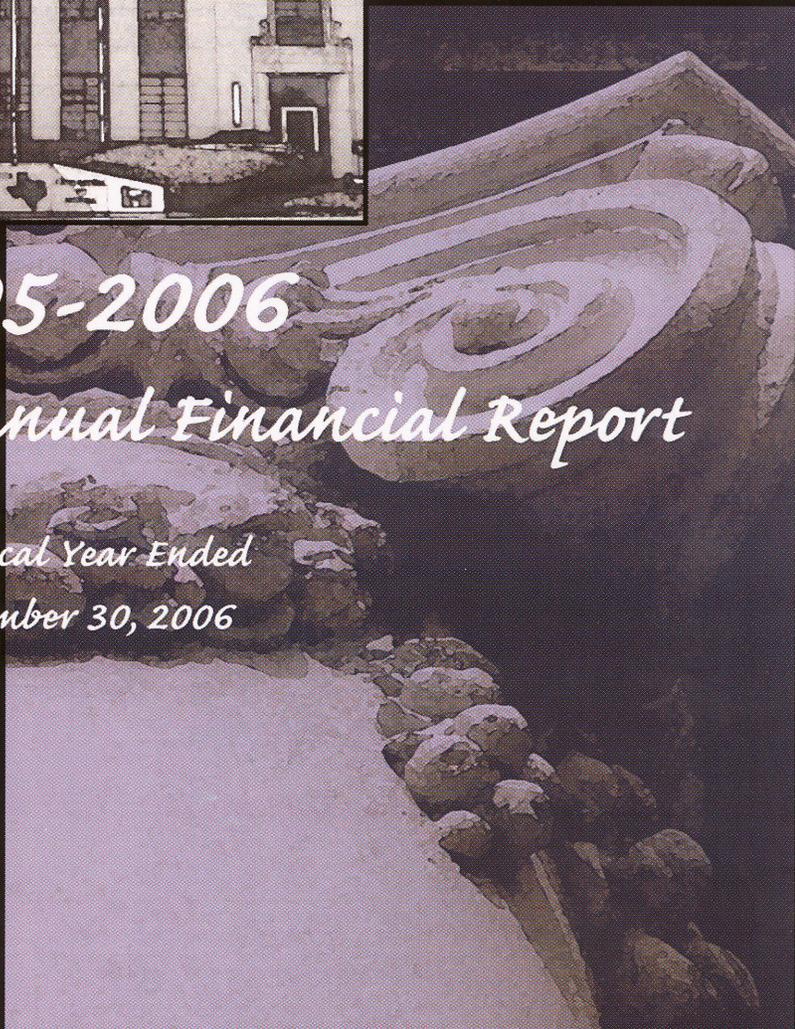
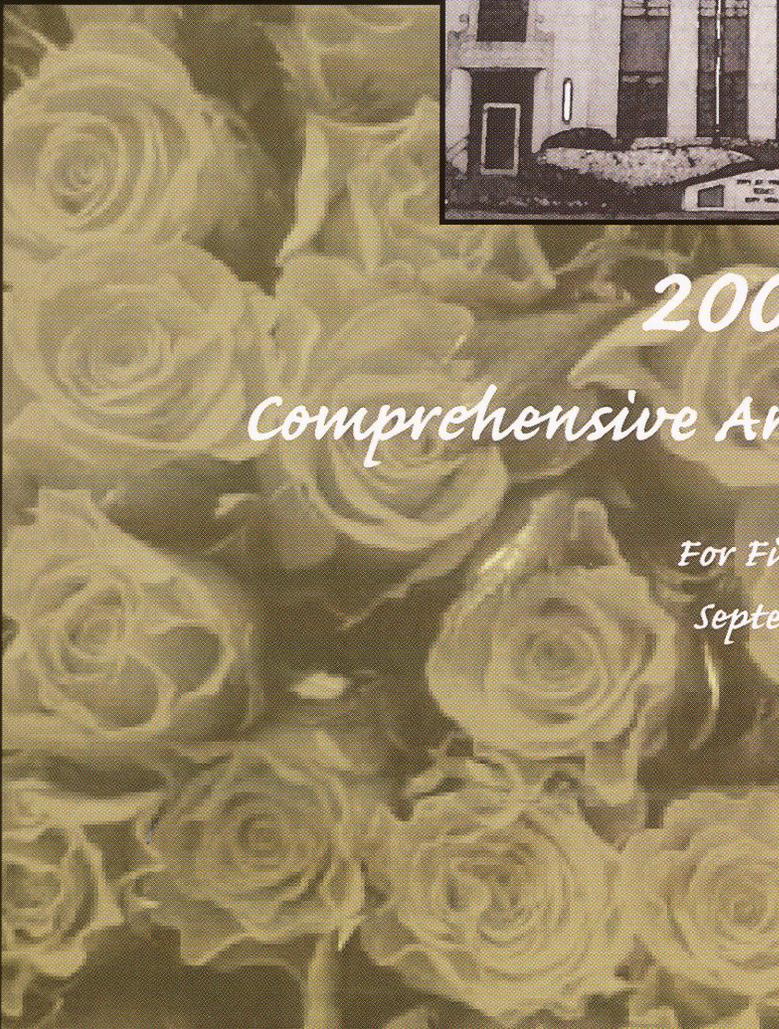
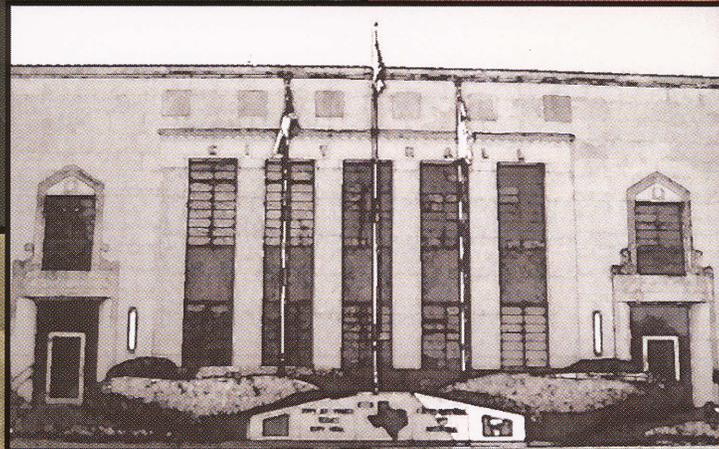


City of Tyler, Texas



2005-2006

Comprehensive Annual Financial Report

*For Fiscal Year Ended
September 30, 2006*

CITY OF TYLER, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2006**

MAYOR – JOEY SEEBER

Members of City Council:

Steve Smith
Donald Sanders
Derrick Choice
Chris Simons
Nathaniel Moran
Charles Alworth

City Manager – Bob Turner

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

CITY OF TYLER, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

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INTRODUCTORY SECTION



February 23, 2007

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, 2006.

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.

Prothro, Wilhelmi & Company PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Tyler's financial statements for the year ended September 30, 2006. 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 auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal, and therefore should be read in conjunction with it.

Profile of the Government

The City of Tyler, Texas, the county seat of Smith County, is an important East Texas commercial and industrial center located on U.S. Highway 69 just south of Interstate 20. The City is equal distance (approximately 90 miles) between the cities of Dallas, Texas and Shreveport, Louisiana. The City, encompassing approximately 52 square miles, had a 2000 census population of 83,650, which is a 9.2% increase from the 1990 census population of 76,440. Currently, the City's population is estimated to be 105,873. The City is commonly referred to as the Rose Capital of America.

The City is a home rule city operating under the Council-Manager form of government. The City Council is comprised of the Mayor and six Council members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Council and is responsible for the daily management of the City including appointing the various department heads. Council members serve two-year terms, with three members elected every other year. The Mayor also serves for a two-year term. The Mayor is elected at large; the remaining Council members are elected by district.

The City provides to its citizens those services that have proven to be necessary and meaningful and to which the City can provide at the lowest cost. Major services provided under general government and enterprise functions are: police and fire protection, water and sewer services, sanitation services, parks and recreational facilities, library services, street improvements, development and planning services and general administrative services. The City also offers an airport and a convention center. Internal services of the City, accounted for on a cost reimbursement basis, are the fleet services operations; technology services; property and facility management services; productivity pool; risk management services and the employee health and disability coverage. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB). Based on these criteria no other governmental organizations are included in this report.

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

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. The chief industries in and around Tyler include: health care and research; education; grocery distribution; air conditioning unit manufacturing; passenger tire fabrication; engineering services; cast iron pipes and fitting manufacturing; government services; retail and retail distribution; cable & internet services; banking services; meat packing and processing; oil and gas refining; ready mix concrete production; and growing and shipping rose bushes. This diversification is evident in the fact that no single taxpayer represents more than 2.1% of assessed valuation in the City.

Four institutions of higher education are located here. They are The University of Texas at Tyler, The University of Texas Health Science Center, Texas College, and Tyler Junior College. Primary and secondary education is provided by several public school districts as well as eight private / parochial schools in the Tyler area. Tyler is also the medical center of East Texas with three hospitals and four specialty hospitals with a total of 1,130 beds. There are approximately 780 medical doctors and 110 dentists. Additionally, Tyler has many tourist attractions. The Tyler Rose Festival includes the crowning of the Rose Queen attracting a large number of visitors each year. The azalea trails and craft show in the spring attracts additional tourism. Tyler State Park is located just north of Tyler and provides nature trails and camping in a scenic setting. Lake Tyler and Lake Tyler East, located twelve miles southeast of the City, are popular recreational and fishing sites. The City actively works with the Tyler Economic Development Corporation and local industries to encourage expansions and relocations to our community. Land is available for development; 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. Incentives are also available to facilitate business expansions or relocations, as well as historic preservation.

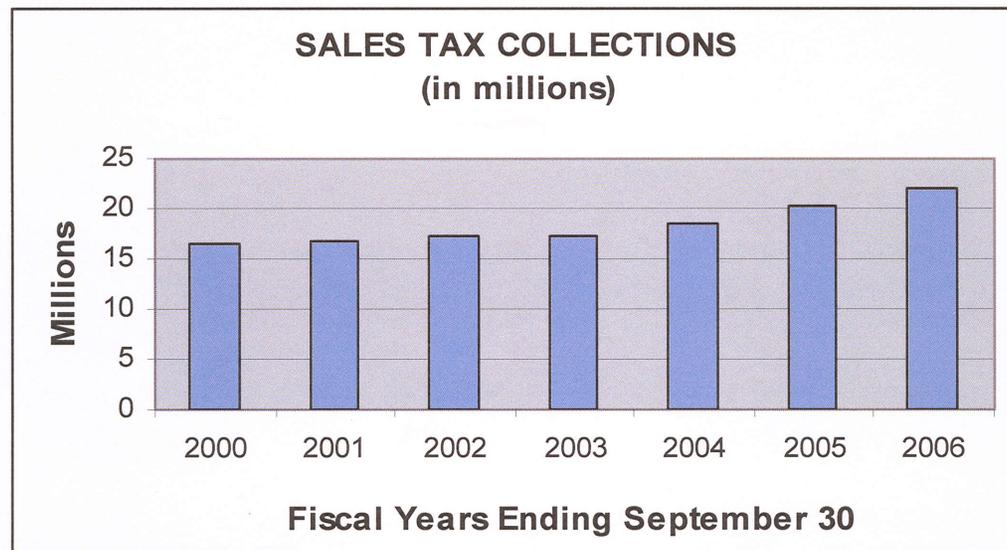
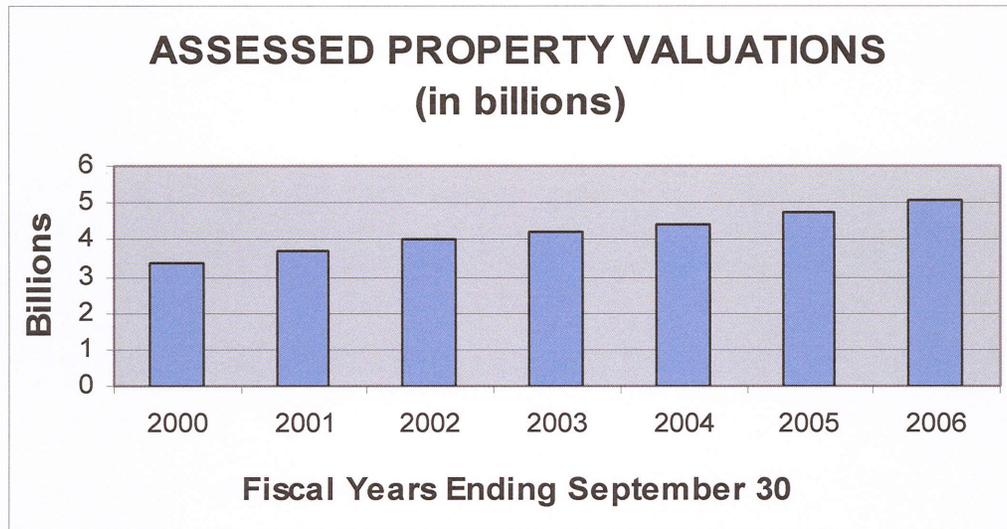
Because of its location in a region with a varied economic base, unemployment is relatively stable, and in the last five years remained consistently below the state average. During the past ten years, the unemployment rate has ranged from a low of 4.6 percent (2000) to a decade high of 7.5 percent (1996), only to end at the stable current rate of 4.8 percent. The total workforce for the City of Tyler has increased from 43,411 in 1996 to 46,782 in 2005. Unemployment is expected to remain stable in the near term despite the future planned closure of the Goodyear Tire Plant. Although this future planned closure of the plant is a potential loss of jobs to the Tyler region, other diverse industries have committed to investment and expansion. Population growth in the last five years was more than double that of the last decade and continues to grow based on strong residential permit requests. The population grew 10 percent from 1990 to the year 2000. From the year 2000 to the current year 2006, the growth has been an astounding 27 percent. Tyler's market area is comprised of over 600,000, which includes several surrounding counties. State officials estimate that as many as 270,000 people come to Tyler each day to work, attend school, seek medical services, or shop based on state official estimates. The construction of Phase I of the Loop 49 Toll Project that, when completed, will connect to I-20 both east and west of Tyler and surround the City's southern regions is complete. The Loop will allow for increased traffic from I-20 into the City of Tyler for shopping and

economic development purposes. Along with the Loop 49 project, the Northeast Texas Regional Mobility Authority was authorized in 2004 to construct, operate and maintain turnpike projects in the state which includes the Tyler area. Including various 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 in 2005 were 86,183 up approximately 22 percent from the prior year. The East Texas Council of Governments has qualified Tyler as the first Certified Retirement City in Texas. Tyler meets high standards for retiree living such as low cost of living, low crime rate, quality health care, abundant recreation and cultural opportunities.

The office space occupancy rate for the City of Tyler was 86 percent in 2005, up from 84 percent in 1995. The office lease space is comprised of three classes for total square footage of 2,002,000. Tyler had \$2.32 billion in retail trade gross sales in 2005 up from \$1.67 billion in 1996.

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

Economic Signs:



Long-term financial planning

Within the policy guidelines set by the Council for budgetary and planning purposes, the City of Tyler must keep a designated fund balance equal to 10 percent of total General Fund expenditures, and in future years increasing to 15 percent of total General Fund expenditures. This goal was met during the proceeding fiscal year with a remaining unreserved fund balance designated to be transferred to a General Capital Projects Fund to help pay for capital purchases on a cash basis. In addition to the Capital Projects Fund, the City takes advantage of half cent sales tax (4B) dollars to pay for additional capital projects related to street improvements, drainage projects, park improvements and other projects as approved by the board. By paying cash for capital purchases, the Council has the ultimate goal of reducing and eventually eliminating general obligation debt.

Council has maintained the lowest property tax rate for mid to large-sized cities in Texas in an effort to balance citizen desire for lower property tax rates and the City's need to match operating costs associated with future planning initiatives. Sales tax has played a large role in allowing the City to obtain this objective with a five year average increase of 4.3 percent. By maintaining an adequate reserve and monitoring future economic conditions, the City has an opportunity to provide for future citizen needs in a streamlined and cost effective manner.

Relevant financial policies

The City of Tyler has implemented several financial policies in the prior and current fiscal years. These include the creation of the General Capital Projects Fund, the Oil and Natural Gas Fund and the Development Services Fund. Any remaining fund balance in excess of the 10 percent designated reserve in the General Fund is to be transferred to the new General Capital Projects Fund to pay for needed capital purchases. The designated reserve has been increased for the 2006-2007 fiscal year to 15 percent of current expenditures. The Oil and Natural Gas Fund was created to track revenue received from lease royalties to be used for future projects identified by the Council. Currently the Tyler 21 Planning project has been identified as an eligible project to be partially funded from both the General Capital Projects Fund and Oil and Natural Gas Fund. This project will provide planning initiatives and a comprehensive Master Plan for the City. The Development Services Fund has been created to track costs associated with planning and building development in an effort to better match fees associated with direct related costs, and make adjustments to spending based upon development activity. Development and permit fees were reviewed and some increases recommended based on information obtained from the new Development Services Fund for the Fiscal Year 2006-2007 budget.

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, 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 the goals. During the planning process, residents and others with a stake in Tyler's future have 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 will provide policy and strategic guidance on the physical development and redevelopment of the City; guide the City to actively seek positive change and deflect negative change, rather than simply react to change; provide predictability for developers, businesses and residents; help the City save money because it plans for orderly investment in services, facilities and infrastructure; and help Tyler preserve the sense of place and identity that make it unique.

The Tyler 21 Comprehensive Plan is unique in many aspects including types of participation; visualization of the concepts; new approaches and alternatives; most effort spent on difficult topics; and creating zoning compatible with the plan. The Tyler 21 Plan will include alternative scenarios for future growth patterns; shared citywide vision and goals; citywide preservation and development strategies; special area plans with concrete actions; incentive-based strategies; and a user-friendly zoning and development code. Tyler 21 is scheduled for completion by May 2007 with early actions initiated for implementation of many identified projects.

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, 2005. This is the twentieth 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.

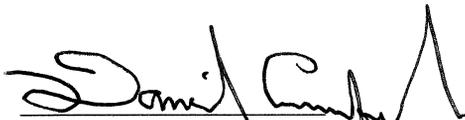
A Certificate of Achievement is valid for a period of one year only. City staff affirms that the current report continues to conform to Certificate of Achievement Program requirements, and the City is submitting it to GFOA to determine its eligibility for another certificate.

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 two 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,


Bob Turner
City Manager


Daniel Crawford
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tyler
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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



President

Executive Director

CITIZENS OF TYLER

City Boards & Commissions

CITY COUNCIL

Citizens Task Force Committees

CITY MANAGER

COMPETITIVE/CONTRACTUAL SERVICE DELIVERY
ORGANIZATIONAL CULTURE

BLUEPRINT

Bob Turner

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

Dan Brotton

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

Gary Swindle

Police
911 Dispatch

Stephanie Rollings

Planning & Zoning
Transit
Airport
Main Street
Historic Preservation

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

Mark McDaniel

City Clerk
Media Relations
Library
Technology
Municipal Court
Accounting
Parks

Neal Franklin

Fire
EOC
911 General Operations
EMS – Contract
Administration

Greg Morgan

Water Administration
Water Business Office
Water
Waste Water
Purchasing
Development Services

Dan Peden

Engineering
Traffic Engineering
Streets

**CITY OF TYLER, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2006**

MAYOR – JOEY SEEBER

Members of City Council:

Steve Smith
Donald Sanders
Derrick Choice
Chris Simons
Nathaniel Moran
Charles Alworth

City Manager – Bob Turner

Chief Financial Officer – Daniel Crawford

City Clerk – Cassandra Brager

FINANCIAL SECTION



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, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tyler, Texas' management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated February 23, 2007, on our consideration of the City of Tyler's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

PROTHRO, WILHELM I AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Prothro, Wilhel & Company, PLLC

Certified Public Accountants

Tyler, Texas

February 23, 2007

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2006
(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, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tyler exceeded its liabilities at the close of the most recent fiscal year by \$429,413,268 (Net assets). Of this amount, \$51,635,859 (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 \$11,423,977.
- As of the close of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$48,551,195. (\$15,150,739 is unreserved and available for use within the City's fund designation and fiscal policies.)
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$4,734,390 or 10% of the total general fund expenditures. The general fund operating designation was \$4,633,379, 10% of total general fund expenditures.
- The City's revenue bond payable decreased \$1,690,000. The City's general obligation bond payable decreased \$1,000,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, public services and culture and recreation. The business-type activities of the City include water and sewer, airport and sanitation operations. The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains 20 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 18 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 15-18.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utilities, Airport and Sanitation Funds since they are considered to be major funds of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Tyler's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 24-25 of this report. The Fireman's Relief and Retirement Fund is no longer reported in the City's financial statements; a separate independent audit of the Fund's financial condition will be completed each fiscal year and details can be found in the footnote 5:G on pages 49-51.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-51.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 53 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 57-97 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

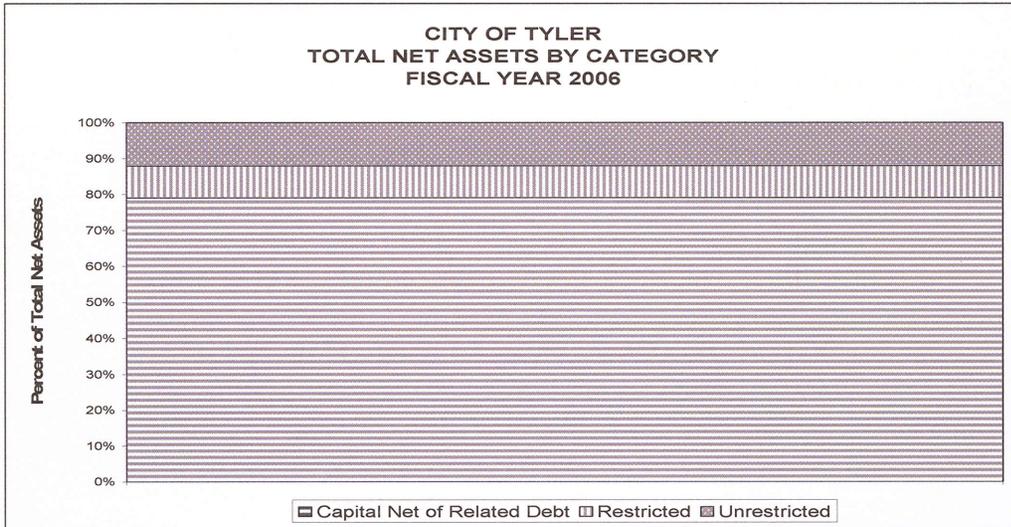
As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Tyler, assets exceeded liabilities by \$429,413,268 as of September 30, 2006.

The largest portion of the City's net assets, 79%, or \$339,663,808, reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF TYLER'S NET ASSETS						
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 67,956,755	\$57,591,253	\$ 35,931,142	34,818,937	\$ 103,887,897	\$92,410,190
Capital Assets	211,904,257	213,252,601	188,719,950	188,740,796	400,624,207	401,993,397
Total Assets	279,861,012	270,843,854	\$ 224,651,092	223,559,733	504,512,104	494,403,587
Non Current liabilities	10,506,642	10,838,054	56,983,872	58,645,466	67,490,514	69,483,520
Other liabilities	5,970,679	5,422,341	1,637,643	1,508,438	7,608,322	6,930,779
Total Liabilities	16,477,321	16,260,395	58,621,515	60,153,904	75,098,836	76,414,299
Net Assets:						
Invested in capital assets, Net of related debt	207,182,671	208,396,601	132,481,137	130,848,615	339,663,808	339,245,216
Restricted	32,559,636	26,062,078	5,553,965	6,277,841	38,113,601	32,339,919
Unrestricted	23,641,384	20,124,780	27,994,475	26,279,373	51,635,859	46,404,153
Total Net Assets	\$ 263,383,691	\$254,583,459	\$ 166,029,577	\$163,405,829	\$ 429,413,268	\$417,989,288

An additional portion of the City's net assets 9 %, or \$38,113,601, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$51,635,859 may be used to meet the government's ongoing obligations to citizens and creditors.

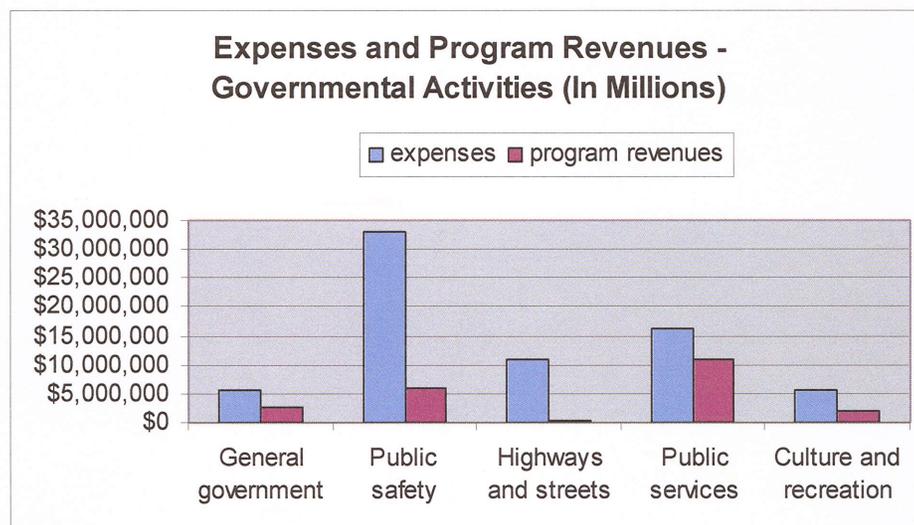
As of September 30, 2006 the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. The following chart illustrates for the current fiscal year the percentage of total net assets each category encompasses.



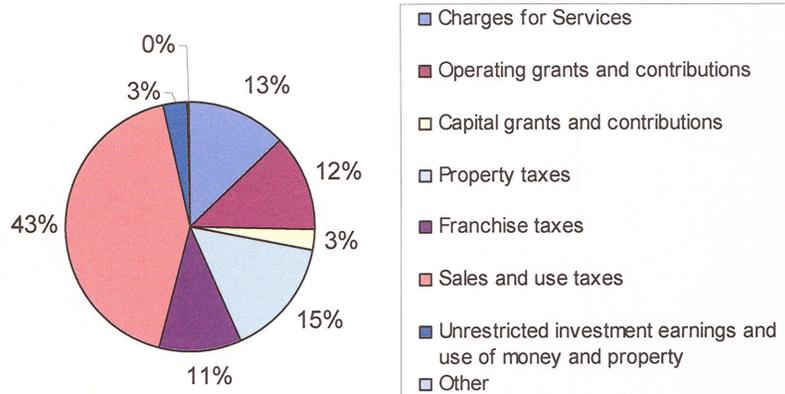
Analysis of the City's Operations - Overall the City had an increase in net assets of \$11,423,977.

Governmental Activities: Governmental activities increased net assets by \$8,800,229. Net assets invested in capital assets, net of related debt decreased by \$1,213,930 due to depreciation totaling more than new additions. Restricted net assets increased by \$6,497,558 primarily due to increase in money restricted for capital projects both in One Half Cent Sales Tax Fund and General Capital Projects Fund. Unrestricted net assets increased by \$3,516,604 due to increased property tax, franchise tax and sales and use tax collections; as well as increased investment earnings. Franchise tax revenue increases are primarily due to an appropriate reclassification of general government program revenues.

Total revenues for the governmental activities increased from the previous year by \$3,587,879. General revenues and transfers had an increase of \$6,268,761, which was due to an increase in sales and use taxes, property tax and franchise tax collections; as well as investment earnings. Program revenues had a decrease of \$2,580,022, which were primarily due to a decrease in general government charges for services which were appropriately reclassified as general revenues.

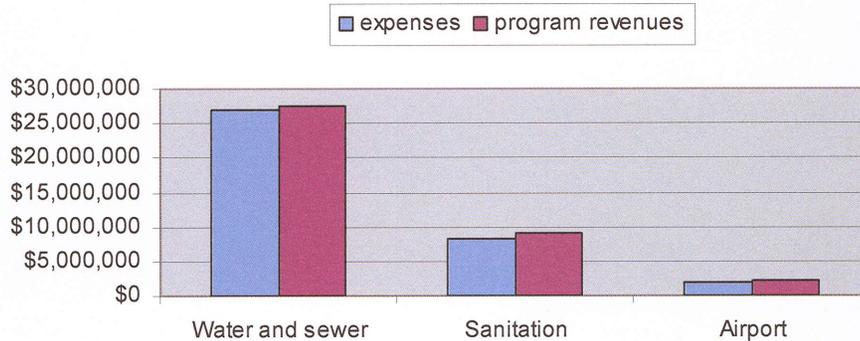


Source of Revenue - Governmental Activities

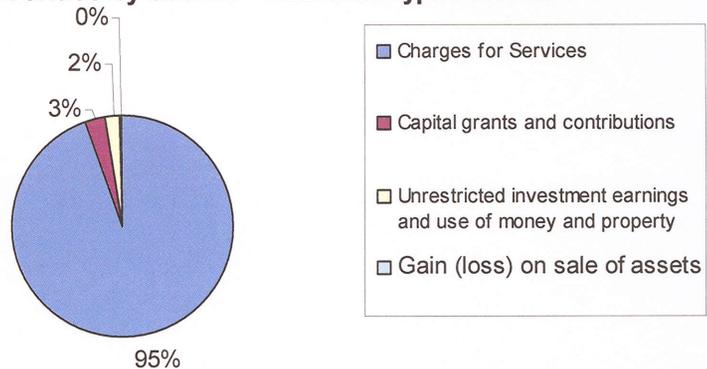


Business-type Activities: Net Assets from business-type activities increased by \$2,623,748. This increase was primarily due to program revenues exceeding expenses and increased interest earnings. The airport continues to receive several large FAA capital grants to pay for improvements to facilities.

Expenses and Program Revenues - Business - type Activities (In Millions)



Revenues by Source - Business-type Activities



The following table provides a summary of the City's operations for the year ended September 30, 2006 with comparative totals for the year ended September 30, 2005.

CITY OF TYLER'S CHANGES IN NET ASSETS						
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for services	\$ 10,750,977	\$ 12,711,974	\$ 37,754,696	\$ 33,541,472	\$ 48,505,673	\$ 46,253,446
Operating grants and contributions	10,100,985	10,732,572	-	-	10,100,985	10,732,572
Capital grants and contributions	1,038,003	1,025,441	1,171,731	1,834,325	2,209,734	2,859,766
General revenues:						
Property taxes	12,314,640	12,011,517	-	-	12,314,640	12,011,517
Franchise taxes	8,676,103	6,928,917	-	-	8,676,103	6,928,917
Sales and use taxes	35,094,518	32,235,770	-	-	35,094,518	32,235,770
Investment earnings and use of money and property	2,540,255	1,181,976	816,200	564,244	3,356,455	1,746,220
Gain on sale of assets	51,294	216,729	130,848	19,013	182,142	235,742
Equity in earnings of joint venture	66,000	-	-	-	66,000	-
Total revenues	80,632,775	77,044,896	39,873,475	35,959,054	120,506,250	113,003,950
Expenses:						
General government	5,573,690	7,457,535	-	-	5,573,690	7,457,535
Public safety	33,029,011	31,757,773	-	-	33,029,011	31,757,773
Streets	11,006,417	6,097,617	-	-	11,006,417	6,097,617
Public Services	16,343,022	18,796,772	-	-	16,343,022	18,796,772
Culture and Recreation	5,751,590	5,880,907	-	-	5,751,590	5,880,907
Interest on long-term debt	252,779	295,946	-	-	252,779	295,946
Water and Sewer	-	-	27,076,159	23,933,574	27,076,159	23,933,574
Sanitation	-	-	8,162,384	7,349,545	8,162,384	7,349,545
Airport	-	-	1,887,221	1,744,009	1,887,221	1,744,009
Total Expenses	71,956,509	70,286,550	37,125,764	33,027,128	109,082,273	103,313,678
Increases in net assets						
Before Transfers	8,676,266	6,758,346	2,747,711	2,931,926	11,423,977	9,690,272
Transfers	123,963	23,103	(123,963)	(23,103)	-	-
Change in net assets	8,800,229	6,781,449	2,623,748	2,908,823	11,423,977	9,690,272
Net assets – October 1	254,583,462	247,802,011	163,405,829	160,497,006	417,989,291	408,299,017
Net assets – September 30	\$ 263,383,691	\$ 254,583,462	\$ 166,029,577	\$ 163,405,829	\$ 429,413,268	\$ 417,989,291

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds - The focus of the City of Tyler's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$48,551,195. Approximately 31% of this total amount, \$15,150,739, constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for capital projects, \$26,534,189; 2) to pay for debt service, \$2,937,710; 3) to pay for the perpetual care of city cemeteries, \$2,036,054; and 4) to pay for other miscellaneous reservations, \$1,892,503. The City of Tyler also self imposes an operating designation in the general fund equivalent to approximately 10 percent of total expenditures, \$4,633,379.

In the general fund, the City's original budget planned for no change in the fund balance on a budget basis. Additional amendments were made to take advantage of additional fund balance for use in productivity pay and capital projects for a net budgeted decrease in fund balance of \$3,789,738. Due to actual revenues being more than budgeted and actual expenditures being higher than originally budgeted, the actual net decrease in fund balance for fiscal year 2006 was \$733,191. Capital Projects ½ Cent Sales Tax Fund balance increased in 2006 by \$4,819,133, from \$18,375,571 to \$23,194,704 primarily due to an increase in sales tax revenue as well as continuing several multi-year construction projects. Other governmental fund balances increased in 2006 by \$3,684,398, primarily due to an increase in property values, an increase in hotel tax dollars, increases in grant contributions and increased royalties associated with natural gas drilling at Lake Tyler.

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 - \$20,047,556, Sanitation - \$7,111,514 and Airport - \$283,321. All funds had net asset increases in 2006 as follows: Utilities - \$564,217 Sanitation- \$951,929 and Airport- \$549,745.

General Fund Budgetary Highlights – The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase of budgeted expenditures from the original budget of \$3,789,738. The majority of increase was due additional transfers to the Productivity Fund and General Capital Projects Fund.

Actual revenues in all categories exceeded the final budgeted amounts by a total of \$3,262,455. Actual Expenditures in all categories exceeded the final budgeted amounts by a total of \$299,513.

CAPITAL ASSETS

The City of Tyler's investment in capital assets for its governmental and business-type activities as of September 30, 2006 amounts to \$400,624,207, (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress. The total decrease in capital assets for the current fiscal year was \$1,369,198 or 0.3 %.

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

- \$79,109 additional work completed on a police station expansion for a total project cost of \$4,909,039.
- \$2,818,695 has been completed on Grande Road Extension with Phase I completed for \$9,376,379.
- \$3,175,513 has been completed on additional streets and drainage projects.
- \$455,998 land purchased for the relocation of a current fire station and completion of one new fire station.
- \$4,902,339 has been completed on water and sewer improvements and equipment purchases.

Capital Assets at Year-end Net of Accumulated Depreciation						
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$5,992,638	\$5,347,881	\$5,917,529	\$5,917,529	\$11,910,167	\$11,265,410
Building	20,212,592	15,898,880	35,486,312	37,022,095	55,698,904	52,920,975
Improvements	60,372,931	64,516,016	140,543,134	140,652,516	200,916,065	205,168,532
Machinery & Equipment	13,088,863	12,117,915	3,356,403	2,908,755	16,445,266	15,026,670
Infrastructure	108,360,782	98,237,400	1,515,398	645,408	109,876,180	98,882,808
Construction in Progress	3,876,451	17,134,509	1,901,174	1,594,493	5,777,625	18,729,002
Total	\$211,904,257	\$213,252,601	\$188,719,950	\$188,740,796	\$400,624,207	\$401,993,397

Additional information on the City of Tyler's capital assets can be found in note 4:C on pages 39-40 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Tyler had a total bonded debt of \$60,755,000. Of this amount, \$4,340,000 comprises bonded debt backed by the full faith and credit of the government and \$56,415,000 represents bonds secured solely by water and sewer revenues.

Outstanding Debt at Year End Bonds and Notes Payable						
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligations	\$4,340,000	\$5,340,000	\$ -	\$ -	\$4,340,000	\$5,340,000
Revenue Bonds Payable	-	-	56,415,000	58,105,000	56,415,000	58,105,000
Total	\$4,340,000	\$5,340,000	\$56,415,000	\$58,105,000	\$60,755,000	\$63,445,000

During the fiscal year, the City's total debt decreased by \$2,690,000 or 4 %. The decrease was primarily due to the following:

- Annual debt principal payments made August 15 and August 31 for the general obligation debt and water and sewer debt respectively.

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

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

Several of the City's Bonds are insured thus holding a Triple A credit rating from both Moody's and Standard & Poor's. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Tyler is \$508,729,254, which is significantly in excess of the City of Tyler's outstanding general obligation debt.

Additional information on the City of Tyler's long term-debt can be found in footnote 4:F on pages 42-43 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the City of Tyler is currently 4.8 percent, which is a slight decrease from a rate of 5.1 percent a year ago. This compares favorably to the state's average unemployment rate of 5.3 percent and the national average rate of 5.1 percent.
- The office space occupancy rate for the City of Tyler has increased steadily from 84 over the past 10 years to the current 86 percent occupancy rates.
- Sales tax receipts have increased at a five year average rate of 5.8 percent, as well as property values increasing at a five year average rate of 6.5 percent.

All of these factors were considered in preparing the City of Tyler's budget for the fiscal year 2006-07. During the current fiscal year, unreserved, undesignated fund balance in the General Fund decreased to \$4,734,390. For fiscal year 2006-07, the City has budgeted to match revenues and expenditures in the General Fund. The City of Tyler has also implemented several financial policies current fiscal year in an attempt to better analyze and track costs. One such policy includes the use of the General Capital Projects Fund. Any remaining fund balance in excess of the 10 percent reserve in the General Fund for fiscal year 2005-06 and 15 percent reserve for fiscal year 2006-07 is to be transferred to the General Capital Projects Fund to pay for capital purchases and on going projects. Another policy implemented in the 2006-07 budget is the continued use of the Development Services Fund. The Development Services Fund was created to track costs associated with planning and building development in an effort to better match fees associated with related costs, and make adjustments to spending based upon development activity. The fiscal year 2006-07 budget was again accomplished with adoption of the effective tax rate because of better than expected sales tax receipts and increased property values. The 2006-07 budget continues to incorporate the vision provided by Tyler 21 participants in creating a master plan and desires for future growth.

The 2006-07 Water Utilities operating budget is supported by a water rate increase to fund capital and maintenance costs associated with waste water collection and treatment. The City continues to collect a storm water drainage fee as a percentage of the water billing to meet certain State regulations regarding Storm Water Management. Further monies are being set aside to pay for capital improvements to the water system based on cost savings and revenue increases from the draught like conditions experienced in fiscal year 2005-06.

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 Administrative Services, 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, 2006

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 25,282,255	\$ 12,734,509	\$ 38,016,764
Receivables (net of allowance for doubtful accounts)	10,379,791	4,743,706	15,123,497
Internal balances	(552,084)	552,084	-
Inventories	281,325	262,875	544,200
Prepaid items and deferred charges	46,176	508,484	554,660
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	29,933,238	4,605,284	34,538,522
Permanently restricted	2,036,054	-	2,036,054
Water rights - Lake Palestine	-	12,524,200	12,524,200
Investment in joint venture	550,000	-	550,000
Capital Assets (net of accumulated depreciation):			
Land	5,992,638	5,917,529	11,910,167
Buildings	20,212,592	35,486,311	55,698,903
Improvements, other than buildings	60,372,931	140,543,135	200,916,066
Machinery and equipment	13,088,863	3,356,403	16,445,266
Construction in progress	3,876,451	1,901,174	5,777,625
Infrastructure	108,360,782	1,515,398	109,876,180
Total Assets	279,861,012	224,651,092	504,512,104
LIABILITIES			
Accounts payable	3,625,537	1,411,495	5,037,032
Deposits and other refundable balances	1,150,234	16,695	1,166,929
Insurance claims payable	991,033	-	991,033
Accrued interest payable	26,416	209,453	235,869
Unearned revenues	177,459	-	177,459
Non-current liabilities:			
Due within one year	1,607,491	2,700,698	4,308,189
Due in more than one year	8,899,151	54,283,174	63,182,325
Total Liabilities	16,477,321	58,621,515	75,098,836
NET ASSETS			
Investment in capital assets, net of related debt	207,182,671	132,481,137	339,663,808
Restricted for:			
Debt service	2,937,710	548,347	3,486,057
Perpetual care			
Nonexpendable	2,036,054	-	2,036,054
Storm water management	-	945,742	945,742
Capital projects	26,534,189	4,059,876	30,594,065
Grants and donations	814,854	-	814,854
Court ordered disbursements	236,829	-	236,829
Unrestricted	23,641,384	27,994,475	51,635,859
Total Net Assets	\$ 263,383,691	\$ 166,029,577	\$ 429,413,268

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

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

FUNCTIONS / PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 5,573,690	\$ 2,196,871	\$ 352,699	\$ 128,499	\$ (2,895,621)	\$ -	\$ (2,895,621)
Public safety	33,029,011	5,256,407	361,666	349,621	(27,061,317)	-	(27,061,317)
Highways and streets	11,006,417	108,977	172,298	117,967	(10,607,175)	-	(10,607,175)
Public services	16,343,022	1,433,533	9,208,911	375,532	(5,325,046)	-	(5,325,046)
Culture and recreation	5,751,590	1,755,189	5,411	66,384	(3,924,606)	-	(3,924,606)
Interest on long term debt	252,779	-	-	-	(252,779)	-	(252,779)
Total governmental activities	71,956,509	10,750,977	10,100,985	1,038,003	(50,066,544)	-	(50,066,544)
Business-type activities:							
Utilities	27,076,159	27,510,442	-	-	-	434,283	434,283
Sanitation	8,162,384	9,196,133	-	-	-	1,033,749	1,033,749
Airport	1,887,221	1,048,121	-	1,171,731	-	332,631	332,631
Total business-type activities	37,125,764	37,754,696	-	1,171,731	-	1,800,663	1,800,663
Total primary government	\$ 109,082,273	\$ 48,505,673	\$ 10,100,985	\$ 2,209,734	(50,066,544)	1,800,663	(48,265,881)
General revenues:							
Property taxes					12,314,640	-	12,314,640
Franchise taxes					8,676,103	-	8,676,103
Sales and use taxes					35,094,518	-	35,094,518
Unrestricted investment earnings and use of money and property					2,540,255	816,200	3,356,455
Gain on sale of assets					51,294	130,848	182,142
Equity in earnings of joint venture					66,000	-	66,000
Transfers					123,963	(123,963)	-
Total general revenues and transfers					58,866,773	823,085	59,689,858
Change in net assets					8,800,229	2,623,748	11,423,977
Net assets - beginning of year					254,583,462	163,405,829	417,989,291
Net assets - end of year					\$ 263,383,691	\$ 166,029,577	\$ 429,413,268

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

CITY OF TYLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	MAJOR FUNDS		OTHER	TOTAL
	GENERAL	1/2 CENT SALES TAX	NON-MAJOR GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 5,436,377	\$ 21,217,987	\$ 16,794,265	\$ 43,448,629
Receivables (net of allowance for doubtful accounts) :				
Property taxes	609,233	-	-	609,233
Other	5,942,997	2,045,426	1,669,634	9,658,057
Due from other funds	725,898	-	-	725,898
Inventories	10,026	-	-	10,026
Prepaid items	46,176	-	-	46,176
Total assets	\$ 12,770,707	\$ 23,263,413	\$ 18,463,899	\$ 54,498,019
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,836,299	\$ 68,709	\$ 1,415,807	\$ 3,320,815
Deposits and other refundable balances	269,631	-	880,603	1,150,234
Due to other funds	-	-	725,898	725,898
Unearned revenue	93,649	-	83,810	177,459
Deferred revenue	572,418	-	-	572,418
Total liabilities	2,771,997	68,709	3,106,118	5,946,824
Fund Balances:				
Reserved for:				
Perpetual care	-	-	2,036,054	2,036,054
Court ordered disbursements	74,739	-	162,090	236,829
Debt service	-	-	2,937,710	2,937,710
Grants / donations	-	-	814,854	814,854
Capital projects	-	23,194,704	3,339,485	26,534,189
Court technology	-	-	284,618	284,618
Utility rate	500,000	-	-	500,000
Prepaid items	46,176	-	-	46,176
Inventory	10,026	-	-	10,026
Total reserved fund balances	630,941	23,194,704	9,574,811	33,400,456
Unreserved fund balances				
Designated for:				
Operations	4,633,379	-	-	4,633,379
Undesignated reported in:				
General Fund	4,734,390	-	-	4,734,390
Special Revenue Fund	-	-	5,092,772	5,092,772
Permanent Fund	-	-	690,198	690,198
Total unreserved fund balances	9,367,769	-	5,782,970	15,150,739
Total fund balances	9,998,710	23,194,704	15,357,781	48,551,195
Total liabilities and fund balances	\$ 12,770,707	\$ 23,263,413	\$ 18,463,899	\$ 54,498,019

(continued)

CITY OF TYLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

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

	TOTAL GOVERNMENTAL FUNDS
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 48,551,195
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	202,952,838
Equity in an affiliated joint venture is included in governmental activities in the statement of net assets.	550,000
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	521,228
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.	(26,416)
Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. (Net of the amount allocated to business-type activities)	20,880,189
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	<u>(10,045,343)</u>
Net assets of governmental activities	<u>\$ 263,383,691</u>

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

	MAJOR FUNDS		OTHER NON-MAJOR	TOTAL
	GENERAL	1/2 CENT SALES TAX	GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
REVENUES				
Taxes:				
Property	\$ 10,841,879	\$ -	\$ 1,436,687	\$ 12,278,566
Franchise	8,676,103	-	-	8,676,103
Sales and use	22,309,390	11,003,288	1,781,840	35,094,518
Licenses and permits	161,408	-	714,881	876,289
Fines, forfeitures, and penalties	5,045,412	-	210,995	5,256,407
Revenues from use of money or property	486,451	838,901	913,127	2,238,479
Charges for current services	1,062,949	-	1,436,420	2,499,369
Revenues from other agencies	297,499	31,291	10,242,851	10,571,641
Donations	-	-	229,307	229,307
Miscellaneous	315,119	37,443	1,757,962	2,110,524
Total revenues	<u>49,196,210</u>	<u>11,910,923</u>	<u>18,724,070</u>	<u>79,831,203</u>
EXPENDITURES				
Current:				
General government	6,832,322	31,200	262,887	7,126,409
Public safety	30,011,976	-	153,874	30,165,850
Public services	1,276,243	-	12,276,572	13,552,815
Highways and streets	5,197,445	-	-	5,197,445
Culture and recreation	3,151,121	-	1,684,983	4,836,104
Capital outlay	305,180	7,070,775	2,380,715	9,756,670
Debt service:				
Principal retirement	-	-	1,000,000	1,000,000
Interest and fiscal charges	-	-	258,030	258,030
Total expenditures	<u>46,774,287</u>	<u>7,101,975</u>	<u>18,017,061</u>	<u>71,893,323</u>
Excess of revenues over expenditures	<u>2,421,923</u>	<u>4,808,948</u>	<u>707,009</u>	<u>7,937,880</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	64,345	244,318	3,606,563	3,915,226
Transfers out	(3,223,526)	(234,133)	(629,174)	(4,086,833)
Sale of capital assets	4,067	-	-	4,067
Total other financing sources (uses)	<u>(3,155,114)</u>	<u>10,185</u>	<u>2,977,389</u>	<u>(167,540)</u>
Net change in fund balances	<u>(733,191)</u>	<u>4,819,133</u>	<u>3,684,398</u>	<u>7,770,340</u>
Fund balances - beginning of year	<u>10,731,901</u>	<u>18,375,571</u>	<u>11,673,383</u>	<u>40,780,855</u>
Fund balances - end of year	<u>\$ 9,998,710</u>	<u>\$ 23,194,704</u>	<u>\$ 15,357,781</u>	<u>\$ 48,551,195</u>

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

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

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

Net change in fund balances - total governmental funds	\$ 7,770,340
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(2,425,271)
The net increase of the equity in investment in an affiliated joint venture is reflected on the Statement of Activities.	66,000
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(4,888)
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 increase in the deferral of the revenue.	36,074
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	1,000,000
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. This amount reflects the change in the accrued liability for compensated absences.	(288,921)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	5,251
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 (\$557,857).	<u>2,641,644</u>
Change in net assets of governmental activities	<u>\$ 8,800,229</u>

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

**CITY OF TYLER, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Property tax collections	\$ 10,856,469	\$ 10,856,469	\$ 10,841,879	\$ (14,590)
Franchise fees	7,775,250	7,775,250	8,676,103	900,853
Sales and use taxes	21,283,385	21,283,385	22,309,390	1,026,005
Licenses and permits	158,200	158,200	161,408	3,208
Fines, forfeitures, and penalties	4,189,050	4,189,050	5,045,412	856,362
Revenues from use of money or property	129,300	129,300	486,451	357,151
Charges for current services	1,087,400	1,087,400	1,062,949	(24,451)
Revenues from other agencies	178,200	178,200	297,499	119,299
Miscellaneous	276,500	276,500	315,118	38,618
Total revenues	<u>45,933,754</u>	<u>45,933,754</u>	<u>49,196,209</u>	<u>3,262,455</u>
EXPENDITURES				
GENERAL GOVERNMENT:				
General government services	4,391,817	5,391,817	5,460,397	(68,580)
City Clerk	126,877	126,877	130,883	(4,006)
Accounting	477,771	477,771	451,547	26,224
Legal	471,322	471,322	463,813	7,509
Staff services	353,612	353,612	336,108	17,504
Total General Government	<u>5,821,399</u>	<u>6,821,399</u>	<u>6,842,748</u>	<u>(21,349)</u>
POLICE	<u>18,529,360</u>	<u>18,561,160</u>	<u>18,436,696</u>	<u>124,464</u>
FIRE	<u>10,058,848</u>	<u>10,033,708</u>	<u>10,255,555</u>	<u>(221,847)</u>
PUBLIC SERVICES				
Capital projects	370,006	119,184	118,865	319
Engineering	852,423	852,423	837,554	14,869
Street administration	2,278,753	2,278,753	2,020,571	258,182
Traffic operations	2,391,792	2,127,473	2,373,123	(245,650)
Total Public Services	<u>5,892,974</u>	<u>5,377,833</u>	<u>5,350,113</u>	<u>27,720</u>
LIBRARIES	<u>1,450,964</u>	<u>1,450,964</u>	<u>1,386,300</u>	<u>64,664</u>

(Continued)

CITY OF TYLER, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES (continued)				
PARKS AND RECREATION:				
Parks administration	1,811,055	1,856,055	2,266,875	(410,820)
Indoor recreation	349,503	350,003	366,607	(16,604)
Outdoor recreation	466,196	466,696	474,039	(7,343)
Total Parks and Recreation	<u>2,626,754</u>	<u>2,672,754</u>	<u>3,107,521</u>	<u>(434,767)</u>
MUNICIPAL COURT	<u>1,556,955</u>	<u>1,556,955</u>	<u>1,395,353</u>	<u>161,602</u>
Total expenditures	<u>45,937,254</u>	<u>46,474,773</u>	<u>46,774,286</u>	<u>(299,513)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,500)</u>	<u>(541,019)</u>	<u>2,421,923</u>	<u>2,962,942</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	64,345	64,345
Transfers out	-	(3,252,219)	(3,223,526)	28,693
Sale of property and equipment	3,500	3,500	4,067	567
Total other financing sources (uses)	<u>3,500</u>	<u>(3,248,719)</u>	<u>(3,155,114)</u>	<u>93,605</u>
Net change in fund balance	<u>-</u>	<u>(3,789,738)</u>	<u>(733,191)</u>	<u>3,056,547</u>
Fund Balance - October 1, 2005	<u>5,061,437</u>	<u>4,920,292</u>	<u>10,731,901</u>	<u>5,811,609</u>
Fund Balance - September 30, 2006	<u>\$ 5,061,437</u>	<u>\$ 1,130,554</u>	<u>\$ 9,998,710</u>	<u>\$ 8,868,156</u>

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

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

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL	
	ENTERPRISE FUNDS			ACTIVITIES	
	UTILITIES	SANITATION	AIRPORT	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets					
Unrestricted current assets:					
Cash and cash equivalents	\$ 5,745,493	\$ 6,388,495	\$ 598,641	\$ 12,732,629	\$ 13,749,945
Cash on hand and deposits	1,700	30	150	1,880	52,973
Prepaid expenses	-	9,800	-	9,800	-
Accounts receivable (net)	3,440,000	1,236,369	67,337	4,743,706	163,691
Inventories - at average cost	262,875	-	-	262,875	271,299
Total unrestricted current assets	<u>9,450,068</u>	<u>7,634,694</u>	<u>666,128</u>	<u>17,750,890</u>	<u>14,237,908</u>
Restricted Current assets:					
Temporarily restricted					
Cash and cash equivalents for payment of current maturities of revenue bond principal and interest	756,446	-	-	756,446	-
Total restricted current assets	<u>756,446</u>	<u>-</u>	<u>-</u>	<u>756,446</u>	<u>-</u>
Total current assets	<u>10,206,514</u>	<u>7,634,694</u>	<u>666,128</u>	<u>18,507,336</u>	<u>14,237,908</u>
Noncurrent assets:					
Restricted assets:					
Temporarily restricted					
Cash and cash equivalents	3,848,838	-	-	3,848,838	-
Total restricted assets	<u>3,848,838</u>	<u>-</u>	<u>-</u>	<u>3,848,838</u>	<u>-</u>
Deferred charges (net)	498,684	-	-	498,684	-
Water rights - Lake Palestine	12,524,200	-	-	12,524,200	-
Capital assets:					
Land	1,897,452	3,285,312	734,765	5,917,529	65,000
Buildings	31,842,642	307,704	20,097,532	52,247,878	1,185,580
Improvements other than buildings	181,401,621	174,069	13,110,028	194,685,718	285,404
Machinery and equipment	1,777,350	4,354,395	247,152	6,378,897	23,734,349
Construction in progress	140,985	-	1,760,189	1,901,174	-
Less accumulated depreciation	(62,007,153)	(2,655,730)	(7,748,363)	(72,411,246)	(16,318,914)
Total capital assets net of accumulated depreciation	<u>155,052,897</u>	<u>5,465,750</u>	<u>28,201,303</u>	<u>188,719,950</u>	<u>8,951,419</u>
Total noncurrent assets	<u>171,924,619</u>	<u>5,465,750</u>	<u>28,201,303</u>	<u>205,591,672</u>	<u>8,951,419</u>
Total assets	<u>182,131,133</u>	<u>13,100,444</u>	<u>28,867,431</u>	<u>224,099,008</u>	<u>23,189,327</u>
LIABILITIES					
Current liabilities					
Unrestricted current liabilities:					
Accounts and contracts payable	1,206,636	156,822	48,037	1,411,495	304,722
Insurance claims payable	-	-	-	-	991,033
Landfill closure postclosure costs payable	-	235,205	-	235,205	-
Current portion of capital lease payable	-	-	-	-	102,988
Current portion of compensated absences payable	16,804	6,558	2,131	25,493	3,985
Total unrestricted current liabilities	<u>1,223,440</u>	<u>398,585</u>	<u>50,168</u>	<u>1,672,193</u>	<u>1,402,728</u>
Current liabilities payable from restricted assets:					
Revenue bonds payable	2,440,000	-	-	2,440,000	-
Customer deposits	16,695	-	-	16,695	-
Accrued interest	209,453	-	-	209,453	-
Total current liabilities payable from restricted assets	<u>2,666,148</u>	<u>-</u>	<u>-</u>	<u>2,666,148</u>	<u>-</u>
Total current liabilities	<u>3,889,588</u>	<u>398,585</u>	<u>50,168</u>	<u>4,338,341</u>	<u>1,402,728</u>
Noncurrent liabilities:					
Revenue bonds payable	53,798,813	-	-	53,798,813	-
Capital lease payable	-	-	-	-	278,598
Compensated absences	319,273	124,595	40,493	484,361	75,728
Total noncurrent liabilities	<u>54,118,086</u>	<u>124,595</u>	<u>40,493</u>	<u>54,283,174</u>	<u>354,326</u>
Total liabilities	<u>58,007,674</u>	<u>523,180</u>	<u>90,661</u>	<u>58,621,515</u>	<u>1,757,054</u>
NET ASSETS					
Invested in capital assets, net of related debt	98,814,084	5,465,750	28,201,303	132,481,137	8,569,833
Restricted net assets:					
Debt service	548,347	-	-	548,347	-
Storm water management	945,742	-	-	945,742	-
Capital projects	3,767,730	-	292,146	4,059,876	-
Unrestricted	20,047,556	7,111,514	283,321	27,442,391	12,862,440
Total net assets	<u>\$ 124,123,459</u>	<u>\$ 12,577,264</u>	<u>\$ 28,776,770</u>	<u>165,477,493</u>	<u>\$ 21,432,273</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	(5,773)	
			current year	<u>557,857</u>	
Net assets of business-type activities				<u>\$ 166,029,577</u>	

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

	BUSINESS-TYPE ACTIVITIES			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL
	ENTERPRISE FUNDS				INTERNAL
	UTILITIES	SANITATION	AIRPORT		SERVICE FUNDS
OPERATING REVENUES					
Water and sewer operations	\$ 26,718,488	\$ -	\$ -	\$ 26,718,488	\$ -
Trash and garbage	-	9,002,239	-	9,002,239	-
Airport sales and rentals	-	-	1,043,056	1,043,056	-
Charges for services	-	-	-	-	7,469,669
Contributions	-	-	-	-	9,341,043
Miscellaneous	424,224	5,920	2,912	433,056	295
Total operating revenues	<u>27,142,712</u>	<u>9,008,159</u>	<u>1,045,968</u>	<u>37,196,839</u>	<u>16,811,007</u>
OPERATING EXPENSES					
Water and sewer operations	18,514,100	-	-	18,514,100	-
Sanitation operations	-	7,856,601	-	7,856,601	-
Municipal Airport operations	-	-	1,114,676	1,114,676	-
Garage operations	-	-	-	-	1,083,062
Depreciation	5,823,262	305,783	772,545	6,901,590	2,090,104
Insurance claims	-	-	-	-	6,469,802
Administrative	-	-	-	-	4,393,952
Special services	-	-	-	-	413,154
Maintenance	-	-	-	-	136,671
Total operating expenses	<u>24,337,362</u>	<u>8,162,384</u>	<u>1,887,221</u>	<u>34,386,967</u>	<u>14,586,745</u>
Operating income (loss)	<u>2,805,350</u>	<u>845,775</u>	<u>(841,253)</u>	<u>2,809,872</u>	<u>2,224,262</u>
NON-OPERATING REVENUES (EXPENSES)					
Revenues from use of money and property	519,782	274,475	21,943	816,200	648,203
Income from other agencies	-	-	1,171,731	1,171,731	-
Amortization	(92,374)	-	-	(92,374)	-
Sale of property	-	130,848	-	130,848	52,115
Interest expense	(2,646,423)	-	-	(2,646,423)	(20,650)
Total non-operating revenues (expenses)	<u>(2,219,015)</u>	<u>405,323</u>	<u>1,193,674</u>	<u>(620,018)</u>	<u>679,668</u>
Income (loss) before operating transfers	<u>586,335</u>	<u>1,251,098</u>	<u>352,421</u>	<u>2,189,854</u>	<u>2,903,930</u>
Transfers in	11,453,363	-	201,624	11,654,987	299,169
Transfers out	(11,475,481)	(299,169)	(4,300)	(11,778,950)	(3,598)
Net transfers and capital contributions	<u>(22,118)</u>	<u>(299,169)</u>	<u>197,324</u>	<u>(123,963)</u>	<u>295,571</u>
Change in net assets	564,217	951,929	549,745	2,065,891	3,199,501
Net Assets - October 1, 2005	<u>123,559,242</u>	<u>11,625,335</u>	<u>28,227,025</u>		<u>18,232,772</u>
Net Assets - September 30, 2006	<u>\$ 124,123,459</u>	<u>\$ 12,577,264</u>	<u>\$ 28,776,770</u>		<u>\$ 21,432,273</u>
Reconciliation to government-wide statements of net assets					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>557,857</u>	
Change in net assets of business-type activities				<u>\$ 2,623,748</u>	

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

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

	BUSINESS-TYPE ACTIVITIES			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES
	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	UTILITIES	SANITATION	AIRPORT		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 26,640,019	\$ 8,841,769	\$ 1,052,482	\$ 36,534,270	\$ 16,822,652
Cash paid to suppliers for goods and services	(13,243,453)	(5,763,227)	(774,557)	(19,781,237)	(4,236,066)
Cash paid to employees for services	(5,055,914)	(2,108,447)	(442,518)	(7,606,879)	(1,542,566)
Insurance claims paid	-	-	-	-	(6,274,764)
Net cash provided by (used in) operating activities	<u>8,340,652</u>	<u>970,095</u>	<u>(164,593)</u>	<u>9,146,154</u>	<u>4,769,256</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	11,453,363	-	201,624	11,654,987	299,169
Transfers out to other funds	(11,475,481)	(299,169)	(4,300)	(11,778,950)	(3,598)
Net cash (used in) provided by non-capital financing activities	<u>(22,118)</u>	<u>(299,169)</u>	<u>197,324</u>	<u>(123,963)</u>	<u>295,571</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(4,948,478)	(810,265)	(1,122,000)	(6,880,743)	(2,907,775)
Proceeds from grants for capital purposes	-	-	1,171,731	1,171,731	-
Proceeds from sale of assets	-	130,848	-	130,848	169,557
Payments on bonded debt	(1,698,500)	-	-	(1,698,500)	-
Interest paid	(2,649,199)	-	-	(2,649,199)	(20,650)
Net cash provided by (used in) capital and related financing activities	<u>(9,296,177)</u>	<u>(679,417)</u>	<u>49,731</u>	<u>(9,925,863)</u>	<u>(2,758,868)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	519,782	274,475	21,943	816,200	648,203
Net cash provided by investing activities	<u>519,782</u>	<u>274,475</u>	<u>21,943</u>	<u>816,200</u>	<u>648,203</u>
Net increase (decrease) in cash and cash equivalents	(457,861)	265,984	104,405	(87,472)	2,954,162
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>10,810,338</u>	<u>6,122,541</u>	<u>494,386</u>	<u>17,427,265</u>	<u>10,848,756</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,352,477</u>	<u>\$ 6,388,525</u>	<u>\$ 598,791</u>	<u>\$ 17,339,793</u>	<u>\$ 13,802,918</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 2,805,350	\$ 845,775	\$ (841,253)	\$ 2,809,872	\$ 2,224,262
Adjustments to reconcile operating income to net cash					
Provided by (used in) operating activities:					
Depreciation expense	5,823,262	305,783	772,545	6,901,590	2,090,104
(Increase) decrease in accounts receivable	(517,979)	(166,390)	6,514	(677,855)	11,645
(Increase) decrease in prepaid expenses	-	(9,800)	-	(9,800)	60,360
(Increase) decrease in inventories	(1,409)	-	-	(1,409)	103,145
Increase (decrease) in accounts payable	220,994	2,557	(108,265)	115,286	47,947
Increase (decrease) in customer deposits	16,695	-	-	16,695	-
Increase (decrease) in claims payable	-	-	-	-	233,712
Increase (decrease) in compensated absences payable	(6,261)	6,965	5,866	6,570	(1,919)
Increase (decrease) in landfill postclosure costs payable	-	(14,795)	-	(14,795)	-
Total adjustments	<u>5,535,302</u>	<u>124,320</u>	<u>676,660</u>	<u>6,336,282</u>	<u>2,544,994</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 8,340,652</u>	<u>\$ 970,095</u>	<u>\$ (164,593)</u>	<u>\$ 9,146,154</u>	<u>\$ 4,769,256</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Borrowing under capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 381,586</u>

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

CITY OF TYLER, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2006

	EMPLOYEE BENEFIT TRUST (SECTION 125 PLAN)	GREENWOOD LANDFILL PRIVATE - PURPOSE TRUST
ASSETS		
Equity in pooled cash and investments	\$ 138,649	\$ 1,866,479
Receivables		
Accounts receivable	8,274	-
Interest receivable	-	6,180
Total receivables	<u>8,274</u>	<u>6,180</u>
Total assets	<u>146,923</u>	<u>1,872,659</u>
LIABILITIES		
Accounts payable	<u>7,072</u>	-
Total liabilities	<u>7,072</u>	-
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 139,851</u>	<u>\$ 1,872,659</u>

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

CITY OF TYLER, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	EMPLOYEE BENEFIT TRUST (SECTION 125 PLAN)	GREENWOOD LANDFILL PRIVATE -PURPOSE TRUST
ADDITIONS		
Contributions:		
Employees	\$ 165,913	\$ -
Employer	235,300	-
Other	-	36,000
Total contributions	<u>401,213</u>	<u>36,000</u>
Investment income:		
Interest	-	77,006
Net investment income	<u>-</u>	<u>77,006</u>
Total additions	<u>401,213</u>	<u>113,006</u>
DEDUCTIONS		
Benefits	392,285	-
Administrative expenses	-	-
Total deductions	<u>392,285</u>	<u>-</u>
Change in net assets	<u>8,928</u>	<u>113,006</u>
Net Assets - October 1, 2005	<u>130,923</u>	<u>1,759,653</u>
Net Assets - September 30, 2006	<u>\$ 139,851</u>	<u>\$ 1,872,659</u>

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

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

B. Blended Component Unit

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

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

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

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

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

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

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

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

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

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

The government reports the following major governmental funds:

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

The 1/2 Cent Sales Tax Fund accounts for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

The City of Tyler reports the following Internal Service Funds:

1. Productivity Improvement Fund – tracks the performance pay of City employees.
2. Fleet Maintenance and Replacement Fund – used to track maintenance and repair work on vehicles of all City departments.
3. Property and Liability Insurance Fund – accounts for the City's property, casualty and liability insurance programs.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

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

Internal Service Funds – continued:

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

Fiduciary Funds:

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

The Employee Benefit Trust (Section 125 Plan) Fund is used to account for the resources accumulated and payments made on behalf of City employees enrolled in the cafeteria plan administered by Health First.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to 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.

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

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

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

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

E. Assets, Liabilities, and Net Assets or Equity

1. Equity in Pooled Cash and Investments

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

For the purpose of the statements of cash flows for the Proprietary and Internal Service Funds, the City considers all assets included in "equity in pooled cash and investments" to be "cash and cash equivalents."

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

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

2. Investments

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

Methods and Assumptions used to Estimate Fair Value

The City maintains investment accounting records and adjusts those records to "fair value" on an annual basis. This information is provided by the City's investment custodian. The investments held by the City are widely traded in the financial markets and trading values are readily available from numerous published sources. Material unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered "fair value". For the year ended September 30, 2006, there were no material unrealized gains or losses.

Investment Pools

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

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

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

2. Investments – continued

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

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

Other

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

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

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

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

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

The City Charter limits the City's ad valorem tax rate to \$1.75 per \$100 of assessed valuation. The tax rate for the year ended September 30, 2006, was \$.238375 per \$100, which means that the City has a tax margin of \$1.511625 per \$100 and could rise up to \$67,086,191 additional taxes a year from the present valuation of \$4,438,018,123 before the limit is reached.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Utilities 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 placed on the bank account by bond covenants, grant agreements and trust agreements established to govern the spending of funds for the permanent care of the City's cemeteries.

6. Due from Other Funds

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

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 (amount not rounded) and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

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

7. Capital Assets – continued

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

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

8. Construction-in-Progress

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

9. Compensated Absences

Non-Civil Service Employees

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

Any non-civil service employees hired after January 1, 1999 were enrolled into the PTO program and may only carryover 30 days of PTO per year. Any amount accrued above the 30 days carryover is lost as of December 31 of that year. Unused PTO up to 30 days will be paid to the employee upon termination at employee's current pay rate.

Civil Service Employees

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

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

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

9. Compensated Absences - continued

Civil and Non-Civil Service Employees

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

10. Long-Term Obligations

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

11. Fund Equity

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

12. Net Assets

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

13. Estimates

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

14. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in Governmental Funds. However, encumbrances in the Governmental Funds lapse at the end of the each year and are re-budgeted during the next fiscal year.

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

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

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

15. New Accounting Pronouncements

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

In November 2003, GASB issued Statement #42, “*Accounting and Reporting for Impairment of Capital Assets and for Insurance Recoveries.*” GASB #42 provides guidance on determining whether a capital asset has been impaired and provides four methods of measuring impairment loss. The statement is effective for the City’s financial statements for the year ended September 30, 2006. The adoption of the statement had no material impact on the City’s financial statements.

In April 2004, GASB issued Statement #43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*” GASB #43 establishes financial reporting requirements for other postemployment benefit plans. The statement is effective for the City’s financial statements beginning in fiscal year September 30, 2007. The City’s adoption of this statement during fiscal year 2007 will have no affect on its financial statements.

During fiscal year 2006, the City implemented GASB Statement #44, “*Economic Condition Reporting: The Statistical Section.*” GASB #44 modifies the reporting of statistical tables and narrative explanations contained in comprehensive annual financial reports. The City’s statistical section which reflects the changes required by GASB #44 begins on page 116.

In August 2004, GASB issued Statement #45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*” GASB #45 establishes requirements for employer governments to account for and report the annual cost of other postemployment benefits. This statement is effective for the City’s fiscal year September 30, 2008. The City has retained an actuarial consultant to perform preliminary calculations on the impact of the requirements of this pronouncement. The impact of the implementation of this pronouncement on the City’s financial statements is unknown at this time.

During fiscal year 2006, the City adopted GASB Statement #46, “*Net Assets Restricted by Enabling Legislation.*” GASB #46 clarifies GASB #34’s requirement that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB #46 provides guidance that clarifies the requirement that a legally enforceable enabling legislation is one that a party to a government; such as citizens, public interest groups, or the judiciary, can compel a government to honor. This statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The City’s adoption of this statement during 2006 did not have a material impact on the financial statements.

During fiscal year 2006, the City adopted GASB #47, “*Accounting for Termination Benefits.*” This statement provides guidance on accounting and reporting for benefits associated with either voluntary or involuntary terminations. The City’s adoption of this statement did not have an impact on the financial statements.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

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

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$10,045,343 difference are as follows:

Bonds payable	\$ 4,340,000
Claims and judgment	195,000
Compensated absences	<u>5,510,343</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$10,045,343</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 \$521,228 difference are as follows:

Deferred property tax revenues	\$ 572,418
Allowance for uncollectible property taxes receivable	<u>(51,190)</u>
	<u>\$ 521,228</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures”. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$(2,425,271) difference are as follows:

Capital outlay	\$ 9,053,311
Depreciation expense	<u>(11,478,582)</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (2,425,271)</u>

Another element of that reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$36,074 difference are as follows:

Change in deferred property tax revenues	\$ 34,410
Change in allowance for uncollectible property taxes receivable	<u>1,664</u>
	<u>\$ 36,074</u>

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTIBILITY

A. Budgetary Information

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

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

Budgets for the General Fund, certain Special Revenue Funds (Development Services Fund, Police Forfeiture Fund, Court Technology Fund, Hotel-Motel Occupancy Tax Fund, Tourism and Convention Fund, Passenger Facility Charge Fund, Oil and Natural Gas Fund), Capital Projects Fund, General Debt Services 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 \$49,726,992. Appropriations, which are not expended or encumbered at year-end, must be rebudgeted in the succeeding year.

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

B. Expenditures Over Appropriations

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

<u>Individual Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures In Excess of Appropriations</u>
Hotel-Motel	\$ 1,540,985	\$ 1,535,524	\$ 5,461
Cemeteries Fund	237,557	188,363	49,194
General Fund:			
General Government	6,842,748	6,821,399	21,349
Fire Department	10,255,555	10,033,708	221,847
Parks and Recreation	3,107,520	2,672,754	434,767

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTIBILITY - continued

C. Deficit Fund Equity

As of September 30, 2006, there were no deficit fund equity balances.

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Statutes authorize the City to invest in obligations of the U. S. Treasury and U. S. Agencies, municipal bonds, and managed public funds investment pools. The City's investments and deferred compensation plan assets (Note 5: F) for the year ended September 30, 2006, are as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>
U.S. Government Securities	\$24,842,800	.90	AAA
TexPool	46,623,957	.15	AAA
TexStar	5,119,164	.21	AAA
Cash in bank	<u>158,876</u>		
 Total fair value	 <u>\$76,744,797</u>		
 Portfolio weighted average maturity		 .40	

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

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

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

Custodial Credit Risk – Deposits – At September 30, 2006, the City's bank account balance, less outstanding checks and deposits, was \$158,876 and the bank balance was \$1,998,993. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining balance was covered by collateral held in the pledging financial institutions' trust department in the City's name. In accordance with the City's deposit and investment policy, all deposits placed at a financial institution shall be insured or collateralized in compliance with applicable State law. The City requires market value of pledged securities in excess of 102% of all uninsured deposits.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

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:

Receivables:	General Fund	1/2 Cent Sales Tax Fund	Utilities Fund	Sanitation Fund	Airport Fund	Non-Major Governmental Funds	Internal Service Funds	Fiduciary Funds	Total
Accounts	\$5,905,940	\$ -	\$3,566,704	\$1,255,114	\$65,510	\$459,838	\$ -	\$ -	\$11,253,106
Grants	-	-	-	-	-	1,164,313	-	-	1,164,313
Taxes	609,233	1,973,720	-	-	-	-	-	-	2,582,953
Miscellaneous	37,057	71,706	34,033	21,439	1,827	45,483	163,691	14,454	389,690
Gross receivables	6,552,230	2,045,426	3,600,737	1,276,553	67,337	1,669,634	163,691	14,454	15,390,062
Less: allowance for uncollectibles	(51,190)	-	(160,737)	(40,184)	-	-	-	-	(252,111)
Net total receivables	<u>\$6,501,040</u>	<u>\$2,045,426</u>	<u>\$3,440,000</u>	<u>\$1,236,369</u>	<u>\$67,337</u>	<u>\$1,669,634</u>	<u>\$163,691</u>	<u>\$14,454</u>	<u>\$15,137,951</u>

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

Unearned grant revenue	<u>Unavailable</u>	<u>Unearned</u>
Deferred property taxes receivable	<u>\$ 572,418</u>	<u>\$ 177,459</u>

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,347,881	\$ 869,757	\$ (225,000)	\$ 5,992,638
Construction in progress	17,134,505	2,694,371	(15,952,425)	3,876,451
Total capital assets not being depreciated	<u>22,482,386</u>	<u>3,564,128</u>	<u>(16,177,425)</u>	<u>9,869,089</u>
Capital assets, being depreciated:				
Buildings	25,460,587	4,975,595	-	30,436,182
Improvements, other than buildings	82,401,237	825,554	(1,073,447)	82,153,344
Machinery and equipment	35,881,688	4,399,363	(585,098)	39,695,953
Infrastructure	219,788,525	15,859,256	-	235,647,781
Total capital assets being depreciated	<u>363,532,037</u>	<u>26,059,768</u>	<u>(1,658,545)</u>	<u>387,933,260</u>
Less accumulated depreciation for:				
Buildings	(9,561,698)	(661,882)	(10)	(10,223,590)
Improvements other than buildings	(17,885,222)	(3,894,908)	(284)	(21,780,414)
Machinery and equipment	(23,763,771)	(3,276,021)	432,702	(26,607,090)
Infrastructure	(121,551,124)	(5,735,875)	-	(127,286,999)
Total accumulated depreciation	<u>(172,761,815)</u>	<u>(13,568,686)</u>	<u>432,408</u>	<u>(185,898,093)</u>
Total capital assets being depreciated, net	<u>190,770,222</u>	<u>12,491,082</u>	<u>(1,226,137)</u>	<u>202,035,167</u>
Government activities capital assets, net	<u>\$ 213,252,608</u>	<u>\$ 16,055,210</u>	<u>\$ (17,403,562)</u>	<u>\$ 211,904,256</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,917,529	\$ -	\$ -	\$ 5,917,529
Construction in progress	1,594,493	1,270,723	(964,042)	1,901,174
Total capital assets, not being depreciated	<u>7,512,022</u>	<u>1,270,723</u>	<u>(964,042)</u>	<u>7,818,703</u>
Capital assets, being depreciated:				
Buildings	51,777,417	470,461	-	52,247,878
Improvements, other than buildings	188,527,818	6,334,006	(1,770,695)	193,091,129
Machinery and equipment	5,895,687	1,382,982	(899,773)	6,378,896
Infrastructure	666,788	6,447,688	(5,519,887)	1,594,589
Total capital assets being depreciated	<u>246,867,710</u>	<u>14,635,137</u>	<u>(8,190,355)</u>	<u>253,312,492</u>
Less accumulated depreciation for:				
Buildings	(14,755,321)	(1,242,040)	(764,205)	(16,761,566)
Improvements other than buildings	(47,875,300)	(5,229,405)	556,711	(52,547,994)
Machinery and equipment	(2,986,933)	(388,383)	352,823	(3,022,493)
Infrastructure	(21,380)	(41,762)	(16,050)	(79,192)
Total accumulated depreciation	<u>(65,638,935)</u>	<u>(6,901,590)</u>	<u>129,280</u>	<u>(72,411,245)</u>
Total capital assets being depreciated, net	<u>181,228,775</u>	<u>7,733,547</u>	<u>(8,061,075)</u>	<u>180,901,247</u>
Business-type activities capital assets, net	<u>\$ 188,740,797</u>	<u>\$ 9,004,270</u>	<u>\$ (9,025,117)</u>	<u>\$ 188,719,950</u>

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

C. Capital Assets – continued:

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

Governmental activities:		
General government		\$ 44,537
Public safety		2,484,424
Highways and streets, including depreciation of general infrastructure assets		7,582,637
Culture and recreation		817,160
Public service		549,824
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>2,090,104</u>
Total depreciation expense – governmental activities		<u>\$13,568,686</u>
Business-type activities:		
Utilities		\$ 5,823,262
Airport		772,545
Sanitation		<u>305,783</u>
Total depreciation expense – business-type activities		<u>\$ 6,901,590</u>

Construction Commitments

As of September 30, 2006, the City was in the planning phase for several projects consisting of two fire stations and street construction and expansion. The planning phases for these projects consisted of purchasing land and right of way acquisitions. While the City intends to begin construction on these projects in the future, no long-term contractual obligations have been incurred in relation to the following projects as of September 30, 2006.

<u>Project</u>	<u>Spent-to-date</u>	<u>Estimated Remaining Commitment</u>
Grande Blvd. Extension to Paluxy	\$ 1,627,791	Undetermined
Lake Placid – Noonday to Hwy. 155	496,729	Undetermined
New Sunnybrook – Loop to Englewood	285,138	Undetermined
Fire station # 7	184,527	Undetermined
Fire station # 10	271,471	Undetermined

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

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2006, is as follows:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Passenger Facility	\$ 37
General Fund	CBDG Grant	212
General Fund	Home Grant	18,610
General Fund	State & Federal Grant	342,512
General Fund	Transit Grant	<u>364,527</u>
		<u>\$725,898</u>

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

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

D. Interfund Receivables, Payables, and Transfers - continued

	Transfers in:						Total
	General Fund	1/2 Cent Sales Tax Fund	Nonmajor Governmental Funds	Utilities Enterprise Funds	Airport Enterprise Funds	Internal Service Funds	
Transfers out:							
General Fund	\$ -	\$ -	\$ 3,223,526	\$ -	\$ -	\$ -	\$ 3,223,526
1/2 Cent Sales Tax Fund	-	-	234,133	-	-	-	234,133
Nonmajor Governmental Funds	64,345	244,318	118,888	-	201,623	-	629,174
Utilities Enterprise Funds	-	-	22,118	11,453,363	-	-	11,475,481
Airport Enterprise Funds	-	-	4,300	-	-	-	4,300
Sanitation Enterprise Fund	-	-	-	-	-	299,169	299,169
Internal Service Funds	-	-	3,598	-	-	-	3,598
Total	<u>\$ 64,345</u>	<u>\$ 244,318</u>	<u>\$ 3,606,563</u>	<u>\$ 11,453,363</u>	<u>\$ 201,623</u>	<u>\$ 299,169</u>	<u>\$ 15,869,381</u>

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

E. Leases

Operating Leases

The City 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, 2006, were approximately \$627,000.

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of support equipment related to a future upgrade in the City's telephone system. The lease agreement qualifies as a capital lease for accounting purposes. The assets acquired through the capital lease are as follows:

Asset:	Governmental Activities Internal Service Funds <u>Technology Fund</u>
Machinery and Equipment	\$ 531,100
Less: Accumulated depreciation	<u>(53,110)</u>
Total	<u>\$ 477,990</u>

The future minimum lease obligations as of September 30, 2006, were as follows:

Year ending September 30:	
2007	\$ 119,127
2008	119,127
2009	119,127
2010	<u>59,562</u>
Total amount of minimum lease payments	416,943
Less: amount representing interest	<u>(35,357)</u>
Present value of minimum lease payments	<u>\$ 381,586</u>

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

F. Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount issued in prior years was \$18,899,000. During the year, the City issued no additional general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 1997	Refunding	4.65 to 4.90%	<u>\$4,340,000</u>

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

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$1,030,000	\$206,833
2008	1,055,000	158,423
2009	1,105,000	108,838
2010	<u>1,150,000</u>	<u>56,350</u>
Total	<u>\$4,340,000</u>	<u>\$530,444</u>

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The revenue bonds issued by the City in prior years were to fund construction projects to improve or expand the water system and to refund prior issuances. Income derived from the sale of water will be used to service the debt requirements. The original amount issued in prior years was \$68,440,000.

Revenue bonds currently outstanding are as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2000	Lake Palestine water treatment plant	5.00 to 5.70%	\$2,905,000
Series 2002	Lake Palestine water treatment plant	2.00 to 4.75%	13,350,000
Series 2003	Water meter replacement	2.00 to 5.00%	10,615,000
Series 2005	Advance Refunding	3.00 to 5.00%	<u>29,545,000</u>
Total outstanding revenue bonds			<u>\$56,415,000</u>

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

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$2,440,000	\$2,614,550
2008	2,525,000	2,534,786
2009	2,615,000	2,448,162
2010	2,720,000	2,335,161
2011-2015	11,860,000	9,917,969
2016-2020	8,765,000	7,712,121
2021-2025	11,185,000	5,287,651
2026-2030	<u>14,305,000</u>	<u>2,183,586</u>
Total	<u>\$56,415,000</u>	<u>\$35,033,986</u>

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

F. Long-Term Debt – continued:

Revenue Bond Requirements - Required Prior Lien Reserves

The ordinance authorizing the issuance of the 1983 water and sewer prior lien revenue bonds, as amended by the ordinance issuing the 1989-B Revenue Refunding Bonds and later amended by the ordinance issuing the 1999 revenue refunding bonds, also created debt service and reserve funds and pledged the net revenues of the waterworks and sanitary sewer system in excess of the requirements of the 1982 bonds to the payment of the 1983 bonds. The reserve fund established by this ordinance requires that a balance equal to the average annual debt service requirements of the outstanding bonds be maintained. The issuance of the series 2005 water and sewer system revenue refunding bonds amended the reserve requirements mentioned above. As of September 30, 2006, the amended reserve requirement of \$2,545,789 has been satisfied through a reserve insurance policy and a surety bond taken out by the City. The reserve insurance policy would pay the annual debt service requirements in the event the City could not meet its debt service obligations, thus eliminating the need for the debt reserve fund.

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2006, was as follows:

	Beginning Balance 10/1/05	Additions	Reductions	Ending Balance 9/30/06	Due Within One Year	Due in More Than One Year
Governmental Activities:						
Claims and judgments	\$ 195,000	\$ -	\$ -	\$ 195,000	\$ 195,000	\$ -
General obligation bonds payable	5,340,000	-	1,000,000	4,340,000	1,030,000	3,310,000
Capital leases		381,586		381,586	102,988	278,598
Compensated absences	5,303,054	478,276	191,274	5,590,056	279,503	5,310,553
Governmental Activities Long-Term Liabilities	<u>\$ 10,838,054</u>	<u>\$ 859,862</u>	<u>\$ 1,191,274</u>	<u>\$ 10,506,642</u>	<u>\$ 1,607,491</u>	<u>\$ 8,899,151</u>
Business-Type Activities:						
Revenue bonds payable	\$ 58,113,500	\$ -	\$ 1,698,500	\$ 56,415,000	\$ 2,440,000	\$ 53,975,000
Bond premium/(discount)	(221,318)	45,131	-	(176,187)	-	(176,187)
Compensated absences	503,284	44,003	37,433	509,854	25,493	484,361
Landfill closure and post-closure	250,000	-	14,795	235,205	235,205	-
Business-Type Activities Long-Term Liabilities	<u>\$ 58,645,466</u>	<u>\$ 89,134</u>	<u>\$ 1,750,728</u>	<u>\$ 56,983,872</u>	<u>\$ 2,700,698</u>	<u>\$ 54,283,174</u>

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

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 5: OTHER INFORMATION

A. Risk Management

Property and Liability Plans

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

Worker's Compensation Plan

The City is exposed to risk of loss due to injuries incurred by employees while performing work-related duties. The City has established and maintains a comprehensive self-insurance worker's compensation plan. Third party administrators also co-ordinate excess coverage claims with insurance companies that provide individual stop-loss for worker's compensation claims at \$400,000 and aggregate protection at \$1,000,000. The City tracks worker's compensation premiums and claim payments in the Employee Benefits Fund.

Health, Dental, and Life Plans

HEALTH

Employee/Dependents and Non-Medicare Eligible Retirees/Dependents

The City implemented a partially self-insured health plan for employees, their dependents and retirees/dependents, who are non-Medicare eligible. Employees can choose between two (2) PPO Plans. Non-Medicare Retirees and/or their dependents that have been continuously covered under the City's health plan may elect to continue their coverage at retirement. The employees and non-Medicare Retirees pay a portion of the premiums and the City pays the remainder.

The City has retained an insurance policy for specific and aggregate stop-loss coverage. There is an individual stop-loss of \$100,000 per illness. A third-party administrator administers health claims and payments.

Medicare Eligible Retirees/Dependents

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

DENTAL

Employees/Retirees

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

LIFE INSURANCE

Employees/Retirees

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

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

NOTE 5: OTHER INFORMATION – continued:

A. Risk Management – continued:

Other Self-Insurance Plans

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

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

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable Funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and collective legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City. City management and the collective legal counsel have determined that estimated liability for outstanding lawsuit contingencies at September 30, 2006, was \$195,000. See Note 4: F. 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 for the years ended September 30, 2006, and 2005, is presented below:

Fund	Insurance Claims Payable At Beginning of Year	Current Year Claims and Changes In Estimates	Actual Claim Payments	Insurance Claims Payable At End of Year
Employee Benefits Fund				
FYE 2005	\$ 828,414	\$ 4,623,279	\$ 4,694,373	\$ 757,320
FYE 2006	757,320	5,597,435	5,363,722	991,033

C. Joint Venture

The Northeast Texas Public Health District was established by a cooperative agreement between the City and Smith County, Texas pursuant to authority granted by the Texas Health 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, 2006, the City budgeted funding of \$675,000 for the Health District and \$298,000 for Animal/Vector Control contractual services to be provided by the District. The City's equity interest in the Health District was approximately \$550,000 at September 30, 2006. Financial statements for the Health District may be obtained at the entity's administrative offices.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

NOTE 5: OTHER INFORMATION – continued:

D. Water Rights

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

E. Other Post-Employment Benefits

In addition to providing pension benefits, the City Council adopted a policy whereby the City provides healthcare and life insurance benefits. Benefits are provided to all fire fighters who retire on or after age 55 with at least 20 years of service and to all other employees who retire on or after age 60 with at least 5 years of service or who have at least 20 years of service, regardless of age.

Retirees and their dependents, non-Medicare eligible, will continue with the same health and dental insurance coverage as active employees and their dependents. However, retirees are provided only \$5,000 group life insurance.

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

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

	Number of Retirees <u>Participating</u>	Cost of Benefits <u>For FYE 9/30/2006</u>
Retirees – Life Insurance	291	\$ 45,629
Not Medicare Eligible – Health Employees, Retirees, and Dependents	792	5,406,599
Medicare Eligible Retiree and Spouse – Health	249	551,288
Retiree and Spouse – Prescription Plan	138	433,252
Dental Insurance Employees, Retirees, and Dependents	930	443,900

F. Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or 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 \$8,489,476 September 30, 2006.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans

1. Texas Municipal Retirement System Plan

TMRS Plan Description

The City provides pension benefits for all of its full-time employees with the exception of firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 administered by TMRS, an agent multiple-employer public employee retirement system. Firefighters are covered by a separate pension plan (see Note F: 2 below); therefore, they are not included in the Texas Municipal Retirement System Plan. All assumptions for valuations at December 31, 2005 are contained in the 2005 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, TX 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount 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 that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows (as of 4/19/06 per TMRS):

Deposit Rate:	7%
Matching Ratio (City to Employee)	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City (expressed as years of service/age) are:

5 years/age 60
20 years/any age

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans – continued:

1. Texas Municipal Retirement System Plan – continued:

Contributions Required and Contributions Made

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

The City's contributions were based on an annual covered payroll of \$22,779,023. For the 2006 fiscal year, total contributions of \$3,233,357 were required and paid into the Fund. There were no related-party transactions. The City's current membership in TMRS is comprised of the following:

<u>Group</u>	<u>December 31, 2005</u>
Number of Annuitants	316
Number of Members	799
Number of Contributing Members	588

Trend Information:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Contribution as a Percentage of Payroll</u>	<u>Net Pension Obligation</u>
9/30/2006	\$ 3,233,357	100%	13.50%	\$ -
9/30/2005	2,815,775	100%	12.65%	-
9/30/2004	2,765,414	100%	12.52%	-

Actuarial Assumptions:

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years – Open Period
Asset Valuation Method	Amortized Cost
	(to accurately reflect the requirements of GASB Statement No. 25, paragraphs 36e and 138)
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	3.5%
Cost-of-Living Adjustments	None

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans - continued

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, 2005, are contained in the 2005 Tyler Firefighter's Relief and Retirement Fund audited financial statements, a copy of which may be obtained at 1718 West Houston, 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, 2005:

Group	December 31, 2005
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	80
Current employees:	
Fully vested	41
Nonvested	<u>92</u>
Total	<u>213</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 November 1, 2005, 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 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.

Contributions Required and Contributions Made

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

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

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

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans – continued:

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

Contributions Required and Contributions Made – continued:

The funding policy of the Tyler Firefighter's Relief and Retirement Fund requires contributions of 13.5% of pay by the firefighters and contributions by the City equal to the same percentage of payroll that the City contributes to the Texas Municipal Retirement System for other employees. The City's TMRS contribution rate was 13.97% for calendar year 2005 and 14.60% for 2006. These rates satisfy the Annual Pension Cost (APC) of GASB Statement No. 27. The December 31, 2005 actuarial valuation assumes that the City's contributions will average 14.50% of payroll in the future.

Annual Pension Cost:

For the fiscal year ending September 30, 2006, the City of Tyler's annual pension cost was \$1,027,862 as described below in the Trend Information. Based on the results of the December 31, 2005 actuarial valuation of the Plan effective January 1, 2005, 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, 2005 actuarial valuation.

The annual required contributions (ARC) by the City for the fiscal year ending September 30, 2006 were based on the results of the actuarial valuations as of December 31, 2003 and as of December 31, 2005 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:

Valuation date	12/31/2003	12/31/2005
Actuarial cost method	Entry age	Entry age
Amortized method	Level percent of payroll, open	Level percent of payroll, open
Amortized period for ARC	19 years	32 years
Actuarial assumptions		
• Investment return	8.00%	8.00%
• Projected salary increases	4.00% plus promotion and longevity	4.00% plus promotion and longevity
• Inflation	4.00%	3.75%
• Cost-of-living increases	0.00%	0.00%
• Payroll increases	4.00%	4.00%

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans – continued:

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

Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Contribution as a Percentage of Payroll	Net Pension Obligation
9/30/2004	\$ 748,542	100%	11.50%	\$ -
9/30/2005	934,972	100%	13.09% - 13.97%	-
9/30/2006	1,027,862	100%	13.97% - 14.60%	-

For the 2006 fiscal year, total contributions of \$2,021,748 were required and were paid into the Fund. Total contributions made for the 2005 and 2004 fiscal year were \$1,746,613 and \$1,529,639, respectively.

H. Commitments

The City invested in other projects and contracts with outside parties. The more significant of these at September 30, 2006, are as follows:

Greenwood Landfill TX, L.P. – The City set up a trust fund in January 2001 to ensure the eventual closure and post-closure expenditure requirements. The trust fund will be 100% funded by Greenwood Landfill TX, L.P. The initial agreement was that Greenwood would fund the trust at the annual rate of \$400,000 per year for 5 years. In January 2005 the agreement was amended to reduce the annual funding rate to \$36,000 per year beginning October 1, 2004 to allow Greenwood to actively pursue authorization to expand the Landfill from the appropriate regulatory agencies. The funding will be re-evaluated periodically to determine future needs. The trust is set up as an expendable trust with expenditures restricted to closure and post-closure costs. Liability for closure and post-closure costs are the responsibility of Greenwood and will be calculated annually under requirements established by the Texas Commission on Environmental Quality.

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

I. Landfill Closure and Postclosure Costs

Ewing Landfill – The City of Tyler is responsible for closure and postclosure costs associated with the Ewing Landfill, a municipal sanitation landfill. The landfill stopped accepting waste in 1988. Currently, the City is in the process of final closure of the landfill and received a final inspection report from the Texas Commission on Environment Quality. The inspection was performed in accordance with the approved Response Action Plan dated June 16, 2003.

The City has recognized a postclosure liability of approximately \$235,000 in the Sanitation Fund, which is an estimate of the total landfill closure and postclosure costs. This estimate is subject to changes resulting from inflation/deflation, technology, or changes in applicable laws or regulations. One hundred percent of the landfill's capacity has been utilized and has no remaining useful life.

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

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF TYLER, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION**

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio c=(a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of covered payroll ((b-a)/c)
12/31/2003	\$ 48,972,160	\$ 69,509,020	\$ 20,536,860	70.5%	\$ 21,013,958	97.7%
12/31/2004	52,175,928	76,050,415	23,874,487	68.6%	21,458,158	111.3%
12/31/2005	55,372,189	81,715,361	26,343,172	67.8%	22,779,023	115.6%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded (Overfunded) AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll (c) (1)	UAAL as a Percentage of covered Payroll ((b-a)/c)
12/31/2001 (2) (3)	\$ 38,040,060	\$ 39,820,577	\$ 1,780,517	95.5%	\$ 5,641,878	31.6%
12/31/2003 (2) (4)	38,363,213	44,815,187	6,451,974	85.6%	6,434,890	100.3%
12/31/2005 (2) (4)	38,914,954	50,047,120	11,132,166	77.8%	7,283,688	152.8%

- Note 1 The covered payroll is based on estimated annualized salaries used in the valuation.
 Note 2 Economic and/or demographic assumptions were changed.
 Note 3 Based upon the Plan Effective as of December 12, 2002 and amended December 22, 2002.
 Note 4 Based on the Plan Effective as of January 1, 2005.

ADDITIONAL SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

The *Development Services Fund* was established to account for the receipt and disbursement of permit and zoning related items involved in the building and construction industries. The separate fund allows for more complete costing of these related items.

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

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

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

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

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

The *Passenger Facility Charge Fund* was established to account for the receipt and disbursement of passenger facility charges collected from ticketed passengers at Tyler Pounds Regional Airport.

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

The *Homeownership and Housing Fund* was established to account for the receipt and disbursement of overhead allowances in excess of actual costs in the Section 8 Grant Program.

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

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

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

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

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

DEBT SERVICES FUND

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

CAPITAL PROJECTS FUND

The *General Capital Projects Fund* is funded periodically by excesses remaining in the General Fund balance 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.

CITY OF TYLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

		SPECIAL REVENUE FUNDS							
ASSETS		DEVELOPMENT SERVICES	POLICE FORFEITURE	COURT TECHNOLOGY	HOTEL-MOTEL OCCUPANCY TAX	DONATIONS	TOURISM AND CONVENTION	PASSENGER FACILITY CHARGE	OIL AND NATURAL GAS
Equity in pooled cash and investments	\$	159,205	\$ 229,732	\$ 370,727	\$ 944,134	\$ 315,473	\$ 185,927	\$ -	\$ 3,553,552
Accounts and grants receivable		627	755	1,214	180,234	-	628	37	124,638
Prepaid items		-	-	-	-	-	-	-	-
Total assets	\$	159,832	\$ 230,487	\$ 371,941	\$ 1,124,368	\$ 315,473	\$ 186,555	\$ 37	\$ 3,678,190
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$	20,023	\$ -	\$ 3,244	\$ -	\$ 540	\$ 80,873	\$ -	\$ 13,265
Deposits and other refundable balances		18,016	27,277	-	-	-	49,195	-	-
Due to other funds		-	-	-	-	-	-	37	-
Deferred revenue		-	-	-	-	-	-	-	-
Total liabilities		38,039	27,277	3,244	-	540	130,068	37	13,265
Fund balances:									
Reserved for:									
Debt service		-	-	-	-	-	-	-	-
Perpetual care		-	-	-	-	-	-	-	-
Court ordered disbursements		-	162,090	-	-	-	-	-	-
Court technology		-	-	284,618	-	-	-	-	-
Capital Projects		-	-	-	-	-	-	-	-
Grants / donations		-	-	-	-	314,933	-	-	-
Total reserved fund balances		-	162,090	284,618	-	314,933	-	-	-
Unreserved fund balances:									
Undesignated, reported in:									
Special revenue funds	121,793	41,120	84,079	1,124,368	-	-	56,487	-	3,664,925
Permanent funds		-	-	-	-	-	-	-	-
Total unreserved undesignated fund balances	121,793	41,120	84,079	1,124,368	-	-	56,487	-	3,664,925
Total fund balances	121,793	203,210	368,697	1,124,368	314,933	-	56,487	-	3,664,925
Total liabilities and fund balances	\$	159,832	\$ 230,487	\$ 371,941	\$ 1,124,368	\$ 315,473	\$ 186,555	\$ 37	\$ 3,678,190

CITY OF TYLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

SPECIAL REVENUE FUNDS (continued)

	HOME- OWNERSHIP AND HOUSING	CDBG	HOME GRANT	HOUSING ASSISTANCE PAYMENT	STATE AND FEDERAL GRANTS	TRANSIT SYSTEM	PAYROLL LIABILITY	TOTAL SPECIAL REVENUE FUNDS
ASSETS								
Equity in pooled cash and investments	\$ 116,869	\$ -	\$ -	\$ 741,119	\$ -	\$ 50	\$ 1,013,633	\$ 7,630,421
Accounts and grants receivable	462	20,411	50,420	151,720	460,229	655,253	-	1,646,628
Prepaid items	-	-	-	-	-	-	-	-
Total assets	\$ 117,331	\$ 20,411	\$ 50,420	\$ 892,839	\$ 460,229	\$ 655,303	\$ 1,013,633	\$ 9,277,049
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 8	\$ 12,794	\$ 31,810	\$ 10,046	\$ 40,853	\$ 54,815	\$ 1,013,633	\$ 1,281,904
Deposits and other refundable balances	-	-	-	786,115	-	-	-	880,603
Due to other funds	-	212	18,610	-	342,512	364,527	-	725,898
Deferred revenue	-	149	-	-	781	33,380	-	34,310
Total liabilities	8	13,155	50,420	796,161	384,146	452,722	1,013,633	2,922,715
Fund balances:								
Reserved for:								
Debt service	-	-	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-	-	-
Court ordered disbursements	-	-	-	-	-	-	-	162,090
Court technology	-	-	-	-	-	-	-	284,618
Capital Projects	-	-	-	-	-	-	-	-
Grants / donations	117,323	7,256	-	96,678	76,083	202,581	-	814,854
Total reserved fund balances	117,323	7,256	-	96,678	76,083	202,581	-	1,261,562
Undesignated fund balances:								
Undesignated, reported in:								
Special revenue funds	-	-	-	-	-	-	-	5,092,772
Permanent funds	-	-	-	-	-	-	-	-
Total unreserved undesignated fund balances	-	-	-	-	-	-	-	5,092,772
Total fund balances	117,323	7,256	-	96,678	76,083	202,581	-	6,354,334
Total liabilities and fund balances	\$ 117,331	\$ 20,411	\$ 50,420	\$ 892,839	\$ 460,229	\$ 655,303	\$ 1,013,633	\$ 9,277,049

CITY OF TYLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

	OTHER FUNDS		PERMANENT FUNDS		TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS					
Equity in pooled cash and investments					
Accounts and grants receivable	\$ 2,928,014	\$ 3,513,267	\$ 2,722,563	\$ 16,794,265	
Prepaid items	9,696	4,217	9,093	1,669,634	
	-	-	-	-	
Total assets	<u>\$ 2,937,710</u>	<u>\$ 3,517,484</u>	<u>\$ 2,731,656</u>	<u>\$ 18,463,899</u>	
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 128,499	\$ 5,404	\$ 1,415,807	
Deposits and other refundable balances	-	-	-	880,603	
Due to other funds	-	-	-	725,898	
Deferred revenue	-	49,500	-	83,810	
Total liabilities	-	<u>177,999</u>	<u>5,404</u>	<u>3,106,118</u>	
Fund balances:					
Reserved for:					
Debt service	2,937,710	-	-	2,937,710	
Perpetual care	-	-	2,036,054	2,036,054	
Court ordered disbursements	-	-	-	162,090	
Court technology	-	-	-	284,618	
Capital Projects	-	3,339,485	-	3,339,485	
Grants / donations	-	-	-	814,854	
Total reserved fund balances	<u>2,937,710</u>	<u>3,339,485</u>	<u>2,036,054</u>	<u>9,574,811</u>	
Unreserved fund balances:					
Undesignated, reported in:					
Special revenue funds	-	-	-	5,092,772	
Permanent funds	-	-	690,198	690,198	
Total unreserved undesignated fund balances	-	-	<u>690,198</u>	<u>5,782,970</u>	
Total fund balances	<u>2,937,710</u>	<u>3,339,485</u>	<u>2,726,252</u>	<u>15,357,781</u>	
Total liabilities and fund balances	<u>\$ 2,937,710</u>	<u>\$ 3,517,484</u>	<u>\$ 2,731,656</u>	<u>\$ 18,463,899</u>	

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

	SPECIAL REVENUE FUNDS							
	DEVELOPMENT SERVICES	POLICE FORFEITURE	COURT TECHNOLOGY	HOTEL-MOTEL OCCUPANCY TAX	DONATIONS	TOURISM AND CONVENTION	PASSENGER FACILITY CHARGE	OIL AND NATURAL GAS
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ 1,781,840	\$ -	\$ -	\$ -	\$ -
Licenses & permits	714,881	-	-	-	-	-	-	-
Grants	5,063	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	79,267	131,728	-	-	-	-	-
Revenues from use of money and property	8,611	9,327	14,286	32,912	-	334,917	663	134,539
Donations	-	-	-	-	229,307	-	-	-
Charges for services	32,695	-	-	-	-	950,425	365,806	-
Miscellaneous	-	-	-	-	-	5,133	-	1,165,601
Total revenues	<u>761,250</u>	<u>88,594</u>	<u>146,014</u>	<u>1,814,752</u>	<u>229,307</u>	<u>1,290,475</u>	<u>366,469</u>	<u>1,300,140</u>
EXPENDITURES								
Current								
General government	-	-	-	-	2,500	-	-	-
Public safety	-	12,052	53,998	-	10,624	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	38,790	1,269,555	-	133,487
Public services	887,766	-	-	1,540,985	8,450	-	-	-
Capital outlay	2,513	34,725	7,937	-	7,093	43,263	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	697	-	-	-	-	-	-
Total expenditures	<u>890,279</u>	<u>47,474</u>	<u>61,935</u>	<u>1,540,985</u>	<u>67,457</u>	<u>1,312,818</u>	<u>-</u>	<u>133,487</u>
Excess (deficiency) of revenues over (under) expenditures	(129,029)	41,120	84,079	273,767	161,850	(22,343)	366,469	1,166,653
OTHER FINANCING SOURCES (USES)								
Transfers in	250,822	-	-	-	-	80,000	-	-
Transfers out	-	-	-	-	-	-	(366,469)	-
Total other financing sources (uses)	<u>250,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>	<u>(366,469)</u>	<u>-</u>
Net change in fund balances	121,793	41,120	84,079	273,767	161,850	57,657	-	1,166,653
Fund balances - October 1, 2005	-	162,090	284,618	850,601	153,083	(1,170)	-	2,498,272
Fund balances - September 30, 2006	<u>\$ 121,793</u>	<u>\$ 203,210</u>	<u>\$ 368,697</u>	<u>\$ 1,124,368</u>	<u>\$ 314,933</u>	<u>\$ 56,487</u>	<u>\$ -</u>	<u>\$ 3,664,925</u>

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

	HOME-OWNERSHIP AND HOUSING	CDBG	HOME GRANT	HOUSING ASSISTANCE PAYMENT	STATE AND FEDERAL GRANTS	TRANSIT SYSTEM	PAYROLL LIABILITY	TOTAL SPECIAL REVENUE FUNDS
REVENUES								
Taxes	-	-	-	-	-	-	-	\$ 1,781,840
Licenses & permits	-	-	-	-	-	-	-	714,881
Grants	-	757,860	299,867	6,081,776	1,540,229	1,558,056	-	10,242,851
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	210,995
Revenues from use of money and property	6,321	-	-	36,950	-	-	-	578,526
Donations	-	-	-	-	-	-	-	229,307
Charges for services	-	-	-	-	-	-	-	1,348,926
Miscellaneous	67,496	17,897	2,500	-	128	122,660	-	1,381,415
Total revenues	<u>73,817</u>	<u>775,757</u>	<u>302,367</u>	<u>6,118,726</u>	<u>1,540,357</u>	<u>1,680,716</u>	<u>-</u>	<u>16,488,741</u>
EXPENDITURES								
Current								
General government	-	-	-	-	-	-	-	2,500
Public safety	-	-	-	-	-	-	-	76,674
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	14,819	-	-	-	-	-	-	-
Public services	-	769,139	302,367	6,087,135	739,659	1,816,014	-	1,456,651
Capital outlay	73,917	3,441	-	-	927,848	169,281	-	12,151,515
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	697
Total expenditures	<u>88,736</u>	<u>772,580</u>	<u>302,367</u>	<u>6,087,135</u>	<u>1,667,507</u>	<u>1,985,295</u>	<u>-</u>	<u>14,958,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,919)</u>	<u>3,177</u>	<u>-</u>	<u>31,591</u>	<u>(127,150)</u>	<u>(304,579)</u>	<u>-</u>	<u>1,530,686</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	5,116	-	-	14,521	275,900	233,684	-	860,043
Transfers out	(24,906)	-	-	(5,116)	(143,817)	-	-	(540,308)
Total other financing sources (uses)	<u>(19,790)</u>	<u>-</u>	<u>-</u>	<u>9,405</u>	<u>132,083</u>	<u>233,684</u>	<u>-</u>	<u>319,735</u>
Net change in fund balances	<u>(34,709)</u>	<u>3,177</u>	<u>-</u>	<u>40,996</u>	<u>4,933</u>	<u>(70,895)</u>	<u>-</u>	<u>1,850,421</u>
Fund balances - October 1, 2005	<u>152,032</u>	<u>4,079</u>	<u>-</u>	<u>55,682</u>	<u>71,150</u>	<u>273,476</u>	<u>-</u>	<u>4,503,913</u>
Fund balances - September 30, 2006	<u>\$ 117,323</u>	<u>\$ 7,256</u>	<u>\$ -</u>	<u>\$ 96,678</u>	<u>\$ 76,083</u>	<u>\$ 202,581</u>	<u>\$ -</u>	<u>\$ 6,354,334</u>

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

	OTHER FUNDS		PERMANENT FUNDS		TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	GENERAL DEBT SERVICES	CAPITAL PROJECTS	CEMETERIES	CEMETERIES	
REVENUES					
Taxes	\$ 1,436,687	-	-	-	\$ 3,218,527
Licenses & permits	-	-	-	-	714,881
Grants	-	-	-	-	10,242,851
Fines, forfeitures, and penalties	-	-	-	-	210,995
Revenues from use of money and property	146,187	72,127	-	116,287	913,127
Donations	-	-	-	-	229,307
Charges for services	-	-	-	87,494	1,436,420
Miscellaneous	-	375,532	-	1,015	1,757,962
Total revenues	<u>1,582,874</u>	<u>447,659</u>	<u>204,796</u>	<u>204,796</u>	<u>18,724,070</u>
EXPENDITURES					
Current					
General government	-	260,387	-	-	262,887
Public safety	-	77,200	-	-	153,874
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	228,332	-	1,684,983
Public services	-	125,057	-	-	12,276,572
Capital outlay	-	1,101,472	-	9,225	2,380,715
Debt Service:					
Principal	1,000,000	-	-	-	1,000,000
Interest and fiscal charges	257,333	-	-	-	258,030
Total expenditures	<u>1,257,333</u>	<u>1,564,116</u>	<u>237,557</u>	<u>237,557</u>	<u>18,017,061</u>
Excess (deficiency) of revenues over (under) expenditures	325,541	(1,116,457)	-	(32,761)	707,009
OTHER FINANCING SOURCES (USES)					
Transfers in	-	2,657,654	-	88,866	3,606,563
Transfers out	-	-	-	(88,866)	(629,174)
Total other financing sources (uses)	-	<u>2,657,654</u>	<u>-</u>	<u>-</u>	<u>2,977,389</u>
Net change in fund balances	325,541	1,541,197	-	(32,761)	3,684,398
Fund balances - October 1, 2005	2,612,169	1,798,288	-	2,759,013	11,673,383
Fund balances - September 30, 2006	<u>\$ 2,937,710</u>	<u>\$ 3,339,485</u>	<u>\$ 2,726,252</u>	<u>\$ 2,726,252</u>	<u>\$ 15,357,781</u>

CITY OF TYLER, TEXAS
DEVELOPMENT SERVICES FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Grants	\$ 9,250	\$ 5,063	\$ (4,187)
Licenses & permits:			
Building permits	310,000	331,993	21,993
Electrical permits	128,000	140,402	12,402
Plumbing permits	107,000	115,572	8,572
Zoning permits	24,000	32,365	8,365
Mechanical permits	40,000	55,499	15,499
Occupation permits	7,300	10,820	3,520
Sign permits	16,000	16,965	965
Contractor permits	10,000	7,080	(2,920)
House moving permits	1,000	2,085	1,085
Clearing fees	-	2,100	2,100
Total licenses & permits	<u>643,300</u>	<u>714,881</u>	<u>71,581</u>
Charges for services			
Maps, plans and spec fees	100	319	219
Platting fees	17,100	32,376	15,276
Total charges for services	<u>17,200</u>	<u>32,695</u>	<u>15,495</u>
Revenues from use of money and property	<u>2,000</u>	<u>8,611</u>	<u>6,611</u>
Total revenues	<u>671,750</u>	<u>761,250</u>	<u>89,500</u>
EXPENDITURES			
Planning & zoning			
Salaries	214,344	216,500	(2,156)
Supplies & services	63,532	56,441	7,091
Utilities	1,018	959	59
Maintenance	2,800	1,979	821
Capital outlay	3,450	2,513	937
Total planning & zoning	<u>285,144</u>	<u>278,392</u>	<u>6,752</u>
Buildings, standards & inspections:			
Salaries	519,631	501,243	18,388
Supplies & services	91,097	87,429	3,668
Utilities	3,400	3,770	(370)
Maintenance	22,300	19,445	2,855
Capital outlay	-	-	-
Total building, standards & inspections	<u>636,428</u>	<u>611,887</u>	<u>24,541</u>
Total expenditures	<u>921,572</u>	<u>890,279</u>	<u>31,293</u>
Deficiency of revenues under expenditures	<u>(249,822)</u>	<u>(129,029)</u>	<u>120,793</u>
OTHER FINANCING (USES)			
Transfers in	<u>250,822</u>	<u>250,822</u>	<u>-</u>
Total other financing (uses)	<u>250,822</u>	<u>250,822</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP basis	<u>\$ 1,000</u>	121,793	<u>\$ 120,793</u>
Fund balance - October 1, 2005		-	
Fund balance - September 30, 2006		<u>\$ 121,793</u>	

CITY OF TYLER, TEXAS
POLICE FORFEITURE FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Fines, forfeitures, and penalties	\$ 51,000	\$ 79,267	\$ 28,267
Revenues from use of money and property	1,000	9,327	8,327
Total revenues	<u>52,000</u>	<u>88,594</u>	<u>36,594</u>
EXPENDITURES			
Public Safety:			
Supplies and services	20,000	12,052	7,948
Capital outlay	40,848	34,725	6,123
Interest	-	697	(697)
Total expenditures	<u>60,848</u>	<u>47,474</u>	<u>13,374</u>
Excess of revenues over (under) expenditures	<u>(8,848)</u>	<u>41,120</u>	<u>49,968</u>
OTHER FINANCING (USES)			
Transfers out	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP basis	<u>\$ (8,848)</u>	41,120	<u>\$ 49,968</u>
Fund balance - October 1, 2005		<u>162,090</u>	
Fund balance - September 30, 2006		<u>\$ 203,210</u>	

**CITY OF TYLER, TEXAS
COURT TECHNOLOGY FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Fines, forfeitures, and penalties	\$ 113,400	\$ 131,728	\$ 18,328
Revenues from use of money and property	500	14,286	13,786
Total revenues	<u>113,900</u>	<u>146,014</u>	<u>32,114</u>
EXPENDITURES			
Public Safety:			
Supplies and services	53,998	53,998	-
Capital outlay	239,160	7,937	231,223
Total expenditures	<u>293,158</u>	<u>61,935</u>	<u>231,223</u>
Excess of revenues over (under) expenditures	<u>(179,258)</u>	<u>84,079</u>	<u>263,337</u>
OTHER FINANCING (USES)			
Transfers in	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses - GAAP basis	<u>\$ (179,258)</u>	84,079	<u>\$ 263,337</u>
Fund balance - October 1, 2005		<u>284,618</u>	
Fund balance - September 30, 2006		<u>\$ 368,697</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, 2006

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Taxes	\$ 1,486,636	\$ 1,781,840	\$ 295,204
Revenue from use of money and property	8,000	32,912	24,912
Total revenues	<u>1,494,636</u>	<u>1,814,752</u>	<u>320,116</u>
EXPENDITURES			
Hotel-Motel Administration:			
East Texas Symphony	12,500	12,500	-
Tyler Museum of Art	49,500	49,500	-
Smith County Historical Society	9,500	11,741	(2,241)
Tyler Chamber of Commerce	508,599	511,819	(3,220)
McClendon House	5,000	5,000	-
Rose Garden	950,425	950,425	-
Total Hotel-Motel administration	<u>1,535,524</u>	<u>1,540,985</u>	<u>(5,461)</u>
Total expenditures	<u>1,535,524</u>	<u>1,540,985</u>	<u>(5,461)</u>
Excess of revenues over expenditures	<u>(40,888)</u>	<u>273,767</u>	<u>314,655</u>
OTHER FINANCING (USES)			
Transfers out	<u>(301,350)</u>	-	<u>301,350</u>
Total other financing	<u>(301,350)</u>	-	<u>301,350</u>
Excess of revenues over expenditures and other financing uses	<u>\$ (342,238)</u>	<u>273,767</u>	<u>\$ 616,005</u>
Fund balance - October 1, 2005		<u>850,601</u>	
Fund balance - September 30, 2006		<u>\$ 1,124,368</u>	

CITY OF TYLER, TEXAS
TOURISM AND CONVENTION FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 339,900	\$ 334,917	\$ (4,983)
Charges for services	950,425	950,425	-
Miscellaneous	3,400	5,133	1,733
Total revenues	<u>1,293,725</u>	<u>1,290,475</u>	<u>(3,250)</u>
EXPENDITURES			
Rose Garden Center:			
Salaries and benefits	99,938	86,835	13,103
Supplies and services	21,304	21,775	(471)
Utilities	185	14,167	(13,982)
Maintenance	10,086	9,386	700
Capital outlay	28,033	19,312	8,721
Total Rose Garden Center	<u>159,546</u>	<u>151,475</u>	<u>8,071</u>
Rose Garden maintenance:			
Salaries and benefits	371,624	366,025	5,599
Supplies and services	126,231	126,844	(613)
Utilities	66,710	83,135	(16,425)
Maintenance	81,790	79,254	2,536
Capital outlay	12,000	11,956	44
Total Rose Garden maintenance	<u>658,355</u>	<u>667,214</u>	<u>(8,859)</u>
Visitor facilities:			
Salaries and benefits	258,222	227,481	30,741
Supplies and services	80,682	91,765	(11,083)
Utilities	130,655	138,540	(7,885)
Maintenance	26,160	24,349	1,811
Capital outlay	62,142	11,994	50,148
Total visitor facilities	<u>557,861</u>	<u>494,129</u>	<u>63,732</u>
Total expenditures	<u>1,375,762</u>	<u>1,312,818</u>	<u>62,944</u>
Deficiency of revenues under expenditures	<u>(82,037)</u>	<u>(22,343)</u>	<u>59,694</u>
OTHER FINANCING SOURCES			
Transfers in	80,000	80,000	-
Total other financing sources	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses - GAAP basis	<u>\$ (2,037)</u>	57,657	<u>\$ 59,694</u>
Fund balance - October 1, 2005		<u>(1,170)</u>	
Fund balance - September 30, 2006		<u>\$ 56,487</u>	

CITY OF TYLER, TEXAS
PASSENGER FACILITY CHARGE FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Revenue from use of money and property	\$ 100	\$ 663	\$ 563
Charges for services	<u>326,000</u>	<u>365,806</u>	<u>39,806</u>
Total revenues	<u>326,100</u>	<u>366,469</u>	<u>40,369</u>
OTHER FINANCING (USES)			
Transfers out:			
Half-Cent Sales Tax Fund	(217,400)	(244,318)	(26,918)
Airport Fund	<u>(108,700)</u>	<u>(122,151)</u>	<u>(13,451)</u>
Total other financing (uses)	<u>(326,100)</u>	<u>(366,469)</u>	<u>(40,369)</u>
Excess of revenues over other financing uses	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - October 1, 2005		<u>-</u>	
Fund balance - September 30, 2006		<u>\$ -</u>	

CITY OF TYLER, TEXAS
OIL AND NATURAL GAS FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenue from use of money and property	\$ 30,000	\$ 134,539	\$ 104,539
Miscellaneous	500,000	1,165,601	665,601
Total revenues	<u>530,000</u>	<u>1,300,140</u>	<u>770,140</u>
EXPENDITURES			
Culture and recreation:			
Supplies and services	<u>176,350</u>	<u>133,487</u>	<u>42,863</u>
Excess of revenues over expenditures	<u>\$ 353,650</u>	1,166,653	<u>\$ 813,003</u>
Fund balance - October 1, 2005		<u>2,498,272</u>	
Fund balance - September 30, 2006		<u>\$ 3,664,925</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, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Property tax collections	\$ 1,257,334	\$ 1,436,687	\$ 179,353
Revenue from use of money and property	40,000	146,187	106,187
Total revenues	<u>1,297,334</u>	<u>1,582,874</u>	<u>285,540</u>
EXPENDITURES			
Paying agent fees	4,000	4,000	-
Principal retirements	1,000,000	1,000,000	-
Interest and redemption	253,334	253,333	1
Total expenditures	<u>1,257,334</u>	<u>1,257,333</u>	<u>1</u>
Excess of revenues over expenditures	<u>\$ 40,000</u>	325,541	<u>\$ 285,541</u>
Fund balance - October 1, 2005		<u>2,612,169</u>	
Fund balance - September 30, 2006		<u>\$ 2,937,710</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, 2006

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenue from use of money and property	\$ 33,646	\$ 72,127	\$ 38,481
Miscellaneous	375,500	375,532	32
Total revenues	<u>409,146</u>	<u>447,659</u>	<u>38,513</u>
EXPENDITURES			
General government services	294,050	264,683	29,367
City Clerk	1,000	-	1,000
Staff Services	35,000	35,000	-
Fire	437,200	436,061	1,139
Library	50,000	23,114	26,886
Parks Maintenance & Administration	460,300	294,379	165,921
Visitors Facilities	50,000	54,818	(4,818)
Engineering	300,000	327,554	(27,554)
Traffic Operations	129,400	128,507	893
Total expenditures	<u>1,756,950</u>	<u>1,564,116</u>	<u>192,834</u>
Deficiency of revenues under expenditures	<u>(1,347,804)</u>	<u>(1,116,457)</u>	<u>231,347</u>
OTHER FINANCING (USES)			
Transfers in	<u>2,361,938</u>	<u>2,657,654</u>	<u>295,716</u>
Total other financing	<u>2,361,938</u>	<u>2,657,654</u>	<u>295,716</u>
Excess of revenues and other financing sources over expenditures	<u>\$ 1,014,134</u>	1,541,197	<u>\$ 527,063</u>
Fund balance - October 1, 2005		<u>1,798,288</u>	
Fund balance - September 30, 2006		<u>\$ 3,339,485</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, 2006

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Trust Fund:			
Revenues from use of money and property	\$ 60,000	\$ 88,866	\$ 28,866
Mausoleum and lot sales	38,500	80,666	42,166
Operations:			
Revenues from use of money and property	14,000	27,421	13,421
Licenses and permits	1,500	1,015	(485)
Mausoleum and lot sales	17,000	6,828	(10,172)
Total revenues	131,000	204,796	73,796
EXPENDITURES			
Operations:			
Salaries and benefits	98,504	102,972	(4,468)
Supplies and services	28,979	32,728	(3,749)
Utilities	29,310	66,148	(36,838)
Maintenance	21,570	26,484	(4,914)
Capital outlay	10,000	9,225	775
Total expenditures	188,363	237,557	(49,194)
Deficiency of revenues under expenditures	(57,363)	(32,761)	24,602
OTHER FINANCING (USES)			
Transfers in	60,000	88,866	28,866
Transfers out	(60,000)	(88,866)	(28,866)
Total other financing	-	-	-
Deficiency of revenues and other financing sources under expenditures	\$ (57,363)	(32,761)	\$ 24,602
Fund balance - October 1, 2005		2,759,013	
Fund balance - September 30, 2006		\$ 2,726,252	

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
ASSETS							
Current assets:							
Equity in pooled cash and investments	\$ 1,458,219	\$ 789,600	\$ 97,454	\$ 10,184,352	\$ 576,384	\$ 643,936	\$ 13,749,945
Deposits	-	-	42,973	10,000	-	-	52,973
Prepaid expenses	-	-	-	-	-	-	-
Accounts receivable (net)	2,204	3,059	338	153,730	1,945	2,415	163,691
Inventories - at average cost	-	271,299	-	-	-	-	271,299
Total current assets	<u>1,460,423</u>	<u>1,063,958</u>	<u>140,765</u>	<u>10,348,082</u>	<u>578,329</u>	<u>646,351</u>	<u>14,237,908</u>
Noncurrent assets:							
Capital assets:							
Land	-	65,000	-	-	-	-	65,000
Buildings	-	364,392	-	-	817,921	3,267	1,185,580
Improvements other than buildings	-	203,594	-	-	81,810	-	285,404
Machinery and equipment	-	18,996,333	-	-	-	4,738,016	23,734,349
Less accumulated depreciation	-	(13,221,665)	-	-	(352,438)	(2,744,811)	(16,318,914)
Total Capital assets (net of accumulated depreciation)	-	<u>6,407,654</u>	-	-	<u>547,293</u>	<u>1,996,472</u>	<u>8,951,419</u>
Total assets	<u>1,460,423</u>	<u>7,471,612</u>	<u>140,765</u>	<u>10,348,082</u>	<u>1,125,622</u>	<u>2,642,823</u>	<u>23,189,327</u>
LIABILITIES							
Current liabilities:							
Accounts and contracts payable	2,632	59,997	71	65,601	24,457	151,964	304,722
Insurance claims payable	-	-	-	991,033	-	-	991,033
Current portion of compensated absences payable	-	1,312	-	-	751	1,922	3,985
Capital lease payable - current	-	-	-	-	-	102,988	102,988
Total current liabilities	<u>2,632</u>	<u>61,309</u>	<u>71</u>	<u>1,056,634</u>	<u>25,208</u>	<u>256,874</u>	<u>1,402,728</u>
Noncurrent liabilities:							
Compensated absences payable	-	24,937	-	-	14,275	36,516	75,728
Capital lease payable - noncurrent	-	-	-	-	-	278,598	278,598
Total noncurrent liabilities	-	<u>24,937</u>	-	-	<u>14,275</u>	<u>315,114</u>	<u>354,326</u>
Total Liabilities	<u>2,632</u>	<u>86,246</u>	<u>71</u>	<u>1,056,634</u>	<u>39,483</u>	<u>571,988</u>	<u>1,757,054</u>
NET ASSETS							
Invested in capital assets, net of related debt	-	6,407,654	-	-	547,293	1,614,886	8,569,833
Unrestricted	<u>1,457,791</u>	<u>977,712</u>	<u>140,694</u>	<u>9,291,448</u>	<u>538,846</u>	<u>455,949</u>	<u>12,862,440</u>
Total Net Assets	<u>\$ 1,457,791</u>	<u>\$ 7,385,366</u>	<u>\$ 140,694</u>	<u>\$ 9,291,448</u>	<u>\$ 1,086,139</u>	<u>\$ 2,070,835</u>	<u>\$ 21,432,273</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, 2006

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
OPERATING REVENUES							
Charges for services	\$ 1,459,000	\$ 2,896,191	\$ 535,427	\$ -	\$ 153,440	\$ 2,425,611	\$ 7,469,669
Contributions	-	-	-	9,341,043	-	-	9,341,043
Miscellaneous	-	295	-	-	-	-	295
Total operating revenues	1,459,000	2,896,486	535,427	9,341,043	153,440	2,425,611	16,811,007
OPERATING EXPENSES							
Garage operations	-	1,083,062	-	-	-	-	1,083,062
Depreciation	-	1,527,575	-	-	10,006	552,523	2,090,104
Insurance claims	-	-	656,777	5,813,025	-	-	6,469,802
Administrative	84,061	-	-	2,039,812	57,038	2,213,041	4,393,952
Special services	320,711	-	-	45,000	47,443	-	413,154
Maintenance	-	-	-	-	136,671	-	136,671
Total operating expenses	404,772	2,610,637	656,777	7,897,837	251,158	2,765,564	14,586,745
Operating income (loss)	1,054,228	285,849	(121,350)	1,443,206	(97,718)	(339,953)	2,224,262
NON-OPERATING REVENUES (EXPENSES)							
Revenues from use of money and property	30,728	77,202	7,253	394,988	27,983	110,049	648,203
Gain on sale of assets	-	51,015	-	-	1,100	-	52,115
Interest expense	-	-	-	-	-	(20,650)	(20,650)
Total non-operating revenues (expenses)	30,728	128,217	7,253	394,988	29,083	89,399	679,668
Income (loss) before contributions and transfers	1,084,956	414,066	(114,097)	1,838,194	(68,635)	(250,554)	2,903,930
Transfers In	-	299,169	-	-	-	-	299,169
Transfers Out	-	(3,598)	-	-	-	-	(3,598)
Change in net assets	1,084,956	709,637	(114,097)	1,838,194	(68,635)	(250,554)	3,199,501
Total net assets - October 1, 2005	372,835	6,675,729	254,791	7,453,254	1,154,774	2,321,389	18,232,772
Total net assets - September 30, 2006	\$ 1,457,791	\$ 7,385,366	\$ 140,694	\$ 9,291,448	\$ 1,086,139	\$ 2,070,835	\$ 21,432,273

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

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL (EXHIBIT 9)
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers and users	\$ 1,458,243	\$ 2,896,915	\$ 535,827	\$ 9,352,693	\$ 153,676	\$ 2,425,298	\$ 16,822,652
Cash paid to suppliers for goods and services	-	(526,771)	-	(2,059,530)	(168,098)	(1,481,667)	(4,236,066)
Cash paid to employees for services	(402,251)	(507,944)	-	-	(57,038)	(575,333)	(1,542,566)
Insurance claims paid	-	-	(695,451)	(5,579,313)	-	-	(6,274,764)
Net cash provided by (used in) operating activities	1,055,992	1,862,200	(159,624)	1,713,850	(71,460)	368,298	4,769,256
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Transfers in from other funds	-	299,169	-	-	-	-	299,169
Transfers out to other funds	-	(3,598)	-	-	-	-	(3,598)
Net cash provided by (used in) non-capital financing activities	-	295,571	-	-	-	-	295,571
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	-	(2,661,799)	-	-	(4,652)	(241,324)	(2,907,775)
Interest paid	-	-	-	-	-	(20,650)	(20,650)
Proceeds from sale of assets	-	168,457	-	-	1,100	-	169,557
Net cash provided by (used in) capital and related financing activities	-	(2,493,342)	-	-	(3,552)	(261,974)	(2,758,868)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends on investments	30,728	77,202	7,253	394,988	27,983	110,049	648,203
Net cash provided by investing activities	30,728	77,202	7,253	394,988	27,983	110,049	648,203
Net increase (decrease) in cash and cash equivalents	1,086,720	(258,369)	(152,371)	2,108,838	(47,029)	216,373	2,954,162
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	371,499	1,047,969	292,798	8,085,514	623,413	427,563	10,848,756
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,458,219	\$ 789,600	\$ 140,427	\$ 10,194,352	\$ 576,384	\$ 643,936	\$ 13,802,918

(continued)

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

**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	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY
	\$	\$	\$	\$	\$	\$
Operating income (loss)	1,054,228	285,849	(121,350)	1,443,206	(97,718)	(339,953)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	-	1,527,575	-	-	10,006	552,523
(Increase) decrease in receivables	(757)	429	400	11,650	236	(313)
(Increase) decrease in prepaid expenses	-	-	636	-	-	59,724
(Increase) decrease in inventory	-	103,145	-	-	-	-
Increase (decrease) in accounts payable	2,521	(57,476)	(39,310)	25,282	7,556	109,374
Increase (decrease) in claims payable	-	-	-	233,712	-	-
Increase (decrease) in compensated absences payable	-	2,678	-	-	8,460	(13,057)
Total adjustments	1,764	1,576,351	(38,274)	270,644	26,258	708,251
Net cash (used in) provided by operating activities	\$ 1,055,992	\$ 1,862,200	\$ (159,624)	\$ 1,713,850	\$ (71,460)	\$ 368,298
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Borrowing under capital lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 381,586
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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, 2006

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 8,000	\$ 30,728	\$ 22,728
Intergovernmental revenue	459,000	1,459,000	1,000,000
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 467,000</u>	<u>\$ 1,489,728</u>	<u>\$ 1,022,728</u>
EXPENSES			
Salaries and benefits	\$ 50,200	\$ 84,061	\$ (33,861)
Supplies and services	-	-	-
Special services	422,000	320,711	101,289
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 472,200</u>	<u>\$ 404,772</u>	<u>\$ 67,428</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, 2006

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 25,000	\$ 77,202	\$ 52,202
Current service charges	3,011,100	2,896,191	(114,909)
Miscellaneous	-	295	295
Sale of assets	151,000	168,457	17,457
TOTAL REVENUES - BUDGET BASIS	\$ 3,187,100	3,142,145	\$ (44,955)
Financial statement adjustments:			
Transfer in		299,169	
Retirement of assets sold		(117,442)	
TOTAL REVENUES - GAAP BASIS		\$ 3,323,872	
EXPENSES			
Garage administration and operations:			
Salaries and benefits	\$ 658,293	\$ 507,944	\$ 150,349
Supplies and services	167,483	467,045	(299,562)
Utilities	1,025	1,980	(955)
Maintenance	40,085	106,093	(66,008)
Capital outlay	2,983,451	2,369,080	614,371
Total garage administration	3,850,337	3,452,142	398,195
TOTAL EXPENSES - BUDGET BASIS	\$ 3,850,337	3,452,142	\$ 398,195
Financial statement adjustments:			
Transfer out		3,598	
Capital outlay items not expensed		(2,369,080)	
Depreciation expense		1,527,575	
TOTAL EXPENSES - GAAP BASIS		\$ 2,614,235	

**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, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 4,000	\$ 7,253	\$ 3,253
Intergovernmental revenue	535,427	535,427	-
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 539,427</u>	<u>\$ 542,680</u>	<u>\$ 3,253</u>
EXPENSES			
Claims and premiums	\$ 764,825	\$ 656,777	\$ 108,048
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 764,825</u>	<u>\$ 656,777</u>	<u>\$ 108,048</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, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 140,000	\$ 394,988	\$ 254,988
Contributions from City of Tyler	7,098,186	7,271,687	173,501
Contributions from employees	2,041,658	2,069,356	27,698
Total revenues	<u>9,279,844</u>	<u>9,736,031</u>	<u>456,187</u>
TOTAL REVENUES - BUDGET AND GAAP	<u><u>\$ 9,279,844</u></u>	<u><u>\$ 9,736,031</u></u>	<u><u>\$ 456,187</u></u>
EXPENSES			
Employee insurance fund administration:			
Special services	\$ 45,000	\$ 45,000	\$ -
Claims	6,360,927	5,611,596	749,331
Administrative fees	2,430,008	2,039,811	390,197
Life insurance	212,544	201,430	11,114
Total employee insurance fund administration	<u>9,048,479</u>	<u>7,897,837</u>	<u>1,150,642</u>
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u><u>\$ 9,048,479</u></u>	<u><u>\$ 7,897,837</u></u>	<u><u>\$ 1,150,642</u></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, 2006

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 15,000	\$ 27,983	\$ 12,983
Charges for services	197,759	153,440	(44,319)
Sale of assets	-	1,100	1,100
Total revenues	<u>212,759</u>	<u>182,523</u>	<u>(30,236)</u>
TOTAL REVENUES - BUDGET AND GAAP	<u><u>\$ 212,759</u></u>	<u><u>\$ 182,523</u></u>	<u><u>\$ (30,236)</u></u>
EXPENSES			
Property and facility administration:			
Salaries and benefits	\$ 57,108	\$ 57,038	\$ 70
Supplies and services	56,906	46,703	10,203
Utilities	480	740	(260)
Maintenance	156,499	136,671	19,828
Capital outlay	<u>10,000</u>	<u>4,935</u>	<u>5,065</u>
Total property and facility administration	<u>280,993</u>	<u>246,087</u>	<u>34,906</u>
TOTAL EXPENSES - BUDGET BASIS	<u><u>\$ 280,993</u></u>	<u><u>246,087</u></u>	<u><u>\$ 34,906</u></u>
Financial statement adjustments:			
Capital outlay items not expensed		(4,935)	
Depreciation expense		<u>10,006</u>	
TOTAL EXPENSES - GAAP BASIS		<u><u>\$ 251,158</u></u>	

**CITY OF TYLER, TEXAS
TECHNOLOGY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Revenues from use of money and property	\$ 31,000	\$ 110,049	\$ 79,049
Charges for services	<u>2,473,587</u>	<u>2,425,611</u>	<u>(47,976)</u>
TOTAL REVENUES - BUDGET BASIS	<u><u>\$ 2,504,587</u></u>	<u>2,535,660</u>	<u><u>\$ 31,073</u></u>
Financial statement adjustments:			
Transfer in		<u>-</u>	
TOTAL REVENUES - GAAP BASIS		<u><u>\$ 2,535,660</u></u>	
EXPENSES			
Office technology fund administration:			
Salaries and benefits	\$ 645,570	\$ 575,333	\$ 70,237
Supplies and services	112,034	121,204	(9,170)
Utilities	4,745	4,020	725
Maintenance	<u>4,990</u>	<u>3,592</u>	<u>1,398</u>
Total office technology fund administration	<u>767,339</u>	<u>704,149</u>	<u>63,190</u>
Office technology services:			
Supplies and services	740,592	556,053	184,539
Utilities	186,837	191,364	(4,527)
Maintenance	634,793	782,125	(147,332)
Capital outlay	<u>322,364</u>	<u>115,426</u>	<u>206,938</u>
Total office technology services	<u>1,884,586</u>	<u>1,644,968</u>	<u>239,618</u>
TOTAL EXPENSES - BUDGET BASIS	<u><u>\$ 2,651,925</u></u>	<u>2,349,117</u>	<u><u>\$ 302,808</u></u>
Financial statement adjustments:			
Transfer out		-	
Capital outlay items not expensed		(115,426)	
Depreciation		<u>552,523</u>	
TOTAL EXPENSES - GAAP BASIS		<u><u>\$ 2,786,214</u></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, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
PROPERTY TAX COLLECTIONS			
Current taxes	\$ 10,531,469	\$ 10,498,708	\$ (32,761)
Delinquent taxes	130,000	109,105	(20,895)
Penalty and interest	140,000	167,295	27,295
Tax collection fee	55,000	66,771	11,771
Total property tax collections	<u>10,856,469</u>	<u>10,841,879</u>	<u>(14,590)</u>
FRANCHISE FEES			
Franchise - light and power	3,788,500	4,123,607	335,107
Franchise - natural gas	890,700	1,169,404	278,704
Franchise - telephone	907,000	986,711	79,711
Franchise - cable television	773,300	852,974	79,674
Franchise - street use fee	288,900	322,014	33,114
Franchise - water and sewer	1,126,850	1,221,393	94,543
Total franchise fees	<u>7,775,250</u>	<u>8,676,103</u>	<u>900,853</u>
SALES AND USE TAXES			
General sales tax	21,028,085	22,006,576	978,491
Mixed drink tax	220,900	267,728	46,828
Bingo tax	34,400	35,086	686
Total sales and use taxes	<u>21,283,385</u>	<u>22,309,390</u>	<u>1,026,005</u>
LICENSES AND PERMITS			
Parking meter	112,700	108,977	(3,723)
Wrecker	300	40	(260)
Taxicab and limousine	200	60	(140)
Burglar alarm	45,000	52,331	7,331
Total licenses and permits	<u>158,200</u>	<u>161,408</u>	<u>3,208</u>
FINES, FORFEITURES, AND PENALTIES			
Moving violation fines	2,581,350	2,909,854	328,504
Library fines and rents	6,000	5,306	(694)
Tax service fees on fines	150,000	171,840	21,840
Arrest fee fines	140,000	153,752	13,752
Municipal court administrative fees	90,000	94,696	4,696
Warrant fees	440,000	653,976	213,976
Child safety fees	15,000	53,871	38,871
Teen court fees	2,000	2,919	919
Municipal court security	120,000	133,052	13,052
Miscellaneous municipal court fines	14,500	26,080	11,580
Court time payment fee	130,000	156,817	26,817
Special court fees	500,000	616,151	116,151
Collection firm fee	100	46,671	46,571
Court fee - Clearing	100	20,427	20,327
Total fines, forfeitures, and penalties	<u>4,189,050</u>	<u>5,045,412</u>	<u>856,362</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES FROM USE OF MONEY OR PROPERTY			
Rent - miscellaneous	29,300	33,283	3,983
Distributed interest	100,000	453,168	353,168
Total revenues from use of money or property	<u>129,300</u>	<u>486,451</u>	<u>357,151</u>
CHARGES FOR CURRENT SERVICES			
Swimming pool admissions	8,200	13,538	5,338
Fire inspection fees	8,700	14,980	6,280
Lot mowing	10,000	11,533	1,533
Glass membership fees	60,000	45,405	(14,595)
Copying fees	12,000	21,819	9,819
Open records	20,000	27,307	7,307
Participant fees	195,300	146,567	(48,733)
Field rental	24,000	19,810	(4,190)
Sports field maintenance	9,500	21,190	11,690
False alarm fees	100	1,200	1,100
Half cent administration costs	31,200	31,200	-
Total charges for current services	<u>379,000</u>	<u>354,549</u>	<u>(24,451)</u>
INTERGOVERNMENTAL REVENUES			
Reimbursement of overhead from water and sewer operating fund	574,000	574,000	-
Reimbursement of overhead from sanitation fund	134,400	134,400	-
Total intergovernmental revenues	<u>708,400</u>	<u>708,400</u>	<u>-</u>
REVENUES FROM OTHER AGENCIES			
State government	14,200	14,102	(98)
County hazardous material service	5,000	5,000	-
Prior year restitution income	-	430	430
DEA Project reimbursement	24,000	51,555	27,555
Auto theft task force grant	60,000	66,632	6,632
Bullet proof vest grant	-	16,388	16,388
Local law enforcement grant	-	7,044	7,044
Safe and Sober Grant	-	49,843	49,843
Click it or ticket grant	-	11,505	11,505
School crossing guards	75,000	75,000	-
Total revenues from other agencies	<u>178,200</u>	<u>297,499</u>	<u>119,299</u>

(Continued)

CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
MISCELLANEOUS			
Contribution for construction	-	2,406	2,406
Contractor testing fees	60,000	194,496	134,496
Miscellaneous charges	90,000	86,195	(3,805)
Unclaimed property revenue	12,000	27,632	15,632
Utility litigation settlement	112,500	-	(112,500)
Returned check fees	2,000	3,639	1,639
Junked vehicle	-	750	750
Total miscellaneous	<u>276,500</u>	<u>315,118</u>	<u>38,618</u>
Total revenues before other financing sources	<u>45,933,754</u>	<u>49,196,209</u>	<u>3,262,455</u>
OTHER FINANCING SOURCES			
Transfer from Special revenue fund	-	64,345	64,345
Sale of equipment	3,500	4,067	567
Total other financing sources	<u>3,500</u>	<u>68,412</u>	<u>64,912</u>
TOTAL REVENUES	<u><u>\$ 45,937,254</u></u>	<u><u>\$ 49,264,621</u></u>	<u><u>\$ 3,327,367</u></u>

CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
GENERAL GOVERNMENT			
GENERAL GOVERNMENT SERVICES:			
Salaries and benefits	\$ 1,380,602	\$ 1,415,897	\$ (35,295)
Supplies and services	3,931,660	3,925,539	6,121
Maintenance	31,435	33,337	(1,902)
Utilities	48,120	84,624	(36,504)
Capital outlay	-	1,000	(1,000)
Total general government services	<u>5,391,817</u>	<u>5,460,397</u>	<u>(68,580)</u>
CITY CLERK:			
Salaries and benefits	103,671	105,067	(1,396)
Supplies and services	22,492	25,105	(2,613)
Utilities	100	97	3
Maintenance	614	614	-
Total city clerk	<u>126,877</u>	<u>130,883</u>	<u>(4,006)</u>
ACCOUNTING:			
Salaries and benefits	428,740	401,715	27,025
Supplies and services	48,431	49,292	(861)
Utilities	600	540	60
Total accounting	<u>477,771</u>	<u>451,547</u>	<u>26,224</u>
LEGAL:			
Salaries and benefits	415,139	388,706	26,433
Supplies and services	48,649	65,127	(16,478)
Utilities	472	553	(81)
Capital outlay	7,062	9,427	(2,365)
Total legal	<u>471,322</u>	<u>463,813</u>	<u>7,509</u>
STAFF SERVICES:			
Salaries and benefits	310,845	270,815	40,030
Supplies and services	42,367	65,117	(22,750)
Utilities	300	176	124
Maintenance	100	-	100
Total personnel	<u>353,612</u>	<u>336,108</u>	<u>17,504</u>
Total general government	<u>6,821,399</u>	<u>6,842,748</u>	<u>(21,349)</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
POLICE ADMINISTRATION			
Salaries and benefits	16,065,511	15,911,461	154,050
Supplies and services	1,339,338	1,361,271	(21,933)
Utilities	171,164	203,298	(32,134)
Maintenance	914,177	891,231	22,946
Capital outlay	70,970	69,435	1,535
Total police administration	<u>18,561,160</u>	<u>18,436,696</u>	<u>124,464</u>
FIRE ADMINISTRATION			
Salaries and benefits	9,249,977	9,375,195	(125,218)
Supplies and services	457,368	460,501	(3,133)
Utilities	86,776	143,477	(56,701)
Maintenance	233,587	270,188	(36,601)
Capital outlay	6,000	6,194	(194)
Total fire administration	<u>10,033,708</u>	<u>10,255,555</u>	<u>(221,847)</u>
PUBLIC SERVICES			
CAPITAL PROJECTS ADMINISTRATION:			
Salaries and benefits	109,920	110,344	(424)
Supplies and services	8,864	8,017	847
Utilities	400	504	(104)
Total capital projects	<u>119,184</u>	<u>118,865</u>	<u>319</u>
ENGINEERING:			
Salaries and benefits	722,958	695,661	27,297
Supplies and services	92,992	106,177	(13,185)
Utilities	5,185	5,738	(553)
Maintenance	31,288	29,978	1,310
Capital outlay	-	-	-
Total engineering	<u>852,423</u>	<u>837,554</u>	<u>14,869</u>
STREETS:			
Salaries and benefits	1,336,223	1,093,162	243,061
Supplies and services	302,403	283,291	19,112
Utilities	2,540	1,497	1,043
Maintenance	637,587	642,621	(5,034)
Capital outlay	-	-	-
Total streets	<u>2,278,753</u>	<u>2,020,571</u>	<u>258,182</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
PUBLIC SERVICES (cont'd.)			
TRAFFIC OPERATIONS:			
Salaries and benefits	748,812	650,426	98,386
Supplies and services	166,737	154,348	12,389
Utilities	1,008,664	1,369,216	(360,552)
Maintenance	171,060	165,330	5,730
Capital outlay	32,200	33,803	(1,603)
Total traffic operations	<u>2,127,473</u>	<u>2,373,123</u>	<u>(245,650)</u>
Total public services	<u>5,377,833</u>	<u>5,350,113</u>	<u>27,720</u>
LIBRARY ADMINISTRATION			
Salaries and benefits	1,031,420	938,734	92,686
Supplies and services	216,134	220,641	(4,507)
Utilities	58,350	85,686	(27,336)
Maintenance	35,060	31,182	3,878
Capital outlay	110,000	110,057	(57)
Total library administration	<u>1,450,964</u>	<u>1,386,300</u>	<u>64,664</u>
PARKS AND RECREATION			
PARKS ADMINISTRATION:			
Salaries and benefits	758,613	742,037	16,576
Supplies and services	296,584	354,538	(57,954)
Utilities	310,280	655,431	(345,151)
Maintenance	404,983	439,605	(34,622)
Capital outlay	85,595	75,264	10,331
Total parks administration	<u>1,856,055</u>	<u>2,266,875</u>	<u>(410,820)</u>
PARKS INDOOR RECREATION:			
Salaries and benefits	278,678	283,989	(5,311)
Supplies and services	38,465	48,401	(9,936)
Utilities	14,750	676	14,074
Maintenance	18,110	33,541	(15,431)
Capital outlay	-	-	-
Total parks administration	<u>350,003</u>	<u>366,607</u>	<u>(16,604)</u>
PARKS OUTDOOR RECREATION:			
Salaries and benefits	184,236	154,958	29,278
Supplies and services	277,280	259,486	17,794
Utilities	680	57,830	(57,150)
Maintenance	1,500	1,765	(265)
Capital outlay	3,000	-	3,000
Total parks administration	<u>466,696</u>	<u>474,039</u>	<u>(7,343)</u>
Total parks and recreation	<u>2,672,754</u>	<u>3,107,521</u>	<u>(434,767)</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
MUNICIPAL COURT			(Continued)
Salaries and benefits	966,732	599,546	367,186
Supplies and services	547,123	750,929	(203,806)
Utilities	8,275	15,637	(7,362)
Maintenance	34,825	29,241	5,584
Capital outlay	-	-	-
Total municipal court	<u>1,556,955</u>	<u>1,395,353</u>	<u>161,602</u>
OTHER FINANCING USES			
Transfer to special revenue	<u>3,252,219</u>	<u>3,223,526</u>	<u>28,693</u>
Total other financing uses	<u>3,252,219</u>	<u>3,223,526</u>	<u>28,693</u>
TOTAL EXPENDITURES	<u>\$ 49,726,992</u>	<u>\$ 49,997,812</u>	<u>\$ (270,820)</u>

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF REVENUES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Revenues from use of money or property	\$ 239,700	\$ 519,782	\$ 280,082
Charges for current services	23,387,139	26,718,488	3,331,349
Miscellaneous income	<u>680,400</u>	<u>424,224</u>	<u>(256,176)</u>
TOTAL REVENUES BUDGET BASIS	<u>\$ 24,307,239</u>	27,662,494	<u>\$ 3,355,255</u>
Financial Statement Adjustments:			
Transfers in		<u>11,453,363</u>	
TOTAL REVENUES GAAP BASIS		<u>\$ 39,115,857</u>	

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
WATER ADMINISTRATION AND SUNDRY			
Salaries and benefits	\$ 573,899	\$ 586,666	\$ (12,767)
Supplies and services	3,404,329	3,354,269	50,060
Utilities	11,100	14,311	(3,211)
Maintenance	17,450	14,845	2,605
Capital outlay	-	-	-
Total water administration and sundry	<u>4,006,778</u>	<u>3,970,091</u>	<u>36,687</u>
WATER OFFICE			
Salaries and benefits	561,869	565,252	(3,383)
Supplies and services	384,486	393,754	(9,268)
Utilities	174	400	(226)
Maintenance	31,460	34,751	(3,291)
Capital outlay	8,500	9,400	(900)
Total water office	<u>986,489</u>	<u>1,003,557</u>	<u>(17,068)</u>
WATER DISTRIBUTION			
Salaries and benefits	954,994	811,348	143,646
Supplies and services	108,944	344,915	(235,971)
Utilities	20,995	20,710	285
Maintenance	235,399	253,558	(18,159)
Capital outlay	261,707	338,516	(76,809)
Total water distribution	<u>1,582,039</u>	<u>1,769,047</u>	<u>(187,008)</u>
WATER PLANT			
Salaries and benefits	1,056,298	1,046,436	9,862
Supplies and services	1,297,373	1,183,879	113,494
Utilities	1,670,915	2,857,622	(1,186,707)
Maintenance	217,545	206,374	11,171
Capital outlay	564,000	294,235	269,765
Total water plant	<u>4,806,131</u>	<u>5,588,546</u>	<u>(782,415)</u>

(Continued)

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
WASTE COLLECTION			
Salaries and benefits	638,143	460,960	177,183
Supplies and services	101,573	349,661	(248,088)
Utilities	908	1,972	(1,064)
Maintenance	391,480	433,261	(41,781)
Capital outlay	3,273,717	3,282,206	(8,489)
Total waste collection	<u>4,405,821</u>	<u>4,528,060</u>	<u>(122,239)</u>
WASTE TREATMENT PLANT			
Salaries and benefits	1,228,004	1,170,732	57,272
Supplies and services	2,102,109	1,647,047	455,062
Utilities	872,495	998,521	(126,026)
Maintenance	192,490	171,923	20,567
Capital outlay	489,500	371,131	118,369
Total waste treatment plant	<u>4,884,598</u>	<u>4,359,354</u>	<u>525,244</u>
LAKE TYLER			
Salaries and benefits	400,657	414,520	(13,863)
Supplies and services	67,033	55,790	11,243
Utilities	25,180	18,754	6,426
Maintenance	372,700	261,248	111,452
Capital outlay	-	-	-
Total Lake Tyler	<u>865,570</u>	<u>750,312</u>	<u>115,258</u>
STORM WATER MANAGEMENT			
Salaries and benefits	536,015	483,744	52,271
Supplies and services	92,175	86,233	5,942
Maintenance	257,663	270,644	(12,981)
Capital outlay	526,519	244,255	282,264
Total Storm Water Management	<u>1,412,372</u>	<u>1,084,876</u>	<u>327,496</u>
TOTAL EXPENSES AND TRANSFERS - BUDGET BASIS	<u>\$ 22,949,798</u>	23,053,843	<u>\$ (104,045)</u>
Financial statement adjustments:			
Capital outlay items not expensed		(4,539,743)	
Transfers out		11,475,481	
Amortization		92,374	
Interest expense		2,646,423	
Depreciation expense		<u>5,823,262</u>	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS		<u>\$ 38,551,640</u>	

**CITY OF TYLER, TEXAS
SANITATION FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Franchise Fees	\$ 417,500	\$ 576,713	\$ 159,213
Revenue from use of money or property	92,000	274,475	182,475
Charges for current services	7,663,000	8,425,526	762,526
Miscellaneous revenues	-	5,920	5,920
TOTAL REVENUES - BUDGET BASIS	\$ 8,172,500	9,282,634	\$ 1,110,134
Financial statement adjustments:			
Sale of property		130,848	
TOTAL REVENUES - GAAP BASIS		\$ 9,413,482	
EXPENSES			
Solid waste administration:			
Salaries and benefits	\$ 541,148	\$ 518,048	\$ 23,100
Supplies and services	819,567	733,416	86,151
Utilities	4,759	3,757	1,002
Maintenance	7,440	17,989	(10,549)
Transfers out	-	-	-
Capital outlay	10,000	-	10,000
Total solid waste administration	1,382,914	1,273,210	109,704
Residential collections:			
Salaries and benefits	1,196,520	1,012,924	183,596
Supplies and services	1,848,338	1,862,891	(14,553)
Utilities	2,800	1,765	1,035
Maintenance	946,320	958,844	(12,524)
Capital outlay	516,850	515,177	1,673
Total residential collections	4,510,828	4,351,601	159,227
Commercial collections:			
Salaries and benefits	528,218	577,475	(49,257)
Supplies and services	1,325,783	1,616,737	(290,954)
Utilities	2,500	68	2,432
Maintenance	295,840	288,192	7,648
Capital outlay	503,410	476,068	27,342
Total commercial collections	2,655,751	2,958,540	(302,789)
Litter control:			
Supplies and services	102,500	99,127	3,373
Total litter control	102,500	99,127	3,373

(Continued)

**CITY OF TYLER, TEXAS
SANITATION FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Maintenance complex:			
Supplies and services	35,868	22,565	13,303
Utilities	99,800	88,637	11,163
Maintenance	<u>61,700</u>	<u>54,166</u>	<u>7,534</u>
Total maintenance complex	<u>197,368</u>	<u>165,368</u>	<u>32,000</u>
 TOTAL EXPENSES - BUDGET BASIS	 <u><u>\$ 8,849,361</u></u>	 8,847,846	 <u><u>\$ 1,515</u></u>
Financial statement adjustments:			
Transfers out		299,169	
Capital outlay items not expensed		(991,245)	
Depreciation expense		<u>305,783</u>	
 TOTAL EXPENSES - GAAP BASIS		 <u><u>\$ 8,461,553</u></u>	

**CITY OF TYLER, TEXAS
AIRPORT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Airport services	\$ 872,708	\$ 1,043,056	\$ 170,348
Revenue from use of money or property	7,800	21,944	14,144
Income from other agencies	-	1,171,731	1,171,731
Miscellaneous revenues	2,800	2,912	112
Total Revenues	883,308	2,239,643	1,356,335
Transfers in	108,700	201,623	92,923
TOTAL REVENUES - BUDGET AND GAAP BASIS	\$ 992,008	\$ 2,441,266	\$ 1,449,258
EXPENSES			
Municipal airport operations:			
Salaries and benefits	\$ 456,715	\$ 442,518	\$ 14,197
Supplies and services	328,274	338,743	(10,469)
Utilities	194,608	242,321	(47,713)
Maintenance	122,485	91,094	31,391
Capital outlay	96,927	72,770	24,157
Total municipal airport operations	1,199,009	1,187,446	11,563
Transfers out	30,000	4,300	25,700
TOTAL EXPENSES AND TRANSFERS - BUDGET BASIS	\$ 1,229,009	1,191,746	\$ 37,263
Financial statement adjustments:			
Capital outlay items not expensed		(72,770)	
Depreciation expense		772,545	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS		\$ 1,891,521	

SINGLE AUDIT SECTION

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

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTORS NUMBER	ACCRUED OR (DEFERRED) REVENUE 10/1/2005	RECEIPTS	MATCHING FUNDS/ OTHER REVENUES	FEDERAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE 9/30/2006
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grant							
Entitlement Grants:							
Program Year:							
	14.218	B03MC480028	243,967	(\$243,967)	-	\$ 772,580	\$ -
	14.218	B04MC480028	-	(744,116)	(14,720)	-	13,744
Total Community Development Block Grant			243,967	(988,083)	(14,720)	772,580	13,744
Section 8 Housing Choice Voucher Program							
Program Year:							
	14.871	TX456VO	(69,153)	-	-	-	(69,153)
	14.871	TX456VO	-	(6,806,366)	(36,949)	6,087,134	(756,181)
Total Section 8 Housing Choice Voucher Program			(69,153)	(6,806,366)	(36,949)	6,087,134	(825,334)
HOME Investment Partnerships Program							
Program Year:							
	14.239	-	22,897	(22,897)	-	-	-
	14.239	-	-	(274,833)	-	302,367	27,534
Total HOME Investment Partnerships Program			22,897	(297,730)	-	302,367	27,534
Total U.S. Department of Housing and Urban Development			197,711	(8,092,179)	(51,670)	7,162,081	(784,056)
U.S. DEPARTMENT OF TRANSPORTATION							
Passed Through Federal Aviation Administration:							
Airport Improvement Program							
	20.106	3-48-0215-018-2004	(7,087)	(409,255)	(37,690)	454,032	-
	20.106	3-48-0215-019-2005	23,077	(23,077)	-	-	-
	20.106	3-48-0215-019-2005	-	(694,662)	(38,576)	733,074	(164)
	20.106	3-48-0215-20-06	-	(60,891)	(3,205)	64,096	-
Total Airport Improvement Program			15,990	(1,187,885)	(79,471)	1,251,202	(164)
Payments for Small Community Air Service Development	20.930	-	-	(57,112)	(8,326)	83,263	17,824
Passed Through Federal Transit Administration:							
Federal Transit Capital and Operating Assistance Formula							
	20.507	TX90670	243,318	(243,318)	-	-	-
	20.507	Program Cluster	243,318	(509,750)	(245,518)	1,360,236	604,968
Total Federal Transit Capital and Operating			243,318	(753,068)	(245,518)	1,360,236	604,968
Job Access Reverse Commute Grant	20.516	TX374042	-	(119,933)	(99,493)	198,985	(20,441)
Total Job Access Reverse Commute Grant			-	(119,933)	(99,493)	198,985	(20,441)

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

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTORS NUMBER	ACCRUED OR (DEFERRED) REVENUE 10/1/2005	RECEIPTS	MATCHING FUNDS/ OTHER REVENUES	FEDERAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE 9/30/2006
U.S. DEPARTMENT OF TRANSPORTATION - continued							
Passed Through Texas Department of Highways and Public Transportation: Highway Planning and Construction Grants: Section 104F Grant 2006 - PL Funds	20.205	-	-	(75,048)	-	172,298	97,249
Total Highway Planning and Construction Grants			-	(75,048)	-	172,298	97,249
Passed Through Texas Department of Highways and Public Transportation:							
Selective Traffic Enforcement Program	20.600	586XXF6185	-	(11,505)	-	11,505	-
Selective Traffic Enforcement Program	20.600	585XX60017	12,997	(12,997)	-	-	-
Total Selective Traffic Enforcement Programs	20.600	586XXF6047-00	-	(41,890)	(18,791)	68,633	7,953
			12,997	(66,392)	(18,791)	80,138	7,953
Passed Through Texas Department of Highways and Public Transportation - continued							
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	51510F7215	-	(45,333)	(11,333)	56,666	-
Total Capital Assistance Program for Elderly Persons and Persons with Disabilities			-	(45,333)	(11,333)	56,666	-
Recreational Trails Program (Tyler Pedestrian & Bike Trail)							
Recreational Trails Program (Tyler Pedestrian & Bike Trail)	20.219	-	37,266	(37,266)	-	-	-
	20.219	-	-	(39,876)	(10,983)	54,914	4,056
Total Recreational Trails Program			37,266	(77,142)	(10,983)	54,914	4,056
Total U.S. Department of Transportation			309,571	(2,381,913)	(473,915)	3,257,702	711,445
U.S. DEPARTMENT OF JUSTICE							
Direct Programs:							
Edward Byrne Memorial Formula Grant 9/30/2005	16.579	-	14,259	(14,259)	-	-	-
Edward Byrne Memorial Formula Grant 9/30/2006	16.579	-	-	(40,780)	(1,902)	103,965	61,284
Total Byrne Formula Grant			14,259	(55,039)	(1,902)	103,965	61,284
Edward Byrne Memorial Justice Assistance Grant 9/30/2006	16.738	2005-DI-DX-0462	-	(44,649)	-	-	(44,649)

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

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTORS NUMBER	ACCRUED OR (DEFERRED) REVENUE 10/1/2005	RECEIPTS	MATCHING FUNDS/ OTHER REVENUES	FEDERAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE 9/30/2006
U.S. DEPARTMENT OF JUSTICE - continued							
Local Law Enforcement Block Grants:							
Local Law Enforcement Block Grant	16.592	2004-LB-BX-2251	(6,949)	(95)	-	7,044	-
Total Local Law Enforcement Block Grants			(6,949)	(95)	-	7,044	-
Bulletproof Vest Partnership	16.607	-	-	(16,388)	(16,388)	32,775	-
Total U.S. Department of Justice			7,310	(116,170)	(18,289)	143,784	16,635
U.S. DEPARTMENT OF AGRICULTURE							
Passed Through Texas Health and Human Services Commission							
Summer Food Service Program For Children	10.559	-	-	(95,582)	(10,385)	105,967	-
Total U.S. Department of Agriculture			-	(95,582)	(10,385)	105,967	-
DEPARTMENT OF HOMELAND SECURITY							
Passed Through Transportation Security Administration							
State Homeland Security Program (SHSP) Program Year 2006	97.073	2004 HSGP - 74144	-	(79,412)	-	94,472	15,060
Total Homeland Security Grants			-	(79,412)	-	94,472	15,060
Law Enforcement Terrorism Prevention Program (LETTP)	97.074	2005 HSGP - 74144	-	(36,945)	-	36,945	-
Passed Through Transportation Security Administration: Law Enforcement Officer Reimbursement Agreement	97.090	D TSA20-03-P-01627	-	(107,171)	-	107,171	-
Disaster Assistance Projects (Katrina & Rita) Program Year 9/30/2005	97.088	-	191,943	(129,067)	-	-	62,876
9/30/2006	97.088	-	-	(36,794)	-	92,408	55,614
Total Disaster Assistance Projects (Katrina & Rita)			191,943	(165,862)	-	92,408	118,490

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

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTORS NUMBER	ACCRUED OR (DEFERRED) REVENUE 10/1/2005	RECEIPTS	MATCHING FUNDS/ OTHER REVENUES	FEDERAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE 9/30/2006
DEPARTMENT OF HOMELAND SECURITY - continued							
Assistance to Firefighters Program:							
Program Year							
9/30/2003	83.554	-	-	(62,764)	(26,167)	87,223	(1,708)
9/30/2004	97.044	-	-	(64,740)	(27,794)	92,534	-
9/30/2005	97.044	-	-	-	(2,200)	11,000	8,800
Total Assistance to Firefighters Program			-	(127,504)	(56,160)	190,757	7,092
Total U.S. Department of Homeland Security			191,943	(516,893)	(56,160)	521,752	140,642
U.S. DEPARTMENT OF INTERIOR							
Passed Through Texas Historical Commission:							
Historic Preservation Fund Grants in Aid	15.904	48-02-17574-026	(5,063)	-	-	5,063	-
Total U.S. Department of Interior			(5,063)	-	-	5,063	-
TOTAL FEDERAL ASSISTANCE			\$ 701,472	\$ (11,202,736)	\$ (610,420)	\$ 11,196,349	\$ 102,489

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

NOTE A – BASIS OF PRESENTATION

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

**CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE PERIOD ENDED SEPTEMBER 30, 2006**

STATE GRANTOR	STATE NUMBER	ACCRUED OR (DEFERRED) REVENUE AT 10/1/2005	RECEIPTS	MATCHING FUNDS/ OTHER REVENUE	STATE EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9/30/2006
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>						
Public Transportation Grant	51610F7066	-	(287,444)	-	321,769	34,325
Public Transportation Grant	51710F7066	-	-	-	51,915	51,915
Total Texas Department of Transportation		-	(287,444)	-	373,684	86,240
<u>TEXAS CRIMINAL JUSTICE DIVISION</u>						
East Texas Auto Theft Task Force	-	10,418	(10,418)	-	-	-
		-	(55,632)	(42,998)	103,965	5,335
Total Texas Criminal Justice Division		10,418	(66,050)	(42,998)	103,965	5,335
<u>TEXAS STATE LIBRARY AND ARCHIVES COMMISSION</u>						
Gates "Staying Connected" Grant	431-05104	(11,928)	-	-	11,928	-
Gates Public Access Computer Hardware Upgrade Grant "PAC HUG"	434-07274	-	(6,250)	-	5,479	(771)
Loan Star Library Grant	442-06487	-	(5,421)	-	5,411	(10)
Total Texas State Library and Archives Commission		(11,928)	(11,671)	-	22,818	(781)
<u>TEXAS WATER DEVELOPMENT BOARD</u>						
Research and Planning Fund	2004-483-527	-	(35,114)	(73,435)	145,023	36,474
Total Texas Water Development Board		-	(35,114)	(73,435)	145,023	36,474
<u>TEXAS PARKS AND WILDLIFE DEPARTMENT</u>						
National Recreational Trails Fund Agreement	156420	-	-	(24,684)	123,420	98,736
Texas Recreation and Parks Account Agreement	50-00283	11,091	(11,091)	-	-	-
Total Texas Parks and Wildlife Department		11,091	(11,091)	(24,684)	123,420	98,736
TOTAL STATE ASSISTANCE		\$ 9,581	\$ (411,371)	\$ (141,117)	\$ 768,911	\$ 226,004

CITY OF TYLER, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

NOTE – BASIS OF ACCOUNTING

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

**CITY OF TYLER, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2006**

None.



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

The Honorable City Council and Audit Committee
Tyler, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon February 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tyler's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting that, in our judgment, could adversely affect the City of Tyler's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006 - 1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

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

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


Certified Public Accountants

Tyler, Texas
February 23, 2007

PROTHRO, WILHELM I AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable City Council and Audit Committee
Tyler, Texas

Compliance

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

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

In our opinion, the City of Tyler complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2006.

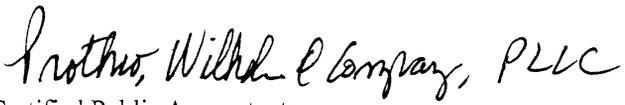
Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Tyler's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2006 – 2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal and state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

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


Certified Public Accountants

Tyler, Texas
February 23, 2007

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

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
• Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal and State Awards

Internal Control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 or the State of Texas Single Audit Circular?	Yes

Identification of major programs:

FEDERAL

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Rental Voucher Program
20.507	Federal Transit Capital and Operating Assistance Formula

STATE

<u>State Number</u>	<u>Name of State Program</u>
51610F7066	Public Transportation Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
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City of Tyler, Texas was classified as a high-risk auditee in accordance with OMB Circular A-133 and State of Texas Single Audit Circular.

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

Section II – Financial Statement Findings

2006-1 – Reconciliation of Grant Activity

Condition:

The City hired an independent external accountant to reconcile the activity of the City's governmental grants for the fiscal year ended September 30, 2006. As a result of this work, numerous journal entries were made to correct the transactions of several grants. These adjustments related to corrections of expense classifications, accruals and deferrals of grant revenue, and the City's matching requirements.

Effect:

The effect of this condition is that there is a risk that the financial statements of the City and related financial grant activity could be misstated in future years if new procedures are not implemented to reconcile the activity of each federal and state grant on a monthly basis. The decentralization of the departmental grant managers coupled with the lack of coordination between accounting personnel responsible for recording the financial grant activity and the grant managers have contributed to this condition.

Cause:

The significant number of journal entries made to correct the activity of the grants is the result of a lack of coordination between the grant managers and grant accountant regarding the financial activity of the grant.

Recommendation:

The financial activity of each federal and state grant should be reconciled on a monthly basis. This process should include a reconciliation of draw down requests (revenues), expenditures, grants receivable, and deferred revenue to the grants' Financial Status Reports, where applicable. The monthly reconciliation procedures should be performed by an accountant in the finance department with the assistance of the departmental grant managers. Supervisory personnel should hold the accountant and grant managers accountable by performing and documenting their supervisory review of the monthly reconciliations. We were advised that there is a current staff accountant vacancy in the finance department. Consideration should be given to filling this vacancy by hiring an accountant experienced in "grant" accounting or hiring an accountant and sending them to specialized training in grant accounting.

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

Section III – Federal and State Award Findings and Questioned Costs

Reportable Condition

U. S. Department of Transportation

Federal Transit Capital and Operating Assistance Formula – CFDA # 20.507

Texas Department of Transportation

Public Transportation Grant - #51610F7066

2006-2 – Grant Administration

Condition:

During the fiscal year ended September 30, 2006, the City Manager's office learned of deficiencies in Tyler Transit Inc.'s (Tyler Transit) administration of the grants noted above. Tyler Transit manages the City of Tyler's public transit system and related federal and state grants. The City's internal auditor and business services manager performed extensive work reconciling the activity of the grants, reviewing financial status reports, organizing grant documents, reviewing policy and procedures, and grant related contracts. Their work resulted in journal entries to correct expense classifications, accruals and deferrals of grant revenue and the City's matching requirements of these grants. In addition, vendor contracts and policies and procedures were, or are in, the process of necessary revisions. The City Manager office's intervention and oversight of this program during the year resulted in no questioned costs during our audit.

Effect:

The effect of this condition is that the City could have been in noncompliance with the provisions of the grant agreements had the City's management not intervened and provided the necessary oversight and administration of the grants.

Cause:

The cause of this condition is the lack of oversight of the operations of Tyler Transit and their management of the federal and state grants that support the City's public transportation system.

Recommendation:

The City Manager's office should designate an individual with supervisory experience to provide oversight and monitoring of Tyler Transit's management and administration of the federal and state grants that support the City's public transportation system. Supervisory personnel should review and document their approval of Tyler Transit's monthly reconciliations of the transit grants' financial activity. This activity includes draw downs (revenues), expenditures, Financial Status Reports, policies and procedures and related contracts administered by Tyler Transit.



CORRECTIVE ACTION PLAN

March 21, 2007

The City of Tyler respectfully submits the following corrective action plan for the fiscal year ended September 30, 2006:

Independent Accounting Firm

Prothro, Wilhelmi & Company, PLLC
100 Independence Place, Suite 300
Tyler, Texas 75703

Audit Period

September 30, 2006

The findings from the February 23, 2007 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings – Financial Statement Audit

Reportable Condition

2006-1 – Reconciliation of Grant Activity

Recommendation:

The financial activity of each federal and state grant should be reconciled on a monthly basis. This process should include a reconciliation of draw down requests (revenues), expenditures, grant receivables, and deferred revenue to the grants' Financial Status Reports, where applicable. The monthly reconciliation procedures should be performed by an accountant in the finance department with the assistance of the departmental grant managers. Supervisory personnel should hold the accountant and grant managers accountable by performing and documenting their supervisory review of the monthly reconciliations. We were advised that there is a current staff accountant vacancy in the finance department. Consideration should be given to filling this vacancy by hiring an accountant experienced in "grant" accounting or hiring an accountant and sending them to specialized training in grant accounting.

Corrective Action 2006-01:

Despite a vacant accountant position the Administrative Services Department has committed a significant portion of an accountant's time since October 1, 2006 to perform monthly reconciliations of the grant activities to the general ledger. When a new accountant is hired these duties will be assigned to one of the two accountants in this department and the reconciliations will be reviewed by the accounting manager and/or the departmental director each month. The City will also consider hiring an independent external accountant to conduct training and at the end of the current fiscal year to perform a pre-audit review in order to verify full compliance with the proposed corrective actions.

The various grant managers, their departmental leaders and key leaders are responsible for following city procedures/policies, compliance with grant specific regulations, drawing down funds, preparing status reports, coding of revenues/expenses to the correct accounts and keeping the Administrative Services Department accountant informed about grant activities.

The Administrative Services Department will review the grant policies and procedures periodically to determine if any changes should be implemented and will verify that each grant manager, their departmental leaders and key leaders have a copy of these documents.

Findings - Federal and State Awards

Cognizant or Oversight Agencies for Audit

U.S. Department of Transportation
Texas Department of Transportation

Reportable Condition

2006-2 – Grant Administration

Recommendation:

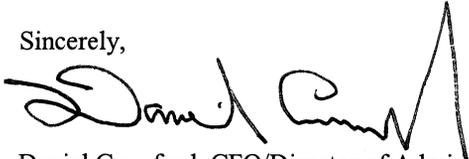
The City Manager's office should designate an individual with supervisory experience to provide oversight and monitoring of Tyler Transit's management and administration of the federal and state grants that support the City's public transportation system. Supervisory personnel should review and document their approval of Tyler Transit's monthly reconciliations of the transit grants' financial activity. This activity includes draw downs (revenues), expenditures, Financial Status Reports, policies and procedures and related contracts administered by Tyler Transit.

Corrective Action Taken:

Identification and steps to correct this condition were initiated by the City Manager's Office and Internal Audit function. This financial and operational oversight will continue for the Tyler Transit grants until the current conditions have been addressed and competent supervision has been fully implemented. Internal auditor quarterly reviews of the transit grant activities and drawdown requests will also continue until staff is confident that these activities are properly managed and monitored. Drawdown of transit grant funds are current as of the date of this response and further examination will be given to bringing this operation "in-house" for additional accountability.

If the Oversight Agency has questions regarding this plan, please call Daniel Crawford, CFO/Director of Administrative Services at 903.531.1140 or Rose Ellis, Accounting Manager at 903.531.1158.

Sincerely,



Daniel Crawford, CFO/Director of Administrative Services



Rose Ellis, Accounting Manager

STATISTICAL SECTION (UNAUDITED)

TABLE 1

CITY OF TYLER, TEXAS
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
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
Restricted	14,480,855	13,940,300	17,722,137	26,062,078	32,559,636
Unrestricted	36,142,611	13,824,023	18,090,555	20,124,780	23,641,384
Total governmental activities net assets	<u>\$ 242,283,380</u>	<u>\$ 241,427,723</u>	<u>\$ 247,736,930</u>	<u>\$ 254,583,459</u>	<u>\$ 263,383,691</u>
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
Restricted	1,040,402	9,809,624	6,921,624	6,277,841	5,553,965
Unrestricted	61,313,378	36,385,067	26,619,426	26,279,373	27,994,475
Total business-type activities net assets	<u>\$ 156,177,178</u>	<u>\$ 159,991,084</u>	<u>\$ 160,497,006</u>	<u>\$ 163,405,829</u>	<u>\$ 166,029,577</u>
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
Restricted	15,521,257	23,749,924	24,643,761	32,339,919	38,113,601
Unrestricted	97,455,989	50,209,090	44,709,981	46,404,153	51,635,859
Total primary government net assets	<u>\$ 398,460,558</u>	<u>\$ 401,418,807</u>	<u>\$ 408,233,936</u>	<u>\$ 417,989,288</u>	<u>\$ 429,413,268</u>

Source: Government-wide Statement of Net Assets

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

TABLE 2
Page 1 of 2

CITY OF TYLER, TEXAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental activities:					
General government	\$ 8,496,768	\$ 7,810,926	\$ 7,178,812	\$ 7,457,535	\$ 5,573,690
Public safety	25,823,437	27,206,911	27,952,461	31,757,773	33,029,011
Highways and streets	5,157,064	14,857,558	11,450,585	6,097,617	11,006,417
Public services	12,737,742	9,530,408	14,644,612	18,796,772	16,343,022
Culture and recreation	5,862,162	5,832,406	4,842,201	5,880,907	5,751,590
Interest on long term debt	575,516	506,102	335,321	295,946	252,779
Total governmental activities expenses	58,652,689	65,744,311	66,403,992	70,286,550	71,956,509
Business-type activities:					
Utilities	15,458,795	16,916,663	21,249,718	23,933,574	27,076,159
Sanitation	6,925,144	8,008,148	7,190,230	7,349,545	8,162,384
Airport	1,594,141	1,871,953	1,740,939	1,744,009	1,887,221
Total business-type activities expenses	23,978,080	26,796,764	30,180,887	33,027,128	37,125,764
Total primary government expenses	\$ 82,630,769	\$ 92,541,075	\$ 96,584,879	\$ 103,313,678	\$ 109,082,273
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 5,116,991	\$ 4,869,033	\$ 7,097,356	\$ 4,949,280	\$ 2,196,871
Public safety	3,620,232	3,656,734	4,710,487	4,789,289	5,256,407
Highways and streets	113,675	124,524	134,221	122,430	108,977
Public services	858,344	730,677	875,250	923,159	1,433,533
Culture and recreation	570,670	1,414,379	902,102	848,073	1,755,189
Operating grants and contributions	6,530,677	7,919,370	9,652,510	10,732,572	10,100,985
Capital grants and contributions	4,586,916	439,748	702,594	1,025,441	1,038,003
Total governmental activities program revenues	21,397,505	19,154,465	24,074,520	23,390,244	21,889,965
Business-type activities:					
Charges for services:					
Utilities	19,422,795	20,325,519	21,193,367	23,474,563	27,510,442
Sanitation	6,900,825	7,418,680	8,171,792	8,784,501	9,196,133
Airport	210,945	214,723	1,142,029	1,282,408	1,048,121
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	146,808	227,805	1,834,325	1,171,731
Total business-type activities program revenues	26,534,565	28,105,730	30,734,993	35,375,797	38,926,427
Total primary government program revenues	\$ 47,932,070	\$ 47,260,195	\$ 54,809,513	\$ 58,766,041	\$ 60,816,392
Net (expense)/revenue	\$ (37,255,184)	\$ (46,589,846)	\$ (42,329,472)	\$ (46,896,306)	\$ (50,066,544)
Governmental activities	2,556,485	1,308,966	554,106	2,348,669	1,800,663
Business-type activities	\$ (34,698,699)	\$ (45,280,880)	\$ (41,775,366)	\$ (44,547,637)	\$ (48,265,881)
Total primary government net expense					

CITY OF TYLER, TEXAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
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
Franchise taxes	8,282,437	8,432,209	8,361,246	8,008,660	8,676,103
Sales and use taxes	25,805,742	26,475,006	28,398,933	32,235,770	35,094,518
Unrestricted investment earnings and use of money and property	1,158,852	835,144	544,607	1,181,976	2,540,255
Gain (loss) on sale of assets	200,220	154,845	182,141	216,729	51,294
Equity in earnings of joint venture	-	-	-	-	66,000
Transfers	(6,991,940)	(1,067,280)	(108,944)	23,103	123,963
Total governmental activities	39,165,885	45,734,189	48,638,679	53,677,755	58,866,773
Business-type activities:					
Unrestricted investment earnings and use of money and property	1,473,822	1,244,536	396,603	564,244	816,200
Gain (loss) on sale of assets	36,940	193,124	(553,731)	19,013	130,848
Transfers	6,991,940	1,067,280	108,944	(23,103)	(123,963)
Total business-type activities	8,502,702	2,504,940	(48,184)	560,154	823,085
Total primary government	\$ 47,668,587	\$ 48,239,129	\$ 48,590,495	\$ 54,237,909	\$ 59,689,858
Change in Net Assets					
Governmental activities	\$ 1,910,701	\$ (855,657)	\$ 6,309,207	\$ 6,781,449	\$ 8,800,229
Business-type activities	11,059,187	3,813,906	505,922	2,908,823	2,623,748
Total primary government	\$ 12,969,888	\$ 2,958,249	\$ 6,815,129	\$ 9,690,272	\$ 11,423,977

Source: Government-wide Statement of Activities

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

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

Fiscal Year	Property Tax	Franchise Tax	Sales and Use Tax	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

Source: Government-wide Statement of Activities

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

TABLE 4

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved For:										
Inventory	\$ 9,307	\$ 212	\$ 7,585	\$ 6,114	\$ 6,564	\$ 6,991	\$ 4,373	\$ 13,724	\$ 2,029	\$ 10,026
Prepaid Items	461	52,446	51,643	43,597	45,307	232,846	168,750	43,277	45,996	46,176
Perpetual Care	-	-	-	-	-	-	-	-	-	-
Court Ordered Disbursements	-	-	-	-	-	-	27,567	53,316	60,653	74,739
Debt Service	-	-	-	-	-	-	-	-	-	-
Grants / Donations	-	-	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-	-	-
Court Security	-	58,625	91,912	110,498	69,764	46,130	43,459	35,082	23,136	-
Court Time Payments	-	13,550	24,215	28,669	24,370	-	-	-	-	-
Court Technology	-	-	-	58,539	115,930	241,477	211,271	226,856	-	-
Utility Rate	-	-	-	-	-	-	-	-	-	-
Unreserved Fund Balance	-	-	-	-	-	-	-	-	363,238	500,000
Designated For:										
T.U. Rate Litigation	500,000	500,000	500,000	500,000	500,000	500,000	-	-	-	-
Operating Reserve	1,500,000	1,500,000	1,500,000	1,500,000	2,000,000	2,000,000	2,000,000	2,000,000	4,894,292	4,633,379
Undesignated	3,419,678	3,863,391	3,790,047	4,896,447	5,719,669	4,624,888	4,023,338	5,266,322	5,342,557	4,734,390
Total General Fund	\$ 5,429,446	\$ 5,988,224	\$ 5,965,402	\$ 7,143,864	\$ 8,481,604	\$ 7,652,332	\$ 6,478,758	\$ 7,638,577	\$ 10,731,901	\$ 9,998,710
1/2 Cent Sales Tax fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,017,199	\$ 8,847,230	\$ 12,418,065	\$ 18,375,571	\$ 23,194,704
Unreserved	8,132,665	9,958,014	9,690,974	6,606,209	9,684,205	-	-	-	-	-
Total 1/2 Cent Sales Tax fund	\$ 8,132,665	\$ 9,958,014	\$ 9,690,974	\$ 6,606,209	\$ 9,684,205	\$ 6,017,199	\$ 8,847,230	\$ 12,418,065	\$ 18,375,571	\$ 23,194,704
All Other Governmental Funds										
Reserved For:										
Prepaid Items	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Perpetual Care	-	-	-	-	-	1,806,298	1,882,512	1,979,675	2,036,054	2,036,054
Court Ordered Disbursements	-	-	-	-	-	31,211	65,898	149,436	162,090	162,090
Long-term Notes Receivable	41,681	1,257	-	-	-	-	-	-	-	-
Debt Service	6,167,509	6,334,859	6,402,553	6,519,457	5,187,778	5,297,472	2,462,596	2,519,455	2,612,169	2,937,710
Grants / Donations	-	-	-	-	-	801,231	399,767	340,252	709,502	814,854
Capital Projects	-	-	-	-	-	-	-	-	1,798,288	3,339,485
Court Technology	-	-	-	-	-	-	-	-	284,618	284,618
Unreserved, Reported In:										
Special Revenue Funds	2,299,001	2,685,334	2,112,362	2,254,699	2,119,501	481,422	285,537	1,839,007	3,347,703	5,092,772
Capital Projects Funds	1,604,325	850,707	673,890	-	-	1,111,326	942,765	809,246	722,959	690,198
Permanent Funds	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 10,137,516	\$ 9,872,157	\$ 9,188,805	\$ 8,774,156	\$ 7,307,279	\$ 9,528,960	\$ 6,039,075	\$ 7,637,071	\$ 11,673,383	\$ 15,357,781

Source: Governmental Funds Balance Sheet

TABLE 5

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$ 40,188,312	\$ 42,133,355	\$ 40,675,465	\$ 42,198,077	\$ 44,492,808	\$ 45,143,135	\$ 45,390,430	\$ 47,846,213	\$ 51,246,422	\$ 56,049,187
Licenses and permits	606,506	647,087	628,986	642,352	602,246	674,411	710,908	882,812	805,151	876,289
Fines, forfeitures, and penalties	2,237,769	2,759,611	3,184,805	3,370,144	3,551,206	3,760,579	3,829,460	4,710,487	4,789,289	5,256,407
Revenues from use of money or property	1,721,074	2,142,456	1,929,259	2,030,908	1,848,336	1,068,738	721,398	713,117	1,225,894	2,238,479
Charges for current services	200,490	157,833	126,630	105,844	193,139	2,835,809	2,739,037	2,744,510	2,494,849	2,499,369
Revenues from other agencies	7,950,493	9,083,461	9,848,074	9,844,319	10,533,389	11,370,307	8,668,652	10,374,859	11,020,639	10,571,641
Donations	-	117,448	9,841	8,359	-	207,941	85,775	62,986	184,723	229,307
Miscellaneous	979,025	668,651	477,812	439,362	497,820	370,640	521,160	2,562,170	1,999,614	2,110,524
Total revenues	53,883,669	57,709,902	56,880,872	58,639,365	61,718,944	65,431,560	62,666,820	69,897,154	73,766,581	79,831,203
Expenditures										
General government	5,128,547	5,369,400	6,970,452	4,804,812	4,933,949	5,930,462	5,884,798	6,114,458	6,529,834	7,126,409
Public safety	17,648,246	18,435,339	19,705,351	20,457,321	22,032,265	24,802,146	25,965,091	27,221,728	28,590,020	30,165,850
Public services	13,038,149	18,966,404	19,429,277	14,803,843	16,823,888	9,602,867	9,609,601	11,491,711	11,533,500	13,552,815
Highways and streets	-	-	-	-	-	7,885,524	6,553,076	6,183,028	5,863,568	5,197,445
Culture and recreation	4,430,003	5,194,057	6,520,738	4,584,158	4,094,617	4,372,026	4,006,253	3,406,621	5,123,588	4,836,104
Capital outlay	2,553,328	2,988,995	1,290,432	12,766,799	11,118,781	9,415,800	8,074,677	7,476,587	8,283,861	9,756,670
Debt service:										
Principal	2,554,233	2,552,468	1,165,123	1,209,290	2,540,000	1,090,000	4,015,000	880,000	960,000	1,000,000
Interest	3,670,137	3,441,042	973,809	873,752	694,887	576,021	529,560	340,617	301,466	258,030
Total expenditures	49,022,643	56,947,705	56,055,182	59,499,975	62,238,387	63,674,846	64,638,056	63,114,750	67,185,837	71,893,323
Excess of revenues over (under) expenditures	4,861,026	762,197	825,690	(860,610)	(519,443)	1,756,714	(1,971,236)	6,782,404	6,580,744	7,937,880
Other financing sources (uses)										
Refunding bond proceeds	-	8,744,136	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(8,744,136)	-	-	-	-	-	-	-	-
Transfers in	2,654,329	3,628,230	426,334	476,686	5,566,692	1,043,618	766,078	227,669	3,038,989	3,915,226
Transfers out	(773,979)	(2,280,927)	(2,229,063)	(1,948,116)	(2,112,938)	(8,031,784)	(628,799)	(712,169)	(3,009,013)	(4,086,833)
Sale of capital assets	16,237	5,106	3,825	11,088	14,548	9,716	529	30,746	4,106	4,067
Total other financing sources (uses)	1,896,587	1,352,409	(1,798,904)	(1,460,342)	3,468,302	(6,978,450)	137,808	(453,754)	34,082	(167,540)
Net Change in fund balances	\$ 6,757,613	\$ 2,114,606	\$ (973,214)	\$ (2,320,952)	\$ 2,948,859	\$ (5,221,736)	\$ (1,833,428)	\$ 6,328,650	\$ 6,614,826	\$ 7,770,340
Debt service as a percentage of noncapital expenditures	13.4%	11.1%	3.9%	4.5%	6.3%	3.1%	8.0%	2.2%	2.1%	2.0%

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

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	Total
1997	\$ 12,551,267	\$ 5,598,117	\$ 22,038,928	\$ 40,188,312
1998	12,136,519	5,746,738	24,250,098	42,133,355
1999	10,067,009	5,814,846	24,793,610	40,675,465
2000	10,219,673	5,860,670	26,117,734	42,198,077
2001	10,598,897	7,316,802	26,577,109	44,492,808
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

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

TABLE 7

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	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property				
1997	\$ 2,226,010,505	N/A	\$ 634,629,673	N/A	\$ 2,860,640,178	0.437170
1998	2,336,349,850	N/A	684,136,444	N/A	3,020,486,294	0.393640
1999	2,508,008,904	N/A	689,297,785	N/A	3,197,306,689	0.311410
2000	2,663,151,956	N/A	716,222,434	N/A	3,379,374,390	0.295370
2001	2,943,394,224	N/A	777,656,574	N/A	3,721,050,798	0.279810
2002	3,286,256,501	N/A	765,795,045	N/A	4,052,051,546	0.261965
2003	3,385,651,770	N/A	841,654,638	N/A	4,227,306,408	0.254478
2004	3,596,007,053	N/A	847,897,914	N/A	4,443,904,967	0.248855
2005	3,870,045,626	N/A	887,192,373	N/A	4,757,237,999	0.248855
2006	4,175,143,416	N/A	913,370,752	N/A	5,088,514,168	0.238375

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 8

**CITY OF TYLER, TEXAS
PROPERTY TAX RATES ⁽¹⁾
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
1997	0.283890	0.153280	0.437170	0.23631	1.31609	0.12230	1.35650	1.37000	4.83837
1998	0.253890	0.139750	0.393640	0.23110	1.31609	0.12230	1.45370	1.37000	4.88683
1999	0.253890	0.057520	0.311410	0.23110	1.33609	0.12230	1.49370	1.51000	5.00460
2000	0.243011	0.052359	0.295370	0.22947	1.36000	0.12230	1.55000	1.48480	5.04194
2001	0.237461	0.042349	0.279810	0.25447	1.36000	0.12230	1.59000	1.48900	5.09558
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

Source: Smith County Appraisal District

Note:

⁽¹⁾ Rates are per \$100 valuation.

TABLE 9

CITY OF TYLER, TEXAS
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO
 SEPTEMBER 30, 2006

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value *	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^b
Trane / American Standard	\$ 106,131,548	1	2.09%	\$ 33,291,464	6	1.16%
Brookshire Grocery Company	98,461,023	2	1.93%	60,727,023	1	2.12%
Sam's / Walmart	69,145,699	3	1.36%	20,108,571	9	0.70%
Delek Refining (La Gloria)	46,618,061	4	0.92%	47,824,344	2	1.67%
Simon Property Group	44,440,521	5	0.87%	37,480,000	3	1.31%
Genecov Investment	42,540,419	6	0.84%	21,568,104	8	0.75%
TXU / Oncor Electric	42,098,200	7	0.83%	35,478,490	4	1.24%
Southwestern Bell	34,775,259	8	0.68%	32,671,890	7	1.14%
Carrier Corporation	31,638,266	9	0.62%	34,194,232	5	1.20%
SuddenLink (Cox Communications)	27,409,503	10	0.54%	16,298,942	10	0.00%
Alliance Compressors						0.57%
Total	\$ 543,258,499		10.68%	\$ 339,643,060		11.86%

Source: Smith County Appraisal District

Note:

* Total taxable value including real and personal property for tax year 2005 (fiscal year 2006) is \$5,087,292,543.

^b Total taxable value including real and personal property for tax year 1996 (fiscal year 1997) is \$2,860,640,178.

TABLE 10

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	Amount	Percentage of Levy	Amount	Percentage of Levy
1997	\$ 12,505,882		\$ 12,052,507	96.4%	\$ 432,653		\$ 12,485,160	99.8%
1998	11,885,938		11,734,756	98.7%	129,948		11,864,704	99.8%
1999	9,956,733		9,718,544	97.6%	219,947		9,938,491	99.8%
2000	9,992,642		9,773,079	97.8%	195,796		9,968,875	99.8%
2001	10,412,559		10,202,005	98.0%	184,530		10,386,535	99.8%
2002	10,614,957		10,370,865	97.7%	209,967		10,580,832	99.7%
2003	10,757,565		10,495,402	97.6%	219,497		10,714,899	99.6%
2004	11,058,880		10,924,880	98.8%	78,005		11,002,885	99.5%
2005	11,838,625		11,698,410	98.8%	59,095		11,757,505	99.3%
2006	12,092,796		11,909,913	98.5%	-		11,909,913	98.5%

Source: Smith County Tax Assessor/Collector

TABLE 11

CITY OF TYLER, TEXAS
 RATIO 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		Sewer Revenue Bonds	Water and Sewer Revenue Bonds	Other Obligations				
1997	\$ 21,483,601		\$ 10,110,000	\$ 340,381		\$ 31,933,982	N/A	\$ 393	
1998	17,311,228		8,640,000	801,196		26,752,424	N/A	329	
1999	16,086,702		7,060,000	490,602		23,637,304	N/A	285	
2000	14,825,000		4,320,000	284,270		19,429,270	1.15%	232	
2001**	12,285,000		36,575,000	93,716		48,953,716	2.81%	580	
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		58,105,000	-		63,445,000	2.85%	622	
2006	4,340,000		56,415,000	-		60,755,000	2.65%	574	

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

* See Table 16 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 19).

TABLE 12

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

Fiscal Year	General Bonded Debt Outstanding			Total	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Less: Amounts Available in Debt Services Fund				
1997	\$ 21,483,601	\$ (6,167,509)	\$	15,316,092	0.53%	\$ 188
1998	17,311,228	(6,334,859)		10,976,369	0.36%	135
1999	16,086,702	(6,402,553)		9,684,149	0.30%	117
2000	14,825,000	(6,519,457)		8,305,543	0.25%	99
2001	12,285,000	(5,187,778)		7,097,222	0.19%	84
2002	11,195,000	(5,297,475)		5,897,525	0.15%	69
2003	7,180,000	(2,462,596)		4,717,404	0.11%	55
2004	6,300,000	(2,519,455)		3,780,545	0.09%	37
2005	5,340,000	(2,612,169)		2,727,831	0.06%	27
2006	4,340,000	(2,937,710)		1,402,290	0.03%	13

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

^aSee Table 7 for property value data.

^bSee Table 16 for population data.

TABLE 13

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

<u>Governmental Unit</u> Debt repaid with property taxes	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Smith County	\$ 16,100,000	50.08%	\$ 8,062,880
Tyler Independent School District	100,839,357	71.04%	71,636,279
Tyler Junior College	15,500,000	65.00%	10,075,000
Chapel Hill Independent School District *	9,670,000	19.15%	1,851,805
Whitehouse Independent School District	25,297,886	27.37%	6,924,031
Subtotal, overlapping debt			<u>98,549,995</u>
City of Tyler direct debt	4,340,000	100%	4,340,000
Total direct and overlapping debt			<u><u>102,889,995</u></u>

Source: Debt outstanding data provided by each governmental unit.

* Information as of September 30, 2005

TABLE 14

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 286,064,018	\$ 302,048,629	\$ 319,730,669	\$ 337,937,439	\$ 372,105,080	\$ 405,205,155	\$ 422,730,641	\$ 444,390,497	\$ 475,723,700	\$ 508,729,254
Total net debt applicable to limit	15,316,092	10,976,369	9,684,149	8,305,543	7,097,222	5,897,528	4,717,404	3,780,545	2,727,831	1,402,290
Legal debt margin	\$ 270,747,926	\$ 291,072,260	\$ 310,046,520	\$ 329,631,896	\$ 365,007,858	\$ 399,307,627	\$ 418,013,237	\$ 440,609,952	\$ 472,995,869	\$ 507,326,964
Total net debt applicable to limit as a percentage of debt limit	5.35%	3.63%	3.03%	2.46%	1.91%	1.46%	1.12%	0.85%	0.57%	0.28%
Legal Debt Margin Calculation for Fiscal Year 2006										
Assessed value										
Add back: exempt real property										
Total assessed value										
Debt limit (10% of total assessed value)										
Debt applicable to limit:										
General obligation bonds										
Less: Amount set aside for repayment of general obligation bond										
Total net debt applicable to limit										
Legal debt margin										
	\$ 5,088,514,168									
	5,088,514,168									
	508,851,417									
	4,340,000									
	(2,937,710)									
	1,402,290									
	\$ 507,449,127									

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 15

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

Fiscal Year	Water and Sewer Revenue Bonds					Times Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Annual Debt Service Requirement ^c		
1997	\$ 17,253,555	\$ 11,114,523	\$ 6,139,032	\$ 2,202,000	2.79	
1998	19,545,732	11,990,644	7,555,088	2,209,000	3.42	
1999	17,988,575	10,820,724	7,167,851	2,186,000	3.28	
2000	21,018,596	10,971,621	10,046,975	1,749,000	5.74	
2001	22,128,740	11,650,924	10,477,816	3,207,000	3.27	
2002	20,333,765	13,175,383	7,158,382	3,586,000	2.00	
2003	20,881,233	13,208,108	7,673,125	4,213,000	1.82	
2004	21,512,319	14,249,230	7,263,089	5,098,000	1.42	
2005	23,558,778	15,617,537	7,941,241	5,065,000	1.57	
2006	27,662,494	18,536,218	9,126,276	4,339,199	2.10	

Note: ^aIncludes operating and non-operating revenues.

^bIncludes operating expenses minus depreciation plus net transfers out.

^cAnnual debt service requirements includes principal and interest.

Source: Comprehensive Annual Financial Report

TABLE 16

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
1997	81,303	n/a	n/a	34.8	n/a	16,714	6.8%
1998	81,303	n/a	n/a	34.8	n/a	16,672	4.9%
1999	82,908	n/a	n/a	34.6	n/a	16,587	3.9%
2000	83,650	\$ 1,688,559	\$ 20,186	34.6	n/a	16,630	4.2%
2001	84,400	1,739,216	20,317	34.1	n/a	16,778	4.3%
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	5.0%
2004	101,106	2,159,927	21,363	34.1	n/a	17,394	4.6%
2005	102,001	2,224,725	21,811	34.1	n/a	17,489	4.7%
2006	105,873	2,291,467	21,643	34.1	13.6	17,548	4.8%

Data sources:

- ¹Bureau of Census/Population Study
- ²Tyler Economic Development Council
- ³Tyler 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 17

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

Employer	2006			1997		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (2)
Trinity Mother Frances *	3,657	1	7.8%	2,170	3	4.9%
East Texas Medical Center *	3,217	2	6.9%	3,050	1	6.9%
Brookshire Grocery Company *	2,591	3	5.5%	2,470	2	5.6%
Tyler Independent School District	2,424	4	5.2%	2,150	4	4.8%
Trane Company *	2,169	5	4.6%	2,000	5	4.5%
Wal-Mart	1,795	6	3.8%			
Carrier Corporation	1,300	7	2.8%	1,050	9	2.4%
The University of Texas Health Center at Tyler	1,100	8	2.4%	1,450	6	3.3%
Goodyear Tire & Rubber	1,053	9	2.3%	1,450	7	3.3%
C B & I Howe-Baker	1,000	10	2.1%			
Tyler Pipe				1,100	8	2.5%
City of Tyler				971	10	2.2%
Total	20,306		43.4%	17,861		40.4%

Source: Tyler Economic Development Council

* Headquarters located in Tyler.

(1) total city employment of 46,782

(2) total city employment of 44,400

TABLE 18

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government	128	132	132	107	109	73	71	69	68	69
Public safety	376	382	382	388	388	394	402	400	392	395
Highways and streets	50	42	42	45	42	68	76	72	68	61
Public Services	17	18	18	15	14	22	19	22	24	27
Culture and Recreation	91	70	70	71	81	71	71	76	79	86
Water & sewer	74	83	83	78	78	92	91	91	89	96
Sanitation	57	49	49	46	40	42	45	38	40	41
Airport	6	6	6	7	6	11	11	10	10	9
Total	799	782	782	757	758	773	786	778	770	784

Source: Human Resources Office

TABLE 19

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

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government										
Accounting										
Dollar value of accounts payable	n/a	n/a	n/a	\$ 61,586,258	\$ 70,580,952	\$ 83,704,062	\$ 84,603,170	\$ 63,628,562	\$ 61,345,219	\$ 64,263,337
Legal										
Number of ordinances prepared and adopted	n/a	n/a	n/a	n/a	40	59	73	96	80	103
Number of resolutions prepared and adopted	n/a	n/a	n/a	n/a	32	25	27	27	26	31
Public Safety										
Police										
Number of sworn officers	173	177	175	175	175	182	182	182	182	182
Fire										
Number of structure fires	201	157	178	185	149	150	164	140	185	171
Highways and Streets										
Streets										
Percentage of city streets graded A condition	n/a	n/a	n/a	41.6%	48.2%	52.0%	57.1%	58.4%	59.5%	61.3%
Traffic										
Number of traffic signals maintained	118	119	123	125	126	126	126	129	130	133
Public Services										
Planning and Zoning										
Number of historic building designations awarded	3	7	2	1	0	1	4	4	4	7
Culture and Recreation										
Parks										
Amount of park acreage maintained	950	950	950	1113.43	1113.43	1113.43	1113.43	1113.4	1113.4	1113.4
Number of rose bushes planted	2000	2000	2000	2000	1500	1500	1500	1500	1500	1765
Library*										
Total number of volumes owned	163,359	171,997	179,602	186,470	193,844	201,734	162,930	170,251	201,822	n/a
Water & sewer										
Average volume of wastewater treated daily (gallons)	n/a	n/a	12 million	12 million	12 million	12 million	12 million	12 million	12 million	13 million
Water production capability (gallons per day)	n/a	n/a	40 million	40 million	40 million	40 million	70 million	70 million	70 million	70 million
Average monthly revenue billed	\$ 1,304,816	\$ 1,487,626	\$ 1,389,438	\$ 1,634,985	\$ 1,619,768	\$ 1,618,566	\$ 1,693,793	\$ 1,766,114	\$ 1,929,895	\$ 2,261,892
Sanitation										
Number of residential customers	22,572	22,636	23,487	25,689	25,618	25,960	25,822	26,572	26,783	27,351
Number of curbside garbage carts in use	-	-	50	65	2,656	4,175	6,933	8,831	10,592	14,773
Airport										
Annual gallons of fuel flowage	1,248,165	1,401,924	1,402,239	1,398,442	1,208,096	1,084,336	1,095,953	1,076,289	1,053,211	1,000,090
Number of annual enplanements	73,415	72,616	77,795	74,563	63,834	55,578	60,284	70,549	85,681	78,971

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 20

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

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Police Stations	2	2	2	3	3	3	3	3	3	3
Police Patrol Units	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	44	51
Police Motorcycle Units	6	10	10	10	10	11	11	11	11	11
Fire Stations	8	8	8	9	9	9	9	9	9	9
Highways and Streets										
City Maintained Paved Streets- (miles)	n/a	n/a	n/a	445.32	446.27	446.58	448.09	451.78	452.32	462.43
Annual Street Overlays- (miles)	n/a	n/a	n/a	29.78	29.21	16.64	22.18	4.41	4.76	3.86
Public Services										
Transit Buses	3	5	7	7	11	11	13	15	15	15
Culture and Recreation										
Parks (acres)	950	950	950	1113.43	1113.43	1113.43	1113.43	1113.4	1113.4	1113.4
Playgrounds	17	17	17	17	17	17	17	17	17	23
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Recreation Centers	3	3	3	3	3	3	3	3	3	3
Senior Center	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)	587.8	587.8	587.8	587.8	587.8	587.8	587.8	582	582	582
Fire Hydrants	2444	2444	2444	2444	2444	2444	2444	2403	2403	2403
Water Plants	1	1	1	1	1	1	2	2	2	2
Sanitary Sewers (miles)	517.11	517.11	517.11	517.11	517.11	517.11	517.11	508	508	508
Sanitation										
Garbage Trucks	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	53	57
Airport										
Airport Terminal	1	1	1	1	1	1	1	1	1	1
Airport Runways	3	3	3	3	3	3	3	3	3	3

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