

*A Natural Beauty*



# City of Tyler, Texas Comprehensive Annual Financial Report 2009-2010

Maintaining Momentum in  
Uncertain Times

For fiscal year ending September 30, 2010

**CITY OF TYLER, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2010**

**MAYOR – BARBARA BASS**

**Members of City Council:**

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

**City Manager – Mark McDaniel**

**Daniel Crawford, Director of Finance/CFO**  
**Finance Department**  
**Tyler, Texas**

CITY OF TYLER, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

TABLE OF CONTENTS

	<u>EXHIBIT/ SCHEDULE</u>	<u>PAGE(S)</u>
<u>INTRODUCTORY SECTION</u>		
Letter of Transmittal		i-vi
GFOA Certificate of Achievement for Excellence In Financial Reporting		viii
Organizational Chart		ix
List of Principal Officials		x
<u>FINANCIAL SECTION</u>		
Independent Auditors' Report		1-2
Management's Discussion and Analysis		3-12
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	1	14
Statement of Activities	2	15
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	5	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	7	20-21
Statement of Net Assets – Proprietary Funds	8	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	9	23
Statement of Cash Flows – Proprietary Funds	10	24
Statement of Net Assets – Fiduciary Funds	11	25
Statement of Changes in Net Assets – Fiduciary Funds	12	26
Notes to the Financial Statements		27-59
Required Supplementary Information:		
Schedules of Funding Progress:		
Texas Municipal Retirement System	A-1	61
Tyler Firefighter's Relief and Retirement Fund	A-1	61
Other Post Employment Benefits Plan	A-1	62

CITY OF TYLER, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

TABLE OF CONTENTS

	<u>EXHIBIT/ SCHEDULE</u>	<u>PAGE(S)</u>
Additional Supplemental Information:		
Non-Major Governmental Funds:		
Combining Balance Sheet	B-1	65-67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	68-70
Detailed Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:		
Development Services Fund	B-3	71
Police Forfeiture Fund	B-4	72
Court Special Fee Fund	B-5	73
Main Street Fund	B-6	74
Hotel-Motel Occupancy Tax Fund	B-7	75
Tourism and Convention Fund	B-8	76
Passenger Facility Charge Fund	B-9	77
Oil and Natural Gas Fund	B-10	78
TIF/TIRZ #2 Fund	B-11	79
TIR/TIRZ #3 Fund	B-12	80
General Debt Services Fund	B-13	81
Capital Projects Fund	B-14	82
Cemeteries Fund	B-15	83
Internal Service Funds:		
Combining Statement of Net Assets	C-1	85
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	C-2	86
Combining Statement of Cash Flows	C-3	87-88
Detailed Schedules of Revenues and Expenses – Budget and Actual:		
Productivity Improvement Fund	C-4	89
Fleet Maintenance and Replacement Fund	C-5	90
Property and Liability Insurance Fund	C-6	91
Employee Benefits Fund	C-7	92
Retiree Benefits Fund	C-8	93
Property and Facility Management Fund	C-9	94
Technology Fund	C-10	95
Fiduciary Funds:		
Employee Benefit Trust Funds:		
Combining Statement of Net Assets	D-1	97
Combining Statement of Changes in Net Assets	D-2	98
Private-Purpose Trust Funds:		
Combining Statement of Net Assets	D-3	99
Combining Statement of Changes in Net Assets	D-4	100

CITY OF TYLER, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

TABLE OF CONTENTS

	<u>EXHIBIT/ SCHEDULE</u>	<u>PAGE(S)</u>
Detailed Budgetary Comparisons:		
Detailed Schedule of Revenues – Budget and Actual General Fund	E-1	102-104
Detailed Schedule of Expenditures – Budget and Actual General Fund	E-2	105-108
Detailed Schedule of Revenues – Budget and Actual Utilities Fund	E-3	109
Detailed Schedule of Expenses – Budget and Actual Utilities Fund	E-4	110-111
Detailed Schedule of Revenues and Expenses – Budget and Actual Sanitation Fund	E-5	112-113
Detailed Schedule of Revenues and Expenses – Budget and Actual Airport Fund	E-6	114

STATISTICAL SECTION (UNAUDITED)

Net Assets by Component	1	115
Changes in Net Assets	2	116-117
Governmental Activities Tax Revenues by Source	3	118
Fund Balances of Governmental Funds	4	119
Changes in Fund Balances of Governmental Funds	5	120
General Governmental Tax Revenues by Source	6	121
Assessed Value and Estimated Actual Value of Taxable Property	7	122
Property Tax Rates – Direct and Overlapping Governments	8	123
Principal Property Taxpayers	9	124
Property Tax Levies and Collections	10	125
Ratios of Outstanding Debt by Type	11	126
Ratios of General Bonded Debt Outstanding	12	127
Direct and Overlapping Governmental Activities Debt	13	128
Legal Debt Margin Information	14	129
Pledged-Revenue Coverage	15	130
Demographic and Economic Statistics	16	131
Principal Employers	17	132
Full-time Equivalent City Government Employees by Function	18	133
Operating Indicators by Function	19	134
Capital Asset Statistics by Function	20	135

SINGLE AUDIT SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		137
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		138-139
Schedule of Expenditures of Federal Awards	F-1	140-141
Notes to Schedule of Expenditures of Federal Awards		142
Schedule of Expenditures of State Awards	F-2	143
Notes to Schedule of Expenditures of State Awards		144
Schedule of Findings and Questioned Costs		145-146
Summary Schedule of Prior Audit Findings		147

## INTRODUCTORY SECTION



---

March 9, 2011

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, 2010.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control. In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements that are free of any material misstatements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. To further ensure the validity of internal controls, the Internal Auditor continues to review key functions and controls annually.

Henry and Peters, PC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Tyler's financial statements for the year ended September 30, 2010. In addition to meeting City Charter requirements, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The independent auditor's report is located at the front of the financial section of this report.

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

### ***City Profile***

The City of Tyler, Texas, the county seat of Smith County, is considered the advanced manufacturing, health care, educational and retail center of East Texas. Tyler is located on U.S. Highway 69 just south of Interstate 20 equal distance (approximately 90 miles) between the cities of Dallas, Texas and Shreveport, Louisiana. The City, encompassing approximately 53 square miles, had a 2000 census population of 83,650, which is a 9.2% increase from the 1990 census population of 76,440. Currently, the City's population is estimated to be 109,748. The City is commonly referred to as the City of Roses.

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

The City is a full service municipality. Major services provided under general government and enterprise functions are: police and fire protection, water and sewer services, sanitation services, parks and recreational facilities, library services, street and traffic improvements, capital projects administration, municipal court, code enforcement, development and planning services and general administrative services. The City also offers an airport, a convention center and municipal rose garden. Internal services of the City, accounted for on a cost reimbursement basis, are the fleet services operations; technology services; property and facility management services; productivity pool; risk management services and the active and retiree employee health and dental coverage. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable including blended component units as defined by the Governmental Accounting Standards Board (GASB).

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

### ***Local Economy***

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. The chief industries in and around Tyler include: health care and research; education; grocery distribution; retail and retail distribution; air conditioning unit manufacturing; cable, internet and phone services; government services; engineering services; banking services; meat packing and processing; cast iron pipes and fitting manufacturing; oil and gas refining; ready mix concrete production; tourism; and growing and shipping rose bushes. This diversification is evident in the fact that no single taxpayer represents more than 1.8 % of assessed valuation in the City.

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

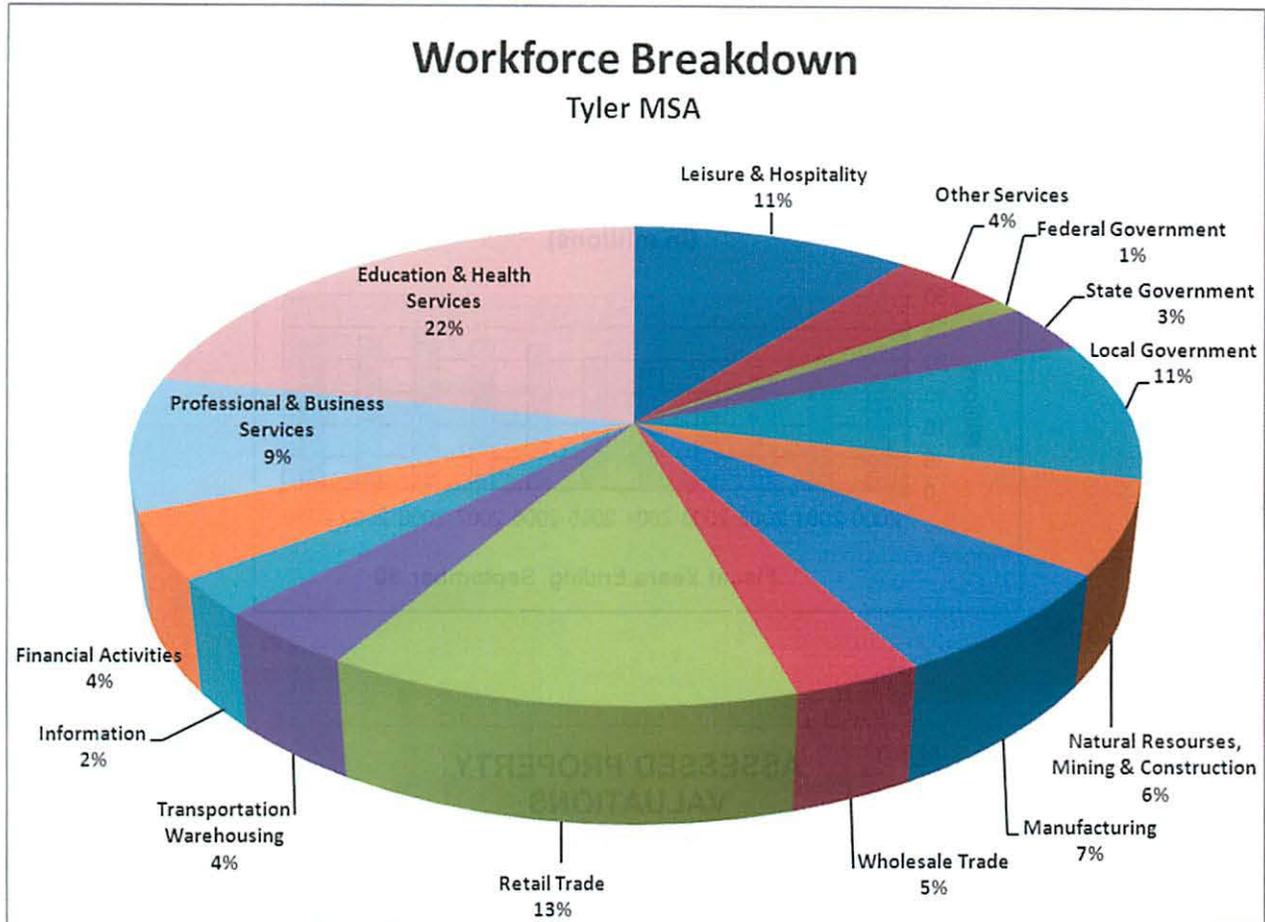
Tyler is also the medical center of East Texas with three hospitals and numerous other supporting clinics, practices and specialty hospitals with a total of 955 beds. There are approximately 735 medical doctors and 87 dentists.

Additionally, Tyler has many tourist attractions. The Texas Rose Festival includes the crowning of the Rose Queen attracting a large number of visitors each year. The Azalea Trails in the spring attracts additional tourism. Each September Tyler hosts the East Texas State Fair for one week providing midway, craft and 4H activities. Tyler State Park is located just north of Tyler and provides nature trails and camping in a scenic setting. Lake Tyler and Lake Tyler East, located twelve miles southeast of the City, are popular recreational and fishing sites.

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

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

the most recent five years. During the past ten years, the unemployment rate has ranged from a low of 4.2 percent (2007) to a decade high of 7.7 percent (2009), only to end at the current rate of 7.3 percent. This figure represents a decrease of .4 % from September 2009. The total workforce for the Tyler region has increased from 43,411 in 1996 to 50,518 in 2010. The pie chart below details the Tyler MSA by business sector which demonstrates the diversity of the local economy preventing dependency on one or two drivers for economic support.



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

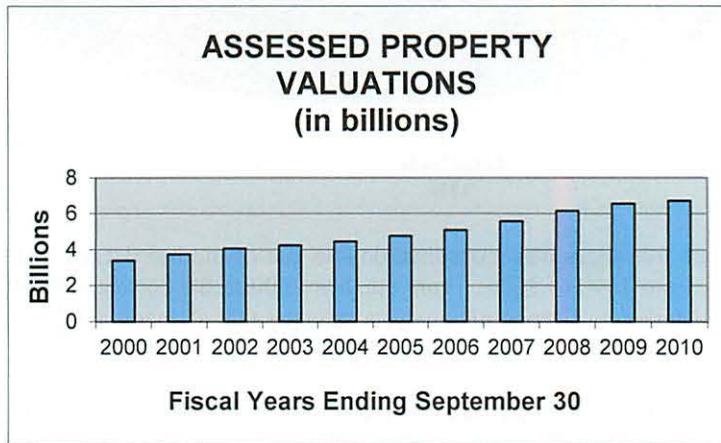
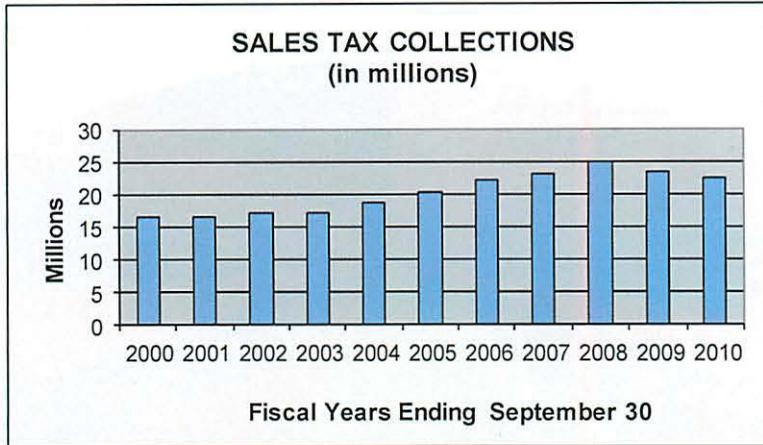
The two sections of the Loop 49 Toll Project are complete, and Segment 3A connecting SH 155 to SH 31 is in process. When complete, Loop 49 Toll will create a horseshoe loop around Tyler connecting the City's southern regions to I 20. The loop will allow for increased traffic from I-20 into the City of Tyler for shopping and economic development purposes. Along with the Loop 49 Toll Project, the Northeast Texas Regional Mobility Authority was authorized in 2004 to construct, operate and maintain turnpike projects in the state which includes the Tyler area. Including various other means of interstate access, the Tyler Pounds Regional Airport allows for secure and efficient air travel in and out of the region. Total flight boardings have declined slightly due to the general economic climate nationwide from 77,942 in 2008 to a current level of 73,114 in 2010. Tyler is the first Certified Retirement City in Texas. Tyler meets high standards for retiree living such as low cost of living, low crime rate, affordable housing, quality health care, abundant recreation and educational opportunities. Tyler is 16<sup>th</sup> in the nation for cost of living in Retirement Places Rated: Special Millennium Edition.

The office space occupancy rate for the City of Tyler was 87 percent in 2009. The average lease rates for office space increased 6 % in 2009 while occupancy rates dropped an average 2 % due to current economic conditions.

The office lease space is comprised of five classes for total square footage of 2,170,895. Tyler had \$2.32 billion in retail trade gross sales in 2009 up from \$2.05 billion in 2000.

The economic outlook for Tyler is encouraging. Industrial, commercial, and residential development has slowed but is expected to follow State and National trends for improvement during the next one to two fiscal years. The potential for sustained development is present, and many governmental and business leaders are working to ensure the City is poised for economic growth. Sales Tax collections, although continuing to decline in 2010, have shown signs of sustainable improvement in 2011.

**Economic Signs:**



**Long-term financial planning**

Within the policy guidelines set by the Council for budgetary and planning purposes, the City of Tyler maintains a designated fund balance equal to 15 percent of total General Fund expenditures less transfers. This goal was met during the proceeding fiscal year with a portion of the remaining unreserved fund balance designated as a transfer to the 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 capital projects related to street improvements, drainage projects, park improvements and other projects as approved by the corporation board and the City Council. By paying cash for infrastructure projects, the City has attained its goal of eliminating general obligation debt as of February 2008.

The City has continued to maintain the lowest property tax rate for mid to large-sized cities in Texas in an effort to balance citizen desire for lower property tax rates and the City's need to match operating costs associated with future planning initiatives. Sales tax has played a large role in allowing the City to obtain this objective with a ten year average increase of 3.2 percent. By maintaining an adequate reserve and monitoring future economic conditions, the City plans to continue to provide for future citizen needs in a streamlined and cost effective manner.

### ***Relevant financial policies***

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

### ***Major Initiatives***

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

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

In early 2010, in an unprecedented joint meeting between the City of Tyler and several other community boards, the Industry Growth Initiative (IGI) was formally adopted as a shared vision for Tyler's strategic economic growth in the next 20 years. The IGI addresses the need to market Tyler and to determine the industries that make the most sense for Tyler to pursue given our unique characteristics. The report recommends 10 primary building blocks that Tyler should develop to foster an innovation economy and take the Tyler region into the next 20 years of economic prosperity and growth. A champion has been appointed for each building block and community groups are actively working on implementation.

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

### ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2009. This is the twenty fourth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. City staff affirms that the current report continues to conform to Certificate of Achievement Program requirements, and the City is submitting it to GFOA to determine its eligibility for another certificate.

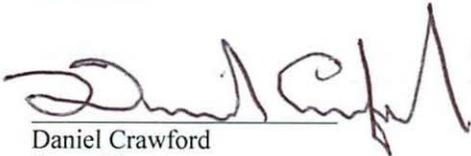
In addition, the City has received the Government Treasurer's Organization of Texas (GTOT) Investment Policy Certificate of Distinction for the annually adopted investment policy of the City for three consecutive periods. The award is valid for a two year period. In order to qualify for the award, the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

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of all City Departments. Appreciation is expressed to all members of the City's staff who assisted and contributed to its preparation. Sincere thanks are extended to the Mayor and City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

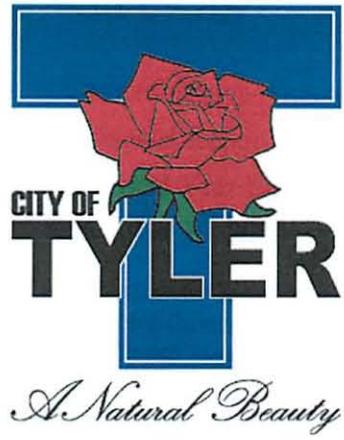
Respectfully submitted,

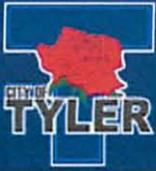


Mark McDaniel  
City Manager

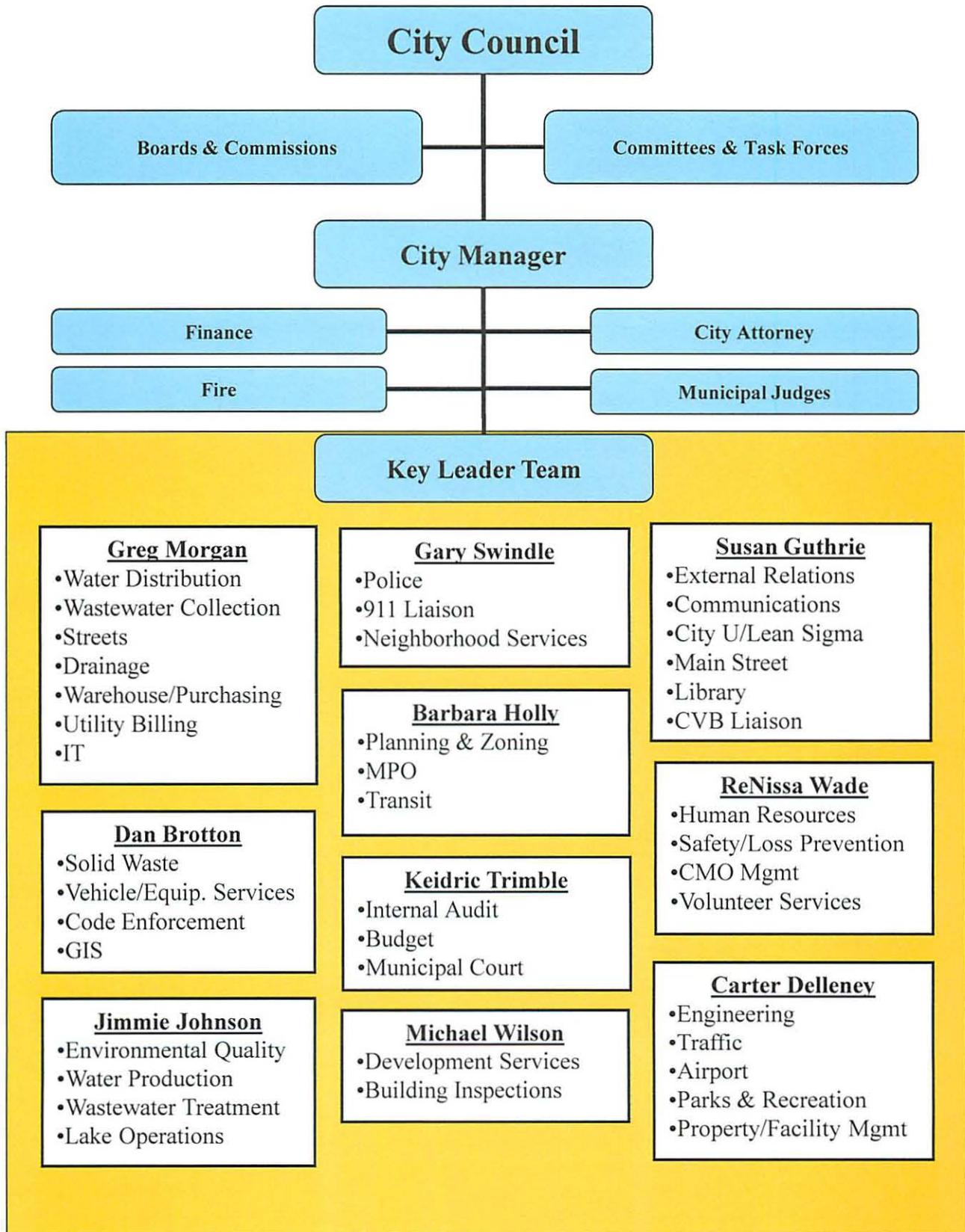


Daniel Crawford  
Finance Director





*A Natural Beauty*



**CITY OF TYLER, TEXAS  
LIST OF PRINCIPAL OFFICIALS  
SEPTEMBER 30, 2010**

**MAYOR – BARBARA BASS**

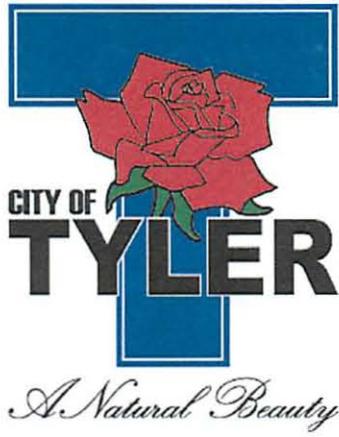
**Members of City Council:**

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

**City Manager – Mark McDaniel**

**Director of Finance – Daniel Crawford**

**City Attorney – Gary Landers**



## FINANCIAL SECTION

**HENRY & PETERS, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tyler, Texas' management. Our responsibility is to express an opinion on these financial statements based upon our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas as of September 30, 2010, and the respective changes in financial position, cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated March 9, 2011, on our consideration of the City of Tyler's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tyler, Texas' financial statements as a whole. The introductory section, additional supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Uniform Grant Management Standards Chapter IV, *Texas State Single Audit Circular*, and are also not a required part of the basic financial statements of the City of Tyler, Texas. The additional supplemental information and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Henry + Peters, P.C.

Tyler, Texas  
March 9, 2011

## CITY OF TYLER, TEXAS

Management's Discussion and Analysis  
For Year Ended September 30, 2010  
(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, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Tyler exceeded its liabilities at the close of the most recent fiscal year by \$435,259,131 (net assets). Of this amount, \$29,820,773 (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 decreased by \$2,266,704.
- As of the close of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$25,535,621. (\$13,851,050 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 \$132,605 or .24% of the total general fund expenditures. The general fund operating designation was \$8,579,628, or at least 15% of total general fund expenditures.
- The City's revenue bond payable had a net increase of \$18,890,000 due to issuance of new revenue bond debt and payment of revenue bond liabilities. The City has no general obligation bond payable.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, public services and culture and recreation. The business-type activities of the City include utilities, airport and sanitation operations. The government-wide financial statements can be found on pages 14-15 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 23 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 21 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 14-21.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utilities, airport and sanitation funds as they are considered to be major funds of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Tyler's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 25-26 of this report. Individual fund data for the fiduciary funds is provided in the form of combining statements elsewhere in this report. An additional fiduciary fund was created in 2009 for the Other Post Employment Benefit Trust. Information about Other Post Employment Benefits and the related trust can be found in note 5 on pages 55-

58. The Fireman's Relief and Retirement Fund is no longer reported in the City's financial statements; a separate independent audit of the Fund's financial condition will be completed each fiscal year and details can be found in note 5 on pages 52-55.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-59.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on pages 61-62 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, enterprise funds, internal service funds and fiduciary funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 65-114 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Tyler, assets exceeded liabilities by \$435,259,131 as of September 30, 2010.

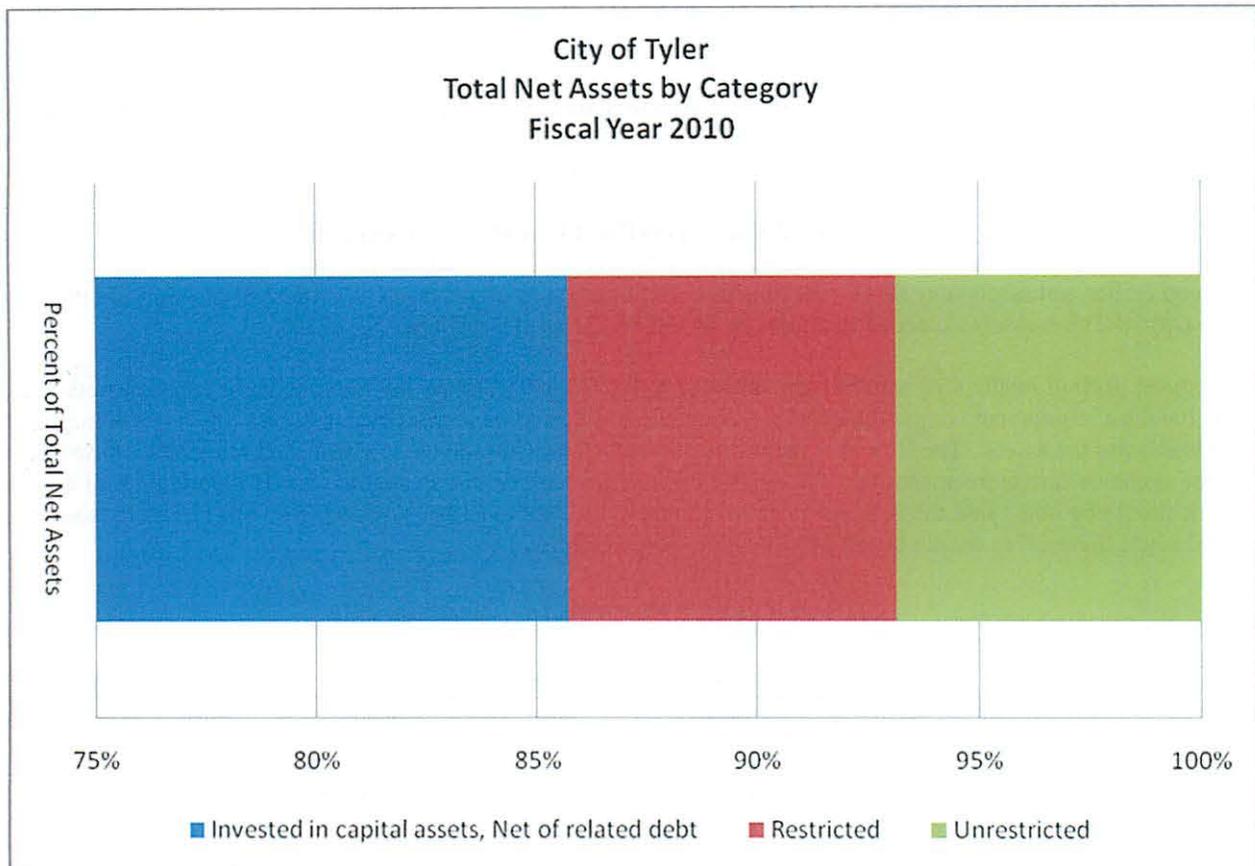
The largest portion of the City's net assets, 86%, or \$373,035,699, reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any outstanding debt used to acquire the assets. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### CITY OF TYLER'S NET ASSETS – Fiscal Year 2010

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 46,144,711	\$ 45,811,735	\$ 35,339,421	\$ 21,283,796	\$ 81,484,132	\$ 67,095,531
Capital assets	245,943,489	245,370,836	207,202,107	202,833,791	453,145,596	448,204,627
Total Assets	292,088,200	291,182,571	242,541,528	224,117,587	534,629,728	515,300,158
Non current liabilities	14,480,135	11,383,077	74,033,094	54,410,227	88,513,229	65,793,304
Other liabilities	7,491,260	7,809,815	3,366,108	4,171,204	10,857,368	11,981,019
Total Liabilities	21,971,395	19,192,892	77,399,202	58,581,431	99,370,597	77,774,323
Net Assets:						
Invested in capital assets,						
Net of related debt	239,107,580	239,906,695	133,928,119	146,154,811	373,035,699	386,061,506
Restricted	11,517,178	9,219,851	20,885,481	9,194,730	32,402,659	18,414,581
Unrestricted	19,492,047	22,863,133	10,328,726	10,186,615	29,820,773	33,049,748
Prior Period Adjustment						
Total Net Assets	\$ 270,116,805	\$ 271,989,679	\$ 165,142,326	\$ 165,536,156	\$ 435,259,131	\$ 437,525,835

An additional portion of the City's net assets 7% or \$32,402,659 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$29,820,773 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2010 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.

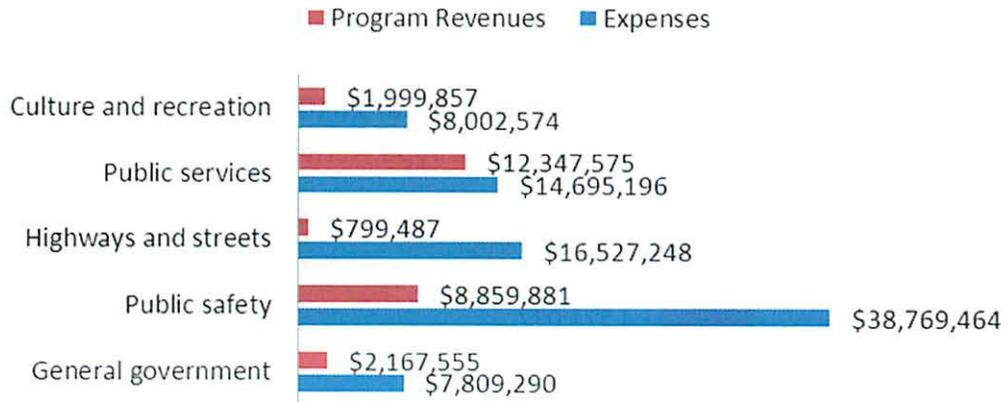


**Analysis of the City's Operations** - Overall the City had a decrease in net assets of \$2,266,704.

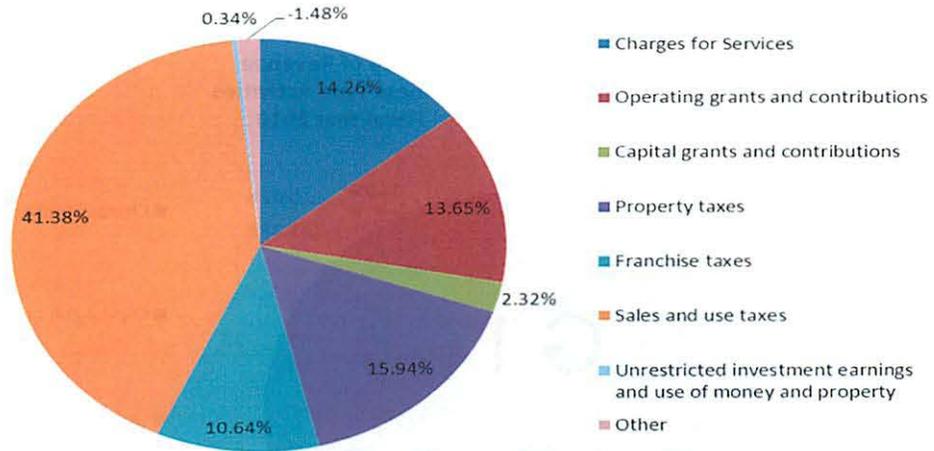
Governmental Activities: Governmental activities decreased net assets by \$1,872,874. Net assets invested in capital assets, net of related debt decreased by \$799,115 due to deletions and depreciation exceeding additions. Restricted net assets increased by \$2,297,327 primarily due to remaining grant and capital project funds yet to be spent and increases in court special funds. Unrestricted net assets decreased by \$3,371,086 due to decreases in general sales tax revenue and other revenue sources.

Total revenues for the governmental activities decreased from the previous year by \$4,559,584. General revenue had a decrease of \$4,633,807, which was due primarily to a decrease in sales and use tax and other revenue sources such as investment income. Program revenues experienced an increase of \$74,223, which was primarily due to an increase in capital grant contributions and charges for services.

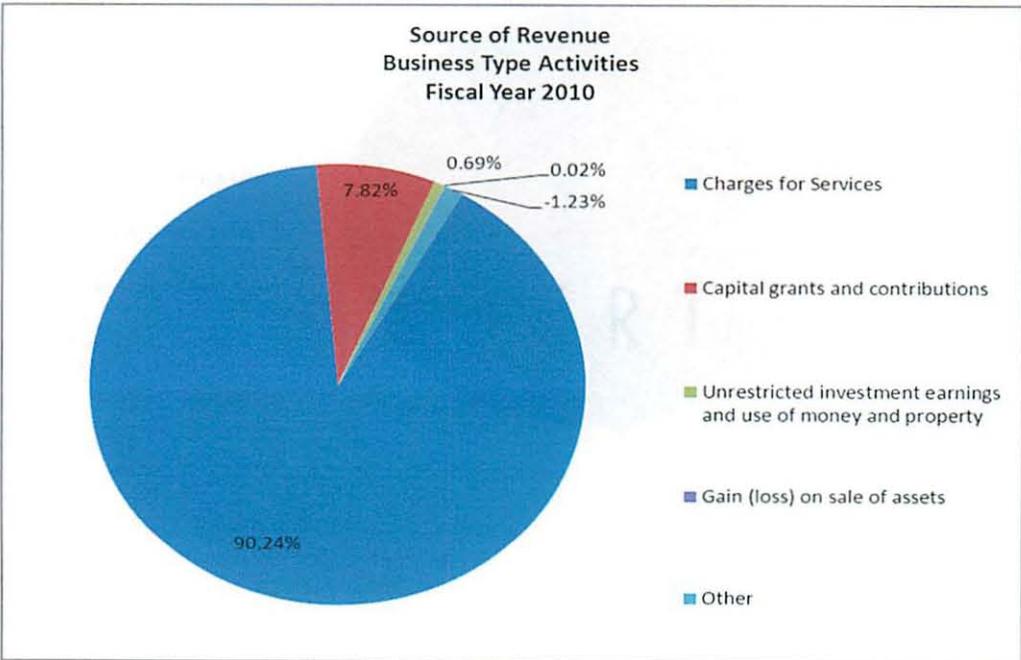
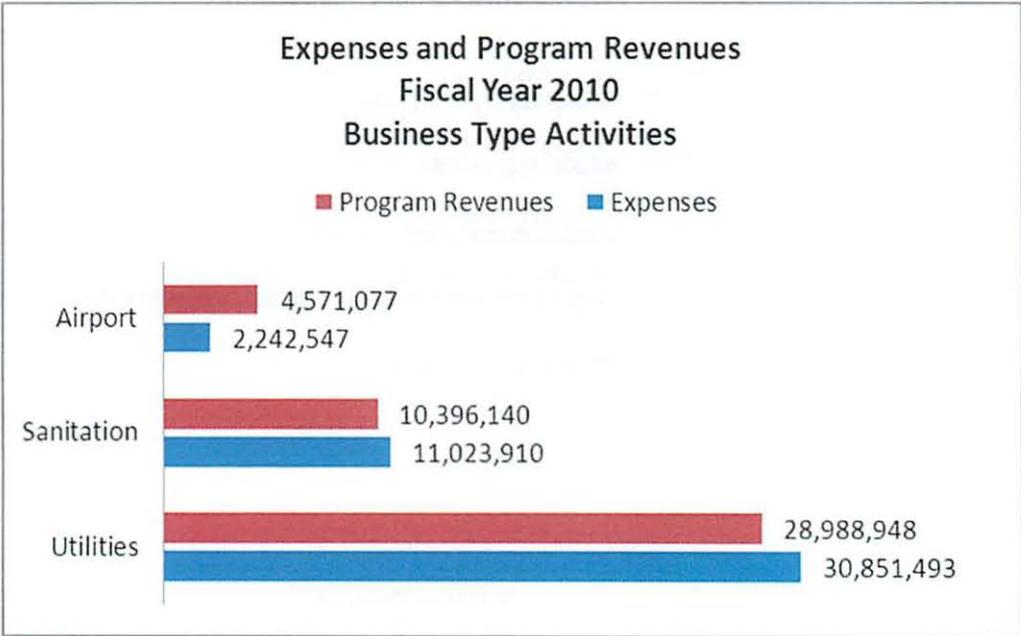
**Expenses and Program Revenues  
Fiscal Year 2010  
Governmental Activities**



**Source of Revenue  
Governmental Activities  
Fiscal Year 2010**



Business-type Activities: Net Assets from business-type activities decreased by \$393,830. This decrease was due to transfers to governmental activities. The Airport experienced an increase in net assets due primarily to capital grant contributions combined with strong collections for charges for service. Utility water sales were down due to weather conditions and combined with lower commercial sanitation sales resulted in a net asset decline for business type activities.



The following table provides a summary of the City's operations for the year ended September 30, 2010 with comparative totals for the year ended September 30, 2009.

**CITY OF TYLER'S CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 12,347,851	\$ 11,453,359	\$ 40,452,822	\$ 38,375,987	\$ 52,800,673	\$ 49,829,346
Operating grants and contributions	11,821,887	12,741,193	-	-	11,821,887	12,741,193
Capital grants and contributions	2,004,617	1,905,580	3,503,343	4,702,692	5,507,960	6,608,272
General revenues:						
Property taxes	13,798,294	13,525,006	-	-	13,798,294	13,525,006
Franchise taxes	9,215,625	9,121,057	-	-	9,215,625	9,121,057
Sales and use taxes	35,831,538	37,618,275	-	-	35,831,538	37,618,275
Investment earnings and use of money and property	292,013	793,536	311,351	307,280	603,364	1,100,816
Gain on sale of assets	(2,010,976)	556,151	7,389	9,421	(2,003,587)	565,572
Miscellaneous	181,771	328,047	-	-	181,771	328,047
Total revenues	83,482,620	88,042,204	44,274,905	43,395,380	127,757,525	131,437,584
Expenses:						
General government	7,809,290	10,320,209	-	-	7,809,290	10,320,209
Public safety	38,769,464	38,280,137	-	-	38,769,464	38,280,137
Streets	16,527,248	6,319,359	-	-	16,527,248	6,319,359
Public services	14,695,196	27,916,561	-	-	14,695,196	27,916,561
Culture and recreation	8,002,574	6,775,264	-	-	8,002,574	6,775,264
Interest on long-term debt	102,507	85,952	-	-	102,507	85,952
Water and sewer	-	-	30,851,493	29,488,289	30,851,493	29,488,289
Sanitation	-	-	11,023,910	11,254,980	11,023,910	11,254,980
Airport	-	-	2,242,547	2,111,713	2,242,547	2,111,713
Total Expenses	85,906,279	89,697,482	44,117,950	42,854,982	130,024,229	132,552,464
Increases in net assets						
Before transfers	(2,423,659)	(1,655,278)	156,955	540,398	(2,266,704)	(1,114,880)
Transfers	550,785	166,697	(550,785)	(166,697)	-	-
Change in net assets	(1,872,874)	(1,488,581)	(393,830)	373,701	(2,266,704)	(1,114,880)
Net assets – October 1	271,989,679	273,478,260	165,536,156	165,162,455	437,525,835	438,640,715
Prior Period Adjustment						
Net assets – September 30	\$ 270,116,805	\$ 271,989,679	\$ 165,142,326	\$ 165,536,156	\$ 435,259,131	\$437,525,835

## 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 \$25,535,621. Approximately 54% of this total amount, \$13,851,050, 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, \$6,622,241; 2) to pay for the perpetual care of city cemeteries, \$2,456,904; 3) to purchase items restricted under grant and donation terms, \$2,071,930 and 4) to pay for other miscellaneous reservations, \$533,496. The City of Tyler also self imposes an operating designation in the general fund equivalent to approximately 15 percent of total expenditures, \$8,579,628.

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 fund various expenses required for operations for a net budgeted decrease in fund balance of \$1,691,306. Due to both revenue and expenditure budget variances the actual net decrease in fund balance for fiscal year 2010 was \$1,360,592. Capital Projects ½ Cent Sales Tax Fund balance increased in 2010 by \$1,740,027, from \$3,909,297 to \$5,649,324 primarily due to the continuation and delay of several multi-year construction projects due to current sales tax collections. Other governmental fund balances increased in 2010 by \$963,580, primarily due to the remaining unspent grant revenue.

**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 - \$8,608,519, Sanitation - \$1,417,628 and Airport - \$373,199. The following fund had a net asset increase in 2010 as follows: Airport- \$2,438,068. The Utilities fund had a decrease in net assets of \$1,499,388 primarily due to weather related reductions in water sales and revenue bond debt payments. The Sanitation fund had a decrease in net assets of \$1,036,391 primarily due to increased operating and capital spending as well as decreased commercial collections.

**General Fund Budgetary Highlights** - The City made revisions to the original budget appropriations approved by the City Council. Overall these changes resulted in increased budgeted revenues of \$248,493 due to Police grant revenue allocated after budget completion. Additionally the budgeted expenditures and transfers increased from the original budget by \$1,939,799. The majority of this increase was due to increased transfers associated with general government services.

Actual revenues in all categories were below the final budgeted amounts by a total of \$2,120,856. Actual expenditures not including transfers were below final budgeted amounts by a total of \$1,732,898.

## CAPITAL ASSETS

The City of Tyler's investment in capital assets for its governmental and business-type activities as of September 30, 2010 amounts to \$450,244,592, (net of accumulated depreciation). This investment in capital assets includes land, water rights, building, equipment, improvements, infrastructure and construction in progress. The total increase in capital assets for the current fiscal year was \$2,459,964 or .55 %.

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

- \$661,195 Park Restroom improvement project
- \$8,821,446 LTD construction completed on major half cent roadway projects
- \$3,174,052 Airport Perimeter and Safety Area improvements
- \$5,492,943 Water and Sewer projects

Capital Assets at Year End						
Net of Accumulated Depreciation						
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$15,378,960	\$14,347,893	\$9,675,763	\$6,726,213	\$25,054,723	\$21,074,106
Water rights	-	-	12,524,200	12,524,200	12,524,200	12,524,200
Building	22,918,297	23,478,207	30,833,217	32,030,577	53,751,514	55,508,784
Improvements	38,455,807	44,470,775	132,046,743	136,130,127	170,502,550	180,600,902
Machinery & equipment	16,004,886	17,335,945	4,828,900	5,443,307	20,833,786	22,779,252
Infrastructure	134,221,896	95,780,302	1,778,799	1,839,109	136,000,695	97,619,411
Construction in progress	16,486,802	49,537,715	15,090,322	8,140,258	31,577,124	57,677,973
Total	\$243,466,648	\$244,950,837	\$206,777,944	\$202,833,791	\$450,244,592	\$447,784,628

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

#### DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Tyler had a total bonded debt of \$72,845,000 comprised solely of bonds secured by water and sewer revenues.

Outstanding Debt at Year End						
Bonds and Notes Payable						
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Capital leases	\$4,359,068	\$5,044,141	\$ -	\$ 5,965	\$ 4,359,068	\$ 5,050,106
Revenue bonds payable	-	-	72,845,000	53,955,000	72,845,000	53,955,000
Total	\$4,359,068	\$5,044,141	\$ 72,845,000	\$ 53,960,965	\$ 77,204,068	\$ 59,005,106

During the fiscal year, the City's total bond debt increased by \$18,890,000 or 35 %. The increase was primarily due to the following:

- Issuance of 2009 Revenue Bond debt and payment of annual principal on outstanding Revenue bond debt.

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

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

Please see note 4 on page 45 for an explanation of reserve requirements for the City of Tyler. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Tyler is \$670,131,743. The City of Tyler has no outstanding general obligation bond debt.

Additional information on the City of Tyler's long term-debt can be found in note 4 on pages 44-46 of this report.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

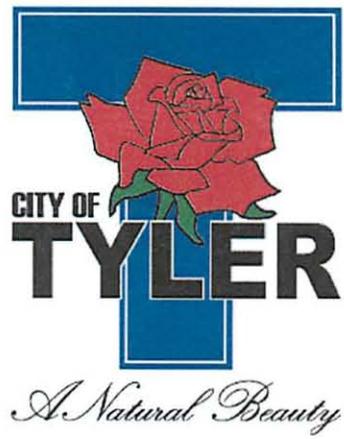
- The unemployment rate for the City of Tyler is currently 7.3 %, which is a decrease from 7.7 % a year ago. This compares favorably to the state's average unemployment rate of 7.9 % and the national average rate of 9.2 %.
- The office space occupancy rate for the City of Tyler declined slightly in 2010 to 87 % from a high of 90 % occupancy.
- Sales tax receipt growth over a ten year average slowed slightly to 3.23 %. Property value rates, due to a decline in current values, slowed to a ten year average growth rate of 7.11 %.

All of these factors were considered in preparing the City of Tyler's budget for the fiscal year 2010-11. During the current fiscal year, unreserved, undesignated fund balance in the General Fund decreased to \$132,605. For fiscal year 2010-11, the City has budgeted revenues to exceed expenditures by \$950,115 in the General Fund with an additional \$1,086,266 in operating transfers out. The City of Tyler has also implemented several financial policies such as a tri-annual budget process in an attempt to better analyze and track costs. The City has attempted to control costs in the General Fund to prepare for future economic changes through budget control and review. The 2010-11 budget continues to incorporate the vision provided by Tyler 21 participants in creating a master plan and desires for future growth. The property tax rate adopted with the 2010-11 budget is 20.9 cents per \$100 of valuation.

During 2010-11 Water Utilities plans to continue the projects related to the 2008 and 2009 revenue bond issue. 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 unreserved net asset balances are being set aside to pay for capital improvements to the water system.

#### **REQUEST FOR INFORMATION**

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



## **BASIC FINANCIAL STATEMENTS**

**CITY OF TYLER, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2010**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 25,384,988	\$ 7,889,348	\$ 33,274,336
Receivables (net of allowance for doubtful accounts)	9,765,949	5,870,407	15,636,356
Internal balances	70,621	(70,621)	-
Inventories	174,703	265,220	439,923
Prepaid items and deferred charges	60,723	566,545	627,268
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	8,232,679	20,818,522	29,051,201
Permanently restricted			
Cash and cash equivalents	2,455,048	-	2,455,048
Other post employment benefits asset	1,657,720	424,163	2,081,883
Investment in joint venture	819,121	-	819,121
Capital assets not being depreciated:			
Land	15,378,960	9,675,763	25,054,723
Water rights	-	12,524,200	12,524,200
Construction in progress	16,486,802	15,090,322	31,577,124
Capital assets net of accumulated depreciation:			
Buildings	22,918,297	30,833,217	53,751,514
Improvements other than buildings	38,455,807	132,046,743	170,502,550
Machinery and equipment	16,004,886	4,828,900	20,833,786
Infrastructure	134,221,896	1,778,799	136,000,695
Total Assets	<u>292,088,200</u>	<u>242,541,528</u>	<u>534,629,728</u>
<b>LIABILITIES</b>			
Accounts payable	5,243,909	3,069,438	8,313,347
Deposits and other refundable balances	730,362	17,945	748,307
Insurance claims payable	1,325,346	-	1,325,346
Accrued interest payable	81,900	278,725	360,625
Unearned revenues	109,743	-	109,743
Non-current liabilities:			
Due within one year	1,458,332	2,870,087	4,328,419
Due in more than one year	13,021,803	71,163,007	84,184,810
Total Liabilities	<u>21,971,395</u>	<u>77,399,202</u>	<u>99,370,597</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	239,107,580	133,928,119	373,035,699
Restricted for:			
Debt service	-	891,604	891,604
Perpetual care - nonexpendable	2,456,904	-	2,456,904
Storm water management	-	305,500	305,500
Capital projects	6,622,241	19,688,377	26,310,618
Grants and donations	2,071,930	-	2,071,930
Court ordered disbursements	253,558	-	253,558
Court juvenile fund	16,431	-	16,431
Court security	96,114	-	96,114
Unrestricted	19,492,047	10,328,726	29,820,773
Total Net Assets	<u>\$ 270,116,805</u>	<u>\$ 165,142,326</u>	<u>\$ 435,259,131</u>

**CITY OF TYLER, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>Governmental activities:</b>							
General government	\$ 7,809,290	\$ 1,661,810	\$ 505,745	\$ -	\$ (5,641,735)	\$ -	\$ (5,641,735)
Public safety	38,769,464	6,969,674	1,414,401	475,806	(29,909,583)	-	(29,909,583)
Highways and streets	16,527,248	101,961	260,984	436,542	(15,727,761)	-	(15,727,761)
Public services	14,695,196	1,646,938	9,608,368	1,092,269	(2,347,621)	-	(2,347,621)
Culture and recreation	8,002,574	1,967,468	32,389	-	(6,002,717)	-	(6,002,717)
Interest on long term debt	102,507	-	-	-	(102,507)	-	(102,507)
Total governmental activities	85,906,279	12,347,851	11,821,887	2,004,617	(59,731,924)	-	(59,731,924)
<b>Business-type activities:</b>							
Utilities	30,851,493	28,988,948	-	-	-	(1,862,545)	(1,862,545)
Sanitation	11,023,910	10,396,140	-	-	-	(627,770)	(627,770)
Airport	2,242,547	1,067,734	-	3,503,343	-	2,328,530	2,328,530
Total business-type activities	44,117,950	40,452,822	-	3,503,343	-	(161,785)	(161,785)
Total primary government	\$ 130,024,229	\$ 52,800,673	\$ 11,821,887	\$ 5,507,960	(59,731,924)	(161,785)	(59,893,709)
<b>General revenues:</b>							
Property taxes					13,798,294	-	13,798,294
Franchise taxes					9,215,625	-	9,215,625
Sales and use taxes					35,831,538	-	35,831,538
Unrestricted investment earnings and use of money and property					292,013	311,351	603,364
Gain (loss) on sale of assets					(2,010,976)	7,389	(2,003,587)
Miscellaneous					181,771	-	181,771
Transfers					550,785	(550,785)	-
Total general revenues and transfers					57,859,050	(232,045)	57,627,005
Change in net assets					(1,872,874)	(393,830)	(2,266,704)
Net assets - beginning of year					271,989,679	165,536,156	437,525,835
Net assets - end of year					\$ 270,116,805	\$ 165,142,326	\$ 435,259,131

**CITY OF TYLER, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	MAJOR FUNDS		OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	HALF CENT SALES TAX		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,828,423	\$ -	\$ 6,869,435	\$ 11,697,858
Receivables (net of allowance for doubtful accounts) :				
Property taxes	514,799	-	-	514,799
Other	5,988,057	1,961,115	951,069	8,900,241
Due from other funds	519,402	-	-	519,402
Inventories	10,938	-	4,450	15,388
Prepaid items	50,555	-	10,168	60,723
Cash - restricted	-	5,054,450	5,633,277	10,687,727
	<u>\$ 11,912,174</u>	<u>\$ 7,015,565</u>	<u>\$ 13,468,399</u>	<u>\$ 32,396,138</u>
Total assets				
<b>LIABILITIES and FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 2,460,402	\$ 1,366,241	\$ 1,142,861	\$ 4,969,504
Deposits and other refundable balances	100,458	-	629,904	730,362
Due to other funds	-	-	519,402	519,402
Unearned revenue	46,083	-	63,660	109,743
Deferred revenue	531,505	-	-	531,505
	<u>3,138,448</u>	<u>1,366,241</u>	<u>2,355,827</u>	<u>6,860,516</u>
Total liabilities				
Fund Balances:				
Reserved for:				
Perpetual care	-	-	2,456,904	2,456,904
Court ordered disbursements	-	-	253,558	253,558
Court juvenile fund	-	-	16,431	16,431
Court security	-	-	96,114	96,114
Grants / donations	-	-	2,071,930	2,071,930
Capital projects	-	5,649,324	972,917	6,622,241
Court technology	-	-	105,900	105,900
Prepaid items	50,555	-	-	50,555
Inventory	10,938	-	-	10,938
Total reserved fund balances	<u>61,493</u>	<u>5,649,324</u>	<u>5,973,754</u>	<u>11,684,571</u>
Unreserved fund balances				
Designated for:				
Operations	8,579,628	-	-	8,579,628
Undesignated reported in:				
General Fund	132,605	-	-	132,605
Special Revenue Fund	-	-	4,983,064	4,983,064
Permanent Fund	-	-	155,754	155,754
Total unreserved fund balances	<u>8,712,233</u>	<u>-</u>	<u>5,138,818</u>	<u>13,851,051</u>
Total fund balances	<u>8,773,726</u>	<u>5,649,324</u>	<u>11,112,572</u>	<u>25,535,622</u>
Total liabilities and fund balances	<u>\$ 11,912,174</u>	<u>\$ 7,015,565</u>	<u>\$ 13,468,399</u>	<u>\$ 32,396,138</u>

**CITY OF TYLER, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

	TOTAL GOVERNMENTAL FUNDS
Total fund balances governmental funds (Exhibit 3)	\$ 25,535,622
Other post employment benefits in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. (Includes other post employment benefit assets of Internal Service Funds)	1,657,720
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	230,893,480
Equity in an affiliated joint venture is included in governmental activities in the statement of net assets.	819,121
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	531,505
Internal service funds are used by management to charge the costs of various goods or services provided to other departments or agencies of the City. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. (Net of the amount allocated to business-type activities)	20,601,675
Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	(9,922,318)
Net assets of governmental activities (Exhibit 1)	\$ 270,116,805

**CITY OF TYLER, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	MAJOR FUNDS		OTHER	TOTAL GOVERNMENTAL FUNDS
	GENERAL	HALF CENT SALES TAX	NON-MAJOR GOVERNMENTAL FUNDS	
<b>REVENUES</b>				
Taxes:				
Property	\$ 13,709,388	\$ -	\$ 64,971	\$ 13,774,359
Franchise	9,215,625	-	-	9,215,625
Sales and use	22,647,962	11,157,410	2,026,166	35,831,538
Licenses and permits	243,501	-	698,727	942,228
Fines, forfeitures and penalties	6,745,698	-	223,976	6,969,674
Revenues from use of money or property	73,363	14,178	418,125	505,666
Charges for current services	1,388,850	-	1,645,566	3,034,416
Revenues from other agencies	1,141,049	-	11,091,181	12,232,230
Donations	-	-	847,951	847,951
Miscellaneous	239,325	3	1,308,564	1,547,892
Total revenues	<u>55,404,761</u>	<u>11,171,591</u>	<u>18,325,227</u>	<u>84,901,579</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,506,016	30,000	168,634	6,704,650
Public safety	37,093,619	-	100,322	37,193,941
Public services	395,445	-	13,435,299	13,830,744
Highways and streets	5,082,407	24,523	357,496	5,464,426
Culture and recreation	4,736,402	-	1,591,625	6,328,027
Capital outlay	1,137,854	9,568,741	3,574,731	14,281,326
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	1,091	1,091
Total expenditures	<u>54,951,743</u>	<u>9,623,264</u>	<u>19,229,198</u>	<u>83,804,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>453,018</u>	<u>1,548,327</u>	<u>(903,971)</u>	<u>1,097,374</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	357,983	288,075	2,877,721	3,523,779
Transfers out	(2,249,331)	(96,375)	(1,010,170)	(3,355,876)
Sale of capital assets	77,738	-	-	77,738
Total other financing sources (uses)	<u>(1,813,610)</u>	<u>191,700</u>	<u>1,867,551</u>	<u>245,641</u>
Net change in fund balances	(1,360,592)	1,740,027	963,580	1,343,015
Fund balances - beginning of year	<u>10,134,318</u>	<u>3,909,297</u>	<u>10,148,992</u>	<u>24,192,607</u>
Fund balances - end of year	<u>\$ 8,773,726</u>	<u>\$ 5,649,324</u>	<u>\$ 11,112,572</u>	<u>\$ 25,535,622</u>

**CITY OF TYLER, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

Net change in fund balances - total governmental funds	\$ 1,343,015
Governmental funds report all payments to other post employment benefits as expenditures. However, in the government-wide statement of activities, the actuarial annually required contribution is considered as expense. Any excess payment is recorded as an asset. Change in other post employment benefit asset.	1,554,707
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	38,372,689
The net decrease of the equity in investment in an affiliated joint venture is reflected on the statement of activities.	399,121
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(41,594,561)
Tax revenue is reported in the government-wide statement of activities and changes in net assets, but a portion of the revenue does not provide current financial resources. The current adjustment reflects a net decrease in the deferral of the revenue.	23,937
The issuance of long-term debt (e.g capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	1,926,285
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. This amount reflects the change in the accrued liability for compensated absences, accrued legal expenses, and net pension expenses.	(3,627,441)
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.	29,460
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 (\$296,119).	<u>(300,086)</u>
Change in net assets of governmental activities	<u>\$ (1,872,874)</u>

CITY OF TYLER, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property tax collections	\$ 13,791,740	\$ 13,791,740	\$ 13,709,388	\$ (82,352)
Franchise fees	9,337,409	9,337,409	9,215,625	(121,784)
Sales and use taxes	24,706,845	24,706,845	22,647,962	(2,058,883)
Licenses and permits	194,100	194,100	243,501	49,401
Fines, forfeitures and penalties	6,670,178	6,670,178	6,745,698	75,520
Revenues from use of money or property	82,150	82,150	73,363	(8,787)
Charges for current services	1,303,432	1,343,432	1,388,850	45,418
Revenues from other agencies	980,770	1,189,263	1,141,049	(48,214)
Miscellaneous	210,500	210,500	239,325	28,825
<b>Total Revenues</b>	<b>57,277,124</b>	<b>57,525,617</b>	<b>55,404,761</b>	<b>(2,120,856)</b>
<b>EXPENDITURES</b>				
GENERAL GOVERNMENT:				
General government services	4,836,178	4,836,178	4,383,576	452,602
Communications	235,157	235,157	227,614	7,543
Finance	1,021,181	1,021,181	1,001,871	19,310
Human Resources	216,480	216,480	182,893	33,587
Legal	716,872	716,872	710,062	6,810
<b>Total General Government</b>	<b>7,025,868</b>	<b>7,025,868</b>	<b>6,506,016</b>	<b>519,852</b>
PUBLIC SAFETY:				
Police	21,923,810	21,923,810	21,273,096	650,714
Fire	13,916,174	13,916,174	13,644,329	271,845
Partners with youth program	288,585	288,585	321,003	(32,418)
Municipal court	1,888,944	1,888,944	1,855,191	33,753
<b>Total Public Safety</b>	<b>38,017,513</b>	<b>38,017,513</b>	<b>37,093,619</b>	<b>923,894</b>
PUBLIC SERVICES:				
Code enforcement	467,260	467,260	395,445	71,815
<b>Total Public Services</b>	<b>467,260</b>	<b>467,260</b>	<b>395,445</b>	<b>71,815</b>
HIGHWAYS AND STREETS:				
Engineering	596,741	596,741	454,711	142,030
Street administration	2,139,583	2,139,583	1,949,847	189,736
Traffic operations	2,527,372	2,527,372	2,677,849	(150,477)
<b>Total Highways and Streets</b>	<b>5,263,696</b>	<b>5,263,696</b>	<b>5,082,407</b>	<b>181,289</b>
CULTURE AND RECREATION:				
Library	1,330,424	1,330,424	1,266,216	64,208
Parks administration	2,465,304	2,474,304	2,330,922	143,382
Indoor recreation	508,025	549,260	436,160	113,100
Outdoor recreation	453,847	443,612	374,217	69,395
Median maintenance and arborist	354,342	354,342	328,887	25,455
<b>Total Culture and Recreation</b>	<b>5,111,942</b>	<b>5,151,942</b>	<b>4,736,402</b>	<b>415,540</b>
CAPITAL OUTLAY:				
	681,503	758,362	1,137,854	(379,492)
<b>Total Expenditures</b>	<b>56,567,782</b>	<b>56,684,641</b>	<b>54,951,743</b>	<b>1,732,898</b>

(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, 2010

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Excess (deficiency) of revenues over (under) expenditures	709,342	840,976	453,018	(387,958)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	357,983	357,983
Transfers out	(712,828)	(2,535,768)	(2,249,331)	286,437
Sale of property and equipment	3,486	3,486	77,738	74,252
Total other financing sources (uses)	(709,342)	(2,532,282)	(1,813,610)	718,672
Net change in fund balance	-	(1,691,306)	(1,360,592)	330,714
Fund Balance - October 1, 2009	10,134,318	10,134,318	10,134,318	-
Fund Balance - September 30, 2010	<u>\$ 10,134,318</u>	<u>\$ 8,443,012</u>	<u>\$ 8,773,726</u>	<u>\$ 330,714</u>

**CITY OF TYLER, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL	
	ENTERPRISE FUNDS			ACTIVITIES	
	UTILITIES	SANITATION	AIRPORT	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
<b>ASSETS</b>					
Current Assets					
Unrestricted current assets:					
Cash and cash equivalents	\$ 4,277,195	\$ 3,237,378	\$ 374,775	\$ 7,889,348	\$ 13,687,130
Accounts receivable (net)	4,335,398	1,245,696	289,313	5,870,407	350,909
Inventories - at average cost	265,220	-	-	265,220	159,315
Total unrestricted current assets	8,877,813	4,483,074	664,088	14,024,975	14,197,354
Restricted Current assets:					
Temporarily restricted					
Cash and cash equivalents for payment of current maturities of revenue bond principal and interest	1,178,166	-	-	1,178,166	-
Total restricted current assets	1,178,166	-	-	1,178,166	-
Total current assets	10,055,979	4,483,074	664,088	15,203,141	14,197,354
Noncurrent assets:					
Restricted assets:					
Temporarily restricted					
Cash and cash equivalents	19,640,355	-	-	19,640,355	-
Total restricted assets	19,640,355	-	-	19,640,355	-
Deferred charges (net)	566,545	-	-	566,545	-
Other post employment benefits asset	281,621	122,218	20,324	424,163	103,013
Capital assets:					
Land	5,340,965	3,285,312	1,049,486	9,675,763	65,000
Water rights	12,524,200	-	-	12,524,200	-
Buildings	32,046,561	307,704	22,227,009	54,581,274	730,193
Improvements other than buildings	192,094,839	555,643	18,018,101	210,668,583	500,313
Machinery and equipment	2,767,602	6,902,300	865,224	10,535,126	26,302,066
Construction in progress	6,692,437	228,379	8,169,506	15,090,322	396,780
Less accumulated depreciation	(91,137,423)	(3,693,745)	(11,466,156)	(106,297,324)	(15,421,184)
Total capital assets net of accumulated depreciation	160,329,181	7,585,593	38,863,170	206,777,944	12,573,168
Total noncurrent assets	180,817,702	7,707,811	38,883,494	227,409,007	12,676,181
Total assets	190,873,681	12,190,885	39,547,582	242,612,148	26,873,535
<b>LIABILITIES</b>					
Current liabilities					
Unrestricted current liabilities:					
Accounts and contracts payable	1,960,000	882,813	226,625	3,069,438	274,404
Insurance claims payable	-	-	-	-	1,325,346
Current portion of capital lease payable	-	-	-	-	1,097,092
Current portion of compensated absences payable	16,277	6,495	2,315	25,087	4,110
Total unrestricted current liabilities	1,976,277	889,308	228,940	3,094,525	2,700,952
Current liabilities payable from restricted assets:					
Revenue bonds payable	2,845,000	-	-	2,845,000	-
Customer deposits	17,945	-	-	17,945	-
Accrued interest	278,725	-	-	278,725	81,900
Total current liabilities payable from restricted assets	3,141,670	-	-	3,141,670	81,900
Total current liabilities	5,117,947	889,308	228,940	6,236,195	2,782,852
Noncurrent liabilities:					
Revenue bonds payable (net)	70,004,825	-	-	70,004,825	-
Capital lease payable	-	-	-	-	3,222,946
Net pension obligation	368,716	159,753	26,609	555,078	134,869
Compensated absences	391,304	156,136	55,664	603,103	98,800
Total noncurrent liabilities	70,764,845	315,889	82,273	71,163,006	3,456,615
Total liabilities	75,882,792	1,205,197	311,213	77,399,201	6,239,467
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	87,479,356	7,585,593	38,863,170	133,928,119	8,253,130
Restricted net assets:					
Debt service					
Storm water management	891,604	-	-	891,604	-
Capital projects	305,500	-	-	305,500	-
Unrestricted	17,705,910	1,982,467	-	19,688,377	-
Total net assets	8,608,519	1,417,628	373,199	10,399,347	12,380,938
Total net assets	\$ 114,990,889	\$ 10,985,688	\$ 39,236,369	165,212,947	\$ 20,634,068
Reconciliation to government-wide statements of net assets:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			Prior years	225,498	
			Current year	(296,119)	
Net assets of business-type activities				\$ 165,142,326	

**CITY OF TYLER, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	BUSINESS-TYPE ACTIVITIES			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL
	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	UTILITIES	SANITATION	AIRPORT		FUNDS
<b>OPERATING REVENUES</b>					
Water and sewer operations	\$ 29,123,869	\$ -	\$ -	\$ 29,123,869	\$ -
Trash and garbage	-	10,135,674	-	10,135,674	-
Airport sales and rentals	-	-	1,086,890	1,086,890	-
Charges for services	-	-	-	-	13,170,451
Contributions	-	-	-	-	9,029,861
Income from other agencies	-	63,561	-	63,561	-
Miscellaneous	132,296	183,960	22,691	338,947	469,211
<b>Total operating revenues</b>	<b>29,256,165</b>	<b>10,383,195</b>	<b>1,109,581</b>	<b>40,748,941</b>	<b>22,669,523</b>
<b>OPERATING EXPENSES</b>					
Water and sewer operations	20,492,914	-	-	20,492,914	-
Sanitation operations	-	10,015,124	-	10,015,124	-
Municipal Airport operations	-	-	1,183,724	1,183,724	-
Garage operations	-	-	-	-	4,989,152
Depreciation	7,023,649	1,006,177	1,058,823	9,088,649	3,477,877
Insurance claims	-	-	-	-	9,414,272
Administrative	-	-	-	-	5,092,400
Special services	-	-	-	-	740,026
Maintenance	-	-	-	-	152,532
Capital outlay	-	2,609	-	2,609	-
<b>Total operating expenses</b>	<b>27,516,563</b>	<b>11,023,910</b>	<b>2,242,547</b>	<b>40,783,020</b>	<b>23,866,259</b>
Operating income (loss)	1,739,602	(640,715)	(1,132,966)	(34,079)	(1,196,736)
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Revenues from use of money and property	244,980	63,292	3,079	311,351	168,959
Income from other agencies	-	-	3,503,343	3,503,343	-
Amortization	(68,294)	-	-	(68,294)	-
Gain (loss) on sale of assets	960	6,429	-	7,389	179,566
Interest expense	(3,266,636)	-	-	(3,266,636)	(130,876)
<b>Total non-operating revenues (expenses)</b>	<b>(3,088,990)</b>	<b>69,721</b>	<b>3,506,422</b>	<b>487,153</b>	<b>217,649</b>
Income (loss) before transfers	(1,349,388)	(570,994)	2,373,456	453,074	(979,087)
Transfers in	-	136,346	64,810	201,156	519,228
Transfers out	(150,000)	(601,743)	(198)	(751,941)	(136,346)
Net transfers	(150,000)	(465,397)	64,612	(550,785)	382,882
Change in net assets	(1,499,388)	(1,036,391)	2,438,068	(97,711)	(596,205)
Net Assets - October 1, 2009	116,490,277	12,022,079	36,798,301		21,230,273
Net Assets - September 30, 2010	<u>\$ 114,990,889</u>	<u>\$ 10,985,688</u>	<u>\$ 39,236,369</u>		<u>\$ 20,634,068</u>
Reconciliation to government-wide statements of net assets:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(296,119)	
Change in net assets of business-type activities				<u>\$ (393,830)</u>	

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

**CITY OF TYLER, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL INTERNAL SERVICE FUNDS
	ENTERPRISE FUNDS				
	UTILITIES	SANITATION	AIRPORT	TOTAL ENTERPRISE FUNDS	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers and users	\$ 28,144,483	\$ 10,253,864	\$ 2,128,726	\$ 40,527,073	\$ 22,644,794
Cash paid to suppliers for goods and services	(14,100,124)	(6,942,244)	(1,839,374)	(22,881,742)	(9,018,061)
Cash paid to employees for services	(6,268,637)	(2,727,798)	(462,824)	(9,459,259)	(2,000,330)
Insurance claims paid	-	-	-	-	(8,805,786)
Net cash provided by (used in) operating activities	<u>7,775,722</u>	<u>583,822</u>	<u>(173,472)</u>	<u>8,186,072</u>	<u>2,820,617</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers in from other funds	-	136,346	64,810	201,156	1,419,228
Transfers out to other funds	(150,000)	(601,743)	(198)	(751,941)	(1,036,346)
Net cash (used in) provided by non-capital financing activities	<u>(150,000)</u>	<u>(465,397)</u>	<u>64,612</u>	<u>(550,785)</u>	<u>382,882</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(8,862,888)	(668,091)	(3,581,085)	(13,112,064)	(2,840,867)
Proceeds from grants for capital purposes	-	-	3,503,343	3,503,343	-
Proceeds from sale of assets	5,965	6,429	-	12,394	210,191
Proceeds from issuance of debt	21,610,000	-	-	21,610,000	-
Payments on debt	(2,720,000)	-	-	(2,720,000)	(1,164,105)
Interest paid	(3,210,692)	-	-	(3,210,692)	(130,876)
Net cash provided by (used in) capital and related financing activities	<u>6,822,385</u>	<u>(661,662)</u>	<u>(77,742)</u>	<u>6,082,981</u>	<u>(3,925,657)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends on investments	244,980	63,292	3,079	311,351	168,959
Net cash provided by (used in) investing activities	<u>244,980</u>	<u>63,292</u>	<u>3,079</u>	<u>311,351</u>	<u>168,959</u>
Net increase (decrease) in cash and cash equivalents	14,693,087	(479,945)	(183,523)	14,029,619	(553,199)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>10,402,629</u>	<u>3,717,323</u>	<u>558,298</u>	<u>14,678,250</u>	<u>14,240,329</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 25,095,716</u>	<u>\$ 3,237,378</u>	<u>\$ 374,775</u>	<u>\$ 28,707,869</u>	<u>\$ 13,687,130</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 1,739,602	\$ (640,715)	\$ (1,132,966)	\$ (34,079)	\$ (1,196,736)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	7,023,649	1,006,177	1,058,823	9,088,649	3,477,877
(Increase) decrease in accounts receivable	(1,112,183)	(129,331)	1,019,145	(222,369)	(37,402)
(Increase) decrease in prepaids	-	3,000	-	3,000	182,053
(Increase) decrease in inventories	(10,349)	-	-	(10,349)	12,673
(Increase) decrease in deferred charges	(92,402)	-	-	(92,402)	-
(Increase) decrease in other post employment benefit asset	(281,621)	(122,218)	(20,324)	(424,163)	(103,013)
Increase (decrease) in accounts payable	(9,070)	263,140	(1,139,295)	(885,225)	(294,558)
Increase (decrease) in customer deposits	10,850	-	-	10,850	-
Increase (decrease) in claims payable	-	-	-	-	608,486
Increase (decrease) in accrued interest payable	69,272	-	-	69,272	16,542
Increase (decrease) in net pension obligation	368,716	159,753	26,609	555,078	134,869
Increase (decrease) in compensated absences payable	69,258	44,016	14,536	127,810	19,826
Total adjustments	<u>6,036,120</u>	<u>1,224,537</u>	<u>959,494</u>	<u>8,220,151</u>	<u>4,017,353</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 7,775,722</u>	<u>\$ 583,822</u>	<u>\$ (173,472)</u>	<u>\$ 8,186,072</u>	<u>\$ 2,820,617</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>					
Borrowing under capital lease	\$ -	\$ -	\$ -	\$ -	\$ 1,241,212

CITY OF TYLER, TEXAS  
 FIDUCIARY FUNDS  
 STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2010

	EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE - PURPOSE TRUST FUNDS
<b>ASSETS</b>		
Equity in pooled cash and investments	\$ 3,636,010	\$ 2,295,244
Receivables		
Accounts receivable	6,723	-
Interest receivable	-	1,688
Total receivables	6,723	1,688
Total assets	3,642,733	2,296,932
<b>LIABILITIES</b>		
Accounts payable	-	-
Total liabilities	-	-
<b>NET ASSETS</b>		
Held in trust for OPEB benefits and other purposes	\$ 3,642,733	\$ 2,296,932

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

**CITY OF TYLER, TEXAS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	EMPLOYEE BENEFIT TRUST FUNDS	PRIVATE - PURPOSE TRUST FUNDS
<b>ADDITIONS</b>		
Contributions:		
Employees	\$ 189,370	\$ -
Employer	330,767	-
Other	-	40,710
Total contributions	520,137	40,710
Investment income:		
Interest	-	17,320
Net investment income	-	17,320
Total additions	520,137	58,030
<b>DEDUCTIONS</b>		
Benefits	241,788	-
Contributions	-	-
Total deductions	241,788	-
Change in net assets	278,349	58,030
Net Assets - October 1, 2009	3,364,384	2,238,902
Net Assets - September 30, 2010	\$ 3,642,733	\$ 2,296,932

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

This page left blank intentionally.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

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

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

**B. Blended Component Unit**

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

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

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

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

**C. Government-Wide and Fund Financial Statements**

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

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**C. Government-Wide and Fund Financial Statements - continued**

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues 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 Half Cent Sales Tax Fund accounts for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

The government reports the following major proprietary funds:

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

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

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

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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

Additionally, the government reports the following fund types:

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

The City of Tyler reports the following Internal Service Funds:

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

Fiduciary Funds:

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

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

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

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

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

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

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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

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

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

When 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.

**Housing Assistance Payment Fund**

The City of Tyler accounts for revenues and expenditures related to the Housing Choice Voucher Program Housing Assistance Payments in the "Housing Assistance Payments Fund" reported on pages 66 and 69. The Housing Assistance Payment Fund is reported on a modified cash basis.

**E. Assets, Liabilities, and Net Assets or Equity**

**1. Equity in Pooled Cash and Investments**

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

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

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.

CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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

2. Investments

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

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, 2010, there were no material unrealized gains or losses.

Investment Pools

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

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

Other

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements. The City is authorized by its governing board to invest in the obligations of the United States government, bonds guaranteed by the United States government, certificates of deposit at financial institutions, local government investment pools, direct obligations of the State of Texas, no load government money market mutual funds, and repurchase agreements. Investments are stated at cost or amortized cost.

3. Receivables and Payables

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

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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

3. Receivables and Payables - continued

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

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

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

The City Charter limits the City's ad valorem tax rate to \$1.75 per \$100 of assessed valuation. The tax rate for the year ended September 30, 2010, was \$.204000 per \$100, which means that the City has a tax margin of \$1.546000 per \$100 and could raise up to \$103,602,368 additional taxes a year from the present valuation of \$6,701,317,433 before the limit is reached.

4. Inventories and Prepaid Items

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

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

5. Due from Other Funds

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

6. Capital Assets

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

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

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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

6. Capital Assets - continued

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

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

7. Construction-in-Progress

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

8. Restricted Assets

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

9. Compensated Absences

Non-Civil Service Employees

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

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

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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

9. Compensated Absences - continued

Civil Service Employees

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

Civil and Non-Civil Service Employees

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

10. Long-Term Obligations

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

11. Fund Equity

In 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 less unspent cash acquired through debt at year-end. Net assets reported as restricted are those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations. The government-wide statement of net assets reports \$32,402,659 of restricted net assets, of which \$5,649,324 is restricted by enabling legislation.

13. Estimates

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

CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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

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.

15. New Accounting Pronouncements

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes accounting and financial reporting requirements to improve the usefulness of information about fund balance by providing clearer, more structured fund balance classifications and clarifying the definitions of existing governmental fund types. This statement is effective for financial statements for years beginning after June 15, 2010. The City is evaluating the impact of this statement on the City's financial statements.

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

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. This statement is effective for periods beginning after June 15, 2010. The City is evaluating the impact of this statement on the City's financial statements.

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

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

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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

15. New Accounting Pronouncements - continued

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$9,922,318 difference are as follows:

Claims and judgment	\$ 100,000
Capital leases	39,030
Net pension obligation	2,035,479
Compensated absences	<u>7,747,809</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 9,922,318</u></u>

Another element of that reconciliation states that “Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.” The details of this \$531,505 difference are as follows:

Deferred property tax revenues	\$ 531,505
--------------------------------	------------

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$38,372,689 difference are as follows:

Capital outlay	\$53,646,637
Depreciation expense	<u>(15,273,948)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$38,372,689</u></u>

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

Budgets for the General Fund, certain Special Revenue Funds (Development Services Fund, Police Forfeiture Fund, Court Technology Fund, Main Street Fund, Hotel-Motel Occupancy Tax Fund, Tourism and Convention Fund, Passenger Facility Charge Fund, Oil and Natural Gas Fund, TIF TIRZ #2, TIF TIRZ #3), General Debt Services Fund, Capital Projects Fund, and Permanent Funds are adopted by the Council and presented in this report on a basis consistent with generally accepted accounting principles (GAAP). Budgeted expenditures for the General Fund's current fiscal year as adopted in the original budget and amendments thereto were \$56,684,641. Appropriations, which are not expended or encumbered at year-end, must be re-budgeted in the succeeding year.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTIBILITY**

**A. Budgetary Information - continued**

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>
Capital Projects Fund	\$ 2,345,261	\$ 2,292,400	\$ 52,861
Property and Liability Insurance Fund	1,870,716	1,603,323	267,393
Employee Benefits Fund	7,281,192	6,759,970	521,222

**C. Deficit Fund Equity**

<u>Individual Fund</u>	<u>Deficit</u>
Development Services Fund	\$ 842

**NOTE 4: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Statutes authorize the City to invest in obligations of the U. S. Treasury and U. S. Agencies, municipal bonds, and managed public funds investment pools. The City's investments for the year ended September 30, 2010, are as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>
Certificate of Deposit	\$ 35,640,802	0.62	N/A
TexPool	11,124,476	0.23	AAAm
TexStar	4,976,117	0.24	AAAm
Cash in Bank	16,752,849	N/A	N/A
Total fair value	<u>\$ 68,494,244</u>		
Portfolio weighted average maturity		0.38	

Interest Rate Risk – The City, in compliance with its investment policy adopted by the City Council, invests in shorter-term securities to protect market valuation from unanticipated rate movements. In addition, the City will not directly invest in securities maturing more than two years from the date of purchase.

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

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – continued**

**A. Deposits and Investments - continued**

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

Custodial Credit Risk – Deposits – At September 30, 2010, the City held several bank accounts; including a NOW interest bearing account, at one financial institution. The bank account balances, less outstanding checks and deposits, totaled \$14,901,951 and the bank balances totaled \$16,752,849. Of the bank balances, \$250,000 was covered by federal depository insurance. The remaining balance was covered by collateral held in the pledging financial institutions’ trust department in the City’s name. In accordance with the City’s deposit and investment policy, all deposits placed at a financial institution shall be insured or collateralized in compliance with applicable State law. The City requires market value of pledged securities in excess of 102% of all uninsured deposits.

**B. Receivables**

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

<u>Receivables:</u>	General Fund	Half Cent Sales Tax Fund	Utilities Fund	Sanitation Fund	Airport Fund	Non-Major Governmental Funds	Internal Service Funds	Total
Accounts	\$ 24,848	\$ -	\$ 4,496,135	\$ 1,285,880	\$ 289,313	\$ 277,957	\$ 350,909	\$ 6,725,042
Grants	65,704	-	-	-	-	666,441	-	732,145
Taxes	6,453,578	1,957,532	-	-	-	-	-	8,411,110
Miscellaneous	4,559	3,583	-	-	-	6,671	-	14,813
Gross receivables	6,548,689	1,961,115	4,496,135	1,285,880	289,313	951,069	350,909	15,883,110
Less: allowance for uncollectibles	(45,833)	-	(160,737)	(40,184)	-	-	-	(246,754)
Net total receivables	<u>\$ 6,502,856</u>	<u>\$ 1,961,115</u>	<u>\$ 4,335,398</u>	<u>\$ 1,245,696</u>	<u>\$ 289,313</u>	<u>\$ 951,069</u>	<u>\$ 350,909</u>	<u>\$ 15,636,356</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>\$ 531,505</u>	<u>\$ 109,743</u>

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – continued**

**C. Lindsey Trust Fund**

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

The Fund is defined as a Permanent Endowment. The permanent portion or corpus of the Fund is \$25,000, with the remaining amount of the Fund considered net appreciation. Under the terms of the endowment, and consistent with State statutes, distributions from the Fund are to be made from the net appreciation so that the corpus of the fund will not be exhausted or depleted. Distributions may only be made to the City of Tyler, Texas. Ordinary distributions to the City of Tyler shall be made from the Fund once per calendar year in the amount requested by the City of Tyler up to a cumulative limit of five percent (5%) of the value of the Fund determined as of the preceding December 31. Any portion of the net appreciation available for distribution which is not withdrawn by the City of Tyler in one year may be withdrawn in a subsequent year. No additional distributions shall be made from the Fund. To the extent possible, the Donor intends to preserve the permanent portion or corpus of the Fund by limiting distributions to 5% per year. For the year ended September 30, 2010, the net appreciation on investments of the Fund was \$33,134.

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

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – continued**

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 14,347,893	\$ 1,031,067	\$ -	\$ 15,378,960
Construction in progress	49,537,714	6,324,022	(39,374,934)	16,486,802
Total capital assets, not being depreciated	<u>63,885,607</u>	<u>7,355,089</u>	<u>(39,374,934)</u>	<u>31,865,762</u>
Capital assets, being depreciated:				
Buildings	35,446,490	325,353	-	35,771,843
Improvements other than buildings	86,767,232	914,934	-	87,682,166
Machinery and equipment	43,439,634	3,732,313	(2,485,367)	44,686,580
Infrastructure	240,639,364	44,547,784	-	285,187,148
Total capital assets being depreciated	<u>406,292,720</u>	<u>49,520,384</u>	<u>(2,485,367)</u>	<u>453,327,737</u>
Less accumulated depreciation for:				
Buildings	(11,968,285)	(885,261)	-	(12,853,546)
Improvements other than buildings	(42,296,457)	(6,929,902)	-	(49,226,359)
Machinery and equipment	(26,103,687)	(4,830,471)	2,252,464	(28,681,694)
Infrastructure	(144,859,061)	(6,106,191)	-	(150,965,252)
Total accumulated depreciation	<u>(225,227,490)</u>	<u>(18,751,825)</u>	<u>2,252,464</u>	<u>(241,726,851)</u>
Total capital assets, being depreciated, net	<u>181,065,230</u>	<u>30,768,559</u>	<u>(232,903)</u>	<u>211,600,886</u>
Governmental activities capital assets, net	<u>\$ 244,950,837</u>	<u>\$ 38,123,648</u>	<u>\$ (39,607,837)</u>	<u>\$ 243,466,648</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,726,213	\$ 2,949,550	\$ -	\$ 9,675,763
Water rights	12,524,200	-	-	12,524,200
Construction in progress	8,140,258	6,965,714	(15,650)	15,090,322
Total capital assets, not being depreciated	<u>27,390,671</u>	<u>9,915,264</u>	<u>(15,650)</u>	<u>37,290,285</u>
Capital assets, being depreciated:				
Buildings	52,480,852	8,300	-	52,489,152
Improvements other than buildings	208,313,733	2,354,850	-	210,668,583
Machinery and equipment	10,004,544	1,089,868	(559,286)	10,535,126
Infrastructure	2,092,122	-	-	2,092,122
Total capital assets being depreciated	<u>272,891,251</u>	<u>3,453,018</u>	<u>(559,286)</u>	<u>275,784,983</u>
Less accumulated depreciation for:				
Buildings	(20,450,275)	(1,205,660)	-	(21,655,935)
Improvements other than buildings	(72,183,606)	(6,438,234)	-	(78,621,840)
Machinery and equipment	(4,561,237)	(1,384,445)	239,456	(5,706,226)
Infrastructure	(253,013)	(60,310)	-	(313,323)
Total accumulated depreciation	<u>(97,448,131)</u>	<u>(9,088,649)</u>	<u>239,456</u>	<u>(106,297,324)</u>
Total capital assets, being depreciated, net	<u>175,443,120</u>	<u>(5,635,631)</u>	<u>(319,830)</u>	<u>169,487,659</u>
Business-type activities capital assets, net	<u>\$ 202,833,791</u>	<u>\$ 4,279,633</u>	<u>\$ (335,480)</u>	<u>\$ 206,777,944</u>

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – continued**

**D. Capital Assets - continued**

**Water Rights**

In 1965, the City purchased the right to 40% of the perpetual annual water yield of Lake Palestine from the Upper Neches River Municipal Water Authority. The City paid \$12,524,200 for the water rights. Management believes there is no impairment in the value of the water rights at September 30, 2010.

**Depreciation**

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

Governmental activities:	
General Government	\$ 252,966
Public Safety	1,578,599
Highways and streets, including depreciation of general infrastructure assets	11,046,112
Public Services	805,973
Culture and recreation	1,590,298
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>3,477,877</u>
Total depreciation expense - governmental activities	<u>\$ 18,751,825</u>
Business-type activities:	
Utilities	\$ 7,023,649
Sanitation	1,006,177
Airport	<u>1,058,823</u>
Total depreciation expense - business-type activities	<u>\$ 9,088,649</u>

**Construction Commitments**

As of September 30, 2010, the City has active construction projects. The projects include street construction, restroom improvements, airport improvements, and sanitation and waterline additions. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Estimated Remaining Commitment</u>
Earl Campbell Parkway	\$ 1,279,056	\$ 12,801,672
Downtown Signal Upgrade through EECBG	310,063	695,637
Golden Road Phase III	885,381	402,420
Hwy 69 & I-20 Waterline	-	4,650,252

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

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – continued**

**E. Interfund Receivables, Payables, and Transfers**

The interfund balances in the Nonmajor Governmental Fund and Airport Enterprise Funds result from overdrafts in the City’s pooled cash accounts that were funded by the General Fund and Airport Fund, respectively. The interfund balance in the Utilities Enterprise Funds is an advance of funds related to the “*Texas Water and Sewer System Revenue Bonds Series 2008*” and “*Texas Water and Sewer System Revenue Bonds Series 2009*” bond issues.

The composition of interfund balances as of September 30, 2010, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Fund	\$ 519,402
Airport Enterprise Funds	Airport Enterprise Funds	112,371
Utilities Enterprise Funds	Utilities Enterprise Funds	18,073,200
		<u>\$ 18,704,973</u>

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

The composition of interfund transfers as of September 30, 2010, is as follows:

	Half Cent						Total
	General Fund	Sales Tax Fund	Nonmajor Governmental Funds	Airport Enterprise Funds	Sanitation Funds	Internal Service Funds	
<b>Transfers out:</b>							
General Fund	\$ -	\$ -	\$ 2,007,731	\$ -	\$ -	\$ 241,600	\$ 2,249,331
Half Cent Sales Tax Fund	-	-	31,565	64,810	-	-	96,375
Nonmajor Governmental Funds	357,785	288,075	86,682	-	-	277,628	1,010,170
Utilities Enterprise Funds	-	-	150,000	-	-	-	150,000
Airport Enterprise Funds	198	-	-	-	-	-	198
Sanitation Enterprise Fund	-	-	601,743	-	-	-	601,743
Internal Service Funds	-	-	-	-	136,346	-	136,346
<b>Total</b>	<u>\$ 357,983</u>	<u>\$ 288,075</u>	<u>\$ 2,877,721</u>	<u>\$ 64,810</u>	<u>\$ 136,346</u>	<u>\$ 519,228</u>	<u>\$ 4,244,163</u>

**F. Leases**

Operating Leases

The City leases various types of equipment under annual cancelable (termination clause) operating leases. The combined annual expenditures for operating leases during the fiscal year ended September 30, 2010, were approximately \$275,000.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – continued**

**F. Leases - continued**

Capital Leases

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

	Governmental Activities
Asset:	
Machinery and equipment	\$ 7,593,243
Less: Accumulated depreciation	(3,021,132)
	\$ 4,572,111

The future minimum lease obligations as of September 30, 2010, were as follows:

Year ending September 30	Governmental Activities
2011	\$ 1,294,753
2012	1,030,643
2013	925,090
2014	364,282
2015	272,613
2016-2019	1,090,454
Total amount of minimum lease payments	4,977,835
Less: amount representing interest	(618,767)
Present value of minimum lease payments	\$ 4,359,068

**G. Long-Term Debt**

General Obligation Bonds (Prior Year Refunded)

On January 23, 2008, the City Council approved a resolution to redeem the bonds known as “*City of Tyler, Texas General Obligation Refunding Bonds, Series 1997,*” dated November 1, 1997, maturing on August 15, in the years 2008 through 2010, and aggregating in principal amount of \$3,310,000. The bonds were redeemed in February 2008.

Revenue Bonds

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The revenue bonds issued by the City in prior years were to fund construction projects to improve or expand the water system and to refund prior issuances. The original amount of the outstanding revenue bonds was \$85,305,000 with maturity ranging from 2013 to 2034.

On November 11, 2009, the City Council authorized the issuance of “*Texas Water and Sewer System Revenue Bonds, Series 2009*” in the amount of \$21,710,000 to complete the construction of various utility system projects that were identified in the Tyler 21 Master Plan and the Utility System Master Plan.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – continued**

**G. Long-Term Debt - continued**

Revenue Bonds - continued

Revenue bonds currently outstanding are as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2002	Lake Palestine water treatment plant	2.00 to 4.75%	\$ 11,895,000
Series 2003	Water meter replacement	2.00 to 5.00%	4,890,000
Series 2005	Advance refunding	3.00 to 5.00%	29,330,000
Series 2008	Water and sewer infrastructure	4.00 to 4.15%	5,120,000
Series 2009	Water and sewer infrastructure	2.75 to 4.375%	<u>21,610,000</u>
Total outstanding revenue bonds			<u><u>\$ 72,845,000</u></u>

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 2,845,000	\$ 3,344,701
2012	2,960,000	3,232,876
2013	3,095,000	3,095,914
2014	2,330,000	2,977,408
2015	2,405,000	2,881,495
2016-2020	13,750,000	12,733,745
2021-2025	17,225,000	9,256,713
2026-2030	21,765,000	4,720,398
2031-2034	6,470,000	742,891
Total	<u><u>\$ 72,845,000</u></u>	<u><u>\$ 42,986,141</u></u>

Cash in the amount of \$20,818,522 was restricted at September 30, 2010 in order to fund the City's annual debt service requirements, to meet the debt service reserve fund requirements of bond covenants and for construction costs in connection with the Series 2008 and 2009 Water & Sewer Revenue Bonds.

The revenue bond ordinances require that each issue maintain debt service reserve funds. Prior to January 2009, the debt service reserve requirements for all five bonds were fully funded with surety bond policies. The viability of the surety bonds was based on the assumption that the bond assurance companies would maintain their AAA ratings.

On January 20, 2009 the City of Tyler received notification from its bond attorney and its financial advisor that three of the four companies providing revenue bond reserve surety policies had lost their AAA credit rating which in turn triggered a bond covenant requiring the City to replace or replenish the debt service reserve funds. In order to comply with the bond covenant, the City elected to begin building a cash reserve fund at a rate of \$61,344 per month for the next 60 months starting in February 2009. On May 17, 2010, the City received notification that the cash funding of the 2009 Bond Proceeds resulted in the Reserve Fund being fully funded and that even though the prior bond reserve surety policies were downgraded, there is no requirement to replace them. Therefore, the City removed the excess funding and discontinued building the cash reserve.

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**NOTE 4: DETAILED NOTES ON ALL FUNDS – continued**

**G. Long-Term Debt - continued**

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2010, was as follows:

	Beginning Balance 10/1/09	Additions	Reductions	Ending Balance 9/30/10	Due Within One Year	Due in More Than One Year
<b>Governmental Activities:</b>						
Claims and judgments	\$ 100,000	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ -
Capital leases	5,044,141	559,789	1,244,862	4,359,068	1,116,607	3,242,461
Net pension obligation	-	2,170,348	-	2,170,348	-	2,170,348
Compensated absences	6,238,937	1,884,397	272,615	7,850,719	241,725	7,608,994
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$ 11,383,078</b>	<b>\$ 4,614,534</b>	<b>\$ 1,517,477</b>	<b>\$ 14,480,135</b>	<b>\$ 1,458,332</b>	<b>\$ 13,021,803</b>
<b>Business-Type Activities:</b>						
Revenue bonds payable	\$ 53,955,000	\$ 21,610,000	\$ 2,720,000	\$ 72,845,000	\$ 2,845,000	\$ 70,000,000
Bond premium/(discount)	(51,119)	37,387	(18,557)	4,825	-	4,825
Capital leases	5,965	-	5,965	-	-	-
Net pension obligation	-	554,949	-	554,949	-	554,949
Compensated absences	500,381	168,673	40,863	628,191	25,087	603,104
<b>Business-Type Activities Long-Term Liabilities</b>	<b>\$ 54,410,227</b>	<b>\$ 22,371,009</b>	<b>\$ 2,748,271</b>	<b>\$ 74,032,965</b>	<b>\$ 2,870,087</b>	<b>\$ 71,162,878</b>

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

**NOTE 5: OTHER INFORMATION**

**A. Risk Management**

Property and Liability Plans

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. A comprehensive Self-Insurance plan for property and casualty coverage has been established. Third party administrators handle property and casualty claims review and processing. The administrators also coordinate excess coverage claims with insurance companies that provide: individual stop loss for property claims at \$5,000 per occurrence for all perils per the coverage form, except individual stop losses for flood and earth movement of \$100,000; and individual stop loss for casualty claims of \$50,000 with an aggregate stop loss of \$400,000 for claims involving Automobile Liability, General Liability, Employee Benefits Plan Errors and Omissions Liability, Law Enforcement Liability, Management Professional Liability, and Employment Practices Liability. Airport Liability is covered on a first dollar basis. All claims and maximums are calculated for a plan year ending each September 30. The amount of settlements has not exceeded insurance coverage for the last three fiscal years.

CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

**NOTE 5: OTHER INFORMATION – continued**

**A. Risk Management - continued**

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 coordinate excess coverage claims with insurance companies that provide individual stop-loss for worker's compensation claims at \$400,000 and aggregate protection at \$1,000,000. The City tracks worker's compensation premiums and claim payments in the Property and Liability Insurance Fund.

Health, Dental and Life Plans

HEALTH

Employee/Dependents and Non-Medicare Eligible Retirees/Dependents

The City implemented a partially self-insured health plan for employees, their dependents and retirees/dependents, who are non-Medicare eligible. Employees can choose between two (2) PPO Plans. Non-Medicare Retirees and/or their dependents that have been continuously covered under the City's health plan may elect to continue their coverage at retirement. Active employees pay a portion of current premiums with the City paying the remainder. In an effort to reduce long term liabilities the City elected to eliminate the subsidy for Non-Medicare Retiree premiums for those employees hired after 1/1/1997. For those employees hired before 1/1/1997 the same apportionment of premiums continues at retirement. For those employees hired after 1/1/1997 the employee is responsible for the full cost of current premiums.

The City has retained an insurance policy for specific and aggregate stop-loss coverage. There is an individual stop-loss of \$175,000 per illness. A third-party administrator administers health claims and payments.

Medicare Eligible Retirees/Dependents

Retirees and/or their spouses who become eligible for Medicare and have been continuously covered under the City's health insurance plan may elect to participate in the City's self-funded prescription drug card plan and the Medicare Supplement Insurance Program. The retirees hired before 1/1/1997 pay 30% and their dependents pay 60% of the current premiums. The City pays the remainder. Retirees hired after 1/1/1997 pay the full cost of the prescription card program and Medicare supplement. The insurance provider for the Medicare Supplement Plan processes and pays health claims. A third-party administrator administers prescription claims and payments.

DENTAL

Employees/Retirees

The City offers fully self-funded dental and orthodontic benefits to eligible employees/dependents and retirees/dependents. Employees and retirees hired before 1/1/1997 pay a portion of the premiums and the City pays the remainder. Employees and retirees hired after 1/1/1997 pay the full cost of the current premium. A third-party administrator administers dental claims and payments.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5: OTHER INFORMATION – continued**

**A. Risk Management - continued**

Health, Dental and Life Plans - continued

**LIFE INSURANCE**

Employees/Retirees

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

For employees actively at work, benefit amounts reduce to 65% of original coverage at age 65, 50% of original coverage at age 70 and to 30% of original coverage at age 75 for both the personal and spouse life coverage. Supplemental life coverage is eligible for portability. The insurance provider processes and pays life insurance claims.

Other Self-Insurance Plans

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

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

**B. Contingent Liabilities**

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

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and collective legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City. City management and the collective legal counsel have determined that estimated liability for outstanding lawsuit contingencies at September 30, 2010, was \$100,000. See Note 4:G for a reconciliation of changes in claims and judgments.

The City's self-insurance program is described in Note 5: A. A reconciliation of the changes in the estimated liabilities for claims payable within 90 days for the years ended September 30, 2010 and 2009 is presented below:

<u>Fund</u>	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 2009	\$ 808,964	\$ 8,189,329	\$ 8,298,706	\$ 699,587
FYE 2010	699,587	9,373,315	8,747,556	1,325,346

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5: OTHER INFORMATION – continued**

**C. Joint Venture**

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

For the year ended September 30, 2010, the City budgeted funding of \$455,000 for the District and \$350,000 for Animal/Vector Control contractual services to be provided by the District. The City’s equity interest in the District at September 30, 2010 is \$819,121. Financial statements for the Health District may be obtained at the entity’s administrative offices.

**D. Deferred Compensation**

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

The market value and carrying value of deferred compensation plan assets is \$9,989,336 as of September 30, 2010.

**E. Pension Plans**

**1. Texas Municipal Retirement System Plan**

**TMRS Plan Description**

The City provides pension benefits for all of its full-time employees with the exception of firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system.

Firefighters are covered by a separate pension plan (see Note E: 2 below); therefore, they are not included in the Texas Municipal Retirement System Plan. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS’ website at [www.TMRS.com](http://www.TMRS.com).

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years ending one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5: OTHER INFORMATION – continued**

**E. Pension Plans - continued**

**1. Texas Municipal Retirement System Plan - continued**

**TMRS Plan Description - continued**

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows (as of December 31, 2009 and December 31, 2010 per TMRS):

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**Funding Policy**

Under the state law governing TMRS, the actuary annually determines the City's contribution rate using the Projected Unit Credit actuarial cost method. The City's contribution rate is 17.30% of covered payroll for the months in calendar year 2009 and 18.71% for the months in calendar year 2010. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service rate amortizes the unfunded actuarial liability over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 2008 valuation is effective for rates beginning January 2010). The annual pension cost and net pension obligation as of September 30, 2010 are as follows:

	<u>9/30/2010</u>
Annual Required Contribution (ARC)	\$ 6,760,499
Interest on Net Pension Obligation	87,190
Adjustment to the ARC	<u>(190,389)</u>
Annual Pension Cost (APC)	6,657,300
Contributions Made	<u>(5,094,540)</u>
Increase (decrease) in net pension	1,562,760
Net Pension Obligation/(Asset), beginning of year	<u>1,162,539</u>
Net Pension Obligation/(Asset), end of year	<u><u>\$ 2,725,299</u></u>

The City's contributions were based on an annual covered payroll of \$29,411,556. There were no related-party transactions.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5: OTHER INFORMATION – continued**

**E. Pension Plans - continued**

**1. Texas Municipal Retirement System Plan - continued**

**Funding Policy - continued**

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

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation / (Asset)
9/30/2008	\$ 4,034,896	\$ 4,119,161	102%	\$ (84,265)
9/30/2009	5,836,417	4,589,613	79%	1,162,539
9/30/2010	7,038,078	5,194,678	74%	3,005,939

**Actuarial Method and Assumptions**

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

<u>Valuation date</u>	<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2009</u>
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	30 years; closed period	29 years; closed period	28 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	Amortized cost	Amortized cost	10-year smoothed market
Actuarial assumptions:			
Investment rate of return *	7.0%	7.5%	7.5%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5: OTHER INFORMATION – continued**

**E. Pension Plans - continued**

**1. Texas Municipal Retirement System Plan - continued**

**Funding Status and Progress**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a / b)	Unfunded AAL (UAAL) (c) = (b - a)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (e) = (c / d)
12/31/2009	\$ 62,444,549	\$120,504,498	51.8%	\$58,059,949	\$30,159,173	192.5%

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

**Changes in Actuarial Method and Assumptions**

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by the City. Two-thirds of the cities participating in TMRS, including the City, have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year “open” to a 25-year “closed” period. TMRS Board of Trustees rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, which includes the City, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which allows cities the opportunity to increase their contributions gradually to their full rate.

The City has opted to participate in the phase-in period in order to gradually increase contributions to the full rate. Based on the phase-in period calculations, the City’s contribution rate beginning for calendar year 2011 is 18.71% versus the actuarially determined full rate of 23.62%

**2. Tyler Firefighter's Relief and Retirement Fund**

**Plan Description**

The Board of Trustees of the Tyler Firefighter’s Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. The plan is considered an independent reporting entity and is not included as a subdivision or component of the City’s financial reporting entity. All assumptions for valuations at December 31, 2009, are contained in the 2009 Tyler Firefighter’s Relief and Retirement Fund audited financial statements, a copy of which may be obtained at the Fire Pension Board, 1718 West Houston St., Tyler, Texas 75702.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5: OTHER INFORMATION – continued**

**2. Tyler Firefighter's Relief and Retirement Fund**

**Plan Description- continued**

Firefighters in the Tyler Fire Department are covered by the Tyler Firefighter's Relief and Retirement Fund. The table below summarizes the membership of the Fund at December 31, 2009:

<u>Group</u>	<u>December 31, 2009</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	85
Current employees:	
Vested	48
Non-vested	<u>101</u>
Total	<u><u>234</u></u>

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

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

**Funding Policy**

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 an open, 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, 2010**

**NOTE 5: OTHER INFORMATION – continued**

**E. Pension Plans - continued**

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

**Funding Policy - continued**

For the plan effective January 1, 2005 and amended August 13, 2007, the funding policy of the Tyler Firefighter's Relief and Retirement Fund requires contributions equal to 13.50% of pay by the firefighters. The City's contribution rate is based on the Texas Municipal Retirement System's formula, which for the years ended December 31, 2009 and 2008 were 16.20% and 15.12%, respectively. The December 31, 2009 actuarial valuation assumes that the City's contribution rate will average 18.00% of payroll in the future. The City contribution rate for 2010 is 17.55% and is scheduled to be 18.96% for 2011

**Annual Pension Cost**

For the fiscal year ending September 30, 2010, the City of Tyler's annual pension cost was equal to the annual required contribution and was \$1,683,866. Based on the results of the December 31, 2009 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, 2009 actuarial valuation.

**Actuarial Method and Assumptions**

The annual required contributions (ARC) by the City for the fiscal year ending September 30, 2010 were based on the results of the actuarial valuations as of December 31, 2007 and as of December 31, 2009 using the entry age actuarial cost method and were determined to be in compliance with the parameters of the Governmental Accounting Standards Board (GASB) Statement No. 27. The actuarial methods and assumptions used for these two valuations are shown below:

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

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5: OTHER INFORMATION – continued**

**E. Pension Plans - continued**

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

**Trend Information**

Fiscal Year Ending	Annual Pension Cost	Annual Contribution as a Percentage of Payroll	Percentage Contributed	Net Pension Obligation / (Asset)
9/30/2008	\$ 1,157,167	14.75%	100%	\$ -
9/30/2009	1,550,367	15.12%	100%	-
9/30/2010	1,542,287	16.20%	100%	-

**Funding Status and Progress**

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

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

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

**F. Post Employment Benefits Other Than Pensions**

**1. Health Plan**

**Plan Description**

In addition to providing pension benefits, the City allows eligible retirees and dependents the option to continue participation in the same partially self-insured health plans available to active employees until they become eligible for Medicare Coverage. Retirees who became employees prior to January 1, 1997 pay the same subsidized premiums as active employees. Retirees who became employees after January 1, 1997 are required to pay the full cost of current premiums. The 2010 claims for the 132 non-Medicare retirees and their dependents participating in this coverage was \$1,061,186.

When retirees and spouses become eligible for Medicare they are no longer allowed to participate in the same plan as the active employees. If they have been continuously covered under the City's health insurance plan they may chose to participate in the City's self-funded prescription drug card plan and the Medicare Supplement Insurance Program. Retirees hired before January 1, 1997 are required to pay 30% of the current total premium and their spouses are required to pay 60% of the current total premiums with the City paying the remaining costs. Retirees that become eligible for Medicare who were hired after January 1, 1997 are required to pay the full current cost of the prescription card program and the full cost of the Medicare supplement coverage should they chose to continue participation in this coverage. The 2010 claims for the 254 Medicare retirees and their dependents, which include those with an Rx card, participating in this coverage was \$1,217,276.

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5: OTHER INFORMATION – continued**

**F. Post Employment Benefits Other Than Pensions - continued**

**1. Health Plan - continued**

**Plan Description - continued**

The City also offers fully self-funded dental benefits to eligible retirees and their dependents. Retirees hired before January 1, 1997 pay the same subsidized premium as active employees. Retirees hired after January 1, 1997 are required to pay the full cost of the current premium. The 2010 claims for the 295 retirees and their dependents participating in this coverage was \$119,162.

Additionally the City provides eligible retirees with \$5,000 in basic life insurance coverage at no cost to the retirees. The 2010 insurance cost for the 339 retirees with this coverage was \$54,574.

**Funding Policy**

On October 8, 2008, the City adopted a resolution confirming its participation in the Public Agency Retirement Services (PARS) Post Retirement Health Funding Plan Trust which is a multi-employer irrevocable trust that has a private letter ruling confirming it is in full compliance with the requirements of section 115 of the Internal Revenue Code.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of time not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008 as required by GASB. The City's annual OPEB cost for the fiscal years ending September 30, 2010 and September 30, 2009, is as follows:

	9/30/2010
Annual required contribution (ARC)	\$ 2,907,678
Interest on net OPEB obligation	(216,804)
Adjustment to annual required contribution	173,552
Annual OPEB cost (expense)	2,864,426
Contributions made	(2,055,297)
Change in OPEB obligation	809,129
Net OPEB obligation (asset) - beginning of year	(2,890,721)
Net OPEB obligation (asset) - end of year	\$ (2,081,592)

**Trend Information**

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

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5: OTHER INFORMATION – continued**

**F. Post Employment Benefits Other Than Pensions - continued**

**1. Health Plan - continued**

**Funding Status and Funding Progress**

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

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

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

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

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

**Actuarial Methods and Assumptions**

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

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

**CITY OF TYLER, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5: OTHER INFORMATION – continued**

**F. Post Employment Benefits Other Than Pensions - continued**

**Actuarial Methods and Assumptions - continued**

Some of the significant methods and assumptions were:

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

**2. Supplemental Death Benefits Plan**

**Plan Description**

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

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

**Funding Policy**

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

**Schedule of Contribution Rates:**

**(RETIREE - only portion of the rate)**

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actuarial Contribution Made (Rate)	Percentage of ARC Contributed
2007	0.09%	0.09%	100%
2008	0.09%	0.09%	100%
2009	0.09%	0.09%	100%

**CITY OF TYLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**NOTE 5: OTHER INFORMATION – continued**

**G. Commitments**

The City invested in other projects and contracts with outside parties. The more significant of these at September 30, 2010, are as follows:

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

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

**H. Landfill Closure and Postclosure Costs**

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

**I. Subsequent Event**

Subsequent events were evaluated through March 9, 2011.

This page left blank intentionally.



**REQUIRED SUPPLEMENTAL INFORMATION**

CITY OF TYLER, TEXAS  
REQUIRED SUPPLEMENTAL INFORMATION

TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (c) = (b - a)	Covered Payroll (d)	UAAL as a Percentage of covered payroll (e) = (c / d)
12/31/2007 *	\$ 58,149,263	\$ 90,432,488	64.3%	\$ 32,283,225	\$ 25,293,293	127.6%
12/31/2007 **	58,149,263	107,313,673	54.2%	49,164,410	25,293,293	194.4%
12/31/2008	59,840,522	112,911,352	53.0%	53,070,830	28,291,344	187.6%
12/31/2009	62,444,549	120,504,498	51.8%	58,059,949	30,159,173	192.5%

Note: For actuarial valuation dates prior to 2007, the actuarial accrued liability was calculated using the Unit Credit actuarial funding method. For the 2007 actuarial valuation date, the actuarial accrued liability was calculated using the Projected Unit Credit actuarial funding method.

\* Actuarial accrued liability if the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation.

\*\* Actuarial accrued liability adjusted for change in actuarial funding method and assumptions.

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

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

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

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

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

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

(continued)

CITY OF TYLER, TEXAS  
REQUIRED SUPPLEMENTAL INFORMATION

OTHER POST EMPLOYMENT BENEFITS  
SCHEDULE OF FUNDING PROGRESS

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

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

The *Main Street Fund* was established to account for the receipt and disbursement of funds to promote downtown revitalization.

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

The *Donations Fund* was established to account for the receipt and disbursement of funds for specified miscellaneous projects.

The *Tourism and Convention Fund* was established to account for the operations of the Harvey Convention Center, Rose Garden, Rose Garden Building and Goodman Museum.

The *Passenger Facility Charge Fund* was established to account for the receipts 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.

## SPECIAL REVENUE FUNDS, CONTINUED

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

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

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

The *Payroll Liability Fund* is a clearing account for the City's payroll liabilities. This fund accounts for payroll deductions and liabilities to be paid to outside benefit groups.

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

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

## DEBT SERVICES FUND

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

## CAPITAL PROJECTS FUND

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

## PERMANENT FUND

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

CITY OF TYLER, TEXAS  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2010

SPECIAL REVENUE FUNDS

	DEVELOPMENT SERVICES	POLICE FORFEITURE	COURT SPECIAL FEE	MAIN STREET	HOTEL-MOTEL OCCUPANCY TAX	DONATIONS	TOURISM AND CONVENTION	PASSENGER FACILITY CHARGE	OIL AND NATURAL GAS
<b>ASSETS</b>									
Equity in pooled cash and investments	\$ 580,104	\$ -	\$ -	\$ -	\$ 1,740,452	\$ -	\$ 475,841	\$ -	\$ 2,602,091
Accounts and grants receivable	3,217	144	79	-	176,052	-	367	9	43,394
Inventories	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	10,168	-	-
Cash - restricted	-	190,704	343,851	-	-	1,180,376	-	-	-
<b>Total assets</b>	<b>\$ 583,321</b>	<b>\$ 190,848</b>	<b>\$ 343,930</b>	<b>\$ -</b>	<b>\$ 1,916,504</b>	<b>\$ 1,180,376</b>	<b>\$ 486,376</b>	<b>\$ 9</b>	<b>\$ 2,645,485</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 32,617	\$ 5,520	\$ 4,551	\$ -	\$ 1,088	\$ 10,949	\$ 74,658	\$ 9	\$ 6,920
Deposits and other refundable balances	551,546	52,704	-	-	-	-	20,654	-	5,000
Due to other funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>584,163</b>	<b>58,224</b>	<b>4,551</b>	<b>-</b>	<b>1,088</b>	<b>10,949</b>	<b>95,312</b>	<b>9</b>	<b>11,920</b>
Fund balances:									
Reserved for:									
Perpetual care	-	-	-	-	-	-	-	-	-
Court ordered disbursements	-	132,624	120,934	-	-	-	-	-	-
Court juvenile fund	-	-	16,431	-	-	-	-	-	-
Court security	-	-	96,114	-	-	-	-	-	-
Court technology	-	-	105,900	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Grants / donations	-	-	-	-	-	1,169,427	-	-	-
<b>Total reserved fund balances</b>	<b>-</b>	<b>132,624</b>	<b>339,379</b>	<b>-</b>	<b>-</b>	<b>1,169,427</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unreserved fund balances:									
Undesignated, reported in:									
Special revenue funds	(842)	-	-	-	1,915,416	-	391,064	-	2,633,565
Permanent funds	-	-	-	-	-	-	-	-	-
<b>Total unreserved undesignated fund balances</b>	<b>(842)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,915,416</b>	<b>-</b>	<b>391,064</b>	<b>-</b>	<b>2,633,565</b>
<b>Total fund balances</b>	<b>(842)</b>	<b>132,624</b>	<b>339,379</b>	<b>-</b>	<b>1,915,416</b>	<b>1,169,427</b>	<b>391,064</b>	<b>-</b>	<b>2,633,565</b>
<b>Total liabilities and fund balances</b>	<b>\$ 583,321</b>	<b>\$ 190,848</b>	<b>\$ 343,930</b>	<b>\$ -</b>	<b>\$ 1,916,504</b>	<b>\$ 1,180,376</b>	<b>\$ 486,376</b>	<b>\$ 9</b>	<b>\$ 2,645,485</b>

(continued)

CITY OF TYLER, TEXAS  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2010

SPECIAL REVENUE FUNDS (continued)

	HOME- OWNERSHIP AND HOUSING	CDBG	HOME GRANT	HOUSING ASSISTANCE PAYMENT	STATE AND FEDERAL GRANTS	TRANSIT SYSTEM	PAYROLL LIABILITY	TIF / TIRZ #2 FUND
<b>ASSETS</b>								
Equity in pooled cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,259	\$ 44,101
Accounts and grants receivable	41	178,073	54,776	58,097	160,485	273,109	-	35
Inventories	-	-	4,450	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Cash - restricted	54,940	-	148,318	1,259,940	-	100	-	-
<b>Total assets</b>	<u>\$ 54,981</u>	<u>\$ 178,073</u>	<u>\$ 207,544</u>	<u>\$ 1,318,037</u>	<u>\$ 160,485</u>	<u>\$ 273,209</u>	<u>\$ 2,259</u>	<u>\$ 44,136</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ -	\$ 15,467	\$ 18,941	\$ 531,319	\$ 27,678	\$ 40,195	\$ 2,259	\$ 275
Deposits and other refundable balances	-	-	-	-	-	-	-	-
Due to other funds	-	118,182	-	124,264	93,796	183,160	-	-
Deferred revenue	-	-	-	-	39,009	24,651	-	-
<b>Total liabilities</b>	<u>-</u>	<u>133,649</u>	<u>18,941</u>	<u>655,583</u>	<u>160,483</u>	<u>248,006</u>	<u>2,259</u>	<u>275</u>
Fund balances:								
Reserved for:								
Perpetual care	-	-	-	-	-	-	-	-
Court ordered disbursements	-	-	-	-	-	-	-	-
Court juvenile fund	-	-	-	-	-	-	-	-
Court security	-	-	-	-	-	-	-	-
Court technology	-	-	-	-	-	-	-	-
Capital projects	-	-	73,164	-	-	-	-	-
Grants / donations	54,981	44,424	115,439	662,454	2	25,203	-	-
<b>Total reserved fund balances</b>	<u>54,981</u>	<u>44,424</u>	<u>188,603</u>	<u>662,454</u>	<u>2</u>	<u>25,203</u>	<u>-</u>	<u>-</u>
Unreserved fund balances:								
Undesignated, reported in:								
Special revenue funds	-	-	-	-	-	-	-	43,861
Permanent funds	-	-	-	-	-	-	-	-
<b>Total unreserved undesignated fund balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,861</u>
<b>Total fund balances</b>	<u>54,981</u>	<u>44,424</u>	<u>188,603</u>	<u>662,454</u>	<u>2</u>	<u>25,203</u>	<u>-</u>	<u>43,861</u>
<b>Total liabilities and fund balances</b>	<u>\$ 54,981</u>	<u>\$ 178,073</u>	<u>\$ 207,544</u>	<u>\$ 1,318,037</u>	<u>\$ 160,485</u>	<u>\$ 273,209</u>	<u>\$ 2,259</u>	<u>\$ 44,136</u>

(continued)

CITY OF TYLER, TEXAS  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2010

	SPECIAL REVENUE FUNDS (continued)		OTHER FUNDS		PERMANENT FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	TIF / TIRZ #3 FUND	TOTAL SPECIAL REVENUE FUNDS	GENERAL DEBT SERVICES	GENERAL CAPITAL PROJECTS	CEMETERIES	
<b>ASSETS</b>						
Equity in pooled cash and investments	\$ 2,277	\$ 5,447,125	\$ -	\$ 1,260,357	\$ 161,953	\$ 6,869,435
Accounts and grants receivable	-	947,878	-	1,207	1,984	951,069
Inventories	-	4,450	-	-	-	4,450
Prepaid items	-	10,168	-	-	-	10,168
Cash - restricted	-	3,178,229	-	-	2,455,048	5,633,277
<b>Total assets</b>	<u>\$ 2,277</u>	<u>\$ 9,587,850</u>	<u>\$ -</u>	<u>\$ 1,261,564</u>	<u>\$ 2,618,985</u>	<u>\$ 13,468,399</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ 772,446	\$ -	\$ 361,811	\$ 8,604	\$ 1,142,861
Deposits and other refundable balances	-	629,904	-	-	-	629,904
Due to other funds	-	519,402	-	-	-	519,402
Deferred revenue	-	63,660	-	-	-	63,660
<b>Total liabilities</b>	<u>-</u>	<u>1,985,412</u>	<u>-</u>	<u>361,811</u>	<u>8,604</u>	<u>2,355,827</u>
Fund balances:						
Reserved for:						
Perpetual care	-	-	-	-	2,456,904	2,456,904
Court ordered disbursements	-	253,558	-	-	-	253,558
Court juvenile fund	-	16,431	-	-	-	16,431
Court security	-	96,114	-	-	-	96,114
Court technology	-	105,900	-	-	-	105,900
Capital projects	-	73,164	-	899,753	-	972,917
Grants / donations	-	2,071,930	-	-	-	2,071,930
<b>Total reserved fund balances</b>	<u>-</u>	<u>2,617,097</u>	<u>-</u>	<u>899,753</u>	<u>2,456,904</u>	<u>5,973,754</u>
Unreserved fund balances:						
Undesignated, reported in:						
Special revenue funds	-	4,983,064	-	-	-	4,983,064
Permanent funds	2,277	2,277	-	-	153,477	155,754
<b>Total unreserved undesignated fund balances</b>	<u>2,277</u>	<u>4,985,341</u>	<u>-</u>	<u>-</u>	<u>153,477</u>	<u>5,138,818</u>
<b>Total fund balances</b>	<u>2,277</u>	<u>7,602,438</u>	<u>-</u>	<u>899,753</u>	<u>2,610,381</u>	<u>11,112,572</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,277</u>	<u>\$ 9,587,850</u>	<u>\$ -</u>	<u>\$ 1,261,564</u>	<u>\$ 2,618,985</u>	<u>\$ 13,468,399</u>

CITY OF TYLER, TEXAS  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SPECIAL REVENUE FUNDS

	DEVELOPMENT SERVICES	POLICE FORFEITURE	COURT SPECIAL FEE	MAIN STREET	HOTEL-MOTEL OCCUPANCY TAX	DONATIONS	TOURISM AND CONVENTION	PASSENGER FACILITY CHARGE	OIL AND NATURAL GAS
<b>REVENUES</b>									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use	-	-	-	-	2,026,166	-	-	-	-
Licenses & permits	697,492	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Fines, forfeitures and penalties	-	83,348	140,628	-	-	-	-	-	-
Revenues from use of money and property	758	1,682	1,376	56	11,803	-	340,189	126	20,602
Donations	-	-	-	-	-	847,951	-	-	-
Charges for services	26,258	-	-	39,839	-	-	1,080,755	287,949	-
Miscellaneous	81,877	-	-	14,460	719,750	-	1,044	-	154,979
<b>Total revenues</b>	<b>806,385</b>	<b>85,030</b>	<b>142,004</b>	<b>54,355</b>	<b>2,757,719</b>	<b>847,951</b>	<b>1,421,988</b>	<b>288,075</b>	<b>175,581</b>
<b>EXPENDITURES</b>									
Current									
General government	-	-	-	-	-	29,780	-	-	-
Public safety	-	20,926	56,855	-	-	22,541	-	-	-
Highways and streets	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	37,216	1,301,970	-	-
Public services	1,169,818	-	-	153,584	1,917,314	14,000	-	-	-
Capital outlay	3,297	67,303	124,913	-	98,979	232,483	65,699	-	287,349
Debt service:									
Interest and fiscal charges	-	1,091	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,173,115</b>	<b>89,320</b>	<b>181,768</b>	<b>153,584</b>	<b>2,016,293</b>	<b>336,020</b>	<b>1,367,669</b>	<b>-</b>	<b>287,349</b>
Excess (deficiency) of revenues over (under) expenditures	(366,730)	(4,290)	(39,764)	(99,229)	741,426	511,931	54,319	288,075	(111,768)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	300,000	-	233,480	92,000	-	-	7,458	-	-
Transfers out	-	-	(75,973)	(7,458)	(260,000)	-	-	(288,075)	-
<b>Total other financing sources (uses)</b>	<b>300,000</b>	<b>-</b>	<b>157,507</b>	<b>84,542</b>	<b>(260,000)</b>	<b>-</b>	<b>7,458</b>	<b>(288,075)</b>	<b>-</b>
Net change in fund balances	(66,730)	(4,290)	117,743	(14,687)	481,426	511,931	61,777	-	(111,768)
Fund balances - October 1, 2009	65,888	136,914	221,636	14,687	1,433,990	657,496	329,287	-	2,745,333
Fund balances - September 30, 2010	\$ (842)	\$ 132,624	\$ 339,379	\$ -	\$ 1,915,416	\$ 1,169,427	\$ 391,064	\$ -	\$ 2,633,565

(continued)

**CITY OF TYLER, TEXAS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**SPECIAL REVENUE FUNDS (continued)**

	HOME- OWNERSHIP AND HOUSING	CDBG	HOME GRANT	HOUSING ASSISTANCE PAYMENT	STATE AND FEDERAL GRANTS	TRANSIT SYSTEM	PAYROLL LIABILITY	TIF / TIRZ #2 FUND
<b>REVENUES</b>								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,850
Sales and use	-	-	-	-	-	-	-	-
Licenses & permits	-	-	-	-	-	-	-	-
Grants	-	982,087	199,847	7,295,162	1,217,366	1,396,719	-	-
Fines, forfeitures and penalties	-	-	-	-	-	-	-	-
Revenues from use of money and property	428	-	-	6,347	-	-	-	174
Donations	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	129,172	-	-
Miscellaneous	480	11,117	281,626	15,456	-	1,024	-	-
Total revenues	<u>908</u>	<u>993,204</u>	<u>481,473</u>	<u>7,316,965</u>	<u>1,217,366</u>	<u>1,526,915</u>	<u>-</u>	<u>55,024</u>
<b>EXPENDITURES</b>								
Current								
General government	-	-	-	-	-	-	-	11,163
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	13,773	-	-	-
Public services	-	654,484	297,320	6,919,537	438,836	1,870,406	-	-
Capital outlay	-	329,631	-	17,281	471,170	66,536	-	-
Debt service:								
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>984,115</u>	<u>297,320</u>	<u>6,936,818</u>	<u>923,779</u>	<u>1,936,942</u>	<u>-</u>	<u>11,163</u>
Excess (deficiency) of revenues over (under) expenditures	<u>908</u>	<u>9,089</u>	<u>184,153</u>	<u>380,147</u>	<u>293,587</u>	<u>(410,027)</u>	<u>-</u>	<u>43,861</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	31,565	386,925	-	-
Transfers out	-	-	-	(1,655)	(349,894)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,655)</u>	<u>(318,329)</u>	<u>386,925</u>	<u>-</u>	<u>-</u>
Net change in fund balances	908	9,089	184,153	378,492	(24,742)	(23,102)	-	43,861
Fund balances - October 1, 2009	54,073	35,335	4,450	283,962	24,744	48,305	-	-
Fund balances - September 30, 2010	<u>\$ 54,981</u>	<u>\$ 44,424</u>	<u>\$ 188,603</u>	<u>\$ 662,454</u>	<u>\$ 2</u>	<u>\$ 25,203</u>	<u>\$ -</u>	<u>\$ 43,861</u>

(continued)

**CITY OF TYLER, TEXAS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>SPECIAL REVENUE FUNDS (continued)</u>		<u>OTHER FUNDS</u>		<u>PERMANENT FUNDS</u>	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	TIF / TIRZ #3 FUND	TOTAL SPECIAL REVENUE FUNDS	GENERAL DEBT SERVICES	GENERAL CAPITAL PROJECTS	CEMETERIES	
<b>REVENUES</b>						
Taxes:						
Property	\$ 2,271	\$ 57,121	\$ 7,850	\$ -	\$ -	\$ 64,971
Sales and use	-	2,026,166	-	-	-	2,026,166
Licenses & permits	-	697,492	-	-	1,235	698,727
Grants	-	11,091,181	-	-	-	11,091,181
Fines, forfeitures and penalties	-	223,976	-	-	-	223,976
Revenues from use of money and property	6	383,547	41	13,640	20,897	418,125
Donations	-	847,951	-	-	-	847,951
Charges for services	-	1,563,973	-	-	81,593	1,645,566
Miscellaneous	-	1,281,813	-	26,305	446	1,308,564
Total revenues	<u>2,277</u>	<u>18,173,220</u>	<u>7,891</u>	<u>39,945</u>	<u>104,171</u>	<u>18,325,227</u>
<b>EXPENDITURES</b>						
Current						
General government	-	40,943	-	127,691	-	168,634
Public safety	-	100,322	-	-	-	100,322
Highways and streets	-	-	-	357,496	-	357,496
Culture and recreation	-	1,352,959	-	53,004	185,662	1,591,625
Public services	-	13,435,299	-	-	-	13,435,299
Capital outlay	-	1,764,641	-	1,807,070	3,020	3,574,731
Debt service:						
Interest and fiscal charges	-	1,091	-	-	-	1,091
Total expenditures	<u>-</u>	<u>16,695,255</u>	<u>-</u>	<u>2,345,261</u>	<u>188,682</u>	<u>19,229,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,277</u>	<u>1,477,965</u>	<u>7,891</u>	<u>(2,305,316)</u>	<u>(84,511)</u>	<u>(903,971)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	1,051,428	-	1,807,069	19,224	2,877,721
Transfers out	-	(983,055)	(7,891)	-	(19,224)	(1,010,170)
Total other financing sources (uses)	<u>-</u>	<u>68,373</u>	<u>(7,891)</u>	<u>1,807,069</u>	<u>-</u>	<u>1,867,551</u>
Net change in fund balances	2,277	1,546,338	-	(498,247)	(84,511)	963,580
Fund balances - October 1, 2009	-	6,056,100	-	1,398,000	2,694,892	10,148,992
Fund balances - September 30, 2010	<u>\$ 2,277</u>	<u>\$ 7,602,438</u>	<u>\$ -</u>	<u>\$ 899,753</u>	<u>\$ 2,610,381</u>	<u>\$ 11,112,572</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, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Licenses & permits:			
Building permits	\$ 477,000	\$ 342,765	\$ (134,235)
Electrical permits	165,000	116,960	(48,040)
Plumbing permits	100,000	85,786	(14,214)
Zoning permits	25,000	31,445	6,445
Mechanical permits	60,000	55,223	(4,777)
Occupation permits	15,000	14,860	(140)
Sign permits	15,000	14,288	(712)
Contractor permits	40,000	33,550	(6,450)
Clearing fees	800	700	(100)
House moving permits	1,000	1,915	915
Total licenses & permits	<u>898,800</u>	<u>697,492</u>	<u>(201,308)</u>
Charges for services			
Maps, plans and spec fees	100	465	365
Platting fees	20,000	25,645	5,645
Copying, printing fees	100	148	48
Total charges for services	<u>20,200</u>	<u>26,258</u>	<u>6,058</u>
Revenues from use of money and property	4,000	758	(3,242)
Miscellaneous	30,000	81,877	51,877
Total revenues from use of money and property	<u>34,000</u>	<u>82,635</u>	<u>48,635</u>
Total revenues	<u>953,000</u>	<u>806,385</u>	<u>(146,615)</u>
<b>EXPENDITURES</b>			
Planning & zoning:			
Salaries	297,353	263,569	33,784
Supplies & services	95,165	80,145	15,020
Utilities	800	653	147
Maintenance	3,484	4,669	(1,185)
Capital outlay	10,000	3,297	6,703
Total planning & zoning	<u>406,802</u>	<u>352,333</u>	<u>54,469</u>
Buildings, standards & inspections:			
Salaries	773,133	695,254	77,879
Supplies & services	113,347	100,936	12,411
Utilities	-	169	(169)
Maintenance	26,056	24,423	1,633
Total building, standards & inspections	<u>912,536</u>	<u>820,782</u>	<u>91,754</u>
Total expenditures	<u>1,319,338</u>	<u>1,173,115</u>	<u>146,223</u>
Deficiency of revenues under expenditures	<u>(366,338)</u>	<u>(366,730)</u>	<u>(392)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - GAAP basis	<u>\$ (66,338)</u>	<u>(66,730)</u>	<u>\$ (392)</u>
Fund balance - October 1, 2009		<u>65,888</u>	
Fund balance - September 30, 2010		<u>\$ (842)</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, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Fines, forfeitures and penalties	\$ 81,000	\$ 83,348	\$ 2,348
Revenues from use of money and property	5,000	1,682	(3,318)
Total revenues	<u>86,000</u>	<u>85,030</u>	<u>(970)</u>
<b>EXPENDITURES</b>			
Public safety:			
Supplies and services	10,700	20,926	(10,226)
Capital outlay	93,113	67,303	25,810
Interest	-	1,091	(1,091)
Total expenditures	<u>103,813</u>	<u>89,320</u>	<u>14,493</u>
Excess of revenues over (under) expenditures	<u>\$ (17,813)</u>	<u>(4,290)</u>	<u>\$ 13,523</u>
Fund balance - October 1, 2009		<u>136,914</u>	
Fund balance - September 30, 2010		<u>\$ 132,624</u>	

**CITY OF TYLER, TEXAS  
COURT SPECIAL FEE FUND  
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Fines, forfeitures and penalties	\$ 140,000	\$ 140,628	\$ 628
Revenues from use of money and property	1,853	1,376	(477)
Total revenues	<u>141,853</u>	<u>142,004</u>	<u>151</u>
<b>EXPENDITURES</b>			
Public safety:			
Supplies and services	30,000	56,855	(26,855)
Capital outlay	249,706	124,913	124,793
Total expenditures	<u>279,706</u>	<u>181,768</u>	<u>97,938</u>
<b>OTHER FINANCING (USES)</b>			
Transfers in	-	233,480	233,480
Transfers out	-	(75,973)	(75,973)
Total other financing (uses)	<u>-</u>	<u>157,507</u>	<u>157,507</u>
Excess of revenues over (under) expenditures and other financing uses - GAAP basis	<u>\$ (137,853)</u>	117,743	<u>\$ 255,596</u>
Fund balance - October 1, 2009		<u>221,636</u>	
Fund balance - September 30, 2010		<u>\$ 339,379</u>	

**CITY OF TYLER, TEXAS  
MAIN STREET FUND  
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Revenues from use of money and property	\$ 2,000	\$ 56	\$ (1,944)
Charges for services	115,000	39,839	(75,161)
Miscellaneous	10,000	14,460	4,460
Total revenues	<u>127,000</u>	<u>54,355</u>	<u>(72,645)</u>
<b>EXPENDITURES</b>			
General administration:			
Salaries and benefits	83,613	94,556	(10,943)
Supplies and services	68,309	45,220	23,089
Utilities	10,650	6,997	3,653
Total general administration	<u>162,572</u>	<u>146,773</u>	<u>15,799</u>
Festivals	60,000	6,811	53,189
Contingency	5,000	-	5,000
Total expenditures	<u>227,572</u>	<u>153,584</u>	<u>73,988</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	92,000	92,000	-
Transfers out	-	(7,458)	(7,458)
Total other financing sources	<u>92,000</u>	<u>84,542</u>	<u>(7,458)</u>
Excess of revenues and other financing sources over (under) expenditures - GAAP basis	<u>\$ (8,572)</u>	<u>(14,687)</u>	<u>\$ (6,115)</u>
Fund balance - October 1, 2009		<u>14,687</u>	
Fund balance - September 30, 2010		<u>\$ -</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, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Taxes	\$ 2,225,000	\$ 2,026,166	\$ (198,834)
Revenue from use of money and property	12,000	11,803	(197)
Miscellaneous	173,120	719,750	546,630
Total revenues	<u>2,410,120</u>	<u>2,757,719</u>	<u>347,599</u>
<b>EXPENDITURES</b>			
Hotel-motel administration:			
Tourism operations	1,080,755	1,080,755	-
Texas Rose Festival	9,000	9,000	-
Discovery Place	36,000	36,000	-
East Texas Symphony	25,000	25,000	-
Tyler Museum of Art	49,500	49,500	-
Historical Museum	15,000	15,000	-
Downtown tourism	10,000	21,995	(11,995)
Smith County Historical Society	15,000	15,000	-
Visitors and Convention Bureau	657,564	657,564	-
McClendon House	5,000	5,000	-
Supplies and services	6,000	2,500	3,500
Contingency	90,000	-	90,000
Capital outlay	975,000	98,979	876,021
Total hotel-motel administration	<u>2,973,819</u>	<u>2,016,293</u>	<u>957,526</u>
Total expenditures	<u>2,973,819</u>	<u>2,016,293</u>	<u>957,526</u>
Excess of revenues over expenditures	<u>(563,699)</u>	<u>741,426</u>	<u>1,305,125</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(260,000)</u>	<u>(260,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(260,000)</u>	<u>(260,000)</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - GAAP basis	<u>\$ (823,699)</u>	481,426	<u>\$ 1,305,125</u>
Fund balance - October 1, 2009		<u>1,433,990</u>	
Fund balance - September 30, 2010		<u>\$ 1,915,416</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, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Revenues from use of money and property	\$ 365,595	\$ 340,189	\$ (25,406)
Charges for services	1,080,755	1,080,755	-
Miscellaneous	-	1,044	1,044
Total revenues	<u>1,446,350</u>	<u>1,421,988</u>	<u>(24,362)</u>
<b>EXPENDITURES</b>			
Rose Garden Center:			
Salaries and benefits	93,675	105,054	(11,379)
Supplies and services	32,104	27,587	4,517
Utilities	7,875	6,768	1,107
Maintenance	12,156	7,354	4,802
Total Rose Garden Center	<u>145,810</u>	<u>146,763</u>	<u>(953)</u>
Rose Garden maintenance:			
Salaries and benefits	254,211	256,576	(2,365)
Supplies and services	74,178	63,537	10,641
Utilities	76,150	106,381	(30,231)
Maintenance	83,733	59,608	24,125
Total Rose Garden maintenance	<u>488,272</u>	<u>486,102</u>	<u>2,170</u>
Visitor facilities:			
Salaries and benefits	305,765	360,981	(55,216)
Supplies and services	168,627	154,449	14,178
Utilities	167,075	111,455	55,620
Maintenance	192,298	41,947	150,351
Capital outlay	95,000	65,699	29,301
Total visitor facilities	<u>928,765</u>	<u>734,531</u>	<u>194,234</u>
Visitor facilities:			
Supplies and services	-	273	(273)
Total visitor facilities	<u>-</u>	<u>273</u>	<u>(273)</u>
Total expenditures	<u>1,562,847</u>	<u>1,367,669</u>	<u>195,178</u>
Excess of revenues over expenditures	<u>(116,497)</u>	<u>54,319</u>	<u>(170,816)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	7,458	7,458
Total other financing sources (uses)	<u>-</u>	<u>7,458</u>	<u>7,458</u>
Excess of revenues over (under) expenditures	<u>\$ (116,497)</u>	<u>61,777</u>	<u>\$ 178,274</u>
Fund balance - October 1, 2009		<u>329,287</u>	
Fund balance - September 30, 2010		<u>\$ 391,064</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, 2010**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>			
Revenue from use of money and property	\$ 350	\$ 126	\$ (224)
Charges for services	<u>340,000</u>	<u>287,949</u>	<u>(52,051)</u>
Total revenues	<u>340,350</u>	<u>288,075</u>	<u>(52,275)</u>
<b>OTHER FINANCING (USES)</b>			
Transfers out:			
1/2 Cent Sales Tax Fund	<u>(340,350)</u>	<u>(288,075)</u>	<u>52,275</u>
Total other financing (uses)	<u>(340,350)</u>	<u>(288,075)</u>	<u>52,275</u>
Excess of revenues over (under) other financing uses	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - October 1, 2009		<u>-</u>	
Fund balance - September 30, 2010		<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, 2010

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>			
Revenue from use of money and property	\$ 13,100	\$ 20,602	\$ 7,502
Miscellaneous	<u>277,900</u>	<u>154,979</u>	<u>(122,921)</u>
Total revenues	<u>291,000</u>	<u>175,581</u>	<u>(115,419)</u>
<b>EXPENDITURES</b>			
Culture and recreation:			
Capital outlay	<u>354,613</u>	<u>287,349</u>	<u>67,264</u>
Total expenditures	<u>354,613</u>	<u>287,349</u>	<u>67,264</u>
Excess of revenues over (under) expenditures - GAAP basis	<u>\$ (63,613)</u>	(111,768)	<u>\$ (48,155)</u>
Fund balance - October 1, 2009		<u>2,745,333</u>	
Fund balance - September 30, 2010		<u>\$ 2,633,565</u>	

**CITY OF TYLER, TEXAS**  
**TIF/TIRZ #2 FUND**  
**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Taxes	\$ 77,654	\$ 54,850	\$ (22,804)
Revenues from use of money and property	-	174	174
Total revenues	<u>77,654</u>	<u>55,024</u>	<u>(22,630)</u>
<b>EXPENDITURES</b>			
General government:			
Supplies and services	<u>77,654</u>	<u>11,163</u>	<u>66,491</u>
Total expenditures	<u>77,654</u>	<u>11,163</u>	<u>66,491</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - GAAP basis	<u>\$ -</u>	43,861	<u>\$ (43,861)</u>
Fund balance - October 1, 2009		<u>-</u>	
Fund balance - September 30, 2010		<u>\$ 43,861</u>	

**CITY OF TYLER, TEXAS  
TIF/TIRZ #3 FUND  
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Taxes	\$ 77,654	\$ 2,271	\$ (75,383)
Revenues from use of money and property	-	6	6
Total revenues	77,654	2,277	(75,377)
<b>EXPENDITURES</b>			
Total expenditures	-	-	-
Excess of revenues and other financing sources over (under) expenditures - GAAP basis	\$ 77,654	2,277	\$ (75,377)
Fund balance - October 1, 2009		-	
Fund balance - September 30, 2010		\$ 2,277	

**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, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Property tax collections	\$ 7,850	\$ 7,850	\$ -
Revenue from use of money and property	41	41	-
Total revenues	<u>7,891</u>	<u>7,891</u>	<u>-</u>
<b>EXPENDITURES</b>			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>7,891</u>	<u>7,891</u>	<u>-</u>
<b>OTHER FINANCING (USES)</b>			
Transfers out	<u>-</u>	<u>(7,891)</u>	<u>(7,891)</u>
Total other financing (uses)	<u>-</u>	<u>(7,891)</u>	<u>(7,891)</u>
Excess of revenues over (under) expenditures and other financing uses - GAAP basis	<u>\$ 7,891</u>	<u>-</u>	<u>\$ (7,891)</u>
Fund balance - October 1, 2009		<u>-</u>	
Fund balance - September 30, 2010		<u>\$ -</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, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Revenue from use of money and property	\$ (5,000)	\$ 13,640	\$ 18,640
Miscellaneous	-	26,305	26,305
Total revenues	<u>(5,000)</u>	<u>39,945</u>	<u>44,945</u>
<b>EXPENDITURES</b>			
General government services	195,000	729,434	(534,434)
Library	5,000	5,000	-
Parks maintenance & administration	138,400	216,515	(78,115)
Engineering	1,000,000	736,784	263,216
Traffic operations	954,000	657,528	296,472
Total expenditures	<u>2,292,400</u>	<u>2,345,261</u>	<u>(52,861)</u>
Deficiency of revenues under expenditures	<u>(2,297,400)</u>	<u>(2,305,316)</u>	<u>(7,916)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>(1,722,940)</u>	<u>1,807,069</u>	<u>3,530,009</u>
Total other financing sources (uses)	<u>(1,722,940)</u>	<u>1,807,069</u>	<u>3,530,009</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - GAAP basis	<u>\$ (4,020,340)</u>	<u>(498,247)</u>	<u>\$ 3,522,093</u>
Fund balance - October 1, 2009		<u>1,398,000</u>	
Fund balance - September 30, 2010		<u>\$ 899,753</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, 2010**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>			
Trust Fund:			
Revenues from use of money and property	\$ 18,000	\$ 19,224	\$ 1,224
Mausoleum and lot sales	52,000	75,456	23,456
Operations:			
Revenues from use of money and property	3,000	1,673	(1,327)
Licenses and permits	1,030	1,235	205
Mausoleum and lot sales	2,709	6,583	3,874
Total revenues	<u>76,739</u>	<u>104,171</u>	<u>27,432</u>
<b>EXPENDITURES</b>			
Operations:			
Salaries and benefits	108,707	97,437	11,270
Supplies and services	39,802	28,754	11,048
Utilities	33,600	38,124	(4,524)
Maintenance	25,587	21,347	4,240
Capital outlay	2,000	3,020	(1,020)
Total expenditures	<u>209,696</u>	<u>188,682</u>	<u>21,014</u>
Deficiency of revenues under expenditures	<u>(132,957)</u>	<u>(84,511)</u>	<u>48,446</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	18,000	19,224	1,224
Transfers out	<u>(18,000)</u>	<u>(19,224)</u>	<u>(1,224)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses - GAAP basis	<u>\$ (132,957)</u>	<u>(84,511)</u>	<u>\$ 48,446</u>
Fund balance - October 1, 2009		<u>2,694,892</u>	
Fund balance - September 30, 2010		<u>\$ 2,610,381</u>	

This page left blank intentionally.

## INTERNAL SERVICE FUNDS

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

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

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

The *Property and Liability Insurance Fund* accounts for the City's property, casualty, liability, disability and worker's compensation insurance programs.

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

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

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

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

**CITY OF TYLER, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
<b>ASSETS</b>								
Current assets:								
Equity in pooled cash and investments	\$ 508,702	\$ 4,916,786	\$ 996,009	\$ 4,260,325	\$ 1,794,473	\$ 877,547	\$ 333,288	\$ 13,687,130
Accounts receivable (net)	685	65,976	18,550	205,840	57,633	700	1,525	350,909
Inventories - at average cost	-	159,315	-	-	-	-	-	159,315
Total current assets	<u>509,387</u>	<u>5,142,077</u>	<u>1,014,559</u>	<u>4,466,165</u>	<u>1,852,106</u>	<u>878,247</u>	<u>334,813</u>	<u>14,197,354</u>
Noncurrent assets:								
Other post employment benefits asset	10,532	34,902	7,688	2,747	-	5,763	41,381	103,013
Capital assets:								
Land	-	65,000	-	-	-	-	-	65,000
Buildings	-	370,967	-	-	-	355,959	3,267	730,193
Improvements other than buildings	-	260,072	-	-	-	240,241	-	500,313
Machinery and equipment	-	19,491,038	-	-	-	8,857	6,802,171	26,302,066
Construction in progress	-	-	-	-	-	396,780	-	396,780
Less accumulated depreciation	-	(12,079,646)	-	-	-	(182,563)	(3,158,975)	(15,421,184)
Total Capital assets (net of accumulated depreciation)	<u>-</u>	<u>8,107,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>819,274</u>	<u>3,646,463</u>	<u>12,573,168</u>
Total assets	<u>519,919</u>	<u>13,284,410</u>	<u>1,022,247</u>	<u>4,468,912</u>	<u>1,852,106</u>	<u>1,703,284</u>	<u>4,022,657</u>	<u>26,873,535</u>
<b>LIABILITIES</b>								
Current liabilities:								
Accounts and contracts payable	16,209	61,331	44,143	18,337	6,973	60,089	67,322	274,404
Insurance claims payable	-	-	646,526	678,820	-	-	-	1,325,346
Accrued interest payable	-	22,495	-	-	-	-	59,405	81,900
Current portion of compensated absences payable	184	1,423	-	-	-	432	2,071	4,110
Current portion of capital lease	-	463,625	-	-	-	-	633,467	1,097,092
Total current liabilities	<u>16,393</u>	<u>548,874</u>	<u>690,669</u>	<u>697,157</u>	<u>6,973</u>	<u>60,521</u>	<u>762,265</u>	<u>2,782,852</u>
Noncurrent liabilities:								
Compensated absences payable	4,427	34,200	-	-	-	10,385	49,788	98,800
Net pension obligation	13,789	45,695	10,065	3,597	-	7,545	54,178	134,869
Capital lease payable	-	979,917	-	-	-	-	2,243,029	3,222,946
Total noncurrent liabilities	<u>18,216</u>	<u>1,059,812</u>	<u>10,065</u>	<u>3,597</u>	<u>-</u>	<u>17,930</u>	<u>2,346,995</u>	<u>3,456,615</u>
Total liabilities	<u>34,609</u>	<u>1,608,686</u>	<u>700,734</u>	<u>700,754</u>	<u>6,973</u>	<u>78,451</u>	<u>3,109,260</u>	<u>6,239,467</u>
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	-	6,663,889	-	-	-	819,274	769,967	8,253,130
Unrestricted	485,310	5,011,835	321,513	3,768,158	1,845,133	805,559	143,430	12,380,938
Total net assets	<u>\$ 485,310</u>	<u>\$ 11,675,724</u>	<u>\$ 321,513</u>	<u>\$ 3,768,158</u>	<u>\$ 1,845,133</u>	<u>\$ 1,624,833</u>	<u>\$ 913,397</u>	<u>\$ 20,634,068</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, 2010**

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
<b>OPERATING REVENUES</b>								
Charges for services	\$ 907,000	7,516,096	\$ 1,052,857	\$ -	\$ -	\$ 317,196	\$ 3,377,302	\$ 13,170,451
Contributions	-	-	-	6,275,155	2,754,706	-	-	9,029,861
Miscellaneous	-	285,768	-	29,089	144,970	-	9,384	469,211
Total operating revenues	907,000	7,801,864	1,052,857	6,304,244	2,899,676	317,196	3,386,686	22,669,523
<b>OPERATING EXPENSES</b>								
Garage operations	-	4,989,152	-	-	-	-	-	4,989,152
Depreciation	-	2,300,731	-	-	-	33,645	1,143,501	3,477,877
Insurance claims	-	-	1,701,511	6,477,839	1,234,922	-	-	9,414,272
Administrative	297,191	-	168,169	742,511	1,335,872	239,647	2,309,010	5,092,400
Special services	668,162	-	-	60,472	11,392	-	-	740,026
Maintenance	-	-	-	-	-	152,532	-	152,532
Total operating expenses	965,353	7,289,883	1,869,680	7,280,822	2,582,186	425,824	3,452,511	23,866,259
Operating income (loss)	(58,353)	511,981	(816,823)	(976,578)	317,490	(108,628)	(65,825)	(1,196,736)
<b>NON-OPERATING REVENUES (EXPENSES)</b>								
Revenues from use of money and property	6,729	50,674	10,273	35,525	20,589	13,011	32,158	168,959
Gain (loss) on sale of assets	-	178,683	-	-	-	-	883	179,566
Interest expense	-	-	-	-	-	-	(130,876)	(130,876)
Total non-operating revenues (expenses)	6,729	229,357	10,273	35,525	20,589	13,011	(97,835)	217,649
Income (loss) before transfers	(51,624)	741,338	(806,550)	(941,053)	338,079	(95,617)	(163,660)	(979,087)
Transfers in	-	-	-	-	900,000	441,600	77,628	1,419,228
Transfers out	-	(136,346)	-	(900,000)	-	-	-	(1,036,346)
Change in net assets	(51,624)	604,992	(806,550)	(1,841,053)	1,238,079	345,983	(86,032)	(596,205)
Total Net Assets - October 1, 2009	536,934	11,070,732	1,128,063	5,609,211	607,054	1,278,850	999,429	21,230,273
Total Net Assets - September 30, 2010	\$ 485,310	\$ 11,675,724	\$ 321,513	\$ 3,768,158	\$ 1,845,133	\$ 1,624,833	\$ 913,397	\$ 20,634,068

**CITY OF TYLER, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL (EXHIBIT 9)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Cash received from customers and users	\$ 911,861	\$ 7,790,051	\$ 1,052,382	\$ 6,273,364	\$ 2,907,383	\$ 321,327	\$ 3,388,426	\$ 22,644,794
Cash paid to suppliers for goods and services	(652,294)	(4,258,225)	(149,966)	(756,862)	(1,287,469)	(235,169)	(1,678,076)	(9,018,061)
Cash paid to employees for services	(297,191)	(780,018)	-	-	-	(118,301)	(804,820)	(2,000,330)
Insurance claims paid	-	-	(1,252,298)	(6,318,566)	(1,234,922)	-	-	(8,805,786)
Net cash provided by (used in) operating activities	(37,624)	2,751,808	(349,882)	(802,064)	384,992	(32,143)	905,530	2,820,617
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>								
Transfers in from other funds	-	-	-	-	900,000	441,600	77,628	1,419,228
Transfers out to other funds	-	(136,346)	-	(900,000)	-	-	-	(1,036,346)
Net cash provided by (used in) non-capital financing activities	-	(136,346)	-	(900,000)	900,000	441,600	77,628	382,882
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Acquisition, construction, and retirement of capital assets	-	(1,675,258)	-	-	-	(725,650)	(439,959)	(2,840,867)
Interest paid	-	-	-	-	-	-	(130,876)	(130,876)
Payment of capital lease obligations	-	(446,911)	-	-	-	-	(717,194)	(1,164,105)
Proceeds from sale of assets	-	204,706	-	-	-	-	5,485	210,191
Net cash provided by (used in) capital and related financing activities	-	(1,917,463)	-	-	-	(725,650)	(1,282,544)	(3,925,657)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Interest and dividends on investments	6,729	50,674	10,273	35,525	20,589	13,011	32,158	168,959
Net cash provided by investing activities	6,729	50,674	10,273	35,525	20,589	13,011	32,158	168,959
Net increase (decrease) in cash and cash equivalents	(30,895)	748,673	(339,609)	(1,666,539)	1,305,581	(303,182)	(267,228)	(553,199)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	539,597	4,168,113	1,335,618	5,926,864	488,892	1,180,729	600,516	14,240,329
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 508,702</u>	<u>\$ 4,916,786</u>	<u>\$ 996,009</u>	<u>\$ 4,260,325</u>	<u>\$ 1,794,473</u>	<u>\$ 877,547</u>	<u>\$ 333,288</u>	<u>\$ 13,687,130</u>

(continued)

**CITY OF TYLER, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL (EXHIBIT 9)
Operating income (loss)	\$ (58,353)	\$ 511,981	\$ (816,823)	\$ (976,578)	\$ 317,490	\$ (108,628)	\$ (65,825)	\$ (1,196,736)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation expense	-	2,300,731	-	-	-	33,645	1,143,501	3,477,877
(Increase) decrease in accounts receivable	4,861	(24,486)	(475)	(30,880)	7,707	4,131	1,740	(37,402)
(Increase) decrease in prepaid expenses	-	-	14,164	91,922	66,867	-	9,100	182,053
(Increase) decrease in inventories	-	12,673	-	-	-	-	-	12,673
(Increase) decrease in other post employment benefits asset	(10,532)	(34,902)	(7,688)	(2,747)	-	(5,763)	(41,381)	(103,013)
Increase (decrease) in accounts payable	8,000	(93,393)	1,662	(46,651)	(7,072)	41,791	(198,895)	(294,558)
Increase (decrease) in claims payable	-	-	449,213	159,273	-	-	-	608,486
Increase (decrease) in accrued interest payable	-	22,495	-	-	-	-	(5,953)	16,542
Increase (decrease) in compensated absences payable	4,611	11,014	-	-	-	(4,864)	9,065	19,826
Increase (decrease) in net pension obligation	13,789	45,695	10,065	3,597	-	7,545	54,178	134,869
Total adjustments	<u>20,729</u>	<u>2,239,827</u>	<u>466,941</u>	<u>174,514</u>	<u>67,502</u>	<u>76,485</u>	<u>971,355</u>	<u>4,017,353</u>
Net cash (used in) provided by operating activities	<u>\$ (37,624)</u>	<u>\$ 2,751,808</u>	<u>\$ (349,882)</u>	<u>\$ (802,064)</u>	<u>\$ 384,992</u>	<u>\$ (32,143)</u>	<u>\$ 905,530</u>	<u>\$ 2,820,617</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>								
Borrowing under capital lease	<u>\$ -</u>	<u>\$ 1,443,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (202,330)</u>	<u>\$ 1,241,212</u>

**CITY OF TYLER, TEXAS**  
**PRODUCTIVITY IMPROVEMENT FUND**  
**DETAILED SCHEDULE OF REVENUES AND EXPENSES -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Revenues from use of money and property	\$ 5,000	\$ 6,729	\$ 1,729
Intergovernmental revenue	907,000	907,000	-
<b>TOTAL REVENUES - BUDGET AND GAAP BASIS</b>	<u>\$ 912,000</u>	<u>\$ 913,729</u>	<u>\$ 1,729</u>
<b>EXPENSES</b>			
Salaries and benefits	\$ 235,273	\$ 297,191	\$ (61,918)
Special services	926,487	668,162	258,325
<b>TOTAL EXPENSES - BUDGET AND GAAP BASIS</b>	<u>\$ 1,161,760</u>	<u>\$ 965,353</u>	<u>\$ 196,407</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, 2010**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>			
Revenues from use of money and property	\$ 35,000	\$ 50,674	\$ 15,674
Current service charges	8,326,323	7,516,096	(810,227)
Miscellaneous	1,000	285,768	284,768
Sale of assets	<u>404,000</u>	<u>204,706</u>	<u>(199,294)</u>
<b>TOTAL REVENUES - BUDGET BASIS</b>	<u><u>\$ 8,766,323</u></u>	<u>8,057,244</u>	<u>\$ (709,079)</u>
Financial statement adjustments:			
Retirement of assets sold		<u>(26,023)</u>	
<b>TOTAL REVENUES - GAAP BASIS</b>		<u><u>\$ 8,031,221</u></u>	
<b>EXPENSES</b>			
Garage administration and operations:			
Salaries and benefits	\$ 796,058	\$ 780,018	\$ 16,040
Supplies and services	4,704,698	4,072,881	631,817
Utilities	275	298	(23)
Maintenance	115,321	135,955	(20,634)
Capital outlay	<u>2,074,399</u>	<u>-</u>	<u>2,074,399</u>
Total garage administration	<u>7,690,751</u>	<u>4,989,152</u>	<u>2,701,599</u>
<b>TOTAL EXPENSES - BUDGET BASIS</b>	<u><u>\$ 7,690,751</u></u>	<u>4,989,152</u>	<u>\$ 2,701,599</u>
Financial statement adjustments:			
Transfer out		136,346	
Depreciation expense		<u>2,300,731</u>	
<b>TOTAL EXPENSES - GAAP BASIS</b>		<u><u>\$ 7,426,229</u></u>	

**CITY OF TYLER, TEXAS**  
**PROPERTY AND LIABILITY INSURANCE FUND**  
**DETAILED SCHEDULE OF REVENUES AND EXPENSES -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Revenues from use of money and property	\$ 10,000	\$ 10,273	\$ 273
Intergovernmental revenue	<u>1,343,532</u>	<u>1,052,857</u>	<u>(290,675)</u>
<b>TOTAL REVENUES - BUDGET AND GAAP BASIS</b>	<u>\$ 1,353,532</u>	<u>\$ 1,063,130</u>	<u>\$ (290,402)</u>
<b>EXPENSES</b>			
Claims and premiums	\$ 1,417,842	\$ 1,701,511	\$ (283,669)
Administrative	<u>185,481</u>	<u>168,169</u>	<u>17,312</u>
<b>TOTAL EXPENSES - BUDGET AND GAAP BASIS</b>	<u>\$ 1,603,323</u>	<u>\$ 1,869,680</u>	<u>\$ (266,357)</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, 2010**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>			
Revenues from use of money and property	\$ 22,000	\$ 35,525	\$ 13,525
Contributions from City of Tyler	4,937,970	4,613,245	(324,725)
Contributions from employees	1,594,020	1,661,910	67,890
Miscellaneous	<u>70,000</u>	<u>29,089</u>	<u>(40,911)</u>
Total revenues	<u>6,623,990</u>	<u>6,339,769</u>	<u>(284,221)</u>
<b>TOTAL REVENUES - BUDGET AND GAAP BASIS</b>	<u><u>\$ 6,623,990</u></u>	<u><u>\$ 6,339,769</u></u>	<u><u>\$ (284,221)</u></u>
<b>EXPENSES</b>			
Employee insurance fund administration:			
Special services	\$ 73,000	\$ 60,472	\$ 12,528
Claims	5,820,370	6,296,796	(476,426)
Administrative fees	699,600	742,511	(42,911)
Life insurance	<u>167,000</u>	<u>181,043</u>	<u>(14,043)</u>
Total employee insurance fund administration	<u>6,759,970</u>	<u>7,280,822</u>	<u>(520,852)</u>
<b>TOTAL EXPENSES - BUDGET BASIS</b>	<u><u>\$ 6,759,970</u></u>	<u><u>7,280,822</u></u>	<u><u>\$ (520,852)</u></u>
Financial statement adjustments:			
Transfer out		<u>900,000</u>	
<b>TOTAL EXPENSES - GAAP BASIS</b>		<u><u>\$ 8,180,822</u></u>	

**CITY OF TYLER, TEXAS  
RETIREE BENEFITS FUND  
DETAILED SCHEDULE OF REVENUES AND EXPENSES -  
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Revenues from use of money and property	\$ 5,000	\$ 20,589	\$ 15,589
Contributions from City of Tyler	2,030,360	2,032,159	1,799
Contributions from employees	654,060	722,547	68,487
Miscellaneous	139,400	144,970	5,570
<b>Total revenues</b>	<u>2,828,820</u>	<u>2,920,265</u>	<u>91,445</u>
<b>TOTAL REVENUES - BUDGET BASIS</b>	<u>\$ 2,828,820</u>	2,920,265	<u>\$ 91,445</u>
Financial statement adjustments:			
Transfer in		<u>900,000</u>	
<b>TOTAL REVENUES - GAAP BASIS</b>		<u>\$ 3,820,265</u>	
<b>EXPENSES</b>			
Employee insurance fund administration:			
Special services	\$ 21,000	\$ 11,392	\$ 9,608
Claims	1,605,060	1,180,348	424,712
Administrative fees	2,037,984	1,335,872	702,112
Life insurance	52,500	54,574	(2,074)
<b>Total employee insurance fund administration</b>	<u>3,716,544</u>	<u>2,582,186</u>	<u>1,134,358</u>
<b>TOTAL EXPENSES - BUDGET AND GAAP BASIS</b>	<u>\$ 3,716,544</u>	<u>\$ 2,582,186</u>	<u>\$ 1,134,358</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, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Revenues from use of money and property	\$ 15,000	\$ 13,011	\$ (1,989)
Charges for services	314,710	317,196	2,486
Sale of assets	134,300	-	(134,300)
Total revenues	464,010	330,207	(133,803)
<b>TOTAL REVENUES - BUDGET BASIS</b>	<b>\$ 464,010</b>	<b>330,207</b>	<b>\$ (133,803)</b>
Financial statement adjustments:			
Transfer in		441,600	
<b>TOTAL REVENUES - GAAP BASIS</b>		<b>\$ 771,807</b>	
<b>EXPENSES</b>			
Property and facility administration:			
Salaries and benefits	\$ 136,605	\$ 118,302	\$ 18,303
Supplies and services	252,876	80,868	172,008
Utilities	-	5	(5)
Maintenance	1,150,415	193,004	957,411
Total property and facility administration	1,539,896	392,179	1,147,717
<b>TOTAL EXPENSES - BUDGET BASIS</b>	<b>\$ 1,539,896</b>	<b>392,179</b>	<b>\$ 1,147,717</b>
Financial statement adjustments:			
Depreciation expense		33,645	
<b>TOTAL EXPENSES - GAAP BASIS</b>		<b>\$ 425,824</b>	

**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, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Revenues from use of money and property	\$ 32,820	\$ 32,158	\$ (662)
Charges for services	3,552,461	3,377,302	(175,159)
Miscellaneous	-	9,384	9,384
Sale of assets	-	883	883
<b>TOTAL REVENUES - BUDGET BASIS</b>	<u>\$ 3,585,281</u>	3,419,727	<u>\$ (165,554)</u>
Financial statement adjustments:			
Transfer in		77,628	
Retirement of assets sold		-	
<b>TOTAL REVENUES - GAAP BASIS</b>		<u>\$ 3,497,355</u>	
<b>EXPENSES</b>			
Office technology fund administration:			
Salaries and benefits	\$ 791,396	\$ 804,820	\$ (13,424)
Supplies and services	61,619	33,835	27,784
Utilities	400	172	228
Maintenance	7,941	6,722	1,219
Total office technology fund administration	<u>861,356</u>	<u>845,549</u>	<u>15,807</u>
Office technology services:			
Supplies and services	1,314,642	505,611	809,031
Utilities	292,831	113,572	179,259
Maintenance	1,206,136	844,278	361,858
Total office technology services	<u>2,813,609</u>	<u>1,463,461</u>	<u>1,350,148</u>
<b>TOTAL EXPENSES - BUDGET BASIS</b>	<u>\$ 3,674,965</u>	2,309,010	<u>\$ 1,365,955</u>
Financial statement adjustments:			
Interest		130,876	
Depreciation		1,143,501	
<b>TOTAL EXPENSES - GAAP BASIS</b>		<u>\$ 3,583,387</u>	

## FIDUCIARY FUNDS

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

### Employee Benefit Trust Funds

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

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

### Private Purpose Trust Funds

The *Greenwood Landfill Private-Purpose Trust Fund* is used to accumulate resources held in trust for Allied Waste Management and is used for closure and post-closure expenses of the Greenwood Landfill. These closure and post-closure expenses will not begin occurring until many years if not decades in the future.

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

CITY OF TYLER, TEXAS  
 FIDUCIARY FUNDS  
 EMPLOYEE BENEFIT TRUST FUNDS  
 COMBINING STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2010

	EMPLOYEE BENEFIT TRUST (SECTION 125 PLAN)	OPEB TRUST	TOTAL
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 177,556	\$ 3,458,454	\$ 3,636,010
Receivables			
Accounts receivable	6,723	-	6,723
Interest receivable	-	-	-
Total receivables	6,723	-	6,723
Total assets	184,279	3,458,454	3,642,733
<b>LIABILITIES</b>			
Accounts payable	-	-	-
Total liabilities	-	-	-
<b>NET ASSETS</b>			
Held in trust for OPEB benefits and other purposes	\$ 184,279	\$ 3,458,454	\$ 3,642,733

**CITY OF TYLER, TEXAS  
FIDUCIARY FUNDS  
EMPLOYEE BENEFIT TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	EMPLOYEE BENEFIT TRUST (SECTION 125 PLAN)	OPEB TRUST	TOTAL
<b>ADDITIONS</b>			
Contributions:			
Employees	\$ 189,370	\$ -	\$ 189,370
Employer	23,716	307,051	330,767
Total contributions	<u>213,086</u>	<u>307,051</u>	<u>520,137</u>
Total additions	<u>213,086</u>	<u>307,051</u>	<u>520,137</u>
<b>DEDUCTIONS</b>			
Benefits	<u>241,788</u>	<u>-</u>	<u>241,788</u>
Total deductions	<u>241,788</u>	<u>-</u>	<u>241,788</u>
Change in net assets	(28,702)	307,051	278,349
Net Assets - October 1, 2009	<u>212,981</u>	<u>3,151,403</u>	<u>3,364,384</u>
Net Assets - September 30, 2010	<u>\$ 184,279</u>	<u>\$ 3,458,454</u>	<u>\$ 3,642,733</u>

CITY OF TYLER, TEXAS  
 FIDUCIARY FUNDS  
 PRIVATE-PURPOSE TRUST FUNDS  
 COMBINING STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2010

	GREENWOOD LANDFILL PRIVATE-PURPOSE TRUST	LINDSEY TRUST PRIVATE-PURPOSE TRUST	TOTAL
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 2,237,110	\$ 58,134	\$ 2,295,244
Receivables			
Interest receivable	1,688	-	1,688
Total receivables	1,688	-	1,688
Total assets	2,238,798	58,134	2,296,932
<b>LIABILITIES</b>			
Accounts payable	-	-	-
Total liabilities	-	-	-
<b>NET ASSETS</b>			
Held in trust for other purposes	\$ 2,238,798	\$ 58,134	\$ 2,296,932

CITY OF TYLER, TEXAS  
 FIDUCIARY FUNDS  
 PRIVATE-PURPOSE TRUST FUNDS  
 COMBINING STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	GREENWOOD LANDFILL PRIVATE-PURPOSE TRUST	LINDSEY TRUST PRIVATE-PURPOSE TRUST	TOTAL
<b>ADDITIONS</b>			
Contributions	\$ 36,000	\$ 4,710	\$ 40,710
Interest	17,320	-	17,320
Total additions	<u>53,320</u>	<u>4,710</u>	<u>58,030</u>
<b>DEDUCTIONS</b>			
Contributions	-	-	-
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	53,320	4,710	58,030
Net Assets - October 1, 2009	<u>2,185,478</u>	<u>53,424</u>	<u>2,238,902</u>
Net Assets - September 30, 2010	<u>\$ 2,238,798</u>	<u>\$ 58,134</u>	<u>\$ 2,296,932</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, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>PROPERTY TAX COLLECTIONS</b>			
Current taxes	\$ 13,443,800	\$ 13,378,773	\$ (65,027)
Delinquent taxes	140,040	150,608	10,568
Penalty and interest	152,900	130,736	(22,164)
Tax collection fee	55,000	49,271	(5,729)
Total property tax collections	<u>13,791,740</u>	<u>13,709,388</u>	<u>(82,352)</u>
<b>FRANCHISE FEES</b>			
Franchise - light and power	4,250,000	4,227,017	(22,983)
Franchise - natural gas	1,200,000	945,699	(254,301)
Franchise - telephone	998,900	966,465	(32,435)
Franchise - cable television	1,100,000	1,112,783	12,783
Franchise - street use fee	469,450	486,853	17,403
Franchise - water and sewer	1,319,059	1,476,808	157,749
Total franchise fees	<u>9,337,409</u>	<u>9,215,625</u>	<u>(121,784)</u>
<b>SALES AND USE TAXES</b>			
General sales tax	24,374,845	22,314,820	(2,060,025)
Mixed drink tax	300,000	301,234	1,234
Bingo tax	32,000	31,908	(92)
Total sales and use taxes	<u>24,706,845</u>	<u>22,647,962</u>	<u>(2,058,883)</u>
<b>LICENSES AND PERMITS</b>			
Parking meter	110,000	101,961	(8,039)
Wrecker	400	790	390
Taxicab and limousine	200	315	115
Burglar alarm	83,500	140,435	56,935
Total licenses and permits	<u>194,100</u>	<u>243,501</u>	<u>49,401</u>
<b>FINES, FORFEITURES AND PENALTIES</b>			
Moving violation fines	3,764,303	3,719,765	(44,538)
Tax service fees on fines	220,000	199,675	(20,325)
Arrest fee fines	170,000	176,439	6,439
Municipal court administrative fees	170,000	242,997	72,997
Warrant fees	700,000	748,876	48,876
Child safety fees	140,000	206,965	66,965
Teen court fees	-	51	51
Municipal court security	140,000	140,194	194
Miscellaneous municipal court fines	20,000	17,695	(2,305)
Juvenile class fee	50,000	67,637	17,637
Court time payment fee	140,000	164,694	24,694
Special court fees	650,000	720,756	70,756
Collection firm fee	220,000	110,150	(109,850)
Court fee - clearing	4,000	12,321	8,321
Partners for youth program	246,875	163,172	(83,703)
Omnibase program	35,000	54,311	19,311
Total fines, forfeitures and penalties	<u>6,670,178</u>	<u>6,745,698</u>	<u>75,520</u>

(Continued)

CITY OF TYLER, TEXAS  
GENERAL FUND  
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES FROM USE OF MONEY OR PROPERTY</b>			
Rent - miscellaneous	\$ 46,750	\$ 45,276	\$ (1,474)
Distributed interest	35,400	28,087	(7,313)
Total revenues from use of money or property	82,150	73,363	(8,787)
<b>CHARGES FOR CURRENT SERVICES</b>			
Swimming pool admissions	1,200	965	(235)
Fire inspection fees	31,100	23,392	(7,708)
False alarm fees	2,000	435	(1,565)
Lot mowing	35,500	48,041	12,541
Glass membership fees	44,800	54,149	9,349
Copying fees	16,000	18,824	2,824
Open records	38,400	76,609	38,209
Participant fees	176,070	164,016	(12,054)
Field rental	24,300	4,237	(20,063)
Sports field maintenance	20,000	42,460	22,460
Recreation classes and events	40,000	26,062	(13,938)
Reimbursement of overhead from tourism and convention fund	41,840	41,840	-
Half cent administration costs	30,000	30,000	-
Reimbursement of overhead from water and sewer operating fund	608,957	608,957	-
Reimbursement of overhead from sanitation fund	192,765	193,125	360
Library	40,500	55,738	15,238
Total charges for current services	1,343,432	1,388,850	45,418
<b>REVENUES FROM OTHER AGENCIES</b>			
State government	15,000	6,514	(8,486)
County hazardous material service	5,000	5,000	-
Prior year restitution income	200	365	165
DEA Project reimbursement	62,897	62,135	(762)
Auto theft task force grant	95,706	89,310	(6,396)
Bullet proof vest grant	10,238	7,889	(2,349)
Safe and Sober Grant	113,802	103,253	(10,549)
Click it or ticket grant	8,000	6,277	(1,723)
School crossing guards	202,520	207,266	4,746
Justice assistance	627,800	602,965	(24,835)
Partners for youth grant	-	34,075	34,075
US Marshal grant	-	16,000	16,000
Child safety car registration	48,100	-	(48,100)
Total revenues from other agencies	1,189,263	1,141,049	(48,214)
<b>MISCELLANEOUS</b>			
Oil and lease royalties	35,000	58,173	23,173
Contribution for construction	2,700	-	(2,700)
Miscellaneous charges	100,000	125,979	25,979
Unclaimed property revenue	17,800	29,217	11,417
Utility litigation	-	880	880
Returned check fees	2,600	2,280	(320)
Funeral escorts	52,000	19,900	(32,100)
Junked vehicle	400	2,896	2,496
Total miscellaneous	210,500	239,325	28,825
Total revenues before other financing sources	57,525,617	55,404,761	(2,120,856)

(Continued)

CITY OF TYLER, TEXAS  
GENERAL FUND  
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>OTHER FINANCING SOURCES</b>			
Transfer from special revenue	\$ -	\$ 357,785	\$ 357,785
Transfer from airport	-	198	198
Sale of property and equipment	3,486	77,738	74,252
Total other financing sources	3,486	435,721	432,235
<b>TOTAL REVENUES</b>	<u>\$ 57,529,103</u>	<u>\$ 55,840,482</u>	<u>\$ (1,688,621)</u>

**CITY OF TYLER, TEXAS**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>GENERAL GOVERNMENT</b>			
GENERAL GOVERNMENT SERVICES:			
Salaries and benefits	\$ 2,179,872	\$ 2,166,051	\$ 13,821
Supplies and services	2,566,342	2,119,540	446,802
Utilities	81,450	89,471	(8,021)
Maintenance	8,514	8,514	-
Total general government services	<u>4,836,178</u>	<u>4,383,576</u>	<u>452,602</u>
COMMUNICATIONS:			
Salaries and benefits	109,103	154,812	(45,709)
Supplies and services	70,915	72,703	(1,788)
Utilities	360	99	261
Total communications	<u>180,378</u>	<u>227,614</u>	<u>(47,236)</u>
FINANCE:			
Salaries and benefits	550,920	532,722	18,198
Supplies and services	469,901	468,835	1,066
Utilities	360	314	46
Total finance	<u>1,021,181</u>	<u>1,001,871</u>	<u>19,310</u>
HUMAN RESOURCES:			
Salaries and benefits	164,942	97,163	67,779
Supplies and services	51,388	85,730	(34,342)
Utilities	150	-	150
Total human resources	<u>216,480</u>	<u>182,893</u>	<u>33,587</u>
LEGAL:			
Salaries and benefits	576,867	546,463	30,404
Supplies and services	139,091	162,786	(23,695)
Utilities	220	90	130
Maintenance	694	723	(29)
Total legal	<u>716,872</u>	<u>710,062</u>	<u>6,810</u>
Total general government	<u>6,971,089</u>	<u>6,506,016</u>	<u>465,073</u>

(Continued)

**CITY OF TYLER, TEXAS  
GENERAL FUND  
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>PUBLIC SAFETY</b>			
POLICE:			
Salaries and benefits	\$ 18,861,928	\$ 18,935,365	\$ (73,437)
Supplies and services	1,814,676	1,671,941	142,735
Utilities	196,531	173,371	23,160
Maintenance	1,050,675	492,419	558,256
Total police	<u>21,923,810</u>	<u>21,273,096</u>	<u>650,714</u>
FIRE:			
Salaries and benefits	12,679,062	12,611,373	67,689
Supplies and services	815,343	599,808	215,535
Utilities	134,258	177,745	(43,487)
Maintenance	287,511	255,403	32,108
Total fire	<u>13,916,174</u>	<u>13,644,329</u>	<u>271,845</u>
PARTNERS WITH YOUTH PROGRAM:			
Salaries and benefits	123,585	93,938	29,647
Supplies and services	165,000	227,065	(62,065)
Total partners with youth program	<u>288,585</u>	<u>321,003</u>	<u>(32,418)</u>
MUNICIPAL COURT:			
Salaries and benefits	856,077	730,321	125,756
Supplies and services	972,237	1,054,110	(81,873)
Utilities	12,750	14,762	(2,012)
Maintenance	47,880	55,998	(8,118)
Total municipal court	<u>1,888,944</u>	<u>1,855,191</u>	<u>33,753</u>
Total public safety	<u>38,017,513</u>	<u>37,093,619</u>	<u>923,894</u>
<b>PUBLIC SERVICES</b>			
CODE ENFORCEMENT:			
Salaries and benefits	342,195	273,296	68,899
Supplies and services	61,755	60,402	1,353
Utilities	800	66	734
Maintenance	62,510	61,681	829
Total code enforcement	<u>467,260</u>	<u>395,445</u>	<u>71,815</u>
Total public services	<u>467,260</u>	<u>395,445</u>	<u>71,815</u>

(Continued)

**CITY OF TYLER, TEXAS  
GENERAL FUND  
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>HIGHWAYS AND STREETS</b>			
ENGINEERING:			
Salaries and benefits	\$ 359,570	\$ 365,230	\$ (5,660)
Supplies and services	90,131	73,005	17,126
Utilities	150	201	(51)
Maintenance	146,890	16,275	130,615
Total engineering	596,741	454,711	142,030
STREET ADMINISTRATION:			
Salaries and benefits	1,106,551	837,232	269,319
Supplies and services	251,261	370,138	(118,877)
Utilities	19,600	7,259	12,341
Maintenance	762,171	735,218	26,953
Total street administration	2,139,583	1,949,847	189,736
TRAFFIC OPERATIONS:			
Salaries and benefits	772,383	744,680	27,703
Supplies and services	207,991	124,413	83,578
Utilities	1,347,340	1,613,611	(266,271)
Maintenance	199,658	195,145	4,513
Total traffic operations	2,527,372	2,677,849	(150,477)
Total highways and streets	5,263,696	5,082,407	181,289
<b>CULTURE AND RECREATION</b>			
LIBRARY:			
Salaries and benefits	1,021,763	940,008	81,755
Supplies and services	188,377	220,261	(31,884)
Utilities	90,705	81,188	9,517
Maintenance	29,579	24,759	4,820
Total library	1,330,424	1,266,216	64,208
PARKS ADMINISTRATION:			
Salaries and benefits	760,686	685,637	75,049
Supplies and services	489,550	441,228	48,322
Utilities	645,350	682,779	(37,429)
Maintenance	578,718	521,278	57,440
Total parks administration	2,474,304	2,330,922	143,382

(Continued)

**CITY OF TYLER, TEXAS  
GENERAL FUND  
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>CULTURE AND RECREATION (cont'd)</b>			
INDOOR RECREATION:			
Salaries and benefits	\$ 391,472	\$ 328,012	\$ 63,460
Supplies and services	128,427	80,795	47,632
Utilities	200	145	55
Maintenance	29,161	27,208	1,953
Total indoor recreation	<u>549,260</u>	<u>436,160</u>	<u>113,100</u>
OUTDOOR RECREATION:			
Salaries and benefits	150,837	118,888	31,949
Supplies and services	291,775	255,175	36,600
Maintenance	1,000	154	846
Total outdoor recreation	<u>443,612</u>	<u>374,217</u>	<u>69,395</u>
MEDIAN MAINTENANCE AND ARBORIST:			
Salaries and benefits	174,095	152,519	21,576
Supplies and services	145,243	137,531	7,712
Maintenance	35,004	38,837	(3,833)
Total median maintenance and arborist	<u>354,342</u>	<u>328,887</u>	<u>25,455</u>
Total culture and recreation	<u>5,151,942</u>	<u>4,736,402</u>	<u>415,540</u>
<b>OTHER FINANCING USES</b>			
Transfer to development services	150,000	150,000	-
Transfer to transit system	389,228	386,925	2,303
Transfer to court technology	-	233,480	(233,480)
Transfer to capital projects	1,722,940	1,205,326	517,614
Transfer to property and facility	241,600	241,600	-
Transfer to main street	32,000	32,000	-
Total other financing uses	<u>2,535,768</u>	<u>2,249,331</u>	<u>286,437</u>
<b>CAPITAL OUTLAY</b>	<u>758,362</u>	<u>1,137,854</u>	<u>(379,492)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 59,165,630</u>	<u>\$ 57,201,074</u>	<u>\$ 1,964,556</u>

CITY OF TYLER, TEXAS  
 UTILITIES FUND  
 DETAILED SCHEDULE OF REVENUES -  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Revenues from use of money or property	\$ 116,000	\$ 244,980	\$ 128,980
Charges for current services	29,055,230	29,123,869	68,639
Miscellaneous income	121,250	132,296	11,046
<b>TOTAL REVENUES - BUDGET BASIS</b>	<u>\$ 29,292,480</u>	29,501,145	<u>\$ 208,665</u>
Financial Statement Adjustments:			
Sale of property		<u>960</u>	
<b>TOTAL REVENUES GAAP BASIS</b>		<u>\$ 29,502,105</u>	

**CITY OF TYLER, TEXAS  
UTILITIES FUND  
DETAILED SCHEDULE OF EXPENSES -  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>WATER ADMINISTRATION AND SUNDRY</b>			
Salaries and benefits	\$ 954,514	\$ 994,458	\$ (39,944)
Supplies and services	5,929,517	4,113,982	1,815,535
Utilities	11,600	13,182	(1,582)
Maintenance	39,047	35,763	3,284
Total water administration and sundry	<u>6,934,678</u>	<u>5,157,385</u>	<u>1,777,293</u>
<b>WATER OFFICE</b>			
Salaries and benefits	661,407	771,388	(109,981)
Supplies and services	469,654	532,326	(62,672)
Utilities	-	279	(279)
Maintenance	42,564	52,105	(9,541)
Total water office	<u>1,173,625</u>	<u>1,356,098</u>	<u>(182,473)</u>
<b>WATER DISTRIBUTION</b>			
Salaries and benefits	1,008,263	843,226	165,037
Supplies and services	186,208	449,100	(262,892)
Utilities	15,740	14,731	1,009
Maintenance	326,216	408,838	(82,622)
Total water distribution	<u>1,536,427</u>	<u>1,715,895</u>	<u>(179,468)</u>
<b>WATER PLANT</b>			
Salaries and benefits	1,142,034	1,079,784	62,250
Supplies and services	1,453,377	1,218,569	234,808
Utilities	2,503,540	2,259,651	243,889
Maintenance	297,756	282,762	14,994
Total water plant	<u>5,396,707</u>	<u>4,840,766</u>	<u>555,941</u>

(Continued)

**CITY OF TYLER, TEXAS  
UTILITIES FUND  
DETAILED SCHEDULE OF EXPENSES -  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>WASTE COLLECTION</b>			
Salaries and benefits	\$ 656,715	\$ 502,445	\$ 154,270
Supplies and services	135,181	362,095	(226,914)
Utilities	360	42	318
Maintenance	<u>502,445</u>	<u>513,826</u>	<u>(11,381)</u>
Total waste collection	<u>1,294,701</u>	<u>1,378,408</u>	<u>(83,707)</u>
<b>WASTE TREATMENT PLANT</b>			
Salaries and benefits	1,270,243	1,258,519	11,724
Supplies and services	2,131,418	2,012,790	118,628
Utilities	865,675	833,210	32,465
Maintenance	<u>211,141</u>	<u>175,545</u>	<u>35,596</u>
Total waste treatment plant	<u>4,478,477</u>	<u>4,280,064</u>	<u>198,413</u>
<b>LAKE TYLER</b>			
Salaries and benefits	443,026	395,080	47,946
Supplies and services	194,065	204,154	(10,089)
Utilities	17,500	14,483	3,017
Maintenance	<u>315,910</u>	<u>221,013</u>	<u>94,897</u>
Total Lake Tyler	<u>970,501</u>	<u>834,730</u>	<u>135,771</u>
<b>STORM WATER MANAGEMENT</b>			
Salaries and benefits	510,755	423,740	87,015
Supplies and services	70,470	149,713	(79,243)
Maintenance	<u>382,772</u>	<u>356,115</u>	<u>26,657</u>
Total Storm Water Management	<u>963,997</u>	<u>929,568</u>	<u>34,429</u>
<b>CAPITAL OUTLAY</b>	<u>5,566,839</u>	<u>-</u>	<u>5,566,839</u>
<b>TOTAL EXPENSES BUDGET BASIS</b>	<u>\$ 28,315,952</u>	20,492,914	<u>\$ 7,823,038</u>
Financial statement adjustments:			
Transfers out		150,000	
Amortization		68,294	
Interest		3,266,636	
Depreciation expense		<u>7,023,649</u>	
<b>TOTAL EXPENSES - GAAP BASIS</b>		<u>\$ 31,001,493</u>	

CITY OF TYLER, TEXAS  
SANITATION FUND  
DETAILED SCHEDULE OF REVENUES AND EXPENSES -  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>			
Franchise fees	\$ 640,493	\$ 557,414	\$ (83,079)
Revenue from use of money or property	41,000	63,292	22,292
Charges for current services	10,075,335	9,578,260	(497,075)
From other agencies	90,000	63,561	(26,439)
Miscellaneous revenues	<u>36,000</u>	<u>183,960</u>	<u>147,960</u>
<b>TOTAL REVENUES - BUDGET BASIS</b>	<u>\$ 10,882,828</u>	10,446,487	<u>\$ (436,341)</u>
Financial statement adjustments:			
Transfers in		136,346	
Sale of property		<u>6,429</u>	
<b>TOTAL REVENUES - GAAP BASIS</b>		<u>\$ 10,589,262</u>	
<b>EXPENSES</b>			
Solid waste administration:			
Salaries and benefits	\$ 760,469	\$ 779,771	\$ (19,302)
Supplies and services	1,004,122	892,449	111,673
Utilities	3,492	8,694	(5,202)
Maintenance	<u>11,098</u>	<u>9,307</u>	<u>1,791</u>
Total solid waste administration	<u>1,779,181</u>	<u>1,690,221</u>	<u>88,960</u>
Residential collections:			
Salaries and benefits	1,393,769	1,263,061	130,708
Supplies and services	2,333,545	2,147,014	186,531
Utilities	2,200	2,930	(730)
Maintenance	<u>1,558,897</u>	<u>1,749,091</u>	<u>(190,194)</u>
Total residential collections	<u>5,288,411</u>	<u>5,162,096</u>	<u>126,315</u>
Commercial collections:			
Salaries and benefits	597,935	684,966	(87,031)
Supplies and services	1,901,132	1,685,440	215,692
Utilities	1,500	1,102	398
Maintenance	<u>428,872</u>	<u>517,611</u>	<u>(88,739)</u>
Total commercial collections	<u>2,929,439</u>	<u>2,889,119</u>	<u>40,320</u>
Litter control:			
Supplies and services	<u>225,213</u>	<u>150,245</u>	<u>74,968</u>
Total litter control	<u>225,213</u>	<u>150,245</u>	<u>74,968</u>

(Continued)

CITY OF TYLER, TEXAS  
SANITATION FUND  
DETAILED SCHEDULE OF REVENUES AND EXPENSES -  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Maintenance complex:			
Supplies and services	\$ 50,380	\$ 35,277	\$ 15,103
Utilities	84,180	65,774	18,406
Maintenance	<u>37,000</u>	<u>22,392</u>	<u>14,608</u>
Total maintenance complex	<u>171,560</u>	<u>123,443</u>	<u>48,117</u>
Capital outlay:	<u>2,576,025</u>	<u>2,609</u>	<u>2,573,416</u>
<b>TOTAL EXPENSES - BUDGET BASIS</b>	<u><u>\$ 12,969,829</u></u>	10,017,733	<u><u>\$ 2,952,096</u></u>
Financial statement adjustments:			
Transfers out		601,743	
Depreciation expense		<u>1,006,177</u>	
<b>TOTAL EXPENSES - GAAP BASIS</b>		<u><u>\$ 11,625,653</u></u>	

**CITY OF TYLER, TEXAS  
AIRPORT FUND  
DETAILED SCHEDULE OF REVENUES AND EXPENSES -  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Airport services	\$ 1,095,402	\$ 1,086,890	\$ (8,512)
Revenue from use of money or property	6,000	3,079	(2,921)
Income from other agencies	3,531,971	3,503,343	(28,628)
Miscellaneous revenues	13,624	22,691	9,067
Total Revenues	4,646,997	4,616,003	(30,994)
Transfers in	49,694	64,810	15,116
<b>TOTAL REVENUES - BUDGET AND GAAP BASIS</b>	<b>\$ 4,696,691</b>	<b>\$ 4,680,813</b>	<b>\$ (15,878)</b>
<b>EXPENSES</b>			
Municipal airport operations:			
Salaries and benefits	\$ 452,833	\$ 462,824	\$ (9,991)
Supplies and services	381,262	359,640	21,622
Utilities	250,100	240,448	9,652
Maintenance	144,082	120,812	23,270
Total municipal airport operations	1,228,277	1,183,724	44,553
<b>TOTAL EXPENSES BUDGET BASIS</b>	<b>\$ 1,228,277</b>	1,183,724	<b>\$ 44,553</b>
Financial statement adjustments:			
Transfers out		198	
Depreciation expense		1,058,823	
<b>TOTAL EXPENSES - GAAP BASIS</b>		<b>\$ 2,242,745</b>	

This page left blank intentionally.

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

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.

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

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

TABLE 2  
Page 2 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	2007	2008	2009	2010	
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Property taxes	\$ 10,710,574	\$ 10,904,265	\$ 11,260,696	\$ 12,011,517	\$ 12,314,640	\$ 12,622,887	\$ 12,460,794	\$ 13,525,006	\$ 13,798,294	
Franchise taxes	8,282,437	8,432,209	8,361,246	6,928,917	8,676,103	8,283,477	9,202,397	9,121,057	9,215,625	
Sales and use taxes	25,805,742	26,475,006	28,398,933	32,235,770	35,094,518	36,972,343	39,718,617	37,618,275	35,831,538	
Unrestricted investment earnings and use of money and property	1,158,852	835,144	544,607	1,181,976	2,540,255	3,218,698	2,182,350	793,536	292,013	
Gain (loss) on sale of assets	200,220	154,845	182,141	216,729	51,294	(389,284)	560,303	556,151	(2,010,976)	
Miscellaneous	-	-	-	-	66,000	-	580,227	328,047	181,771	
Equity in earnings of joint venture	-	-	-	-	-	-	(3,000)	-	-	
Transfers	(6,991,940)	(1,067,280)	(108,944)	23,103	123,963	(739,711)	(317,251)	166,697	550,785	
Total governmental activities	<u>39,165,885</u>	<u>45,734,189</u>	<u>48,638,679</u>	<u>52,598,012</u>	<u>58,866,773</u>	<u>59,968,410</u>	<u>64,384,437</u>	<u>62,108,769</u>	<u>57,859,050</u>	
Business-type activities:										
Unrestricted investment earnings and use of money and property	1,473,822	1,244,536	396,603	564,244	816,200	1,000,842	660,160	307,280	311,351	
Gain (loss) on sale of assets	36,940	193,124	(553,731)	19,013	130,848	59,783	18,303	9,421	7,389	
Transfers	6,991,940	1,067,280	108,944	(23,103)	(123,963)	739,711	317,251	(166,697)	(550,785)	
Total business-type activities	<u>8,502,702</u>	<u>2,504,940</u>	<u>(48,184)</u>	<u>560,154</u>	<u>823,085</u>	<u>1,800,336</u>	<u>995,714</u>	<u>150,004</u>	<u>(232,045)</u>	
Total primary government	<u>\$ 47,668,587</u>	<u>\$ 48,239,129</u>	<u>\$ 48,590,495</u>	<u>\$ 53,158,166</u>	<u>\$ 59,689,858</u>	<u>\$ 61,768,746</u>	<u>\$ 65,380,151</u>	<u>\$ 62,258,773</u>	<u>\$ 57,627,005</u>	
<b>Change in Net Assets</b>										
Governmental activities	\$ 1,910,701	\$ (855,657)	\$ 6,309,207	\$ 6,781,449	\$ 9,586,345	\$ 4,959,592	\$ 4,348,861	\$ (1,488,581)	\$ (1,872,874)	
Business-type activities	11,059,187	3,813,906	505,922	2,908,823	2,623,748	2,257,044	(3,124,166)	373,701	(393,830)	
Total primary government	<u>\$ 12,969,888</u>	<u>\$ 2,958,249</u>	<u>\$ 6,815,129</u>	<u>\$ 9,690,272</u>	<u>\$ 12,210,093</u>	<u>\$ 7,216,636</u>	<u>\$ 1,224,695</u>	<u>\$ (1,114,880)</u>	<u>\$ (2,266,704)</u>	

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

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

TABLE 4

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved For:										
Inventory	\$ 6,564	\$ 6,991	\$ 4,373	\$ 13,724	\$ 2,029	\$ 10,026	\$ 14,505	\$ 10,006	\$ 6,002	\$ 10,938
Prepaid items	45,307	232,846	168,750	43,277	45,996	46,176	240,129	46,590	49,374	50,555
Perpetual care	-	-	-	-	-	-	-	-	-	-
Court ordered disbursements	-	-	27,567	53,316	60,653	74,739	216,351	90,164	123,900	-
Debt service	-	-	-	-	-	-	-	-	-	-
Grants / Donations	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-
Court security	69,764	46,130	43,459	35,082	23,136	-	-	37,812	85,908	-
Court time payments	24,370	-	-	-	-	-	-	-	-	-
Court technology	115,930	241,477	211,271	226,856	-	-	-	-	-	-
Court juvenile fund	-	-	-	-	-	-	-	25,595	76,017	-
Utility rate	-	-	-	-	363,238	500,000	500,000	500,000	500,000	-
Unreserved Fund Balance										
Designated For:										
T.U. rate litigation	500,000	500,000	-	-	-	-	-	-	-	-
Operating reserve	2,000,000	2,000,000	2,000,000	2,000,000	4,894,292	4,633,379	7,305,209	7,954,323	8,248,769	8,579,628
Undesignated	5,719,669	4,624,888	4,023,338	5,266,322	5,342,557	4,734,390	2,476,067	2,441,241	1,044,346	132,605
Total General Fund	<u>\$ 8,481,604</u>	<u>\$ 7,652,332</u>	<u>\$ 6,478,758</u>	<u>\$ 7,638,577</u>	<u>\$ 10,731,901</u>	<u>\$ 9,998,710</u>	<u>\$ 10,752,261</u>	<u>\$ 11,105,731</u>	<u>\$ 10,134,316</u>	<u>\$ 8,773,726</u>
Half Cent Sales Tax fund										
Reserved	\$ -	\$ 6,017,199	\$ 8,847,230	\$ 12,418,065	\$ 18,375,571	\$ 23,194,704	\$ 23,263,920	\$ 14,205,050	\$ 3,909,296	\$ 5,649,324
Unreserved	9,684,205	-	-	-	-	-	-	-	-	-
Total Half Cent Sales Tax fund	<u>\$ 9,684,205</u>	<u>\$ 6,017,199</u>	<u>\$ 8,847,230</u>	<u>\$ 12,418,065</u>	<u>\$ 18,375,571</u>	<u>\$ 23,194,704</u>	<u>\$ 23,263,920</u>	<u>\$ 14,205,050</u>	<u>\$ 3,909,296</u>	<u>\$ 5,649,324</u>
All Other Governmental Funds										
Reserved For:										
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Perpetual care	-	1,806,298	1,882,512	1,979,675	2,036,054	2,036,054	2,270,281	2,374,581	2,381,449	2,456,904
Court ordered disbursements	-	31,211	65,898	149,436	162,090	162,090	289,549	201,057	136,915	253,558
Long-term notes receivable	-	-	-	-	-	-	-	-	-	-
Debt service	5,187,778	5,297,472	2,462,596	2,519,455	2,612,169	2,937,710	3,311,936	-	-	-
Grants / Donations	-	801,231	399,767	340,252	709,502	1,600,970	1,867,206	1,324,546	1,108,367	2,071,930
Capital projects	-	-	-	-	1,798,288	3,339,485	2,730,413	2,053,080	1,397,999	972,917
Court security	-	-	-	-	-	-	-	-	-	96,114
Court technology	-	-	-	-	284,618	284,618	349,616	179,284	221,636	105,900
Court juvenile fund	-	-	-	-	-	-	-	-	-	16,431
Unreserved, Reported In:										
Special revenue funds	2,119,501	481,422	285,537	1,839,007	4,070,662	5,782,970	5,829,609	4,954,517	4,589,187	4,983,063
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Permanent funds	-	1,111,326	942,765	809,246	-	-	452,218	354,381	313,444	155,754
Total All Other Governmental Funds	<u>\$ 7,307,279</u>	<u>\$ 9,528,960</u>	<u>\$ 6,039,075</u>	<u>\$ 7,637,071</u>	<u>\$ 11,673,383</u>	<u>\$ 16,143,897</u>	<u>\$ 17,100,828</u>	<u>\$ 11,441,446</u>	<u>\$ 10,148,997</u>	<u>\$ 11,112,571</u>

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$ 44,492,808	\$ 45,143,135	\$ 45,390,430	\$ 47,846,213	\$ 51,246,422	\$ 56,049,187	\$ 57,895,447	\$ 61,346,899	\$ 60,296,164	\$ 58,821,522
Licenses and permits	602,246	674,411	710,908	882,812	805,151	876,289	1,277,127	1,313,566	1,069,993	942,228
Fines, forfeitures, and penalties	3,551,206	3,760,579	3,829,460	4,710,487	4,789,289	5,256,407	5,869,061	6,353,098	6,749,859	6,969,674
Revenues from use of money or property	1,848,336	1,068,738	721,398	713,117	1,225,894	2,238,479	2,716,977	1,881,323	825,692	505,666
Charges for current services	193,139	2,835,809	2,739,037	2,744,510	2,494,849	2,499,369	2,588,688	2,691,910	3,014,543	3,034,416
Revenues from other agencies	10,533,389	11,370,307	8,668,652	10,374,859	11,020,639	11,357,757	11,083,735	12,440,981	13,623,265	12,232,230
Donations	-	207,941	85,775	62,986	184,723	229,307	731,232	413,144	403,659	847,951
Miscellaneous	497,820	370,640	521,160	2,562,170	1,999,614	2,110,524	1,258,817	1,086,713	1,304,380	1,547,892
<b>Total revenues</b>	<b>61,718,944</b>	<b>65,431,560</b>	<b>62,666,820</b>	<b>69,897,154</b>	<b>73,766,581</b>	<b>80,617,319</b>	<b>83,421,084</b>	<b>87,527,634</b>	<b>87,287,555</b>	<b>84,901,579</b>
<b>Expenditures</b>										
General government	4,933,949	5,930,462	5,884,798	6,114,458	6,529,834	7,126,409	6,911,903	6,733,947	7,429,667	6,704,650
Public safety	22,032,265	24,802,146	25,965,091	27,221,728	28,590,020	30,165,850	31,814,585	34,456,024	36,927,994	37,193,941
Public services	16,823,888	9,602,867	9,609,601	11,491,711	11,533,500	13,552,815	15,221,282	16,468,571	15,948,148	13,830,744
Highways and streets	-	7,885,524	6,553,076	6,183,028	5,863,568	5,197,445	4,774,083	5,683,413	5,436,862	5,464,426
Culture and recreation	4,094,617	4,372,026	4,006,253	3,406,621	5,123,588	4,836,104	4,812,659	5,101,737	6,329,960	6,328,027
Capital outlay	11,118,781	9,415,800	8,074,677	7,476,587	8,283,861	9,756,670	16,283,239	29,400,401	28,292,242	14,281,326
Debt service										
Principal	2,540,000	1,090,000	4,015,000	880,000	960,000	1,000,000	1,030,000	3,310,000	-	-
Interest	694,887	576,021	529,560	340,617	301,466	258,030	211,733	91,805	277	1,091
<b>Total expenditures</b>	<b>62,238,387</b>	<b>63,674,846</b>	<b>64,638,056</b>	<b>63,114,750</b>	<b>67,185,837</b>	<b>71,893,323</b>	<b>81,059,484</b>	<b>101,245,898</b>	<b>100,365,150</b>	<b>83,804,205</b>
Excess of revenues over (under) expenditures	(519,443)	1,756,714	(1,971,236)	6,782,404	6,580,744	8,723,996	2,361,600	(13,718,264)	(13,077,595)	1,097,374
<b>Other financing sources (uses)</b>										
Refunding bond proceeds	-	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Transfers in	5,566,692	1,043,618	766,078	227,669	3,038,989	3,915,226	2,571,195	3,236,749	2,624,512	3,523,779
Transfers out	(2,112,938)	(8,031,784)	(628,799)	(712,169)	(3,009,013)	(4,086,833)	(3,161,071)	(3,893,979)	(2,616,280)	(3,355,876)
Sale of capital assets	14,548	9,716	529	30,746	4,106	4,067	7,975	10,712	348,691	77,738
<b>Total other financing sources (uses)</b>	<b>3,468,302</b>	<b>(6,978,450)</b>	<b>137,808</b>	<b>(453,754)</b>	<b>34,082</b>	<b>(167,540)</b>	<b>(581,901)</b>	<b>(646,518)</b>	<b>356,923</b>	<b>245,641</b>
<b>Net Change in fund balances</b>	<b>\$ 2,948,859</b>	<b>\$ (5,221,736)</b>	<b>\$ (1,833,428)</b>	<b>\$ 6,328,650</b>	<b>\$ 6,614,826</b>	<b>\$ 8,556,456</b>	<b>\$ 1,779,699</b>	<b>\$ (14,364,782)</b>	<b>\$ (12,720,672)</b>	<b>\$ 1,343,015</b>
Debt service as a percentage of noncapital expenditures	6.33%	3.38%	8.06%	2.22%	2.14%	2.00%	1.92%	4.73%	0.0004%	0.0016%

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

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

TABLE 6

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

Fiscal Year	Property Tax	Franchise Tax	Sales and Use Tax (1)	Total
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
2007	12,639,627	8,283,477	36,972,343	57,895,447
2008	12,425,885	9,202,397	39,718,617	61,346,899
2009	13,556,832	9,121,057	37,618,275	60,296,164
2010	13,774,359	9,215,625	35,831,538	58,821,522

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

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

TABLE 7

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

Fiscal Year Ended September 30	Real Property				Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Personal Property	Mineral Property			
2001	\$ 2,943,394,224	N/A	\$ 777,656,574	N/A	N/A	\$ 3,721,050,798	0.279810
2002	3,286,256,501	N/A	765,795,045	N/A	N/A	4,052,051,546	0.261965
2003	3,385,651,770	N/A	841,654,638	N/A	N/A	4,227,306,408	0.254478
2004	3,596,007,053	N/A	847,897,914	N/A	N/A	4,443,904,967	0.248855
2005	3,870,045,626	N/A	887,192,373	N/A	N/A	4,757,237,999	0.248855
2006	4,175,143,416	N/A	913,370,752	N/A	N/A	5,088,514,168	0.238375
2007	4,605,458,224	N/A	964,343,105	N/A	N/A	5,569,801,329	0.223657
2008	5,112,258,513	N/A	1,030,050,513	N/A	N/A	6,142,309,026	0.199000
2009	5,472,282,059	N/A	1,102,590,358	N/A	N/A	6,574,872,417	0.204000
2010	5,691,854,590	N/A	1,009,462,843	N/A	N/A	6,701,317,433	0.204000

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\*  
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	
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
2007	0.198080	0.025577	0.223657	0.28890	1.48800	0.12720	1.24000	1.20000	4.56776
2008	0.196684	0.002316	0.199000	0.28894	1.21500	0.12717	1.24000	1.19800	4.26811
2009	0.204000	-	0.204000	0.28894	1.21000	0.12717	1.26500	1.19300	4.28811
2010	0.204000	-	0.204000	0.31394	1.37500	0.13695	1.27000	1.19300	4.49289

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

Note:

\* Rates are per \$100 valuation.

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

TABLE 9

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

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value *	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value <sup>b</sup>
Trane / American Standard	\$ 119,182,965	1	1.78%	\$ 79,854,273	1	2.15%
Delek Refining (La Gloria)	111,896,740	2	1.67%	39,871,783	5	1.07%
Brookshire Grocery Company	100,415,003	3	1.50%	72,277,190	2	1.94%
Walmart / Sam's East Inc	72,036,324	4	1.07%	41,168,250	3	1.11%
Genecov Investment	56,226,281	5	0.84%	37,162,289	8	1.00%
Oncor Electric	48,400,228	6	0.72%	38,600,010	7	1.04%
Carrier / United Technologies	47,468,281	7	0.71%	40,873,762	4	1.10%
Simon Property Group	44,770,952	8	0.67%	39,405,296	6	1.06%
Cebridge Acquisitions LP	41,031,629	9	0.61%			0.00%
AT&T / South Western Bell	24,856,141	10	0.37%	37,019,220	9	0.99%
East Texas Medical Center				18,036,243	10	0.48%
Total	<u>\$ 666,284,544</u>		9.94%	<u>\$ 444,268,316</u>		11.94%

Source: Smith County Appraisal District

Note:

\* Total taxable value including real and personal property for tax year 2009 (fiscal year 2010) is--

\$ 6,701,317,433

<sup>b</sup> Total taxable value including real and personal property for tax year 2000 (fiscal year 2001) is --

3,721,050,798

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
2001	\$ 10,412,559	\$ 10,202,005	98.0%	\$ 193,270	\$ 10,395,275	99.8%
2002	10,614,957	10,370,865	97.7%	223,723	10,594,588	99.8%
2003	10,757,565	10,495,402	97.6%	242,466	10,737,868	99.8%
2004	11,058,880	10,924,880	98.8%	118,735	11,043,615	99.9%
2005	11,838,625	11,698,410	98.8%	121,814	11,820,224	99.8%
2006	12,126,834	11,909,913	98.2%	156,757	12,066,670	99.5%
2007	12,461,722	12,228,627	98.1%	228,010	12,456,637	100.0%
2008	12,091,624	11,876,112	98.2%	116,948	11,993,060	99.2%
2009	13,369,180	13,177,721	98.6%	85,065	13,262,786	99.2%
2010	13,617,164	13,377,811	98.2%	-	13,377,811	98.2%

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	Water and Sewer Revenue Bonds	Other Obligations			
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
2007	3,310,000	53,975,000	-	57,285,000	2.43%	531
2008	-	53,859,932	-	53,859,932	2.22%	495
2009	-	53,903,881	-	53,903,881	2.15%	493
2010	-	72,849,825	-	72,849,825	2.82%	664

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

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

<sup>a</sup>See Table 7 for property value data.

<sup>b</sup>See Table 16 for population data.

TABLE 13

**CITY OF TYLER, TEXAS  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF SEPTEMBER 30, 2010**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Smith County	\$ 8,010,000	50.08%	\$ 4,011,408.00
Tyler Independent School District	214,225,000	71.04%	152,185,440.00
Tyler Junior College	77,990,000	65.00%	50,693,500.00
Chapel Hill Independent School District	23,415,000	19.15%	4,483,972.50
Whitehouse Independent School District	35,363,785	27.37%	9,679,067.95
Subtotal, overlapping debt			<u>221,053,388.45</u>
<b>City of Tyler (direct debt)</b>	-	100%	-
<b>Total direct and overlapping debt</b>			<u><u>\$ 221,053,388.45</u></u>

Source: Debt outstanding data provided by each governmental unit.

Note:

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 372,105,080	\$ 405,205,155	\$ 422,730,641	\$ 444,390,497	\$ 475,723,700	\$ 508,729,254	\$ 556,980,133	\$ 614,230,903	\$ 657,487,241	\$ 6,701,317,433
Total net debt applicable to limit	7,097,222	5,897,528	4,717,404	3,837,404	2,727,831	1,402,290	(1,936)	-	-	-
Legal debt margin	<u>\$ 365,007,858</u>	<u>\$ 399,307,627</u>	<u>\$ 418,013,237</u>	<u>\$ 440,553,093</u>	<u>\$ 472,995,869</u>	<u>\$ 507,326,964</u>	<u>\$ 556,982,069</u>	<u>\$ 614,230,903</u>	<u>\$ 657,487,241</u>	<u>\$ 6,701,317,433</u>
Total net debt applicable to limit as a percentage of debt limit	1.91%	1.46%	1.12%	0.86%	0.57%	0.28%	-	-	-	-

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 6,701,317,433
Add back: exempt real property	-
Total assessed value	<u>6,701,317,433</u>
Debt limit (10% of total assessed value)	<u>670,131,743</u>
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation bond	-
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 670,131,743</u>

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

TABLE 15

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

Fiscal Year	Water and Sewer Revenue Bonds					Times Coverage
	Total Revenues <sup>a</sup>	Less: Operating Expenses <sup>b</sup>	Net Available Revenue	Annual Debt Service Requirement		
2001	\$ 22,128,740	\$ 11,650,924	\$ 10,477,816	\$ 3,207,000		3.267
2002	20,333,765	13,175,383	7,158,382	3,586,000		1.996
2003	20,881,233	13,208,108	7,673,125	4,213,000		1.821
2004	21,512,319	14,249,230	7,263,089	5,098,000		1.425
2005	23,558,778	15,617,537	7,941,241	5,065,000		1.568
2006	27,662,494	18,536,218	9,126,276	4,339,199		2.103
2007	24,697,562	18,140,470	6,557,092	5,054,550		1.297
2008	25,731,875	18,831,282	6,900,593	5,059,786		1.364
2009	25,322,636	18,729,094	6,593,542	5,375,972		1.226
2010	29,256,165	20,380,883	8,875,282	6,189,701		1.434

Note: <sup>a</sup>Includes operating and non-operating revenues.

In 2010 new bond covenants were amended to include only operating revenues in determining Net Available Revenue.

<sup>b</sup>Includes operating expenses (including capital activity) minus depreciation plus net transfers out.

Source: Comprehensive Annual Financial Report

TABLE 16

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

Fiscal Year	Estimated Population <sup>1</sup>	Estimated Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age <sup>2</sup>	Education Level in Years of Formal Schooling <sup>2</sup>	School Enrollment <sup>3</sup>	Unemployment Rate <sup>2</sup>
2001	84,400	\$ 1,739,216	20,607	34.1	n/a	16,778	4.6%
2002	85,603	1,791,392	20,927	34.2	n/a	16,626	4.9%
2003	86,371	1,845,134	21,363	34.2	n/a	16,702	5.4%
2004	101,106	2,159,927	21,363	34.1	n/a	17,394	5.8%
2005	102,001	2,224,725	21,811	34.1	n/a	17,489	5.1%
2006	105,873	2,291,467	21,643	34.1	13.6	17,548	5.0%
2007	107,802	2,360,211	21,894	34.1	13.6	18,040	4.7%
2008	108,909	2,431,017	22,322	34.1	13.6	18,015	4.2%
2009	109,427	2,503,948	22,882	34.1	13.6	18,090	4.7%
2010	109,748	2,579,066	23,500	34.1	13.6	18,344	7.2%

Data sources:

<sup>1</sup>Bureau of Census/Population Study

<sup>2</sup>Tyler Economic Development Council

<sup>3</sup>Tyler 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 EIGHT YEARS AGO  
(2001 information not available)**

Employer	2010			2002		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (2)
Trinity Mother Francis *	3,652	1	7.5%	3,367	1	7.1%
East Texas Medical Center *	3,620	2	7.4%	3,100	2	6.6%
Tyler Independent School District	2,501	3	5.1%	2,300	4	4.9%
Brookshire Grocery Company *	2,213	4	4.5%	2,352	3	5.0%
Wal-Mart	1,697	5	3.5%			
Trane Company *	1,520	6	3.1%	2,000	5	4.2%
SuddenLink*	1,138	7	2.3%			
C B & I	853	8	1.7%			
UT Health Center At Tyler	840	9	1.7%	1,367	6	2.9%
City of Tyler	824	10	1.7%			
Kelly Springfield			-	1,206	7	2.6%
Tyler Pipe			-	1,100	8	2.3%
Carrier Corporation			-	1,000	9	2.1%
Target Distribution Center				970	10	2.1%
<b>Total</b>	<b>18,858</b>		<b>38.6%</b>	<b>18,762</b>		<b>39.7%</b>

Source: Tyler Economic Development Council

\* Headquarters located in Tyler.

(1) total city employment of 48,838

(2) total city employment of 47,263

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	109	73	71	69	68	69	63	62	67	55
Public safety	388	394	402	400	392	395	373	375	387	431
Highways and streets	42	68	76	72	68	61	73	76	61	54
Public services	14	22	19	22	24	27	55	54	30	40
Culture and recreation	81	71	71	76	79	86	83	82	79	73
Water & sewer	78	92	91	91	89	96	88	90	89	89
Sanitation	40	42	45	38	40	41	36	33	40	39
Airport	6	11	11	10	10	9	10	10	10	10
All others										33
Total	758	773	786	778	770	784	781	782	763	824

Source: City of Tyler Finance Department

TABLE 19

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

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General government</b>										
Accounting										
Dollar value of accounts payable	\$ 70,580,952	\$ 83,704,062	\$ 84,603,170	\$ 63,628,562	\$ 61,345,219	\$ 64,263,337	\$ 73,895,738	\$ 85,585,415	\$ 95,605,330	\$ 84,632,623
Legal										
Number of ordinances prepared and adopted	40	59	73	96	80	103	130	155	127	126
Number of resolutions prepared and adopted	32	25	27	27	26	31	36	29	38	32
<b>Public Safety</b>										
Police										
Number of sworn officers	175	182	182	182	182	182	182	187	187	185
Fire										
Number of structure fires	149	150	164	140	185	171	180	160	125	157
<b>Highways and Streets</b>										
Streets										
Percentage of city streets graded A condition	48.2%	52.0%	57.1%	58.4%	59.5%	61.3%	61.0%	60.8%	61.0%	61.9%
Traffic										
Number of traffic signals maintained	126	126	126	129	130	133	133	133	135	138
<b>Public Services</b>										
Planning and Zoning										
Number of historic building designations awarded	0	1	4	4	4	7	5	2	1	1
<b>Culture and Recreation</b>										
Parks										
Amount of park acreage (maintained from 2008)	1113.43	1113.43	1113.43	1113.4	1113.4	1113.4	1113.4	856.35	856.35	856.35
Number of rose bushes planted	1500	1500	1500	1500	1500	1765	1829	1500	2077	1776
Library *										
Total number of volumes owned	193,844	201,734	162,930	170,251	201,822	n/a	233,966	241,164	250,137	229,610
<b>Water &amp; sewer</b>										
Average volume of wastewater treated daily (gallons)	14.7 million	12.9 million	12.9 million	12.8 million	12.5 million	11.7 million	14.2 million	11.4 million	11.3 million	12.8 million
Average monthly volume of water production (gallons)	611.8 million	595.1 million	621.2 million	611.5 million	732.3 million	771.8 million	585.5 million	692.2 million	650.98 million	725.48 million
Water production capability ( gallons per day)	40 million	40 million	70 million	74.7 million						
Average monthly revenue billed	\$ 1,619,768	\$ 1,618,566	\$ 1,693,793	\$ 1,766,114	\$ 1,929,895	\$ 2,226,541	\$ 1,977,370	\$ 2,030,821	\$ 2,169,007	\$ 2,325,159
<b>Sanitation</b>										
Number of residential customers	25,618	25,960	25,822	26,572	26,783	27,351	27,658	27,881	28,467	28,151
Number of curbside garbage carts in use	2,656	4,175	6,933	8,831	10,592	14,773	23,572	27,280	27,924	27,699
<b>Airport</b>										
Annual gallons of fuel flowage	1,208,096	1,084,336	1,095,953	1,076,289	1,053,211	1,000,090	1,056,595	1,004,469	921,634	984,181
Number of annual enplanements	63,834	55,578	60,284	70,549	85,681	78,971	78,416	77,942	73,989	73,114

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									
	2001	2002	2003	2004	2005	2006	2007*	2008	2009	2010
<b>Public Safety</b>										
Police stations	3	3	3	3	3	3	4	2	2	2
Police patrol units	n/a	n/a	n/a	n/a	44	51	61	63	60	62
Police motorcycle units	10	11	11	11	11	11	11	11	16	16
Fire stations	9	9	9	9	9	9	9	10	10	10
<b>Highways and Streets</b>										
City maintained paved streets- (miles)	446.27	446.58	448.09	451.78	452.32	462.43	468.43	474.16	474.16	476
Annual street overlays- (miles)	29.21	16.64	22.18	4.41	4.76	3.86	2.16	4.50	5.00	9.7
<b>Public Services</b>										
Transit buses	11	11	13	15	15	15	17	17	17	17
<b>Culture and Recreation</b>										
Parks (acres)	1113.43	1113.43	1113.43	1113.4	1113.4	1113.4	1113.4	1113.4	1113.4	1113.4
Playgrounds	17	17	17	17	17	23	21	21	21	21
Swimming pools	2	2	2	2	2	2	2	2	2	2
Recreation centers	3	3	3	3	3	3	3	3	3	2
Senior centers	1	1	1	1	1	1	1	1	1	1
Public library	1	1	1	1	1	1	1	1	1	1
<b>Water &amp; Sewer</b>										
Water mains (miles)	587.8	587.8	587.8	582	582	582	590	595	625	654
Fire hydrants	2444	2444	2444	2403	2403	2403	3450	3545	3596	3703
Water plants	1	1	2	2	2	2	2	2	2	2
Sanitary sewers (miles)	517.11	517.11	517.11	508	508	508	519	567	590	597
<b>Sanitation</b>										
Garbage trucks	n/a	n/a	n/a	n/a	39	39	40	43	40	41
<b>Airport</b>										
Airport terminal	1	1	1	1	1	1	1	1	1	2
Airport runways	3	3	3	3	3	3	3	3	3	3

Source: City Departments

n/a - Data not available.

\* In FY 2007

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

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

This page left blank intentionally.

**SINGLE AUDIT SECTION**

# HENRY & PETERS, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable City Council and Audit Committee  
City of 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, ("City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon March 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

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

*Henry + Peters, P.C.*

Tyler, Texas  
March 9, 2011

**HENRY & PETERS, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

**Compliance**

We have audited the compliance of City of Tyler, Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The City of Tyler, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Tyler, Texas' management. Our responsibility is to express an opinion on the City of Tyler, Texas' compliance based on our audit.

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

In our opinion, the City of Tyler, Texas 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, 2010.

**Internal Control Over Compliance**

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

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

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

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

Henry + Peters, P.C.

Tyler, Texas  
March 9, 2011

CITY OF TYLER, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTORS NUMBER	FEDERAL EXPENDITURES
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Community Development Block Grant Cluster:			
Community Development Block Grant Entitlement Grants	14.218	B04MC480028	\$ 728,117
ARRA - Community Development Block Grant Entitlement Grants	14.253	B04MC480028	<u>253,970</u>
Total Community Development Block Grant Cluster			982,087
Section 8 Housing Choice Voucher Program	14.871	TX456VO	6,357,345
Disaster Voucher Program	14.DVP	TX456VO	2,759
HOME Investment Partnerships Program	14.239	-	345,985
<b>Total U.S. Department of Housing and Urban Development</b>			<u>7,688,176</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through Federal Aviation Administration:			
Airport Improvement Program	20.106	3(48-0215-22)07	4,982
Airport Improvement Program	20.106	3(48-0215-23)08	340,217
Airport Improvement Program	20.106	3(48-0215-25)09	264,236
ARRA - Airport Improvement Program	20.106 - ARRA	3(48-0215-27)09	2,271,999
Airport Improvement Program	20.106	3(48-0215-28)09	121,588
Airport Improvement Program	20.106	3(48-0215-29)09	334,019
Airport Improvement Program	20.106	3(48-0215-31)09	<u>166,331</u>
Total Airport Improvement Program			3,503,342
Passed Through Federal Transit Administration:			
Federal Transit Capital and Operating Assistance Formula	20.507	TX90626	6,952
Federal Transit Capital and Operating Assistance Formula	20.507	TX90670	23,610
Federal Transit Capital and Operating Assistance Formula	20.507	TX90856	825,789
Federal Transit Capital and Operating Assistance Formula	20.507	TX90895	132,362
ARRA - Federal Transit Capital and Operating Assistance Formula	ARRA - 20.507	TX960025	<u>56,782</u>
Total Federal Transit Capital and Operating:			1,045,495
Passed Through Texas Department of Highways and Public Transportation:			
Section 104F Grant MPO	20.505	-	260,985
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	51510F7215	101,878
Selective Traffic Enforcement Program	20.600	586XXF6185	6,277
Selective Traffic Enforcement Program	20.600	585XX6017IDM	8,450
Selective Traffic Enforcement Program	20.600	585XX6017S	<u>94,803</u>
Total Selective Traffic Enforcement Program			109,530
Recreational Trails Program	20.219	10-76-0910-16-082	126,258
<b>Total U.S. Department of Transportation</b>			<u>5,147,488</u>

CITY OF TYLER, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTORS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Edward Byrne Memorial Formula Grant	16.579	-	\$ 62,135
Edward Byrne Memorial Justice Assistance Grant	16.738	2008-DJ-DX-0462	56,227
Edward Byrne Memorial Justice Assistance Grant	16.738	2009-DJ-DX-0462	16,064
Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-DX-0462	54,869
Total Edward Byrne Memorial Justice Assistance Grant			<u>127,160</u>
Bulletproof Vest Partnership	16.607		7,890
Passed Through Texas Office of the Governor:			
ARRA - Edward Byrne Memorial Justice Assistance Grant	ARRA - 16.803	2010-DJ-DX-0462	250,000
<b>Total U.S. Department of Justice</b>			<u>447,185</u>
<b><u>DEPARTMENT OF HOMELAND SECURITY</u></b>			
Disaster Housing Assistance Program	97.109	TX456VO	71,520
Passed Through Transportation Security Administration:			
Law Enforcement Officer Reimbursement Agreement	97.090	DTSA20-03-P-01627	81,800
<b>Total U.S. Department of Homeland Security</b>			<u>153,320</u>
<b><u>U.S. DEPARTMENT OF ENERGY</u></b>			
Energy Efficiency and Conservation Block Grant	81.128		310,284
<b>Total U.S. Department of Energy</b>			<u>310,284</u>
<b><u>NATIONAL ENDOWMENT FOR THE ARTS</u></b>			
The Big Read!	45.024	52385	18,616
<b>Total National Endowment for the Arts</b>			<u>18,616</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 13,765,069</u>

**CITY OF TYLER, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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, 2010**

<u>STATE GRANTOR</u>	<u>STATE NUMBER</u>	<u>STATE EXPENDITURES</u>
<b><u>TEXAS DEPARTMENT OF TRANSPORTATION</u></b>		
Public Transportation Grant	51810F7066	\$ 218,578
Public Transportation Grant	51910F7066	53,867
<b>Total Texas Department of Transportation</b>		<u>272,445</u>
<b><u>TEXAS CRIMINAL JUSTICE DIVISION</u></b>		
East Texas Auto Theft Task Force	-	89,310
<b>Total Texas Criminal Justice Division</b>		<u>89,310</u>
<b><u>TEXAS STATE LIBRARY AND ARCHIVES COMMISSION</u></b>		
Loan Star Library Grant	442-06487	46,256
<b>Total Texas State Library and Archives Commission</b>		<u>46,256</u>
<b>TOTAL STATE ASSISTANCE</b>		<u>\$ 408,011</u>

**CITY OF TYLER, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

NOTE A – BASIS OF ACCOUNTING

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

**CITY OF TYLER, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Section I. – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

**FEDERAL**

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218 and 14.253	Community Development Block Grants Entitlement Grants
20.106	Airport Improvement Program
20.507	Federal Transit Capital and Operating Assistance Formula
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 412,952

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

**CITY OF TYLER, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Section II – Financial Statement Findings**

None.

**Section III – Federal Award Findings and Questioned Costs**

None.

**CITY OF TYLER, TEXAS  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2010**

None.