	7,322,515	(1,073,447)	22,482,390
Capital assets, being depreciated:				
Buildings	25,437,710	22,878	-	25,460,588
Improvements, other than buildings	80,783,220	1,618,018	-	82,401,238
Machinery and equipment	34,567,781	2,160,695	(846,789)	35,881,687
Infrastructure	219,579,577	208,947	-	219,788,524
Total capital assets being depreciated	360,368,288	4,010,538	(846,789)	363,532,037
Less accumulated depreciation for:				
Buildings	(8,947,991)	(613,717)	-	(9,561,708)
Improvements other than buildings	(13,940,137)	(3,945,085)	-	(17,885,222)
Machinery and equipment	(21,378,417)	(3,141,388)	756,033	(23,763,772)
Infrastructure	(116,015,608)	(5,535,516)	-	(121,551,124)
Total accumulated depreciation	(160,282,153)	(13,235,706)	756,033	(172,761,826)
Total capital assets being depreciated, net	200,086,135	(9,225,168)	(90,756)	190,770,211
Government activities capital assets, net	<u>\$ 216,319,457</u>	<u>\$ (1,902,653)</u>	<u>\$ (1,164,203)</u>	<u>\$ 213,252,601</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,644,303	\$ 273,226	\$ -	\$ 5,917,529
Construction in progress	177,009	1,417,484	-	1,594,493
Total capital assets, not being depreciated	5,821,312	1,690,710	-	7,512,022
Capital assets, being depreciated:				
Buildings	49,556,369	2,221,048	-	51,777,417
Improvements, other than buildings	185,200,028	3,327,790	-	188,527,818
Machinery and equipment	5,564,329	346,175	(14,818)	5,895,686
Infrastructure	-	666,788	-	666,788
Total capital assets being depreciated	240,320,726	6,561,801	(14,818)	246,867,709
Less accumulated depreciation for:				
Buildings	(13,560,840)	(1,194,482)	-	(14,755,322)
Improvements other than buildings	(42,724,819)	(5,150,483)	-	(47,875,302)
Machinery and equipment	(2,594,202)	(407,547)	14,818	(2,986,931)
Infrastructure	-	(21,380)	-	(21,380)
Total accumulated depreciation	(58,879,861)	(6,773,892)	14,818	(65,638,935)
Total capital assets being depreciated, net	181,440,865	(212,091)	-	181,228,774
Business-Type activities capital assets, net	<u>\$ 187,262,177</u>	<u>\$ 1,478,619</u>	<u>\$ -</u>	<u>\$ 188,740,796</u>

CITY OF TYLER
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

C. Capital Assets – continued:

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

Governmental activities:		
General government		\$ 34,598
Public safety		2,928,063
Highways and streets, including depreciation of general infrastructure assets		7,325,662
Culture and recreation		747,574
Public service		197,368
Capital assets held by the government’s internal service funds are charged to the various functions based on their usage of the assets		<u>2,002,441</u>
Total depreciation expense – governmental activities		<u>\$13,235,706</u>
Business-type activities:		
Water		\$ 5,684,753
Airport		776,783
Sanitation		<u>312,356</u>
Total depreciation expense – business-type activities		<u>\$ 6,773,892</u>

Construction Commitments

The government has active construction projects as of September 30, 2005. The projects center on street construction and expansion. 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>
Grande Blvd. Extension	<u>\$ 8,262,743</u>	<u>\$ 1,637,257</u>

The projects for public purposes are either funded from existing resources held by the General Fund or by resources held in the ½ Cent Sales Tax Fund.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2005, is as follows:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	State and Federal Grant	\$ 84,236
General Fund	2004 Community Block Development Grant	190,674
General Fund	Home Grant	<u>16,511</u>
		<u>\$291,421</u>

The interfund balances result from overdrafts in the City’s pooled cash account that was funded by the General Fund.

CITY OF TYLER
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

D. Interfund Receivables, Payables, and Transfers - continued

	Transfers in:								Total
	General Fund	Capital Projects Fund	Court Technology Fund	Tourism Fund	1/2 Cent Sales Tax Fund	State Federal Grant Fund	Transit Grant Fund	Airport Fund	
Transfers out:									
General Fund	\$ -	\$1,798,288	\$ 284,618	\$ -	\$ -	\$ 54,970	\$229,384	\$100,000	\$2,467,260
Capital Projects Fund	-	-	-	-	-	-	-	-	-
Forfeiture Fund	1,962	-	-	-	-	-	-	-	1,962
Hotel/Motel Fund	-	-	-	301,350	-	-	-	-	301,350
1/2 Cent Sales Tax Fund	-	-	-	-	-	71,039	-	96,543	167,582
Homeownership Fund	-	-	-	-	-	18,689	-	-	18,689
Airport Fund	-	-	-	-	219,646	-	-	-	219,646
Technology Fund	-	-	-	-	-	-	6,873	-	6,873
Total	<u>\$1,962</u>	<u>\$1,798,288</u>	<u>\$ 284,618</u>	<u>\$301,350</u>	<u>\$219,646</u>	<u>\$144,698</u>	<u>\$236,257</u>	<u>\$196,543</u>	<u>\$3,183,362</u>

Interfund transfers are made in accordance with the City’s adopted budget or through approvals to meet unexpected operating needs.

E. Leases

Operating Leases

The City operates under numerous lease agreements classified as operating leases. The leases contain annual renewals 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, 2005, were approximately \$475,000.

F. Long-Term Debt

General Obligation Bonds

The City 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:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 1997	Refunding	4.65 to 4.90%	<u>\$5,340,000</u>

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

F. Long-Term Debt – continued:

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

Year Ending September 30	<u>Principal</u>	<u>Interest</u>
2006	\$1,000,000	\$ 253,333
2007	1,030,000	206,833
2008	1,055,000	158,423
2009	1,105,000	108,838
2010	<u>1,150,000</u>	<u>56,350</u>
Total	<u>\$5,340,000</u>	<u>\$783,777</u>

Revenue Bonds

The City also issues bonds where the City 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 \$68,440,000.

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%	\$2,905,000
Series 2002	Lake Palestine water treatment plant	2.00 to 4.75%	13,690,000
Series 2003	Water meter replacement	2.00 to 5.00%	11,965,000
Series 2005	Advance Refunding	3.00 to 5.00%	<u>29,545,000</u>

Total outstanding revenue bonds \$58,105,000

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

Year Ending September 30	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,690,000	\$ 2,649,200
2007	2,440,000	2,614,550
2008	2,525,000	2,534,786
2009	2,615,000	2,448,162
2010	2,720,000	2,335,161
2011-2015	11,860,000	9,917,969
2016-2020	8,765,000	7,712,121
2021-2025	11,185,000	5,287,651
2026-2030	<u>14,305,000</u>	<u>2,183,586</u>
Total	<u>\$58,105,000</u>	<u>\$37,683,186</u>

CITY OF TYLER
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

F. Long-Term Debt – continued:

Revenue Bond Advance Refunding

On April 15, 2005, the City issued \$29,750,000 in water and sewer system revenue refunding bonds with interest rates ranging between 3.00% and 5.00%. The City issued the bonds to advance refund \$29,165,000 of the outstanding series 2000 water and sewer bonds with interest rates ranging between 5.00% and 5.70%. The City used the net proceeds to purchase U. S. Treasury Securities – State and Local Government Series. These securities were deposited in an irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded portion of the series 2000 water and sewer bonds. As a result, that portion of the series 2000 water and sewer bonds is considered to be defeased, and the City has removed the liability from the enterprise activities column of the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by approximately \$2,753,000. This amount is being netted against the new debt and amortized over 25 years which is the life of the refunded debt and the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 25 years by approximately \$1,675,000 and resulted in an economic gain of approximately \$1,245,000.

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 2005 water and sewer system revenue refunding bonds amended the reserve requirements mentioned above. As of September 30, 2005, 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, 2005, was as follows:

	Beginning Balance 10/1/04	Additions	Reductions	Ending Balance 9/30/05	Due Within One Year	Due in More Than One Year
Governmental Activities:						
Claims and judgments	\$ 195,000	\$ -	\$ -	\$ 195,000	\$ 195,000	\$ -
General obligation bonds payable	6,300,000	-	960,000	5,340,000	1,000,000	4,340,000
Compensated absences	<u>5,038,907</u>	<u>552,192</u>	<u>288,045</u>	<u>5,303,054</u>	<u>265,153</u>	<u>5,037,901</u>
Governmental Activity	<u>\$11,533,907</u>	<u>\$ 552,192</u>	<u>\$1,248,045</u>	<u>\$10,838,054</u>	<u>\$1,460,153</u>	<u>\$9,377,901</u>
Business-type Activities:						
Revenue bonds payable	\$59,990,000	\$29,758,500	\$31,635,000	\$58,113,500	\$1,690,000	\$56,423,500
Bond premium/(discount)	316,221	(537,539)	-	(221,318)	-	(221,318)
Compensated absences	476,200	59,660	32,576	503,284	25,164	478,120
Landfill closure and post-closure	<u>339,476</u>	<u>-</u>	<u>89,476</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Business-type Activities	<u>\$61,121,897</u>	<u>\$29,280,621</u>	<u>\$31,757,052</u>	<u>\$58,645,466</u>	<u>\$1,965,164</u>	<u>\$56,680,302</u>

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

F. Long-Term Debt – continued:

Changes in long-term liabilities – continued:

The liabilities listed above for compensated absences and for claims and judgments will be liquidated by the City’s General Fund and Utilities Operating Fund. The reduction in the landfill liability is a result of a revised estimate of future post-closure costs.

G. Prior Period Adjustments

At the beginning of fiscal year 2005, net assets and fund balances at the government-wide statements and government fund statements, respectively, have been adjusted in order to comply with reporting requirements of GASB #33 “Accounting and Financial Reporting for Nonexchange Transactions” related to derived tax revenues. This standard requires that a receivable be recognized when the transactions underlying the derived tax revenue occurs (sales taxes, franchise fees, and hotel/motel taxes). In addition, revenue is recognized when the transaction occurs for government-wide statements and when revenue is measurable and available (generally 60 days) in the government fund statements.

Net assets have been adjusted to correct the capitalization of costs associated with the City’s contributions toward the funding of the Texas Department of Transportation’s construction of Loop 49.

The prior period adjustments to net assets on the government-wide statements at September 30, 2004, are as follows:

Franchise fee receivable – Power & Light	\$ 1,143,157
Franchise fee receivable – Natural Gas	116,022
Franchise fee receivable – Cable	64,713
Hotel / Motel tax receivable	125,502
Reclassification of Construction in Progress	<u>(1,384,313)</u>
	<u>\$ 65,081</u>

The prior period adjustments to net assets on the government fund statements at September 30, 2004 are as follows:

	<u>General Funds</u>	<u>½ Cent Sales Tax Fund</u>	<u>Other Non-Major Governmental Fund</u>
Franchise fee receivable – Power & Light	\$1,143,157	\$ -	\$ -
Franchise fee receivable – Natural gas	116,022	-	-
Franchise fee receivable – Cable	64,713	-	-
Hotel / Motel tax receivable	-	-	125,502
Sales tax Receivable	3,348,615	-	-
½ Cent sales tax receivable	-	<u>1,674,307</u>	-
	<u>\$4,672,507</u>	<u>\$1,674,307</u>	<u>\$ 125,502</u>

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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.

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 5: OTHER INFORMATION – continued:

A. Risk Management – continued:

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. 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 City. City management and the collective legal counsel have determined that estimated liability for outstanding lawsuit contingencies at September 30, 2005, was \$195,000. See Note 4: F. for a reconciliation of changes in claims and judgements.

The City is involved in several lawsuits involving Centerpoint Energy Company. The litigation with Centerpoint is complex involving many years, separate lawsuits, and administrative hearings before State agencies. In the opinion of the City's management and collective legal counsel, the resolution of these lawsuits will not have a material adverse effect on the financial condition of the City.

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, 2005, and 2004, 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>
Employee Benefits Fund				
FYE 2004	\$819,946	\$6,272,192	\$6,263,724	\$828,414
FYE 2005	828,414	4,623,279	4,694,373	757,320

C. Joint Venture

The Northeast Texas 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, 2005 is the tenth year of operation of the District as a separate entity from the City and County.

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 5: OTHER INFORMATION – continued:

C. Joint Venture – continued:

For the year ended September 30, 2005, the City budgeted funding of \$675,000 for the Health District and \$298,000 for Animal/Vector Control contractual services to be provided by the District. The City's equity interest in the Health District was approximately \$484,000 at September 30, 2005. Financial statements for the Health District may be obtained at the entity's administrative offices.

D. Water Rights

In 1965, the City purchased the right to 40% of the perpetual annual water yield of Lake Palestine from the Upper Neches River Municipal Water Authority. The City paid \$12,524,200 for the water rights.

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 5 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 retiree's costs.

	Number of Retirees <u>Participating</u>	Cost of Benefits <u>For FYE 9/30/2005</u>
Retirees – Life Insurance	276	\$ 42,215
Not Medicare Eligible – Health Employees, Retirees, and Dependents	771	4,937,619
Medicare Eligible		
Retiree and Spouse – Health	250	571,088
Retiree and Spouse – Prescription Plan	140	348,081
Dental Insurance		
Employees, Retirees, and Dependents	902	424,313

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.

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 5: OTHER INFORMATION – continued:

F. Deferred Compensation – continued:

The market value and carrying value of deferred compensation plan assets is \$8,236,461 for September 30, 2005.

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 F: 2 below); therefore, they are not included in the Texas Municipal Retirement System Plan. All assumptions for valuations at December 31, 2004 are contained in the 2004 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.

CITY OF TYLER
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans – continued:

1. Texas Municipal Retirement System Plan – continued:

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, 2004 valuation is effective for rates beginning January 2006).

The City's contributions were based on an annual covered payroll of \$21,458,158. For the 2005 fiscal year, total contributions of \$2,815,775 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, 2004</u>
Number of Annuitants	300
Number of Members	803
Number of Contributing Members	588

Trend Information:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Contribution as a Percentage of Payroll</u>	<u>Net Pension Obligation</u>
9/30/2005	\$ 2,815,775	100%	12.65%	\$ -
9/30/2004	2,765,414	100%	12.65%	-
9/30/2003	2,470,876	100%	12.52%	-

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	7%
Projected Salary Increases	None
Includes Inflation At	3.5%
Cost-of-Living Adjustments	None

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 plan is considered an independent reporting entity and is not included as a subdivision or component of the City's financial reporting entity. All assumptions for valuations at December 31, 2004, are contained in the 2004 Tyler Firefighter's Relief and Retirement Fund audited financial statements, a copy of which may be obtained at 1718 West Houston, Tyler, Texas 75702.

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans – continued:

2. Tyler Firefighter's Relief and Retirement Fund – continued:

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, 2004:

Group	December 31, 2004
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	79
Current employees:	
Fully vested	39
Nonvested	93
Total	211

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.

The plan does not issue separate financial statements but this information has been combined with the City's Section 125 plan and can be found in Exhibits 10 and 11.

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 13% of pay by the firefighters and 13.5% of payroll by the City of Tyler.

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans – continued:

2. Tyler Firefighter's Relief and Retirement Fund – continued:

Annual Pension Cost:

For the fiscal year ending September 30, 2005, the City of Tyler, Texas' annual pension cost of \$934,972 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 13.09% 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, 2003 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, 2003. 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
9/30/2005	\$ 934,972	100%	13.09%	\$ -
9/30/2004	748,542	100%	11.50%	-
9/30/2003	714,901	100%	11.50%	-

For the 2005 fiscal year, total contributions of \$1,746,613 were required and were paid into the Fund. Total contributions made for the 2004 and 2003 fiscal year were \$1,529,639 and \$1,438,262 respectively.

**Supplementary Trend Information:
Schedule of Employer Contributions:**

Plan Year Ended December 31	Annual Contribution As a Fixed Percentage of Payroll	Annual Required Contribution	Percentage Contributed
1998	11.50%	\$ 545,438	100%
1999	11.50%	592,260	100%
2000	11.50%	615,943	100%
2001	11.50%	634,385	100%
2002	11.50%	639,041	100%
2003	11.50%	714,901	100%
2004	11.50/13.09%	748,542	100%
2005	13.09%	934,972	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.

CITY OF TYLER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans – continued:

2. Tyler Firefighter's Relief and Retirement Fund – continued:

Annual Pension Cost - continued:

Since September 30, 2004, two changes in the plan of benefits have been approved by the firefighters, the Board of Trustees, and the Board's actuary. The changes, effective January 1, 2005, were to increase the firefighters' contributions from 12.0% of pay to 13.5% of pay and to reduce the benefit for surviving spouses from 100% to 66-2/3% of the monthly benefit before the firefighter's death. These changes modified the December 31, 2003 actuarial valuation results by reducing the unfunded actuarial accrued liability (UAAL) from \$6,817,417 to \$6,451,974 and reducing the number of years needed to amortize the UAAL from 36 years to 19 years.

H. Commitments

The City invested in other projects and contracts with outside parties. The more significant of these at September 30, 2005, are as follows:

Greenwood Landfill TX, L.P. – The City set up a trust fund in January 2001 to ensure the eventual closure and post-closure expenditure requirements. The trust fund will be 100% funded by Greenwood Landfill TX, L.P. The initial agreement was that Greenwood would fund the trust at the annual rate of \$400,000 per year for 5 years. In January 2005 the agreement was amended to reduce the annual funding rate to \$36,000 per year beginning October 1, 2004 to allow Greenwood to actively pursue authorization to expand the Landfill from the appropriate regulatory agencies. The funding will be re-evaluated periodically 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.

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.

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 sanitation landfill. The landfill stopped accepting waste in 1988. Currently, the City is in the process of final closure of the landfill and has one year remaining on a closure plan filed with the State of Texas. The City has recognized a postclosure liability of \$250,000 in the Sanitation 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) (b-a)	Funded Ratio c=(a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of covered payroll ((b-a)/c)
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%
12/31/2003	48,972,160	69,509,020	20,536,860	70.5%	21,013,958	97.7%
12/31/2004	52,175,928	76,050,415	23,874,487	68.6%	21,458,158	111.3%

**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%
12/31/2003	38,363,213	45,180,630	6,817,417	84.9%	6,434,890	105.9%
12/31/2004	38,363,213	44,815,187	6,451,974	85.6%	6,434,890	100.3%

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.

ADDITIONAL SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

The *Police 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 *Court Technology Fund* was established to track the receipt of court fees restricted for court technology purchases.

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. There are small projects budgeted in other City funds which were incomplete at year-end.

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

The *Oil and Natural Gas Fund* was established to track revenue received from lease royalties to be used for future one time projects identified by Council.

The *Homeownership and Housing 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 *CDBG Fund* was established to account for the receipt and disbursement of CDBG Grant monies allocated to the City.

The *Home Grant Fund* was established to account for the receipt and disbursement of Home Grant monies allocated to the City to provide affordable housing for low income households.

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 Grants 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 System 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 Liability Fund* is a clearing account for the City's payroll. This fund disburses payroll and is reimbursed by the other City funds.

DEBT SERVICES FUND

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

CAPITAL PROJECTS FUND

The *General Capital Projects Fund* is funded by any remaining fund balance in excess of the 10 percent reserve in the General Fund and is to be used to pay for one time only capital purchases.

PERMANENT FUND

The *Cemeteries Fund* was established to provide perpetual care and maintenance to the City's cemeteries.

CITY OF TYLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

SPECIAL REVENUE FUNDS

	POLICE FORFEITURE	COURT TECHNOLOGY	HOTEL-MOTEL OCCUPANCY TAX	DONATIONS	TOURISM AND CONVENTION	OIL AND NATURAL GAS	HOME- OWNERSHIP AND HOUSING	CDBG	HOME GRANT
ASSETS									
Equity in pooled cash and investments	\$ 215,441	\$ 284,618	\$ 731,028	\$ 154,349	\$ 77,157	\$ 2,174,430	\$ 138,184	\$ -	\$ -
Accounts and grants receivable	709	-	119,573	-	226	323,842	15,372	244,929	22,897
Prepaid items	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 216,150</u>	<u>\$ 284,618</u>	<u>\$ 850,601</u>	<u>\$ 154,349</u>	<u>\$ 77,383</u>	<u>\$ 2,498,272</u>	<u>\$ 153,556</u>	<u>\$ 244,929</u>	<u>\$ 22,897</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 2,095	\$ -	\$ -	\$ 1,266	\$ 35,023	\$ -	\$ 1,524	\$ 50,027	\$ 6,386
Deposits and other refundable balances	51,965	-	-	-	43,530	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	190,674	16,511
Deferred revenue	-	-	-	-	-	-	-	149	-
Total liabilities	<u>54,060</u>	<u>-</u>	<u>-</u>	<u>1,266</u>	<u>78,553</u>	<u>-</u>	<u>1,524</u>	<u>240,850</u>	<u>22,897</u>
Fund balances:									
Reserved for:									
Debt service	-	-	-	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-	-	-	-
Court ordered disbursements	162,090	-	-	-	-	-	-	-	-
Court technology	-	284,618	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-	-
Grants / donations	-	-	-	153,083	-	-	152,032	4,079	-
Total reserved fund balances	<u>162,090</u>	<u>284,618</u>	<u>-</u>	<u>153,083</u>	<u>-</u>	<u>-</u>	<u>152,032</u>	<u>4,079</u>	<u>-</u>
Unreserved fund balances:									
Undesignated, reported in:									
Special revenue funds	-	-	850,601	-	(1,170)	2,498,272	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-
Total unreserved undesignated fund balances	<u>-</u>	<u>-</u>	<u>850,601</u>	<u>-</u>	<u>(1,170)</u>	<u>2,498,272</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>162,090</u>	<u>284,618</u>	<u>850,601</u>	<u>153,083</u>	<u>(1,170)</u>	<u>2,498,272</u>	<u>152,032</u>	<u>4,079</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 216,150</u>	<u>\$ 284,618</u>	<u>\$ 850,601</u>	<u>\$ 154,349</u>	<u>\$ 77,383</u>	<u>\$ 2,498,272</u>	<u>\$ 153,556</u>	<u>\$ 244,929</u>	<u>\$ 22,897</u>

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CITY OF TYLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	SPECIAL REVENUE FUNDS (continued)							PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	HOUSING ASSISTANCE PAYMENT	STATE AND FEDERAL GRANTS	TRANSIT SYSTEM	PAYROLL LIABILITY	TOTAL SPECIAL REVENUE FUNDS	GENERAL DEBT SERVICES	GENERAL CAPITAL PROJECTS	CEMETERIES	
ASSETS									
Equity in pooled cash and investments	\$ 125,584	\$ -	\$ 58,664	\$ 986,979	\$ 4,946,434	\$ 2,603,346	\$ 1,798,288	\$ 2,740,274	\$ 12,088,342
Accounts and grants receivable	918	460,131	265,318	-	1,453,915	8,823	-	21,757	1,484,495
Prepaid items	-	1,213	18,413	-	19,626	-	-	-	19,626
Total assets	\$ 126,502	\$ 461,344	\$ 342,395	\$ 986,979	\$ 6,419,975	\$ 2,612,169	\$ 1,798,288	\$ 2,762,031	\$ 13,592,463
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 11,814	\$ 5,958	\$ 68,919	\$ 986,979	\$ 1,169,991	\$ -	\$ -	\$ 3,018	\$ 1,173,009
Deposits and other refundable balances	59,006	-	-	-	154,501	-	-	-	154,501
Due to other funds	-	84,236	-	-	291,421	-	-	-	291,421
Deferred revenue	-	300,000	-	-	300,149	-	-	-	300,149
Total liabilities	70,820	390,194	68,919	986,979	1,916,062	-	-	3,018	1,919,080
Fund balances:									
Reserved for:									
Debt service	-	-	-	-	-	2,612,169	-	-	2,612,169
Perpetual care	-	-	-	-	-	-	-	2,036,054	2,036,054
Court ordered disbursements	-	-	-	-	162,090	-	-	-	162,090
Court technology	-	-	-	-	284,618	-	-	-	284,618
Capital Projects	-	-	-	-	-	-	1,798,288	-	1,798,288
Grants / donations	55,682	71,150	273,476	-	709,502	-	-	-	709,502
Total reserved fund balances	55,682	71,150	273,476	-	1,156,210	2,612,169	1,798,288	2,036,054	7,602,721
Unreserved fund balances:									
Undesignated, reported in:									
Special revenue funds	-	-	-	-	3,347,703	-	-	722,959	4,070,662
Permanent funds	-	-	-	-	-	-	-	-	-
Total unreserved undesignated fund balances	-	-	-	-	3,347,703	-	-	722,959	4,070,662
Total fund balances	55,682	71,150	273,476	-	4,503,913	2,612,169	1,798,288	2,759,013	11,673,383
Total liabilities and fund balances	\$ 126,502	\$ 461,344	\$ 342,395	\$ 986,979	\$ 6,419,975	\$ 2,612,169	\$ 1,798,288	\$ 2,762,031	\$ 13,592,463

CITY OF TYLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

SPECIAL REVENUE FUNDS

	POLICE FORFEITURE	COURT TECHNOLOGY	HOTEL-MOTEL OCCUPANCY TAX	DONATIONS	TOURISM AND CONVENTION	OIL AND NATURAL GAS	HOME- OWNERSHIP AND HOUSING	CDBG	HOME GRANT
REVENUES									
Taxes	\$ -	\$ -	\$ 1,554,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	-	-	-	-	-	-	104,280	1,847,810	131,923
Fines, forfeitures, and penalties	122,816	-	-	-	-	-	-	-	-
Revenues from use of money and property	6,172	-	13,935	-	329,988	47,596	4,716	-	-
Donations	-	-	-	184,723	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,314	1,015,180	78,952	10,890	7,500
Total revenues	128,988	-	1,568,657	184,723	331,302	1,062,776	187,948	1,858,700	139,423
EXPENDITURES									
Current									
General government	-	-	-	-	-	-	-	-	-
Public safety	7,120	-	-	27,538	-	-	-	-	-
Highways and streets	-	-	-	75	-	-	-	-	-
Culture and recreations	-	-	-	32,808	662,121	15,420	21,380	-	-
Public enterprises	-	-	-	11,531	-	-	-	-	-
Miscellaneous:									
Hotel-Motel administration	-	-	902,000	-	-	-	-	-	-
Salaries, supplies and other	-	-	-	-	-	-	-	305,399	56,056
Housing assistance payments	-	-	-	-	-	-	100,604	420,682	83,367
Capital outlay	106,778	-	-	15,538	-	-	-	1,132,619	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	474	-	-	-	-	-	-	-	-
Total expenditures	114,372	-	902,000	87,490	662,121	15,420	121,984	1,858,700	139,423
Excess (deficiency) of revenues over (under) expenditures	14,616	-	666,657	97,233	(330,819)	1,047,356	65,964	-	-
OTHER FINANCING SOURCES (USES)									
Transfers in	-	284,618	-	-	301,350	-	-	-	-
Transfers out	(1,962)	-	(301,350)	-	-	-	(18,689)	-	-
Total other financing sources (uses)	(1,962)	284,618	(301,350)	-	301,350	-	(18,689)	-	-
Net change in fund balances	12,654	284,618	365,307	97,233	(29,469)	1,047,356	47,275	-	-
Fund balances - October 1, 2004, as previously reported	149,436	-	359,792	55,850	28,299	1,450,916	104,757	4,079	-
Prior period adjustment	-	-	125,502	-	-	-	-	-	-
Fund balances - October 1, 2004, as restated	149,436	-	485,294	55,850	28,299	1,450,916	104,757	4,079	-
Fund Balances - September 30, 2005	\$ 162,090	\$ 284,618	\$ 850,601	\$ 153,083	\$ (1,170)	\$ 2,498,272	\$ 152,032	\$ 4,079	\$ -

CITY OF TYLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>SPECIAL REVENUE FUNDS (continued)</u>					<u>PERMANENT FUNDS</u>		<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>	
	<u>HOUSING ASSISTANCE PAYMENT</u>	<u>STATE AND FEDERAL GRANTS</u>	<u>TRANSIT SYSTEM</u>	<u>PAYROLL LIABILITY</u>	<u>TOTAL SPECIAL REVENUE FUNDS</u>	<u>GENERAL DEBT SERVICES</u>	<u>GENERAL CAPITAL PROJECTS</u>	<u>CEMETERIES</u>	
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,554,722	\$ 1,273,438	\$ -	\$ -	\$ 2,828,160
Grants	6,070,591	1,147,686	1,334,677	-	10,636,967	-	-	-	10,636,967
Fines, forfeitures, and penalties	-	-	-	-	122,816	-	-	-	122,816
Revenues from use of money and property	8,284	-	-	-	410,691	80,268	-	71,052	562,011
Donations	-	-	-	-	184,723	-	-	-	184,723
Charges for services	-	-	-	-	-	-	-	83,320	83,320
Miscellaneous	-	19,801	108,245	-	1,241,882	-	-	1,320	1,243,202
Total revenues	<u>6,078,875</u>	<u>1,167,487</u>	<u>1,442,922</u>	<u>-</u>	<u>14,151,801</u>	<u>1,353,706</u>	<u>-</u>	<u>155,692</u>	<u>15,661,199</u>
EXPENDITURES									
Current									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	34,658	-	-	-	34,658
Highways and streets	-	-	-	-	75	-	-	-	75
Culture and recreations	-	-	-	-	731,729	-	-	178,330	910,059
Public enterprises	-	-	1,576,265	-	1,587,796	-	-	-	1,587,796
Miscellaneous:									
Hotel-Motel administration	-	-	-	-	902,000	-	-	-	902,000
Salaries, supplies and other	514,186	883,827	-	-	1,759,468	-	-	-	1,759,468
Housing assistance payments	5,480,589	-	-	-	6,085,242	-	-	-	6,085,242
Capital outlay	28,418	357,212	5,000	-	1,645,565	-	-	7,270	1,652,835
Debt Service:									
Principal	-	-	-	-	-	960,000	-	-	960,000
Interest and fiscal charges	-	-	-	-	474	300,992	-	-	301,466
Total expenditures	<u>6,023,193</u>	<u>1,241,039</u>	<u>1,581,265</u>	<u>-</u>	<u>12,747,007</u>	<u>1,260,992</u>	<u>-</u>	<u>185,600</u>	<u>14,193,599</u>
Excess (deficiency) of revenues over (under) expenditures	<u>55,682</u>	<u>(73,552)</u>	<u>(138,343)</u>	<u>-</u>	<u>1,404,794</u>	<u>92,714</u>	<u>-</u>	<u>(29,908)</u>	<u>1,467,600</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	144,698	236,257	-	966,923	-	1,798,288	52,170	2,817,381
Transfers out	-	-	-	-	(322,001)	-	-	(52,170)	(374,171)
Total other financing sources (uses)	<u>-</u>	<u>144,698</u>	<u>236,257</u>	<u>-</u>	<u>644,922</u>	<u>-</u>	<u>1,798,288</u>	<u>-</u>	<u>2,443,210</u>
Net change in fund balances	<u>55,682</u>	<u>71,146</u>	<u>97,914</u>	<u>-</u>	<u>2,049,716</u>	<u>92,714</u>	<u>1,798,288</u>	<u>(29,908)</u>	<u>3,910,810</u>
Fund balances - October 1, 2004, as previously reported	-	4	175,562	-	2,328,695	2,519,455	-	2,788,921	7,637,071
Prior period adjustment	-	-	-	-	125,502	-	-	-	125,502
Fund balances - October 1, 2004, as restated	<u>-</u>	<u>4</u>	<u>175,562</u>	<u>-</u>	<u>2,454,197</u>	<u>2,519,455</u>	<u>-</u>	<u>2,788,921</u>	<u>7,762,573</u>
Fund Balances - September 30, 2005	<u>\$ 55,682</u>	<u>\$ 71,150</u>	<u>\$ 273,476</u>	<u>\$ -</u>	<u>\$ 4,503,913</u>	<u>\$ 2,612,169</u>	<u>\$ 1,798,288</u>	<u>\$ 2,759,013</u>	<u>\$ 11,673,383</u>

CITY OF TYLER, TEXAS
POLICE FORFEITURE FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Fines, forfeitures, and penalties	\$ 51,000	\$ 122,816	\$ 71,816
Revenues from use of money and property	200	6,172	5,972
Total revenues	<u>51,200</u>	<u>128,988</u>	<u>77,788</u>
EXPENDITURES			
Public Safety:			
Supplies and services	9,965	7,120	2,845
Capital outlay	120,180	106,778	13,402
Interest	-	474	(474)
Total expenditures	<u>130,145</u>	<u>114,372</u>	<u>15,773</u>
Excess of revenues over (under) expenditures	<u>(78,945)</u>	<u>14,616</u>	<u>93,561</u>
OTHER FINANCING (USES)			
Transfers out	<u>(2,701)</u>	<u>(1,962)</u>	<u>739</u>
Total other financing (uses)	<u>(2,701)</u>	<u>(1,962)</u>	<u>739</u>
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP basis	<u>\$ (81,646)</u>	12,654	<u>\$ 94,300</u>
Fund Balance - October 1, 2004		<u>149,436</u>	
Fund Balance - September 30, 2005		<u>\$ 162,090</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, 2005

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes	\$ 1,325,000	\$ 1,554,722	\$ 229,722
Revenue from use of money and property	1,000	13,935	12,935
Total revenues	<u>1,326,000</u>	<u>1,568,657</u>	<u>242,657</u>
EXPENDITURES			
Hotel-Motel Administration:			
East Texas Symphony	12,500	12,500	-
Tyler Museum of Art	49,500	49,500	-
Smith County Historical Society	9,500	9,500	-
Tyler Chamber of Commerce	498,500	498,500	-
McClendon House	5,000	5,000	-
Rose Garden	327,000	327,000	-
Total Hotel-Motel administration	<u>902,000</u>	<u>902,000</u>	<u>-</u>
Total expenditures	<u>902,000</u>	<u>902,000</u>	<u>-</u>
Excess of revenues over expenditures	<u>424,000</u>	<u>666,657</u>	<u>242,657</u>
OTHER FINANCING (USES)			
Transfers out	<u>(301,350)</u>	<u>(301,350)</u>	<u>-</u>
Total other financing	<u>(301,350)</u>	<u>(301,350)</u>	<u>-</u>
Excess of revenues over expenditures and other financing uses	<u>\$ 122,650</u>	<u>365,307</u>	<u>\$ 242,657</u>
Fund balance - October 1, 2004, as previously reported		359,792	
Prior period adjustment		<u>125,502</u>	
Fund balance - October 1, 2004, as restated		<u>485,294</u>	
Fund Balance - September 30, 2005		<u>\$ 850,601</u>	

CITY OF TYLER, TEXAS
 TOURISM AND CONVENTION FUND
 DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 335,800	\$ 329,988	\$ (5,812)
Miscellaneous revenues	100	1,314	1,214
Total revenues	<u>335,900</u>	<u>331,302</u>	<u>(4,598)</u>
EXPENDITURES			
Parks and Recreation:			
Salaries and benefits	352,175	306,991	45,184
Supplies and services	88,629	96,216	(7,587)
Utilities	130,768	161,757	(30,989)
Maintenance	47,420	59,859	(12,439)
Capital outlay	35,870	37,298	(1,428)
Total parks and recreation	<u>654,862</u>	<u>662,121</u>	<u>(7,259)</u>
Total expenditures	<u>654,862</u>	<u>662,121</u>	<u>(7,259)</u>
Deficiency of revenues under expenditures	<u>(318,962)</u>	<u>(330,819)</u>	<u>(11,857)</u>
OTHER FINANCING SOURCES			
Transfers in	301,350	301,350	-
Total other financing sources	<u>301,350</u>	<u>301,350</u>	<u>-</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses - GAAP basis	<u>\$ (17,612)</u>	(29,469)	<u>\$ (11,857)</u>
Fund Balance - October 1, 2004		<u>28,299</u>	
Fund Balance - September 30, 2005		<u>\$ (1,170)</u>	

CITY OF TYLER, TEXAS
GENERAL DEBT SERVICES FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Property tax collections	\$ 1,261,500	\$ 1,273,438	\$ 11,938
Revenue from use of money and property	25,000	80,268	55,268
Total revenues	<u>1,286,500</u>	<u>1,353,706</u>	<u>67,206</u>
EXPENDITURES			
Paying agent fees	4,008	3,500	508
Principal retirements	960,000	960,000	-
Interest and redemption	297,492	297,492	-
Total expenditures	<u>1,261,500</u>	<u>1,260,992</u>	<u>508</u>
Excess of revenues over expenditures	<u>\$ 25,000</u>	92,714	<u>\$ 67,714</u>
Fund balance - October 1, 2004		<u>2,519,455</u>	
Fund Balance - September 30, 2005		<u>\$ 2,612,169</u>	

**CITY OF TYLER, TEXAS
CEMETERIES FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Trust Fund:			
Revenues from use of money and property	\$ 14,010	\$ 52,171	\$ 38,161
Mausoleum and lot sales	24,000	56,377	32,377
Operations:			
Revenues from use of money and property	8,000	18,881	10,881
Licenses and permits	1,500	1,320	(180)
Mausoleum and lot sales	12,000	26,943	14,943
TOTAL REVENUES - BUDGET BASIS	59,510	155,692	96,182
Financial statement adjustments:			
Transfer in	14,010	52,170	38,160
Transfer out	(14,010)	(52,170)	(38,160)
TOTAL REVENUES - GAAP BASIS	\$ 59,510	\$ 155,692	\$ 96,182
EXPENSES			
Operations:			
Salaries and benefits	\$ 91,474	\$ 86,049	\$ 5,425
Supplies and services	38,959	35,225	3,734
Utilities	28,770	40,997	(12,227)
Maintenance	22,840	16,059	6,781
Capital outlay	17,000	7,270	9,730
TOTAL EXPENSES - BUDGET BASIS	\$ 199,043	\$ 185,600	\$ 13,443

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 Maintenance and Replacement 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 and Liability Insurance 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, 2005**

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
ASSETS							
Current assets:							
Equity in pooled cash and investments	\$ 371,499	\$ 1,047,969	\$ 217,798	\$ 8,075,514	\$ 623,413	\$ 427,563	\$ 10,763,756
Deposits	-	-	75,000	10,000	-	-	85,000
Prepaid expenses	-	-	636	-	-	59,724	60,360
Accounts receivable (net)	1,447	3,488	738	165,380	2,181	2,102	175,336
Inventories - at average cost	-	374,444	-	-	-	-	374,444
Total current assets	<u>372,946</u>	<u>1,425,901</u>	<u>294,172</u>	<u>8,250,894</u>	<u>625,594</u>	<u>489,389</u>	<u>11,458,896</u>
Noncurrent assets:							
Capital assets:							
Land	-	65,000	-	-	-	-	65,000
Buildings	-	357,232	-	-	812,986	3,267	1,173,485
Improvements other than buildings	-	203,594	-	-	81,810	-	285,404
Machinery and equipment	-	16,910,566	-	-	-	4,091,489	21,002,055
Less accumulated depreciation	-	(12,145,520)	-	-	(342,149)	(2,168,671)	(14,656,340)
Total Capital assets (net of accumulated depreciation)	<u>-</u>	<u>5,390,872</u>	<u>-</u>	<u>-</u>	<u>552,647</u>	<u>1,926,085</u>	<u>7,869,604</u>
Total assets	<u>372,946</u>	<u>6,816,773</u>	<u>294,172</u>	<u>8,250,894</u>	<u>1,178,241</u>	<u>2,415,474</u>	<u>19,328,500</u>
LIABILITIES							
Current liabilities:							
Accounts and contracts payable	\$ 111	\$ 117,473	\$ 39,381	\$ 40,320	\$ 16,901	42,590	256,776
Insurance claims payable	-	-	-	757,320	-	-	757,320
Current portion of compensated absences payable	-	1,179	-	-	328	2,575	4,082
Total current liabilities	<u>111</u>	<u>118,652</u>	<u>39,381</u>	<u>797,640</u>	<u>17,229</u>	<u>45,165</u>	<u>1,018,178</u>
Noncurrent liabilities:							
Compensated absences payable	-	22,392	-	-	6,238	48,920	77,550
Total noncurrent liabilities	<u>-</u>	<u>22,392</u>	<u>-</u>	<u>-</u>	<u>6,238</u>	<u>48,920</u>	<u>77,550</u>
Total Liabilities	<u>111</u>	<u>141,044</u>	<u>39,381</u>	<u>797,640</u>	<u>23,467</u>	<u>94,085</u>	<u>1,095,728</u>
NET ASSETS							
Invested in capital assets, net of related debt	-	5,390,872	-	-	552,647	1,926,085	7,869,604
Unrestricted	372,835	1,284,857	254,791	7,453,254	602,127	395,304	10,363,168
Total Net Assets	<u>\$ 372,835</u>	<u>\$ 6,675,729</u>	<u>\$ 254,791</u>	<u>\$ 7,453,254</u>	<u>\$ 1,154,774</u>	<u>\$ 2,321,389</u>	<u>\$ 18,232,772</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, 2005

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
OPERATING REVENUES							
Charges for services	\$ 459,000	\$ 2,572,792	\$ 535,427	\$ -	\$ 155,973	\$ 2,394,805	\$ 6,117,997
Contributions	-	-	-	9,061,316	-	-	9,061,316
Miscellaneous	-	-	-	-	-	-	-
Total operating revenues	<u>459,000</u>	<u>2,572,792</u>	<u>535,427</u>	<u>9,061,316</u>	<u>155,973</u>	<u>2,394,805</u>	<u>15,179,313</u>
OPERATING EXPENSES							
Garage operations	-	964,338	-	-	-	-	964,338
Depreciation	-	1,478,638	-	-	9,477	514,325	2,002,440
Insurance claims	-	-	597,855	4,823,071	-	-	5,420,926
Administrative	139,371	-	-	2,099,052	46,819	1,361,559	3,646,801
Special services	212,919	-	-	45,020	23,068	154,115	435,122
Maintenance	-	-	-	-	116,201	601,859	718,060
Total operating expenses	<u>352,290</u>	<u>2,442,976</u>	<u>597,855</u>	<u>6,967,143</u>	<u>195,565</u>	<u>2,631,858</u>	<u>13,187,687</u>
Operating income (loss)	<u>106,710</u>	<u>129,816</u>	<u>(62,428)</u>	<u>2,094,173</u>	<u>(39,592)</u>	<u>(237,053)</u>	<u>1,991,626</u>
NON-OPERATING REVENUES							
Revenues from use of money and property	14,764	35,001	6,035	181,674	17,748	36,633	291,855
Gain on sale of assets	-	212,362	-	-	3,081	-	215,443
Total non-operating revenues	<u>14,764</u>	<u>247,363</u>	<u>6,035</u>	<u>181,674</u>	<u>20,829</u>	<u>36,633</u>	<u>507,298</u>
Income (loss) before contributions and transfers	<u>121,474</u>	<u>377,179</u>	<u>(56,393)</u>	<u>2,275,847</u>	<u>(18,763)</u>	<u>(200,420)</u>	<u>2,498,924</u>
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	(6,873)	(6,873)
Change in net assets	<u>121,474</u>	<u>377,179</u>	<u>(56,393)</u>	<u>2,275,847</u>	<u>(18,763)</u>	<u>(207,293)</u>	<u>2,492,051</u>
Total net assets - October 1, 2004	<u>251,361</u>	<u>6,298,550</u>	<u>311,184</u>	<u>5,177,407</u>	<u>1,173,537</u>	<u>2,528,682</u>	<u>15,740,721</u>
Total net assets - September 30, 2005	<u>\$ 372,835</u>	<u>\$ 6,675,729</u>	<u>\$ 254,791</u>	<u>\$ 7,453,254</u>	<u>\$ 1,154,774</u>	<u>\$ 2,321,389</u>	<u>\$ 18,232,772</u>

**CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

Increase (Decrease) in Cash and Cash Equivalents

	<u>PRODUCTIVITY IMPROVEMENT</u>	<u>FLEET MAINTENANCE AND REPLACEMENT</u>	<u>PROPERTY AND LIABILITY INSURANCE</u>	<u>EMPLOYEE BENEFITS</u>	<u>PROPERTY AND FACILITY MANAGEMENT</u>	<u>TECHNOLOGY</u>	<u>TOTAL (EXHIBIT 9)</u>
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers and users	\$ 458,036	\$ 2,571,179	\$ 535,194	\$ 9,258,142	\$ 154,943	\$ 2,393,057	\$ 15,370,551
Cash paid to suppliers for goods and services	-	(508,342)	-	(2,121,083)	(139,264)	(1,150,297)	(3,918,986)
Cash paid to employees for services	(364,619)	(572,235)	-	-	(46,819)	(876,828)	(1,860,501)
Insurance claims paid	-	-	(603,842)	(4,894,165)	-	-	(5,498,007)
Net cash provided by (used in) operating activities	<u>93,417</u>	<u>1,490,602</u>	<u>(68,648)</u>	<u>2,242,894</u>	<u>(31,140)</u>	<u>365,932</u>	<u>4,093,057</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Transfers in from other funds	-	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	(6,873)	(6,873)
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,873)</u>	<u>(6,873)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	-	(1,237,916)	-	-	(5,110)	(101,217)	(1,344,243)
Proceeds from sale of assets	-	161,087	-	-	3,081	-	164,168
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(1,076,829)</u>	<u>-</u>	<u>-</u>	<u>(2,029)</u>	<u>(101,217)</u>	<u>(1,180,075)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends on investments	<u>14,764</u>	<u>35,001</u>	<u>6,035</u>	<u>181,674</u>	<u>17,748</u>	<u>36,633</u>	<u>291,855</u>
Net cash provided by investing activities	<u>14,764</u>	<u>35,001</u>	<u>6,035</u>	<u>181,674</u>	<u>17,748</u>	<u>36,633</u>	<u>291,855</u>
Net increase (decrease) in cash and cash equivalents	108,181	448,774	(62,613)	2,424,568	(15,421)	294,475	3,197,964
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>263,318</u>	<u>599,195</u>	<u>355,411</u>	<u>5,660,946</u>	<u>638,834</u>	<u>133,088</u>	<u>7,650,792</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 371,499</u>	<u>\$ 1,047,969</u>	<u>\$ 292,798</u>	<u>\$ 8,085,514</u>	<u>\$ 623,413</u>	<u>\$ 427,563</u>	<u>\$ 10,848,756</u>

(continued)

**CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

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

	<u>PRODUCTIVITY IMPROVEMENT</u>	<u>FLEET MAINTENANCE AND REPLACEMENT</u>	<u>PROPERTY AND LIABILITY INSURANCE</u>	<u>EMPLOYEE BENEFITS</u>	<u>PROPERTY AND FACILITY MANAGEMENT</u>	<u>TECHNOLOGY</u>	<u>TOTAL (EXHIBIT 9)</u>
Operating income (loss)	\$ 106,710	\$ 129,816	\$ (62,428)	\$ 2,094,173	\$ (39,592)	\$ (237,053)	\$ 1,991,626
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	-	1,478,638	-	-	9,477	514,325	2,002,440
(Increase) decrease in receivables	(964)	(1,613)	(233)	196,826	(1,030)	(1,748)	191,238
(Increase) decrease in prepaid expenses	-	-	(636)	-	-	(576)	(1,212)
(Increase) decrease in inventory	-	(187,900)	-	-	-	-	(187,900)
Increase (decrease) in accounts payable	(12,329)	80,057	(5,351)	22,989	116	39,489	124,971
Increase (decrease) in claims payable	-	-	-	(71,094)	-	-	(71,094)
Increase (decrease) in compensated absences payable	-	(8,396)	-	-	(111)	51,495	42,988
Total adjustments	<u>(13,293)</u>	<u>1,360,786</u>	<u>(6,220)</u>	<u>148,721</u>	<u>8,452</u>	<u>602,985</u>	<u>2,101,431</u>
Net cash (used in) provided by operating activities	<u>\$ 93,417</u>	<u>\$ 1,490,602</u>	<u>\$ (68,648)</u>	<u>\$ 2,242,894</u>	<u>\$ (31,140)</u>	<u>\$ 365,932</u>	<u>\$ 4,093,057</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, 2005**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 4,000	\$ 14,764	\$ 10,764
Intergovernmental revenue	459,000	459,000	-
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 463,000</u>	<u>\$ 473,764</u>	<u>\$ 10,764</u>
EXPENSES			
Salaries and benefits	\$ 37,000	\$ 139,371	\$ (102,371)
Supplies and services	-	-	-
Special services	646,000	212,919	433,081
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 683,000</u>	<u>\$ 352,290</u>	<u>\$ 330,710</u>

CITY OF TYLER, TEXAS
FLEET MAINTENANCE AND REPLACEMENT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Revenues from use of money and property	\$ 10,000	\$ 35,001	\$ 25,001
Current service charges	2,555,850	2,572,792	16,942
Sale of assets	<u>175,800</u>	<u>239,280</u>	<u>63,480</u>
TOTAL REVENUES - BUDGET BASIS	<u>\$ 2,741,650</u>	2,847,073	<u>\$ 105,423</u>
Financial statement adjustments:			
Transfer in		-	
Retirement of assets sold		<u>(26,918)</u>	
TOTAL REVENUES - GAAP BASIS		<u>\$ 2,820,155</u>	
EXPENSES			
Garage administration and operations:			
Salaries and benefits	\$ 637,208	\$ 572,235	\$ 64,973
Supplies and services	125,391	217,854	(92,463)
Utilities	1,000	996	4
Maintenance	44,110	68,076	(23,966)
Capital outlay	<u>2,205,300</u>	<u>1,482,303</u>	<u>722,997</u>
Total garage administration	<u>3,013,009</u>	<u>2,341,464</u>	<u>671,545</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 3,013,009</u>	2,341,464	<u>\$ 671,545</u>
Financial statement adjustments:			
Transfer out		-	
Capital outlay items not expensed		(1,377,126)	
Depreciation expense		<u>1,478,638</u>	
TOTAL EXPENSES - GAAP BASIS		<u>\$ 2,442,976</u>	

**CITY OF TYLER, TEXAS
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, 2005**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 2,000	\$ 6,035	\$ 4,035
Intergovernmental revenue	535,427	535,427	-
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 537,427</u>	<u>\$ 541,462</u>	<u>\$ 4,035</u>
EXPENSES			
Claims and premiums	\$ 749,000	\$ 597,855	\$ 151,145
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 749,000</u>	<u>\$ 597,855</u>	<u>\$ 151,145</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, 2005**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 24,000	\$ 181,674	\$ 157,674
Health Stop / Loss reimbursement	200,000	-	(200,000)
Contributions from City of Tyler	7,098,186	7,071,055	(27,131)
Contributions from employees	2,041,658	1,990,261	(51,397)
Total revenues	<u>9,363,844</u>	<u>9,242,990</u>	<u>(120,854)</u>
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 9,363,844</u>	<u>\$ 9,242,990</u>	<u>\$ (120,854)</u>
EXPENSES			
Employee insurance fund administration:			
Special services	\$ 42,000	\$ 45,020	\$ (3,020)
Claims	5,960,000	4,610,527	1,349,473
Administrative fees	2,222,500	2,099,052	123,448
Life insurance	215,000	212,544	2,456
Total employee insurance fund administration	<u>8,439,500</u>	<u>6,967,143</u>	<u>1,472,357</u>
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 8,439,500</u>	<u>\$ 6,967,143</u>	<u>\$ 1,472,357</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, 2005

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Revenues from use of money and property	\$ 3,000	\$ 17,748	\$ 14,748
Charges for services	155,973	155,973	-
Sale of assets	-	3,081	3,081
	<u>158,973</u>	<u>176,802</u>	<u>17,829</u>
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 158,973</u>	<u>\$ 176,802</u>	<u>\$ 17,829</u>
EXPENSES			
Property and facility administration:			
Salaries and benefits	\$ 46,103	\$ 46,819	\$ (716)
Supplies and services	57,306	22,658	34,648
Utilities	580	410	170
Maintenance	100,553	116,201	(15,648)
Capital outlay	10,000	5,110	4,890
	<u>214,542</u>	<u>191,198</u>	<u>23,344</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 214,542</u>	<u>191,198</u>	<u>\$ 23,344</u>
Financial statement adjustments:			
Capital outlay items not expensed		(5,110)	
Depreciation expense		9,477	
TOTAL EXPENSES - GAAP BASIS		<u>\$ 195,565</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, 2005**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 7,225	\$ 36,633	\$ 29,408
Charges for services	<u>2,031,984</u>	<u>2,394,805</u>	<u>362,821</u>
TOTAL REVENUES - BUDGET BASIS	<u><u>\$ 2,039,209</u></u>	2,431,438	<u><u>\$ 392,229</u></u>
Financial statement adjustments:			
Transfer in		<u>-</u>	
TOTAL REVENUES - GAAP BASIS		<u><u>\$ 2,431,438</u></u>	
EXPENSES			
Office technology fund administration:			
Salaries and benefits	\$ 802,364	\$ 876,828	\$ (74,464)
Supplies and services	571,394	419,081	152,313
Utilities	391,844	219,765	172,079
Maintenance	578,242	549,418	28,824
Capital outlay	<u>214,409</u>	<u>153,658</u>	<u>60,751</u>
Total office technology fund administration	<u>2,558,253</u>	<u>2,218,750</u>	<u>339,503</u>
TOTAL EXPENSES - BUDGET BASIS	<u><u>\$ 2,558,253</u></u>	2,218,750	<u><u>\$ 339,503</u></u>
Financial statement adjustments:			
Transfer out		6,873	
Capital outlay items not expensed		(101,217)	
Depreciation		<u>514,325</u>	
TOTAL EXPENSES - GAAP BASIS		<u><u>\$ 2,638,731</u></u>	

MAJOR GOVERNMENTAL FUNDS

The following schedules are additional supplementary information for the General and Enterprise Funds.

CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
PROPERTY TAX COLLECTIONS			
Current taxes	\$ 10,276,600	\$ 10,424,972	\$ 148,372
Delinquent taxes	130,000	159,400	29,400
Penalty and interest	140,000	164,179	24,179
Tax collection fee	55,000	59,746	4,746
Total property tax collections	10,601,600	10,808,297	206,697
GROSS RECEIPTS TAXES			
Franchise - light and power	4,000,000	3,951,786	(48,214)
Franchise - natural gas	900,000	931,633	31,633
Franchise - telephone	900,000	961,619	61,619
Franchise - cable television	761,600	791,460	29,860
Franchise - street use fee	250,600	292,419	41,819
Total gross receipts taxes	6,812,200	6,928,917	116,717
SALES AND USE TAXES			
General sales tax	20,019,679	20,263,478	243,799
Mixed drink tax	218,000	255,091	37,091
Bingo tax	30,000	30,740	740
Total sales and use taxes	20,267,679	20,549,309	281,630
LICENSES AND PERMITS			
Building	280,000	279,863	(137)
Electrical	120,000	157,816	37,816
Plumbing	90,000	105,506	15,506
Zoning	24,000	24,912	912
Parking meter	108,000	107,329	(671)
Mechanical permits	34,000	45,238	11,238
Occupation	7,300	10,420	3,120
Wrecker	300	202	(98)
Taxicab and limousine	200	165	(35)
Burglar alarm	45,000	53,240	8,240
Sign	12,900	13,210	310
Contractors	27,000	7,005	(19,995)
House movers license	1,000	245	(755)
Permit fee	12,000	-	(12,000)
Total licenses and permits	761,700	805,151	43,451
FINES, FORFEITURES, AND PENALTIES			
Moving violation fines	2,300,000	2,794,607	494,607
Library fines and rents	4,200	4,745	545
Tax service fees on fines	123,000	177,335	54,335
Arrest fee fines	137,500	166,013	28,513
Municipal court administrative fees	80,700	114,585	33,885
Warrant fees	385,000	477,192	92,192
Child safety fees	2,500	14,475	11,975

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FINES, FORFEITURES, AND PENALTIES (cont'd.)			
Teen court fees	1,500	2,570	1,070
Municipal court security	115,000	134,138	19,138
Miscellaneous municipal court fines	11,500	18,029	6,529
Court time payment fee	130,000	156,336	26,336
Technology fees	110,000	138,807	28,807
Special court fees	500,000	479,234	(20,766)
Collection firm fee	9,000	(9,848)	(18,848)
Court fee - Clearing	-	(1,745)	(1,745)
Total fines, forfeitures, and penalties	<u>3,909,900</u>	<u>4,666,473</u>	<u>756,573</u>
REVENUES FROM USE OF MONEY OR PROPERTY			
Rent - miscellaneous	3,500	3,892	392
Paving and drainage assessment	-	1,891	1,891
Distributed interest	75,000	270,758	195,758
Total revenues from use of money or property	<u>78,500</u>	<u>276,541</u>	<u>198,041</u>
CHARGES FOR CURRENT SERVICES			
Swimming pool admissions	6,600	12,669	6,069
Fire inspection fees	8,000	12,259	4,259
Map sales	800	226	(574)
Lot mowing	10,000	9,625	(375)
Glass membership fees	40,000	47,620	7,620
Copying fees	12,000	19,387	7,387
Street repair utility cuts	-	-	-
Platting fees	14,000	23,559	9,559
Open records	28,000	23,245	(4,755)
Rental of Glass and Bergfield	18,375	15,459	(2,916)
Miscellaneous charges	90,000	99,957	9,957
False alarm fees	-	1,180	1,180
Half cent administration costs	31,200	31,200	-
Total charges for current services	<u>258,975</u>	<u>296,386</u>	<u>37,411</u>
INTERGOVERNMENTAL REVENUES			
Reimbursement of overhead from water and sewer operating fund	574,000	574,000	-
Reimbursement of overhead from sanitation fund	134,400	134,400	-
Reimbursement of overhead from hotel/motel occupancy tax fund	327,000	327,000	-
In lieu of franchise taxes from water and sewer operating fund	1,108,342	1,079,743	(28,599)
Total intergovernmental revenues	<u>2,143,742</u>	<u>2,115,143</u>	<u>(28,599)</u>

(Continued)

CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES FROM OTHER AGENCIES			
County government	-	6,499	6,499
State government	14,500	14,218	(282)
County hazardous material service	5,000	5,000	-
Prior year restitution income	-	945	945
DEA Project reimbursement	36,756	51,338	14,582
STEP grant	-	49,942	49,942
Auto theft task force grant	67,988	61,410	(6,578)
ETEX violent crimes task force	-	10,732	10,732
Bullet proof vest grant	8,500	-	(8,500)
Local law enforcement grant	36,371	17,658	(18,713)
Safe and Sober Grant	49,500	(14)	(49,514)
Click it or ticket grant	34,500	7,461	(27,039)
School crossing guards	25,000	25,500	500
Homeland security grant	75,000	-	(75,000)
Total revenues from other agencies	353,115	250,689	(102,426)
MISCELLANEOUS			
Contribution for construction	-	749	749
Oil leases and royalties	15,000	-	(15,000)
Contractor testing fees	27,000	73,480	46,480
Unclaimed property revenue	13,500	21,108	7,608
Utility litigation settlement	-	363,238	363,238
Returned check fees	2,000	3,125	1,125
Participant fees	163,300	184,531	21,231
Concessions	10,900	2,893	(8,007)
Field rental	24,000	37,410	13,410
Sports field maintenance	29,500	9,520	(19,980)
Total miscellaneous	285,200	696,054	410,854
Total revenues before other financing sources	45,472,611	47,392,960	1,920,349
OTHER FINANCING SOURCES			
Transfer from Forfeiture fund	-	1,962	1,962
Sale of equipment	3,200	4,106	906
Total other financing sources	3,200	6,068	2,868
TOTAL REVENUES	\$ 45,475,811	\$ 47,399,028	\$ 1,923,217

CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
GENERAL GOVERNMENT			
GENERAL GOVERNMENT SERVICES:			
Salaries and benefits	\$ 785,823	\$ 785,823	\$ -
Supplies and services	2,786,660	3,495,851	(709,191)
Maintenance	-	523	(523)
Capital outlay	33,375	33,375	-
Total general government services	<u>3,605,858</u>	<u>4,315,572</u>	<u>(709,714)</u>
CITY MANAGER:			
Salaries and benefits	440,333	439,141	1,192
Supplies and services	66,066	74,676	(8,610)
Utilities	970	2,194	(1,224)
Maintenance	-	99	(99)
Total city manager	<u>507,369</u>	<u>516,110</u>	<u>(8,741)</u>
CITY CLERK:			
Salaries and benefits	89,573	96,084	(6,511)
Supplies and services	21,749	23,318	(1,569)
Utilities	100	108	(8)
Maintenance	756	757	(1)
Total city clerk	<u>112,178</u>	<u>120,267</u>	<u>(8,089)</u>
CITY HALL:			
Salaries and benefits	92,653	85,087	7,566
Supplies and services	149,294	142,847	6,447
Utilities	46,870	60,066	(13,196)
Maintenance	31,275	33,879	(2,604)
Total city hall	<u>320,092</u>	<u>321,879</u>	<u>(1,787)</u>
ACCOUNTING:			
Salaries and benefits	412,077	403,615	8,462
Supplies and services	47,697	46,750	947
Utilities	660	421	239
Total accounting	<u>460,434</u>	<u>450,786</u>	<u>9,648</u>
LEGAL:			
Salaries and benefits	399,285	391,603	7,682
Supplies and services	51,486	93,551	(42,065)
Utilities	460	531	(71)
Capital outlay	6,612	6,568	44
Total legal	<u>457,843</u>	<u>492,253</u>	<u>(34,410)</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
GENERAL GOVERNMENT (continued)			
STAFF SERVICES:			
Salaries and benefits	265,295	256,220	9,075
Supplies and services	58,594	65,233	(6,639)
Utilities	300	138	162
Maintenance	100	120	(20)
	<u>324,289</u>	<u>321,711</u>	<u>2,578</u>
Total personnel			
	<u>324,289</u>	<u>321,711</u>	<u>2,578</u>
Total general government	<u>5,788,063</u>	<u>6,538,578</u>	<u>(750,515)</u>
POLICE ADMINISTRATION			
Salaries and benefits	15,381,423	15,252,315	129,108
Supplies and services	1,212,814	1,166,722	46,092
Utilities	116,222	167,183	(50,961)
Maintenance	837,011	820,801	16,210
Capital outlay	47,295	18,021	29,274
	<u>17,594,765</u>	<u>17,425,042</u>	<u>169,723</u>
Total police administration			
	<u>17,594,765</u>	<u>17,425,042</u>	<u>169,723</u>
FIRE ADMINISTRATION			
Salaries and benefits	8,718,531	9,026,806	(308,275)
Supplies and services	406,168	415,791	(9,623)
Utilities	86,776	100,914	(14,138)
Maintenance	218,127	234,927	(16,800)
Capital outlay	83,525	102,891	(19,366)
	<u>9,513,127</u>	<u>9,881,329</u>	<u>(368,202)</u>
Total fire administration			
	<u>9,513,127</u>	<u>9,881,329</u>	<u>(368,202)</u>
PUBLIC SERVICES			
ENGINEERING:			
Salaries and benefits	716,291	645,311	70,980
Supplies and services	83,229	88,650	(5,421)
Utilities	5,185	4,058	1,127
Maintenance	26,520	28,929	(2,409)
Capital outlay	200,000	193,186	6,814
	<u>1,031,225</u>	<u>960,134</u>	<u>71,091</u>
Total engineering			
	<u>1,031,225</u>	<u>960,134</u>	<u>71,091</u>
STREETS:			
Salaries and benefits	1,578,886	1,534,088	44,798
Supplies and services	289,081	305,943	(16,862)
Utilities	2,300	3,338	(1,038)
Maintenance	700,540	736,758	(36,218)
Capital outlay	-	-	-
	<u>2,570,807</u>	<u>2,580,127</u>	<u>(9,320)</u>
Total streets			
	<u>2,570,807</u>	<u>2,580,127</u>	<u>(9,320)</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
PUBLIC SERVICES (cont'd.)			
TRAFFIC OPERATIONS:			
Salaries and benefits	711,682	634,563	77,119
Supplies and services	163,712	126,022	37,690
Utilities	1,062,799	1,152,240	(89,441)
Maintenance	164,900	153,593	11,307
Capital outlay	31,000	30,866	134
Total traffic operations	<u>2,134,093</u>	<u>2,097,284</u>	<u>36,809</u>
Total public services	<u>5,736,125</u>	<u>5,637,545</u>	<u>98,580</u>
LIBRARY ADMINISTRATION			
Salaries and benefits	906,453	881,811	24,642
Supplies and services	242,133	227,323	14,810
Utilities	58,400	55,587	2,813
Maintenance	36,280	29,863	6,417
Capital outlay	104,410	104,474	(64)
Total library administration	<u>1,347,676</u>	<u>1,299,058</u>	<u>48,618</u>
PARKS AND RECREATION			
PARKS:			
Salaries and benefits	1,087,978	1,103,990	(16,012)
Supplies and services	486,395	571,648	(85,253)
Utilities	324,724	484,820	(160,096)
Maintenance	567,868	492,573	75,295
Capital outlay	183,347	109,597	73,750
Total parks administration	<u>2,650,312</u>	<u>2,762,628</u>	<u>(112,316)</u>
ROSE GARDEN MAINTENANCE:			
Salaries and benefits	352,540	344,944	7,596
Supplies and services	121,350	126,761	(5,411)
Utilities	66,550	105,307	(38,757)
Maintenance	77,565	88,497	(10,932)
Capital outlay	36,000	31,241	4,759
Total Rose Garden maintenance	<u>654,005</u>	<u>696,750</u>	<u>(42,745)</u>
Total parks and recreation	<u>3,304,317</u>	<u>3,459,378</u>	<u>(155,061)</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
PLANNING AND INSPECTION			
PLANNING AND ZONING:			
Salaries and benefits	197,497	195,250	2,247
Supplies and services	44,012	39,386	4,626
Utilities	1,018	1,617	(599)
Maintenance	3,400	2,751	649
Capital outlay	870	870	-
Total planning and zoning	<u>246,797</u>	<u>239,874</u>	<u>6,923</u>
BUILDING INSPECTION:			
Salaries and benefits	473,776	449,052	24,724
Supplies and services	62,680	64,240	(1,560)
Utilities	3,400	4,195	(795)
Maintenance	21,522	21,396	126
Total building inspection	<u>561,378</u>	<u>538,883</u>	<u>22,495</u>
CAPITAL PROJECTS ADMINISTRATION:			
Salaries and benefits	102,974	109,666	(6,692)
Supplies and services	8,275	7,040	1,235
Utilities	400	396	4
Total capital projects	<u>111,649</u>	<u>117,102</u>	<u>(5,453)</u>
Total planning and inspection	<u>919,824</u>	<u>895,859</u>	<u>23,965</u>
MUNICIPAL COURT			
Salaries and benefits	824,653	531,931	292,722
Supplies and services	643,314	799,764	(156,450)
Utilities	8,275	11,891	(3,616)
Maintenance	25,790	26,318	(528)
Capital outlay	6,760	4,260	2,500
Total municipal court	<u>1,508,792</u>	<u>1,374,164</u>	<u>134,628</u>
OTHER FINANCING USES			
Transfer to general fund	1,798,288	1,798,288	-
Transfer to enterprise	100,000	100,000	-
Transfer to special revenue	583,119	568,972	14,147
Total other financing uses	<u>2,481,407</u>	<u>2,467,260</u>	<u>14,147</u>
TOTAL EXPENDITURES	<u><u>\$ 48,194,096</u></u>	<u><u>\$ 48,978,213</u></u>	<u><u>\$ (784,117)</u></u>

(Continued)

CITY OF TYLER, TEXAS
 UTILITIES FUND
 DETAILED SCHEDULE OF REVENUES -
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money or property	\$ 143,582	\$ 161,521	\$ 17,939
Charges for current services	22,926,954	23,049,710	122,756
Miscellaneous income	96,302	149,930	53,628
TOTAL REVENUES BUDGET BASIS	<u>\$ 23,166,838</u>	23,361,161	<u>\$ 194,323</u>
Financial Statement Adjustments:			
Transfers in		<u>2,470,000</u>	
TOTAL REVENUES GAAP BASIS		<u>\$ 25,831,161</u>	

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
WATER ADMINISTRATION AND SUNDRY			
Salaries and benefits	\$ 573,821	\$ 563,565	\$ 10,256
Supplies and services	3,331,239	3,191,228	140,011
Utilities	11,800	10,721	1,079
Maintenance	20,860	13,984	6,876
Capital outlay	3,200	747	2,453
Transfers out	5,102,511	5,102,511	-
Total water administration and sundry	<u>9,043,431</u>	<u>8,882,756</u>	<u>160,675</u>
WATER OFFICE			
Salaries and benefits	527,928	520,900	7,028
Supplies and services	421,489	435,728	(14,239)
Utilities	774	649	125
Maintenance	27,902	33,824	(5,922)
Capital outlay	2,750	1,790	960
Total water office	<u>980,843</u>	<u>992,891</u>	<u>(12,048)</u>
WATER DISTRIBUTION			
Salaries and benefits	922,854	794,871	127,983
Supplies and services	97,477	375,017	(277,540)
Utilities	14,688	21,420	(6,732)
Maintenance	226,539	271,842	(45,303)
Capital outlay	310,302	511,485	(201,183)
Total water distribution	<u>1,571,860</u>	<u>1,974,635</u>	<u>(402,775)</u>
WATER PLANT			
Salaries and benefits	973,674	966,834	6,840
Supplies and services	886,828	800,852	85,976
Utilities	1,708,948	1,811,925	(102,977)
Maintenance	188,330	194,752	(6,422)
Capital outlay	968,700	536,716	431,984
Total water plant	<u>4,726,480</u>	<u>4,311,079</u>	<u>415,401</u>

(Continued)

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
WASTE COLLECTION			
Salaries and benefits	581,161	445,714	135,447
Supplies and services	64,788	295,370	(230,582)
Utilities	908	2,254	(1,346)
Maintenance	354,760	378,300	(23,540)
Capital outlay	3,262,480	1,760,315	1,502,165
Total waste collection	4,264,097	2,881,953	1,382,144
WASTE TREATMENT PLANT			
Salaries and benefits	1,145,847	1,114,273	31,574
Supplies and services	1,996,786	1,693,281	303,505
Utilities	632,691	685,231	(52,540)
Maintenance	189,480	190,004	(524)
Capital outlay	2,410,500	1,874,399	536,101
Total waste treatment plant	6,375,304	5,557,188	818,116
LAKE TYLER			
Salaries and benefits	380,949	383,747	(2,798)
Supplies and services	60,006	50,633	9,373
Utilities	15,020	19,981	(4,961)
Maintenance	322,320	305,634	16,686
Capital outlay	-	-	-
Total Lake Tyler	778,295	759,995	18,300
STORM WATER MANAGEMENT			
Capital outlay	-	36,240	(36,240)
Total Storm Water Management	-	36,240	(36,240)
TOTAL EXPENSES AND TRANSFERS - BUDGET BASIS			
	<u>\$ 27,740,310</u>	25,396,737	<u>\$ 2,343,573</u>
Financial statement adjustments:			
Amortization		22,665	
Capital outlay items not expensed		(4,682,717)	
Depreciation expense		5,658,749	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS		<u>\$ 26,395,434</u>	

**CITY OF TYLER, TEXAS
SANITATION FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Franchise Fees	\$ 383,000	\$ 516,866	\$ 133,866
Revenue from use of money or property	42,000	151,538	109,538
Charges for current services	7,103,000	7,800,930	697,930
Miscellaneous revenues	200	297,583	297,383
TOTAL REVENUES - BUDGET BASIS	\$ 7,528,200	8,766,917	\$ 1,238,717
Financial statement adjustments:			
Sale of property		19,013	
TOTAL REVENUES - GAAP BASIS		\$ 8,785,930	
EXPENSES			
Solid waste administration:			
Salaries and benefits	\$ 566,135	\$ 483,151	\$ 82,984
Supplies and services	672,930	531,067	141,863
Utilities	4,831	3,537	1,294
Maintenance	6,190	8,011	(1,821)
Transfers out	-	-	-
Capital outlay	75,000	273,226	(198,226)
Total solid waste administration	1,325,086	1,298,992	26,094
Residential collections:			
Salaries and benefits	1,127,211	947,480	179,731
Supplies and services	1,746,288	1,763,096	(16,808)
Utilities	2,800	2,407	393
Maintenance	846,000	895,428	(49,428)
Capital outlay	485,000	70,532	414,468
Total residential collections	4,207,299	3,678,943	528,356
Commercial collections:			
Salaries and benefits	482,147	579,749	(97,602)
Supplies and services	1,179,735	1,289,247	(109,512)
Utilities	2,500	114	2,386
Maintenance	263,860	334,213	(70,353)
Capital outlay	195,000	119,510	75,490
Total commercial collections	2,123,242	2,322,833	(199,591)
Litter control:			
Supplies and services	74,725	69,256	5,469
Total litter control	74,725	69,256	5,469

(Continued)

**CITY OF TYLER, TEXAS
SANITATION FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Maintenance complex:			
Supplies and services	42,368	18,545	23,823
Utilities	99,800	70,479	29,321
Maintenance	<u>43,500</u>	<u>41,409</u>	<u>2,091</u>
Total maintenance complex	<u>185,668</u>	<u>130,433</u>	<u>55,235</u>
 TOTAL EXPENSES - BUDGET BASIS	 <u><u>\$ 7,916,020</u></u>	 7,500,457	 <u><u>\$ 415,563</u></u>
Financial statement adjustments:			
Capital outlay items not expensed		(463,268)	
Depreciation expense		<u>312,356</u>	
 TOTAL EXPENSES - GAAP BASIS		 <u><u>\$ 7,349,545</u></u>	

CITY OF TYLER, TEXAS
AIRPORT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Airport services	\$ 260,500	\$ 381,024	\$ 120,524
Revenue from use of money or property	746,422	892,801	146,379
Income from other agencies	3,953,888	1,834,325	(2,119,563)
Miscellaneous revenues	8,373	3,027	(5,346)
Total Revenues	4,969,183	3,111,177	(1,858,006)
Transfers in	100,000	196,543	96,543
TOTAL REVENUES - BUDGET AND GAAP BASIS	<u>\$ 5,069,183</u>	<u>\$ 3,307,720</u>	<u>\$ (1,761,463)</u>
EXPENSES			
Municipal airport operations:			
Salaries and benefits	\$ 421,174	\$ 406,891	\$ 14,283
Supplies and services	495,814	281,707	214,107
Utilities	187,900	196,278	(8,378)
Maintenance	122,485	81,774	40,711
Capital outlay	3,151,771	2,066,954	1,084,817
Total municipal airport operations	4,379,144	3,033,604	1,345,540
Transfers out	147,000	219,646	(72,646)
TOTAL EXPENSES AND TRANSFERS - BUDGET BASIS	<u>\$ 4,526,144</u>	3,253,250	<u>\$ 1,272,894</u>
Financial statement adjustments:			
Capital outlay items not expensed		(2,066,378)	
Depreciation expense		776,783	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS		<u>\$ 1,963,655</u>	

SINGLE AUDIT SECTION

CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTORS NUMBER	ACCRUED OR (DEFERRED) REVENUE 10/1/2004	RECEIPTS	MATCHING FUNDS/ OTHER REVENUES	FEDERAL EXPENDITURES	MATCHING FUNDS/ OTHER EXPENDITURES	TOTAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE 9/30/2005
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>									
Community Development Block Grant									
Entitlement Grants:									
Program Year:									
9/30/2004	14.218	B03MC480028	\$ 203,421	\$ (203,421)	\$ -	\$ -	\$ -	\$ -	\$ -
9/30/2005	14.218	B04MC480028		(1,614,734)	-	1,858,701	-	1,858,701	243,967
Total Community Development Block Grant			203,421	(1,818,155)	-	1,858,701	-	1,858,701	243,967
Section 8 Rental Voucher Program									
Program Year:									
9/30/2004	14.871	TX456VO	36,658	(36,658)	-	-	-	-	-
9/30/2005	14.871	TX456VO	-	(6,070,591)	(8,284)	6,014,909	8,284	6,023,193	(55,682)
Total Section 8 Voucher Program			36,658	(6,107,249)	(8,284)	6,014,909	8,284	6,023,193	(55,682)
Home Investment Partnerships Program									
Program Year:									
9/30/2004	14.239	-	64,638	(64,638)	-	-	-	-	-
9/30/2005	14.239	-	-	(109,006)	-	118,664	-	118,664	9,658
Total Home Investment Partnerships Program			64,638	(173,644)	-	118,664	-	118,664	9,658
Total U.S. Department of Housing and Urban Development			304,717	(8,099,048)	(8,284)	7,992,274	8,284	8,000,558	197,943
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>									
Passed Through Federal Aviation Administration:									
Airport Improvement Program	20.106	3-48-0215-018-2004	58,300	(1,392,387)	(72,092)	1,327,000	72,092	1,399,092	(7,087)
Airport Improvement Program	20.106	3-48-0215-019-2005	-	(484,249)	(24,452)	507,325	24,452	531,777	23,076
Small Community Airport Development Program	20.930	-	-	(6,593)	(1,673)	15,064	1,673	16,737	8,471
Total Airport Improvement Program			58,300	(1,883,229)	(98,217)	1,849,389	98,217	1,947,606	24,460
Passed Through Federal Transit Administration:									
Federal Transit Capital and Operating Assistance Formula									
9/30/2004	20.507	TX-90-X518-00	142,802	(162,182)	-	19,380	-	19,380	-
9/30/2005	20.507	TX-90-X626-00	-	(718,009)	(229,384)	960,149	229,384	1,189,533	242,140
Total Federal Transit Capital and Operating			142,802	(880,191)	(229,384)	979,529	229,384	1,208,913	242,140
Passed Through Transportation Security Administration									
Transportation Security Grant	20.000	-	17,021	(106,787)	-	109,466	-	109,466	19,700
Total Transportation Security Administration			17,021	(106,787)	-	109,466	-	109,466	19,700

CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTORS NUMBER	ACCRUED OR (DEFERRED) REVENUE 10/1/2004	RECEIPTS	MATCHING FUNDS/ OTHER REVENUES	FEDERAL EXPENDITURES	MATCHING FUNDS/ OTHER EXPENDITURES	TOTAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE 9/30/2005
Passed Through Texas Department of Highways and Public Transportation:									
Highway Research, Planning and Construction Grants: Section 104F Grant Program Year:									
2004 - PL Funds	20.205	-	54,163	(54,163)	-	-	-	-	-
2005 - PL Funds	20.205	-	-	(119,320)	-	212,855	-	212,855	93,535
Total Highway Research Planning and Construction Grants			54,163	(173,483)	-	212,855	-	212,855	93,535
Safe and Sober Selective Traffic Enforcement Program	20.600	585XX6017	-	(36,945)	-	49,942	-	49,942	12,997
Safe and Sober Selective Traffic Enforcement Program	20.600	585XX6136	8,780	(16,241)	-	7,461	-	7,461	-
Total Safe and Sober Program			8,780	(53,186)	-	57,403	-	57,403	12,997
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	51410F7179	-	(45,000)	(6,250)	45,000	6,250	51,250	-
Total Capital Assistance Program for Elderly Persons and Persons with Disabilities			-	(45,000)	(6,250)	45,000	6,250	51,250	-
Recreational Trails Program (Tyler Pedestrian & Bike Trail)	20.219	-	7,688	(7,688)	-	-	-	-	-
Recreational Trails Program (Tyler Pedestrian & Bike Trail)	20.219	-	-	(10,251)	(10,553)	42,214	10,553	52,767	31,963
Total Recreational Trails Program			7,688	(17,939)	(10,553)	42,214	10,553	52,767	31,963
Total U.S. Department of Transportation			288,754	(3,159,815)	(344,404)	3,295,856	344,404	3,640,260	424,795
<u>U.S. DEPARTMENT OF JUSTICE</u>									
Direct Programs:									
D.E.A./Tyler Multi-Agency Task Force (Byrne Formula Grant)									
9/30/2004	16.579	-	10,020	(10,020)	-	-	-	-	-
9/30/2005	16.579	-	-	(22,820)	-	37,079	-	37,079	14,259
Total Byrne Formula Grant			10,020	(32,840)	-	37,079	-	37,079	14,259
Office of Community Oriented Policing Services: COPS Homeland Security Overtime Program	16.710	2003OMWX0263	9,070	(11,987)	(972)	2,917	972	3,889	-
Total COPS Homeland Security Overtime Program			9,070	(11,987)	(972)	2,917	972	3,889	-
Local Law Enforcement Block Grants: Local Law Enforcement Block Grant	16.592	2004-LB-BX-2251	-	(24,607)	(1,962)	17,658	1,962	19,620	(6,949)
Total Local Law Enforcement Block Grants			-	(24,607)	(1,962)	17,658	1,962	19,620	(6,949)
Discretionary Drug and Criminal Justice Assistance Program	16.580	-	3,264	(12,454)	-	10,732	-	10,732	1,542

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CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTORS NUMBER	ACCRUED OR (DEFERRED) REVENUE 10/1/2004	RECEIPTS	MATCHING FUNDS/ OTHER REVENUES	FEDERAL EXPENDITURES	MATCHING FUNDS/ OTHER EXPENDITURES	TOTAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE 9/30/2005
Total Discretionary Drug and Criminal Justice Assistance Program			3,264	(12,454)	-	10,732	-	10,732	1,542
Total U.S. Department of Justice			22,354	(81,888)	(2,934)	68,386	2,934	71,320	8,852
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
Passed Through Texas Department of Human Services									
Summer Food Service Program For Children	10.559	-	-	(89,135)	(18,688)	89,135	18,688	107,823	-
Total U.S. Department of Agriculture			-	(89,135)	(18,688)	89,135	18,688	107,823	-
<u>DEPARTMENT OF HOMELAND SECURITY</u>									
Passed Through Transportation Security Administration									
Law Enforcement Personnel Reimbursable Agreement	20.000	DTSA20-03-P-01627	-	(252,298)	-	252,298	-	252,298	-
Disaster Assistance Projects (Katrina & Rita)	97.088	-	-	-	-	191,943	-	191,943	191,943
Total U.S. Department of Homeland Security			-	(252,298)	-	444,241	-	444,241	191,943
TOTAL FEDERAL ASSISTANCE			<u>\$ 615,825</u>	<u>\$ (11,682,184)</u>	<u>\$ (374,310)</u>	<u>\$ 11,889,892</u>	<u>\$ 374,310</u>	<u>\$ 12,264,202</u>	<u>\$ 823,533</u>

CITY OF TYLER, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

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, 2005

STATE GRANTOR	STATE NUMBER	ACCRUED OR (DEFERRED) REVENUE AT 10/01/2004	RECEIPTS	MATCHING FUNDS/ OTHER REVENUE	STATE EXPENDITURES	MATCHING FUNDS/ OTHER EXPENDITURES	TOTAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9/30/2005
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>								
Public Transportation Grant	51410F1025	\$ 32,673	\$ (32,673)	\$ -	\$ -	\$ -	\$ -	\$ -
Public Transportation Grant	51510F7065	-	(342,822)	-	342,822	-	342,822	-
Total Texas Department of Transportation		32,673	(375,495)	-	342,822	-	342,822	-
<u>TEXAS CRIMINAL JUSTICE DIVISION</u>								
East Texas Auto Theft Task Force	-	11,170	(67,827)	-	61,410	-	61,410	4,753
Total Texas Criminal Justice Division		11,170	(67,827)	-	61,410	-	61,410	4,753
<u>TEXAS STATE LIBRARY AND ARCHIVES COMMISSION</u>								
Loan Star Library Grant	431-05104	-	(5,825)	-	5,825	-	5,825	-
Total Texas State Library and Archives Commission		-	(5,825)	-	5,825	-	5,825	-
<u>TEXAS WATER DEVELOPMENT BOARD</u>								
Research and Planning Fund	2004-483-527	-	(54,919)	(58,812)	64,693	58,812	123,505	9,774
<u>TEXAS PARKS AND WILDLIFE DEPARTMENT</u>								
Texas Recreation and Parks Account Agreement	50-00283	9,716	-	-	39,206	-	39,206	48,922
Total Texas Parks and Wildlife Department		9,716	-	-	39,206	-	39,206	48,922
TOTAL STATE ASSISTANCE		\$ 53,559	\$ (504,066)	\$ (58,812)	\$ 513,956	\$ 58,812	\$ 572,768	\$ 63,449

CITY OF TYLER, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

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, 2005**

None.



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

The Honorable City Council and Audit Committee
Tyler, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon February 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tyler's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving 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 the City of Tyler in a separate letter dated February 15, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tyler's 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 on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the board of directors, board of trustees, management, federal awarding agencies, and pass-thru entities and is not intended to be and should not be used by anyone other than these specified parties.

Prothro, Wilhelm & Company, PLLC

Certified Public Accountants

Tyler, Texas
February 15, 2006

PROTHRO, WILHELMI AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND STATE OF TEXAS SINGLE AUDIT CIRCULAR**

The Honorable City Council and Audit Committee
Tyler, Texas

Compliance

We have audited the compliance of the 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*, and State of Texas Single Audit Circular that are applicable to each of its major federal and state programs for the year ended September 30, 2005. The City of Tyler's major federal and state programs are identified in the summary of auditor's 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 and state programs is the responsibility of the City of Tyler's management. Our responsibility is to express an opinion on the City of Tyler's compliance based on our audit.

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

In our opinion, the City of Tyler complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2005.

Internal Control Over Compliance

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

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 caused by error or fraud that would be material in relation to a major federal and state 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 finance committee, management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Prothro, Wilhel & Company, PLLC
Certified Public Accountants

Tyler, Texas
February 15, 2006

**CITY OF TYLER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

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 and State 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 OMB Circular A-133 or the State of Texas Single Audit Circular? _____ Yes X No

Identification of major programs:

FEDERAL	
<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
20.106	Airport Improvement Program

STATE	
<u>State Number</u>	<u>Name of State Program</u>
51410F1025	Public Transportation Grant
51510F7065	Public Transportation Grant

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

City of Tyler, Texas was classified as a high-risk auditee in accordance with OMB Circular A-133 and State of Texas Single Audit Circular.

**CITY OF TYLER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Section II – Financial Statement Findings

None.

Section III – Federal and State Award Findings and Questioned Costs

None.

STATISTICAL SECTION (UNAUDITED)

TABLE 1

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

FISCAL YEAR ENDED SEPT 30,	GENERAL GOVERNMENT	PUBLIC SAFETY	HIGHWAYS AND STREETS	PUBLIC SERVICES	CULTURE AND RECREATION	INTEREST ON LONG-TERM DEBT	WATER UTILITIES	SOLID WASTE	MUNICIPAL AIRPORT	TOTAL
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
2004	7,178,812	27,952,461	12,834,897	14,644,612	4,842,201	335,321	21,249,718	7,190,230	1,740,939	97,969,191
2005	7,457,535	31,757,773	6,097,617	18,796,772	5,880,907	295,946	23,933,574	7,349,545	1,744,009	103,313,678

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
2004	44,226,604	9,652,510	930,399	11,260,696	9,685,136	28,524,436	941,210	(371,590)	104,849,401
2005	46,253,446	10,732,572	2,859,766	12,011,517	6,928,917	32,235,770	1,746,220	235,742	113,003,950

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
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
2004	6,121,621	27,256,786	6,799,912	-	1,221,218	1,714,615	-	847,941	43,962,093
2005	6,538,576	28,680,535	5,637,545	-	1,299,058	3,459,378	-	895,859	46,510,951

NOTES:

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

TABLE 4

**CITY OF TYLER, TEXAS
GENERAL GOVERNMENT 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
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
2004	10,136,357	30,455,102	882,812	4,610,941	119,295	262,759	3,125,676	918,478	50,511,420
2005	10,808,297	27,478,226	805,151	4,666,473	276,541	296,386	2,365,832	696,054	47,392,960

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
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%
2004	11,058,880	10,924,880	98.79%	213,622	11,138,502	100.72%	710,017	6.42%
2005	11,838,625	11,698,410	98.82%	159,400	11,857,810	100.16%	614,590	5.19%

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	
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%
2004	3,596,007,053	847,897,914	-	4,443,904,967	4,443,904,967	100%
2005	3,870,045,626	887,192,373	-	4,757,237,999	4,757,237,999	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>
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
2004	0.24886	1.46600	0.1223	0.25447	1.59000	1.5030
2005	0.24886	1.46600	0.1272	0.25447	1.59000	1.5030

NOTES:

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

TABLE 8

**CITY OF TYLER, TEXAS
PRINCIPLE TAXPAYERS
SEPTEMBER 30, 2005
(UNAUDITED)**

<u>NAME OF TAXPAYER</u>	<u>NATURE OF PROPERTY OR PRODUCT</u>	<u>FYE SEPTEMBER 30, 2005 ASSESSED VALUATION</u>	<u>% OF TOTAL ASSESSED VALUATION</u>
American Standard, Inc. - Trane Division	Manufacturing of heating and cooling units	\$ 119,986,682	0.025221921
Brookshire Grocery Company	Supermarkets; distribution facilities	87,392,227	0.018370371
Wal-Mart Stores/Sam's	Retail Sales	55,722,450	0.011713194
Simon Property Group	Commercial Property	42,951,370	0.009028636
Oncor Electric and Delivery Company	Electric Utility	41,996,746	0.008827968
Carrier Corporation	Manufacturing of heating and cooling units	41,727,254	0.008771319
Crown/La Gloria Oil & Gas Company	Oil and Gas Refinery	46,301,243	0.009732799
Southwestern Bell Telephone	Telephone Utility	34,589,420	0.007270904
Genecov Group	Commercial Property	33,505,500	0.007043057
Cox Communications	Cable Television	21,007,971	0.004416002
TOTALS		<u>\$ 525,180,863</u>	<u>11.04%</u>

**CITY OF TYLER, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2005
(UNAUDITED)**

<u>Assessed Value</u>		
(Assessed as of January 1, 2004, Effective October 1, 2004 for fiscal year ended September 30, 2005)		\$ 4,757,237,999
Real property		\$ 3,870,045,626
Personal property		887,192,373
Mineral property		-
		<hr/>
TOTAL		<u>\$ 4,757,237,999</u>
<u>Debt Limit</u> - The charter of the City of Tyler limits the bonded debt to ten percent of assessed value		\$ 475,723,800
<u>Amount of Debt Applicable to Debt Limit:</u>		
General obligation bonded debt	\$ 5,340,000	
Less: Debt Service Fund Balance	<u>2,612,169</u>	
Net Bonded Debt		<u>2,727,831</u>
LEGAL DEBT MARGIN		<u>\$ 472,995,969</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)

FISCAL YEAR ENDED SEPTEMBER 30,	ESTIMATED POPULATION (1)	ASSESSED VALUE	GENERAL BONDED DEBT (2)	LESS SINKING FUNDS	NET BONDED DEBT	PERCENT NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
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
2004	101,106	4,443,904,967	5,340,000	2,612,169	2,727,831	0.06%	27
2005	102,001	4,757,237,999	5,340,000	2,612,169	2,727,831	0.06%	27

NOTES:

- (1) Information obtained from Tyler Area Chamber of Commerce, except for year 2000, which was obtained from U.S. Census and year 2004 which was obtained from a population study done by the City's planning department
- (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)

FISCAL YEAR ENDED SEPTEMBER 30,	TOTAL DEBT SERVICE	TOTAL GENERAL EXPENDITURES (1)	RATIO OF DEBT SERVICE TO TOTAL GENERAL EXPENDITURES
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%
2004	1,217	43,962	2.77%
2005	1,257	46,511	2.70%

NOTES:

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

TABLE 12

**CITY OF TYLER, TEXAS
DIRECT AND OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2005
(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	\$ 5,340,000 (3)	100.00%	\$ 5,340,000
Overlapping:			
Tyler Independent School District	61,349,995	71.04%	43,583,036
Smith County	22,655,146	50.08%	11,345,697
Tyler Junior College	16,045,000	65.00%	10,429,250
Chapel Hill Independent School District	9,670,000	19.15%	1,851,805
Whitehouse Independent School District	<u>26,039,868</u>	27.37%	<u>7,127,112</u>
Total Overlapping Bond Debt	<u>135,760,009</u>		<u>74,336,900</u>
Total Direct and Overlapping	<u>\$ 141,100,009</u>		<u>\$ 79,676,900</u>
Ratio overlapping bond debt to assessed valuation			<u>1.79%</u>
Per Capita Overlapping Bond Debt			<u>788</u>

NOTES:

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

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
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
2004	21,512	14,249	-	7,263	5,098	1.42
2005	23,409	15,618	-	7,791	5,065	1.54

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)
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%
2004	101,106	34.1	17,394	4.6%
2005	102,001	34.1	17,548	4.7%

SOURCES:

- (1) Tyler Area Chamber of Commerce except for year 2000 which was obtained from U.S. Census Bureau and year 2004 which was obtained from an inhabitant study done by a third party.
- (2) Sales and Marketing Management's Annual Survey of Buying Power
- (3) Tyler Independent School District Records
- (4) Texas Employment Commission

**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>
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
2004	4,443,905	328,240
2005	4,757,238	279,863

SOURCE:

(1) City Inspection Department

* Estimated Actual Value in thousands

**CITY OF TYLER, TEXAS
MISCELLANEOUS STATISTICAL DATA
SEPTEMBER 30, 2005
(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

Asphalt streets	432.31
Brick streets	14.03
Concrete streets	2.72
Private streets	10.06
State maintained streets	62.46

Building Permits - Fiscal Year

Number issued	7,083
Estimated cost	\$ 279,863

Fire Protection

Number of stations	9
Number of employees - civil service	130
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	181
Number of employees - non-civil service	54
Number of part-time employees - non-civil service	2

**CITY OF TYLER, TEXAS
MISCELLANEOUS STATISTICAL DATA
SEPTEMBER 30, 2005
(UNAUDITED)**

Parks and Recreation

City parks - acres	1113.43
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	29,704	
Number of sewer customers	27,866	
Number of garbage customers	27,985	
Average daily water consumption	19,079,000	*
Highest daily water consumption	34,938,000	*
Plant capacity and wells	70,300,000	*
Storage capacity - overhead	8,500,000	gallons
Miles - water mains	582	
Miles - sewer mains	508	
Valves	6,712	
Number of fire hydrants	2,403	
Water supply	3 Lakes and 12 Water Wells	

* Gallons per day

Number of Employees

Civil service	311
Non-civil service	490
	<hr/>
Total employees	<u>801</u>