

City of Tyler, Texas 2010/2011 Comprehensive Annual Financial Report



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For Fiscal Year Ending September 30, 2011

CITY OF TYLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011

MAYOR – BARBARA BASS

Members of City Council:

Sam Mezayek
Donald Sanders
Ralph Caraway
Martin Heines
Mark Whatley
Jason Wright

City Manager – Mark McDaniel

Prepared by:
Daniel Crawford, Chief Financial Officer
Finance Department
Tyler, Texas

CITY OF TYLER, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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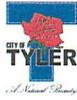
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INTRODUCTORY SECTION



March 28, 2012

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, 2011.

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 Internal Auditor continues to review key functions and controls annually.

Henry and Peters, PC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Tyler's financial statements for the year ended September 30, 2011. 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 should be read in conjunction with this document.

City Profile

The City of Tyler, Texas, the county seat of Smith County, is considered the advanced manufacturing, health care, educational and retail center of East Texas. Tyler is located on U.S. Highway 69 just south of Interstate 20 equal distance (approximately 90 miles) between the cities of Dallas, Texas and Shreveport, Louisiana. The City, encompassing approximately 53 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 109,748. The City is commonly referred to as the City of Roses.

The City, incorporated in 1850, 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 function as the policy-making body of the City's government, determining the overall goals, objectives and direction for City services, and adopting the annual operating budgets for all City departments. The City Manager is appointed by the City Council and is responsible for the daily management and implementation of policy of the City including appointing the various department heads. The Mayor and Council members serve two-year terms, with general Council elections occurring each year based on district. The mayor is elected at large; the remaining Council members are elected by district.

The City is a full service municipality. 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 and traffic improvements, capital projects administration, municipal court, code enforcement, development and planning services and general administrative services. The City also offers an airport, a convention center and municipal rose garden. 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 active and retired employee health and dental coverage. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable including blended component units as defined by the Governmental Accounting Standards Board (GASB).

The City Charter provides that the City Council shall adopt the annual budget prepared by the City Manager. 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; retail and retail distribution; air conditioning unit manufacturing; cable, internet and phone services; government services; engineering services; banking services; meat packing and processing; cast iron pipes and fitting manufacturing; oil and gas refining; ready mix concrete production; tourism; and growing and shipping rose bushes. This diversification is evident in the fact that no single taxpayer represents more than 1.8 % of assessed valuation in the City.

Four institutions of higher education are located in Tyler. They are The University of Texas at Tyler, The University of Texas Health Science Center, Texas College, and Tyler Junior College. Primary and secondary education is provided by several public school districts, two charter schools as well as nine private / parochial schools in the Tyler area.

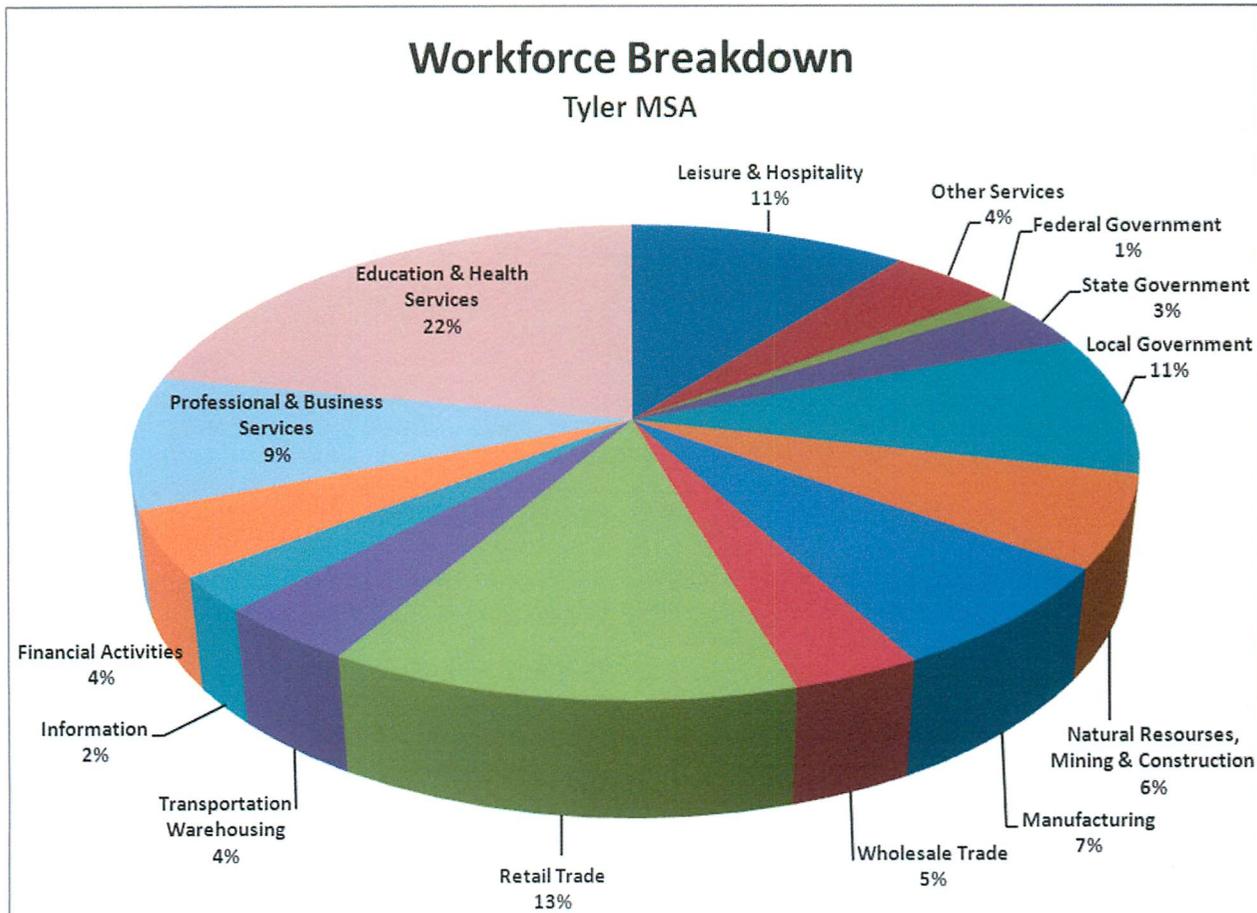
Tyler is also the medical center of East Texas with three hospitals and numerous other supporting clinics, practices, and specialty hospitals with a total of 955 beds. There are approximately 735 medical doctors and 87 dentists.

Additionally, Tyler has many tourist attractions. The Texas Rose Festival includes the crowning of the Rose Queen attracting a large number of visitors each year. The Azalea Trails in the spring attracts additional tourism. Each September Tyler hosts the East Texas State Fair for one week providing midway, craft and 4H activities. 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.

The City actively works with the Tyler Economic Development Corporation and local industries to encourage expansions and relocations to our community. Two TIF/TIRZ zones were created in 2008, one in the downtown area and another in north Tyler in coordination with revitalization efforts. The following year an Industry Growth Initiative was developed to foster an Innovation Economy and take the Tyler region into the next twenty years of economic prosperity and growth. Land is available for development; the area has an abundant water supply and typically mild weather. The Tyler area cost of living index has consistently been 90-96% of the national average for the past five years. Economic incentives as well as historic preservation incentives are available to facilitate business expansions or relocations.

Because of its location in a region with a varied economic base, unemployment has remained relatively stable fluctuating over time based on changes in the state and national economic condition. The unemployment rate has followed the same general trend as the State of Texas rate, but has remained consistently below the state average for

the most recent five years. During the past ten years, the unemployment rate has ranged from a low of 4.2 percent (2007) to a decade high of 7.7 percent (2009), only to end at the current rate of 7.1 percent. This figure represents a decrease of .2% from September 2010. The total workforce for the Tyler region has increased from 43,411 in 1996 to 50,729 in 2011. The pie chart below details the Tyler MSA by business sector which demonstrates the diversity of the local economy preventing dependency on one or two drivers for economic support.



Population growth in the last five years was more than double that of the last decade and continues to grow. The population grew 10 percent from 1990 to 2000. From the year 2000 to the current year 2010, the growth has been an astounding 31 percent. Market and economic analysts estimate that as many as 270,000 people come to Tyler each day to work, attend school, seek medical services, or shop.

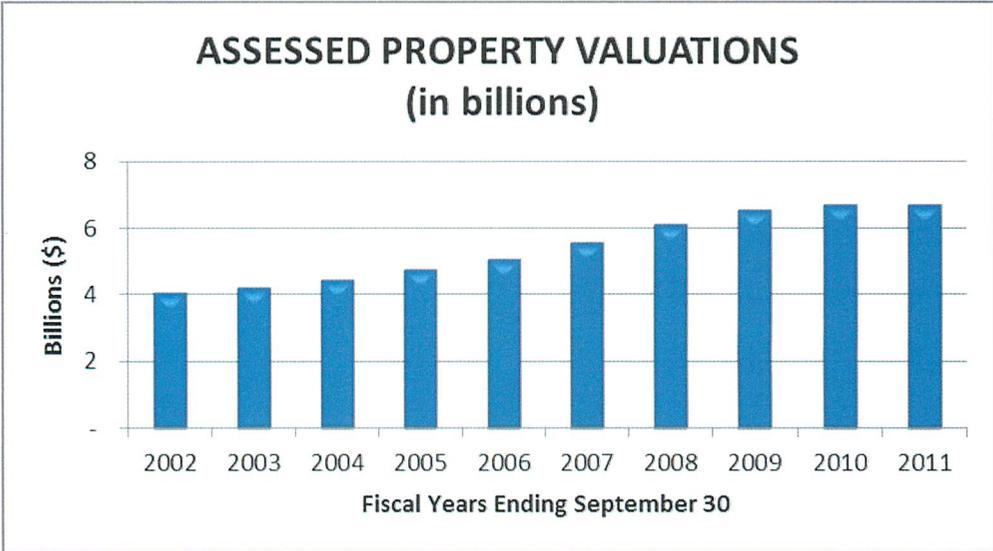
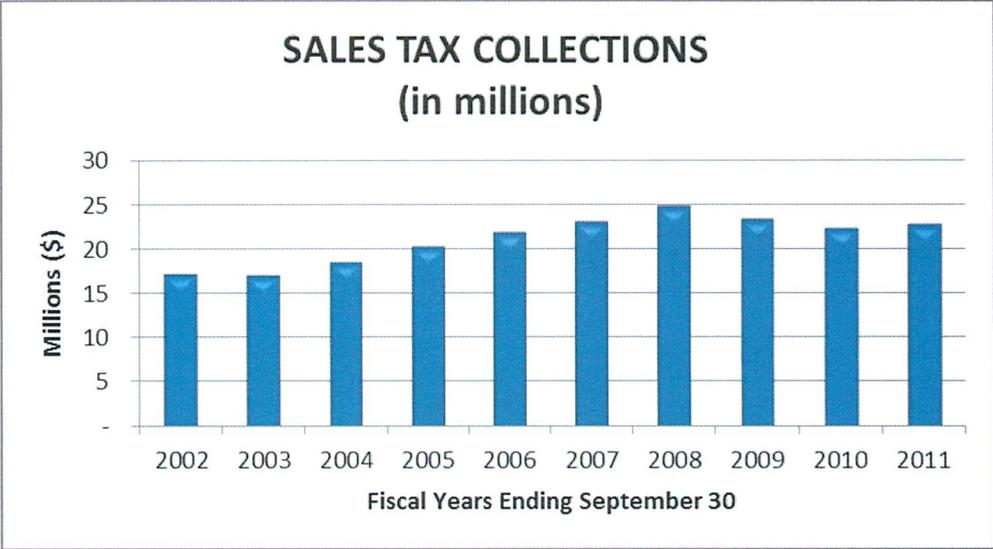
The two sections of the Loop 49 Toll Project are complete, and Segment 3A connecting SH 155 to SH 31 is in process. When complete, Loop 49 Toll will create a horseshoe loop around Tyler connecting the City's southern regions to I 20. The loop will allow for increased traffic from I-20 into the City of Tyler for shopping and economic development purposes. Along with the Loop 49 Toll 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. Including various other means of interstate access, the Tyler Pounds Regional Airport allows for secure and efficient air travel in and out of the region. Total flight boarding's have declined slightly due to the general economic climate nationwide from 77,942 in 2008 to a current level of 73,114 in 2010. Tyler is the first Certified Retirement City in Texas. Tyler meets high standards for retiree living such as low cost of living, low crime rate, affordable housing, quality health care, abundant recreation and educational opportunities. Tyler is 16th in the nation for cost of living in Retirement Places Rated: Special Millennium Edition.

The office space occupancy rate for the City of Tyler was 88 percent in 2010. The average lease rates for office space decreased by 3% in 2010 while occupancy rates increase by an average 1% due to current economic

conditions. The office lease space is comprised of five classes for total square footage of 2,170,895. Tyler had \$2.39 billion in retail trade gross sales in 2010 up from \$2.05 billion in 2000.

The economic outlook for Tyler is encouraging. Industrial, commercial, and residential development has slowed but is expected to follow State and National trends for improvement during the next one to two fiscal years. The potential for sustained development is present, and many governmental and business leaders are working to ensure the City is poised for economic growth. Sales Tax collections increased in 2011, have shown signs of sustainable improvement in 2012.

Economic Signs:



Long-term financial planning

Within the policy guidelines set by the Council for budgetary and planning purposes, the City of Tyler maintains an unassigned fund balance equal to 15 percent of total General Fund expenditures less transfers. In addition to the Capital Projects Fund, the City takes advantage of half cent sales tax (4B) dollars to pay for capital projects related to street improvements, drainage projects, park improvements and other projects as approved by the corporation

board and the City Council. By paying cash for infrastructure projects, the City has attained its goal of eliminating general obligation debt as of February 2008.

The City has continued to maintain 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 3.01 percent. By maintaining an adequate reserve and monitoring future economic conditions, the City plans to continue to provide for future citizen needs in a streamlined and cost effective manner.

Relevant financial policies

Multiyear forecasting has been utilized for three years as a part of the revenue and expenditure budgeting process in order to realize all potential budgetary gains during restricted budgetary cycles. An OPEB trust was created in the prior fiscal year to separate and invest the dollars related to retiree benefits in order to realize a greater rate of return while maintaining fiduciary responsibility and security of principal.

Major Initiatives

Tyler's rapid growth and potential for change make this the critical moment for a new comprehensive plan to guide and shape future development. The comprehensive plan, entitled Tyler 21, was adopted in late 2007 and sets out a strategic framework for making decisions about the long-term physical development of Tyler. It defines a vision for the future linked to overall goals and policies, and it contains strategies and action items for achieving those goals. During the planning process, residents and others with a stake in Tyler's future had the opportunity to articulate and review community values and goals through public discussion, create a vision for the kind of place they want Tyler to be for their children and grandchildren, and identify the key areas where the city must act – both to preserve enduring character and to shape change so that their vision for Tyler's future can be achieved.

Tyler 21 provides policy and strategic guidance on the physical development and redevelopment of the City; guides the City to actively seek positive change and deflect negative change, rather than simply react to change; provides predictability for developers, businesses and residents; helps the City save money because it plans for orderly investment in services, facilities and infrastructure; and helps Tyler preserve the sense of place and identity that make it unique.

In 2011, in an unprecedented joint meeting between the City of Tyler and several other community boards, the Industry Growth Initiative (IGI) was formally adopted as a shared vision for Tyler's strategic economic growth in the next 20 years. The IGI addresses the need to market Tyler and to determine the industries that make the most sense for Tyler to pursue given our unique characteristics. The report recommends 10 primary building blocks that Tyler should develop to foster an innovation economy and take the Tyler region into the next 20 years of economic prosperity and growth. A champion has been appointed for each building block and community groups are actively working on implementation.

The City of Tyler received an upgrade to AAA for general obligation indebtedness by Standard and Poor's during 2009. This rating increase was due in part to the current pay as you go environment and elimination of general obligation bond debt. Additional planning initiatives that the City began during 2009 include a Lean Sigma program for standardizing and reducing costs as well as continued multiyear planning which includes replacement funding for fleet acquisitions, HVAC replacement and roof replacements.

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, 2010. This is the twenty fifth consecutive year that the government 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.

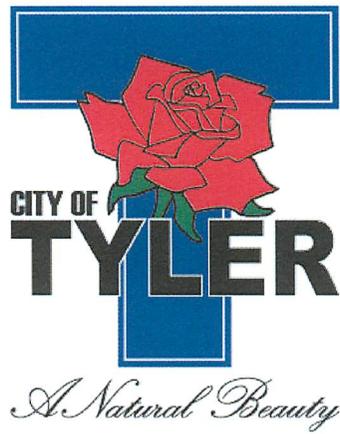
In addition, the City has received the Government Treasurer's Organization of Texas (GTOT) Investment Policy Certificate of Distinction for the annually adopted investment policy of the City for three consecutive periods. The award is valid for a two year period. In order to qualify for the award, the 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,


Mark McDaniel
City Manager


Daniel Crawford
Finance Director



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, 2010

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.

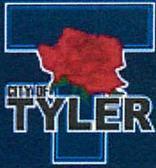


Linda C. Danison

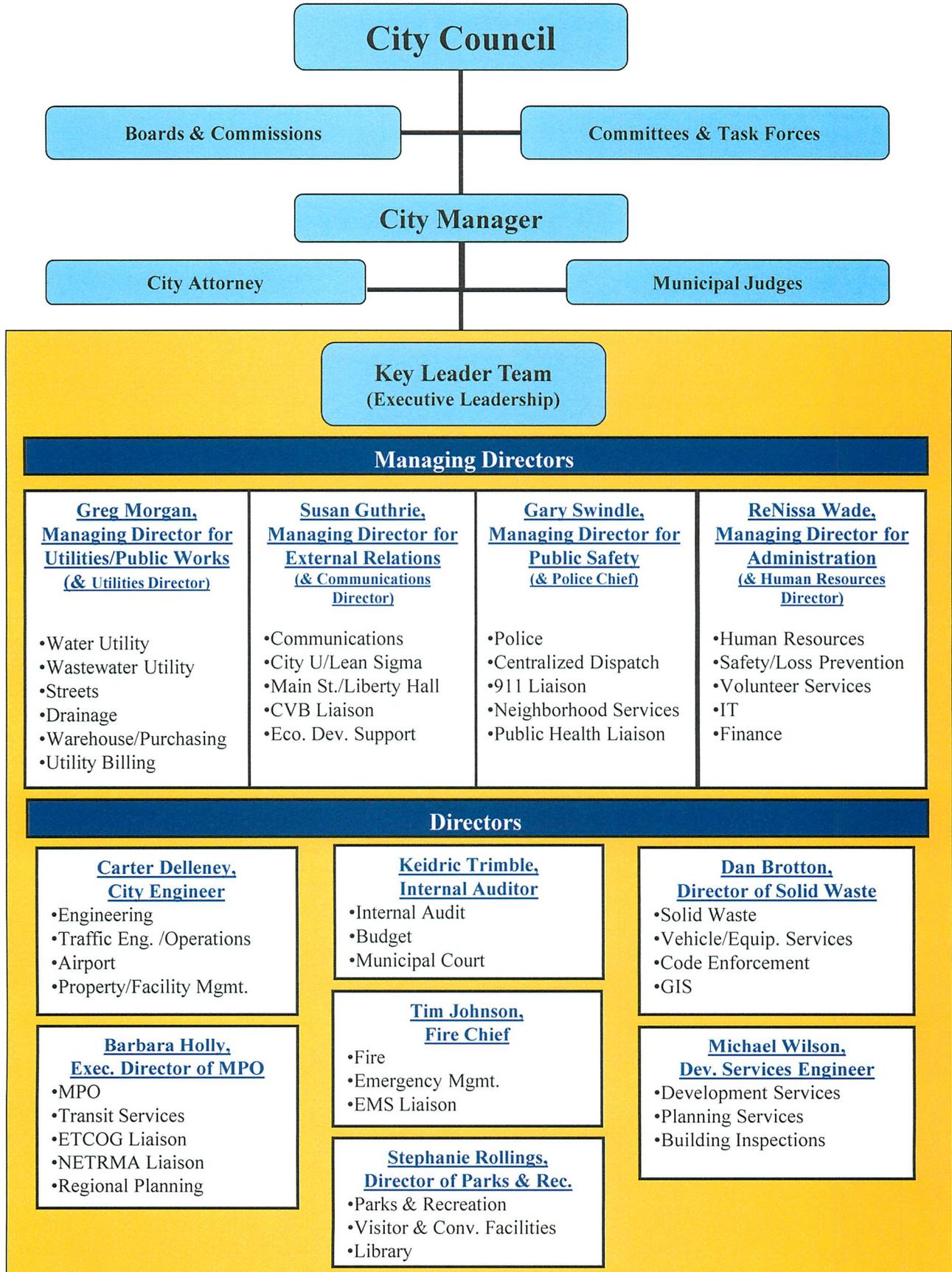
President

Jeffrey R. Enos

Executive Director



A Natural Beauty



**CITY OF TYLER, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2011**

MAYOR – BARBARA BASS

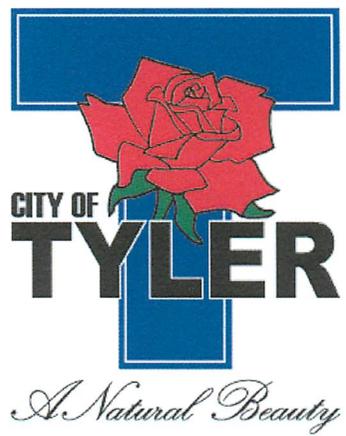
Members of City Council:

Sam Mezayek
Donald Sanders
Ralph Caraway
Martin Heines
Mark Whatley
Jason Wright

City Manager – Mark McDaniel

Chief Financial Officer – Daniel Crawford

City Attorney – Gary Landers



FINANCIAL SECTION

HENRY & PETERS, PC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas as of and for the year ended September 30, 2011, 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 Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2012, on our consideration of the City of Tyler's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 3 through 12 and 61 through 62, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tyler, Texas' financial statements as a whole. The introductory section, additional supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. 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 the State of Texas Uniform Grant Management Standards Chapter IV, *Texas State Single Audit Circular*, and are also not a required part of the basic financial statements of the City of Tyler, Texas. The additional supplemental information and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Henry + Peters, P.C.

Tyler, Texas
March 19, 2012

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2011
(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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tyler exceeded its liabilities at the close of the most recent fiscal year by \$441,637,645 (net assets). Of this amount, \$29,220,201 (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 \$6,378,514.
- As of the close of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$29,908,372. (\$12,118,554 is unassigned and available for use within the City's fund designation and fiscal policies.)
- At the end of the current fiscal year the unassigned fund balance for the general fund was \$12,121,180. The general fund operating reserve targeted amount was \$8,410,191 (15% of general fund expenditures).
- The City's revenue bond payable had a net decrease of \$2,575,000 due to the payment of revenue bond liabilities. The City has no general obligation bond payable.

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.

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 indicating 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 utilities, airport and sanitation operations. The government-wide financial statements can be found on pages 14-15 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. 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 19 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 17 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 16-21.

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 utilities, 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; active employee benefit program and retiree benefit program. 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 as 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 22-24 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 25-26 of this report. Individual fund data for the fiduciary funds is provided in the form of combining statements elsewhere in this report. An additional fiduciary fund was created in 2009 for the Other Post Employment Benefit Trust. Information about Other Post Employment Benefits and the related trust can be found in note 5 on pages 55-

58. 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 will be completed each fiscal year and details can be found in note 5 on pages 52-55.

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 27-59.

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 and other post employment benefits to its employees. Required supplementary information can be found on pages 61-62 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, enterprise funds, internal service funds and fiduciary funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 65-114 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 \$441,637,645 as of September 30, 2011.

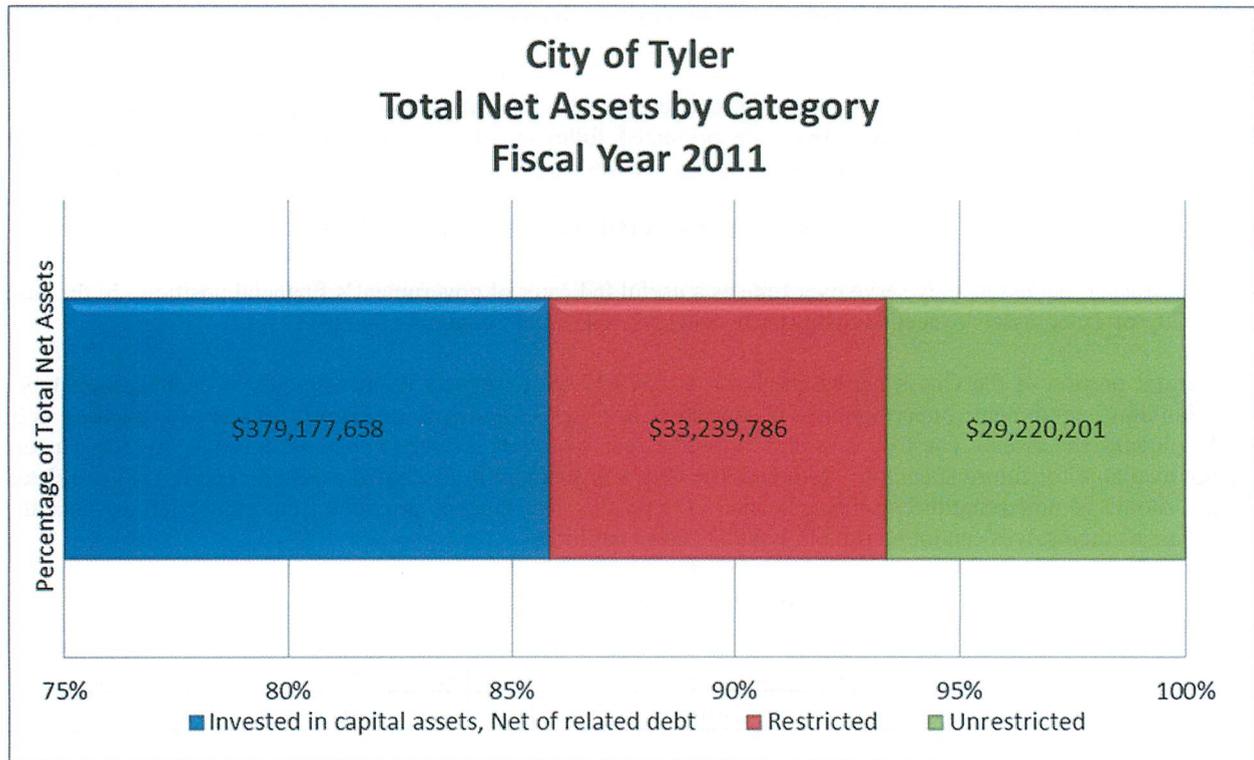
The largest portion of the City's net assets, 86%, or \$379,177,658, reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any outstanding debt used to acquire the assets. The City uses these capital assets to provide 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 – Fiscal Year 2011

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 52,106,610	\$ 48,621,652	\$ 34,334,681	\$ 35,763,584	\$ 86,441,291	\$ 84,385,236
Capital assets	242,785,267	243,466,648	209,561,945	206,777,944	452,347,212	450,244,592
Total Assets	294,891,877	292,088,200	243,896,626	243,896,626	538,788,503	534,629,828
Non-current liabilities	14,067,518	14,480,135	68,460,656	74,033,094	82,528,668	88,513,229
Other liabilities	7,959,984	7,491,260	6,662,700	3,366,108	14,622,190	10,857,368
Total Liabilities	22,027,502	21,971,395	75,123,356	77,399,202	97,150,858	99,370,597
Net Assets:						
Invested in capital assets,						
Net of related debt	239,531,725	239,107,580	139,645,933	133,928,119	379,177,658	373,035,699
Restricted	17,671,823	11,517,178	15,567,963	20,885,481	33,239,786	32,402,659
Unrestricted	15,660,827	19,492,047	13,559,374	10,328,726	29,220,201	29,820,773
Total Net Assets	\$ 272,864,375	\$ 270,116,805	\$ 168,773,270	\$ 165,142,326	\$ 441,637,645	\$ 435,259,131

An additional portion of the City’s net assets 8% or \$33,239,786 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$29,220,201 may be used to meet the government’s ongoing obligations to citizens and creditors.

As of September 30, 2011 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. The following chart illustrates for the current fiscal year the percentage of total net assets each category encompasses.

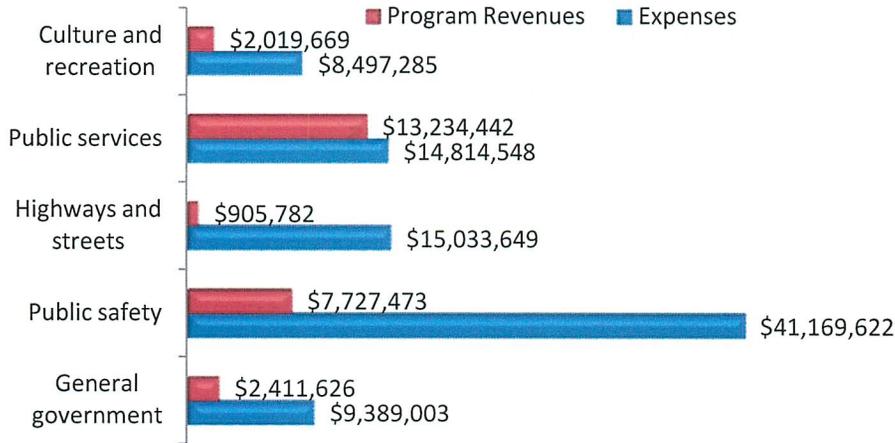


Analysis of the City’s Operations - Overall the City had an increase in net assets of \$6,378,514.

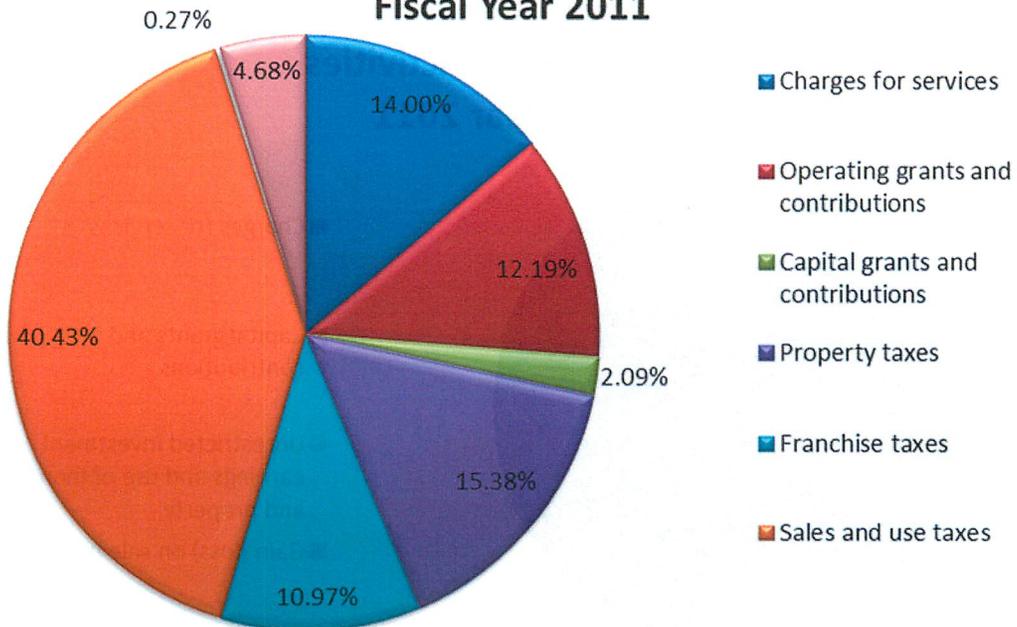
Governmental Activities: Governmental activities increased total net assets by \$2,747,570. Net assets invested in capital assets, net of related debt increased by \$424,145 due to additions exceeding retirements and depreciation. Restricted net assets increased by \$6,154,645 primarily due to remaining grant and capital project funds yet to be spent and increases in court special funds. Unrestricted net assets decreased by \$3,831,220 due to an increase in expenditures.

Governmental activities total revenues increased by \$7,612,560 and total expenditures increased by \$3,115,392 above the prior fiscal year primarily due to the reclassification of some special revenue funds as part of the implementation of GASB 54.

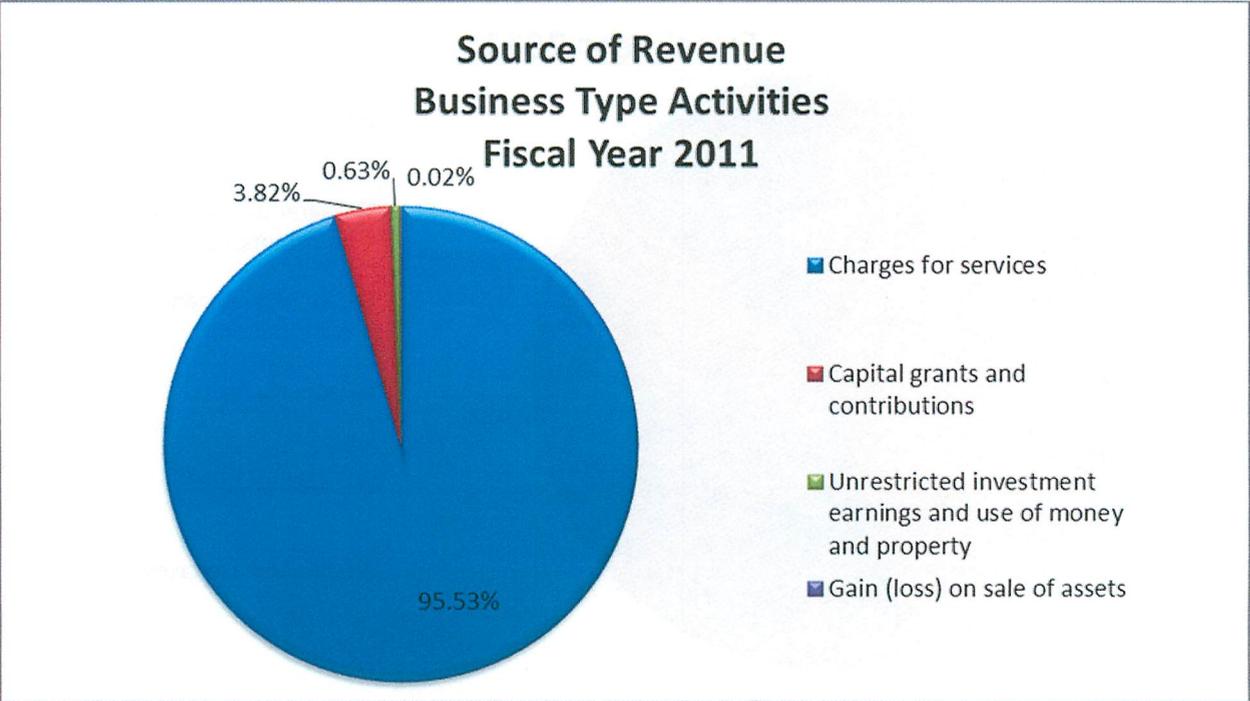
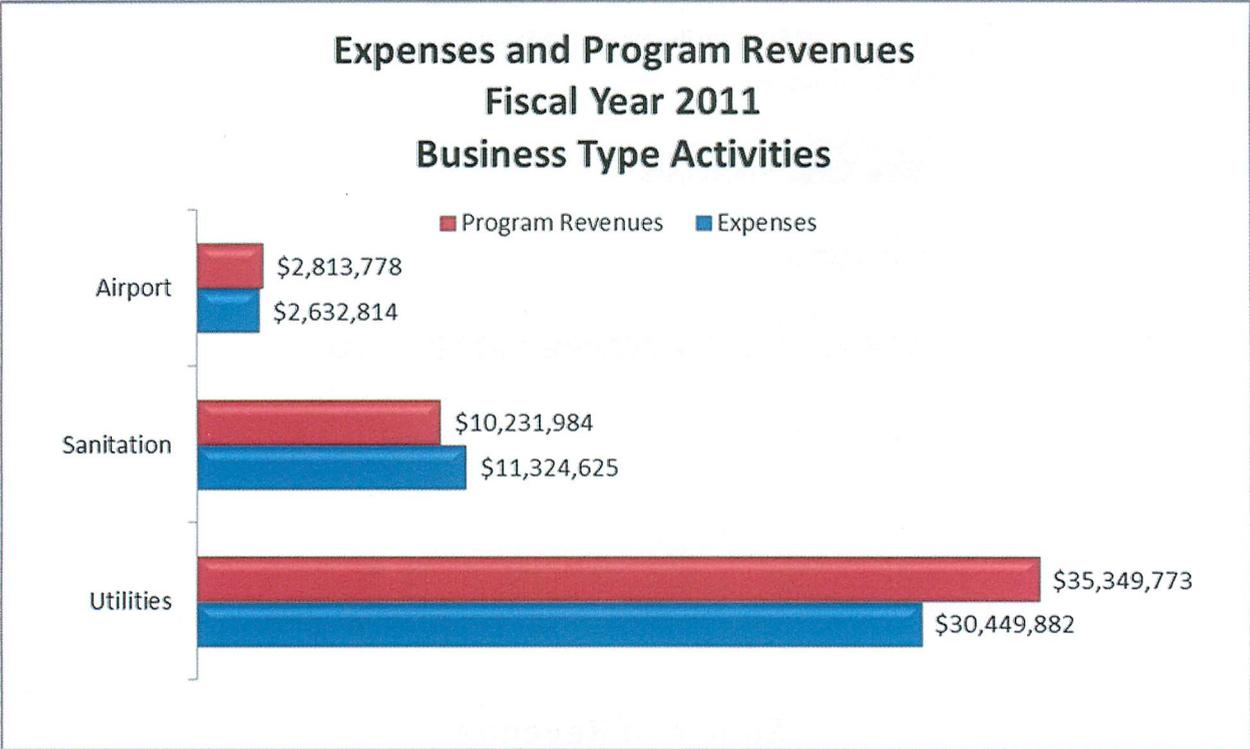
Expenses and Program Revenues Fiscal Year 2011 Governmental Activities



Source of Revenue Governmental Activities Fiscal Year 2011



Business-type Activities: Net Assets from business-type activities increased by \$3,630,944. This increase was primarily due to much higher than expected water sales revenue during an extremely low rainfall year. Lower than expected commercial sanitation sales offset some of the gain from water sales in the business type activities.



The following table provides a summary of the City's operations for the year ended September 30, 2011 with comparative totals for the year ended September 30, 2010.

CITY OF TYLER'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 12,781,067	\$ 12,347,851	\$ 46,533,862	\$ 40,452,822	\$ 59,314,929	\$ 52,800,673
Operating grants and contributions	11,483,945	11,821,887	-	-	11,124,637	11,821,887
Capital grants and contributions	2,033,980	2,004,617	1,861,673	3,503,343	3,895,653	5,507,960
General revenues:						
Property taxes	14,037,311	13,798,294	-	-	14,037,311	13,798,294
Franchise taxes	10,010,620	9,215,625	-	-	10,010,311	9,215,625
Sales and use taxes	36,902,058	35,831,538	-	-	36,902,058	35,831,538
Investment earnings and use of money and property	249,064	292,013	305,330	311,351	554,394	603,364
Gain on sale of assets	244,895	(2,010,976)	11,461	7,389	256,356	(2,003,587)
Miscellaneous	3,352,240	181,771	-	-	3,352,240	191,771
Total revenues	91,095,180	83,482,620	48,712,326	44,274,905	139,807,506	127,757,525
Expenses:						
General government	9,389,003	7,809,290	-	-	9,389,003	7,809,290
Public safety	41,169,622	38,769,464	-	-	41,169,622	38,769,464
Streets	15,033,649	16,527,248	-	-	15,033,649	16,527,248
Public services	14,814,548	14,695,196	-	-	14,814,548	14,695,196
Culture and recreation	8,497,285	8,002,574	-	-	8,497,285	8,002,574
Interest on long-term debt	117,564	102,507	-	-	117,564	102,507
Water and sewer	-	-	30,449,882	30,851,493	30,449,882	30,851,493
Sanitation	-	-	11,324,625	11,023,910	11,324,625	11,023,910
Airport	-	-	2,632,814	2,242,547	2,632,814	2,242,547
Total Expenses	89,021,671	85,906,279	44,407,321	44,117,950	133,428,992	130,024,229
Increases in net assets before transfers	2,073,509	(2,423,659)	4,305,005	156,955	6,378,514	(2,266,704)
Transfers	674,061	550,785	(674,061)	(550,785)	-	-
Change in net assets	2,747,570	(1,872,874)	3,630,944	(393,830)	6,378,514	(2,266,704)
Net assets – October 1	270,116,805	271,989,679	165,142,326	165,536,156	435,259,131	437,525,835
Net assets – September 30	\$ 272,864,375	\$ 270,116,805	\$ 168,773,270	\$ 165,142,326	\$ 441,637,645	\$ 435,259,131

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$29,908,372. Approximately 41% of this total amount, \$12,118,554, constitutes unassigned 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 restricted 1) to pay for capital projects, \$10,429,354; 2) to pay for the perpetual care of city cemeteries, \$2,530,613; 3) to purchase items restricted under grant and donation terms, \$2,838,731 and 4) to pay for other miscellaneous restrictions, \$1,991,091. The City of Tyler also self imposes an operating designation in the general fund equivalent to approximately 15 percent of total expenditures, \$8,410,191.

In the general fund, the City's original budget planned to spend \$16,493 of the fund balance on a budget basis. Additional amendments were made to fund various expenses required for operations for a net budgeted decrease in fund balance of \$1,994,361. Due to both revenue and expenditure budget variances the actual net increase in fund balance for fiscal year 2011 was \$435,263. Capital Projects ½ Cent Sales Tax Fund balance increased in 2011 by \$2,502,401, from \$5,649,324 to \$8,151,725 primarily due to the continuation of several multi-year construction projects and an increase of current sales tax collections. Other non-major governmental fund balances increased in 2011 by \$1,435,086, from \$8,088,785 to \$9,523,871 primarily due to the completion of various capital projects funded by grants.

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 Utilities - \$12,660,141, Sanitation - \$1,341,017 and Airport - \$158,755. The following funds had a net asset increase in 2011 as follows: Utilities \$4,825,263 Airport-\$554,221. The Sanitation fund had a decrease in net assets of \$1,218,621 primarily due to increased operating and capital spending as well as decreased commercial collections.

General Fund Budgetary Highlights - The City made revisions to the original budget appropriations approved by the City Council. Overall these changes resulted in increased budgeted revenues of \$55,486 due to Police grant revenue allocated after budget completion. Additionally the budgeted expenditures and transfers increased from the original budget by \$1,500,000. The majority of this increase was due to increased transfers associated with general government capital projects.

Actual revenues were above the final budgeted amounts by a total of \$1,385,225. Actual expenditures not including transfers were below final budgeted amounts by a total of \$977,422.

CAPITAL ASSETS

The City of Tyler's investment in capital assets for its governmental and business-type activities as of September 30, 2011 amounts to \$452,347,212, (net of accumulated depreciation). This investment in capital assets includes land, water rights, building, equipment, improvements, infrastructure and construction in progress. The total net increase in capital assets for the current fiscal year was \$2,102,620 or .467 %.

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

- \$8,708,861 Roadway improvement projects
- \$1,154,861 Traffic signal improvement projects
- \$3,998,984 Airport capital projects
- \$2,169,149 Water and Sewer capital projects

Capital Assets at Year End						
Net of Accumulated Depreciation						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$15,942,258	\$15,378,960	\$10,084,364	\$9,675,763	\$26,026,622	\$25,054,723
Water rights	-	-	12,524,200	12,524,200	12,524,200	12,524,200
Building	26,000,891	22,918,297	31,572,017	30,833,217	57,572,908	53,751,514
Improvements	31,635,639	38,455,807	127,859,435	132,046,743	159,495,174	170,502,550
Machinery & equipment	14,399,986	16,004,886	4,215,398	4,828,900	18,615,384	20,833,786
Infrastructure	129,883,138	134,221,896	5,169,178	1,778,799	135,052,316	136,000,695
Construction in progress	24,923,355	16,486,802	18,137,353	15,090,322	43,060,708	31,577,124
Total	\$242,785,267	\$243,466,648	\$209,561,945	\$206,777,944	\$452,347,212	\$450,244,592

Additional information on the City of Tyler's capital assets can be found in note 4 on page 41 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Tyler had a total bonded debt of \$70,270,000 comprised solely of bonds secured by water and sewer revenues.

Outstanding Debt at Year End						
Bonds and Notes Payable						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital leases	\$3,253,542	\$4,359,068	\$ -	\$ -	\$ 3,253,542	\$ 4,359,068
Revenue bonds payable	-	-	70,270,000	72,845,000	70,270,000	72,845,000
Total	\$3,253,542	\$4,359,068	\$ 70,270,000	\$ 72,845,000	\$ 73,523,542	\$ 77,204,068

During the fiscal year, the City's revenue bond debt increased by \$2,575,000 or 3.534%.

The City's General Obligation and Revenue Bond ratings are listed below.

	Moody's <u>Investors Service</u>	Standard & Poor's
General Obligation Bonds	Aa2	AAA
Revenue Bonds	Aa2	AA

Please see note 4 on page 45 for an explanation of reserve requirements for the City of Tyler. 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 \$670,131,743. The City of Tyler has no outstanding general obligation bond debt.

Additional information on the City of Tyler's long term-debt can be found in note 4 on pages 44-45 of this report.

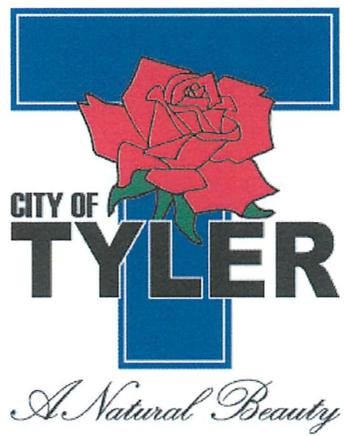
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the City of Tyler is currently 7.1%, which is a decrease from 7.3% a year ago. This compares favorably to the state's average unemployment rate of 7.6% and the national average rate of 8.1%.
- The office space occupancy rate for the City of Tyler increased slightly in 2011 to 88% from 87% occupancy last year.
- Sales tax receipt growth over a ten year average declined slightly to 3.01%. Property value rates, due to a decline in current values, slowed to a ten year average growth rate of 6.02%.

All of these factors were considered in preparing the budget for the fiscal year 2011-12 and the City of Tyler anticipates that total net assets will increase slightly by September 30, 2012.

REQUEST FOR INFORMATION

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



BASIC FINANCIAL STATEMENTS

CITY OF TYLER, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 25,065,577	\$ 11,042,527	\$ 36,108,104
Receivables (net of allowance for doubtful accounts)	10,286,987	7,108,333	17,395,320
Internal balances	600,540	(600,539)	1
Inventories	201,027	180,126	381,153
Prepaid items and deferred charges	212,718	583,191	795,909
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	10,909,920	15,703,259	26,613,179
Permanently restricted			
Cash and cash equivalents	2,528,935	-	2,528,935
Other post employment benefits asset	1,278,407	317,785	1,596,192
Investment in joint venture	1,022,499	-	1,022,499
Capital assets not being depreciated:			
Land	15,942,258	10,084,364	26,026,622
Water rights	-	12,524,200	12,524,200
Construction in progress	24,923,355	18,137,353	43,060,708
Capital assets net of accumulated depreciation:			
Buildings	26,000,890	31,572,017	57,572,907
Improvements other than buildings	31,635,640	127,859,435	159,495,075
Machinery and equipment	14,399,986	4,215,398	18,615,384
Infrastructure	129,883,138	5,169,178	135,052,316
Total Assets	<u>294,891,877</u>	<u>243,896,627</u>	<u>538,788,504</u>
LIABILITIES			
Accounts payable	4,792,530	3,276,332	8,068,862
Deposits and other refundable balances	930,120	76,877	1,006,997
Insurance claims payable	918,966	-	918,966
Accrued interest payable	66,747	278,725	345,472
Unearned revenues	98,719	-	98,719
Non-current liabilities:			
Due within one year	1,152,902	3,030,766	4,183,668
Due in more than one year	14,067,518	68,460,657	82,528,175
Total Liabilities	<u>22,027,502</u>	<u>75,123,357</u>	<u>97,150,859</u>
NET ASSETS			
Investment in capital assets, net of related debt	239,531,725	139,645,933	379,177,658
Restricted for:			
Perpetual care - nonexpendable	2,530,613	-	2,530,613
Storm water management	-	496,055	496,055
Public safety	573,334	-	573,334
Capital improvements	6,337	-	6,337
Tourism and convention	966,809	-	966,809
Donor restrictions	1,335,688	-	1,335,688
Capital projects	10,429,354	14,146,053	24,575,407
Airport improvements	60,175	-	60,175
Communications	266,438	-	266,438
Housing assistance	1,390,418	-	1,390,418
Grant restrictions	112,655	-	112,655
Debt service	2	925,855	925,857
Unrestricted	15,660,827	13,559,374	29,220,201
Total Net Assets	<u>\$ 272,864,375</u>	<u>\$ 168,773,270</u>	<u>\$ 441,637,645</u>

**CITY OF TYLER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 9,389,003	\$ 1,857,150	\$ 554,476	\$ -	\$ (6,977,377)	\$ -	\$ (6,977,377)
Public safety	41,169,622	7,081,718	529,318	116,437	(33,442,149)	-	(33,442,149)
Highways and streets	15,033,649	99,130	190,236	616,416	(14,127,867)	-	(14,127,867)
Public services	14,814,548	1,735,565	10,197,750	1,301,127	(1,580,106)	-	(1,580,106)
Culture and recreation	8,497,285	2,007,504	12,165	-	(6,477,616)	-	(6,477,616)
Interest on long term debt	117,564	-	-	-	(117,564)	-	(117,564)
Total governmental activities	<u>89,021,671</u>	<u>12,781,067</u>	<u>11,483,945</u>	<u>2,033,980</u>	<u>(62,722,679)</u>	<u>-</u>	<u>(62,722,679)</u>
Business-type activities:							
Utilities	30,449,882	35,349,773	-	-	-	4,899,891	4,899,891
Sanitation	11,324,625	10,231,984	-	-	-	(1,092,641)	(1,092,641)
Airport	2,632,814	952,105	-	1,861,673	-	180,964	180,964
Total business-type activities	<u>44,407,321</u>	<u>46,533,862</u>	<u>-</u>	<u>1,861,673</u>	<u>-</u>	<u>3,988,214</u>	<u>3,988,214</u>
Total primary government	<u>\$ 133,428,992</u>	<u>\$ 59,314,929</u>	<u>\$ 11,483,945</u>	<u>\$ 3,895,653</u>	<u>(62,722,679)</u>	<u>3,988,214</u>	<u>(58,734,465)</u>
General revenues:							
Property taxes					14,037,311	-	14,037,311
Franchise taxes					10,010,620	-	10,010,620
Sales and use taxes					36,902,058	-	36,902,058
Unrestricted investment earnings and use of money and property					249,064	305,330	554,394
Gain (loss) on sale of assets					244,895	11,461	256,356
Donations					2,780,000	-	2,780,000
Miscellaneous					572,240	-	572,240
Transfers					674,061	(674,061)	-
Total general revenues and transfers					<u>65,470,249</u>	<u>(357,270)</u>	<u>65,112,979</u>
Change in net assets					2,747,570	3,630,944	6,378,514
Net assets - beginning of year					<u>270,116,805</u>	<u>165,142,326</u>	<u>435,259,131</u>
Net assets - end of year					<u>\$ 272,864,375</u>	<u>\$ 168,773,270</u>	<u>\$ 441,637,645</u>

**CITY OF TYLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	<u>MAJOR FUNDS</u>		OTHER	TOTAL
	<u>GENERAL</u>	<u>HALF CENT SALES TAX</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ 8,750,053	\$ -	\$ 3,331,297	\$ 12,081,350
Receivables (net of allowance for doubtful accounts) :				
Property taxes	529,731	-	-	529,731
Other	6,328,294	1,987,688	1,086,834	9,402,816
Due from other funds	537,593	-	-	537,593
Inventories	8,470	-	4,450	12,920
Prepaid items	103,126	-	1,949	105,075
Cash - restricted	-	7,398,002	6,040,853	13,438,855
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 16,257,267</u>	<u>\$ 9,385,690</u>	<u>\$ 10,465,383</u>	<u>\$ 36,108,340</u>
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,591,625	\$ 1,233,965	\$ 276,486	\$ 4,102,076
Deposits and other refundable balances	852,338	-	77,782	930,120
Due to other funds	-	-	537,593	537,593
Unearned revenue	49,068	-	49,651	98,719
Deferred revenue	531,460	-	-	531,460
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,024,491</u>	<u>1,233,965</u>	<u>941,512</u>	<u>6,199,968</u>
Fund Balances:				
Nonspendable:				
Inventories	8,470	-	4,450	12,920
Prepaid items	103,126	-	1,949	105,075
Permanent fund principal	-	-	2,530,613	2,530,613
Restricted for:				
Public safety	-	-	573,334	573,334
Capital improvements	-	-	6,337	6,337
Tourism and convention	-	-	966,809	966,809
Donor restrictions	-	-	1,335,688	1,335,688
Capital projects	-	8,151,725	2,277,629	10,429,354
Airport improvements	-	-	60,175	60,175
Communications	-	-	266,438	266,438
Housing assistance	-	-	1,390,418	1,390,418
Grant restrictions	-	-	112,655	112,655
Debt service	-	-	2	2
Unassigned:	12,121,180	-	(2,626)	12,118,554
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>12,232,776</u>	<u>8,151,725</u>	<u>9,523,871</u>	<u>29,908,372</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 16,257,267</u>	<u>\$ 9,385,690</u>	<u>\$ 10,465,383</u>	<u>\$ 36,108,340</u>

**CITY OF TYLER, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

	TOTAL GOVERNMENTAL FUNDS
Total fund balances governmental funds (Exhibit 3)	\$ 29,908,372
Other post employment benefits in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. (Includes other post employment benefit assets of Internal Service Funds)	1,175,394
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	231,701,927
Equity in an affiliated joint venture is included in governmental activities in the statement of net assets.	1,022,499
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	531,460
Internal service funds are used by management to charge the costs of various goods or services provided to other departments or agencies of the City. 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).	20,194,405
Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(11,669,683)
Net assets of governmental activities (Exhibit 1)	\$ 272,864,374

CITY OF TYLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	MAJOR FUNDS		OTHER	TOTAL GOVERNMENTAL FUNDS
	GENERAL	HALF CENT SALES TAX	NON-MAJOR GOVERNMENTAL FUNDS	
REVENUES				
Taxes:				
Property	\$ 14,027,425	\$ -	\$ 9,931	\$ 14,037,356
Franchise	9,744,673	-	265,947	10,010,620
Sales and use	23,206,576	11,424,869	2,270,613	36,902,058
Licenses and permits	1,121,642	-	12,470	1,134,112
Fines, forfeitures and penalties	6,262,679	-	819,039	7,081,718
Revenues from use of money or property	691,601	40,060	37,904	769,565
Charges for current services	2,682,028	-	678,621	3,360,649
Revenues from other agencies	574,583	-	12,466,580	13,041,163
Donations	-	-	312,271	312,271
Miscellaneous	398,287	-	699,287	1,097,574
Total revenues	<u>58,709,494</u>	<u>11,464,929</u>	<u>17,572,663</u>	<u>87,747,086</u>
EXPENDITURES				
Current:				
General government	6,928,242	50,208	92,417	7,070,867
Public safety	37,260,657	-	715,514	37,976,171
Public services	1,140,056	-	12,367,302	13,507,358
Highways and streets	3,667,305	-	-	3,667,305
Culture and recreation	6,374,696	-	317,858	6,692,554
Capital outlay	696,986	9,062,702	4,251,626	14,011,314
Debt service:				
Interest and fiscal charges	-	-	1,045	1,045
Total expenditures	<u>56,067,942</u>	<u>9,112,910</u>	<u>17,745,762</u>	<u>82,926,614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,641,552</u>	<u>2,352,019</u>	<u>(173,099)</u>	<u>4,820,472</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	366,882	246,139	2,207,564	2,820,585
Transfers out	(2,574,823)	(95,757)	(599,379)	(3,269,959)
Sale of capital assets	1,652	-	-	1,652
Total other financing sources (uses)	<u>(2,206,289)</u>	<u>150,382</u>	<u>1,608,185</u>	<u>(447,722)</u>
Net change in fund balances	435,263	2,502,401	1,435,086	4,372,750
Fund balances - beginning of year, as restated	<u>11,797,513</u>	<u>5,649,324</u>	<u>8,088,785</u>	<u>25,535,622</u>
Fund balances - end of year	<u>\$ 12,232,776</u>	<u>\$ 8,151,725</u>	<u>\$ 9,523,871</u>	<u>\$ 29,908,372</u>

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, 2011

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

Net change in fund balances - total governmental funds	\$	4,372,750
Governmental funds report all payments to other post employment benefits as expenditures. However, in the government-wide statement of activities, the actuarial annually required contribution is considered as expense. Any excess payment is recorded as an asset. Change in other post employment benefit asset.		(355,471)
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 capital outlay exceeded depreciation in the current period.		(1,686,312)
The net decrease of the equity in investment in an affiliated joint venture is reflected on the statement of activities.		203,378
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		2,494,760
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 decrease in the deferral of the revenue.		(45)
The issuance of long-term debt (e.g. capital leases) 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.		19,515
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 change in the accrued liability for compensated absences, accrued legal expenses, and net pension expenses.		(1,766,878)
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 (\$529,917).		<u>(534,127)</u>
Change in net assets of governmental activities	\$	<u><u>2,747,570</u></u>

**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, 2011**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Property tax collections	\$ 13,929,476	\$ 13,656,276	\$ 14,027,425	\$ 371,149
Franchise fees	9,336,799	9,336,799	9,744,673	407,874
Sales and use taxes	22,444,163	22,444,163	23,206,576	762,413
Licenses and permits	1,056,455	1,056,455	1,121,642	65,187
Fines, forfeitures and penalties	6,150,000	6,150,000	6,262,679	112,679
Revenues from use of money or property	589,450	739,408	691,601	(47,807)
Charges for current services	2,645,954	2,700,954	2,682,028	(18,926)
Revenues from other agencies	647,686	761,414	574,583	(186,831)
Miscellaneous	468,800	478,800	398,287	(80,513)
Total Revenues	57,268,783	57,324,269	58,709,494	1,385,225
EXPENDITURES				
GENERAL GOVERNMENT:				
General government services	4,493,422	4,823,888	4,671,929	151,959
Communications	227,952	227,952	227,441	511
Finance	1,029,153	1,025,307	983,212	42,095
Human Resources	305,759	305,759	297,192	8,567
Legal	720,615	720,615	748,468	(27,853)
Total General Government	6,776,901	7,103,521	6,928,242	175,279
PUBLIC SAFETY:				
Police	21,640,774	21,834,532	21,402,484	432,048
Fire	14,219,576	14,219,576	14,206,254	13,322
Municipal court	1,585,855	1,585,855	1,651,919	(66,064)
Total Public Safety	37,446,205	37,639,963	37,260,657	379,306
PUBLIC SERVICES:				
Planning & zoning	381,042	381,042	326,981	54,061
Development Services	833,858	833,858	813,075	20,783
Total Public Services	1,214,900	1,214,900	1,140,056	74,844
HIGHWAYS AND STREETS:				
Engineering	604,172	604,172	476,048	128,124
Street administration	2,168,091	2,168,091	2,032,124	135,967
Traffic operations	1,188,938	1,188,938	1,159,133	29,805
Total Highways and Streets	3,961,201	3,961,201	3,667,305	293,896
CULTURE AND RECREATION:				
Library	1,288,058	1,288,058	1,245,108	42,950
Parks administration	2,486,361	2,486,361	2,391,109	95,252
Indoor recreation	475,391	476,991	455,479	21,512
Outdoor recreation	436,265	434,665	359,195	75,470
Median maintenance and arborist	356,883	356,883	343,410	13,473
Rose Garden center	148,084	148,084	153,904	(5,820)
Rose Garden maintenance	495,846	495,846	505,436	(9,590)
Visitor Facilities	670,770	835,400	666,325	169,075

(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, 2011**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
CULTURE AND RECREATION:				
Tourism Contingency	100,000	37,500	32,770	4,730
Symphony	242,427	242,427	221,960	20,467
Total Culture and Recreation	<u>6,700,085</u>	<u>6,802,215</u>	<u>6,374,696</u>	<u>427,519</u>
CAPITAL OUTLAY:	<u>352,718</u>	<u>323,564</u>	<u>696,986</u>	<u>(373,422)</u>
Total Expenditures	<u>56,452,010</u>	<u>57,045,364</u>	<u>56,067,942</u>	<u>977,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>816,773</u>	<u>278,905</u>	<u>2,641,552</u>	<u>2,362,647</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	210,000	366,882	156,882
Transfers out	(986,266)	(2,486,266)	(2,574,823)	(88,557)
Sale of property and equipment	3,000	3,000	1,652	(1,348)
Total other financing sources (uses)	<u>(833,266)</u>	<u>(2,273,266)</u>	<u>(2,206,289)</u>	<u>66,977</u>
Net change in fund balance	(16,493)	(1,994,361)	435,263	2,429,624
Fund Balance - October 1, 2010, as restated	<u>11,797,513</u>	<u>11,797,513</u>	<u>11,797,513</u>	<u>-</u>
Fund Balance - September 30, 2011	<u>\$ 11,781,020</u>	<u>\$ 9,803,152</u>	<u>\$ 12,232,776</u>	<u>\$ 2,429,624</u>

**CITY OF TYLER, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL	
	ENTERPRISE FUNDS			TOTAL	INTERNAL
ASSETS	UTILITIES	SANITATION	AIRPORT	ENTERPRISE FUNDS	SERVICE FUNDS
Current Assets					
Unrestricted current assets:					
Cash and cash equivalents	\$ 8,591,564	\$ 1,998,908	\$ 452,055	\$ 11,042,527	\$ 12,984,227
Prepaid expenses	7,570	-	-	7,570	107,643
Accounts receivable	5,644,820	1,398,120	65,393	7,108,333	354,440
Inventories - at average cost	180,126	-	-	180,126	188,107
Total unrestricted current assets	<u>14,424,080</u>	<u>3,397,028</u>	<u>517,448</u>	<u>18,338,556</u>	<u>13,634,417</u>
Restricted Current assets:					
Temporarily restricted					
Cash and cash equivalents for payment of current maturities of revenue bond principal and interest	1,211,475	-	-	1,211,475	-
Total restricted current assets	<u>1,211,475</u>	<u>-</u>	<u>-</u>	<u>1,211,475</u>	<u>-</u>
Total current assets	<u>15,635,555</u>	<u>3,397,028</u>	<u>517,448</u>	<u>19,550,031</u>	<u>13,634,417</u>
Noncurrent assets:					
Restricted assets:					
Temporarily restricted					
Cash and cash equivalents	14,491,784	-	-	14,491,784	-
Total restricted assets	<u>14,491,784</u>	<u>-</u>	<u>-</u>	<u>14,491,784</u>	<u>-</u>
Deferred charges (net of amortization)	575,621	-	-	575,621	-
Other post employment benefits asset	213,081	89,692	15,012	317,785	79,171
Capital assets:					
Land	5,749,566	3,285,312	1,049,486	10,084,364	65,000
Water rights	12,524,200	-	-	12,524,200	-
Buildings and infrastructure	34,040,633	307,704	25,754,612	60,102,949	730,193
Improvements other than buildings	193,739,475	555,643	18,018,101	212,313,219	500,313
Machinery and equipment	2,874,070	7,063,491	896,865	10,834,426	26,991,032
Construction in progress	11,267,554	381,582	6,488,217	18,137,353	429,581
Less accumulated depreciation	(97,458,751)	(4,400,369)	(12,575,446)	(114,434,566)	(17,632,779)
Total capital assets net of accumulated depreciation	<u>162,736,747</u>	<u>7,193,363</u>	<u>39,631,835</u>	<u>209,561,945</u>	<u>11,083,340</u>
Total noncurrent assets	<u>178,017,233</u>	<u>7,283,055</u>	<u>39,646,847</u>	<u>224,947,135</u>	<u>11,162,511</u>
Total assets	<u>193,652,788</u>	<u>10,680,083</u>	<u>40,164,295</u>	<u>244,497,166</u>	<u>24,796,928</u>
LIABILITIES					
Current liabilities					
Unrestricted current liabilities:					
Accounts and contracts payable	2,547,760	457,515	271,057	3,276,332	690,452
Insurance claims payable	-	-	-	-	918,966
Current portion of capital lease payable	-	-	-	-	885,100
Current portion of compensated absences payable	16,900	6,578	2,288	25,766	3,890
Total unrestricted current liabilities	<u>2,564,660</u>	<u>464,093</u>	<u>273,345</u>	<u>3,302,098</u>	<u>2,498,408</u>
Current liabilities payable from restricted assets:					
Revenue bonds payable	3,005,000	-	-	3,005,000	-
Customer deposits	59,777	17,100	-	76,877	-
Accrued interest	278,725	-	-	278,725	66,747
Total current liabilities payable from restricted assets	<u>3,343,502</u>	<u>17,100</u>	<u>-</u>	<u>3,360,602</u>	<u>66,747</u>
Total current liabilities	<u>5,908,162</u>	<u>481,193</u>	<u>273,345</u>	<u>6,662,700</u>	<u>2,565,155</u>
Noncurrent liabilities:					
Revenue bonds payable (net)	66,911,012	-	-	66,911,012	-
Capital lease payable	-	-	-	-	2,348,927
Net pension obligation	611,854	273,951	45,453	931,258	219,437
Compensated absences	405,608	157,872	54,907	618,387	93,385
Total noncurrent liabilities	<u>67,928,474</u>	<u>431,823</u>	<u>100,360</u>	<u>68,460,657</u>	<u>2,661,749</u>
Total liabilities	<u>73,836,636</u>	<u>913,016</u>	<u>373,705</u>	<u>75,123,357</u>	<u>5,226,904</u>
NET ASSETS					
Invested in capital assets, net of related debt	92,820,735	7,193,363	39,631,835	139,645,933	7,849,313
Restricted net assets:					
Debt service	925,855	-	-	925,855	-
Storm water management	496,055	-	-	496,055	-
Capital projects	12,913,366	1,232,687	-	14,146,053	-
Unrestricted	<u>12,660,141</u>	<u>1,341,017</u>	<u>158,755</u>	<u>14,159,913</u>	<u>11,720,711</u>
Total net assets	<u>\$ 119,816,152</u>	<u>\$ 9,767,067</u>	<u>\$ 39,790,590</u>	<u>169,373,809</u>	<u>\$ 19,570,024</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	(70,622)	
			Current year	(529,917)	
Net assets of business-type activities				<u>\$ 168,773,270</u>	

CITY OF TYLER, TEXAS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES
	UTILITIES	SANITATION	AIRPORT		INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Water and sewer operations	\$ 35,530,845	\$ -	\$ -	\$ 35,530,845	\$ -
Trash and garbage	-	10,187,713	-	10,187,713	-
Airport sales and rentals	-	-	1,149,225	1,149,225	-
Charges for services	-	-	-	-	13,475,414
Contributions	-	-	-	-	9,418,244
Miscellaneous	128,856	49,468	17,672	195,996	491,701
Total operating revenues	35,659,701	10,237,181	1,166,897	47,063,779	23,385,359
OPERATING EXPENSES					
Water and sewer operations	20,900,253	-	-	20,900,253	-
Sanitation operations	-	10,343,984	-	10,343,984	-
Municipal Airport operations	-	-	1,507,539	1,507,539	-
Garage operations	-	-	-	-	5,087,033
Depreciation	6,325,388	980,641	1,125,275	8,431,304	3,284,216
Insurance claims	-	-	-	-	9,917,090
Administrative	-	-	-	-	6,745,105
Special services	-	-	-	-	591,421
Maintenance	-	-	-	-	207,497
Total operating expenses	27,225,641	11,324,625	2,632,814	41,183,080	25,832,362
Operating income (loss)	8,434,060	(1,087,444)	(1,465,917)	5,880,699	(2,447,003)
NON-OPERATING REVENUES (EXPENSES)					
Revenues from use of money and property	262,284	40,808	2,238	305,330	119,868
Gain (loss) on sale of assets	-	11,461	-	11,461	256,175
Interest expense	(3,224,241)	-	-	(3,224,241)	(116,519)
Total non-operating revenues (expenses)	(2,961,957)	52,269	2,238	(2,907,450)	259,524
Income (loss) before capital contributions and transfers	5,472,103	(1,035,175)	(1,463,679)	2,973,249	(2,187,479)
Capital contributions	-	-	1,861,673	1,861,673	-
Transfers in	-	17,000	156,225	173,225	1,774,948
Transfers out	(646,840)	(200,446)	-	(847,286)	(651,513)
Net capital contributions and transfers	(646,840)	(183,446)	2,017,898	1,187,612	1,123,435
Change in net assets	4,825,263	(1,218,621)	554,219	4,160,861	(1,064,044)
Net Assets - October 1, 2010	114,990,889	10,985,688	39,236,369		20,634,068
Net Assets - September 30, 2011	<u>\$ 119,816,152</u>	<u>\$ 9,767,067</u>	<u>\$ 39,790,588</u>		<u>\$ 19,570,024</u>

Reconciliation to government-wide statements of net assets:

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds

(529,917)

Change in net assets of business-type activities

\$ 3,630,944

**CITY OF TYLER, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	BUSINESS-TYPE ACTIVITIES			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL
	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	UTILITIES	SANITATION	AIRPORT		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 34,477,205	\$ 10,101,857	\$ 1,390,817	\$ 45,969,879	\$ 23,353,036
Cash paid to suppliers for goods and services	(13,070,646)	(7,396,337)	(948,015)	(21,414,998)	(9,946,528)
Cash paid to employees for services	(6,931,888)	(3,224,402)	(491,720)	(10,648,010)	(2,288,501)
Insurance claims paid	-	-	-	-	(10,323,470)
Net cash provided by (used in) operating activities	<u>14,474,671</u>	<u>(518,882)</u>	<u>(48,918)</u>	<u>13,906,871</u>	<u>794,537</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	-	17,000	156,225	173,225	1,774,948
Transfers out to other funds	(646,840)	(200,446)	-	(847,286)	(651,513)
Net cash provided by (used in) non-capital financing activities	<u>(646,840)</u>	<u>(183,446)</u>	<u>156,225</u>	<u>(674,061)</u>	<u>1,123,435</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(8,732,954)	(588,411)	(1,893,938)	(11,215,303)	(1,835,030)
Proceeds from grants for capital purposes	-	-	1,861,673	1,861,673	-
Proceeds from sale of assets	-	11,461	-	11,461	307,474
Payments on debt	(2,845,000)	-	-	(2,845,000)	(1,096,668)
Interest paid	(3,313,054)	-	-	(3,313,054)	(116,519)
Net cash provided by (used in) capital and related financing activities	<u>(14,891,008)</u>	<u>(576,950)</u>	<u>(32,265)</u>	<u>(15,500,223)</u>	<u>(2,740,743)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	262,284	40,808	2,238	305,330	119,868
Net cash provided by (used in) investing activities	<u>262,284</u>	<u>40,808</u>	<u>2,238</u>	<u>305,330</u>	<u>119,868</u>
Net increase (decrease) in cash and cash equivalents	(800,893)	(1,238,470)	77,280	(1,962,083)	(702,903)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>25,095,716</u>	<u>3,237,378</u>	<u>374,775</u>	<u>28,707,869</u>	<u>13,687,130</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 24,294,823</u>	<u>\$ 1,998,908</u>	<u>\$ 452,055</u>	<u>\$ 26,745,786</u>	<u>\$ 12,984,227</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 8,434,060	\$ (1,087,444)	\$ (1,465,917)	\$ 5,880,699	\$ (2,447,003)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	6,325,388	980,641	1,125,275	8,431,304	3,284,216
(Increase) decrease in accounts receivable	(1,309,422)	(152,424)	223,920	(1,237,926)	(3,531)
(Increase) decrease in prepaids	(7,570)	-	-	(7,570)	(107,643)
(Increase) decrease in inventories	85,094	-	-	85,094	(28,792)
(Increase) decrease in deferred charges	(9,076)	-	-	(9,076)	-
(Increase) decrease in other post employment benefit asset	68,540	32,526	5,312	106,378	23,842
Increase (decrease) in accounts payable	587,760	(425,298)	44,432	206,894	416,048
Increase (decrease) in customer deposits	41,832	17,100	-	58,932	-
Increase (decrease) in claims payable	-	-	-	-	(406,380)
Increase (decrease) in accrued interest payable	-	-	-	-	(15,153)
Increase (decrease) in net pension obligation	243,138	114,198	18,844	376,180	84,568
Increase (decrease) in compensated absences payable	14,927	1,819	(784)	15,962	(5,635)
Total adjustments	<u>6,040,611</u>	<u>568,562</u>	<u>1,416,999</u>	<u>8,026,172</u>	<u>3,241,540</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 14,474,671</u>	<u>\$ (518,882)</u>	<u>\$ (48,918)</u>	<u>\$ 13,906,871</u>	<u>\$ 794,537</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Borrowing under capital lease	\$ -	\$ -	\$ -	\$ -	\$ 10,657

**CITY OF TYLER, TEXAS
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

	EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE - PURPOSE TRUST FUNDS
	<u> </u>	<u> </u>
ASSETS		
Equity in pooled cash	\$ 306,493	\$ 2,283,352
Investments	3,813,882	54,034
Receivables		
Accounts receivable	5,523	-
Interest receivable	-	1,516
Total receivables	<u>5,523</u>	<u>1,516</u>
Total assets	<u>4,125,898</u>	<u>2,338,902</u>
LIABILITIES		
Accounts payable	<u>2,370</u>	<u>-</u>
Total liabilities	<u>2,370</u>	<u>-</u>
NET ASSETS		
Held in trust for OPEB benefits and other purposes	<u>\$ 4,123,528</u>	<u>\$ 2,338,902</u>

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

**CITY OF TYLER, TEXAS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE - PURPOSE TRUST FUNDS
	<u> </u>	<u> </u>
ADDITIONS		
Contributions:		
Employees	\$ 169,882	\$ -
Employer	481,691	-
Other	-	33,000
Total contributions	<u> 651,573</u>	<u> 33,000</u>
Investment income:		
Interest	-	13,070
Net investment income	<u> -</u>	<u> 13,070</u>
 Total additions	 <u> 651,573</u>	 <u> 46,070</u>
 DEDUCTIONS		
Benefits	170,778	-
Contributions	<u> -</u>	<u> 4,100</u>
 Total deductions	 <u> 170,778</u>	 <u> 4,100</u>
 Change in net assets	 480,795	 41,970
 Net Assets - October 1, 2010	 <u> 3,642,733</u>	 <u> 2,296,932</u>
 Net Assets - September 30, 2011	 <u><u> \$ 4,123,528</u></u>	 <u><u> \$ 2,338,902</u></u>

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

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**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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 criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based upon the aforementioned criteria, the City has one component unit. The Tyler 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 has resulted in the elimination of general obligation indebtedness and has enabled the City to reduce its property tax rate.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) 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.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Government-Wide and Fund Financial Statements - continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are 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, except grants and similar items, to be available if they are collected within 60 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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 when earned.

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 Half 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.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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 – tracks the performance pay of City employees.
2. Fleet Maintenance and Replacement Fund – tracks the acquisition, maintenance and repairs on vehicles for all City departments.
3. Property and Liability Insurance Fund – accounts for the City’s property, casualty, liability, disability and workers’ compensation insurance programs.
4. Employee Benefits Fund – accounts for the City’s self-insurance program for health and dental insurance as well as life insurance for current employees.
5. Retiree Benefits Fund – accounts for the City’s self-insurance program for health and dental insurance as well as life insurance for retired employees.
6. Property and Facility Management Fund – accounts for maintenance on City facilities including roof and HVAC repairs and replacement.
7. Technology Fund – accounts for the City’s investment and maintenance of technology and office automation.

Fiduciary Funds:

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 City’s cafeteria plan administered by Health First.

The OPEB Trust Fund is used to account for the resources accumulated to meet ARC (annual required contributions) and long term liability requirements associated with administering post employment health, dental and life benefits for retired employees in accordance with GASB 43 and 45.

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 Lindsey Trust Fund is used to account for the endowment fund created for the charitable purpose of making awards to police officers and firefighters employed by the City of Tyler for outstanding service and providing aid to those injured in the line of duty.

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 this 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.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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 more than one classification of fund balance is available for use, it is the government's policy to use the most restricted resources first.

Housing Assistance Payment Fund

The City of Tyler accounts for revenues and expenditures related to the Housing Choice Voucher Program Housing Assistance Payments in the "Housing Assistance Payments Fund" reported on pages 66 and 68. The Housing Assistance Payment Fund is reported on a modified cash basis.

E. Assets, Liabilities, and Net Assets or Equity

1. Equity in Pooled Cash and Investments

The City classifies certain 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."

2. Investments

Accounting pronouncement Governmental Accounting Standards Board Statement 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", is 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.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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, 2011, there were no material unrealized gains or losses.

Investment Pools

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

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

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 United States government, bonds guaranteed by the United States government, certificates of deposit at financial institutions, local government investment pools, direct obligations of the State of Texas, no load government money market mutual funds, and repurchase agreements. 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" (the current portion of interfund loans) or "advances to/from other funds" (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 collectability of the property tax receivable account, as determined by experience. The City uses the direct write-off method on all other receivables. A detailed schedule of receivables can be found at Note 4: B.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

3. Receivables and Payables - continued

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. All delinquent property taxes receivable are assets of the General Fund.

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, 2011, was \$.208865 per \$100, which means that the City has a tax margin of \$1.541135 per \$100 and could raise up to \$102,737,142 additional taxes a year from the present valuation of \$6,666,329,824 before the limit is reached.

4. Inventories and Prepaid Items

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

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

6. 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 actual historical cost is not available. 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.

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, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

6. Capital Assets - continued

Property, plant, and equipment of the primary government, as well as the component unit, 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
Heavy equipment	7 to 10
Small equipment	3 to 7
Vehicles	3 to 5
Computer and other electronic equipment	3 to 5
Office equipment	3

7. 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.

8. 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 Fund is used to report those proceeds of revenue bond issuances that are restricted for use in water and sewer projects. The Utilities Fund is also 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 due to enabling legislation and trust agreements established to govern the spending of funds for the permanent care of the City's cemeteries.

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 at the end of each pay period. 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 are 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.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

9. Compensated Absences - continued

Civil Service Employees

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

Civil and Non-Civil Service Employees

Vested or accumulated vacation leave is recorded as an expense and a liability, as the benefits accrue to employees, in the government-wide, proprietary, and fiduciary fund financial statements. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, “*Accounting For Compensated Absences*,” no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of cumulative sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement.

10. 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 February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes accounting and financial reporting requirements to improve the usefulness of information about fund balance by providing clearer, more structured fund balance classifications and clarifying the definitions of existing governmental fund types. The City adopted GASB Statement No. 54 during the year ended September 30, 2011.

In the fund financial statements, governmental funds report fund balance categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by formal action of the City’s highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

11. Fund Equity - continued

Assigned fund balance – represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

The Development Services Fund, Main Street Program Fund, Tourism and Convention Fund, and Oil and Natural Gas Fund have previously been classified as non-major special revenue funds. Based on the sources of the revenues, these funds have been reclassified as general funds. The cumulative effect of these funds is an increase in the general funds' fund balance and a decrease in the non-major fund's fund balance of \$3,023,787. Beginning fund balance has been restated to reflect the reclassification.

The City's minimum fund balance policy requires that fund balance shall be maintained at a level of 15 percent of estimated annual operating expenditures for the General Fund and at 15 percent of estimated annual operating expenses in the Utility Fund and Solid Waste Fund.

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 less unspent cash acquired through debt at year-end. 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. The government-wide statement of net assets reports \$33,239,786 of restricted net assets, of which \$8,151,725 is restricted by enabling legislation.

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, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

15. New Accounting Pronouncements

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The provisions related to the use and reporting of the alternative measurement method are effective immediately. The provision related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB financial statements for periods beginning after June 15, 2011. The City is evaluating the impact of this statement on the City's financial statements.

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which improves financial reporting by addressing issues related to service concession arrangements (SCAs) which are typical public-private or public-public partnership. This statement is effective for periods beginning after December 15, 2011. The City is evaluating the impact of this statement on the City's financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, which improves financial reporting by modifying certain requirements for inclusion of component units in the financial reporting entity. This statement is effective for periods beginning after June 15, 2012. The City is evaluating the impact of this statement on the City's financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations, 2) Accounting Principles Board Opinions, 3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The City anticipates no significant impact of this statement on the City's financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement is effective for periods beginning after December 15, 2011. The City is evaluating the impact of this statement on the City's financial statements.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, which enhances comparability and improves financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. This statement is effective for periods beginning after June 15, 2011. The City currently has no hedging transactions and anticipates no significant impact of this statement on the City's financial statements.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$11,669,683 difference are as follows:

Claims and judgment	\$ 100,000
Capital leases	19,515
Net pension obligation	3,296,385
Compensated absences	<u>8,253,783</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$11,669,683</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 \$531,460 difference are as follows:

Deferred property tax revenues	\$ 531,460
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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 \$1,686,312 difference are as follows:

Capital outlay	\$14,264,103
Depreciation expense	<u>(15,950,415)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,686,312)</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.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information - continued

4. Budgetary control is established at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Charter prohibits budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances from prior years for each fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds (Police Forfeiture Fund, Court Technology Fund, Hotel-Motel Occupancy Tax Fund, Passenger and Customer Facility Charge Fund, Homeownership and Housing Fund, CDBG Fund, Home Grant Fund, Housing Assistance Payment Fund, Transit System Fund, TIF / TIRZ #2 Fund, TIF / TIRZ #3 Fund), General Debt Services Fund, Capital Projects Fund, all Enterprise Funds, all Internal Service Funds and Permanent Funds.

Budgets for the General Fund, certain Special Revenue Funds (Police Forfeiture Fund, Court Technology Fund, Hotel-Motel Occupancy Tax Fund, Passenger and Customer Facility Charge Fund, Homeownership and Housing Fund, CDBG Fund, Home Grant Fund, Housing Assistance Payment Fund, Transit System Fund, TIF / TIRZ #2 Fund, TIF / TIRZ #3 Fund), General Debt Services Fund, Capital Projects Fund, and Permanent Funds 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 \$57,045,364. Appropriations, which are not expended or encumbered at year-end, must be re-budgeted 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>
Passenger and Customer Facility Charge Fund	\$ 10,710	\$ -	\$ 10,710
Cemeteries Fund	242,229	208,334	33,895

C. Deficit Fund Equity

As of September 30, 2011, there were no funds with a deficit fund balance.

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 for the year ended September 30, 2011, are as follows:

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

A. Deposits and Investments - continued

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>
Certificates of Deposit	\$ 39,821,585	0.64	N/A
TexPool	10,139,093	0.23	AAAm
TexStar	4,982,575	0.24	AAAm
OPEB Trust	3,928,088	N/A	N/A
Lindsey Trust	54,034	N/A	N/A
Cash in Bank	14,266,562	N/A	N/A
Total fair value	<u>\$ 73,191,937</u>	0.49	

Interest Rate Risk – The City, in compliance with its investment policy adopted by the City Council, invests 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.

Credit Risk – The City’s investment policy requires the City to invest in U. S. Treasury and Agency securities along with Texas Local Government Pool (TexPool and TexStar) investments. In addition, the City’s investment policy requires approved broker / dealers meeting strict qualifications.

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

Custodial Credit Risk – Deposits – At September 30, 2011, the City held several bank accounts; including a NOW interest bearing account, at one financial institution. The City’s account balances, less outstanding checks and deposits, totaled \$12,709,175 and the bank balances totaled \$14,266,562. As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd Frank Act), which provides unlimited FDIC insurance for non-interest bearing transaction accounts from December 31, 2010 through December 31, 2012, the City’s non-interest bearing accounts were fully insured as of September 30, 2011. The City’s NOW account was insured for \$250,000 and 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:

<u>Receivables:</u>	<u>General Fund</u>	<u>Half Cent Sales Tax Fund</u>	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
	Accounts	\$ 48,932	\$ -	\$ 5,644,820	\$ 1,398,120	\$ 65,393	\$ 323,270	\$ 354,440
Grants	82,491	-	-	-	-	760,111	-	842,602
Taxes	6,765,904	1,982,512	-	-	-	-	-	8,748,416
Miscellaneous	6,531	5,176	-	-	-	3,453	-	15,160
Gross receivables	6,903,858	1,987,688	5,644,820	1,398,120	65,393	1,086,834	354,440	17,441,153
Less: allowance for uncollectibles	(45,833)	-	-	-	-	-	-	(45,833)
Net total receivables	<u>\$ 6,858,025</u>	<u>\$ 1,987,688</u>	<u>\$ 5,644,820</u>	<u>\$ 1,398,120</u>	<u>\$ 65,393</u>	<u>\$ 1,086,834</u>	<u>\$ 354,440</u>	<u>\$ 17,395,320</u>

**CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011**

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

B. Receivables - continued

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>	<u>Unearned</u>
Unearned grant revenue		<u>\$ 98,719</u>
Deferred property taxes receivable	<u>\$ 531,460</u>	

C. Lindsey Trust Fund

The S.A. Lindsey Police And Firemen’s Trust was created by Louise Lindsey Merrick on July 20, 1971 for the charitable purpose of making awards to police officers and firefighters employed by the City of Tyler for outstanding service and to aid those and their families injured in the line of duty. The S.A. Lindsey Police And Firemen’s Trust was terminated by court order on September 24, 2007, on the petition of the Trustee, Bank of America, due to new legislation making continuation of the trust economically infeasible. As a result, the Lindsey Police and Firemen’s Board contracted with the East Texas Communities Foundation to receive and manage the assets distributed from the termination of the S.A. Lindsey Police And Firemen’s Trust, to create an Endowment Fund, to be known as the Lindsey Police and Firemen’s Endowment Fund (Fund), designed to meet the primary purposes outlined in the originating trust document. The Lindsey Trust Fund was created to account for this Fund, as reflected in the Private-Purpose Trust Funds Combining Statement of Net Assets and Combining Statement of Changes in Net Assets, schedules D-3 and D-4 in the additional supplemental information.

The Fund is defined as a Permanent Endowment. The permanent portion or corpus of the Fund is \$25,000, with the remaining amount of the Fund considered net appreciation. Under the terms of the endowment, and consistent with State statutes, distributions from the Fund are to be made from the net appreciation so that the corpus of the fund will not be exhausted or depleted. Distributions may only be made to the City of Tyler, Texas. Ordinary distributions to the City of Tyler shall be made from the Fund once per calendar year in the amount requested by the City of Tyler up to a cumulative limit of five percent (5%) of the value of the Fund determined as of the preceding December 31. Any portion of the net appreciation available for distribution which is not withdrawn by the City of Tyler in one year may be withdrawn in a subsequent year. No additional distributions shall be made from the Fund. To the extent possible, the Donor intends to preserve the permanent portion or corpus of the Fund by limiting distributions to 5% per year. For the year ended September 30, 2011, the net appreciation on investments of the Fund was \$29,034.

Because the Lindsey Police and Firefighters’ Endowment Fund is separately organized and managed by contract with an investment company as directed by the Lindsey Police and Firefighters’ Fund Board, it is excluded from the City of Tyler’s Investment Fund policy.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

D. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,378,960	\$ 576,230	\$ (12,932)	\$ 15,942,258
Construction in progress	16,486,802	8,708,861	(272,308)	24,923,355
Total capital assets, not being depreciated	31,865,762	9,285,091	(285,240)	40,865,613
Capital assets, being depreciated:				
Buildings	35,771,843	4,043,036	-	39,814,879
Improvements other than buildings	87,682,166	119,109	-	87,801,275
Machinery and equipment	44,686,580	2,884,041	(1,187,987)	46,382,634
Infrastructure	285,187,148	2,567,423	-	287,754,571
Total capital assets being depreciated	453,327,737	9,613,609	(1,187,987)	461,753,359
Less accumulated depreciation for:				
Buildings	(12,853,546)	(960,443)	-	(13,813,989)
Improvements other than buildings	(49,226,359)	(6,939,276)	-	(56,165,635)
Machinery and equipment	(28,681,694)	(4,428,731)	1,127,777	(31,982,648)
Infrastructure	(150,965,252)	(6,906,181)	-	(157,871,433)
Total accumulated depreciation	(241,726,851)	(19,234,631)	1,127,777	(259,833,705)
Total capital assets, being depreciated, net	211,600,886	(9,621,022)	(60,210)	201,919,654
Governmental activities capital assets, net	<u>\$ 243,466,648</u>	<u>\$ (335,931)</u>	<u>\$ (345,450)</u>	<u>\$ 242,785,267</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 9,675,763	\$ 408,601	\$ -	\$ 10,084,364
Water rights	12,524,200	-	-	12,524,200
Construction in progress	15,090,322	6,583,159	(3,536,128)	18,137,353
Total capital assets, not being depreciated	37,290,285	6,991,760	(3,536,128)	40,745,917
Capital assets, being depreciated:				
Buildings	52,489,152	2,009,379	-	54,498,531
Improvements other than buildings	210,668,583	1,644,636	-	212,313,219
Machinery and equipment	10,535,126	1,005,065	(705,766)	10,834,425
Infrastructure	2,092,122	3,512,297	-	5,604,419
Total capital assets being depreciated	275,784,983	8,171,377	(705,766)	283,250,594
Less accumulated depreciation for:				
Buildings	(21,655,935)	(1,270,579)	-	(22,926,514)
Improvements other than buildings	(78,621,840)	(5,831,944)	-	(84,453,784)
Machinery and equipment	(5,706,226)	(1,206,863)	294,062	(6,619,027)
Infrastructure	(313,323)	(121,918)	-	(435,241)
Total accumulated depreciation	(106,297,324)	(8,431,304)	294,062	(114,434,566)
Total capital assets, being depreciated, net	169,487,659	(259,927)	(411,704)	168,816,028
Business-type activities capital assets, net	<u>\$ 206,777,944</u>	<u>\$ 6,731,833</u>	<u>\$ (3,947,832)</u>	<u>\$ 209,561,945</u>

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

D. Capital Assets - continued

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. Management believes there is no impairment in the value of the water rights at September 30, 2011.

Depreciation

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

Governmental activities:	
General Government	\$ 677,933
Public Safety	1,181,937
Highways and streets, including depreciation of general infrastructure assets	11,367,287
Public Services	1,226,493
Culture and recreation	1,496,765
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>3,284,216</u>
Total depreciation expense - governmental activities	<u><u>\$ 19,234,631</u></u>
Business-type activities:	
Utilities	\$ 6,325,388
Sanitation	980,641
Airport	<u>1,125,275</u>
Total depreciation expense - business-type activities	<u><u>\$ 8,431,304</u></u>

Construction Commitments

As of September 30, 2011, the City has active construction projects. The projects include street construction, restroom improvements, airport improvements, and sanitation and waterline additions. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Estimated Remaining Commitment</u>
Earl Campbell Parkway	\$ 9,809,665	\$ 4,271,063
Hwy 69 & I-20 Sanitary Sewer	1,059,505	4,065,840

The street construction projects for public purposes are either funded from existing resources held by the General Fund or by resources held in the Half Cent Sales Tax Fund. The sanitary sewers additions are being financed by revenue bonds.

Donated Capital Assets

During the year ended September 30, 2011, the City received donated capital assets consisting of two buildings and a parking lot with an appraised value of \$2,780,000.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

E. Interfund Receivables, Payables, and Transfers

The interfund balance in the Nonmajor Governmental Fund resulted from overdrafts in the City’s pooled cash accounts that were funded by the General Fund.

The composition of interfund balances as of September 30, 2011, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Fund	\$ 537,593

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

The composition of interfund transfers as of September 30, 2011, is as follows:

	Transfers In						Total
	General Fund	1/2 Cent Sales Tax Fund	Nonmajor Governmental Funds	Airport Enterprise Funds	Sanitation Enterprise Funds	Internal Service Fund	
Transfers Out:							
General Fund	\$ -	\$ -	\$ 1,884,002	\$ 2,381	\$ -	\$ 688,440	\$ 2,574,823
1/2 Cent Sales Tax Fund	-	-	-	95,757	-	-	95,757
Nonmajor Governmental Fund	63,572	246,139	-	50,000	-	239,668	599,379
Utilities Enterprise Funds	100,000	-	-	-	-	546,840	646,840
Sanitation Enterprise Funds	50,000	-	150,446	-	-	-	200,446
Internal Service Funds	153,310	-	173,116	8,087	17,000	300,000	651,513
Totals	\$ 366,882	\$ 246,139	\$ 2,207,564	\$ 156,225	\$ 17,000	\$ 1,774,948	\$ 4,768,758

F. Leases

Operating Leases

The City leases various types of equipment under annual cancelable (termination clause) operating leases. The combined annual expenditures for operating leases during the fiscal year ended September 30, 2011, were approximately \$230,000.

Capital Leases

The City has entered into various lease agreements as the lessee for financing the acquisition of a telephone system, fire trucks, radio equipment and multiple computer and copier purchases. The lease agreements qualify as capital leases for accounting purposes. The assets acquired through the capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 7,603,900
Less: Accumulated depreciation	(4,215,995)
	\$ 3,387,905

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

F. Leases - continued

Capital Leases - continued

The future minimum lease obligations as of September 30, 2011, were as follows:

<u>Year ending September 30</u>	<u>Governmental Activities</u>
2012	\$ 1,035,853
2013	928,474
2014	367,666
2015	272,613
2016	272,614
2017-2019	817,840
Total amount of minimum lease payments	3,695,060
Less: amount representing interest	(441,518)
Present value of minimum lease payments	\$ 3,253,542

G. Long-Term Debt

Revenue Bonds

The City 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. The original amount of the outstanding revenue bonds was \$94,655,000 with maturities ranging from 2013 to 2034.

During the 2011 fiscal year the City issued \$9,350,000 *Water and Sewer System Revenue Refunding Bonds, New Series 2011*. The proceeds from the sale of the bonds were used to refund \$9,340,000 of the City's outstanding revenue bonds to achieve debt service savings, and to pay the cost related to the issuance of the bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$738,587. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is shorter than the life of the old debt. The advance refunding generated net present savings of \$393,220 and reduced total debt service payments by \$516,811.

Revenue bonds currently outstanding are as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2002	Lake Palestine water treatment plant	2.00 to 4.75%	\$ 2,555,000
Series 2003	Water meter replacement	2.00 to 5.00%	3,330,000
Series 2005	Advance refunding	3.00 to 5.00%	28,440,000
Series 2008	Water and sewer infrastructure	4.00 to 4.15%	5,120,000
Series 2009	Water and sewer infrastructure	2.75 to 4.38%	21,610,000
Series 2011	Water and sewer refunding	2.00 to 4.00%	9,215,000
Total outstanding revenue bonds			\$ 70,270,000

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

G. Long-Term Debt - continued

Revenue Bonds - continued

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

Year Ending September 30	Principal	Interest
2012	\$ 3,005,000	\$ 3,160,159
2013	3,140,000	3,022,296
2014	2,375,000	2,902,890
2015	2,445,000	2,813,778
2016	2,550,000	2,714,678
2017-2021	14,470,000	11,862,177
2022-2026	18,040,000	8,297,577
2027-2031	19,470,000	3,663,676
2032-2034	4,775,000	439,976
Total	<u>\$ 70,270,000</u>	<u>\$ 38,877,207</u>

Cash in the amount of \$15,703,259 was restricted at September 30, 2011 in order to fund the City's annual debt service requirements, to meet the debt service reserve fund requirements of bond covenants and for construction costs in connection with the Series 2008 and 2009 Water & Sewer Revenue Bonds. Revenue bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest tax regulations under these provisions.

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2011, was as follows:

	Beginning Balance 10/1/10	Additions	Reductions	Ending Balance 9/30/11	Due Within One Year	Due in More Than One Year
Governmental Activities:						
Claims and judgments	\$ 100,000	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ -
Capital leases	4,359,068	10,657	1,116,183	3,253,542	904,615	2,348,927
Net pension obligation	2,170,348	1,345,474	-	3,515,822	-	3,515,822
Compensated absences	7,850,719	671,162	170,825	8,351,056	148,287	8,202,769
Governmental Activities Long-Term Liabilities	<u>\$ 14,480,135</u>	<u>\$ 2,027,293</u>	<u>\$ 1,287,008</u>	<u>\$ 15,220,420</u>	<u>\$ 1,152,902</u>	<u>\$ 14,067,518</u>
Business-Type Activities:						
Revenue bonds payable	\$ 72,845,000	\$ 9,350,000	\$ 11,925,000	\$ 70,270,000	\$ 3,005,000	\$ 67,265,000
Bond (premium)/discount	4,825	(510,007)	(151,194)	(353,988)	-	(353,988)
Net pension obligation	554,949	376,309	-	931,258	-	931,258
Compensated absences	628,191	35,736	19,775	644,152	25,766	618,386
Business-Type Activities Long-Term Liabilities	<u>\$ 74,032,965</u>	<u>\$ 9,252,038</u>	<u>\$ 11,793,581</u>	<u>\$ 71,491,422</u>	<u>\$ 3,030,766</u>	<u>\$ 68,460,656</u>

The liabilities listed above for claims and judgments, net pension obligation, and compensated absences will be liquidated by the City's General and Proprietary Funds. The liability for capital leases will be liquidated by the General and Technology Funds.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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 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 \$5,000 per occurrence for all perils per the coverage form, except individual stop losses for flood and earth movement of \$100,000; and individual stop loss for casualty claims of \$50,000 with an aggregate stop loss of \$400,000 for claims involving automobile liability, general liability, employee benefits plan errors and omissions liability, law enforcement liability, management professional liability, and employment practices liability. Airport liability is covered on a first dollar basis. 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 maintains a comprehensive self-insurance worker's compensation plan. Third party administrators also coordinate excess coverage claims with insurance companies that provide individual stop-loss for worker's compensation claims at \$400,000 and aggregate protection at \$1,000,000. The City tracks worker's compensation premiums and claim payments in the Property and Liability Insurance 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. Active employees pay a portion of current premiums with the City paying the remainder. In an effort to reduce long term liabilities, the City elected to eliminate the subsidy for Non-Medicare Retiree premiums for those employees hired after 1/1/1997. For those employees hired before 1/1/1997, the same apportionment of premiums continues at retirement. For those employees hired after 1/1/1997, the employee is responsible for the full cost of current premiums.

The City has retained an insurance policy for specific and aggregate stop-loss coverage. There is an individual stop-loss of \$250,000 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 retirees hired before 1/1/1997 pay 30% and their dependents pay 60% of the current premiums. The City pays the remainder. Retirees hired after 1/1/1997 pay the full cost of the prescription card program and Medicare supplement. 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 hired before 1/1/1997 pay a portion of the premiums and the City pays the remainder. Employees and retirees hired after 1/1/1997 pay the full cost of the current premium. A third-party administrator administers dental claims and payments.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

A. Risk Management - continued

Health, Dental and Life Plans - continued

LIFE INSURANCE

Employees/Retirees

The City provides a \$10,000 basic life and AD&D insurance policy for all full-time active employees. Additionally the City provides a \$5,000 basic life and AD&D insurance policy for eligible retirees. For active employees, supplemental life insurance is available for purchase by the employee without evidence of insurability if purchased during initial election period in the amount of 3 times their annual salary up to a maximum of \$130,000 whichever is lesser. Additional coverage is available with evidence of insurability up to a maximum of \$300,000. Spouse coverage is available up to \$30,000 not to exceed 50% of the employee's covered amount once the employee has purchased a minimum of \$40,000 in personal supplemental insurance. Dependent children's coverage is also available for purchase by the employee in the amounts of \$5,000 or \$10,000 once the employee has purchased \$40,000 in personal supplemental insurance.

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 for both the personal and spouse life coverage. Supplemental life coverage is eligible for portability. The insurance provider processes and pays life insurance claims.

Other Self-Insurance Plans

In addition, the City meets the 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 the estimated liability for outstanding lawsuit contingencies at September 30, 2011, was \$100,000. See Note 4: G for a reconciliation of changes in claims and judgments.

The City's self-insurance program is described in Note 5: A. A reconciliation of the changes in the estimated liabilities for claims payable within 90 days for the years ended September 30, 2011 and 2010 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 2010	\$ 699,587	\$ 9,373,315	\$ 8,747,556	\$ 1,325,346
FYE 2011	1,325,346	8,742,667	8,336,287	918,966

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

C. Joint Venture

The Northeast Texas Public Health District (“District”) was established by a cooperative agreement between the City and Smith County, Texas pursuant to authority granted by the Texas Health and 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.

For the year ended September 30, 2011, the City budgeted funding of \$409,500 for the District and \$350,000 for Animal/Vector Control contractual services to be provided by the District. The City’s equity interest in the District at September 30, 2011 is \$1,022,499. Financial statements for the Health District may be obtained at the entity’s administrative offices.

D. 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 an unforeseeable emergency. The plan assets are not a part of the City’s financial statements because a third party administrator holds these plan assets in trust.

The market value and carrying value of deferred compensation plan assets is \$9,990,681 as of September 30, 2011.

E. 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), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

Firefighters are covered by a separate pension plan (see Note 5 E: 2); therefore, they are not included in the Texas Municipal Retirement System Plan. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS’ website at www.TMRS.com.

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 at least 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 ending 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.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

E. Pension Plans - continued

1. Texas Municipal Retirement System Plan - continued

TMRS Plan Description - continued

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows (as of December 31, 2010 and December 31, 2011 per TMRS):

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Funding Policy

Under the state law governing TMRS, the actuary annually determines the City's contribution rate using the Projected Unit Credit actuarial cost method. The City's contribution rate is 17.55% of covered payroll for the months in calendar year 2010 and 18.96% for the months in calendar year 2011. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service rate amortizes the unfunded actuarial liability over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation as of September 30, 2011 are as follows:

	<u>9/30/2011</u>
Annual Required Contribution (ARC)	\$ 7,337,305
Interest on Net Pension Obligation	204,397
Adjustment to the ARC	<u>(439,182)</u>
Annual Pension Cost (APC)	7,102,520
Contributions made	<u>(5,380,739)</u>
Increase (decrease) in net pension	1,721,781
Net Pension Obligation/(Asset), beginning of year	<u>2,725,299</u>
Net Pension Obligation/(Asset), end of year	<u><u>\$ 4,447,080</u></u>

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

E. Pension Plans - continued

1. Texas Municipal Retirement System Plan - continued

Funding Policy - continued

Per TMRS statutes, there is a 13.5% statutory maximum contribution rate. If the required rate calculated by TMRS exceeds the maximum, the city council may elect to remove the maximum rate. The city council adopted an ordinance, effective as of January 1, 2005, stating the City's intent to remove the maximum rate and to make retirement contributions to TMRS at the rate that is actuarially determined each year.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation / (Asset)
9/30/2009	\$ 5,836,417	\$ 4,589,613	79%	\$ 1,162,539
9/30/2010	6,657,300	5,094,540	77%	2,725,299
9/30/2011	7,102,520	5,380,739	76%	4,447,080

Actuarial Method and Assumptions

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

<u>Valuation date</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010 - prior to restructuring</u>	<u>12/31/2010 - Restructured</u>
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	29 years; closed period	28.1 years; closed period	27.1 years; closed period	27.2 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years	30 years
Asset valuation method	Amortized cost	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:				
Investment rate of return *	7.5%	7.5%	7.5%	7.5%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%	2.1%

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

E. Pension Plans - continued

1. Texas Municipal Retirement System Plan - continued

Funding Status and Progress

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a / b)	Unfunded AAL (UAAL) (c) = (b - a)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (e) = (c / d)
12/31/2010*	\$ 66,409,956	\$124,989,119	53.1%	\$58,579,163	\$30,705,705	190.8%
12/31/2010**	116,036,178	166,337,490	69.8%	50,301,312	30,705,705	163.8%

* Actuarial valuation performed under the original fund structure.

** Actuarial valuation performed under the new fund structure.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Changes in Actuarial Method and Assumptions

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for the liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by the City. Two-thirds of the cities participating in TMRS, including the City, have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year “open” to a 25-year “closed” period. TMRS Board of Trustees rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, which includes the City, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features,

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

E. Pension Plans - continued

1. Texas Municipal Retirement System Plan - continued

Changes in Actuarial Method and Assumptions - continued

these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which allows cities the opportunity to increase their contributions gradually to their full rate.

The City has opted to participate in the phase-in period in order to gradually increase contributions to the full rate. Based on the phase-in period calculations, the City's contribution rate beginning for calendar year 2012 is 19.65% versus the actuarially determined full rate of 21.77%.

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, 2009, are contained in the 2010 Tyler Firefighter's Relief and Retirement Fund audited financial statements, a copy of which may be obtained at the Fire Pension Board, 1718 West Houston St., Tyler, Texas 75702.

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, 2010:

<u>Group</u>	<u>December 31, 2010</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	88
Current employees:	
Vested	44
Non-vested	106
<u>Total</u>	<u>238</u>

The Tyler Firefighter's Relief and Retirement Fund provides service retirement, death, disability, and withdrawal benefits. These benefits vest after 20 years of credited service. Employees may retire at age 50 with 25 years of service, or age 55 with 20 years of service. The plan, effective January 1, 2005 and amended August 13, 2007, provides a monthly normal form of service retirement benefit as (a) a joint and 66 2/3% spouse annuity for those firefighters with less than 20 years of service as of January 1, 2005, or (b) a joint and 100% spouse annuity for those firefighters with 20 or more years of service as of January 1, 2005. The monthly benefit is 71.5% of the highest 60-month average salary plus an additional \$113 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.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

E. Pension Plans - continued

2. Tyler Firefighter's Relief and Retirement Fund

Plan Description- continued

Funding Policy

The contribution provisions of this plan are authorized by TLFRA. TLFRA 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 (UAAL). The number of years needed to amortize the plan's UAAL is determined using an open, level percentage of payroll method.

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

The funding policy of the Tyler Firefighter's Relief and Retirement Fund requires contributions equal to 13.50% of pay by the firefighters. The City's contribution rate is based on the Texas Municipal Retirement System's formula, which for the years ended December 31, 2010 and 2009 were 17.55% and 16.20%, respectively. The December 31, 2009 actuarial valuation assumes that the City's contribution rate will average 18.00% of payroll in the future.

Annual Pension Cost

For the fiscal year ending September 30, 2011, the City of Tyler's annual pension cost was equal to the annual required contribution and was \$1,873,843. Based on the results of the December 31, 2009 actuarial valuation of the Plan the Board's actuary found that the fund has an adequate financing arrangement based on the current level of the firefighter and City of Tyler's contribution rates. The funding policy of the fund requires the firefighters to contribute 13.50% of pay and the City to contribute the same percentage of payroll that the City contributes to the Texas Municipal Retirement System for other employees. These contributions rates were reflected in the December 31, 2009 actuarial valuation.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

E. Pension Plans - continued

2. Tyler Firefighter's Relief and Retirement Fund - continued

Actuarial Method and Assumptions

The annual required contributions (ARC) by the City for the fiscal year ending September 30, 2011 were based on the results of the actuarial valuations as of December 31, 2007 and as of December 31, 2009 using the entry age actuarial cost method and were determined to be in compliance with the parameters of the Governmental Accounting Standards Board (GASB) Statement No. 27. The actuarial methods and assumptions used for these two valuations are shown below:

<u>Valuation date</u>	<u>12/31/2007</u>	<u>12/31/2009</u>
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Amortization period for ARC	18 years	26 years
Asset valuation method	5-year adjusted market value	5-year adjusted market value
Actuarial assumptions:		
Investment rate of return	8.00%	7.75%
Inflation	3.75%	3.75%
Projected salary increases		
• General	4.00%	4.00%
• Promotion and longevity	0% to 6.00%	0% to 6.00%
• Total	4.00% to 10.24%	4.00% to 10.24%
Cost-of-living adjustments	0.00%	0.00%
Payroll increases	4.00%	4.00%
ARC as percent of payroll	budgeted rates	budgeted rates

Trend Information

Fiscal Year Ending	Annual Pension Cost	Annual Contribution as a Percentage of Payroll	Percentage Contributed	Net Pension Obligation / (Asset)
9/30/2009	\$ 1,512,591	15.12%/16.20%	100%	\$ -
9/30/2010	1,683,866	16.20%/17.55%	100%	-
9/30/2011	1,873,843	17.55%/18.96%	100%	-

Funding Status and Progress

The funded status of the plan as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a / b)	Unfunded AAL (UAAL) (c) = (b - a)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (e) = (c / d)
12/31/2009	\$ 45,386,149	\$ 64,422,078	70.5%	\$ 19,035,929	\$ 9,851,022	193.2%

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

E. Pension Plans - continued

2. Tyler Firefighter's Relief and Retirement Fund - continued

Funding Status and Progress - continued

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. Post Employment Benefits Other Than Pensions

1. Health Plan

Plan Description

In addition to providing pension benefits, the City allows eligible retirees and dependents the option to continue participation in the same partially self-insured health plans available to active employees until they become eligible for Medicare Coverage. Retirees who became employees prior to January 1, 1997 pay the same subsidized premiums as active employees. Retirees who became employees after January 1, 1997 are required to pay the full cost of current premiums. The 2011 claims for the 133 non-Medicare retirees and their dependents participating in this coverage were \$1,369,548.

When retirees and spouses become eligible for Medicare they are no longer allowed to participate in the same plan as the active employees. If they have been continuously covered under the City's health insurance plan they may choose to participate in the City's self-funded prescription drug card plan and the Medicare Supplement Insurance Program. Retirees hired before January 1, 1997 are required to pay 30% of the current total premium and their spouses are required to pay 60% of the current total premiums with the City paying the remaining costs. Retirees that become eligible for Medicare who were hired after January 1, 1997 are required to pay the full current cost of the prescription card program and the full cost of the Medicare supplement coverage should they choose to continue participation in this coverage. The 2011 claims for the 257 Medicare retirees and their dependents, which include those with an Rx card, participating in this coverage were \$1,260,650.

The City also offers fully self-funded dental benefits to eligible retirees and their dependents. Retirees hired before January 1, 1997 pay the same subsidized premium as active employees. Retirees hired after January 1, 1997 are required to pay the full cost of the current premium. The 2011 claims for the 287 retirees and their dependents participating in this coverage were \$138,862.

Additionally the City provides eligible retirees with \$5,000 in basic life insurance coverage at no cost to the retirees. The 2011 insurance cost for the 343 retirees with this coverage was \$57,447.

Funding Policy

The City participates in the Public Agency Retirement Services (PARS) Post Retirement Health Funding Plan Trust which is a multi-employer irrevocable trust that has a private letter ruling confirming it is in full compliance with the requirements of section 115 of the Internal Revenue Code.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

F. Post Employment Benefits Other Than Pensions - continued

1. Health Plan - continued

Annual OPEB Cost and Net OPEB Obligation

The City’s annual other post employment benefits (OPEB) is a single-employer plan. The annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of time not to exceed thirty years. The City’s annual OPEB cost for the fiscal year ending September 30, 2011 is as follows:

	<u>9/30/2011</u>
Annual required contribution (ARC)	\$ 3,299,776
Interest on net OPEB obligation (asset)	(156,119)
Adjustment to annual required contribution	<u>124,973</u>
Annual OPEB cost	3,268,630
Contributions made	<u>(2,783,230)</u>
Change in OPEB obligation	485,400
Net OPEB obligation (asset) - beginning of year	(2,081,592)
Net OPEB obligation (asset) - end of year	<u><u>\$ (1,596,192)</u></u>

Trend Information

Fiscal Year Ended December 31	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net Pension Obligation / (Asset)
2009	\$ 2,865,629	200.88%	\$(2,890,721)
2010	2,864,426	71.75%	(2,081,592)
2011	3,268,630	85.15%	(1,596,192)

Funding Status and Funding Progress

The City implemented GASB Statement No. 45 effective on October 1, 2008 and established an OPEB (IRS section 115) Trust within a few days.

During fiscal year 2009, \$5,756,350 was contributed to the plan. This contribution included \$2,890,721 that had been accumulated by the City prior to the implementation of GASB Statement 45 and the creation of the OPEB trust as part of the process to reduce some of the projected actuarial accrued liabilities for benefits being reported for the first time in fiscal year 2009.

The funded status of the plan as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a / b)	Unfunded AAL (UAAL) (c) = (b - a)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (e) = (c / d)
12/31/2009	\$ 3,252,222	\$ 44,364,159	7%	\$41,111,937	\$35,534,256	116%

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

F. Post Employment Benefits Other Than Pensions - continued

Funding Status and Funding Progress - continued

1. Health Plan - continued

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City’s retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding of the cost of these anticipated payments. The yearly ARC is computed to fund the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that time. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Amounts determined regarding the funded status of the Trust and the annual required contributions from the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Some of the significant methods and assumptions were:

Valuation date	12/31/2009	10/1/2008
Actuarial cost method	Projected Unit Credit Cost Method	Projected Unit Credit Cost Method
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	30 years; closed period	30 years; closed period
Actuarial assumptions:		
Investment rate of return	7.5% net of expenses	7.5% net of expenses
Growth rate	3.0% per year	3.0% per year
Inflation rate	3.0%	3.0%
Healthcare cost trend rate	4.5% to 9.0%	4.5% to 9.0%

2. Supplemental Death Benefits Plan

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

F. Post Employment Benefits Other Than Pensions - continued

Actuarial Methods and Assumptions - continued

2. Supplemental Death Benefits Plan - continued

Funding Policy

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employees' entire careers. The contributions for the year ended September 30, 2011 were \$72,216.

Schedule of Contribution Rates:

(RETIREE - only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actuarial Contribution Made (Rate)	Percentage of ARC Contributed
2008	0.09%	0.09%	100%
2009	0.09%	0.09%	100%
2010	0.09%	0.09%	100%

G. Commitments

The City invested in other projects and contracts with outside parties. The more significant of these at September 30, 2011, are as follows:

Greenwood Landfill TX, L.P. – The City established 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. (Greenwood). 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. 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.

**CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5: OTHER INFORMATION – continued

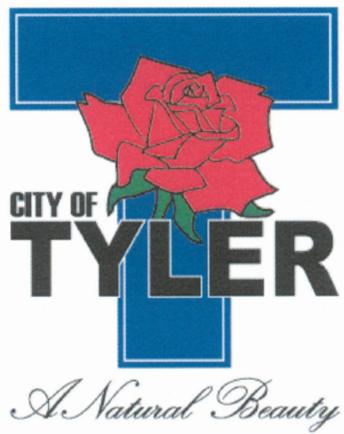
H. Landfill Closure and Postclosure Costs

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.

I. Subsequent Event

Subsequent events were evaluated through March 19, 2012. On October 13, 2011, the City signed a three year lease agreement with Government Capital Corporation for equipment with lease payments totaling \$1,088,303.

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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)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (c) = (b - a)	Covered Payroll (d)	UAAL as a Percentage of covered payroll (e) = (c / d)
12/31/2008	\$ 59,840,522	\$ 112,911,352	53.0%	\$ 53,070,830	\$ 28,291,344	187.6%
12/31/2009	62,444,549	120,504,498	51.8%	58,059,949	30,159,173	192.5%
12/31/2010*	66,406,956	124,989,119	53.1%	58,582,163	30,705,705	190.8%
12/31/2010**	116,036,178	166,337,490	69.8%	50,301,312	30,705,705	163.8%

Note: Texas Municipal Retirement System restructured their internal account structure after the passage of SB 350 Fund Restructuring.

* Actuarial valuation performed under the original fund structure.

** Actuarial valuation performed under the new fund structure.

**TYLER FIREFIGHTER'S RELIEF AND RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (c) = (b - a)	(1) Covered Payroll (d)	UAAL as a Percentage of covered payroll (e) = (c / d)
12/31/2005 (2)	\$ 38,914,954	\$ 50,047,120	77.8%	\$ 11,132,166	\$ 7,283,688	152.8%
12/31/2007 (3)	45,113,845	55,606,678	81.1%	10,492,833	8,402,637	124.9%
12/31/2009	45,386,149	64,422,078	70.5%	19,035,929	9,851,022	193.2%

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

Note 2 Based on the Plan effective as of December 12, 2002.

Note 3 Based on the Plan effective as of January 1, 2005 and amended November 1, 2005.

A copy of the separately issued Tyler Firefighter's Relief and Retirement Fund audited financial statements may be obtained at the Fire Pension Board, 1718 West Houston St., Tyler, Texas 75702.

(continued)

CITY OF TYLER, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION

OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (c) = (b - a)	(1) Covered Payroll (d)	UAAL as a Percentage of covered payroll (e) = (c / d)
10/1/2008	\$ -	\$ 35,265,511	0.0%	\$ 35,265,511	\$ 35,936,698	98.1%
12/31/2009	3,252,222	44,364,159	7.3%	41,111,937	35,534,256	115.7%

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 Special Fee Fund*** was established to track the receipt of court fees restricted for court technology purchases by the State of Texas.

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.

The ***Passenger and Customer Facility Charge Fund*** was established to account for the receipt and disbursement of fees collected during the purchase of airline travel tickets and/or fees collected from the rental of vehicles at Tyler Pounds Regional Airport.

The ***Public, Educational and Governmental Access Channel (PEG) Fee Fund*** was established to account for the receipt and disbursement of funds to be spent on governmental access channel facilities and related capital items.

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.

SPECIAL REVENUE FUNDS, CONTINUED

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 *TIF/TIRZ #2 Fund* was established to encourage economic development in the Downtown area. This fund accounts for additional value and associated taxes received from property tax and sales tax on improvements and new construction within the zone.

The *TIF/TIRZ #3 Fund* was established to encourage economic development in the North Tyler area. This fund accounts for additional value and associated taxes received from property tax and sales tax on improvements and new construction within the zone.

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 of the City's general long-term debt.

CAPITAL PROJECTS FUND

The *General Capital Projects Fund* is funded periodically by excesses remaining in the General Fund and is used to pay for one time only capital expenditures.

PERMANENT FUND

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

ADDITIONAL SUPPLEMENTAL INFORMATION

CITY OF TYLER, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2011

SPECIAL REVENUE FUNDS

	POLICE FORFEITURE	COURT SPECIAL FEE	HOTEL-MOTEL OCCUPANCY TAX	DONATIONS	PASSENGER AND CUSTOMER FACILITY CHARGE	PEG FEE	HOME- OWNERSHIP AND HOUSING	CDBG	HOME GRANT
ASSETS									
Equity in pooled cash and investments	\$ -	\$ -	\$ 732,613	\$ -	\$ 60,132	\$ 205,035	\$ -	\$ -	\$ -
Accounts and grants receivable	206	10,386	236,696	-	43	61,403	37	44,527	22,599
Inventories	-	-	-	-	-	-	-	-	4,450
Prepaid items	-	-	-	-	-	-	-	-	-
Cash - restricted	315,265	351,174	-	1,349,147	-	-	55,263	35,613	60,190
Total assets	\$ 315,471	\$ 361,560	\$ 969,309	\$ 1,349,147	\$ 60,175	\$ 266,438	\$ 55,300	\$ 80,140	\$ 87,239
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 99	\$ 25,816	\$ 2,500	\$ 13,459	\$ -	\$ -	\$ -	\$ 42,463	\$ 17,443
Deposits and other refundable balances	77,782	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Total liabilities	77,881	25,816	2,500	13,459	-	-	-	42,463	17,443
Fund balances:									
Nonspendable:									
Inventories	-	-	-	-	-	-	-	-	4,450
Prepaid items	-	-	-	-	-	-	-	-	-
Permanent fund principal	-	-	-	-	-	-	-	-	-
Restricted for:									
Public safety	237,590	335,744	-	-	-	-	-	-	-
Capital improvements	-	-	-	-	-	-	-	-	-
Tourism and convention	-	-	966,809	-	-	-	-	-	-
Donor restrictions	-	-	-	1,335,688	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Airport improvements	-	-	-	-	60,175	-	-	-	-
Communications	-	-	-	-	-	266,438	-	-	-
Housing assistance	-	-	-	-	-	-	55,300	-	-
Grant restrictions	-	-	-	-	-	-	-	37,677	65,346
Debt service	-	-	-	-	-	-	-	-	-
Unassigned:	-	-	-	-	-	-	-	-	-
Total fund balances	237,590	335,744	966,809	1,335,688	60,175	266,438	55,300	37,677	69,796
Total liabilities and fund balances	\$ 315,471	\$ 361,560	\$ 969,309	\$ 1,349,147	\$ 60,175	\$ 266,438	\$ 55,300	\$ 80,140	\$ 87,239

(continued)

CITY OF TYLER, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2011

	SPECIAL REVENUE FUNDS (continued)					OTHER FUNDS		PERMANENT FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS	
	HOUSING ASSISTANCE PAYMENT	STATE AND FEDERAL GRANTS	TRANSIT SYSTEM	TIF / TIRZ #2 FUND	TIF / TIRZ #3 FUND	TOTAL SPECIAL REVENUE FUNDS	GENERAL DEBT SERVICES	GENERAL CAPITAL PROJECTS		CEMETERIES
ASSETS										
Equity in pooled cash and investments	\$ -	\$ -	\$ -	\$ 20,354	\$ 2,291	\$ 1,020,425	\$ 2	\$ 2,298,623	\$ 12,247	\$ 3,331,297
Accounts and grants receivable	14,553	158,370	534,615	88	2	1,083,525	-	1,318	1,991	1,086,834
Inventories	-	-	-	-	-	4,450	-	-	-	4,450
Prepaid items	-	-	1,949	-	-	1,949	-	-	-	1,949
Cash - restricted	1,345,166	-	100	-	-	3,511,918	-	-	2,528,935	6,040,853
Total assets	\$ 1,359,719	\$ 158,370	\$ 536,664	\$ 20,442	\$ 2,293	\$ 5,622,267	\$ 2	\$ 2,299,941	\$ 2,543,173	\$ 10,465,383
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 24,601	\$ 17,150	\$ 79,059	\$ 16,398	\$ -	\$ 238,988	\$ -	\$ 22,312	\$ 15,186	\$ 276,486
Deposits and other refundable balances	-	-	-	-	-	77,782	-	-	-	77,782
Due to other funds	-	138,755	398,838	-	-	537,593	-	-	-	537,593
Deferred revenue	-	-	49,651	-	-	49,651	-	-	-	49,651
Total liabilities	24,601	155,905	527,548	16,398	-	904,014	-	22,312	15,186	941,512
Fund balances:										
Nonspendable:										
Inventories	-	-	-	-	-	4,450	-	-	-	4,450
Prepaid items	-	-	1,949	-	-	1,949	-	-	-	1,949
Permanent fund principal	-	-	-	-	-	-	-	-	2,530,613	2,530,613
Restricted for:										
Public safety	-	-	-	-	-	573,334	-	-	-	573,334
Capital improvements	-	-	-	4,044	2,293	6,337	-	-	-	6,337
Tourism and convention	-	-	-	-	-	966,809	-	-	-	966,809
Donor restrictions	-	-	-	-	-	1,335,688	-	-	-	1,335,688
Capital projects	-	-	-	-	-	-	-	2,277,629	-	2,277,629
Airport improvements	-	-	-	-	-	60,175	-	-	-	60,175
Communications	-	-	-	-	-	266,438	-	-	-	266,438
Housing assistance	1,335,118	-	-	-	-	1,390,418	-	-	-	1,390,418
Grant restrictions	-	2,465	7,167	-	-	112,655	-	-	-	112,655
Debt service	-	-	-	-	-	-	2	-	-	2
Unassigned:	-	-	-	-	-	-	-	-	(2,626)	(2,626)
Total fund balances	1,335,118	2,465	9,116	4,044	2,293	4,718,253	2	2,277,629	2,527,987	9,523,871
Total liabilities and fund balances	\$ 1,359,719	\$ 158,370	\$ 536,664	\$ 20,442	\$ 2,293	\$ 5,622,267	\$ 2	\$ 2,299,941	\$ 2,543,173	\$ 10,465,383

CITY OF TYLER, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SPECIAL REVENUE FUNDS

	POLICE FORFEITURE	COURT SPECIAL FEE	HOTEL-MOTEL OCCUPANCY TAX	DONATIONS	PASSENGER AND CUSTOMER FACILITY CHARGE	PEG FEE	HOME- OWNERSHIP AND HOUSING	CDBG	HOME GRANT
REVENUES									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use	-	-	2,270,613	-	-	-	-	-	-
Licenses & permits	-	-	-	-	-	-	-	-	-
Grants	-	42,224	-	-	-	-	-	1,121,906	425,025
Fines, forfeitures and penalties	166,351	652,688	-	-	-	-	-	-	-
Revenues from use of money and property	1,479	2,003	5,868	-	153	491	319	-	-
Donations	-	-	-	312,271	-	-	-	-	-
Charges for services	-	-	-	-	366,871	-	-	-	-
Miscellaneous	-	-	126,483	-	-	-	-	27,528	93,979
Total revenues	167,830	696,915	2,402,964	312,271	367,024	266,438	319	1,149,434	519,004
EXPENDITURES									
Current									
General government	-	-	-	6,165	-	-	-	-	-
Public safety	38,170	647,112	-	30,232	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	75,629	-	-	-	-	-
Public services	-	-	1,883,429	7,500	10,710	-	-	979,389	637,811
Capital outlay	23,649	49,500	1,284,958	26,484	-	-	-	176,792	-
Debt service:									
Interest and fiscal charges	1,045	-	-	-	-	-	-	-	-
Total expenditures	62,864	696,612	3,168,387	146,010	10,710	-	-	1,156,181	637,811
Excess (deficiency) of revenues over (under) expenditures	104,966	303	(765,423)	166,261	356,314	266,438	319	(6,747)	(118,807)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	34,075	76,816	-	-	-	-	-	-
Transfers out	-	(38,013)	(260,000)	-	(296,139)	-	-	-	-
Total other financing sources (uses)	-	(3,938)	(183,184)	-	(296,139)	-	-	-	-
Net change in fund balances	104,966	(3,635)	(948,607)	166,261	60,175	266,438	319	(6,747)	(118,807)
Fund balances - October 1, 2010	132,624	339,379	1,915,416	1,169,427	-	-	54,981	44,424	188,603
Fund balances - September 30, 2011	\$ 237,590	\$ 335,744	\$ 966,809	\$ 1,335,688	\$ 60,175	\$ 266,438	\$ 55,300	\$ 37,677	\$ 69,796

(continued)

**CITY OF TYLER, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	SPECIAL REVENUE FUNDS (continued)					OTHER FUNDS		PERMANENT FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS	
	HOUSING ASSISTANCE PAYMENT	STATE AND FEDERAL GRANTS	TRANSIT SYSTEM	TIF / TIRZ #2 FUND	TIF / TIRZ #3 FUND	TOTAL SPECIAL REVENUE FUNDS	GENERAL DEBT SERVICES	GENERAL CAPITAL PROJECTS		CEMETERIES
REVENUES										
Taxes:										
Property	\$ -	\$ -	\$ -	\$ 6,387	\$ 1	\$ 6,388	\$ 3,543	\$ -	\$ -	\$ 9,931
Sales and use	-	-	-	-	-	2,270,613	-	-	-	2,270,613
Licenses & permits	-	-	-	-	-	-	-	-	12,470	12,470
Grants	7,218,690	1,129,309	2,529,426	-	-	12,466,580	-	-	-	12,466,580
Fines, forfeitures and penalties	-	-	-	-	-	819,039	-	-	-	819,039
Revenues from use of money and property	8,175	-	45	156	15	18,704	31	4,434	14,735	37,904
Donations	-	-	-	-	-	312,271	-	-	-	312,271
Charges for services	-	-	179,930	-	-	546,801	-	-	131,820	678,621
Miscellaneous	12,194	-	515	-	-	260,699	-	437,778	810	699,287
Total revenues	7,239,059	1,129,309	2,709,916	6,543	16	16,967,042	3,574	442,212	159,835	17,572,663
EXPENDITURES										
Current										
General government	-	-	-	46,360	-	52,525	-	39,892	-	92,417
Public safety	-	-	-	-	-	715,514	-	-	-	715,514
Highways and streets	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	75,629	-	-	242,229	317,858
Public services	6,524,611	365,241	1,958,611	-	-	12,367,302	-	-	-	12,367,302
Capital outlay	40,129	761,605	1,117,319	-	-	3,480,436	-	771,190	-	4,251,626
Debt service:										
Interest and fiscal charges	-	-	-	-	-	1,045	-	-	-	1,045
Total expenditures	6,564,740	1,126,846	3,075,930	46,360	-	16,692,451	-	811,082	242,229	17,745,762
Excess (deficiency) of revenues over (under) expenditures	674,319	2,463	(366,014)	(39,817)	16	274,591	3,574	(368,870)	(82,394)	(173,099)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	349,927	-	-	460,818	-	1,746,746	-	2,207,564
Transfers out	(1,655)	-	-	-	-	(595,807)	(3,572)	-	-	(599,379)
Total other financing sources (uses)	(1,655)	-	349,927	-	-	(134,989)	(3,572)	1,746,746	-	1,608,185
Net change in fund balances	672,664	2,463	(16,087)	(39,817)	16	139,602	2	1,377,876	(82,394)	1,435,086
Fund balances - October 1, 2010	662,454	2	25,203	43,861	2,277	4,578,651	-	899,753	2,610,381	8,088,785
Fund balances - September 30, 2011	\$ 1,335,118	\$ 2,465	\$ 9,116	\$ 4,044	\$ 2,293	\$ 4,718,253	\$ 2	\$ 2,277,629	\$ 2,527,987	\$ 9,523,871

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, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Fines, forfeitures and penalties	\$ 82,000	\$ 166,351	\$ 84,351
Revenues from use of money and property	2,000	1,479	(521)
Total revenues	<u>84,000</u>	<u>167,830</u>	<u>83,830</u>
EXPENDITURES			
Public safety:			
Supplies and services	20,700	38,170	(17,470)
Capital outlay	89,800	23,649	66,151
Interest	-	1,045	(1,045)
Total expenditures	<u>110,500</u>	<u>62,864</u>	<u>47,636</u>
Excess of revenues over (under) expenditures - GAAP basis	<u>\$ (26,500)</u>	104,966	<u>\$ 131,466</u>
Fund balance - October 1, 2010		<u>132,624</u>	
Fund balance - September 30, 2011		<u>\$ 237,590</u>	

**CITY OF TYLER, TEXAS
COURT SPECIAL FEE FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Fines, forfeitures and penalties	\$ 666,875	\$ 652,688	\$ (14,187)
Grants	-	42,224	42,224
Revenues from use of money and property	1,610	2,003	393
Total revenues	<u>668,485</u>	<u>696,915</u>	<u>28,430</u>
EXPENDITURES			
Public safety:			
Salaries and benefits	239,873	173,070	66,803
Supplies and services	374,300	432,989	(58,689)
Maintenance	2,500	41,053	(38,553)
Capital outlay	172,000	49,500	122,500
Total expenditures	<u>788,673</u>	<u>696,612</u>	<u>92,061</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	34,075	34,075
Transfers out	-	(38,013)	(38,013)
Total other financing sources (uses)	<u>-</u>	<u>(3,938)</u>	<u>(3,938)</u>
Excess of revenues over (under) expenditures and other financing uses - GAAP basis	<u>\$ (120,188)</u>	(3,635)	<u>\$ 116,553</u>
Fund balance - October 1, 2010		<u>339,379</u>	
Fund balance - September 30, 2011		<u>\$ 335,744</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, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes	\$ 1,962,625	\$ 2,270,613	\$ 307,988
Revenue from use of money and property	8,000	5,868	(2,132)
Miscellaneous	20,000	126,483	106,483
Total revenues	<u>1,990,625</u>	<u>2,402,964</u>	<u>412,339</u>
EXPENDITURES			
Hotel-motel administration:			
Tourism operations	1,080,755	1,080,756	(1)
Texas Rose Festival	8,100	8,100	-
Discovery Place	32,400	32,400	-
East Texas Symphony	25,000	25,000	-
Tyler Museum of Art	44,550	44,550	-
Historical Museum	13,500	13,500	-
Smith County Historical Society	13,500	13,500	-
Visitors and Convention Bureau	635,609	635,609	-
McClendon House	4,500	4,500	-
Supplies and services	24,500	25,514	(1,014)
Contingency	85,000	-	85,000
Capital outlay	1,216,770	1,284,958	(68,188)
Total hotel-motel administration	<u>3,184,184</u>	<u>3,168,387</u>	<u>15,798</u>
Total expenditures	<u>3,184,184</u>	<u>3,168,387</u>	<u>15,798</u>
Excess of revenues over expenditures	<u>(1,193,559)</u>	<u>(765,423)</u>	<u>428,137</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	76,816	76,816
Transfers out	(260,000)	(260,000)	-
Total other financing sources (uses)	<u>(260,000)</u>	<u>(183,184)</u>	<u>76,816</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - GAAP basis	<u>\$ (1,453,559)</u>	<u>(948,607)</u>	<u>\$ 504,953</u>
Fund balance - October 1, 2010		<u>1,915,416</u>	
Fund balance - September 30, 2011		<u>\$ 966,809</u>	

CITY OF TYLER, TEXAS
PASSENGER AND CUSTOMER FACILITY CHARGE FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Revenue from use of money and property	\$ 200	\$ 153	\$ (47)
Charges for services	<u>315,000</u>	<u>366,871</u>	<u>51,871</u>
Total revenues	<u>315,200</u>	<u>367,024</u>	<u>51,824</u>
EXPENDITURES			
Public safety:			
Supplies and services	<u>-</u>	<u>10,710</u>	<u>(10,710)</u>
Total expenditures	<u>-</u>	<u>10,710</u>	<u>(10,710)</u>
OTHER FINANCING (USES)			
Transfers out	<u>(315,200)</u>	<u>(296,139)</u>	<u>19,061</u>
Total other financing (uses)	<u>(315,200)</u>	<u>(296,139)</u>	<u>19,061</u>
Excess of revenues over (under) expenditures and other financing uses - GAAP basis	<u>\$ -</u>	60,175	<u>\$ 60,175</u>
Fund balance - October 1, 2010		<u>-</u>	
Fund balance - September 30, 2011		<u>\$ 60,175</u>	

**CITY OF TYLER, TEXAS
 HOMEOWNERSHIP AND HOUSING FUND
 DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenue from use of money and property	\$ 300	\$ 319	\$ 19
Total revenues	300	319	19
EXPENDITURES			
Total expenditures	-	-	-
Excess of revenues over (under) expenditures - GAAP basis	\$ 300	319	\$ 19
Fund balance - October 1, 2010		54,981	
Fund balance - September 30, 2011		\$ 55,300	

CITY OF TYLER, TEXAS
CDBG FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Grants	\$ 1,028,236	\$ 1,121,906	\$ 93,670
Miscellaneous	9,000	27,528	18,528
Total revenues	<u>1,037,236</u>	<u>1,149,434</u>	<u>112,198</u>
EXPENDITURES			
Public services:			
Salaries and benefits	293,279	261,356	31,923
Supplies and services	1,743,444	708,873	1,034,571
Utilities	6,250	6,231	19
Maintenance	3,101	2,929	172
Capital outlay	-	176,792	(176,792)
Total expenditures	<u>2,046,074</u>	<u>1,156,181</u>	<u>889,893</u>
Excess of revenues over (under) expenditures - GAAP basis	<u>\$ (1,008,838)</u>	(6,747)	<u>\$ 1,002,091</u>
Fund balance - October 1, 2010		<u>44,424</u>	
Fund balance - September 30, 2011		<u>\$ 37,677</u>	

CITY OF TYLER, TEXAS
HOME GRANT FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Grants	\$ 158,172	\$ 425,025	\$ 266,853
Miscellaneous	360,000	93,979	(266,021)
Total revenues	<u>518,172</u>	<u>519,004</u>	<u>832</u>
EXPENDITURES			
Public services:			
Salaries and benefits	63,641	60,464	3,177
Supplies and services	1,538,580	577,347	961,233
Total expenditures	<u>1,602,221</u>	<u>637,811</u>	<u>964,410</u>
Excess of revenues over (under) expenditures - GAAP basis	<u>\$ (1,084,049)</u>	(118,807)	<u>\$ 965,242</u>
Fund balance - October 1, 2010		<u>188,603</u>	
Fund balance - September 30, 2011		<u>\$ 69,796</u>	

**CITY OF TYLER, TEXAS
HOUSING ASSISTANCE FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Grants	\$ 7,507,116	\$ 7,218,690	\$ (288,426)
Revenue from use of money and property	7,000	8,175	1,175
Miscellaneous	5,000	12,194	7,194
Total revenues	7,519,116	7,239,059	(280,057)
EXPENDITURES			
Public services:			
Salaries and benefits	460,797	463,995	(3,198)
Supplies and services	7,208,612	6,033,833	1,174,779
Utilities	30,554	15,852	14,702
Maintenance	14,388	10,931	3,457
Capital outlay	68,910	40,129	28,781
Total expenditures	7,783,261	6,564,740	1,218,521
OTHER FINANCING (USES)			
Transfers out	-	(1,655)	(1,655)
Total other financing (uses)	-	(1,655)	(1,655)
Excess of revenues over (under) expenditures and other financing uses - GAAP basis	\$ (264,145)	672,664	\$ 936,809
Fund balance - October 1, 2010		662,454	
Fund balance - September 30, 2011		\$ 1,335,118	

**CITY OF TYLER, TEXAS
TRANSIT SYSTEM FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Grants	\$ 2,920,643	\$ 2,529,426	\$ (391,217)
Revenue from use of money and property	30,000	45	(29,955)
Charges for services	140,000	179,930	39,930
Miscellaneous	5,200	515	(4,685)
Total revenues	<u>3,095,843</u>	<u>2,709,916</u>	<u>(385,927)</u>
EXPENDITURES			
Public services:			
Salaries and benefits	809,913	838,905	(28,992)
Supplies and services	594,385	754,371	(159,986)
Utilities	23,498	13,554	9,944
Maintenance	260,309	351,781	(91,472)
Capital outlay	1,673,709	1,117,319	556,390
Total expenditures	<u>3,361,814</u>	<u>3,075,930</u>	<u>285,884</u>
OTHER FINANCING SOURCES			
Transfers in	297,826	349,927	52,101
Total other financing sources	<u>297,826</u>	<u>349,927</u>	<u>52,101</u>
Excess of revenues and other financing sources over (under) expenditures - GAAP basis	<u>\$ 31,855</u>	(16,087)	<u>\$ (47,942)</u>
Fund balance - October 1, 2010		<u>25,203</u>	
Fund balance - September 30, 2011		<u>\$ 9,116</u>	

CITY OF TYLER, TEXAS
TIF/TIRZ #2 FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes	\$ 2,400	\$ 6,387	\$ 3,987
Revenues from use of money and property	100	156	56
Total revenues	<u>2,500</u>	<u>6,543</u>	<u>4,043</u>
EXPENDITURES			
General government:			
Supplies and services	<u>46,361</u>	<u>46,360</u>	<u>1</u>
Total expenditures	<u>46,361</u>	<u>46,360</u>	<u>1</u>
Excess of revenues over (under) expenditures - GAAP basis	<u>\$ (43,861)</u>	(39,817)	<u>\$ (4,044)</u>
Fund balance - October 1, 2010		<u>43,861</u>	
Fund balance - September 30, 2011		<u>\$ 4,044</u>	

CITY OF TYLER, TEXAS
TIF/TIRZ #3 FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes	\$ 2,400	\$ 1	\$ (2,399)
Revenues from use of money and property	100	15	(85)
Total revenues	<u>2,500</u>	<u>16</u>	<u>(2,484)</u>
EXPENDITURES			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures - GAAP basis	<u>\$ 2,500</u>	16	<u>\$ (2,484)</u>
Fund balance - October 1, 2010		<u>2,277</u>	
Fund balance - September 30, 2011		<u>\$ 2,293</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, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Property tax collections	\$ 3,543	\$ 3,543	\$ -
Revenue from use of money and property	31	31	-
Total revenues	<u>3,574</u>	<u>3,574</u>	<u>-</u>
EXPENDITURES			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>3,574</u>	<u>3,574</u>	<u>-</u>
OTHER FINANCING (USES)			
Transfers out	<u>(7,891)</u>	<u>(3,572)</u>	<u>4,319</u>
Total other financing (uses)	<u>(7,891)</u>	<u>(3,572)</u>	<u>4,319</u>
Excess of revenues over (under) expenditures and other financing uses - GAAP basis	<u>\$ (4,317)</u>	2	<u>\$ 4,319</u>
Fund balance - October 1, 2010		<u>-</u>	
Fund balance - September 30, 2011		<u>\$ 2</u>	

**CITY OF TYLER, TEXAS
CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenue from use of money and property	\$ 4,000	\$ 4,434	\$ 434
Miscellaneous	-	437,778	437,778
Total revenues	<u>4,000</u>	<u>442,212</u>	<u>438,212</u>
EXPENDITURES			
General government services	286,638	286,638	-
Parks maintenance & administration	118,010	119,109	(1,099)
Engineering	256,770	250,474	6,296
Traffic operations	186,554	154,861	31,693
Total expenditures	<u>847,972</u>	<u>811,082</u>	<u>36,890</u>
Deficiency of revenues under expenditures	<u>(843,972)</u>	<u>(368,870)</u>	<u>475,102</u>
OTHER FINANCING SOURCES			
Transfers in	<u>1,746,746</u>	<u>1,746,746</u>	<u>-</u>
Total other financing sources	<u>1,746,746</u>	<u>1,746,746</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures - GAAP basis	<u>\$ 902,774</u>	1,377,876	<u>\$ 475,102</u>
Fund balance - October 1, 2010		<u>899,753</u>	
Fund balance - September 30, 2011		<u>\$ 2,277,629</u>	

**CITY OF TYLER, TEXAS
CEMETERIES FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Trust Fund:			
Revenues from use of money and property	\$ 24,000	\$ 14,353	\$ (9,647)
Mausoleum and lot sales	58,491	72,031	13,540
Operations:			
Revenues from use of money and property	3,000	382	(2,618)
Licenses and permits	5,000	12,470	7,470
Mausoleum and lot sales	42,634	60,599	17,965
Total revenues	133,125	159,835	26,710
EXPENDITURES			
Operations:			
Salaries and benefits	116,008	116,601	(593)
Supplies and services	33,938	34,916	(978)
Utilities	28,100	62,057	(33,957)
Maintenance	24,288	28,655	(4,367)
Capital outlay	6,000	-	6,000
Total expenditures	208,334	242,229	(33,895)
Excess of revenues over (under) expenditures - GAAP basis	\$ (75,209)	(82,394)	\$ (7,185)
Fund balance - October 1, 2010		2,610,381	
Fund balance - September 30, 2011		\$ 2,527,987	

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, liability, disability and worker's compensation insurance programs.

The ***Employee Benefits Fund*** accounts for the City's self-insurance program for health and dental insurance as well as life insurance for current employees.

The ***Retiree Benefits Fund*** accounts for the City's self-insurance program for health and dental insurance as well as life insurance for retired employees.

The ***Property and Facility Management Fund*** was established to facilitate maintenance on City's facilities including roof and HVAC repairs and replacement.

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

CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
ASSETS								
Current assets:								
Equity in pooled cash and investments	\$ 673,299	\$ 6,129,661	\$ 819,052	\$ 2,725,592	\$ 1,576,575	\$ 697,476	\$ 362,572	\$ 12,984,227
Prepaid expenses	1,469	-	535	41,522	64,117	-	-	107,643
Accounts receivable (net)	653	30,868	20,748	216,482	60,634	440	24,615	354,440
Inventories - at average cost	-	188,107	-	-	-	-	-	188,107
Total current assets	<u>675,421</u>	<u>6,348,636</u>	<u>840,335</u>	<u>2,983,596</u>	<u>1,701,326</u>	<u>697,916</u>	<u>387,187</u>	<u>13,634,417</u>
Noncurrent assets:								
Other post employment benefits asset	7,744	27,047	5,345	2,184	-	4,708	32,143	79,171
Capital assets:								
Land	-	65,000	-	-	-	-	-	65,000
Buildings	-	370,967	-	-	-	355,959	3,267	730,193
Improvements other than buildings	-	260,072	-	-	-	240,241	-	500,313
Machinery and equipment	-	19,592,851	-	-	-	15,450	7,382,731	26,991,032
Construction in progress	-	-	-	-	-	429,581	-	429,581
Less accumulated depreciation	-	(13,169,443)	-	-	-	(225,935)	(4,237,401)	(17,632,779)
Total Capital assets (net of accumulated depreciation)	<u>-</u>	<u>7,119,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>815,296</u>	<u>3,148,597</u>	<u>11,083,340</u>
Total assets	<u>683,165</u>	<u>13,495,130</u>	<u>845,680</u>	<u>2,985,780</u>	<u>1,701,326</u>	<u>1,517,920</u>	<u>3,567,927</u>	<u>24,796,928</u>
LIABILITIES								
Current liabilities:								
Accounts and contracts payable	13,010	132,551	20,010	112,417	140,459	104,135	167,870	690,452
Insurance claims payable	-	-	280,821	638,145	-	-	-	918,966
Accrued interest payable	-	15,270	-	-	-	-	51,477	66,747
Current portion of compensated absences payable	70	1,634	74	-	-	453	1,659	3,890
Current portion of capital lease	-	480,965	-	-	-	-	404,135	885,100
Total current liabilities	<u>13,080</u>	<u>630,420</u>	<u>300,905</u>	<u>750,562</u>	<u>140,459</u>	<u>104,588</u>	<u>625,141</u>	<u>2,565,155</u>
Noncurrent liabilities:								
Compensated absences payable	1,686	39,221	1,773	-	-	10,879	39,826	93,385
Net pension obligation	23,677	73,557	18,376	5,595	-	11,286	86,946	219,437
Capital lease payable	-	498,952	-	-	-	-	1,849,975	2,348,927
Total noncurrent liabilities	<u>25,363</u>	<u>611,730</u>	<u>20,149</u>	<u>5,595</u>	<u>-</u>	<u>22,165</u>	<u>1,976,747</u>	<u>2,661,749</u>
Total liabilities	<u>38,443</u>	<u>1,242,150</u>	<u>321,054</u>	<u>756,157</u>	<u>140,459</u>	<u>126,753</u>	<u>2,601,888</u>	<u>5,226,904</u>
NET ASSETS								
Invested in capital assets, net of related debt	-	6,139,530	-	-	-	815,296	894,487	7,849,313
Unrestricted	644,722	6,113,450	524,626	2,229,623	1,560,867	575,871	71,552	11,720,711
Total net assets	<u>\$ 644,722</u>	<u>\$ 12,252,980</u>	<u>\$ 524,626</u>	<u>\$ 2,229,623</u>	<u>\$ 1,560,867</u>	<u>\$ 1,391,167</u>	<u>\$ 966,039</u>	<u>\$ 19,570,024</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, 2011

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
OPERATING REVENUES								
Charges for services	\$ 950,000	7,550,309	\$ 1,266,978	\$ 4,216	\$ -	\$ 319,721	\$ 3,384,190	\$ 13,475,414
Contributions	-	-	-	6,625,305	2,792,939	-	-	9,418,244
Miscellaneous	-	11,270	-	246,364	147,053	-	87,014	491,701
Total operating revenues	950,000	7,561,579	1,266,978	6,875,885	2,939,992	319,721	3,471,204	23,385,359
OPERATING EXPENSES								
Garage operations	-	5,087,033	-	-	-	-	-	5,087,033
Depreciation	-	2,162,418	-	-	-	43,372	1,078,426	3,284,216
Insurance claims	-	-	854,205	7,497,028	1,565,857	-	-	9,917,090
Administrative	259,830	-	214,942	584,662	1,971,303	1,427,002	2,287,366	6,745,105
Special services	537,185	-	-	47,386	6,850	-	-	591,421
Maintenance	-	-	-	-	-	207,497	-	207,497
Total operating expenses	797,015	7,249,451	1,069,147	8,129,076	3,544,010	1,677,871	3,365,792	25,832,362
Operating income (loss)	152,985	312,128	197,831	(1,253,191)	(604,018)	(1,358,150)	105,412	(2,447,003)
NON-OPERATING REVENUES (EXPENSES)								
Revenues from use of money and property	6,427	39,932	5,282	14,656	19,752	9,738	24,081	119,868
Gain (loss) on sale of assets	-	242,196	-	-	-	13,979	-	256,175
Interest expense	-	-	-	-	-	-	(116,519)	(116,519)
Total non-operating revenues (expenses)	6,427	282,128	5,282	14,656	19,752	23,717	(92,438)	259,524
Income (loss) before transfers	159,412	594,256	203,113	(1,238,535)	(584,266)	(1,334,433)	12,974	(2,187,479)
Transfers in	-	-	-	-	300,000	1,435,280	39,668	1,774,948
Transfers out	-	(17,000)	-	(300,000)	-	(334,513)	-	(651,513)
Change in net assets	159,412	577,256	203,113	(1,538,535)	(284,266)	(233,666)	52,642	(1,064,044)
Total Net Assets - October 1, 2010	485,310	11,675,724	321,513	3,768,158	1,845,133	1,624,833	913,397	20,634,068
Total Net Assets - September 30, 2011	\$ 644,722	\$ 12,252,980	\$ 524,626	\$ 2,229,623	\$ 1,560,867	\$ 1,391,167	\$ 966,039	\$ 19,570,024

**CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL (EXHIBIT 9)
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from customers and users	\$ 950,032	\$ 7,567,895	\$ 1,264,780	\$ 6,865,243	\$ 2,936,991	\$ 319,981	\$ 3,448,114	\$ 23,353,036
Cash paid to suppliers for goods and services	(522,212)	(4,170,195)	(6,968)	(524,799)	(1,908,784)	(1,471,879)	(1,341,691)	(9,946,528)
Cash paid to employees for services	(269,650)	(811,894)	(220,141)	(52,130)	-	(113,263)	(821,423)	(2,288,501)
Insurance claims paid	-	-	(1,219,910)	(7,537,703)	(1,565,857)	-	-	(10,323,470)
Net cash provided by (used in) operating activities	158,170	2,585,806	(182,239)	(1,249,389)	(537,650)	(1,265,161)	1,285,000	794,537
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES								
Transfers in from other funds	-	-	-	-	300,000	1,435,280	39,668	1,774,948
Transfers out to other funds	-	(17,000)	-	(300,000)	-	(334,513)	-	(651,513)
Net cash provided by (used in) non-capital financing activities	-	(17,000)	-	(300,000)	300,000	1,100,767	39,668	1,123,435
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition, construction, and retirement of capital assets	-	(1,225,733)	-	-	-	(39,394)	(569,903)	(1,835,030)
Interest paid	-	-	-	-	-	-	(116,519)	(116,519)
Payment of capital lease obligations	-	(463,625)	-	-	-	-	(633,043)	(1,096,668)
Proceeds from sale of assets	-	293,495	-	-	-	13,979	-	307,474
Net cash provided by (used in) capital and related financing activities	-	(1,395,863)	-	-	-	(25,415)	(1,319,465)	(2,740,743)
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest and dividends on investments	6,427	39,932	5,282	14,656	19,752	9,738	24,081	119,868
Net cash provided by investing activities	6,427	39,932	5,282	14,656	19,752	9,738	24,081	119,868
Net increase (decrease) in cash and cash equivalents	164,597	1,212,875	(176,957)	(1,534,733)	(217,898)	(180,071)	29,284	(702,903)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	508,702	4,916,786	996,009	4,260,325	1,794,473	877,547	333,288	13,687,130
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 673,299</u>	<u>\$ 6,129,661</u>	<u>\$ 819,052</u>	<u>\$ 2,725,592</u>	<u>\$ 1,576,575</u>	<u>\$ 697,476</u>	<u>\$ 362,572</u>	<u>\$ 12,984,227</u>

(continued)

**CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL (EXHIBIT 9)
Operating income (loss)	\$ 152,985	\$ 312,128	\$ 197,831	\$ (1,253,191)	\$ (604,018)	\$ (1,358,150)	\$ 105,412	\$ (2,447,003)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation expense	-	2,162,418	-	-	-	43,372	1,078,426	3,284,216
(Increase) decrease in accounts receivable	32	35,108	(2,198)	(10,642)	(3,001)	260	(23,090)	(3,531)
(Increase) decrease in prepaid expenses	(1,469)	-	(535)	(41,522)	(64,117)	-	-	(107,643)
(Increase) decrease in inventories	-	(28,792)	-	-	-	-	-	(28,792)
(Increase) decrease in other post employment benefits asset	2,788	7,855	2,343	563	-	1,055	9,238	23,842
Increase (decrease) in accounts payable	(3,199)	71,220	(24,133)	94,080	133,486	44,046	100,548	416,048
Increase (decrease) in claims payable	-	-	(365,705)	(40,675)	-	-	-	(406,380)
Increase (decrease) in accrued interest payable	-	(7,225)	-	-	-	-	(7,928)	(15,153)
Increase (decrease) in compensated absences payable	(2,855)	5,232	1,847	-	-	515	(10,374)	(5,635)
Increase (decrease) in net pension obligation	9,888	27,862	8,311	1,998	-	3,741	32,768	84,568
Total adjustments	5,185	2,273,678	(380,070)	3,802	66,368	92,989	1,179,588	3,241,540
Net cash (used in) provided by operating activities	<u>\$ 158,170</u>	<u>\$ 2,585,806</u>	<u>\$ (182,239)</u>	<u>\$ (1,249,389)</u>	<u>\$ (537,650)</u>	<u>\$ (1,265,161)</u>	<u>\$ 1,285,000</u>	<u>\$ 794,537</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:								
Borrowing under capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,657</u>	<u>\$ 10,657</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, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 5,000	\$ 6,427	\$ 1,427
Intergovernmental revenue	950,000	950,000	-
TOTAL REVENUES - BUDGET AND GAAP BASIS	<u>\$ 955,000</u>	<u>\$ 956,427</u>	<u>\$ 1,427</u>
EXPENSES			
Salaries and benefits	\$ 244,481	\$ 259,830	\$ (15,349)
Special services	917,884	537,185	380,699
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 1,162,365</u>	<u>\$ 797,015</u>	<u>\$ 365,350</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, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 45,000	\$ 39,932	\$ (5,068)
Current service charges	7,677,497	7,550,309	(127,188)
Miscellaneous	1,000	11,270	10,270
Sale of assets	279,000	293,495	14,495
TOTAL REVENUES - BUDGET BASIS	\$ 8,002,497	7,895,006	\$ (107,491)
Financial statement adjustments:			
Retirement of assets sold		(51,299)	
TOTAL REVENUES - GAAP BASIS		\$ 7,843,707	
EXPENSES			
Garage administration and operations:			
Salaries and benefits	\$ 823,117	\$ 770,945	\$ 52,172
Supplies and services	4,390,939	4,202,830	188,109
Utilities	275	213	62
Maintenance	149,448	113,045	36,403
Capital outlay	2,475,005	1,764,701	710,304
Total garage administration	7,838,784	6,851,734	987,050
TOTAL EXPENSES - BUDGET BASIS	\$ 7,838,784	6,851,734	\$ 987,050
Financial statement adjustments:			
Transfer out		17,000	
Capital outlay items not expensed		(1,764,701)	
Depreciation expense		2,162,418	
TOTAL EXPENSES - GAAP BASIS		\$ 7,266,451	

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 30, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 9,000	\$ 5,282	\$ (3,718)
Intergovernmental revenue	<u>1,343,532</u>	<u>1,266,978</u>	<u>(76,554)</u>
TOTAL REVENUES - BUDGET AND GAAP BASIS	<u><u>\$ 1,352,532</u></u>	<u><u>\$ 1,272,260</u></u>	<u><u>\$ (80,272)</u></u>
EXPENSES			
Claims and premiums	\$ 1,463,358	\$ 854,205	\$ 609,153
Administrative	<u>209,359</u>	<u>214,942</u>	<u>(5,583)</u>
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u><u>\$ 1,672,717</u></u>	<u><u>\$ 1,069,147</u></u>	<u><u>\$ 603,570</u></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 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 28,000	\$ 14,656	\$ (13,344)
Charges for services	-	4,216	4,216
Contributions from City of Tyler	4,953,592	4,898,267	(55,325)
Contributions from employees	1,652,960	1,727,038	74,078
Miscellaneous	246,370	246,364	(6)
Total revenues	<u>6,880,922</u>	<u>6,890,541</u>	<u>9,619</u>
TOTAL REVENUES - BUDGET AND GAAP BASIS	<u>\$ 6,880,922</u>	<u>\$ 6,890,541</u>	<u>\$ 9,619</u>
EXPENSES			
Employee insurance fund administration:			
Special services	\$ 73,000	\$ 47,386	\$ 25,614
Claims	7,286,836	7,306,594	(19,758)
Administrative fees	699,600	584,662	114,938
Life insurance	170,340	190,434	(20,094)
Total employee insurance fund administration	<u>8,229,776</u>	<u>8,129,076</u>	<u>100,700</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 8,229,776</u>	<u>8,129,076</u>	<u>\$ 100,700</u>
Financial statement adjustments:			
Transfer out		<u>300,000</u>	
TOTAL EXPENSES - GAAP BASIS		<u>\$ 8,429,076</u>	

**CITY OF TYLER, TEXAS
RETIREE BENEFITS FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 17,000	\$ 19,752	\$ 2,752
Contributions from City of Tyler	2,030,360	2,032,159	1,799
Contributions from employees	676,140	760,780	84,640
Miscellaneous	144,400	147,053	2,653
Total revenues	<u>2,867,900</u>	<u>2,959,744</u>	<u>91,844</u>
TOTAL REVENUES - BUDGET BASIS	<u>\$ 2,867,900</u>	2,959,744	<u>\$ 91,844</u>
Financial statement adjustments:			
Transfer in		<u>300,000</u>	
TOTAL REVENUES - GAAP BASIS		<u>\$ 3,259,744</u>	
EXPENSES			
Employee insurance fund administration:			
Special services	\$ 21,000	\$ 6,850	\$ 14,150
Claims	1,492,560	1,508,410	(15,850)
Administrative fees	1,992,940	1,971,303	21,637
Life insurance	53,400	57,447	(4,047)
Total employee insurance fund administration	<u>3,559,900</u>	<u>3,544,010</u>	<u>15,890</u>
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 3,559,900</u>	<u>\$ 3,544,010</u>	<u>\$ 15,890</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, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 15,000	\$ 9,738	\$ (5,262)
Charges for services	322,654	319,721	(2,933)
Sale of assets	-	13,979	13,979
	337,654	343,438	5,784
Total revenues	337,654	343,438	5,784
TOTAL REVENUES - BUDGET BASIS	\$ 337,654	343,438	\$ 5,784
Financial statement adjustments:			
Transfer in		1,435,280	
TOTAL REVENUES - GAAP BASIS		\$ 1,778,718	
EXPENSES			
Property and facility administration:			
Salaries and benefits	\$ 97,218	\$ 107,953	\$ (10,735)
Supplies and services	173,996	73,898	100,098
Utilities	1,407,840	1,222,491	185,349
Maintenance	606,127	230,157	375,970
	2,285,181	1,634,499	650,682
Total property and facility administration	2,285,181	1,634,499	650,682
TOTAL EXPENSES - BUDGET BASIS	\$ 2,285,181	1,634,499	\$ 650,682
Financial statement adjustments:			
Transfer out		334,513	
Depreciation expense		43,372	
TOTAL EXPENSES - GAAP BASIS		\$ 2,012,384	

**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, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 32,820	\$ 24,081	\$ (8,739)
Charges for services	3,384,192	3,384,190	(2)
Miscellaneous	-	87,014	87,014
	TOTAL REVENUES - BUDGET BASIS	3,495,285	\$ 78,273
	\$ 3,417,012		
Financial statement adjustments:			
Transfer in		39,668	
		\$ 3,534,953	
		\$ 3,534,953	
EXPENSES			
Office technology fund administration:			
Salaries and benefits	\$ 815,112	\$ 789,791	\$ 25,321
Supplies and services	51,492	59,014	(7,522)
Utilities	400	216	184
Maintenance	7,141	7,679	(538)
	874,145	856,700	17,445
Total office technology fund administration			
Office technology services:			
Supplies and services	1,221,513	543,872	677,641
Utilities	294,330	159,234	135,096
Maintenance	1,206,596	727,560	479,036
	2,722,439	1,430,666	1,291,773
Total office technology services			
TOTAL EXPENSES - BUDGET BASIS	\$ 3,596,584	2,287,366	\$ 1,309,218
	\$ 3,596,584		
Financial statement adjustments:			
Interest		116,519	
Depreciation		1,078,426	
		\$ 3,482,311	
TOTAL EXPENSES - GAAP BASIS		\$ 3,482,311	

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

Employee Benefit Trust Funds

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 City's cafeteria plan administered by Health First.

The *OPEB Trust Fund* is used to account for the resources accumulated to meet ARC (annual required contributions) and long term liability requirements associated with administering post employment health, dental and life benefits for retired employees in accordance with GASB 43 and 45.

Private Purpose Trust 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. These closure and post-closure expenses will not begin occurring until many years if not decades in the future.

The *Lindsey Trust Fund* is used to account for the endowment fund created for the charitable purpose of making awards to police officers and firefighters employed by the City of Tyler for outstanding service and to aid them and their families injured in the line of duty.

**CITY OF TYLER, TEXAS
FIDUCIARY FUNDS
EMPLOYEE BENEFIT TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

	EMPLOYEE BENEFIT TRUST (SECTION 125 PLAN)	OPEB TRUST	TOTAL
ASSETS			
Equity in pooled cash	\$ 192,287	\$ 114,206	\$ 306,493
Investments	-	3,813,882	3,813,882
Receivables			
Accounts receivable	5,523	-	5,523
Total receivables	<u>5,523</u>	<u>-</u>	<u>5,523</u>
Total assets	<u>197,810</u>	<u>3,928,088</u>	<u>4,125,898</u>
LIABILITIES			
Accounts payable	<u>2,370</u>	<u>-</u>	<u>2,370</u>
Total liabilities	<u>2,370</u>	<u>-</u>	<u>2,370</u>
NET ASSETS			
Held in trust for OPEB benefits and other purposes	<u>\$ 195,440</u>	<u>\$ 3,928,088</u>	<u>\$ 4,123,528</u>

**CITY OF TYLER, TEXAS
FIDUCIARY FUNDS
EMPLOYEE BENEFIT TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	EMPLOYEE BENEFIT TRUST (SECTION 125 PLAN)	OPEB TRUST	TOTAL
ADDITIONS			
Contributions:			
Employees	\$ 169,882	\$ -	\$ 169,882
Employer	12,057	469,634	481,691
Total contributions	<u>181,939</u>	<u>469,634</u>	<u>651,573</u>
Total additions	<u>181,939</u>	<u>469,634</u>	<u>651,573</u>
DEDUCTIONS			
Benefits	<u>170,778</u>	-	<u>170,778</u>
Total deductions	<u>170,778</u>	-	<u>170,778</u>
Change in net assets	11,161	469,634	480,795
Net Assets - October 1, 2010	<u>184,279</u>	<u>3,458,454</u>	<u>3,642,733</u>
Net Assets - September 30, 2011	<u>\$ 195,440</u>	<u>\$ 3,928,088</u>	<u>\$ 4,123,528</u>

**CITY OF TYLER, TEXAS
FIDUCIARY FUNDS
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

	GREENWOOD LANDFILL PRIVATE-PURPOSE TRUST	LINDSEY TRUST PRIVATE-PURPOSE TRUST	TOTAL
ASSETS			
Equity in pooled cash	\$ 2,283,352	\$ -	\$ 2,283,352
Investments	-	54,034	54,034
Receivables			
Interest receivable	1,516	-	1,516
Total receivables	<u>1,516</u>	<u>-</u>	<u>1,516</u>
Total assets	<u>2,284,868</u>	<u>54,034</u>	<u>2,338,902</u>
LIABILITIES			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Held in trust for other purposes	<u>\$ 2,284,868</u>	<u>\$ 54,034</u>	<u>\$ 2,338,902</u>

**CITY OF TYLER, TEXAS
FIDUCIARY FUNDS
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	GREENWOOD LANDFILL PRIVATE-PURPOSE TRUST	LINDSEY TRUST PRIVATE-PURPOSE TRUST	TOTAL
ADDITIONS			
Contributions	\$ 33,000	\$ -	\$ 33,000
Interest	13,070	-	13,070
Total additions	<u>46,070</u>	<u>-</u>	<u>46,070</u>
DEDUCTIONS			
Contributions	-	4,100	4,100
Total deductions	<u>-</u>	<u>4,100</u>	<u>4,100</u>
Change in net assets	46,070	(4,100)	41,970
Net Assets - October 1, 2010	<u>2,238,798</u>	<u>58,134</u>	<u>2,296,932</u>
Net Assets - September 30, 2011	<u>\$ 2,284,868</u>	<u>\$ 54,034</u>	<u>\$ 2,338,902</u>

DETAILED BUDGETARY COMPARISONS

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

CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
PROPERTY TAX COLLECTIONS			
Current taxes	\$ 13,584,976	\$ 13,645,340	\$ 60,364
Delinquent taxes	(136,600)	198,815	335,415
Penalty and interest	152,900	133,144	(19,756)
Tax collection fee	55,000	50,126	(4,874)
Total property tax collections	13,656,276	14,027,425	371,149
FRANCHISE FEES			
Franchise - light and power	4,145,750	4,506,141	360,391
Franchise - natural gas	1,100,000	839,425	(260,575)
Franchise - telephone	988,000	933,466	(54,534)
Franchise - cable television	1,120,600	1,218,840	98,240
Franchise - street use fee	462,500	491,787	29,287
Franchise - water and sewer	1,519,949	1,755,014	235,065
Total franchise fees	9,336,799	9,744,673	407,874
SALES AND USE TAXES			
General sales tax	22,110,163	22,849,738	739,575
Mixed drink tax	301,000	315,399	14,399
Bingo tax	33,000	41,439	8,439
Total sales and use taxes	22,444,163	23,206,576	762,413
LICENSES AND PERMITS			
Parking meter	105,000	99,130	(5,870)
Wrecker	400	40	(360)
Taxicab and limousine	225	765	540
Burglar alarm	120,000	135,272	15,272
Building	400,000	459,645	59,645
Electrical	125,000	153,436	28,436
Plumbing	100,000	98,845	(1,155)
Zoning	75,930	39,664	(36,266)
Mechanical	60,000	65,636	5,636
Cert. of occupancy	15,000	15,880	880
Sign	14,000	18,134	4,134
Contractor license	39,000	33,895	(5,105)
House moving	1,000	750	(250)
Permit fee - clearing	900	550	(350)
Total licenses and permits	1,056,455	1,121,642	65,187
FINES, FORFEITURES AND PENALTIES			
Moving violation fines	3,765,000	3,436,259	(328,741)
Tax service fees on fines	220,000	232,353	12,353
Arrest fee fines	170,000	174,163	4,163
Municipal court administrative fees	170,000	225,332	55,332
Warrant fees	700,000	643,204	(56,796)
Child safety fees	140,000	195,443	55,443
Teen court fees	-	20	20
Miscellaneous municipal court fines	20,000	19,224	(776)
Juvenile class fee	50,000	-	(50,000)
Special court fees	650,000	807,287	157,287
Collection firm fee	220,000	251,687	31,687
Court fee - clearing	10,000	9,003	(997)
Parking fees	-	211,087	211,087
Omnibase program	35,000	57,617	22,617
Total fines, forfeitures and penalties	6,150,000	6,262,679	112,679

(Continued)

CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES FROM USE OF MONEY OR PROPERTY			
Rent - miscellaneous	\$ 907,858	\$ 640,320	\$ (267,538)
Distributed interest	56,550	51,281	(5,269)
Total revenues from use of money or property	964,408	691,601	(272,807)
CHARGES FOR CURRENT SERVICES			
Swimming pool admissions	125	1,075	950
Fire inspection fees	31,100	23,227	(7,873)
False alarm fees	2,000	1,050	(950)
Lot mowing	50,000	48,866	(1,134)
Glass membership fees	44,800	49,078	4,278
Copying fees	18,100	20,839	2,739
Open records	48,000	59,463	11,463
Participant fees	162,500	153,663	(8,837)
Field rental	3,000	12,070	9,070
Sports field maintenance	27,000	14,805	(12,195)
Recreation classes and events	35,000	30,466	(4,534)
Reimbursement of overhead from tourism and convention fund	41,840	41,840	-
Half cent administration costs	50,208	50,208	-
Reimbursement of overhead from water and sewer operating fund	720,161	720,161	-
Reimbursement of overhead from sanitation fund	192,765	192,765	-
Maps, plans and specs fee	500	-	(500)
Platting	31,500	24,641	(6,859)
HOT membership	40,000	33,000	(7,000)
Main street festivals	75,000	65,416	(9,584)
Liberty hall tickets sales	-	7,350	7,350
Tourism from fund 211	1,080,755	1,080,755	-
Library	46,600	51,290	4,690
Total charges for current services	2,700,954	2,682,028	(18,926)
REVENUES FROM OTHER AGENCIES			
State government	20,000	9,900	(10,100)
County hazardous material service	5,000	5,000	-
Prior year restitution income	200	826	626
DEA Project reimbursement	54,000	59,990	5,990
Auto theft task force grant	95,000	100,480	5,480
Bullet proof vest grant	10,300	9,892	(408)
Safe and Sober Grant	104,000	45,121	(58,879)
Click it or ticket grant	7,500	4,799	(2,701)
School crossing guards	217,530	217,526	(4)
US Marshal grant	-	8,501	8,501
Historic commission grant	2,000	1,164	(836)
Income from restitution	-	550	550
JAG 10/11 formula grant	52,156	52,157	1
COPS 2010	193,728	57,626	(136,102)
Fire TCLEOSE allocation	-	1,051	1,051
Total revenues from other agencies	761,414	574,583	(186,831)

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
MISCELLANEOUS			
Oil and lease royalties	\$ 35,000	\$ 182,904	\$ 147,904
Contribution for construction	2,700	-	(2,700)
Miscellaneous charges	100,000	93,542	(6,458)
Unclaimed property revenue	27,000	42,676	15,676
Returned check fees	2,600	1,705	(895)
Funeral escorts	20,000	22,100	2,100
Contractor testing fees	55,000	45,731	(9,269)
Merchandise sales	10,000	8,291	(1,709)
Sale of equipment	-	210	210
Junked vehicle	1,500	1,128	(372)
Total miscellaneous	<u>253,800</u>	<u>398,287</u>	<u>144,487</u>
Total revenues before other financing sources	<u>57,324,269</u>	<u>58,709,494</u>	<u>1,385,225</u>
OTHER FINANCING SOURCES			
Transfer from debt service	-	3,572	3,572
Transfer from special revenue	60,000	60,000	-
Transfer from enterprise	150,000	150,000	-
Transfer from property and facility management	-	153,310	153,310
Sale of property and equipment	3,000	1,652	(1,348)
Total other financing sources	<u>213,000</u>	<u>368,534</u>	<u>155,534</u>
TOTAL REVENUES	<u><u>\$ 57,537,269</u></u>	<u><u>\$ 59,078,028</u></u>	<u><u>\$ 1,540,759</u></u>

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
GENERAL GOVERNMENT			
GENERAL GOVERNMENT SERVICES:			
Salaries and benefits	\$ 1,966,394	\$ 1,906,514	\$ 59,880
Supplies and services	2,557,723	2,502,140	55,583
Utilities	195,323	159,547	35,776
Maintenance	104,448	103,728	720
Total general government services	4,823,888	4,671,929	151,959
COMMUNICATIONS:			
Salaries and benefits	153,308	158,760	(5,452)
Supplies and services	74,284	68,980	5,304
Utilities	360	(299)	659
Total communications	227,952	227,441	511
FINANCE:			
Salaries and benefits	565,750	533,103	32,647
Supplies and services	459,197	449,751	9,446
Utilities	360	358	2
Total finance	1,025,307	983,212	42,095
HUMAN RESOURCES:			
Salaries and benefits	255,929	233,811	22,118
Supplies and services	49,680	63,381	(13,701)
Utilities	150	-	150
Total human resources	305,759	297,192	8,567
LEGAL:			
Salaries and benefits	591,023	585,718	5,305
Supplies and services	128,709	161,751	(33,042)
Utilities	160	276	(116)
Maintenance	723	723	-
Total legal	720,615	748,468	(27,853)
Total general government	7,103,521	6,928,242	175,279

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
PUBLIC SAFETY			
POLICE:			
Salaries and benefits	\$ 19,406,119	\$ 19,042,083	\$ 364,036
Supplies and services	1,695,459	1,728,857	(33,398)
Utilities	176,556	152,295	24,261
Maintenance	556,398	479,249	77,149
Total police	<u>21,834,532</u>	<u>21,402,484</u>	<u>432,048</u>
FIRE:			
Salaries and benefits	13,015,993	13,015,992	1
Supplies and services	784,281	769,378	14,903
Utilities	145,625	152,508	(6,883)
Maintenance	273,677	268,376	5,301
Total fire	<u>14,219,576</u>	<u>14,206,254</u>	<u>13,322</u>
MUNICIPAL COURT:			
Salaries and benefits	758,540	666,603	91,937
Supplies and services	768,246	924,251	(156,005)
Utilities	12,900	13,345	(445)
Maintenance	46,169	47,720	(1,551)
Total municipal court	<u>1,585,855</u>	<u>1,651,919</u>	<u>(66,064)</u>
Total public safety	<u>37,639,963</u>	<u>37,260,657</u>	<u>379,306</u>
PUBLIC SERVICES			
PLANNING & ZONING:			
Salaries and benefits	274,393	259,379	15,014
Supplies and services	102,165	63,737	38,428
Utilities	750	518	232
Maintenance	3,734	3,347	387
Total code enforcement	<u>381,042</u>	<u>326,981</u>	<u>54,061</u>
DEVELOPMENT SERVICES:			
Salaries and benefits	724,666	689,259	35,407
Supplies and services	94,651	110,269	(15,618)
Utilities	-	346	(346)
Maintenance	14,541	13,201	1,340
Total development services	<u>833,858</u>	<u>813,075</u>	<u>20,783</u>
Total public services	<u>1,214,900</u>	<u>1,140,056</u>	<u>74,844</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
HIGHWAYS AND STREETS			
ENGINEERING:			
Salaries and benefits	\$ 387,805	\$ 373,608	\$ 14,197
Supplies and services	76,358	87,948	(11,590)
Utilities	150	208	(58)
Maintenance	139,859	14,284	125,575
Total engineering	604,172	476,048	128,124
STREET ADMINISTRATION:			
Salaries and benefits	1,086,848	917,870	168,978
Supplies and services	290,494	369,663	(79,169)
Utilities	12,400	7,813	4,587
Maintenance	778,349	736,778	41,571
Total street administration	2,168,091	2,032,124	135,967
TRAFFIC OPERATIONS:			
Salaries and benefits	810,668	806,501	4,167
Supplies and services	159,143	153,808	5,335
Utilities	180	86	94
Maintenance	218,947	198,738	20,209
Total traffic operations	1,188,938	1,159,133	29,805
Total highways and streets	3,961,201	3,667,305	293,896
CULTURE AND RECREATION			
LIBRARY:			
Salaries and benefits	983,907	978,453	5,454
Supplies and services	184,795	173,508	11,287
Utilities	90,705	71,236	19,469
Maintenance	28,651	21,911	6,740
Total library	1,288,058	1,245,108	42,950
PARKS ADMINISTRATION:			
Salaries and benefits	772,356	696,770	75,586
Supplies and services	448,498	468,907	(20,409)
Utilities	666,900	689,340	(22,440)
Maintenance	598,607	536,092	62,515
Total parks administration	2,486,361	2,391,109	95,252

(Continued)

CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
CULTURE AND RECREATION (cont'd)			
INDOOR RECREATION:			
Salaries and benefits	\$ 344,244	\$ 348,074	\$ (3,830)
Supplies and services	103,337	82,185	21,152
Utilities	200	195	5
Maintenance	29,210	25,025	4,185
Total indoor recreation	476,991	455,479	21,512
OUTDOOR RECREATION:			
Salaries and benefits	150,650	129,315	21,335
Supplies and services	283,015	229,626	53,389
Maintenance	1,000	254	746
Total outdoor recreation	434,665	359,195	75,470
MEDIAN MAINTENANCE AND ARBORIST:			
Salaries and benefits	177,937	145,106	32,831
Supplies and services	138,095	156,611	(18,516)
Maintenance	40,851	41,693	(842)
Total median maintenance and arborist	356,883	343,410	13,473
ROSE GARDEN CENTER			
Salaries and benefits	95,949	101,778	(5,829)
Supplies and services	31,260	31,479	(219)
Utilities	7,875	8,162	(287)
Maintenance	13,000	12,485	515
Total rose garden center	148,084	153,904	(5,820)
ROSE GARDEN MAINTENANCE			
Salaries and benefits	255,616	244,295	11,321
Supplies and services	73,814	70,933	2,881
Utilities	90,150	120,162	(30,012)
Maintenance	76,266	70,046	6,220
Total rose garden maintenance	495,846	505,436	(9,590)
VISITOR FACILITIES			
Salaries and benefits	353,641	313,112	40,529
Supplies and services	161,419	177,295	(15,876)
Utilities	155,075	115,496	39,579
Maintenance	165,265	60,422	104,843
Total visitor facilities	835,400	666,325	169,075
TOURISM CONTINGENCY			
Supplies and services	31,425	26,021	5,404
Utilities	5,575	6,260	(685)
Maintenance	500	489	11
Total tourism contingency	37,500	32,770	4,730

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
CULTURE AND RECREATION (cont'd)			
Symphony			
Salaries and benefits	\$ 116,021	\$ 111,427	\$ 4,594
Supplies and services	115,756	103,024	12,732
Utilities	10,650	7,509	3,141
Total symphony	<u>242,427</u>	<u>221,960</u>	<u>20,467</u>
Total culture and recreation	<u>6,802,215</u>	<u>6,374,696</u>	<u>427,519</u>
OTHER FINANCING USES			
Transfer to court special fee	-	34,075	(34,075)
Transfer to transit system	844,666	896,767	(52,101)
Transfer to capital projects	1,500,000	1,500,000	-
Transfer to property and facility	141,600	141,600	-
Transfer to airport	-	2,381	(2,381)
Total other financing uses	<u>2,486,266</u>	<u>2,574,823</u>	<u>(88,557)</u>
CAPITAL OUTLAY	<u>323,564</u>	<u>696,986</u>	<u>(373,422)</u>
TOTAL EXPENDITURES	<u>\$ 59,531,630</u>	<u>\$ 58,642,765</u>	<u>\$ 888,865</u>

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF REVENUES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Revenues from use of money or property	\$ 121,208	\$ 262,284	\$ 141,076
Charges for current services	30,158,281	35,530,845	5,372,564
Miscellaneous income	154,500	128,856	(25,644)
TOTAL REVENUES - BUDGET BASIS	<u>\$ 30,433,989</u>	35,921,985	<u>\$ 5,487,996</u>
Financial Statement Adjustments:			
TOTAL REVENUES GAAP BASIS		<u>\$ 35,921,985</u>	

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
WATER ADMINISTRATION AND SUNDRY			
Salaries and benefits	\$ 980,237	\$ 1,020,895	\$ (40,658)
Supplies and services	8,284,098	4,510,515	3,773,583
Utilities	10,500	12,031	(1,531)
Maintenance	45,886	32,715	13,171
Total water administration and sundry	<u>9,320,721</u>	<u>5,576,156</u>	<u>3,744,565</u>
WATER OFFICE			
Salaries and benefits	735,390	717,260	18,130
Supplies and services	490,480	442,584	47,896
Utilities	336	175	161
Maintenance	44,043	33,873	10,170
Total water office	<u>1,270,249</u>	<u>1,193,892</u>	<u>76,357</u>
WATER DISTRIBUTION			
Salaries and benefits	1,052,404	967,976	84,428
Supplies and services	170,730	423,307	(252,577)
Utilities	20,954	22,197	(1,243)
Maintenance	380,345	388,314	(7,969)
Total water distribution	<u>1,624,433</u>	<u>1,801,794</u>	<u>(177,361)</u>
WATER PLANT			
Salaries and benefits	1,210,104	1,099,630	110,474
Supplies and services	1,610,856	1,242,081	368,775
Utilities	2,003,680	2,522,188	(518,508)
Maintenance	392,971	236,171	156,800
Total water plant	<u>5,217,611</u>	<u>5,100,070</u>	<u>117,541</u>

(Continued)

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
WASTE COLLECTION			
Salaries and benefits	\$ 681,710	\$ 613,535	\$ 68,175
Supplies and services	125,890	299,888	(173,998)
Utilities	435	66	369
Maintenance	540,434	534,435	5,999
Total waste collection	<u>1,348,469</u>	<u>1,447,924</u>	<u>(99,455)</u>
WASTE TREATMENT PLANT			
Salaries and benefits	1,293,538	1,301,972	(8,434)
Supplies and services	2,583,327	1,886,892	696,435
Utilities	946,767	799,231	147,536
Maintenance	216,782	167,849	48,933
Total waste treatment plant	<u>5,040,414</u>	<u>4,155,944</u>	<u>884,470</u>
LAKE TYLER			
Salaries and benefits	427,123	433,954	(6,831)
Supplies and services	203,846	87,644	116,202
Utilities	14,510	16,289	(1,779)
Maintenance	390,121	109,812	280,309
Total Lake Tyler	<u>1,035,600</u>	<u>647,699</u>	<u>387,901</u>
STORM WATER MANAGEMENT			
Salaries and benefits	543,938	450,064	93,874
Supplies and services	71,875	129,522	(57,647)
Maintenance	427,882	397,188	30,694
Total Storm Water Management	<u>1,043,695</u>	<u>976,774</u>	<u>66,921</u>
CAPITAL OUTLAY	<u>15,828,145</u>	<u>7,760,003</u>	<u>8,068,142</u>
TOTAL EXPENSES BUDGET BASIS	<u>\$ 41,729,337</u>	28,660,256	<u>\$ 13,069,081</u>
Financial statement adjustments:			
Capital outlay items not expensed		(7,760,003)	
Transfers out		646,840	
Interest		3,224,241	
Depreciation expense		<u>6,325,388</u>	
TOTAL EXPENSES - GAAP BASIS		<u>\$ 31,096,722</u>	

**CITY OF TYLER, TEXAS
SANITATION FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Franchise fees	\$ 596,000	\$ 573,046	\$ (22,954)
Revenue from use of money or property	38,000	40,808	2,808
Charges for current services	9,773,279	9,614,667	(158,612)
Miscellaneous revenues	<u>183,450</u>	<u>49,468</u>	<u>(133,982)</u>
TOTAL REVENUES - BUDGET BASIS	<u>\$ 10,590,729</u>	10,277,989	<u>\$ (312,740)</u>
Financial statement adjustments:			
Transfers in		17,000	
Sale of property		<u>11,461</u>	
TOTAL REVENUES - GAAP BASIS		<u>\$ 10,306,450</u>	
EXPENSES			
Solid waste administration:			
Salaries and benefits	\$ 752,344	\$ 691,353	\$ 60,991
Supplies and services	948,713	841,711	107,002
Utilities	3,300	1,862	1,438
Maintenance	<u>10,775</u>	<u>7,647</u>	<u>3,128</u>
Total solid waste administration	<u>1,715,132</u>	<u>1,542,573</u>	<u>172,559</u>
Residential collections:			
Salaries and benefits	1,351,757	1,422,712	(70,955)
Supplies and services	2,232,833	2,151,094	81,739
Utilities	2,200	2,052	148
Maintenance	<u>1,645,015</u>	<u>1,767,221</u>	<u>(122,206)</u>
Total residential collections	<u>5,231,805</u>	<u>5,343,079</u>	<u>(111,274)</u>
Commercial collections:			
Salaries and benefits	633,182	659,682	(26,500)
Supplies and services	1,729,349	1,657,747	71,602
Utilities	1,500	1,638	(138)
Maintenance	<u>436,506</u>	<u>456,023</u>	<u>(19,517)</u>
Total commercial collections	<u>2,800,537</u>	<u>2,775,090</u>	<u>25,447</u>
Litter control:			
Supplies and services	223,730	142,809	80,921
Utilities	<u>1,000</u>	<u>541</u>	<u>459</u>
Total litter control	<u>224,730</u>	<u>143,350</u>	<u>81,380</u>

(Continued)

**CITY OF TYLER, TEXAS
SANITATION FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Maintenance complex:			
Supplies and services	\$ 51,007	\$ 37,650	\$ 13,357
Utilities	84,180	59,425	24,755
Maintenance	<u>35,000</u>	<u>16,069</u>	<u>18,931</u>
Total maintenance complex	<u>170,187</u>	<u>113,144</u>	<u>57,043</u>
Code enforcement:			
Salaries and benefits	345,896	302,112	43,784
Supplies and services	58,307	79,304	(20,997)
Utilities	800	144	656
Maintenance	<u>57,571</u>	<u>45,188</u>	<u>12,383</u>
Total residential collections	<u>462,574</u>	<u>426,748</u>	<u>35,826</u>
Capital outlay:	<u>2,609</u>	<u>-</u>	<u>2,609</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 10,607,574</u>	10,343,984	<u>\$ 263,590</u>
Financial statement adjustments:			
Transfers out		200,446	
Capital outlay items not expensed		-	
Depreciation expense		<u>980,641</u>	
TOTAL EXPENSES - GAAP BASIS		<u>\$ 11,525,071</u>	

**CITY OF TYLER, TEXAS
AIRPORT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Airport services	\$ 1,153,004	\$ 1,149,225	\$ (3,779)
Revenue from use of money or property	3,000	2,238	(762)
Capital contributions	2,203,446	1,861,673	(341,773)
Miscellaneous revenues	13,800	17,672	3,872
Total Revenues	3,373,250	3,030,808	(342,442)
Transfers in	50,000	156,225	106,225
TOTAL REVENUES - BUDGET AND GAAP BASIS	\$ 3,423,250	\$ 3,187,033	\$ (236,217)
EXPENSES			
Municipal airport operations:			
Salaries and benefits	\$ 436,805	\$ 468,348	\$ (31,543)
Supplies and services	1,393,692	666,531	727,161
Utilities	219,854	248,172	(28,318)
Maintenance	138,031	124,488	13,543
Total municipal airport operations	2,188,382	1,507,539	680,843
TOTAL EXPENSES BUDGET BASIS	\$ 2,188,382	1,507,539	\$ 680,843
Financial statement adjustments:			
Depreciation expense		1,125,275	
TOTAL EXPENSES - GAAP BASIS		\$ 2,632,814	

STATISTICAL SECTION (UNAUDITED)

TABLE 1

**CITY OF TYLER, TEXAS
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	\$ 191,659,914	\$ 213,663,400	\$ 211,924,238	\$ 208,396,601	\$ 207,182,671	\$ 210,591,077	\$ 227,755,201	\$ 239,906,695	\$ 239,107,580	\$ 239,531,725
Restricted	14,480,855	13,940,300	17,722,137	26,062,078	33,345,752	33,847,339	20,472,939	9,219,851	11,517,178	17,671,823
Unrestricted	36,142,611	13,824,023	18,090,555	20,124,780	23,641,384	24,690,983	25,250,120	22,863,133	19,492,047	15,660,827
Total governmental activities net assets	\$ 242,283,380	\$ 241,427,723	\$ 247,736,930	\$ 254,583,459	\$ 264,169,807	\$ 269,129,399	\$ 273,478,260	\$ 271,989,679	\$ 270,116,805	\$ 272,864,375
Business-type activities										
Invested in capital assets, net of related debt	\$ 93,823,398	\$ 113,796,393	\$ 126,955,956	\$ 130,848,615	\$ 132,481,137	\$ 136,990,101	\$ 145,115,746	\$ 146,154,811	\$ 133,928,119	\$ 139,645,933
Restricted	1,040,402	9,809,624	6,921,624	6,277,841	5,553,965	10,383,523	7,300,006	9,194,730	20,885,481	15,567,963
Unrestricted	61,313,378	36,385,067	26,619,426	26,279,373	27,994,475	20,912,997	12,746,703	10,186,615	10,328,726	13,559,374
Total business-type activities net assets	\$ 156,177,178	\$ 159,991,084	\$ 160,497,006	\$ 163,405,829	\$ 166,029,577	\$ 168,286,621	\$ 165,162,455	\$ 165,536,156	\$ 165,142,326	\$ 168,773,270
Primary government										
Invested in capital assets, net of related debt	\$ 285,483,312	\$ 327,459,793	\$ 338,880,194	\$ 339,245,216	\$ 339,663,808	\$ 347,581,178	\$ 372,870,947	\$ 386,061,506	\$ 373,035,699	\$ 379,177,658
Restricted	15,521,257	23,749,924	24,643,761	32,339,919	38,899,717	44,230,862	27,772,945	18,414,581	32,402,659	33,239,786
Unrestricted	97,455,989	50,209,090	44,709,981	46,404,153	51,635,859	45,603,980	37,996,823	33,049,748	29,820,773	29,220,201
Total primary government net assets	\$ 398,460,558	\$ 401,418,807	\$ 408,233,936	\$ 417,989,288	\$ 430,199,384	\$ 437,416,020	\$ 438,640,715	\$ 437,525,835	\$ 435,259,131	\$ 441,637,645

Source: Government-wide Statement of Net Assets

TABLE 2
Page 1 of 2

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	\$ 8,496,768	\$ 7,810,926	\$ 7,178,812	\$ 7,457,535	\$ 5,573,690	\$ 6,426,203	\$ 7,454,087	\$ 10,320,209	\$ 7,809,290	\$ 9,389,003
Public safety	25,823,437	27,206,911	27,952,461	31,757,773	33,029,011	34,702,549	37,491,453	38,280,137	38,769,464	41,169,622
Highways and streets	5,157,064	14,857,558	11,450,585	6,097,617	11,006,417	17,047,887	6,548,649	6,319,359	16,527,248	15,033,649
Public services	12,737,742	9,530,408	14,644,612	18,796,772	16,343,022	13,951,231	25,829,353	27,916,561	14,695,196	14,814,548
Cultures and recreation	5,862,162	5,832,406	4,842,201	5,880,907	5,751,590	5,818,106	6,842,821	6,775,264	8,002,574	8,497,285
Interest on long term debt	575,516	506,102	335,321	295,946	252,779	260,027	161,066	85,952	102,507	117,564
Total governmental activities expenses	<u>58,652,689</u>	<u>65,744,311</u>	<u>66,403,992</u>	<u>70,286,550</u>	<u>71,956,509</u>	<u>78,206,003</u>	<u>84,327,429</u>	<u>89,697,482</u>	<u>85,906,279</u>	<u>89,021,671</u>
Business-type activities:										
Water and sewer	15,458,795	16,916,663	21,249,718	23,933,574	27,076,159	27,457,606	29,223,154	29,488,289	30,851,493	30,449,882
Sanitation	6,925,144	8,008,148	7,190,230	7,349,545	8,162,384	9,371,472	10,645,321	11,254,980	11,023,910	11,324,625
Airport	1,594,141	1,871,953	1,740,939	1,744,009	1,887,221	1,902,590	2,104,355	2,111,713	2,242,547	2,632,814
Total business-type activities expenses	<u>23,978,080</u>	<u>26,796,764</u>	<u>30,180,887</u>	<u>33,027,128</u>	<u>37,125,764</u>	<u>38,731,668</u>	<u>41,972,830</u>	<u>42,854,982</u>	<u>44,117,950</u>	<u>44,407,321</u>
Total primary government expenses	<u>\$ 82,630,769</u>	<u>\$ 92,541,075</u>	<u>\$ 96,584,879</u>	<u>\$ 103,313,678</u>	<u>\$ 109,082,273</u>	<u>\$ 116,937,671</u>	<u>\$ 126,300,259</u>	<u>\$ 132,552,464</u>	<u>\$ 130,024,229</u>	<u>\$ 133,428,992</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 5,116,991	\$ 4,869,033	\$ 7,097,356	\$ 6,029,023	\$ 2,196,871	\$ 1,367,849	\$ 1,016,572	\$ 1,040,889	\$ 1,661,810	\$ 1,857,150
Public safety	3,620,232	3,656,734	4,710,487	4,789,289	5,256,407	5,869,061	6,373,097	6,749,859	6,969,674	7,081,718
Highways and streets	113,675	124,524	134,221	122,430	108,977	108,658	105,590	103,749	101,961	99,130
Public services	858,344	730,677	875,250	923,159	2,219,649	1,849,755	1,805,204	1,494,735	1,646,938	1,735,565
Cultures and recreation	570,670	1,414,379	902,102	848,073	1,755,189	1,670,000	1,756,442	2,064,127	1,967,468	2,007,504
Operating grants and contributions	6,530,677	7,919,370	9,652,510	10,732,572	10,100,985	11,667,106	11,770,402	12,741,193	11,821,887	11,483,945
Capital grants and contributions	4,586,916	439,748	702,594	1,025,441	1,038,003	664,756	1,464,546	1,905,580	2,004,617	2,033,980
Total governmental activities program revenues	<u>21,397,505</u>	<u>19,154,465</u>	<u>24,074,520</u>	<u>24,469,987</u>	<u>22,676,081</u>	<u>23,197,185</u>	<u>24,291,853</u>	<u>26,100,132</u>	<u>26,174,355</u>	<u>26,298,992</u>
Business-type activities:										
Charges for services:										
Water and sewer	19,422,795	20,325,519	21,193,367	23,474,563	27,510,442	24,220,110	25,251,490	27,177,264	28,988,948	35,349,773
Sanitation	6,900,825	7,418,680	8,171,792	8,784,501	9,196,133	9,478,869	10,208,139	10,191,306	10,396,140	10,231,984
Airport	210,945	214,723	1,142,029	1,282,408	1,048,121	1,093,674	1,096,372	1,007,417	1,067,734	952,105
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	146,808	227,805	1,834,325	1,171,731	4,395,723	1,296,949	4,702,692	3,503,343	1,861,673
Total business-type activities program revenues	<u>26,534,565</u>	<u>28,105,730</u>	<u>30,734,993</u>	<u>35,375,797</u>	<u>38,926,427</u>	<u>39,188,376</u>	<u>37,852,950</u>	<u>43,078,679</u>	<u>43,956,165</u>	<u>48,395,535</u>
Total primary government program revenues	<u>\$ 47,932,070</u>	<u>\$ 47,260,195</u>	<u>\$ 54,809,513</u>	<u>\$ 59,845,784</u>	<u>\$ 61,602,508</u>	<u>\$ 62,385,561</u>	<u>\$ 62,144,803</u>	<u>\$ 69,178,811</u>	<u>\$ 70,130,520</u>	<u>\$ 74,694,527</u>
Net (expense)/revenue										
Governmental activities	\$ (37,255,184)	\$ (46,589,846)	\$ (42,329,472)	\$ (45,816,563)	\$ (49,280,428)	\$ (55,008,818)	\$ (60,035,576)	\$ (63,597,350)	\$ (59,731,924)	\$ (62,722,679)
Business-type activities	2,556,485	1,308,966	554,106	2,348,669	1,800,663	456,708	(4,119,880)	223,697	(161,785)	3,988,214
Total primary government net expense	<u>\$ (34,698,699)</u>	<u>\$ (45,280,880)</u>	<u>\$ (41,775,366)</u>	<u>\$ (43,467,894)</u>	<u>\$ (47,479,765)</u>	<u>\$ (54,552,110)</u>	<u>\$ (64,155,456)</u>	<u>\$ (63,373,653)</u>	<u>\$ (59,893,709)</u>	<u>\$ (58,734,465)</u>

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 10,710,574	\$ 10,904,265	\$ 11,260,696	\$ 12,011,517	\$ 12,314,640	\$ 12,622,887	\$ 12,460,794	\$ 13,525,006	\$ 13,798,294	\$ 14,037,311
Franchise taxes	8,282,437	8,432,209	8,361,246	6,928,917	8,676,103	8,283,477	9,202,397	9,121,057	9,215,625	10,010,620
Sales and use taxes	25,805,742	26,475,006	28,398,933	32,235,770	35,094,518	36,972,343	39,718,617	37,618,275	35,831,538	36,902,058
Unrestricted investment earnings and use of money and property	1,158,852	835,144	544,607	1,181,976	2,540,255	3,218,698	2,182,350	793,536	292,013	249,064
Gain (loss) on sale of assets	200,220	154,845	182,141	216,729	51,294	(389,284)	560,303	556,151	(2,010,976)	244,895
Miscellaneous	-	-	-	-	-	-	580,227	328,047	181,771	3,352,240
Equity in earnings of joint venture	-	-	-	-	66,000	-	(3,000)	-	-	-
Transfers	(6,991,940)	(1,067,280)	(108,944)	23,103	123,963	(739,711)	(317,251)	166,697	550,785	674,061
Total governmental activities	<u>39,165,885</u>	<u>45,734,189</u>	<u>48,638,679</u>	<u>52,598,012</u>	<u>58,866,773</u>	<u>59,968,410</u>	<u>64,384,437</u>	<u>62,108,769</u>	<u>57,859,050</u>	<u>65,470,249</u>
Business-type activities:										
Unrestricted investment earnings and use of money and property	1,473,822	1,244,536	396,603	564,244	816,200	1,000,842	660,160	307,280	311,351	305,330
Gain (loss) on sale of assets	36,940	193,124	(553,731)	19,013	130,848	59,783	18,303	9,421	7,389	11,461
Transfers	6,991,940	1,067,280	108,944	(23,103)	(123,963)	739,711	317,251	(166,697)	(550,785)	(674,061)
Total business-type activities	<u>8,502,702</u>	<u>2,504,940</u>	<u>(48,184)</u>	<u>560,154</u>	<u>823,085</u>	<u>1,800,336</u>	<u>995,714</u>	<u>150,004</u>	<u>(232,045)</u>	<u>(357,270)</u>
Total primary government	<u>\$ 47,668,587</u>	<u>\$ 48,239,129</u>	<u>\$ 48,590,495</u>	<u>\$ 53,158,166</u>	<u>\$ 59,689,858</u>	<u>\$ 61,768,746</u>	<u>\$ 65,380,151</u>	<u>\$ 62,258,773</u>	<u>\$ 57,627,005</u>	<u>\$ 65,112,979</u>
Change in Net Assets										
Governmental activities	\$ 1,910,701	\$ (855,657)	\$ 6,309,207	\$ 6,781,449	\$ 9,586,345	\$ (67,166)	\$ 4,348,861	\$ (1,488,581)	\$ (1,872,874)	\$ 2,747,570
Business-type activities	11,059,187	3,813,906	505,922	2,908,823	2,623,748	(2,319,544)	(3,124,166)	373,701	(393,830)	3,630,944
Total primary government	<u>\$ 12,969,888</u>	<u>\$ 2,958,249</u>	<u>\$ 6,815,129</u>	<u>\$ 9,690,272</u>	<u>\$ 12,210,093</u>	<u>\$ 7,216,636</u>	<u>\$ 1,224,695</u>	<u>\$ (1,114,880)</u>	<u>\$ (2,266,704)</u>	<u>\$ 6,378,514</u>

Source: Government-wide Statement of Activities

CITY OF TYLER, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year	Property Tax	Franchise Tax	Sales and Use Tax (1)	Total
2002	\$ 10,710,574	\$ 8,282,437	\$ 25,805,742	\$ 44,798,753
2003	10,904,265	8,432,209	26,475,006	45,811,480
2004	11,260,696	8,361,246	28,398,933	48,020,875
2005	12,011,517	8,008,660	32,235,770	52,255,947
2006	12,314,640	8,676,103	35,094,518	56,085,261
2007	12,622,887	8,283,477	36,972,343	57,878,707
2008	12,460,794	9,202,397	39,718,617	61,381,808
2009	13,525,006	9,121,057	37,618,275	60,264,338
2010	13,798,294	9,215,625	35,831,538	58,845,457
2011	14,037,311	10,010,620	36,902,058	60,949,989

Source: Government-wide Statement of Activities
(1) Texas law prohibits the disclosure of Sales and Use Tax revenues by source.

TABLE 4

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved For:										
Reserved	\$ 527,444	\$ 455,420	\$ 372,255	\$ 495,052	\$ 630,941	\$ 970,985	\$ 710,167	\$ 841,201	\$ 61,493	\$ -
Unreserved	7,124,888	6,023,338	7,266,322	10,236,849	9,367,769	9,781,276	10,395,564	9,293,115	8,712,233	-
Nonspendable	-	-	-	-	-	-	-	-	-	111,596
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	12,121,180
Total General Fund	<u>\$ 7,652,332</u>	<u>\$ 6,478,758</u>	<u>\$ 7,638,577</u>	<u>\$ 10,731,901</u>	<u>\$ 9,998,710</u>	<u>\$ 10,752,261</u>	<u>\$ 11,105,731</u>	<u>\$ 10,134,316</u>	<u>\$ 8,773,726</u>	<u>\$ 12,232,776</u>
1/2 Cent Sales Tax fund										
Reserved	\$ 6,017,199	\$ 8,847,230	\$ 12,418,065	\$ 18,375,571	\$ 23,194,704	\$ 23,263,920	\$ 14,205,050	\$ 3,909,296	\$ 5,649,324	\$ -
Restricted	-	-	-	-	-	-	-	-	-	8,151,725
Total 1/2 Cent Sales Tax fund	<u>\$ 6,017,199</u>	<u>\$ 8,847,230</u>	<u>\$ 12,418,065</u>	<u>\$ 18,375,571</u>	<u>\$ 23,194,704</u>	<u>\$ 23,263,920</u>	<u>\$ 14,205,050</u>	<u>\$ 3,909,296</u>	<u>\$ 5,649,324</u>	<u>\$ 8,151,725</u>
All Other Governmental Funds										
Reserved For:										
Reserved	\$ 7,936,212	\$ 4,810,773	\$ 4,988,818	\$ 7,602,721	\$ 10,360,927	\$ 10,819,001	\$ 6,132,548	\$ 5,246,366	\$ 5,973,754	\$ -
Unreserved	1,592,748	1,228,302	2,648,253	4,070,662	5,782,970	6,281,827	5,288,898	4,902,631	5,138,817	-
Nonspendable	-	-	-	-	-	-	-	-	-	2,537,012
Restricted	-	-	-	-	-	-	-	-	-	6,989,485
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	(2,626)
Total All Other Governmental Funds	<u>\$ 9,528,960</u>	<u>\$ 6,039,075</u>	<u>\$ 7,637,071</u>	<u>\$ 11,673,383</u>	<u>\$ 16,143,897</u>	<u>\$ 17,100,828</u>	<u>\$ 11,421,446</u>	<u>\$ 10,148,997</u>	<u>\$ 11,112,571</u>	<u>\$ 9,523,871</u>

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 45,143,135	\$ 45,390,430	\$ 47,846,213	\$ 51,246,422	\$ 56,049,187	\$ 57,895,447	\$ 61,346,899	\$ 60,296,164	\$ 58,821,522	\$ 60,950,034
Licenses and permits	674,411	710,908	882,812	805,151	876,289	1,277,127	1,313,566	1,069,993	942,228	1,134,112
Fines, forfeitures, and penalties	3,760,579	3,829,460	4,710,487	4,789,289	5,256,407	5,869,061	6,353,098	6,749,859	6,969,674	7,081,718
Revenues from use of money or property	1,068,738	721,398	713,117	1,225,894	2,238,479	2,716,977	1,881,323	825,692	505,666	769,565
Charges for current services	2,835,809	2,739,037	2,744,510	2,494,849	2,499,369	2,588,688	2,691,910	3,014,543	3,034,416	3,360,649
Revenues from other agencies	11,370,307	8,668,652	10,374,859	11,020,639	11,357,757	11,083,735	12,440,981	13,623,265	12,232,230	13,041,163
Donations	207,941	85,775	62,986	184,723	229,307	731,232	413,144	403,659	847,951	312,271
Miscellaneous	370,640	521,160	2,562,170	1,999,614	2,110,524	1,258,817	1,086,713	1,304,380	1,547,892	1,097,574
Total revenues	65,431,560	62,666,820	69,897,154	73,766,581	80,617,319	83,421,084	87,527,634	87,287,555	84,901,579	87,747,086
Expenditures										
General government	5,930,462	5,884,798	6,114,458	6,529,834	7,126,409	6,911,903	6,733,947	7,429,667	6,704,650	7,070,867
Public safety	24,802,146	25,965,091	27,221,728	28,590,020	30,165,850	31,814,585	34,456,024	36,927,994	37,193,941	37,976,171
Public services	9,602,867	9,609,601	11,491,711	11,533,500	13,552,815	15,221,282	16,468,571	15,948,148	13,830,744	13,507,358
Highways and streets	7,885,524	6,553,076	6,183,028	5,863,568	5,197,445	4,774,083	5,683,413	5,436,862	5,464,426	3,667,305
Culture and recreation	4,372,026	4,006,253	3,406,621	5,123,588	4,836,104	4,812,659	5,101,737	6,329,960	6,328,027	6,692,554
Capital outlay	9,415,800	8,074,677	7,476,587	8,283,861	9,756,670	16,283,239	29,400,401	28,292,242	14,281,326	14,011,314
Debt service										
Principal	1,090,000	4,015,000	880,000	960,000	1,000,000	1,030,000	3,310,000	-	-	-
Interest	576,021	529,560	340,617	301,466	258,030	211,733	91,805	277	1,091	1,045
Total expenditures	63,674,846	64,638,056	63,114,750	67,185,837	71,893,323	81,059,484	101,245,898	100,365,150	83,804,205	82,926,614
Excess of revenues over (under) expenditures	1,756,714	(1,971,236)	6,782,404	6,580,744	8,723,996	2,361,600	(13,718,264)	(13,077,595)	1,097,374	4,820,472
Other financing sources (uses)										
Refunding bond proceeds	-	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Transfers in	1,043,618	766,078	227,669	3,038,989	3,915,226	2,571,195	3,236,749	2,624,512	3,523,779	2,820,585
Transfers out	(8,031,784)	(628,799)	(712,169)	(3,009,013)	(4,086,833)	(3,161,071)	(3,893,979)	(2,616,280)	(3,355,876)	(3,269,959)
Sale of capital assets	9,716	529	30,746	4,106	4,067	7,975	10,712	348,691	77,738	1,652
Total other financing sources (uses)	(6,978,450)	137,808	(453,754)	34,082	(167,540)	(581,901)	(646,518)	356,923	245,641	(447,722)
Net Change in fund balances	\$ (5,221,736)	\$ (1,833,428)	\$ 6,328,650	\$ 6,614,826	\$ 8,556,456	\$ 1,779,699	\$ (14,364,782)	\$ (12,720,672)	\$ 1,343,015	\$ 4,372,750
Debt service as a percentage of noncapital expenditures	3.38%	8.06%	2.22%	2.14%	2.00%	1.92%	4.73%	0.0004%	0.0016%	0.0015%

Source: Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

Note: To properly calculate the debt service as a percentage of noncapital expenditures, only those expenditures for Capital Assets are deducted from total expenditures. This amount may or may not be equal to total Capital Outlay as stated in the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds.

TABLE 6

**CITY OF TYLER, TEXAS
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS (1)
(modified accrual basis of accounting)**

Fiscal Year	Property Tax	Franchise Tax	Sales and Use Tax (1)	Total
2002	\$ 10,798,396	\$ 6,994,657	\$ 27,350,082	\$ 45,143,135
2003	10,954,323	7,038,607	27,397,500	45,390,430
2004	11,377,495	8,361,246	28,398,933	48,137,674
2005	12,081,735	8,008,660	32,235,770	52,326,165
2006	12,278,566	8,676,103	35,094,518	56,049,187
2007	12,639,627	8,283,477	36,972,343	57,895,447
2008	12,425,885	9,202,397	39,718,617	61,346,899
2009	13,556,832	9,121,057	37,618,275	60,296,164
2010	13,774,359	9,215,625	35,831,538	58,821,522
2011	14,037,356	10,010,620	36,902,058	60,950,034

Source: Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

(1) Texas law prohibits the disclosure of Sales and Use Tax revenues by source.

TABLE 7

**CITY OF TYLER, TEXAS
RETAIL SALES AND SALES TAX REVENUE ALLOCATION
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Retail Sales Tax Revenue (Fiscal Year) 1		
	General Fund Revenue	Capital Projects Special Revenue	Total Revenue 2
September 30			
2002	\$ 17,211,334	\$ 8,605,667	\$ 25,817,001
2003	17,165,695	8,582,839	25,748,534
2004	18,560,375	9,280,187	27,840,562
2005	20,263,478	10,131,739	30,395,217
2006	22,006,576	11,003,288	33,009,864
2007	23,154,848	11,577,424	34,732,272
2008	24,858,943	12,429,471	37,288,414
2009	23,471,623	11,737,812	35,209,435
2010	22,314,720	11,157,410	33,472,130
2011	22,849,738	11,424,869	34,274,608

¹ Source: Texas Comptroller of Public Accounts

² Does not include Hotel / Motel Taxes, Mixed Beverage Taxes or Bingo Taxes.

Note: In accordance with Title 3, Subtitle C, Chapter 321 of the Texas Tax Code, the City of Tyler impose a sales and Use Tax of 1.5 %.

Note: The Retail Sales Tax Rate in the City of Tyler is 8.25 %. Of this 6.25% is State Tax, 0.5 % is Smith County Tax, 1.0% is City Tax available for General Government Services and 0.5 % is City Tax available only for Capital Projects.

TABLE 8

CITY OF TYLER, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30	Real Property		Personal Property	Mineral Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property					
2002	\$ 3,286,256,501	N/A	\$ 765,795,045	N/A	N/A	\$ 4,052,051,546	0.261965
2003	3,385,651,770	N/A	841,654,638	N/A	N/A	4,227,306,408	0.254478
2004	3,596,007,053	N/A	847,897,914	N/A	N/A	4,443,904,967	0.248855
2005	3,870,045,626	N/A	887,192,373	N/A	N/A	4,757,237,999	0.248855
2006	4,175,143,416	N/A	913,370,752	N/A	N/A	5,088,514,168	0.238375
2007	4,605,458,224	N/A	964,343,105	N/A	N/A	5,569,801,329	0.223657
2008	5,112,258,513	N/A	1,030,050,513	N/A	N/A	6,142,309,026	0.199000
2009	5,472,282,059	N/A	1,102,590,358	N/A	N/A	6,574,872,417	0.204000
2010	5,691,854,590	N/A	1,009,462,843	N/A	N/A	6,701,317,433	0.204000
2011	5,759,889,140	N/A	970,691,666	N/A	N/A	6,730,580,806	0.208865

Source: Smith County Appraisal District

Note: Property is assessed at 100% of actual value for all types of real and personal property. Tax rates are per \$100 of assessed value. At this time no distinction is made between residential and commercial property.

N/A - Not available

TABLE 9

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

Fiscal Year Ended	City of Tyler			Overlapping Rates					Total Direct and Overlapping Rates
	Operating	Debt Service	Total**	Smith County Total	Tyler ISD Total	Tyler Junior College Total	Chapel Hill ISD Total	Whitehouse ISD Total	
2002	0.220646	0.041319	0.261965	0.25447	1.41500	0.12230	1.59000	1.48400	5.12774
2003	0.215132	0.039346	0.254478	0.25447	1.47000	0.12230	1.59000	1.52300	5.21425
2004	0.221394	0.027461	0.248855	0.25447	1.46000	0.12230	1.59000	1.50300	5.17863
2005	0.221394	0.027461	0.248855	0.25447	1.46000	0.12720	1.59000	1.50300	5.18353
2006	0.210131	0.028244	0.238375	0.25450	1.54020	0.12720	1.59000	1.52800	5.27828
2007	0.198080	0.025577	0.223657	0.28890	1.48800	0.12720	1.24000	1.20000	4.56776
2008	0.196684	0.002316	0.199000	0.28894	1.21500	0.12717	1.24000	1.19800	4.26811
2009	0.204000	-	0.204000	0.28894	1.21000	0.12717	1.26500	1.19300	4.28811
2010	0.204000	-	0.204000	0.31394	1.37500	0.13695	1.27000	1.19300	4.49289
2011	0.208865	-	0.208865	0.32390	1.37500	0.18218	1.26000	1.19300	4.54294

Sources: Smith County Appraisal District
Chapel Hill ISD
City of Tyler
Whitehouse ISD

Note:

* Rates are per \$100 valuation.

** The City Charter limits the City's property tax rate to \$1.75 per \$100 of assessed valuation.

TABLE 10

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

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value *	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^b
Delek Refining (La Gloria)	\$ 161,082,376	1	2.39%	\$ 42,689,744	6	1.05%
Trane / American Standard	108,486,777	2	1.61%	77,266,640	2	1.91%
Brookshire Grocery Company	81,566,084	3	1.21%	92,915,598	1	2.29%
Genecov Investment	81,218,440	4	1.21%	28,337,910	9	0.70%
Walmart / Sam's East Inc	65,871,062	5	0.98%	45,910,724	4	1.13%
Oncor Electric	54,299,816	6	0.81%	45,780,650	5	1.13%
Cebridge Acquisitions LP	48,052,832	7	0.71%	16,845,250	10	0.42%
Carrier / United Technologies	44,952,878	8	0.67%	41,905,308	7	1.03%
Simon Property Group	43,368,340	9	0.64%	39,603,335	8	0.98%
Roosth Steven C Trustee	25,620,548	10	0.38%	-		0.00%
AT&T / South Western Bell	-		0.00%	49,302,367	3	1.22%
Total	\$ 553,436,777		8.22%	\$ 437,867,782		10.81%

Source: Smith County Appraisal District

Note:

* Total taxable value including real and personal property for tax year 2010 (fiscal year 2011) is--

\$ 6,730,580,806

^b Total taxable value including real and personal property for tax year 2001 (fiscal year 2002) is --

4,052,051,546

TABLE 11

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 10,614,957	\$ 10,370,865	97.7%	\$ 233,361	\$ 10,604,226	99.9%
2003	10,757,565	10,495,402	97.6%	248,448	10,743,850	99.9%
2004	11,058,880	10,924,880	98.8%	117,523	11,042,403	99.9%
2005	11,838,625	11,698,410	98.8%	119,934	11,818,344	99.8%
2006	12,126,834	11,909,913	98.2%	192,457	12,102,370	99.8%
2007	12,461,722	12,228,627	98.1%	204,092	12,432,719	99.8%
2008	12,091,624	11,876,112	98.2%	180,315	12,056,427	99.7%
2009	13,369,180	13,177,721	98.6%	137,981	13,315,702	99.6%
2010	13,617,164	13,377,811	98.2%	106,367	13,484,178	99.0%
2011	13,848,376	13,629,528	98.4%	-	13,629,528	98.4%

Source: Smith County Tax Assessor/Collector

TABLE 12

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Capital Leases	Water and Sewer Revenue Bonds**	Capital Leases			
2002	11,195,000	-	49,325,000	-	60,520,000	3.38%	707
2003	7,180,000	-	62,075,000	-	69,255,000	3.75%	802
2004	6,300,000	-	59,990,000	-	66,290,000	3.07%	656
2005	5,340,000	-	58,113,500	-	63,453,500	2.85%	622
2006	4,340,000	381,586	56,415,000	-	61,136,586	2.65%	574
2007	3,310,000	1,304,836	53,975,000	-	58,589,836	2.48%	543
2008	-	3,448,457	53,859,932	7,492	57,315,881	2.36%	526
2009	-	5,044,141	53,903,881	5,965	58,953,987	2.35%	539
2010	-	4,359,068	72,849,825	-	77,208,893	2.99%	704
2011	-	3,253,542	70,270,000	-	73,523,542	2.77%	651

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

* See Table 17 for personal income and population data

** Revenue bonds issued for the construction of a new water treatment plant resulted in a 75% increase in production capacity in 2003 (see table 20).

TABLE 13

**CITY OF TYLER, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Debt Service Fund Balance	Total		
2001	12,285,000	(5,187,778)	7,097,222	0.19%	84.00
2002	11,195,000	(5,297,475)	5,897,525	0.15%	69.00
2003	7,180,000	(2,462,596)	4,717,404	0.11%	55.00
2004	6,300,000	(2,519,455)	3,780,545	0.09%	37.00
2005	5,340,000	(2,612,169)	2,727,831	0.06%	27.00
2006	4,340,000	(2,937,710)	1,402,290	0.03%	13.00
2007	3,310,000	(3,311,936)	(1,936)	n/a	-
2008	-	-	-	n/a	-
2009	-	-	-	n/a	-
2010	-	-	-	n/a	-
2011	-	-	-	n/a	-

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

^aSee Table 8 for property value data.

^bSee Table 17 for population data.

TABLE 14

**CITY OF TYLER, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2011**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Smith County	\$ 39,955,000	50.08%	\$ 20,009,464.00
Tyler Independent School District	226,235,000	71.04%	160,717,344.00
Tyler Junior College	68,208,000	65.00%	44,335,200.00
Chapel Hill Independent School District	24,335,000	19.15%	4,660,152.50
Whitehouse Independent School District	36,136,000	27.37%	9,890,423.20
Subtotal, overlapping debt			<u>239,612,583.70</u>
City of Tyler (direct debt)	-	100%	-
Total direct and overlapping debt			<u><u>\$ 239,612,583.70</u></u>

Source: Debt outstanding data provided by each governmental unit.

Note:

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the government's boundaries and dividing it by the City's total taxable assessed value.

TABLE 15

**CITY OF TYLER, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 405,205,155	\$ 422,730,641	\$ 444,390,497	\$ 475,723,700	\$ 508,729,254	\$ 556,980,133	\$ 614,230,903	\$ 657,487,241	\$ 670,131,743	\$ 673,058,081
Total net debt applicable to limit	5,897,528	4,717,404	3,837,404	2,727,831	1,402,290	(1,936)	-	-	-	-
Legal debt margin	<u>\$ 399,307,627</u>	<u>\$ 418,013,237</u>	<u>\$ 440,553,093</u>	<u>\$ 472,995,869</u>	<u>\$ 507,326,964</u>	<u>\$ 556,982,069</u>	<u>\$ 614,230,903</u>	<u>\$ 657,487,241</u>	<u>\$ 670,131,743</u>	<u>\$ 673,058,081</u>
Total net debt applicable to limit as a percentage of debt limit	1.46%	1.12%	0.86%	0.57%	0.28%	-	-	-	-	-

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 6,730,580,806
Add back: exempt real property	-
Total assessed value	<u>6,730,580,806</u>
Debt limit (10% of total assessed value)	<u>673,058,081</u>
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation bond	-
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 673,058,081</u>

Note: The City of Tyler Charter limits the bonded debt to ten percent of assessed value. By law the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

TABLE 16

**CITY OF TYLER, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS**

Water and Sewer Revenue Bonds					
Fiscal Year	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Annual Debt Service Requirement	Times Coverage
2002	\$ 20,333,765	\$ 13,175,383	\$ 7,158,382	\$ 3,586,000	1.996
2003	20,881,233	13,208,108	7,673,125	4,213,000	1.821
2004	21,512,319	14,249,230	7,263,089	5,098,000	1.425
2005	23,558,778	15,617,537	7,941,241	5,065,000	1.568
2006	27,662,494	18,536,218	9,126,276	4,339,199	2.103
2007	24,697,562	18,140,470	6,557,092	5,054,550	1.297
2008	25,731,875	18,831,282	6,900,593	5,059,786	1.364
2009	25,322,636	18,729,094	6,593,542	5,375,972	1.226
2010	29,256,165	20,380,883	8,875,282	6,189,701	1.434
2011	35,659,701	21,547,093	14,112,608	6,167,128	2.288

Note: ^aIncludes operating and non-operating revenues.
 In 2010 new bond covenants were amended to include only operating revenues in determining Net Available Revenue.
^bIncludes operating expenses (including capital activity) minus depreciation plus net transfers out.

Source: Comprehensive Annual Financial Report

TABLE 17

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

Fiscal Year	Estimated Population ¹	Estimated Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age ²	Education Level in Years of Formal Schooling ²	School Enrollment ³	Unemployment Rate ²
2002	85,603	\$ 1,791,392	\$ 20,927	34.2	n/a	16,626	4.9%
2003	86,371	1,845,134	21,363	34.2	n/a	16,702	5.4%
2004	101,106	2,159,927	21,363	34.1	n/a	17,394	5.8%
2005	102,001	2,224,725	21,811	34.1	n/a	17,489	5.1%
2006	105,873	2,291,467	21,643	34.1	13.6	17,548	5.0%
2007	107,802	2,360,211	21,894	34.1	13.6	18,040	4.7%
2008	108,909	2,431,017	22,322	34.1	13.6	18,015	4.2%
2009	109,427	2,503,948	22,882	34.1	13.6	18,090	4.7%
2010	109,748	2,579,066	23,500	34.1	13.6	18,344	7.2%
2011	112,986	2,656,438	23,511	34.1	13.6	18,480	7.7%

Data sources:

¹Bureau of Census/Population Study²Tyler Economic Development Council³Tyler Independent School District

Note: Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year.

Personal income information is from the 2000 year census using a 3.0% growth rate and adjusting for the 2004 population study results.

Unemployment rate information is an adjusted yearly average.

School enrollment is based on the census at the start of the school year.

n/a - Data not available.

TABLE 18

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

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (2)
Trinity Mother Frances *	3,884	1	7.9%	3,367	1	7.1%
East Texas Medical Center *	3,725	2	7.6%	3,100	2	6.6%
Brookshire Grocery Company *	2,524	3	5.1%	2,352	3	5.0%
Tyler Independent School District	2,464	4	5.0%	2,352	4	5.0%
Wal-Mart	1,711	5	3.5%			0.0%
Trane Company *	1,575	6	3.2%	2,000	5	4.2%
SuddenLink*	1,197	7	2.4%			0.0%
UT Health Center At Tyler	849	8	1.7%	1,367	6	2.9%
Tyler Junior College	786	9	1.6%			0.0%
Smith County	775	10	1.6%			0.0%
City of Tyler	761	11	1.5%			0.0%
Target Distribution Center	700	12	1.4%	970	10	2.1%
Southside Bank*	600	13	1.2%			0.0%
The University of Texas at Tyler	565	14	1.2%			0.0%
Total	22,116		45.0%	15,508		32.8%

Source: Tyler Economic Development Council

* Headquarters located in Tyler.

(1) total city employment of 49,106

(2) total city employment of 47,263

TABLE 19

CITY OF TYLER, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Employees as of September 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	73	71	69	68	69	63	62	67	55	55
Public safety	394	402	400	392	395	373	375	387	431	434
Highways and streets	68	76	72	68	61	73	76	61	54	54
Public Services	22	19	22	24	27	55	54	30	40	42
Culture and Recreation	71	71	76	79	86	83	82	79	73	72
Water & sewer	92	91	91	89	96	88	90	89	89	102
Sanitation	42	45	38	40	41	36	33	40	39	38
Airport	11	11	10	10	9	10	10	10	10	9
All Others									33	31
Total	773	786	778	770	784	781	782	763	824	837

Source: City of Tyler Finance Department

TABLE 20

CITY OF TYLER, TEXAS
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Accounting										
Dollar value of accounts payable	\$ 83,704,062	\$ 84,603,170	\$ 63,628,562	\$ 61,345,219	\$ 64,263,337	\$ 73,895,738	\$ 85,585,415	\$ 95,605,330	\$ 84,632,623	\$ 72,211,330
Legal										
Number of ordinances prepared and adopted	59	73	96	80	103	130	155	127	126	110
Number of resolutions prepared and adopted	25	27	27	26	31	36	29	38	32	29
Public Safety										
Police										
Number of sworn officers	182	182	182	182	182	182	187	187	185	191
Fire										
Number of structure fires	150	164	140	185	171	180	160	125	157	135
Highways and Streets										
Streets										
Percentage of city streets graded A condition	52.0%	57.1%	58.4%	59.5%	61.3%	61.0%	60.8%	61.0%	61.9%	72.3%
Traffic										
Number of traffic signals maintained	126	126	129	130	133	133	133	135	138	145
Public Services										
Planning and Zoning										
Number of historic building designations awarded	1	4	4	4	7	5	2	1	1	6
Culture and Recreation										
Parks										
Amount of park acreage (maintained from 2008)	1113.43	1113.43	1113.4	1113.4	1113.4	1113.4	856.35	856.35	856.35	856.35
Number of rose bushes planted	1500	1500	1500	1500	1765	1829	1500	2077	1776	1056
Library *										
Total number of volumes owned	201,734	162,930	170,251	201,822	n/a	233,966	241,164	250,137	229,610	200,257
Water & sewer										
Average volume of wastewater treated daily (gallons)	12.9 million	12.9 million	12.8 million	12.5 million	11.7 million	14.2 million	11.4 million	11.3 million	12.8 million	14.03 million
Average monthly volume of water production (gallons)	595.1 million	621.2 million	611.5 million	732.3 million	771.8 million	585.5 million	692.2 million	650.98 million	725.48 million	844.70 million
Water production capability (gallons per day)	40 million	70 million	74.7 million	74.7 million						
Average monthly revenue billed	\$ 1,618,566	\$ 1,693,793	\$ 1,766,114	\$ 1,929,895	\$ 2,226,541	\$ 1,977,370	\$ 2,030,821	\$ 2,169,007	\$ 2,325,159	\$ 2,926,751
Sanitation										
Number of residential customers	25,960	25,822	26,572	26,783	27,351	27,658	27,881	28,467	28,151	28,441
Number of curbside garbage carts in use	4,175	6,933	8,831	10,592	14,773	23,572	27,280	27,924	27,699	28,357
Airport										
Annual Gallons of Fuel Flowage	1,084,336	1,095,953	1,076,289	1,053,211	1,000,090	1,056,595	1,004,469	921,634	984,181	978,831
Number of annual enplanements	55,578	60,284	70,549	85,681	78,971	78,416	77,942	73,989	73,114	72,509

Source: City Departments
 n/a - Data not available.

* In 2003 the library system was automated and not all volumes were entered into the database. In 2005 e-books were included in the data base for the first time.

TABLE 21

**CITY OF TYLER, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007*	2008	2009	2010	2011
Public Safety										
Police Stations	3	3	3	3	3	4	2	2	2	2
Police Patrol Units	n/a	n/a	n/a	44	51	61	63	60	62	62
Police Motorcycle Units	11	11	11	11	11	11	11	16	16	16
Fire Stations	9	9	9	9	9	9	10	10	10	10
Highways and Streets										
City Maintained Paved Streets- (miles)	447	448	452	452	462	468	474	474	476	476
Annual Street Overlays- (miles)	17	22	4	5	4	2	5	5	10	45
Public Services										
Transit Buses	11	13	15	15	15	17	17	17	17	20
Culture and Recreation										
Parks (acres)	1113.43	1113.43	1113.4	1113.4	1113.4	1113.4	1113.4	1113.4	1113.4	1113.4
Playgrounds	17	17	17	17	23	21	21	21	21	22
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Recreation Centers	3	3	3	3	3	3	3	3	2	1
Senior Centers	1	1	1	1	1	1	1	1	1	1
Public Library	1	1	1	1	1	1	1	1	1	1
Water & Sewer										
Water mains (miles)	588	588	582	582	582	590	595	625	654	660
Fire Hydrants	2444	2444	2403	2403	2403	3450	3545	3596	3703	3868
Water Plants	1	2	2	2	2	2	2	2	2	2
Sanitary Sewers (miles)	517	517	508	508	508	519	567	590	597	608
Sanitation										
Garbage Trucks	n/a	n/a	n/a	39	39	40	43	40	41	41
Airport										
Airport Terminal	1	1	1	1	1	1	1	1	2	2
Airport Runways	3	3	3	3	3	3	3	3	3	3

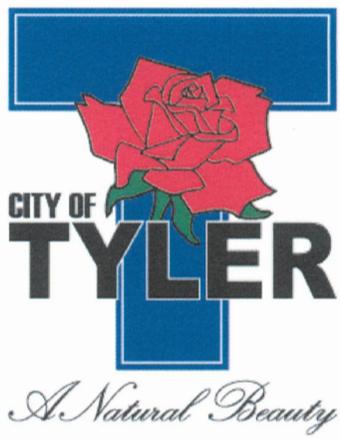
Source: City Departments

n/a - Data not available.

* In FY 2007

A complete inventory of firehydrants was completed in Fiscal Year 2007 for mapping updates to the GIS system.

Two playgrounds were closed due to land swaps and renovations but will be reestablished in the future.



GOVERNMENTAL COMPLIANCE SECTION

HENRY & PETERS, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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 City of Tyler, Texas as of and for the year ended September 30, 2011, which collectively comprise City of Tyler, Texas' basic financial statements and have issued our report thereon dated March 19, 2012. 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 City of Tyler, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Tyler, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Tyler, Texas' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Henry + Peters, P.C.

Tyler, Texas
March 19, 2012

HENRY & PETERS, PC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable City Council and Audit Committee
City of Tyler, Texas

Compliance

We have audited the City of Tyler, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of City of Tyler, Texas' major federal and state programs for the year ended September 30, 2011. City of Tyler, Texas' 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 programs is the responsibility of City of Tyler, Texas' management. Our responsibility is to express an opinion on City of Tyler, Texas' compliance based on our audit.

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

In our opinion, City of Tyler, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of City of Tyler, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered City of Tyler, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Tyler, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the audit committee, City Council, others within the entity, 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.

Henry + Peters, P.C.

Tyler, Texas
March 19, 2012

CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTORS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant Entitlement Grants	14.218*		\$ 1,149,545 +
Section 8 Housing Choice Voucher Program	14.871		6,372,163
Family Self Sufficiency Coordinator Grant	14.871		19,050
Total Housing Voucher Program			<u>6,391,213</u>
HOME Investment Partnerships Program	14.239		637,812
Total U.S. Department of Housing and Urban Development			<u>8,178,570</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Federal Aviation Administration:			
Airport Improvement Program	20.106	3(48-0215-23)08	418,012
Airport Improvement Program	20.106	3(48-0215-25)09	1,541
Airport Improvement Program	20.106	3(48-0215-28)09	5,024
Airport Improvement Program	20.106	3(48-0215-29)09	73
Airport Improvement Program	20.106	3(48-0215-31)10	1,697,645
Total Airport Improvement Program			<u>2,122,295</u>
Passed Through Federal Transit Administration:			
Federal Transit Capital and Operating Assistance Formula	20.507**	TX90670	1,738
Federal Transit Capital and Operating Assistance Formula	20.507**	TX90856	883
Federal Transit Capital and Operating Assistance Formula	20.507**	TX90895	1,779,465
ARRA - Federal Transit Capital and Operating Assistance Formula	ARRA - 20.507**	TX960025	1,117,319
Total Federal Transit Capital and Operating:			<u>2,899,405 +</u>
Passed Through Texas Department of Highways and Public Transportation:			
Section 104F Grant MPO	20.505	10XF0016	190,237
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	51510F7215	71,601
Selective Traffic Enforcement Program	20.600	586XXF6185	4,799
Selective Traffic Enforcement Program	20.600	585XX6017S	71,198
Total Selective Traffic Enforcement Program			<u>75,997</u>
Total U.S. Department of Transportation			<u>5,359,535</u>

CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTORS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Edward Byrne Memorial Formula Grant	16.579		\$ 63,611
Bulletproof Vest Partnership	16.607		32,103
COPS Hiring Program Grant	16.710		57,184
Total U.S. Department of Justice			<u>152,898</u>
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>			
The Big Read!	45.024		1,231
Total National Endowment for the Arts			<u>1,231</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
ARRA - Energy Efficiency and Conservation Block Grant	ARRA - 81.128		616,416 +
Total U.S. Department of Energy			<u>616,416</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Texas Department of Public Safety			
2008 State Homeland Security Grant	97.073	08-GA 74144-04	47,973
2009 State Homeland Security Grant	97.073	09-SR 74144-02	36,660
2009 State Homeland Security Grant - LEAP	97.073	09-SR 74144-02	31,803
2010 State Homeland Security Grant	97.073	10-SR 74144-01	78,600
Total State Homeland Security Grant			<u>195,036</u>
Passed Through Transportation Security Administration:			
Law Enforcement Officer Reimbursement Agreement	97.090	DTSA20-03-P-01627	77,831
Total U.S. Department of Homeland Security			<u>272,867</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 14,581,517</u></u>

- + Denotes Major Program
- * Denotes CDBG - Entitlement Grants Cluster
- ** Denotes Federal Transit Cluster

**CITY OF TYLER, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE A – BASIS OF ACCOUNTING

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.

NOTE B – NON-CASH ASSISTANCE, INSURANCE, AND LOANS

The City of Tyler did not receive any non-cash assistance through federal awards during the year ended September 30, 2011. In addition, there was no federal insurance in effect during the year, nor any federal loans or loan guarantees outstanding at year end.

**CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE PERIOD ENDED SEPTEMBER 30, 2011**

<u>STATE GRANTOR</u>	<u>STATE NUMBER</u>	<u>STATE EXPENDITURES</u>
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>		
Public Transportation Grant	51910F7066	\$ 235,047
Total Texas Department of Transportation		<u>235,047</u>
<u>TEXAS CRIMINAL JUSTICE DIVISION</u>		
East Texas Auto Theft Task Force	-	100,480
Total Texas Criminal Justice Division		<u>100,480</u>
<u>TEXAS STATE LIBRARY AND ARCHIVES COMMISSION</u>		
Loan Star Library Grant	442-06487	10,780
Total Texas State Library and Archives Commission		<u>10,780</u>
TOTAL STATE ASSISTANCE		<u><u>\$ 346,307</u></u>

**CITY OF TYLER, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE A – 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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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? No
- Significant deficiency(s) identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified that are not considered to be material weaknesses? 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 ? No

Identification of major programs:

FEDERAL	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants Entitlement Grants
20.507	ARRA - Federal Transit Capital and Operating Assistance Formula
81.128	ARRA – Energy Efficiency Conservation Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 437,446

City of Tyler was classified as a low-risk auditee in accordance with OMB Circular A-133.

**CITY OF TYLER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

**CITY OF TYLER, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2011**

None.