

City of Tyler, Texas
Comprehensive Annual
Financial Report
2007-2008

For Fiscal Year Ending September 30, 2008

CITY OF TYLER, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2008**

MAYOR – BARBARA BASS

Members of City Council:

Steve Smith
Donald Sanders
Ralph Caraway
Chris Simons
Nathaniel Moran
Charles Alworth

City Manager – Mark McDaniel

City Manager Emeritus – Bob Turner

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

CITY OF TYLER, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

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INTRODUCTORY SECTION



March 11, 2009

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, 2008.

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

Prothro, Wilhelmi & Company PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Tyler's financial statements for the year ended September 30, 2008. In addition to meeting City Charter requirements, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Tyler, Texas, the county seat of Smith County, is the largest and most important commercial and industrial center in East Texas and is located on U.S. Highway 69 just south of Interstate 20. The City is equal distance (approximately 90 miles) between the cities of Dallas, Texas and Shreveport, Louisiana. The City, encompassing approximately 52 square miles, had a 2000 census population of 83,650, which is a 9.2% increase from the 1990 census population of 76,440. Currently, the City's population is estimated to be 107,802. The City is commonly referred to as the Rose Capital of America and the hub of East Texas.

The City is a home rule city operating under the Council-Manager form of government for eighty-two (82) years. The City Council is comprised of the Mayor and six Council members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Council and is responsible for the daily management of the City including appointing the various department heads. Council members serve two-year terms, with three members elected every other year. The mayor also serves for a two-year term. The mayor is elected at large; the remaining Council members are elected by district.

The City 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 improvements, municipal court, code enforcement, development and planning services and general administrative services. The City also offers an airport and a convention center. Internal services of the City, accounted for on a cost reimbursement basis, are the fleet services operations; technology services; property and facility management services; productivity pool; risk management services and the 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 as defined by the Governmental Accounting Standards Board (GASB). Based on these criteria no other governmental organizations are included in this report.

The City *Charter* provides that the City Council shall adopt the annual budget prepared by 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; air conditioning unit manufacturing; engineering services; cast iron pipes and fitting manufacturing; government services; retail and retail distribution; cable & internet services; banking services; meat packing and processing; oil and gas refining; ready mix concrete production; tourism; and growing and shipping rose bushes. This diversification is evident in the fact that no single taxpayer represents more than 2.4% 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 as well as eight private / parochial schools in the Tyler area. Tyler is also the medical center of East Texas with three hospitals and five specialty hospitals with a total of 1,046 beds. There are approximately 695 medical doctors and 94 dentists. Additionally, Tyler has many tourist attractions. The Tyler Rose Festival includes the crowning of the Rose Queen attracting a large number of visitors each year. The Azalea Trails in the spring attracts additional tourism. Tyler State Park is located just north of Tyler and provides nature trails and camping in a scenic setting. Lake Tyler and Lake Tyler East, located twelve miles southeast of the City, are popular recreational and fishing sites. The City actively works with the Tyler Economic Development Corporation and local industries to encourage expansions and relocations to our community. A TIF/TIRZ zone was created in the downtown area and north Tyler during 2008 in coordination with revitalization efforts. 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.

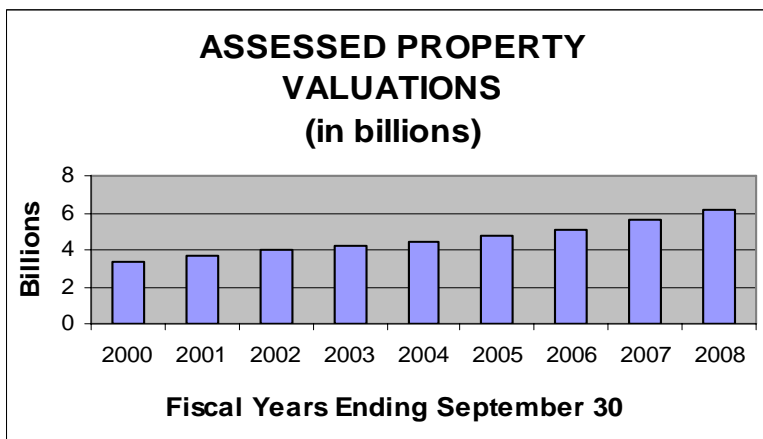
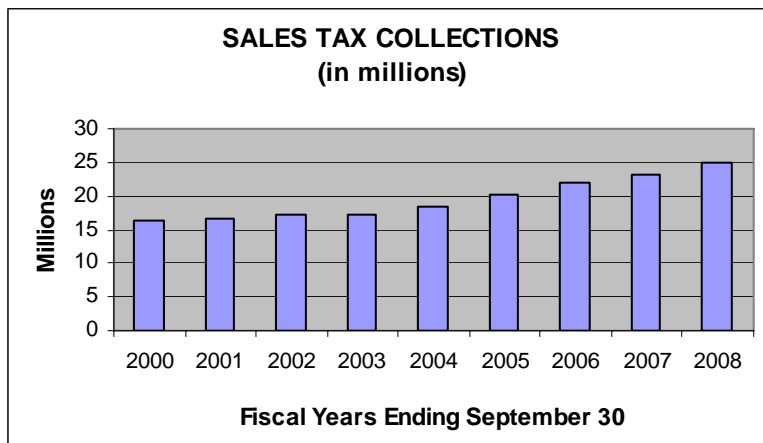
Because of its location in a region with a varied economic base, unemployment is relatively stable, and in the last five years remained consistently below the state average. During the past ten years, the unemployment rate has ranged from a low of 4.2 percent (2007) to a decade high of 6.0 percent (1998), only to end at the current rate of 5.3 percent. This figure indicates an increase of 1% over the prior year while remaining in line with the State and National trends. The total workforce for the Tyler region has increased from 43,411 in 1996 to 47,676 in 2008. Due to the diversity and educational opportunities within the local economy the City of Tyler and the local region is prepared to weather the current national economic recession better than most regions. Population growth in the last five years was more than double that of the last decade and continues to grow based on strong residential permit requests. The population grew 10 percent from 1990 to the year 2000. From the year 2000 to the year 2007, the growth has been an astounding 29 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 first two sections of the Loop 49 Toll Project are complete. 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 project, the Northeast Texas Regional Mobility Authority was authorized in 2004 to construct, operate and maintain turnpike projects in the state which includes the Tyler area. Including various other means of interstate access, the Tyler Pounds Regional Airport allows for secure and efficient air travel in and out of the region. Total flight boarding's in 2007 were 78,416, followed by 77,942 in 2008. 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, quality health care, abundant recreation and educational opportunities.

The office space occupancy rate for the City of Tyler was 90 percent in 2007, up from 86 percent in 1998. The office lease space is comprised of three classes for total square footage of 2,052,000. Tyler had \$2.47 billion in retail trade gross sales in 2007 up from \$1.7 billion in 1998.

Despite what is happening nationally, the economic outlook for Tyler is encouraging with industrial, commercial, and residential development expected to slow but remain positive. The potential for sustained development is present, and many governmental and business leaders are working to ensure the City is poised for economic growth.

Economic Signs:



Long-term financial planning

Within the policy guidelines set by the Council for budgetary and planning purposes, the City of Tyler must keep a designated fund balance equal to 15 percent of total General Fund expenditures. This goal was met during the preceding fiscal year with a remaining unreserved fund balance designated to be transferred to a General Capital Projects Fund to help pay for capital purchases on a cash basis. In addition to the Capital Projects Fund, the City takes advantage of half cent sales tax (4B) dollars to pay for capital projects related to street improvements, drainage projects, park improvements and other projects as approved by a corporation board and the City Council. By paying cash for capital purchases, the City has attained its goal of eliminating general obligation debt as of February 2008.

The City has maintained the lowest property tax rate for mid to large-sized cities in Texas in an effort to balance citizen desire for lower property tax rates and the City's need to match operating costs associated with future planning initiatives. Sales tax has played a large role in allowing the City to obtain this objective with an eight year average increase of 5.4 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

In the following fiscal years multi year forecasting will be utilized to better understand revenue and expenditure trends potentially influenced by the economic markets. The Retiree Benefits Fund has been created to better separate and track costs related to retiree health, dental and life benefits in an effort to meet future OPEB obligations. An OPEB trust has been created to further separate and invest these dollars 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.

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, 2007. This is the twenty second consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City has received the Government Treasurer's Organization of Texas (GTOT) Investment Policy Certificate of Distinction for the annually adopted investment policy of the City for two consecutive periods. The

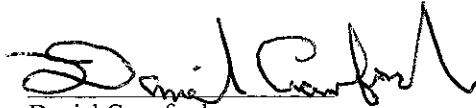
award is valid for a two year period. In order to qualify for the award, the City must demonstrate compliance with the State investment act and fiscal responsibility of their investments.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of all City Departments. Appreciation is expressed to all members of the City's staff who assisted and contributed to its preparation, particularly Finance Department personnel. 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
Director of Finance/Chief Financial Officer



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tyler
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

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



A handwritten signature in black ink, appearing to read "M. L. Post".

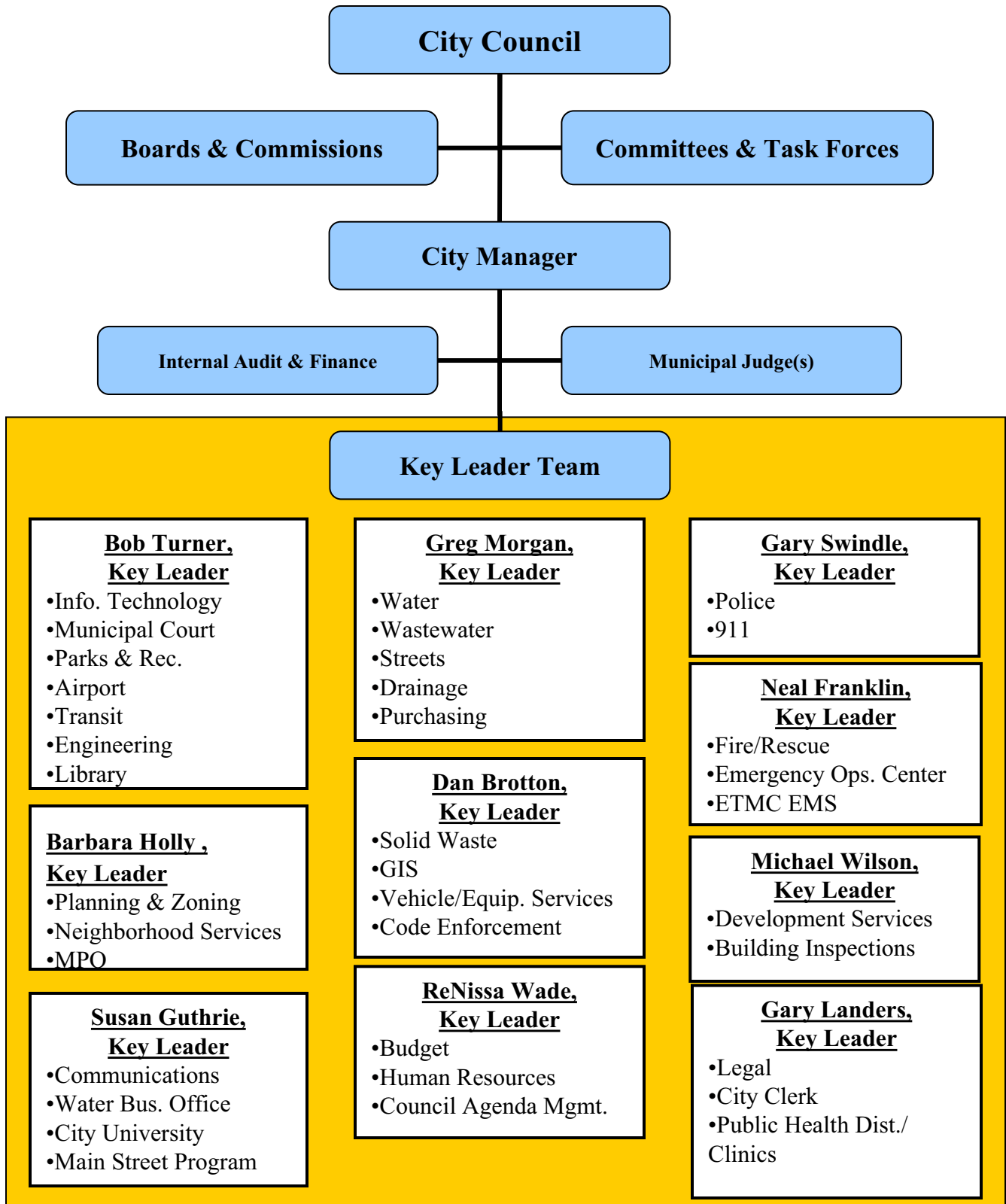
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director



A Natural Beauty



**CITY OF TYLER, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2008**

MAYOR – BARBARA BASS

Members of City Council:

Steve Smith
Donald Sanders
Ralph Caraway
Chris Simons
Nathaniel Moran
Charles Alworth

City Manager – Mark McDaniel

City Manager Emeritus – Bob Turner

Director of Finance – Daniel Crawford

City Attorney – Gary Landers



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas as of and for the year ended September 30, 2008, 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 11, 2009, on our consideration of the City of Tyler's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 important for assessing the results of our audit.

The management's discussion and analysis and schedule of funding progress on pages 3 through 11 and 55, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

PROTHRO, WILHELM I AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tyler, Texas' basic financial statements. The introductory section, additional supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards is 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 is 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Prothro, Wilk & Company, PLLC

Certified Public Accountants

Tyler, Texas
March 11, 2009

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2008
(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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - v of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tyler exceeded its liabilities at the close of the most recent fiscal year by \$438,640,715 (Net assets). Of this amount, \$37,996,823 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$1,224,695.
- As of the close of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$36,913,281. (\$15,704,462 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 \$2,441,241 or 5% of the total general fund expenditures. The general fund operating designation was \$7,954,323, or 15% of total general fund expenditures.
- The City's revenue bond payable increased by \$2,595,000 due to issuance of a new bond issue in 2008. The City's remaining general obligation bond payable was satisfied for a total of \$3,310,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The City maintains 20 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and the Capital Projects ½ Cent Sales Tax Fund, both of which are considered to be major funds. Data from the other 18 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 15-18.

Proprietary Funds - The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, airport and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its fleet services; risk management; technology; property and facility management; productivity pay; 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 since they are considered to be major funds of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Tyler's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 24-25 of this report. The Fireman's Relief and Retirement Fund is no longer reported in the City's financial statements; a separate independent audit of the Fund's financial condition will be completed each fiscal year and details can be found in the note 5:F-2 on pages 51-53.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-54.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 55 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 59-86 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 \$438,640,715 as of September 30, 2008.

The largest portion of the City's net assets, 85%, or \$372,870,947, reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

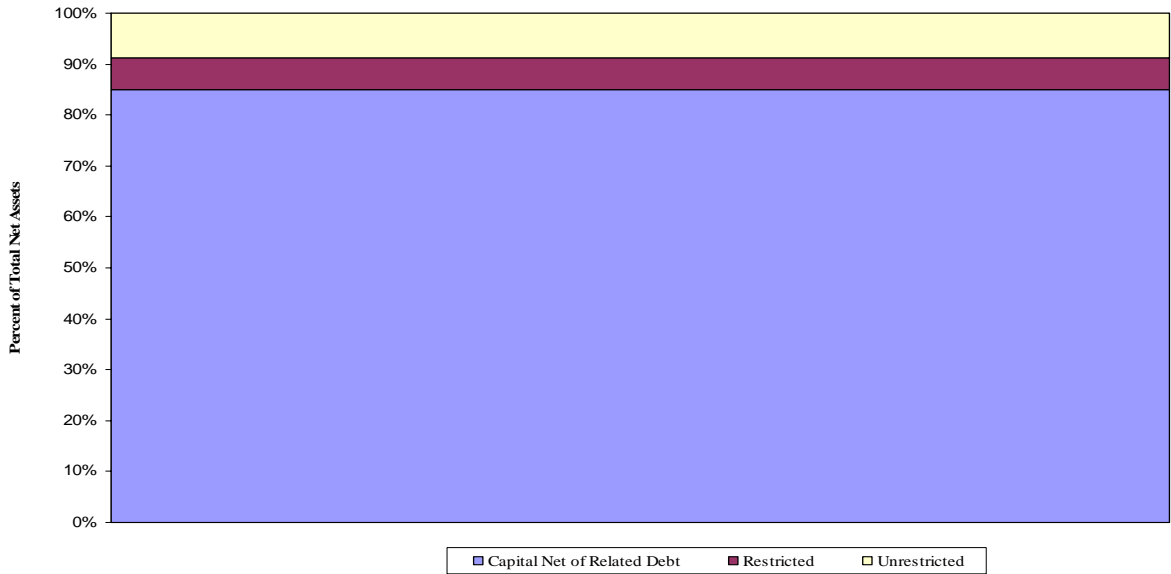
CITY OF TYLER'S NET ASSETS – Fiscal Year 2008

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 63,432,265	\$ 71,990,433	\$ 23,273,806	\$ 35,265,842	\$ 86,706,071	\$ 107,256,275
Capital Assets	230,169,471	213,901,077	201,590,678	190,833,609	431,760,149	404,734,686
Total Assets	293,601,736	285,891,510	224,864,484	\$ 226,099,451	518,466,220	511,990,961
Non-Current liabilities	9,663,985	10,583,903	57,103,567	54,593,995	66,767,552	65,177,898
Other liabilities	10,459,491	6,178,208	2,598,462	3,218,835	13,057,953	9,397,043
Total Liabilities	20,123,476	16,762,111	59,702,029	57,812,830	79,825,505	74,574,941
Net Assets:						
Invested in capital assets,						
Net of related debt	227,755,201	210,591,077	145,115,746	136,990,101	372,870,947	347,581,178
Restricted	20,472,939	33,847,339	7,300,006	10,383,523	27,772,945	44,230,862
Unrestricted	25,250,120	24,690,983	12,746,703	20,912,997	37,996,823	45,603,980
Total Net Assets	\$ 273,478,260	\$ 269,129,399	\$ 165,162,455	\$ 168,286,621	\$ 438,640,715	\$ 437,416,020

An additional portion of the City's net assets 6.3%, or \$27,772,945, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$37,996,823 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2008 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.

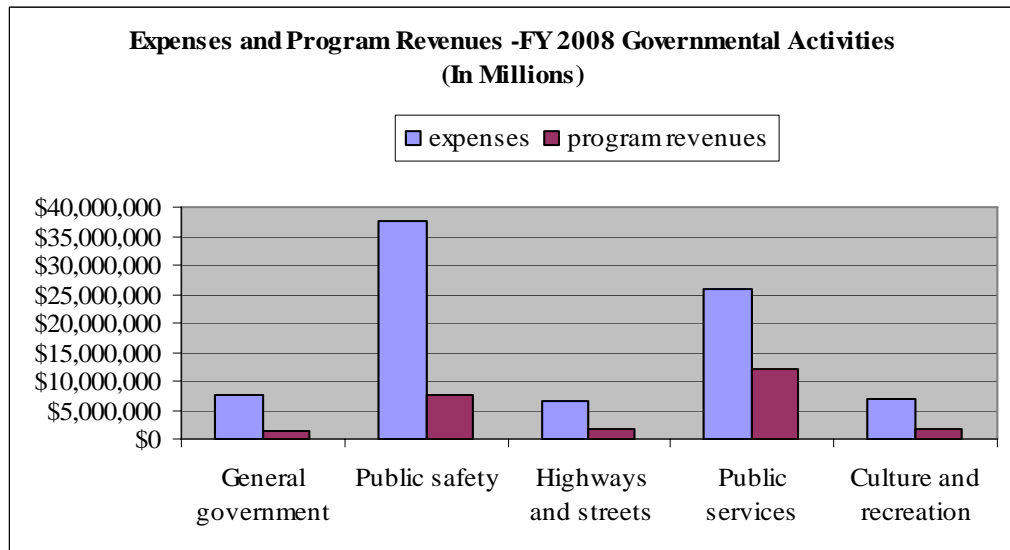
**CITY OF TYLER
TOTAL NET ASSETS BY CATEGORY
FISCAL YEAR 2008**

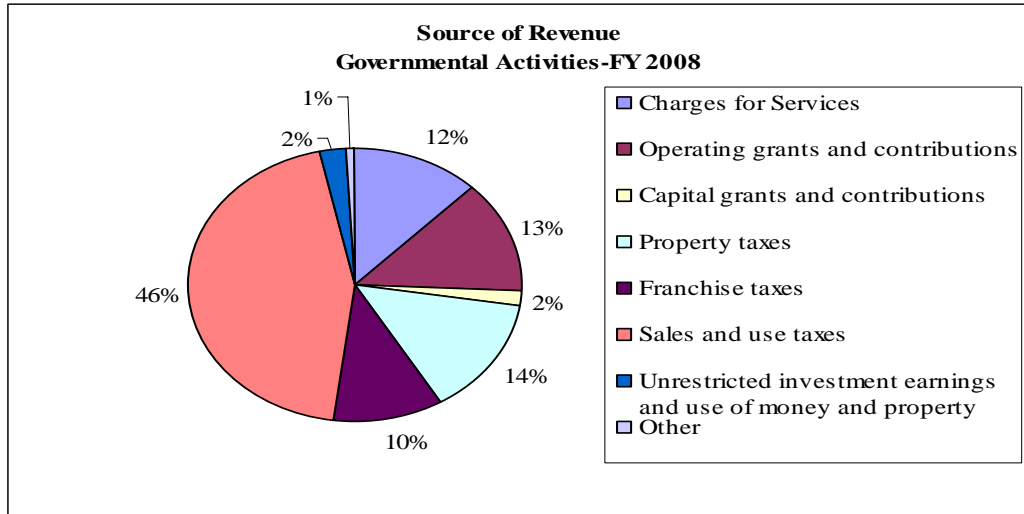


Analysis of the City's Operations - Overall the City had an increase in net assets of \$1,224,695.

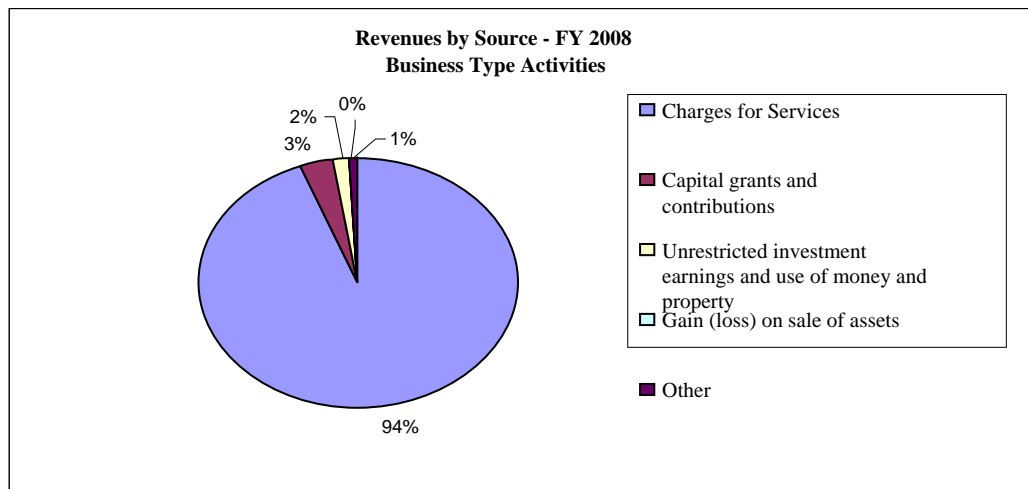
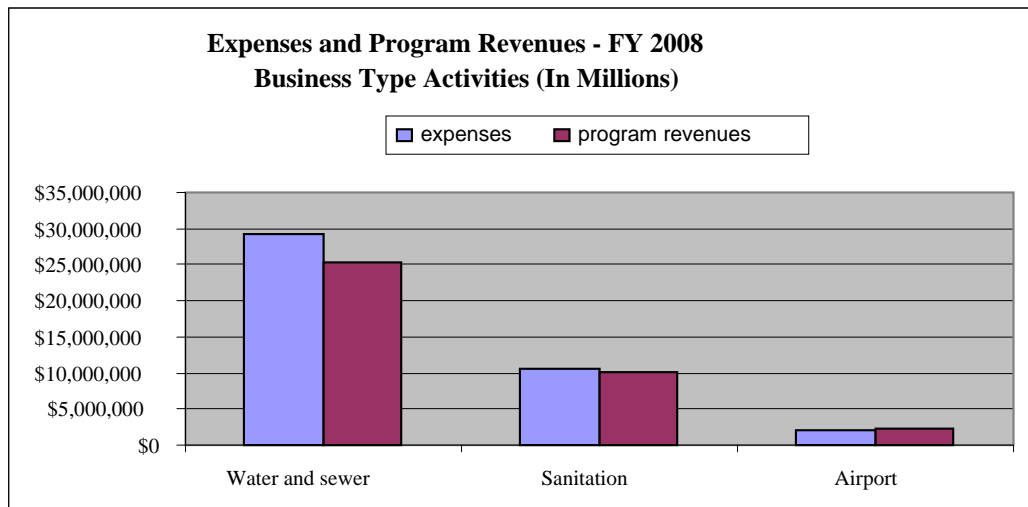
Governmental Activities: Governmental activities increased net assets by \$4,348,861. Net assets invested in capital assets, net of related debt increased by \$17,164,124 due to additions exceeding deletions and a reduction in general obligation debt. Restricted net assets decreased by \$13,374,400 primarily due to capitalization of completed capital projects and the retirement of general obligation debt. Unrestricted net assets increased by \$559,137 due to increased general revenues.

Total revenues for the governmental activities increased from the previous year by \$5,088,235. General revenue had an increase of \$3,993,567, which was due primarily to an increase in sales and use tax as well as franchise taxes. Program revenues also experienced an increase of \$1,094,668, which was primarily due to an increase in capital grant contributions.





Business-type Activities: Net Assets from business-type activities decreased by \$3,124,166. This decrease was primarily due to program expenses exceeding revenues. Capital grants and contributions for Airport operations declined and a broadening gap between expenses and revenues has occurred within the Water and Sanitation Departments.



The following table provides a summary of the City's operations for the year ended September 30, 2008 with comparative totals for the year ended September 30, 2007.

CITY OF TYLER'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	\$ 11,056,905	\$ 10,444,102	\$ 36,556,001	\$ 34,792,653	\$ 47,612,906	\$ 45,657,976
Operating grants and contributions	11,770,402	11,667,106	-	-	11,770,402	11,667,106
Capital grants and contributions	1,464,546	664,756	1,296,949	4,395,723	2,761,495	5,060,479
General revenues:						
Property taxes	12,460,794	12,622,887	-	-	12,460,794	12,622,887
Franchise taxes	9,202,397	8,283,477	-	-	9,202,397	8,283,477
Sales and use taxes	39,718,617	36,972,343	-	-	39,718,617	36,972,343
Investment earnings and use of money and property	2,182,350	3,218,698	660,160	1,000,842	2,842,510	4,219,540
Gain on sale of assets	560,303	(389,284)	18,303	59,783	578,606	(329,501)
Miscellaneous	580,227	421,221	-	-	580,227	-
Equity in earnings of joint venture	(3,000)	-	-	-	(3,000)	-
Total revenues	88,993,541	83,905,306	38,531,413	40,249,001	127,524,954	124,154,307
Expenses:						
General government	7,454,087	6,426,203	-	-	7,454,087	6,426,203
Public safety	37,491,453	34,702,549	-	-	37,491,453	34,702,549
Streets	6,548,649	17,047,887	-	-	6,548,649	17,047,887
Public Services	25,829,353	13,951,231	-	-	25,829,353	13,951,231
Culture and Recreation	6,842,821	5,818,106	-	-	6,842,821	5,818,106
Interest on long-term debt	161,066	260,027	-	-	161,066	260,027
Utilities	-	-	29,223,154	27,457,606	29,223,154	27,457,606
Sanitation	-	-	10,645,321	9,371,472	10,645,321	9,371,472
Airport	-	-	2,104,355	1,902,590	2,104,355	1,902,590
Total expenses	84,327,429	78,206,003	41,972,830	38,731,668	126,300,259	116,937,671
Increases in net assets						
before transfers	4,666,112	5,699,303	(3,441,417)	1,517,333	1,224,695	7,216,636
Transfers	(317,251)	(739,711)	317,251	739,711	-	-
Change in net assets	4,348,861	4,959,592	(3,124,166)	2,257,044	1,224,695	7,216,636
Net assets – October 1	269,129,399	264,169,807	168,286,621	166,029,577	437,416,020	430,199,384
Net assets – September 30	\$ 273,478,260	\$ 269,129,399	\$ 165,162,455	\$ 168,286,621	\$ 438,640,715	\$437,416,020

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 \$36,913,281. Approximately 43% of this total amount, \$15,704,462, 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, \$16,206,750; 2) to pay for the perpetual care of city cemeteries, \$2,374,581; 3) to purchase items restricted under grant and donation terms, \$1,536,980 and 4) to pay for other miscellaneous reservations, \$1,090,508. The City of Tyler also self imposes an operating designation in the general fund equivalent to approximately 15 percent of total expenditures, \$7,954,323.

In the general fund, the City's original budget planned for no change in the fund balance on a budget basis. Additional amendments were made to take reflect additional revenues from other agencies and to fund various expenses required for operations for a net budgeted decrease in fund balance of \$1,825,330. Due to actual revenues being more than budgeted the actual net increase in fund balance for fiscal year 2008 was \$2,178,800. Capital Projects ½ Cent Sales Tax Fund balance decreased in 2008 by \$9,110,250, from \$23,263,920 to \$14,153,670 primarily due to the completion of several multi-year construction projects. Other governmental fund balances decreased in 2008 by \$5,446,948, primarily due to the settlement of outstanding general obligation bond debt and completion of general capital projects funded by general fund unreserved balances.

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 - \$10,149,109, Sanitation - \$1,021,889 and Airport - \$476,575. The Airport fund had an increase in net assets in 2008 of \$358,949. The Utilities fund had a decrease in net assets of \$3,086,502 primarily due to issuance of revenue bonds and increased operating and capital spending. The Sanitation fund had a decrease in net assets of \$590,097 primarily due to increased operating and capital spending.

General Fund Budgetary Highlights – The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase of budgeted expenditures and transfers from the original budget of \$1,905,330. The majority of increase was due to an additional transfer to the General Capital Projects Fund.

Actual revenues in all categories exceeded the final budgeted amounts by a total of \$2,200,368. Actual Expenditures not including transfers exceeded final budgeted amounts by a total of \$156,253.

CAPITAL ASSETS

The City of Tyler's investment in capital assets for its governmental and business-type activities as of September 30, 2008 amounts to \$431,760,149, (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 \$14,501,269 or 3.47 %.

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

- \$552,246 completed Neighborhood Services Building renovations
- \$450,958 purchase of one new fire truck
- \$2,321,252 lease for 5 additional fire trucks
- \$12,432,599 construction completed on half cent sales tax roadway projects
- \$2,680,051 construction completed on two fire stations
- \$1,161,597 installation of passenger runway bridges
- \$427,104 VFD replacement at waste water treatment plant

	Capital Assets at Year-end Net of Accumulated Depreciation					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$13,579,741	\$10,283,689	\$6,716,136	\$5,917,529	\$20,295,877	\$16,201,218
Water Rights	-	-	12,524,200	12,524,200	12,524,200	12,524,200
Building	19,706,350	19,559,837	33,261,782	34,281,403	52,968,132	53,841,240
Improvements	47,867,176	54,459,937	134,940,602	137,169,832	182,807,778	191,629,769
Machinery & Equipment	13,277,800	13,618,347	5,921,282	5,599,230	19,199,082	19,217,577
Infrastructure	99,435,663	103,587,167	1,899,418	1,959,728	101,335,081	105,546,895
Construction in Progress	36,302,741	12,392,094	6,327,258	5,905,887	42,629,999	18,297,981
Total	\$230,169,471	\$213,901,071	\$201,590,678	\$203,357,809	\$431,760,149	\$417,258,880

Additional information on the City of Tyler's capital assets can be found in note 4:D on pages 39-41 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Tyler had a total bonded debt of \$56,570,000 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	
	2008	2007	2008	2007	2008	2007
General Obligations	\$ -	\$3,310,000	\$ -	\$ -	\$ -	\$3,310,000
Revenue Bonds Payable	-	-	56,570,000	53,975,000	56,570,000	53,975,000
Total	\$ -	\$3,310,000	\$56,570,000	\$53,975,000	\$56,570,000	\$57,285,000

During the fiscal year, the City's total debt decreased by \$715,000 or 1.2 %. The decrease was primarily due to the following:

- Annual debt principal payments made August 31 for the water and sewer debt.
- Settlement of outstanding General Obligation Bond debt as of February 2008.
- Issue of Revenue Bond Debt totaling \$5,120,000.

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

	Moody's <u>Investors Service</u>	Standard & Poor's
General Obligation	Aa3	AA
Revenue Bonds	Aa3	AA

The City's Revenue Bonds are insured for debt service reserve requirements thus holding a Triple A credit rating from both Moody's and Standard & Poor's. Please see note 4:G on page 44 for further explanation of subsequent events which will affect the quality of bond insurance and reserve requirements for the City of Tyler.

Additional information on the City of Tyler's long term-debt can be found in note 4:G on page 42-44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the City of Tyler is currently 5.3 percent, which is an increase from 4.1 percent a year ago. This compares favorably to the state's average unemployment rate of 5.7 percent and the national average rate of 7.1 percent.
- The office space occupancy rate for the City of Tyler has increased steadily from 84 percent over the past 10 years to the current 90 percent occupancy rates.
- Sales tax receipts have increased at an eight year average of 5.4 percent, as well as property values increasing at a six year average rate of 7.51 percent.

All of these factors were considered in preparing the City of Tyler's budget for the fiscal year 2008-09. During the current fiscal year, unreserved, undesignated fund balance in the General Fund decreased to \$2,441,241. For fiscal year 2008-09, the City has budgeted to match revenues and expenditures in the General Fund. The City of Tyler has also implemented several financial policies during the current fiscal year in an attempt to better analyze and track costs. One policy implemented during the adoption of the 2007-08 budget is the creation of the Retiree Benefit Fund. The creation of the fund is effective for fiscal year ended 9/30/2007, and separates revenue and expenses related retiree health, life and dental benefits. The creation of this fund is in anticipation of GASB 45 OPEB requirements. Further approval of an OPEB trust will be completed in fiscal year 2008-09 in order to prudently invest dollars reserved for Other Post Employment Benefit obligations. The 2008-09 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 2008-09 budget is 20.4 cents per \$100 of valuation.

During 2008-09 Water Utilities plans to complete the projects related to the 2008 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 a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance, Attn: Finance Director / CFO at P.O. Box 2039, Tyler, Texas 75710, call (903) 531-1140, or email dcrawford@tylertexas.com.



BASIC FINANCIAL STATEMENTS

CITY OF TYLER, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 31,882,426	\$ 8,185,700	\$ 40,068,126
Receivables (net of allowance for doubtful accounts)	13,152,071	4,212,012	17,364,083
Internal balances	(1,099,130)	1,099,130	-
Inventories	338,808	277,016	615,824
Prepaid items and deferred charges	167,944	520,410	688,354
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	16,180,249	8,979,538	25,159,787
Permanently restricted			
Cash and cash equivalents	2,262,897	-	2,262,897
Investment in joint venture	547,000	-	547,000
Capital assets not being depreciated:			
Land	13,579,741	6,716,136	20,295,877
Water rights	-	12,524,200	12,524,200
Construction in progress	36,302,741	6,327,258	42,629,999
Capital assets net of accumulated depreciation:			
Buildings	19,706,350	33,261,782	52,968,132
Improvements other than buildings	47,867,176	134,940,602	182,807,778
Machinery and equipment	13,277,800	5,921,282	19,199,082
Infrastructure	99,435,663	1,899,418	101,335,081
Total Assets	293,601,736	224,864,484	518,466,220
LIABILITIES			
Accounts payable	8,487,347	2,374,788	10,862,135
Deposits and other refundable balances	893,574	14,221	907,795
Insurance claims payable	808,964	-	808,964
Accrued interest payable	36,173	209,453	245,626
Unearned revenues	233,433	-	233,433
Non-current liabilities:			
Due within one year	1,450,307	2,742,584	4,192,891
Due in more than one year	8,213,678	54,360,983	62,574,661
Total Liabilities	20,123,476	59,702,029	79,825,505
NET ASSETS			
Investment in capital assets, net of related debt	226,721,014	145,108,254	371,829,268
Restricted for:			
Debt service	-	738,203	738,203
Perpetual care - nonexpendable	2,374,581	-	2,374,581
Storm water management	-	363,702	363,702
Capital projects	16,206,750	6,198,101	22,404,851
Grants and donations	1,536,980	-	1,536,980
Court ordered disbursements	354,628	-	354,628
Unrestricted	26,284,307	12,754,195	39,038,502
Total Net Assets	\$ 273,478,260	\$ 165,162,455	\$ 438,640,715

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

**CITY OF TYLER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	
Governmental activities:							
General government	\$ 7,454,087	\$ 1,016,572	\$ 417,462	\$ -	\$ (6,020,053)	\$ -	\$ (6,020,053)
Public safety	37,491,453	6,373,097	1,197,227	-	(29,921,129)	-	(29,921,129)
Highways and streets	6,548,649	105,590	192,174	1,256,293	(4,994,592)	-	(4,994,592)
Public services	25,829,353	1,805,204	9,931,558	195,969	(13,896,622)	-	(13,896,622)
Culture and recreation	6,842,821	1,756,442	31,981	12,284	(5,042,114)	-	(5,042,114)
Interest on long term debt	161,066	-	-	-	(161,066)	-	(161,066)
Total governmental activities	<u>84,327,429</u>	<u>11,056,905</u>	<u>11,770,402</u>	<u>1,464,546</u>	<u>(60,035,576)</u>	<u>-</u>	<u>(60,035,576)</u>
Business-type activities:							
Utilities	29,223,154	25,251,490	-	-	-	(3,971,664)	(3,971,664)
Sanitation	10,645,321	10,208,139	-	-	-	(437,182)	(437,182)
Airport	<u>2,104,355</u>	<u>1,096,372</u>	<u>-</u>	<u>1,296,949</u>	<u>-</u>	<u>288,966</u>	<u>288,966</u>
Total business-type activities	<u>41,972,830</u>	<u>36,556,001</u>	<u>-</u>	<u>1,296,949</u>	<u>-</u>	<u>(4,119,880)</u>	<u>(4,119,880)</u>
Total primary government	<u>\$ 126,300,259</u>	<u>\$ 47,612,906</u>	<u>\$ 11,770,402</u>	<u>\$ 2,761,495</u>	<u>(60,035,576)</u>	<u>(4,119,880)</u>	<u>(64,155,456)</u>
General revenues:							
Property taxes					12,460,794	-	12,460,794
Franchise taxes					9,202,397	-	9,202,397
Sales and use taxes					39,718,617	-	39,718,617
Unrestricted investment earnings and use of money and property					2,182,350	660,160	2,842,510
Gain (loss) on sale of assets					560,303	18,303	578,606
Miscellaneous					580,227	-	580,227
Equity in earnings of joint venture					(3,000)	-	(3,000)
Transfers					(317,251)	317,251	-
Total general revenues and transfers					<u>64,384,437</u>	<u>995,714</u>	<u>65,380,151</u>
Change in net assets					4,348,861	(3,124,166)	1,224,695
Net assets - beginning of year					<u>269,129,399</u>	<u>168,286,621</u>	<u>437,416,020</u>
Net assets - end of year					<u>\$ 273,478,260</u>	<u>\$ 165,162,455</u>	<u>\$ 438,640,715</u>

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

CITY OF TYLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	MAJOR FUNDS		OTHER	TOTAL GOVERNMENTAL FUNDS
	GENERAL	1/2 CENT SALES TAX	NON-MAJOR GOVERNMENTAL FUNDS	
ASSETS				
Cash and cash equivalents	\$ 4,780,986	\$ -	\$ 12,794,416	\$ 17,575,402
Receivables (net of allowance for doubtful accounts) :				
Property taxes	538,489	-	-	538,489
Other	6,262,663	2,140,916	3,768,008	12,171,587
Due from other funds	2,683,633	-	-	2,683,633
Inventories	10,006	-	4,450	14,456
Prepaid items	46,590	-	-	46,590
Cash - restricted	-	16,180,249	-	16,180,249
Total assets	\$ 14,322,367	\$ 18,321,165	\$ 16,566,874	\$ 49,210,406
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,422,640	\$ 4,167,495	\$ 1,356,956	\$ 7,947,091
Deposits and other refundable balances	167,708	-	725,866	893,574
Due to other funds	-	-	2,683,633	2,683,633
Unearned revenue	86,894	-	146,539	233,433
Deferred revenue	539,394	-	-	539,394
Total liabilities	3,216,636	4,167,495	4,912,994	12,297,125
Fund Balances:				
Reserved for:				
Perpetual care	-	-	2,374,581	2,374,581
Court ordered disbursements	90,164	-	201,057	291,221
Court juvenile fund	25,595	-	-	25,595
Court security	37,812	-	-	37,812
Grants / donations	-	-	1,536,980	1,536,980
Capital projects	-	14,153,670	2,053,080	16,206,750
Court technology	-	-	179,284	179,284
Utility rate	500,000	-	-	500,000
Prepaid items	46,590	-	-	46,590
Inventory	10,006	-	-	10,006
Total reserved fund balances	710,167	14,153,670	6,344,982	21,208,819
Unreserved fund balances				
Designated for:				
Operations	7,954,323	-	-	7,954,323
Undesignated reported in:				
General Fund	2,441,241	-	-	2,441,241
Special Revenue Fund	-	-	4,954,517	4,954,517
Permanent Fund	-	-	354,381	354,381
Total unreserved fund balances	10,395,564	-	5,308,898	15,704,462
Total fund balances	11,105,731	14,153,670	11,653,880	36,913,281
Total liabilities and fund balances	\$ 14,322,367	\$ 18,321,165	\$ 16,566,874	\$ 49,210,406

(continued)

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

CITY OF TYLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

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

	TOTAL GOVERNMENTAL FUNDS
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 36,913,281
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	220,737,596
Equity in an affiliated joint venture is included in governmental activities in the statement of net assets.	547,000
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	539,394
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.	(36,173)
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)	23,313,130
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	<u>(8,535,968)</u>
Net assets of governmental activities	<u>\$ 273,478,260</u>

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

CITY OF TYLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	MAJOR FUNDS		OTHER	TOTAL
	GENERAL	1/2 CENT SALES TAX	NON-MAJOR GOVERNMENTAL FUNDS	
REVENUES				
Taxes:				
Property	\$ 12,259,979	\$ -	\$ 165,906	\$ 12,425,885
Franchise	9,202,397	-	-	9,202,397
Sales and use	25,187,715	12,429,471	2,101,431	39,718,617
Licenses and permits	156,403	-	1,157,163	1,313,566
Fines, forfeitures, and penalties	6,117,753	-	235,345	6,353,098
Revenues from use of money or property	267,261	710,516	903,546	1,881,323
Charges for current services	1,196,258	-	1,495,652	2,691,910
Revenues from other agencies	526,655	-	12,084,274	12,610,929
Donations	-	-	413,144	413,144
Miscellaneous	100,051	34,000	952,661	1,086,712
Total revenues	<u>55,014,472</u>	<u>13,173,987</u>	<u>19,509,122</u>	<u>87,697,581</u>
EXPENDITURES				
Current:				
General government	6,902,724	30,000	304,777	7,237,501
Public safety	34,256,182	-	199,842	34,456,024
Public services	1,749,055	-	14,719,516	16,468,571
Highways and streets	5,201,667	291,998	189,748	5,683,413
Culture and recreation	3,576,163	-	1,525,574	5,101,737
Capital outlay	759,391	21,913,301	6,727,709	29,400,401
Debt service:				
Principal retirement	-	-	3,310,000	3,310,000
Interest and fiscal charges	-	-	91,805	91,805
Total expenditures	<u>52,445,182</u>	<u>22,235,299</u>	<u>27,068,971</u>	<u>101,749,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,569,290</u>	<u>(9,061,312)</u>	<u>(7,559,849)</u>	<u>(14,051,871)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	138,170	302,236	2,918,191	3,358,597
Transfers out	(2,364,702)	(351,174)	(805,290)	(3,521,166)
Sale of capital assets	10,712	-	-	10,712
Total other financing sources (uses)	<u>(2,215,820)</u>	<u>(48,938)</u>	<u>2,112,901</u>	<u>(151,857)</u>
Net change in fund balances	353,470	(9,110,250)	(5,446,948)	(14,203,728)
Fund balances - beginning of year	<u>10,752,261</u>	<u>23,263,920</u>	<u>17,100,828</u>	<u>51,117,009</u>
Fund balances - end of year	<u>\$ 11,105,731</u>	<u>\$ 14,153,670</u>	<u>\$ 11,653,880</u>	<u>\$ 36,913,281</u>

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

CITY OF TYLER, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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

Net change in fund balances - total governmental funds	\$ (14,203,728)
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.	16,878,069
The net decrease of the equity in investment in an affiliated joint venture is reflected on the statement of activities.	(3,000)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(586,698)
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.	34,909
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	895,730
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 and accrued legal expenses.	(240,642)
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.	(15,940)
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 \$193,484.	<u>1,590,161</u>
Change in net assets of governmental activities	<u><u>\$ 4,348,861</u></u>

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

**CITY OF TYLER, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Property tax collections	\$ 12,319,359	\$ 12,319,359	\$ 12,259,979	\$ (59,380)
Franchise fees	8,313,083	8,313,100	9,202,397	889,297
Sales and use taxes	24,471,440	24,471,440	25,187,715	716,275
Licenses and permits	165,100	165,100	156,403	(8,697)
Fines, forfeitures, and penalties	5,463,389	5,463,372	6,117,753	654,381
Revenues from use of money or property	306,300	306,300	267,261	(39,039)
Charges for current services	1,147,800	1,147,800	1,196,258	48,458
Revenues from other agencies	417,833	497,833	526,655	28,822
Miscellaneous	129,800	129,800	100,051	(29,749)
Total revenues	52,734,104	52,814,104	55,014,472	2,200,368
EXPENDITURES				
GENERAL GOVERNMENT:				
General government services	4,944,779	5,034,779	5,042,934	(8,155)
Administrative services	1,377,306	1,377,306	1,365,328	11,978
Legal	499,843	499,843	499,884	(41)
Total General Government	6,821,928	6,911,928	6,908,146	3,782
PUBLIC SAFETY:				
Police	20,347,973	20,427,973	20,455,142	(27,169)
Fire	12,029,793	12,029,793	12,108,283	(78,490)
Partners with youth program	96,359	96,359	170,660	(74,301)
Municipal court	1,711,943	1,711,943	1,626,101	85,842
Total Public Safety	34,186,068	34,266,068	34,360,186	(94,118)
PUBLIC SERVICES:				
Environmental services	468,264	468,264	433,967	34,297
Total Public Services	468,264	468,264	433,967	34,297
HIGHWAYS AND STREETS:				
Engineering	2,949,654	2,949,654	2,964,671	(15,017)
Traffic operations	2,458,477	2,458,477	2,597,567	(139,090)
Capital projects	125,957	125,957	126,023	(66)
Total Highways and Streets	5,534,088	5,534,088	5,688,261	(154,173)
CULTURE AND RECREATION:				
Library	1,477,974	1,477,974	1,468,014	9,960
Parks administration	2,376,498	2,377,498	2,408,544	(31,046)
Indoor recreation	465,086	465,086	445,637	19,449
Outdoor recreation	432,401	439,401	440,213	(812)
Median maintenance and arborist	359,567	348,622	292,214	56,408
Total Culture and Recreation	5,111,526	5,108,581	5,054,622	53,959
Total expenditures	52,121,874	52,288,929	52,445,182	(156,253)

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

(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, 2008**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Excess (deficiency) of revenues over (under) expenditures	612,230	525,175	2,569,290	2,044,115
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	138,170	138,170
Transfers out	(615,130)	(2,353,405)	(2,364,702)	(11,297)
Sale of property and equipment	2,900	2,900	10,712	7,812
Total other financing sources (uses)	(612,230)	(2,350,505)	(2,215,820)	134,685
Net change in fund balance	-	(1,825,330)	353,470	2,178,800
Fund Balance - October 1, 2007	10,752,261	10,752,261	10,752,261	-
Fund Balance - September 30, 2008	<u>\$ 10,752,261</u>	<u>\$ 8,926,931</u>	<u>\$ 11,105,731</u>	<u>\$ 2,178,800</u>

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

**CITY OF TYLER, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL	
	ENTERPRISE FUNDS			ACTIVITIES	
	UTILITIES	SANITATION	AIRPORT	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets					
Unrestricted current assets:					
Cash and cash equivalents	\$ 3,507,710	\$ 4,097,590	\$ 580,400	\$ 8,185,700	\$ 16,569,921
Prepaid expenses	-	-	-	-	121,354
Accounts receivable (net)	2,734,469	1,293,482	184,061	4,212,012	441,995
Inventories - at average cost	277,016	-	-	277,016	324,352
Total unrestricted current assets	6,519,195	5,391,072	764,461	12,674,728	17,457,622
Restricted Current assets:					
Temporarily restricted					
Cash and cash equivalents for payment of current maturities of revenue bond principal and interest	945,459	-	-	945,459	-
Total restricted current assets	945,459	-	-	945,459	-
Total current assets	7,464,654	5,391,072	764,461	13,620,187	17,457,622
Noncurrent assets:					
Restricted assets:					
Temporarily restricted					
Cash and cash equivalents	8,034,079	-	-	8,034,079	-
Total restricted assets	8,034,079	-	-	8,034,079	-
Deferred charges (net)					
	520,410	-	-	520,410	-
Capital assets:					
Land	2,696,059	3,285,312	734,765	6,716,136	65,000
Water rights	12,524,200	-	-	12,524,200	-
Buildings	32,035,166	307,704	22,221,474	54,564,344	1,185,580
Improvements other than buildings	186,914,053	555,643	12,705,103	200,174,799	420,590
Machinery and equipment	2,207,312	6,323,968	865,224	9,396,504	21,191,437
Construction in progress	646,794	310,600	5,369,864	6,327,258	283,625
Less accumulated depreciation	(76,345,745)	(2,344,146)	(9,422,672)	(88,112,563)	(13,714,357)
Total capital assets net of accumulated depreciation	160,677,839	8,439,081	32,473,758	201,590,678	9,431,875
Total noncurrent assets	169,232,328	8,439,081	32,473,758	210,145,167	9,431,875
Total assets	176,696,982	13,830,153	33,238,219	223,765,354	26,889,497
LIABILITIES					
Current liabilities					
Unrestricted current liabilities:					
Accounts and contracts payable	1,505,715	624,498	244,575	2,374,788	540,256
Insurance claims payable	-	-	-	-	808,964
Landfill closure postclosure costs payable	-	100,000	-	100,000	-
Current portion of capital lease payable	1,527	-	-	1,527	588,862
Current portion of compensated absences payable	17,127	6,765	2,165	26,057	4,691
Total unrestricted current liabilities	1,524,369	731,263	246,740	2,502,372	1,942,773
Current liabilities payable from restricted assets:					
Revenue bonds payable	2,615,000	-	-	2,615,000	-
Customer deposits	14,221	-	-	14,221	-
Accrued interest	209,453	-	-	209,453	-
Total current liabilities payable from restricted assets	2,838,674	-	-	2,838,674	-
Total current liabilities	4,363,043	731,263	246,740	5,341,046	1,942,773
Noncurrent liabilities:					
Revenue bonds payable (net)	53,859,932	-	-	53,859,932	-
Capital lease payable	5,965	-	-	5,965	445,325
Compensated absences	325,406	128,534	41,146	495,086	89,139
Total noncurrent liabilities	54,191,303	128,534	41,146	54,360,983	534,464
Total liabilities	58,554,346	859,797	287,886	59,702,029	2,477,237
NET ASSETS					
Invested in capital assets, net of related debt	104,195,415	8,439,081	32,473,758	145,108,254	8,397,688
Restricted net assets:					
Debt service	738,203	-	-	738,203	-
Storm water management	363,702	-	-	363,702	-
Capital projects	2,688,715	3,509,386	-	6,198,101	-
Unrestricted	10,156,601	1,021,889	476,575	11,655,065	16,014,572
Total net assets	\$ 118,142,636	\$ 12,970,356	\$ 32,950,333	164,063,325	\$ 24,412,260
Reconciliation to government-wide statements of net assets:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			Prior years	905,646	
			Current year	193,484	
Net assets of business-type activities				\$ 165,162,455	

CITY OF TYLER, TEXAS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES
	UTILITIES	SANITATION	AIRPORT		INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Water and sewer operations	\$ 25,040,132	\$ -	\$ -	\$ 25,040,132	\$ -
Trash and garbage	-	9,650,846	-	9,650,846	-
Airport sales and rentals	-	-	1,097,061	1,097,061	-
Charges for services	-	-	-	-	13,405,937
Contributions	-	-	-	-	8,736,630
Income from other agencies	-	180,911	-	180,911	-
Miscellaneous	222,310	160,764	10,493	393,567	94,889
Total operating revenues	<u>25,262,442</u>	<u>9,992,521</u>	<u>1,107,554</u>	<u>36,362,517</u>	<u>22,237,456</u>
OPERATING EXPENSES					
Water and sewer operations	18,831,282	-	-	18,831,282	-
Sanitation operations	-	9,811,081	-	9,811,081	-
Municipal Airport operations	-	-	1,225,961	1,225,961	-
Garage operations	-	-	-	-	4,997,064
Depreciation	7,664,081	834,240	878,394	9,376,715	2,709,481
Insurance claims	-	-	-	-	8,526,594
Administrative	-	-	-	-	4,830,064
Special services	-	-	-	-	883,628
Maintenance	-	-	-	-	139,013
Total operating expenses	<u>26,495,363</u>	<u>10,645,321</u>	<u>2,104,355</u>	<u>39,245,039</u>	<u>22,085,844</u>
Operating income (loss)	<u>(1,232,921)</u>	<u>(652,800)</u>	<u>(996,801)</u>	<u>(2,882,522)</u>	<u>151,612</u>
NON-OPERATING REVENUES (EXPENSES)					
Revenues from use of money and property	469,433	170,361	20,366	660,160	703,747
Income from other agencies	-	-	1,296,949	1,296,949	-
Amortization	(89,023)	-	-	(89,023)	-
Gain (loss) on sale of assets	-	18,303	-	18,303	632,735
Interest expense	(2,638,768)	-	-	(2,638,768)	(53,321)
Total non-operating revenues (expenses)	<u>(2,258,358)</u>	<u>188,664</u>	<u>1,317,315</u>	<u>(752,379)</u>	<u>1,283,161</u>
Income (loss) before contributions and transfers	<u>(3,491,279)</u>	<u>(464,136)</u>	<u>320,514</u>	<u>(3,634,901)</u>	<u>1,434,773</u>
Capital contributions	503,554	-	-	503,554	-
Transfers in	11,189,604	2,847,828	1,373,686	15,411,118	1,433,460
Transfers out	(11,288,381)	(2,973,789)	(1,335,251)	(15,597,421)	(1,084,588)
Net contributions and transfers	<u>404,777</u>	<u>(125,961)</u>	<u>38,435</u>	<u>317,251</u>	<u>348,872</u>
Change in net assets	<u>(3,086,502)</u>	<u>(590,097)</u>	<u>358,949</u>	<u>(3,317,650)</u>	<u>1,783,645</u>
Net Assets - October 1, 2007	<u>121,229,138</u>	<u>13,560,453</u>	<u>32,591,384</u>		<u>22,628,615</u>
Net Assets - September 30, 2008	<u>\$ 118,142,636</u>	<u>\$ 12,970,356</u>	<u>\$ 32,950,333</u>		<u>\$ 24,412,260</u>
Reconciliation to government-wide statements of net assets					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>193,484</u>	
Change in net assets of business-type activities				<u>\$ (3,124,166)</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, 2008**

	BUSINESS-TYPE ACTIVITIES			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL
	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	UTILITIES	SANITATION	AIRPORT		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 25,939,946	\$ 9,951,187	\$ 1,384,585	\$ 37,275,718	\$ 22,137,504
Cash paid to suppliers for goods and services	(13,641,510)	(7,992,865)	(997,402)	(22,631,777)	(8,381,655)
Cash paid to employees for services	(5,181,276)	(2,342,323)	(460,410)	(7,984,009)	(2,410,800)
Insurance claims paid	-	-	-	-	(8,642,270)
Net cash provided by (used in) operating activities	<u>7,117,160</u>	<u>(384,001)</u>	<u>(73,227)</u>	<u>6,659,932</u>	<u>2,702,779</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	11,189,604	2,847,828	1,373,686	15,411,118	1,433,460
Transfers out to other funds	(11,288,381)	(2,973,789)	(1,335,251)	(15,597,421)	(1,084,588)
Net cash (used in) provided by non-capital financing activities	<u>(98,777)</u>	<u>(125,961)</u>	<u>38,435</u>	<u>(186,303)</u>	<u>348,872</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(4,961,496)	(1,262,138)	(1,378,458)	(7,602,092)	(2,480,395)
Capital contributions	503,554	-	-	503,554	-
Proceeds from grants for capital purposes	-	-	1,296,949	1,296,949	-
Proceeds from sale of assets	-	18,303	-	18,303	725,149
Proceeds from issuance of bonds	5,000,958	-	-	5,000,958	-
Payments on debt	(2,525,000)	-	-	(2,525,000)	(569,169)
Interest paid	(2,638,768)	-	-	(2,638,768)	(53,321)
Net cash provided by (used in) capital and related financing activities	<u>(4,620,752)</u>	<u>(1,243,835)</u>	<u>(81,509)</u>	<u>(5,946,096)</u>	<u>(2,377,736)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	469,433	170,361	20,366	660,160	703,747
Net cash provided by (used in) investing activities	<u>469,433</u>	<u>170,361</u>	<u>20,366</u>	<u>660,160</u>	<u>703,747</u>
Net increase (decrease) in cash and cash equivalents	2,867,064	(1,583,436)	(95,935)	1,187,693	1,377,662
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,620,184</u>	<u>5,681,026</u>	<u>676,335</u>	<u>15,977,545</u>	<u>15,192,259</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 12,487,248</u>	<u>\$ 4,097,590</u>	<u>\$ 580,400</u>	<u>\$ 17,165,238</u>	<u>\$ 16,569,921</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ (1,232,921)	\$ (652,800)	\$ (996,801)	\$ (2,882,522)	\$ 151,612
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	7,664,081	834,240	878,394	9,376,715	2,709,481
(Increase) decrease in accounts receivable	697,666	(41,334)	277,031	933,363	(99,952)
(Increase) decrease in prepaid expenses	-	-	-	-	(67,772)
(Increase) decrease in inventories	(17,907)	-	-	(17,907)	4,215
Increase (decrease) in accounts payable	2,814	(520,858)	(235,279)	(753,323)	489,125
Increase (decrease) in customer deposits	(2,255)	-	-	(2,255)	-
Increase (decrease) in claims payable	-	-	-	-	(489,749)
Increase (decrease) in compensated absences payable	5,682	(3,249)	3,428	5,861	5,819
Total adjustments	<u>8,350,081</u>	<u>268,799</u>	<u>923,574</u>	<u>9,542,454</u>	<u>2,551,167</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 7,117,160</u>	<u>\$ (384,001)</u>	<u>\$ (73,227)</u>	<u>\$ 6,659,932</u>	<u>\$ 2,702,779</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Borrowing under capital lease	\$ 7,492	\$ -	\$ -	\$ 7,492	\$ 298,520

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

CITY OF TYLER, TEXAS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2008

	EMPLOYEE BENEFIT TRUST (SECTION 125 PLAN)	GREENWOOD LANDFILL PRIVATE - PURPOSE TRUST	LINDSEY TRUST
ASSETS			
Equity in pooled cash and investments	\$ 160,669	\$ 2,099,001	\$ 56,212
Receivables			
Accounts receivable	10,283	6,000	-
Interest receivable	-	8,661	-
Total receivables	10,283	14,661	-
Total assets	170,952	2,113,662	56,212
LIABILITIES			
Accounts payable	-	-	-
Total liabilities	-	-	-
NET ASSETS			
Held in trust for pension benefits and other purposes	\$ 170,952	\$ 2,113,662	\$ 56,212

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

CITY OF TYLER, TEXAS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	EMPLOYEE BENEFIT TRUST (SECTION 125 PLAN)	GREENWOOD LANDFILL PRIVATE -PURPOSE TRUST	LINDSEY TRUST
ADDITIONS			
Contributions:			
Employees	\$ 169,650	\$ -	\$ -
Employer	239,884	-	-
Other	-	39,000	59,712
Total contributions	<u>409,534</u>	<u>39,000</u>	<u>59,712</u>
Investment income:			
Interest	-	72,903	-
Net investment income	<u>-</u>	<u>72,903</u>	<u>-</u>
Total additions	<u>409,534</u>	<u>111,903</u>	<u>59,712</u>
DEDUCTIONS			
Benefits	406,078	-	-
Contributions	<u>-</u>	<u>-</u>	<u>3,500</u>
Total deductions	<u>406,078</u>	<u>-</u>	<u>3,500</u>
Change in net assets	3,456	111,903	56,212
Net Assets - October 1, 2007	<u>167,496</u>	<u>2,001,759</u>	<u>-</u>
Net Assets - September 30, 2008	<u>\$ 170,952</u>	<u>\$ 2,113,662</u>	<u>\$ 56,212</u>

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

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

B. Blended Component Unit

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

The City uses the proceeds of the one-half cent sales tax to pay for infrastructure, thereby removing the need for debt financing of such improvements which 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.

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.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they 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 1/2 Cent Sales Tax Fund accounts for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

The City of Tyler reports the following Internal Service Funds:

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

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Internal Service Funds – continued:

4. Employee Benefits Fund – accounts for the City’s self-insurance program for health insurance.
5. Retiree Benefits Fund – accounts for the City’s preparation for the implementation of GASB Statement #45 “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.”
6. Property and Facility Management Fund – accounts for utility costs.
7. Technology Fund – accounts for the City’s investment in 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 cafeteria plan administered by Health First.

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.

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

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

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

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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 60 and 63. 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 of its cash, investments, due to, and due from accounts into "equity in pooled cash and investments." Each fund participates on a daily transaction basis and income for all assets included in "pooled cash and investments" is allocated to individual funds based on their respective balance in "equity in pooled cash and investments."

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

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

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

2. Investments

Accounting pronouncement Governmental Accounting Standards Board Statement 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", 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, 2008, there were no material unrealized gains or losses.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

2. Investments – continued

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 U.S. Treasury. Investments are stated at cost or amortized cost.

3. Receivables and Payables

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

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

The City provides an allowance for doubtful accounts based upon the anticipated collectability of 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.

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

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

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

3. Receivables and Payables – continued

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, 2008, was \$.199000 per \$100, which means that the City has a tax margin of \$1.551000 per \$100 and could raise up to \$95,267,213 additional taxes a year from the present valuation of \$6,142,309,026 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.

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

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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.

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.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

10. Long-Term Obligations

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

11. Fund Equity

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

12. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Net assets reported as restricted are those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations. The government-wide statement of net assets reports \$27,772,945 of restricted net assets, of which \$14,153,670 is restricted by enabling legislation.

13. Estimates

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

14. Encumbrances

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

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

15. New Accounting Pronouncements

In August 2004, GASB issued Statement #45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*" GASB #45 establishes requirements for employer governments to account for and report the annual cost of other postemployment benefits. This statement is effective for the City's fiscal year ending September 30, 2009.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

15. New Accounting Pronouncements – continued

In order to prepare for the implementation of GASB #45, the City has engaged an actuarial consultant to advise the City as to the actuarial valuation of its other post-retirement benefit (OPEB) liability. In addition, the City has created separate active and retiree funds in order to effectively track the costs of the two groups with a goal of developing a multi-year plan for premium adjustments to fund long term liabilities and to ensure the City keeps pace with current costs. On October 8, 2008, the City Council approved participation in the PARS Post-Retirement Health Care Trust with the intention to begin transferring some monies into this trust starting in fiscal year 2008-2009.

In September 2006, GASB issued Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.*” This statement provides guidance for reporting transactions occurring from the pledging of receivables. The statement also discusses the valuation of assets transferred between reporting entity components. This statement was effective for the City’s year ending September 30, 2008, and the pronouncement did not have a significant affect on the City’s financial statements.

In December 2006, GASB issued Statement No. 49 “*Accounting and Financial Reporting for Pollution Remediation Obligations*”. This statement identifies situations in which a government is required to report obligations relating to pollution remediation. In addition, the government must estimate the total cost of the remediation and disclose information about the obligations associated with clean up efforts. The statement is effective for the City’s year ending September 30, 2009, and the pronouncement is not expected to have a material impact on the City’s financial statements.

In May 2007, GASB issued Statement No. 50 “*Pension Disclosures*”. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The requirements of the new statement became effective for fiscal periods beginning after June 15, 2007. The City adopted this pronouncement during fiscal year end September 30, 2008, and the required disclosures are included in Note 5:G.

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 \$8,535,968 difference are as follows:

Claims and judgment	\$ 100,000
Capital leases	2,414,270
Compensated absences	<u>6,021,698</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$8,535,968</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 \$539,394 difference are as follows:

Deferred property tax revenues	\$ 539,394
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CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

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 \$16,878,069 difference are as follows:

Capital outlay	\$31,821,845
Depreciation expense	<u>(14,943,776)</u>
 Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$16,878,069</u>

Another element of that reconciliation states that “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 details of this \$34,909 difference are as follows:

Change in deferred property tax revenues	\$ (16,206)
Change in allowance for uncollectible property tax receivable	<u>51,115</u>
	<u>\$ 34,909</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.” The details of this \$(240,642) difference are as follows:

Change in compensated absences – governmental activities	\$ (246,461)
Less: change in compensated absences – internal service funds	<u>5,819</u>
	<u>\$ (240,642)</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. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Charter prohibits budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances from prior years for each fund.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTIBILITY – continued

A. Budgetary Information – continued

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds (Development Services Fund, Police Forfeiture Fund, Court Technology Fund, Hotel-Motel Occupancy Tax Fund, Tourism and Convention Fund, Passenger Facility Charge Fund, Oil and Natural Gas Fund), 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, Hotel-Motel Occupancy Tax Fund, Tourism and Convention Fund, Passenger Facility Charge Fund, Oil and Natural Gas Fund), General Debt Services Fund, Capital Projects Fund, and Permanent Funds are adopted by the Council and presented in this report on a basis consistent with generally accepted accounting principles (GAAP). Budgeted expenditures for the General Fund's current fiscal year as adopted in the original budget and amendments thereto were \$52,288,929. Appropriations, which are not expended or encumbered at year-end, must be rebudgeted in the succeeding year.

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

B. Expenditures Over Appropriations

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

<u>Individual Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures In Excess of Appropriations</u>
Court Technology Fund	\$ 338,147	\$ 328,614	\$ 9,533
Cemeteries Fund	208,133	203,456	4,677
Fleet Maintenance and Replacement Fund	7,647,237	6,805,485	841,752
Employee Benefits Fund	6,627,287	6,454,898	172,389
Retiree Benefits Fund	2,797,944	2,552,330	245,614
Property and Facility Management Fund	466,359	400,897	65,462
General Fund:			
General Government Services	5,042,934	5,034,779	8,155
Legal Department	499,884	499,843	41
Police Department	20,455,142	20,427,973	27,169
Fire Department	12,108,283	12,029,793	78,490
Partners with Youth Program	170,660	96,359	74,301
Engineering	2,964,671	2,949,654	15,017
Traffic Operations	2,597,567	2,458,477	139,090
Capital Projects	126,023	125,957	66
Parks Administration	2,408,544	2,377,498	31,046
Outdoor Recreation	440,213	439,401	812
Transfers out	2,364,702	2,353,405	11,297

C. Deficit Fund Equity

As of September 30, 2008, there were no funds with a deficit fund balance.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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, 2008, are as follows:

	Fair Value	Weighted Average Maturity (Years)	Credit Risk
U.S. Government Securities	\$20,249,400	.89	AAA
TexPool	28,618,699	.23	AAA
TexStar	10,645,891	.24	AAA
Total fair value	\$59,513,990		
 Portfolio weighted average maturity		 .46	

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

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

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, 2008 the City held bank accounts, including a NOW interest bearing account, at two financial institutions. The bank account balances, less outstanding checks and deposits, totaled \$10,320,707 and the bank balances totaled \$13,503,287. Of the bank balances, \$200,000 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:

	General Fund	1/2 Cent Sales Tax Fund	Utilities Fund	Sanitation Fund	Airport Fund	Non-Major Governmental Funds	Internal Service Funds	Fiduciary Funds	Total
Receivables:									
Accounts	\$6,164,779	\$ -	\$2,861,804	\$1,312,901	\$181,432	\$ 377,955	\$ 373,884	\$ 16,283	\$11,289,038
Grants	67,374	-	-	-	-	3,341,330	-	-	3,408,704
Taxes	587,225	2,072,628	-	-	-	-	-	-	2,659,853
Miscellaneous	30,510	68,288	33,402	20,765	2,629	48,723	68,111	8,661	281,089
Gross receivables	6,849,888	2,140,916	2,895,206	1,333,666	184,061	3,768,008	441,995	24,944	17,638,684
Less: allowance for uncollectibles	(48,736)	-	(160,737)	(40,184)	-	-	-	-	(249,657)
Net total receivables	\$6,801,152	\$ 2,140,916	\$ 2,734,469	\$ 1,293,482	\$184,061	\$ 3,768,008	\$ 441,995	\$ 24,944	\$17,389,027

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

B. Receivables – continued

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

	<u>Unavailable</u>	<u>Unearned</u>
Unearned grant revenue		<u>\$ 233,433</u>
Deferred property taxes receivable	<u>\$ 539,394</u>	

C. Lindsey Trust Fund

The S.A. Lindsey Police And Firemen’s Trust was created by Louise Lindsey Merrick on July 20, 1971 for the charitable purpose of making awards to police officers and firefighters employed by the City of Tyler for outstanding service and to aid 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 Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets, exhibits 10 and 11 in the basic financial statements.

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, 2008, the net appreciation on investments of the Fund was \$31,212.

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, 2008

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

D. Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 10,283,689	\$ 3,830,681	\$ (534,629)	\$ 13,579,741
Construction in progress	12,392,094	24,244,723	(334,076)	36,302,741
Total capital assets not being depreciated	<u>22,675,783</u>	<u>28,075,404</u>	<u>(868,705)</u>	<u>49,882,482</u>
Capital assets, being depreciated:				
Buildings	30,497,866	873,024	-	31,370,890
Improvements, other than buildings	83,034,072	245,025	-	83,279,097
Machinery and equipment	37,852,229	4,169,494	(3,442,633)	38,579,090
Infrastructure	236,812,533	1,790,061	-	238,602,594
Total capital assets being depreciated	<u>388,196,700</u>	<u>7,077,604</u>	<u>(3,442,633)</u>	<u>391,831,671</u>
Less accumulated depreciation for:				
Buildings	(10,938,029)	(726,511)	-	(11,664,540)
Improvements other than buildings	(28,574,135)	(6,837,786)	-	(35,411,921)
Machinery and equipment	(24,233,882)	(4,147,782)	3,080,374	(25,301,290)
Infrastructure	(133,225,366)	(5,941,565)	-	(139,166,931)
Total accumulated depreciation	<u>(196,971,412)</u>	<u>(17,653,644)</u>	<u>3,080,374</u>	<u>(211,544,682)</u>
Total capital assets being depreciated, net	<u>191,225,288</u>	<u>(10,576,040)</u>	<u>(362,259)</u>	<u>180,286,989</u>
Government activities capital assets, net	<u>\$ 213,901,071</u>	<u>\$ 17,499,364</u>	<u>\$ (1,230,964)</u>	<u>\$ 230,169,471</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,917,529	\$ 848,553	\$ (49,946)	\$ 6,716,136
Water rights	12,524,200	-	-	12,524,200
Construction in progress	5,905,887	2,110,180	(1,688,809)	6,327,258
Total capital assets, not being depreciated	<u>24,347,616</u>	<u>2,958,733</u>	<u>(1,738,755)</u>	<u>25,567,594</u>
Capital assets, being depreciated:				
Buildings	52,257,813	214,410	-	52,472,223
Improvements, other than buildings	195,655,272	4,535,304	(15,777)	200,174,799
Machinery and equipment	7,767,448	1,639,892	(10,836)	9,396,504
Infrastructure	2,092,122	-	-	2,092,122
Total capital assets being depreciated	<u>257,772,655</u>	<u>6,389,606</u>	<u>(26,613)</u>	<u>264,135,648</u>
Less accumulated depreciation for:				
Buildings	(17,976,410)	(1,234,031)	-	(19,210,441)
Improvements other than buildings	(58,485,440)	(6,764,534)	15,777	(65,234,197)
Machinery and equipment	(2,168,218)	(1,317,840)	10,836	(3,475,222)
Infrastructure	(132,394)	(60,310)	-	(192,704)
Total accumulated depreciation	<u>(78,762,462)</u>	<u>(9,376,715)</u>	<u>26,613</u>	<u>(88,112,564)</u>
Total capital assets being depreciated, net	<u>179,010,193</u>	<u>(2,987,109)</u>	<u>-</u>	<u>176,023,084</u>
Business-Type activities capital assets, net	<u>\$ 203,357,809</u>	<u>\$ (28,376)</u>	<u>\$ (1,738,755)</u>	<u>\$ 201,590,678</u>

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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, 2008.

Depreciation

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

Governmental activities:	
General government	\$ 105,256
Public safety	2,850,676
Highways and streets, including depreciation of general infrastructure assets	9,408,272
Public services	853,645
Culture and recreation	1,725,927
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,709,868</u>
Total depreciation expense - governmental activities	<u><u>\$ 17,653,644</u></u>
Business-type activities:	
Utilities	\$ 7,664,081
Sanitation	834,240
Airport	<u>878,394</u>
Total depreciation expense - business-type activities	<u><u>\$ 9,376,715</u></u>

Construction Commitments

As of September 30, 2008, the City has active construction projects. The projects include street construction, airport improvements, hike and bike trail construction, 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>
Grande Extension	\$ 25,117,822	\$ 22,701,646
Old Omen Improvements	2,998,867	6,755,845
Runway 4/22 Improvements	208,774	1,082,025
Perimeter Maintenance Road III	894,344	954,785
Hike & Bike Trails	1,769,768	1,652,272
Golden Road Clearwells	80,563	544,605
Hwy 69 & I-20 Sanitary Sewers	142,040	478,005
Hwy 69 & I-20 Waterline	151,436	388,511

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

D. Capital Assets – continued

Construction Commitments – continued

The street construction projects for public purposes are either funded from existing resources held by the General Fund or by resources held in the ½ Cent Sales Tax Fund. The Airport improvements are being financed by Federal Aviation Administration grants. The commitment for the hike and bike trails is being financed by a Texas Department of Transportation grant. The Golden Road clearwells are funded from existing resources held by the Utilities Fund and the sanitary sewers and waterline additions are being financed by revenue bonds.

E. Interfund Receivables, Payables, and Transfers

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

The composition of interfund balances as of September 30, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Passenger Facility	\$ 1
General Fund	State & Federal Grant	889,804
General Fund	Transit Grant	1,018,774
General Fund	CBDG Grant	496,504
General Fund	Home Grant	278,550
		<u>\$ 2,683,633</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, 2008, is as follows:

Transfers in:								
	General Fund	1/2 Cent Sales Tax Fund	Nonmajor Governmental Funds	Utilities Enterprise Funds	Airport Enterprise Funds	Sanitation Funds	Internal Service Funds	Total
Transfers out:								
General Fund	\$ -	\$ -	\$ 2,188,830	\$ -	\$ -	\$ 27,000	\$ 148,872	\$ 2,364,702
1/2 Cent Sales Tax Fund	-	-	312,739	-	38,435	-	-	351,174
Nonmajor Governmental Funds	134,168	302,236	100,361	68,238	-	287	200,000	805,290
Utilities Enterprise Funds	-	-	167,015	11,121,366	-	-	-	11,288,381
Airport Enterprise Funds	-	-	-	-	1,335,251	-	-	1,335,251
Sanitation Enterprise Fund	4,002	-	149,246	-	-	2,820,541	-	2,973,789
Internal Service Funds	-	-	-	-	-	-	1,084,588	1,084,588
Total	<u>\$ 138,170</u>	<u>\$ 302,236</u>	<u>\$ 2,918,191</u>	<u>\$11,189,604</u>	<u>\$1,373,686</u>	<u>\$2,847,828</u>	<u>\$1,433,460</u>	<u>\$ 20,203,175</u>

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

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, 2008, were approximately \$430,000.

Capital Leases

The City has entered into various lease agreements as the lessee for financing the acquisition of support equipment related to a future upgrade in the City’s telephone system, Coban units for the Police and Fire Departments, voice over IP system, fire trucks 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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Asset:		
Machinery and Equipment	\$ 4,640,321	\$ 8,342
Less: Accumulated depreciation	<u>(890,201)</u>	<u>(835)</u>
Total	<u>\$ 3,750,120</u>	<u>\$ 7,507</u>

The future minimum lease obligations as of September 30, 2008, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Year ending September 30:		
2009	\$ 1,175,268	\$ 1,935
2010	797,687	1,935
2011	629,027	1,935
2012	629,027	1,935
2013	<u>575,232</u>	<u>806</u>
 Total amount of minimum lease payments	 3,806,241	 8,546
 Less: amount representing interest	 <u>(357,782)</u>	 <u>(1,056)</u>
Present value of minimum lease payments	<u>\$ 3,448,459</u>	<u>\$ 7,490</u>

G. Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. 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.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

G. Long-Term Debt – continued

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The revenue bonds issued by the City in prior years were to fund construction projects to improve or expand the water system and to refund prior issuances. On February 27, 2008, the City Council approved a resolution for the sale of revenue bonds totaling \$5,120,000 to fund water and sewer infrastructure projects in developing areas of Tyler. Income derived from the sale of water will be used to service the debt requirements. The original amount of the outstanding revenue bonds was \$73,560,000.

Revenue bonds currently outstanding are as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2000	Lake Palestine water treatment plant	5.00 to 5.70%	\$ 1,530,000
Series 2002	Lake Palestine water treatment plant	2.00 to 4.75%	12,645,000
Series 2003	Water meter replacement	2.00 to 5.00%	7,835,000
Series 2005	Advance Refunding	3.00 to 5.00%	29,440,000
Series 2008	Water and sewer infrastructure projects	4.00 to 4.15%	<u>5,120,000</u>
Total outstanding revenue bonds			<u>\$56,570,000</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>
2009	\$ 2,615,000	\$ 2,655,564
2010	2,720,000	2,542,564
2011	2,845,000	2,423,889
2012	2,960,000	2,312,064
2013	3,095,000	2,175,102
2014-2018	8,965,000	9,471,968
2019-2023	11,360,000	7,079,825
2024-2028	14,455,000	3,984,180
2029-2032	<u>7,555,000</u>	<u>607,359</u>
Total	<u>\$56,570,000</u>	<u>\$33,252,515</u>

Cash in the amount of \$8,979,538 was restricted at September 30, 2008 in order to fund the City's annual debit service requirements and for construction costs in connection with the Series 2008 Water & Sewer Revenue Bonds.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued

G. Long-Term Debt – continued

Revenue Bonds – continued

The revenue bond ordinances require that each issue maintain debt service reserve funds. At September 30, 2008, 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 third-party 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. In deciding to immediately take this action, the City believes it is in compliance with all bond covenants.

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2008, was as follows:

	Beginning Balance 10/1/07	Additions	Reductions	Ending Balance 9/30/08	Due Within One Year	Due in More Than One Year
Governmental Activities:						
Claims and judgments	\$ 100,000	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ -
General obligation bonds payable	3,310,000	-	3,310,000	-	-	-
Capital leases	1,304,836	2,719,963	576,342	3,448,457	1,044,531	2,403,926
Compensated absences	5,869,067	523,525	277,064	6,115,528	305,776	5,809,752
Governmental Activities Long-Term Liabilities	<u>\$10,583,903</u>	<u>\$ 3,243,488</u>	<u>\$ 4,163,406</u>	<u>\$ 9,663,985</u>	<u>\$1,450,307</u>	<u>\$ 8,213,678</u>
Business-Type Activities:						
Revenue bonds payable	\$ 53,975,000	\$ 5,120,000	\$ 2,525,000	\$ 56,570,000	\$ 2,615,000	\$ 53,955,000
Bond premium/(discount)	(131,492)	(7,374)	(43,798)	\$ (95,068)	-	(95,068)
Capital leases	-	8,342	850	7,492	1,527	5,965
Compensated absences	515,282	27,815	21,954	521,143	26,057	495,086
Landfill closure and post-closure	235,205	-	135,205	100,000	100,000	-
Business-Type Activities Long-Term Liabilities	<u>\$ 54,593,995</u>	<u>\$ 5,148,783</u>	<u>\$ 2,639,211</u>	<u>\$ 57,103,567</u>	<u>\$ 2,742,584</u>	<u>\$ 54,360,983</u>

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

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5: OTHER INFORMATION

A. Risk Management

Property and Liability Plans

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

Worker's Compensation Plan

The City is exposed to risk of loss due to injuries incurred by employees while performing work-related duties. The City has established and maintains a comprehensive self-insurance worker's compensation plan. Third party administrators also 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. The employees and non-Medicare Retirees pay a portion of the premiums and the City pays the remainder.

The City has retained an insurance policy for specific and aggregate stop-loss coverage. There is an individual stop-loss of \$165,000 per illness. A third-party administrator administers health claims and payments.

Medicare Eligible Retirees/Dependents

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

DENTAL

Employees/Retirees

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

LIFE INSURANCE

Employees/Retirees

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 policy for eligible retirees. For active employees, supplement life insurance is available for purchase by the employee without evidence of insurability in the amount of 3 times their annual salary up to a maximum of \$130,000. 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 they have purchased \$40,000 in personal supplemental insurance.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5: OTHER INFORMATION – continued

A. Risk Management – continued

Health, Dental, and Life Plans – continued

LIFE INSURANCE

Employees/Retirees – continued

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 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, 2008, 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 for the years ended September 30, 2008 and 2007 is presented below:

Fund	Insurance Claims Payable At Beginning of Year	Current Year Claims and Changes In Estimates	Actual Claim Payments	Insurance Claims Payable At End of Year
Employee Benefits Fund				
FYE 2007	\$ 991,033	\$ 6,730,050	\$ 6,751,887	\$ 969,196
FYE 2008	969,196	7,544,616	7,704,848	808,964

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

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, 2008, the City budgeted funding of \$750,000 for the District and \$332,000 for Animal/Vector Control contractual services to be provided by the District. The City’s equity interest in the District at September 30, 2008 is \$547,000. Financial statements for the Health District may be obtained at the entity’s administrative offices.

D. Other Post-Employment Benefits

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

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

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

Currently, the City is financing its other post-employment benefits on a pay-as-you-go basis.

Healthcare and life insurance benefits are as follows:

	Number of Retirees <u>Participating</u>	Cost of Benefits <u>For FYE 9/30/2008</u>
Retirees – Life Insurance	335	\$ 52,449
Not Medicare Eligible:		
Health	128	1,041,129
Prescription Plan	128	265,903
Medicare Eligible		
Retiree and Spouse – Health	249	589,768
Retiree and Spouse – Prescription Plan	148	530,605
Retirees - Dental Insurance	279	114,215

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5: OTHER INFORMATION – continued

E. Deferred Compensation

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

The market value and carrying value of deferred compensation plan assets is \$8,620,096 as of September 30, 2008.

F. Pension Plans

1. Texas Municipal Retirement System Plan

TMRS Plan Description

The City provides pension benefits for all of its full-time employees with the exception of firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system.

Firefighters are covered by a separate pension plan (see Note F: 2 below); therefore, they are not included in the Texas Municipal Retirement System Plan. All assumptions for valuations at December 31, 2007 are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, TX 78714-9153 or accessing on-line at www.tmr.org.

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.

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, 2007 per TMRS):

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

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

5 years/age 60
20 years/any age

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5: OTHER INFORMATION – continued

F. Pension Plans – continued

1. Texas Municipal Retirement System Plan – continued

Funding Policy

Under the state law governing TMRS, the actuary annually determines the City’s contribution rate. The City’s contribution rate is 14.48% of covered payroll for the months in calendar year 2007 and 14.81% for the months in calendar year 2008. 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 currently accruing monetary credits due to the City’s matching percent, which are the obligation of the City as of an employee’s retirement date, not at the time the employee’s contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan’s 30-year amortization period. 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 2007 valuation is effective for rates beginning January 2009).

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.

Annual Pension Cost

The City’s contributions were based on an annual covered payroll of \$27,523,691. For the 2008 fiscal year, total contributions of \$4,138,187 were required and paid into the Fund. There were no related-party transactions. The City’s current membership in TMRS is comprised of the following:

Group	December 31, 2007
Number of Annuitants	356
Number of Members	812
Number of Contributing Members	615

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2006	\$ 3,404,280	100%	\$ -
9/30/2007	3,734,931	100%	-
9/30/2008	4,138,187	100%	-

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5: OTHER INFORMATION – continued

F. Pension Plans – continued

1. Texas Municipal Retirement System Plan – continued

Funding Status and Progress

The funded status of the plan as of December 31, 2007, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio c=(a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of covered payroll ((b-a)/c)
12/31/2007	\$ 58,149,263	\$ 107,313,673	\$ 49,164,410	54.2%	\$ 25,293,293	194.4%

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 Method and Assumptions

Actuarial Valuation Date	December 31, 2007
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years – Closed Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3%
Cost-of-Living Adjustments	2.1% (3% CPI)

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, with 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.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5: OTHER INFORMATION – continued

F. Pension Plans – continued

1. Texas Municipal Retirement System Plan – continued

Changes in Actuarial Method and Assumptions – continued

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City’s unfunded actuarial accrued liability would have been \$32,283,225 and the funded ratio would have been 64.3%.

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 2009 is 16.20% versus the actuarially determined full rate of 22.19%

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is successful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

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, 2007, are contained in the 2007 Tyler Firefighter’s Relief and Retirement Fund audited financial statements, a copy of which may be obtained at the Fire Pension Board, 1718 West Houston St., Tyler, Texas 75702.

Firefighters in the Tyler Fire Department are covered by the Tyler Firefighter's Relief and Retirement Fund. The table below summarizes the membership of the Fund at December 31, 2007:

Group	December 31, 2007
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	84
Current employees:	
Vested	44
Non-vested	100
Total	228

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 December 12, 2002 and amended December 22, 2002, provides a monthly normal retirement benefit, payable in a joint and 66 2/3% to spouse form of annuity, equal to 71.5% of the highest 60-month average salary plus an additional \$113 per year of service for service in excess of 20 years.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5: OTHER INFORMATION – continued

F. Pension Plans – continued

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

Plan Description – continued

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 a level percentage of payroll method.

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

The plan was amended January 1, 2005 to require 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, 2007 and 2006 were 14.75% and 14.60%, respectively. The December 31, 2005 actuarial valuation assumes that the City's contribution rate will average 14.00% of payroll in the future.

Annual Pension Cost

For the fiscal year ending September 30, 2008, the City of Tyler's annual pension cost was \$1,325,267. Based on the results of the December 31, 2005 actuarial valuation of the Plan effective January 1, 2005, the Board's actuary found that the fund has an adequate financing arrangement based on the current level of the firefighter and City of Tyler's contribution rates. The funding policy of the fund requires the firefighters to contribute 13.50% of pay and the City to contribute the same percentage of payroll that the City contributes to the Texas Municipal Retirement System for other employees. These contributions rates were reflected in the December 31, 2005 actuarial valuation.

The annual required contributions (ARC) by the City for the fiscal year ending September 30, 2008 were based on the results of the actuarial valuations as of December 31, 2005 using the entry age actuarial cost method and was determined to be in compliance with the parameters of the Governmental Accounting Standards Board (GASB) Statement No. 27.

For the 2008 fiscal year, total contributions of \$2,461,023 were required and were paid into the Fund.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5: OTHER INFORMATION – continued

F. Pension Plans – continued

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

Trend Information

Plan Year Ended December 31	Annual Required Contribution (ARC)	Percentage Contributed	Net Pension Obligation
2005	\$ 948,533	100%	\$ -
2006	1,078,622	100%	-
2007	1,219,604	100%	-

Funding Status and Progress

The funded status of the plan as of December 31, 2005, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded (Overfunded) AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll (c) (1)	UAAL as a Percentage of covered Payroll ((b-a)/c)
12/31/2005	\$ 38,914,954	\$ 50,047,120	\$ 11,132,166	77.8%	\$ 7,283,688	152.8%

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 Method and Assumptions

Valuation date	12/31/2005
Actuarial cost method	Entry age
Amortization method	Level percent of projected payroll, open
Amortization period for ARC	32 years
Actuarial assumptions:	
• Investment return	8.00% per year
• Projected salary increases	5.70% per year
• Inflation	3.75% per year
• Cost-of-living adjustments	None
• Payroll growth rate	4.00% per year

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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, 2008, 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

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

The City has recognized a postclosure liability of \$100,000 in the Sanitation Fund, which is an estimate of the total landfill closure and postclosure costs. This remaining liability will cover maintenance, such as mowing costs. One hundred percent of the landfill's capacity has been utilized and has no remaining useful life.

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

REQUIRED SUPPLEMENTAL INFORMATION

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio c=(a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of covered payroll ((b-a)/c)
12/31/2005	\$ 55,372,189	\$ 81,715,361	\$ 26,343,172	67.8%	\$ 22,779,023	115.6%
12/31/2006	57,705,955	86,492,637	28,786,682	66.7%	23,807,193	120.9%
12/31/2007 *	58,149,263	90,432,488	32,283,225	64.3%	25,293,293	127.6%
12/31/2007 **	58,149,263	107,313,673	49,164,410	54.2%	25,293,293	194.4%

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

Note 1 Based on the Plan effective as of November 1, 2000.

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

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



ADDITIONAL SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SPECIAL REVENUE FUNDS, CONTINUED

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

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

DEBT SERVICES FUND

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

CAPITAL PROJECTS FUND

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

PERMANENT FUND

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

CITY OF TYLER, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008

SPECIAL REVENUE FUNDS

	DEVELOPMENT SERVICES	POLICE FORFEITURE	COURT TECHNOLOGY	HOTEL-MOTEL OCCUPANCY TAX	DONATIONS	TOURISM AND CONVENTION	PASSENGER FACILITY CHARGE	OIL AND NATURAL GAS
ASSETS								
Equity in pooled cash and investments	\$ 1,033,440	\$ 241,773	\$ 181,400	\$ 1,372,929	\$ 627,979	\$ 145,838	\$ -	\$ 2,942,156
Accounts and grants receivable	6,227	996	1,352	204,292	12,450	862	1	92,570
Inventories	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total assets	\$ 1,039,667	\$ 242,769	\$ 182,752	\$ 1,577,221	\$ 640,429	\$ 146,700	\$ 1	\$ 3,034,726
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 44,448	\$ 32,733	\$ 3,468	\$ 2,500	\$ 7,752	\$ 77,862	\$ -	\$ 2,100
Deposits and other refundable balances	671,221	8,979	-	-	-	40,666	-	5,000
Due to other funds	-	-	-	-	-	-	1	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	715,669	41,712	3,468	2,500	7,752	118,528	1	7,100
Fund balances:								
Reserved for:								
Debt service	-	-	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-	-	-
Court ordered disbursements	-	201,057	-	-	-	-	-	-
Court juvenile fund	-	-	-	-	-	-	-	-
Court security	-	-	-	-	-	-	-	-
Court technology	-	-	179,284	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Grants / donations	-	-	-	-	632,677	-	-	-
Total reserved fund balances	-	201,057	179,284	-	632,677	-	-	-
Unreserved fund balances:								
Undesignated, reported in:								
Special revenue funds	323,998	-	-	1,574,721	-	28,172	-	3,027,626
Permanent funds	-	-	-	-	-	-	-	-
Total unreserved undesignated fund balances	323,998	-	-	1,574,721	-	28,172	-	3,027,626
Total fund balances	323,998	201,057	179,284	1,574,721	632,677	28,172	-	3,027,626
Total liabilities and fund balances	\$ 1,039,667	\$ 242,769	\$ 182,752	\$ 1,577,221	\$ 640,429	\$ 146,700	\$ 1	\$ 3,034,726

(continued)

CITY OF TYLER, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008

SPECIAL REVENUE FUNDS (continued)

	HOME- OWNERSHIP AND HOUSING	CDBG	HOME GRANT	HOUSING ASSISTANCE PAYMENT	STATE AND FEDERAL GRANTS	TRANSIT SYSTEM	PAYROLL LIABILITY	TOTAL SPECIAL REVENUE FUNDS
ASSETS								
Equity in pooled cash and investments	\$ 53,770	\$ -	\$ -	\$ 732,410	\$ -	\$ 100	\$ 506,295	\$ 7,838,090
Accounts and grants receivable	224	532,935	364,855	109,128	1,350,543	1,071,386	-	3,747,821
Inventories	-	-	4,450	-	-	-	-	4,450
Prepaid items	-	-	-	-	-	-	-	-
Total assets	<u>\$ 53,994</u>	<u>\$ 532,935</u>	<u>\$ 369,305</u>	<u>\$ 841,538</u>	<u>\$ 1,350,543</u>	<u>\$ 1,071,486</u>	<u>\$ 506,295</u>	<u>\$ 11,590,361</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 481	\$ 17,984	\$ 83,780	\$ 27,616	\$ 314,349	\$ 41,117	\$ 506,295	\$ 1,162,485
Deposits and other refundable balances	-	-	-	-	-	-	-	725,866
Due to other funds	-	496,504	278,550	-	889,804	1,018,774	-	2,683,633
Deferred revenue	-	149	-	-	146,390	-	-	146,539
Total liabilities	<u>481</u>	<u>514,637</u>	<u>362,330</u>	<u>27,616</u>	<u>1,350,543</u>	<u>1,059,891</u>	<u>506,295</u>	<u>4,718,523</u>
Fund balances:								
Reserved for:								
Debt service	-	-	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-	-	-
Court ordered disbursements	-	-	-	-	-	-	-	201,057
Court juvenile fund	-	-	-	-	-	-	-	-
Court security	-	-	-	-	-	-	-	-
Court technology	-	-	-	-	-	-	-	179,284
Capital projects	-	-	-	-	-	-	-	-
Grants / donations	53,513	18,298	6,975	813,922	-	11,595	-	1,536,980
Total reserved fund balances	<u>53,513</u>	<u>18,298</u>	<u>6,975</u>	<u>813,922</u>	<u>-</u>	<u>11,595</u>	<u>-</u>	<u>1,917,321</u>
Unreserved fund balances:								
Undesignated, reported in:								
Special revenue funds	-	-	-	-	-	-	-	4,954,517
Permanent funds	-	-	-	-	-	-	-	-
Total unreserved undesignated fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,954,517</u>
Total fund balances	<u>53,513</u>	<u>18,298</u>	<u>6,975</u>	<u>813,922</u>	<u>-</u>	<u>11,595</u>	<u>-</u>	<u>6,871,838</u>
Total liabilities and fund balances	<u>\$ 53,994</u>	<u>\$ 532,935</u>	<u>\$ 369,305</u>	<u>\$ 841,538</u>	<u>\$ 1,350,543</u>	<u>\$ 1,071,486</u>	<u>\$ 506,295</u>	<u>\$ 11,590,361</u>

(continued)

**CITY OF TYLER, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008**

	<u>OTHER FUNDS</u>		<u>PERMANENT FUNDS</u>	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	GENERAL DEBT SERVICES	GENERAL CAPITAL PROJECTS	CEMETERIES	
ASSETS				
Equity in pooled cash and investments	\$ -	\$ 2,235,183	\$ 2,721,143	\$ 12,794,416
Accounts and grants receivable	-	8,885	11,302	3,768,008
Inventories	-	-	-	4,450
Prepaid items	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 2,244,068</u>	<u>\$ 2,732,445</u>	<u>\$ 16,566,874</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 190,988	\$ 3,483	\$ 1,356,956
Deposits and other refundable balances	-	-	-	725,866
Due to other funds	-	-	-	2,683,633
Deferred revenue	-	-	-	146,539
Total liabilities	<u>-</u>	<u>190,988</u>	<u>3,483</u>	<u>4,912,994</u>
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Perpetual care	-	-	2,374,581	2,374,581
Court ordered disbursements	-	-	-	201,057
Court juvenile fund	-	-	-	-
Court security	-	-	-	-
Court technology	-	-	-	179,284
Capital projects	-	2,053,080	-	2,053,080
Grants / donations	-	-	-	1,536,980
Total reserved fund balances	<u>-</u>	<u>2,053,080</u>	<u>2,374,581</u>	<u>6,344,982</u>
Unreserved fund balances:				
Undesignated, reported in:				
Special revenue funds	-	-	-	4,954,517
Permanent funds	-	-	354,381	354,381
Total unreserved undesignated fund balances	<u>-</u>	<u>-</u>	<u>354,381</u>	<u>5,308,898</u>
Total fund balances	<u>-</u>	<u>2,053,080</u>	<u>2,728,962</u>	<u>11,653,880</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 2,244,068</u>	<u>\$ 2,732,445</u>	<u>\$ 16,566,874</u>

**CITY OF TYLER, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

SPECIAL REVENUE FUNDS

	DEVELOPMENT SERVICES	POLICE FORFEITURE	COURT TECHNOLOGY	HOTEL-MOTEL OCCUPANCY TAX	DONATIONS	TOURISM AND CONVENTION	PASSENGER FACILITY CHARGE	OIL AND NATURAL GAS
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ 2,101,431	\$ -	\$ -	\$ -	\$ -
Licenses & permits	1,157,163	-	-	-	-	-	-	-
Grants	4,000	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	80,957	154,388	-	-	-	-	-
Revenues from use of money and property	24,566	11,273	13,427	41,322	-	363,415	378	141,447
Donations	-	-	-	-	413,144	-	-	-
Charges for services	34,884	-	-	-	-	900,582	301,858	-
Miscellaneous	112,839	20,000	-	-	-	7,666	-	580,227
Total revenues	<u>1,333,452</u>	<u>112,230</u>	<u>167,815</u>	<u>2,142,753</u>	<u>413,144</u>	<u>1,271,663</u>	<u>302,236</u>	<u>721,674</u>
EXPENDITURES								
Current								
General government	-	-	-	-	67,615	-	-	-
Public safety	-	22,563	159,672	-	15,354	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	53,814	1,173,830	-	71,961
Public services	1,637,885	-	-	1,593,568	14,613	-	-	-
Capital outlay	25,279	173,606	178,475	190,565	119,408	26,157	-	1,675,389
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	4,553	-	-	-	-	-	-
Total expenditures	<u>1,663,164</u>	<u>200,722</u>	<u>338,147</u>	<u>1,784,133</u>	<u>270,804</u>	<u>1,199,987</u>	<u>-</u>	<u>1,747,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(329,712)</u>	<u>(88,492)</u>	<u>(170,332)</u>	<u>358,620</u>	<u>142,340</u>	<u>71,676</u>	<u>302,236</u>	<u>(1,025,676)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	250,000	-	-	-	-	-	-	-
Transfers out	-	-	-	(200,000)	-	-	(302,236)	-
Total other financing sources (uses)	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(302,236)</u>	<u>-</u>
Net change in fund balances	(79,712)	(88,492)	(170,332)	158,620	142,340	71,676	-	(1,025,676)
Fund balances - October 1, 2007	403,710	289,549	349,616	1,416,101	490,337	(43,504)	-	4,053,302
Fund balances - September 30, 2008	<u>\$ 323,998</u>	<u>\$ 201,057</u>	<u>\$ 179,284</u>	<u>\$ 1,574,721</u>	<u>\$ 632,677</u>	<u>\$ 28,172</u>	<u>\$ -</u>	<u>\$ 3,027,626</u>

(continued)

**CITY OF TYLER, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

SPECIAL REVENUE FUNDS (continued)

	HOME- OWNERSHIP AND HOUSING	CDBG	HOME GRANT	HOUSING ASSISTANCE PAYMENT	STATE AND FEDERAL GRANTS	TRANSIT SYSTEM	PAYROLL LIABILITY	TOTAL SPECIAL REVENUE FUNDS
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,101,431
Licenses & permits	-	-	-	-	-	-	-	1,157,163
Grants	-	1,244,614	882,302	6,336,598	2,216,048	1,400,712	-	12,084,274
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	235,345
Revenues from use of money and property	2,956	-	-	45,269	-	-	-	644,053
Donations	-	-	-	-	-	-	-	413,144
Charges for services	-	-	-	-	-	143,228	-	1,380,552
Miscellaneous	-	13,078	-	19,946	-	419	-	754,175
Total revenues	2,956	1,257,692	882,302	6,401,813	2,216,048	1,544,359	-	18,770,137
EXPENDITURES								
Current								
General government	-	-	-	-	-	-	-	67,615
Public safety	-	-	-	-	-	-	-	197,589
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	1,299,605
Public services	4,363	846,036	879,777	6,827,105	911,372	1,968,845	-	14,683,564
Capital outlay	22,880	402,153	-	35,817	1,589,249	-	-	4,438,978
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	4,553
Total expenditures	27,243	1,248,189	879,777	6,862,922	2,500,621	1,968,845	-	20,691,904
Excess (deficiency) of revenues over (under) expenditures	(24,287)	9,503	2,525	(461,109)	(284,573)	(424,486)	-	(1,921,767)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	4,450	21,000	354,539	420,841	-	1,050,830
Transfers out	(21,000)	-	-	-	(69,969)	-	-	(593,205)
Total other financing sources (uses)	(21,000)	-	4,450	21,000	284,570	420,841	-	457,625
Net change in fund balances	(45,287)	9,503	6,975	(440,109)	(3)	(3,645)	-	(1,464,142)
Fund balances - October 1, 2007	98,800	8,795	-	1,254,031	3	15,240	-	8,335,980
Fund balances - September 30, 2008	\$ 53,513	\$ 18,298	\$ 6,975	\$ 813,922	\$ -	\$ 11,595	\$ -	\$ 6,871,838

(continued)

**CITY OF TYLER, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	<u>OTHER FUNDS</u>		<u>PERMANENT FUNDS</u>	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	GENERAL DEBT SERVICES	GENERAL CAPITAL PROJECTS	CEMETERIES	
REVENUES				
Taxes	\$ 165,906	\$ -	\$ -	\$ 2,267,337
Licenses & permits	-	-	-	1,157,163
Grants	-	-	-	12,084,274
Fines, forfeitures, and penalties	-	-	-	235,345
Revenues from use of money and property	52,134	110,381	96,978	903,546
Donations	-	-	-	413,144
Charges for services	-	-	115,100	1,495,652
Miscellaneous	-	195,968	2,518	952,661
Total revenues	<u>218,040</u>	<u>306,349</u>	<u>214,596</u>	<u>19,509,122</u>
EXPENDITURES				
Current				
General government	-	237,162	-	304,777
Public safety	-	2,253	-	199,842
Highways and streets	-	189,748	-	189,748
Culture and recreation	-	17,836	208,133	1,525,574
Public services	-	35,952	-	14,719,516
Capital outlay	-	2,288,731	-	6,727,709
Debt service:				
Principal	3,310,000	-	-	3,310,000
Interest and fiscal charges	87,252	-	-	91,805
Total expenditures	<u>3,397,252</u>	<u>2,771,682</u>	<u>208,133</u>	<u>27,068,971</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,179,212)</u>	<u>(2,465,333)</u>	<u>6,463</u>	<u>(7,559,849)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,788,000	79,361	2,918,191
Transfers out	(132,724)	-	(79,361)	(805,290)
Total other financing sources (uses)	<u>(132,724)</u>	<u>1,788,000</u>	<u>-</u>	<u>2,112,901</u>
Net change in fund balances	(3,311,936)	(677,333)	6,463	(5,446,948)
Fund balances - October 1, 2007	<u>3,311,936</u>	<u>2,730,413</u>	<u>2,722,499</u>	<u>17,100,828</u>
Fund balances - September 30, 2008	<u>\$ -</u>	<u>\$ 2,053,080</u>	<u>\$ 2,728,962</u>	<u>\$ 11,653,880</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, 2008

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Licenses & permits:			
Building permits	\$ 400,000	\$ 501,187	\$ 101,187
Electrical permits	290,000	278,558	(11,442)
Plumbing permits	175,000	181,584	6,584
Zoning permits	40,000	30,015	(9,985)
Mechanical permits	60,400	81,594	21,194
Occupation permits	18,000	19,840	1,840
Sign permits	15,400	23,065	7,665
Contractor permits	24,000	40,300	16,300
Clearing fees	500	750	250
House moving permits	1,000	270	(730)
Total licenses & permits	<u>1,024,300</u>	<u>1,157,163</u>	<u>132,863</u>
Charges for services			
Maps, plans and spec fees	300	49	(251)
Platting fees	27,300	34,767	7,467
Copying, printing fees	100	68	(32)
Total charges for services	<u>27,700</u>	<u>34,884</u>	<u>7,184</u>
Revenues from use of money and property	20,000	24,566	4,566
Miscellaneous	180,000	112,839	(67,161)
From other agencies	<u>7,000</u>	<u>4,000</u>	<u>(3,000)</u>
Total revenues	<u>1,259,000</u>	<u>1,333,452</u>	<u>74,452</u>
EXPENDITURES			
Planning & zoning			
Salaries	295,619	295,647	(28)
Supplies & services	97,501	65,647	31,854
Utilities	1,000	1,880	(880)
Maintenance	3,492	4,515	(1,023)
Capital outlay	<u>26,997</u>	<u>25,279</u>	<u>1,718</u>
Total planning & zoning	<u>424,609</u>	<u>392,968</u>	<u>31,641</u>
Buildings, standards & inspections:			
Salaries	1,037,429	990,418	47,011
Supplies & services	173,386	226,147	(52,761)
Utilities	8,918	8,305	613
Maintenance	<u>37,212</u>	<u>45,326</u>	<u>(8,114)</u>
Total building, standards & inspections	<u>1,256,945</u>	<u>1,270,196</u>	<u>(13,251)</u>
Total expenditures	<u>1,681,554</u>	<u>1,663,164</u>	<u>18,390</u>
Deficiency of revenues under expenditures	<u>(422,554)</u>	<u>(329,712)</u>	<u>92,842</u>
OTHER FINANCING SOURCES			
Transfers in	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total other financing sources	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures - GAAP basis	<u>\$ (172,554)</u>	<u>(79,712)</u>	<u>\$ 92,842</u>
Fund balance - October 1, 2007		<u>403,710</u>	
Fund balance - September 30, 2008		<u>\$ 323,998</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, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Fines, forfeitures, and penalties	\$ 62,000	\$ 80,957	\$ 18,957
Revenues from use of money and property	8,000	11,273	3,273
Miscellaneous	-	20,000	20,000
Total revenues	<u>70,000</u>	<u>112,230</u>	<u>42,230</u>
EXPENDITURES			
Public safety:			
Supplies and services	10,365	22,563	(12,198)
Capital outlay	208,061	173,606	34,455
Interest	-	4,553	(4,553)
Total expenditures	<u>218,426</u>	<u>200,722</u>	<u>17,704</u>
Excess of revenues over (under) expenditures	<u>\$ (148,426)</u>	(88,492)	<u>\$ 59,934</u>
Fund balance - October 1, 2007		<u>289,549</u>	
Fund balance - September 30, 2008		<u>\$ 201,057</u>	

**CITY OF TYLER, TEXAS
COURT TECHNOLOGY FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Fines, forfeitures, and penalties	\$ 115,000	\$ 154,388	\$ 39,388
Revenues from use of money and property	10,000	13,427	3,427
Total revenues	<u>125,000</u>	<u>167,815</u>	<u>42,815</u>
EXPENDITURES			
Public safety:			
Supplies and services	-	159,672	(159,672)
Capital outlay	<u>328,614</u>	<u>178,475</u>	<u>150,139</u>
Total expenditures	<u>328,614</u>	<u>338,147</u>	<u>(9,533)</u>
Excess of revenues over (under) expenditures	<u>\$ (203,614)</u>	(170,332)	<u>\$ 33,282</u>
Fund balance - October 1, 2007		<u>349,616</u>	
Fund balance - September 30, 2008		<u>\$ 179,284</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, 2008

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes	\$ 1,906,000	\$ 2,101,431	\$ 195,431
Revenue from use of money and property	55,000	41,322	(13,678)
Total revenues	<u>1,961,000</u>	<u>2,142,753</u>	<u>181,753</u>
EXPENDITURES			
Hotel-motel administration:			
East Texas Symphony	12,500	12,500	-
Tyler Museum of Art	49,500	49,500	-
Smith County Historical Society	11,756	11,756	-
Tyler Chamber of Commerce	600,230	600,230	-
McClendon House	5,000	5,000	-
Rose Garden	900,582	900,582	-
Texas Rose Festival	9,000	9,000	-
Supplies and services	6,000	5,000	1,000
Downtown tourism	41,000	-	41,000
Capital outlay	200,000	190,565	9,435
Total hotel-motel administration	<u>1,835,568</u>	<u>1,784,133</u>	<u>51,435</u>
Total expenditures	<u>1,835,568</u>	<u>1,784,133</u>	<u>51,435</u>
Excess of revenues over expenditures	<u>125,432</u>	<u>358,620</u>	<u>233,188</u>
OTHER FINANCING (USES)			
Transfers out	(200,000)	(200,000)	-
Total other financing	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Excess of revenues over expenditures and other financing uses - GAAP basis	<u>\$ (74,568)</u>	158,620	<u>\$ 233,188</u>
Fund balance - October 1, 2007		<u>1,416,101</u>	
Fund balance - September 30, 2008		<u>\$ 1,574,721</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, 2008

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 321,800	\$ 363,415	\$ 41,615
Charges for services	900,582	900,582	-
Miscellaneous	1,500	7,666	6,166
Total revenues	<u>1,223,882</u>	<u>1,271,663</u>	<u>47,781</u>
EXPENDITURES			
Rose Garden Center:			
Salaries and benefits	87,179	86,163	1,016
Supplies and services	50,690	70,629	(19,939)
Utilities	195	8,062	(7,867)
Maintenance	13,000	11,954	1,046
Capital outlay	120,000	26,157	93,843
Total Rose Garden Center	<u>271,064</u>	<u>202,965</u>	<u>68,099</u>
Rose Garden maintenance:			
Salaries and benefits	239,058	238,326	732
Supplies and services	83,406	85,143	(1,737)
Utilities	59,270	71,399	(12,129)
Maintenance	82,810	89,012	(6,202)
Total Rose Garden maintenance	<u>464,544</u>	<u>483,880</u>	<u>(19,336)</u>
Visitor facilities:			
Salaries and benefits	250,575	226,262	24,313
Supplies and services	82,059	83,044	(985)
Utilities	142,555	174,143	(31,588)
Maintenance	32,856	29,693	3,163
Capital outlay	-	-	-
Total visitor facilities	<u>508,045</u>	<u>513,142</u>	<u>(5,097)</u>
Total expenditures	<u>1,243,653</u>	<u>1,199,987</u>	<u>43,666</u>
Deficiency of revenues under expenditures	<u>\$ (19,771)</u>	71,676	<u>\$ 91,447</u>
Fund balance - October 1, 2007		<u>(43,504)</u>	
Fund balance - September 30, 2008		<u>\$ 28,172</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, 2008**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Revenue from use of money and property	\$ 850	\$ 378	\$ (472)
Charges for services	<u>370,000</u>	<u>301,858</u>	<u>(68,142)</u>
Total revenues	<u>370,850</u>	<u>302,236</u>	<u>(68,614)</u>
OTHER FINANCING (USES)			
Transfers out:			
Half-Cent Sales Tax Fund	<u>(370,850)</u>	<u>(302,236)</u>	<u>68,614</u>
Total other financing (uses)	<u>(370,850)</u>	<u>(302,236)</u>	<u>68,614</u>
Excess of revenues over other financing uses	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - October 1, 2007		<u>-</u>	
Fund balance - September 30, 2008		<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, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenue from use of money and property	\$ 200,000	\$ 141,447	\$ (58,553)
Miscellaneous	400,000	580,227	180,227
Total revenues	<u>600,000</u>	<u>721,674</u>	<u>121,674</u>
EXPENDITURES			
Culture and recreation:			
Supplies and services	27,200	71,961	(44,761)
Capital outlay	2,000,000	1,675,389	324,611
Total expenditures	<u>2,027,200</u>	<u>1,747,350</u>	<u>279,850</u>
Excess of revenues over expenditures	<u><u>\$(1,427,200)</u></u>	(1,025,676)	<u><u>\$ 401,524</u></u>
Fund balance - October 1, 2007		<u>4,053,302</u>	
Fund balance - September 30, 2008		<u><u>\$ 3,027,626</u></u>	

CITY OF TYLER, TEXAS
GENERAL DEBT SERVICES FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Property tax collections	\$ 125,046	\$ 165,906	\$ 40,860
Revenue from use of money and property	44,000	52,134	8,134
Total revenues	<u>169,046</u>	<u>218,040</u>	<u>48,994</u>
EXPENDITURES			
Paying agent fees	-	1,000	(1,000)
Principal retirements	3,310,000	3,310,000	-
Interest and redemption	88,253	86,252	2,001
Total expenditures	<u>3,398,253</u>	<u>3,397,252</u>	<u>1,001</u>
Excess of revenues over expenditures	<u>(3,229,207)</u>	<u>(3,179,212)</u>	<u>49,995</u>
OTHER FINANCING (USES)			
Transfers out	-	(132,724)	(132,724)
Total other financing (uses)	<u>-</u>	<u>(132,724)</u>	<u>(132,724)</u>
Deficiency of revenues under expenditures and other financing uses - GAAP basis	<u>\$(3,229,207)</u>	(3,311,936)	<u>\$ (82,729)</u>
Fund balance - October 1, 2007		<u>3,311,936</u>	
Fund balance - September 30, 2008		<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, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenue from use of money and property	\$ 75,000	\$ 110,381	\$ 35,381
Miscellaneous	69,500	195,968	126,468
Total revenues	<u>144,500</u>	<u>306,349</u>	<u>161,849</u>
EXPENDITURES			
General government services	256,880	381,958	(125,078)
Fire	524,826	508,098	16,728
Library	60,000	55,985	4,015
Parks maintenance & administration	714,948	502,670	212,278
Engineering	803,134	687,304	115,830
Traffic operations	728,500	308,400	420,100
Neighborhood services	325,000	327,267	(2,267)
Total expenditures	<u>3,413,288</u>	<u>2,771,682</u>	<u>641,606</u>
Deficiency of revenues under expenditures	<u>(3,268,788)</u>	<u>(2,465,333)</u>	<u>803,455</u>
OTHER FINANCING (USES)			
Transfers in	<u>1,640,000</u>	<u>1,788,000</u>	<u>148,000</u>
Total other financing	<u>1,640,000</u>	<u>1,788,000</u>	<u>148,000</u>
Excess of revenues and other financing sources over expenditures	<u>\$ (1,628,788)</u>	<u>(677,333)</u>	<u>\$ 951,455</u>
Fund balance - October 1, 2007		<u>2,730,413</u>	
Fund balance - September 30, 2008		<u>\$ 2,053,080</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, 2008

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Trust Fund:			
Revenues from use of money and property	\$ 105,000	\$ 79,361	\$ (25,639)
Mausoleum and lot sales	17,000	104,300	87,300
Operations:			
Revenues from use of money and property	25,000	17,617	(7,383)
Licenses and permits	1,000	1,300	300
Mausoleum and lot sales	4,200	12,018	7,818
Total revenues	<u>152,200</u>	<u>214,596</u>	<u>62,396</u>
EXPENDITURES			
Operations:			
Salaries and benefits	100,304	110,463	(10,159)
Supplies and services	33,882	40,641	(6,759)
Utilities	44,150	32,377	11,773
Maintenance	24,120	24,652	(532)
Capital outlay	1,000	-	1,000
Total expenditures	<u>203,456</u>	<u>208,133</u>	<u>(4,677)</u>
Deficiency of revenues under expenditures	<u>(51,256)</u>	<u>6,463</u>	<u>57,719</u>
OTHER FINANCING (USES)			
Transfers in	105,000	79,361	(25,639)
Transfers out	<u>(105,000)</u>	<u>(79,361)</u>	<u>25,639</u>
Total other financing	<u>-</u>	<u>-</u>	<u>-</u>
Deficiency of revenues and other financing sources under expenditures	<u>\$ (51,256)</u>	<u>6,463</u>	<u>\$ 57,719</u>
Fund balance - October 1, 2007		<u>2,722,499</u>	
Fund balance - September 30, 2008		<u>\$ 2,728,962</u>	

INTERNAL SERVICE FUNDS

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

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

The *Fleet 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 and workers' compensation insurance program.

The *Employee Benefits Fund* accounts for the City's self-insurance program for health insurance for current employees.

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

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

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

CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
ASSETS								
Current assets:								
Equity in pooled cash and investments	\$ 1,203,927	\$ 2,415,449	\$ 1,699,874	\$ 7,288,963	\$ 2,391,598	\$ 1,009,277	\$ 560,833	\$ 16,569,921
Prepaid expenses	-	-	13,622	45,423	62,309	-	-	121,354
Accounts receivable (net)	7,574	132,255	50,621	178,915	64,385	4,303	3,942	441,995
Inventories - at average cost	-	324,352	-	-	-	-	-	324,352
Total current assets	<u>1,211,501</u>	<u>2,872,056</u>	<u>1,764,117</u>	<u>7,513,301</u>	<u>2,518,292</u>	<u>1,013,580</u>	<u>564,775</u>	<u>17,457,622</u>
Noncurrent assets:								
Capital assets:								
Land	-	65,000	-	-	-	-	-	65,000
Buildings	-	364,392	-	-	-	817,921	3,267	1,185,580
Improvements other than buildings	-	260,072	-	-	-	160,518	-	420,590
Machinery and equipment	-	15,751,410	-	-	-	8,857	5,431,170	21,191,437
Construction in progress	-	283,625	-	-	-	-	-	283,625
Less accumulated depreciation	-	(9,683,774)	-	-	-	(381,460)	(3,649,123)	(13,714,357)
Total Capital assets (net of accumulated depreciation)	<u>-</u>	<u>7,040,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>605,836</u>	<u>1,785,314</u>	<u>9,431,875</u>
Total assets	<u>1,211,501</u>	<u>9,912,781</u>	<u>1,764,117</u>	<u>7,513,301</u>	<u>2,518,292</u>	<u>1,619,416</u>	<u>2,350,089</u>	<u>26,889,497</u>
LIABILITIES								
Current liabilities:								
Accounts and contracts payable	32,166	270,097	71,876	18,501	6,425	56,025	85,166	540,256
Insurance claims payable	-	-	329,517	479,447	-	-	-	808,964
Current portion of compensated absences payable	-	1,615	-	-	-	720	2,356	4,691
Current portion of capital lease	-	-	-	-	-	-	588,862	588,862
Total current liabilities	<u>32,166</u>	<u>271,712</u>	<u>401,393</u>	<u>497,948</u>	<u>6,425</u>	<u>56,745</u>	<u>676,384</u>	<u>1,942,773</u>
Noncurrent liabilities:								
Compensated absences payable	-	30,689	-	-	-	13,689	44,761	89,139
Capital lease payable	-	-	-	-	-	-	445,325	445,325
Total noncurrent liabilities	<u>-</u>	<u>30,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,689</u>	<u>490,086</u>	<u>534,464</u>
Total liabilities	<u>32,166</u>	<u>302,401</u>	<u>401,393</u>	<u>497,948</u>	<u>6,425</u>	<u>70,434</u>	<u>1,166,470</u>	<u>2,477,237</u>
NET ASSETS								
Invested in capital assets, net of related debt	-	7,040,725	-	-	-	605,836	751,127	8,397,688
Unrestricted	<u>1,179,335</u>	<u>2,569,655</u>	<u>1,362,724</u>	<u>7,015,353</u>	<u>2,511,867</u>	<u>943,146</u>	<u>432,492</u>	<u>16,014,572</u>
Total net assets	<u>\$ 1,179,335</u>	<u>\$ 9,610,380</u>	<u>\$ 1,362,724</u>	<u>\$ 7,015,353</u>	<u>\$ 2,511,867</u>	<u>\$ 1,548,982</u>	<u>\$ 1,183,619</u>	<u>\$ 24,412,260</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, 2008

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
OPERATING REVENUES								
Charges for services	\$ 707,000	\$ 7,720,972	\$ 1,963,222	\$ -	\$ -	\$ 291,269	\$ 2,723,474	\$ 13,405,937
Contributions	-	-	-	6,072,305	2,664,325	-	-	8,736,630
Miscellaneous	-	720	-	86,669	-	-	7,500	94,889
Total operating revenues	707,000	7,721,692	1,963,222	6,158,974	2,664,325	291,269	2,730,974	22,237,456
OPERATING EXPENSES								
Garage operations	-	4,997,064	-	-	-	-	-	4,997,064
Depreciation	-	1,838,788	-	-	-	17,353	853,340	2,709,481
Insurance claims	-	-	1,295,168	5,757,730	1,473,696	-	-	8,526,594
Administrative	184,048	-	130,556	824,557	1,311,120	259,613	2,120,170	4,830,064
Special services	825,500	-	-	45,000	13,128	-	-	883,628
Maintenance	-	-	-	-	-	139,013	-	139,013
Total operating expenses	1,009,548	6,835,852	1,425,724	6,627,287	2,797,944	415,979	2,973,510	22,085,844
Operating income (loss)	(302,548)	885,840	537,498	(468,313)	(133,619)	(124,710)	(242,536)	151,612
NON-OPERATING REVENUES (EXPENSES)								
Revenues from use of money and property	66,188	90,448	41,417	263,036	127,402	45,420	69,836	703,747
Gain (loss) on sale of assets	-	627,035	-	-	-	5,700	-	632,735
Interest expense	-	-	-	-	-	-	(53,321)	(53,321)
Total non-operating revenues (expenses)	66,188	717,483	41,417	263,036	127,402	51,120	16,515	1,283,161
Income (loss) before transfers	(236,360)	1,603,323	578,915	(205,277)	(6,217)	(73,590)	(226,021)	1,434,773
Transfers in	-	7,272	-	-	1,084,588	341,600	-	1,433,460
Transfers out	-	-	-	(1,084,588)	-	-	-	(1,084,588)
Change in net assets	(236,360)	1,610,595	578,915	(1,289,865)	1,078,371	268,010	(226,021)	1,783,645
Total Net Assets - October 1, 2007	1,415,695	7,999,785	783,809	8,305,218	1,433,496	1,280,972	1,409,640	22,628,615
Total Net Assets - September 30, 2008	\$ 1,179,335	\$ 9,610,380	\$ 1,362,724	\$ 7,015,353	\$ 2,511,867	\$ 1,548,982	\$ 1,183,619	\$ 24,412,260

**CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL (EXHIBIT 9)
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from customers and users	\$ 707,382	\$ 7,629,155	\$ 1,942,229	\$ 6,136,185	\$ 2,702,048	\$ 290,061	\$ 2,730,444	\$ 22,137,504
Cash paid to suppliers for goods and services	-	(4,286,533)	(130,556)	(981,046)	(1,331,822)	(266,283)	(1,385,415)	(8,381,655)
Cash paid to employees for services	(977,533)	(620,438)	-	-	-	(101,939)	(710,890)	(2,410,800)
Insurance claims paid			(921,095)	(6,247,479)	(1,473,696)			(8,642,270)
Net cash provided by (used in) operating activities	(270,151)	2,722,184	890,578	(1,092,340)	(103,470)	(78,161)	634,139	2,702,779
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES								
Transfers in from other funds	-	7,272	-	-	1,084,588	341,600	-	1,433,460
Transfers out to other funds	-	-	-	(1,084,588)	-	-	-	(1,084,588)
Net cash provided by (used in) non-capital financing activities	-	7,272	-	(1,084,588)	1,084,588	341,600	-	348,872
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and construction of capital assets	-	(2,387,520)	-	-	-	(67,733)	(25,142)	(2,480,395)
Interest paid	-	-	-	-	-	-	(53,321)	(53,321)
Payment of capital lease obligations	-	-	-	-	-	-	(569,169)	(569,169)
Proceeds from sale of assets	-	719,449	-	-	-	5,700	-	725,149
Net cash provided by (used in) capital and related financing activities	-	(1,668,071)	-	-	-	(62,033)	(647,632)	(2,377,736)
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest and dividends on investments	66,188	90,448	41,417	263,036	127,402	45,420	69,836	703,747
Net cash provided by investing activities	66,188	90,448	41,417	263,036	127,402	45,420	69,836	703,747
Net increase (decrease) in cash and cash equivalents	(203,963)	1,151,833	931,995	(1,913,892)	1,108,520	246,826	56,343	1,377,662
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,407,890	1,263,616	767,879	9,202,855	1,283,078	762,451	504,490	15,192,259
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,203,927	\$ 2,415,449	\$ 1,699,874	\$ 7,288,963	\$ 2,391,598	\$ 1,009,277	\$ 560,833	\$ 16,569,921

(continued)

**CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

**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)	\$ (302,548)	\$ 885,840	\$ 537,498	\$ (468,313)	\$ (133,619)	\$ (124,710)	\$ (242,536)	\$ 151,612
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation expense	-	1,838,788	-	-	-	17,353	853,340	2,709,481
(Increase) decrease in accounts receivable	382	(92,537)	(20,993)	(22,789)	37,723	(1,208)	(530)	(99,952)
(Increase) decrease in prepaid expenses	-	-	(8,350)	(45,423)	(13,999)	-	-	(67,772)
(Increase) decrease in inventories	-	4,215	-	-	-	-	-	4,215
Increase (decrease) in accounts payable	32,015	83,730	382,423	(66,066)	6,425	30,152	20,446	489,125
Increase (decrease) in claims payable	-	-	-	(489,749)	-	-	-	(489,749)
Increase (decrease) in compensated absences payable	-	2,148	-	-	-	252	3,419	5,819
Total adjustments	32,397	1,836,344	353,080	(624,027)	30,149	46,549	876,675	2,551,167
Net cash (used in) provided by operating activities	<u>\$ (270,151)</u>	<u>\$ 2,722,184</u>	<u>\$ 890,578</u>	<u>\$ (1,092,340)</u>	<u>\$ (103,470)</u>	<u>\$ (78,161)</u>	<u>\$ 634,139</u>	<u>\$ 2,702,779</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:								
Borrowing under capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,520</u>	<u>\$ 298,520</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, 2008

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 100,000	\$ 66,188	\$ (33,812)
Intergovernmental revenue	<u>767,868</u>	<u>707,000</u>	<u>(60,868)</u>
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 867,868</u>	<u>\$ 773,188</u>	<u>\$ (94,680)</u>
EXPENSES			
Salaries and benefits	\$ 360,690	\$ 184,048	\$ 176,642
Special services	<u>858,764</u>	<u>825,500</u>	<u>33,264</u>
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 1,219,454</u>	<u>\$ 1,009,548</u>	<u>\$ 209,906</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, 2008

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 90,000	\$ 90,448	\$ 448
Current service charges	6,359,664	7,720,972	1,361,308
Miscellaneous	-	720	720
Sale of assets	-	627,035	627,035
TOTAL REVENUES - BUDGET BASIS	<u>\$ 6,449,664</u>	8,439,175	<u>\$ 1,989,511</u>
Financial statement adjustments:			
Transfer in		7,272	
Retirement of assets sold		-	
TOTAL REVENUES - GAAP BASIS		<u>\$ 8,446,447</u>	
EXPENSES			
Garage administration and operations:			
Salaries and benefits	\$ 745,905	\$ 620,438	\$ 125,467
Supplies and services	3,114,797	4,221,215	(1,106,418)
Utilities	2,725	1,848	877
Maintenance	99,540	153,563	(54,023)
Capital outlay	2,842,518	2,650,173	192,345
Total garage administration	<u>6,805,485</u>	<u>7,647,237</u>	<u>(841,752)</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 6,805,485</u>	7,647,237	<u>\$ (841,752)</u>
Financial statement adjustments:			
Transfer out		-	
Capital outlay items not expensed		(2,650,173)	
Depreciation expense		1,838,788	
TOTAL EXPENSES - GAAP BASIS		<u>\$ 6,835,852</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, 2008

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 12,000	\$ 41,417	\$ 29,417
Intergovernmental revenue	1,886,311	1,963,222	76,911
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 1,898,311</u>	<u>\$ 2,004,639</u>	<u>\$ 106,328</u>
EXPENSES			
Claims and premiums	\$ 1,409,609	\$ 1,295,168	\$ 114,441
Administrative	145,198	130,556	14,642
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 1,554,807</u>	<u>\$ 1,425,724</u>	<u>\$ 129,083</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, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 252,000	\$ 263,036	\$ 11,036
Contributions from City of Tyler	4,610,321	4,520,434	(89,887)
Contributions from employees	1,444,660	1,551,871	107,211
Miscellaneous	-	86,669	86,669
	<u>6,306,981</u>	<u>6,422,010</u>	<u>115,029</u>
Total revenues			
	<u>6,306,981</u>	<u>6,422,010</u>	<u>115,029</u>
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 6,306,981</u>	<u>\$ 6,422,010</u>	<u>\$ 115,029</u>
 EXPENSES			
Employee insurance fund administration:			
Special services	\$ 45,000	\$ 45,000	\$ -
Claims	5,345,700	5,591,319	(245,619)
Administrative fees	905,198	824,557	80,641
Life insurance	159,000	166,411	(7,411)
	<u>6,454,898</u>	<u>6,627,287</u>	<u>(172,389)</u>
Total employee insurance fund administration			
	<u>6,454,898</u>	<u>6,627,287</u>	<u>(172,389)</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 6,454,898</u>	<u>6,627,287</u>	<u>\$ (172,389)</u>
Financial statement adjustments:			
Transfer out		1,084,588	
TOTAL EXPENSES - GAAP BASIS		<u>\$ 7,711,875</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, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 98,000	\$ 127,402	\$ 29,402
Contributions from City of Tyler	2,010,248	2,010,248	-
Contributions from employees	570,300	654,077	83,777
Total revenues	<u>2,678,548</u>	<u>2,791,727</u>	<u>113,179</u>
TOTAL REVENUES - BUDGET BASIS	<u><u>\$ 2,678,548</u></u>	<u>2,791,727</u>	<u>\$ 113,179</u>
Financial statement adjustments:			
Transfer in		<u>1,084,588</u>	
TOTAL REVENUES - GAAP BASIS		<u><u>\$ 3,876,315</u></u>	
EXPENSES			
Employee insurance fund administration:			
Special services	\$ 14,600	\$ 13,128	\$ 1,472
Claims	1,210,000	1,421,247	(211,247)
Administrative fees	1,278,230	1,311,120	(32,890)
Life insurance	49,500	52,449	(2,949)
Total employee insurance fund administration	<u>2,552,330</u>	<u>2,797,944</u>	<u>(245,614)</u>
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u><u>\$ 2,552,330</u></u>	<u><u>\$ 2,797,944</u></u>	<u><u>\$ (245,614)</u></u>

CITY OF TYLER, TEXAS
PROPERTY AND FACILITY MANAGEMENT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 30,000	\$ 45,420	\$ 15,420
Charges for services	293,005	291,269	(1,736)
Sale of assets	15,000	5,700	(9,300)
Total revenues	338,005	342,389	4,384
TOTAL REVENUES - BUDGET BASIS	\$ 338,005	342,389	\$ 4,384
Financial statement adjustments:			
Transfer in		341,600	
TOTAL REVENUES - GAAP BASIS		\$ 683,989	
EXPENSES			
Property and facility administration:			
Salaries and benefits	\$ 88,881	\$ 101,939	\$ (13,058)
Supplies and services	122,499	100,228	22,271
Utilities	960	1,184	(224)
Maintenance	178,557	195,275	(16,718)
Capital outlay	10,000	67,733	(57,733)
Total property and facility administration	400,897	466,359	(65,462)
TOTAL EXPENSES - BUDGET BASIS	\$ 400,897	466,359	\$ (65,462)
Financial statement adjustments:			
Transfer out		-	
Capital outlay items not expensed		(67,733)	
Depreciation expense		17,353	
TOTAL EXPENSES - GAAP BASIS		\$ 415,979	

**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, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 96,500	\$ 69,836	\$ (26,664)
Charges for services	2,712,488	2,723,474	10,986
Contributions	-	-	-
Miscellaneous	-	7,500	7,500
TOTAL REVENUES - BUDGET BASIS	\$ 2,808,988	2,800,810	\$ (8,178)
Financial statement adjustments:			
Transfer in		-	
TOTAL REVENUES - GAAP BASIS		\$ 2,800,810	
EXPENSES			
Office technology fund administration:			
Salaries and benefits	\$ 696,647	\$ 710,890	\$ (14,243)
Supplies and services	74,220	51,957	22,263
Utilities	5,475	3,356	2,119
Maintenance	5,972	6,744	(772)
Total office technology fund administration	782,314	772,947	9,367
Office technology services:			
Supplies and services	1,049,822	419,955	629,867
Utilities	207,634	232,877	(25,243)
Maintenance	729,721	694,296	35,425
Capital outlay	127,000	327,118	(200,118)
Total office technology services	2,114,177	1,674,246	439,931
TOTAL EXPENSES - BUDGET BASIS	\$ 2,896,491	2,447,193	\$ 449,298
Financial statement adjustments:			
Transfer out		-	
Capital outlay items not expensed		(327,023)	
Interest		53,321	
Depreciation		853,340	
TOTAL EXPENSES - GAAP BASIS		\$ 3,026,831	

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, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
PROPERTY TAX COLLECTIONS			
Current taxes	\$ 12,000,859	\$ 11,876,112	\$ (124,747)
Delinquent taxes	116,400	158,779	42,379
Penalty and interest	142,100	166,658	24,558
Tax collection fee	60,000	58,430	(1,570)
Total property tax collections	<u>12,319,359</u>	<u>12,259,979</u>	<u>(59,380)</u>
FRANCHISE FEES			
Franchise - light and power	4,135,200	4,270,008	134,808
Franchise - natural gas	1,023,000	1,240,321	217,321
Franchise - telephone	709,800	998,030	288,230
Franchise - cable television	792,400	1,040,617	248,217
Franchise - street use fee	402,500	499,353	96,853
Franchise - water and sewer	1,250,200	1,154,068	(96,132)
Total franchise fees	<u>8,313,100</u>	<u>9,202,397</u>	<u>889,297</u>
SALES AND USE TAXES			
General sales tax	24,159,240	24,858,943	699,703
Mixed drink tax	280,400	299,273	18,873
Bingo tax	31,800	29,499	(2,301)
Total sales and use taxes	<u>24,471,440</u>	<u>25,187,715</u>	<u>716,275</u>
LICENSES AND PERMITS			
Parking meter	108,300	105,590	(2,710)
Wrecker	300	25	(275)
Taxicab and limousine	200	2,790	2,590
Burglar alarm	56,300	47,998	(8,302)
Total licenses and permits	<u>165,100</u>	<u>156,403</u>	<u>(8,697)</u>
FINES, FORFEITURES, AND PENALTIES			
Moving violation fines	3,287,572	3,331,982	44,410
Library fines and rents	-	(503)	(503)
Tax service fees on fines	163,400	258,768	95,368
Arrest fee fines	144,800	184,297	39,497
Municipal court administrative fees	97,700	196,678	98,978
Warrant fees	600,000	739,262	139,262
Child safety fees	69,900	73,884	3,984
Teen court fees	1,100	120	(980)
Municipal court security	127,000	150,660	23,660
Miscellaneous municipal court fines	37,200	24,120	(13,080)
Court time payment fee	137,000	193,168	56,168
Special court fees	551,200	588,487	37,287
Collection firm fee	150,000	238,900	88,900
Court fee - clearing	100	6,555	6,455
Partners for youth program	96,400	129,961	33,561
Omnibase program	-	1,414	1,414
Total fines, forfeitures, and penalties	<u>5,463,372</u>	<u>6,117,753</u>	<u>654,381</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES FROM USE OF MONEY OR PROPERTY			
Rent - miscellaneous	40,800	39,305	(1,495)
Distributed interest	265,500	227,956	(37,544)
Total revenues from use of money or property	<u>306,300</u>	<u>267,261</u>	<u>(39,039)</u>
CHARGES FOR CURRENT SERVICES			
Swimming pool admissions	3,000	1,210	(1,790)
Fire inspection fees	24,900	23,686	(1,214)
Lot mowing	11,000	35,510	24,510
Glass membership fees	46,000	44,767	(1,233)
Copying fees	11,700	19,059	7,359
Open records	24,000	38,368	14,368
Participant fees	141,500	166,314	24,814
Field rental	25,000	33,865	8,865
Sports field maintenance	10,200	6,880	(3,320)
Recreation classes and events	40,000	-	(40,000)
False alarm fees	1,400	900	(500)
Half cent administration costs	31,200	30,000	(1,200)
Reimbursement of overhead from water and sewer operating fund	574,000	574,000	-
Reimbursement of overhead from sanitation fund	181,700	181,670	(30)
Library	22,200	40,029	17,829
Total charges for current services	<u>1,147,800</u>	<u>1,196,258</u>	<u>48,458</u>
REVENUES FROM OTHER AGENCIES			
State government	20,000	13,687	(6,313)
County hazardous material service	5,000	5,000	-
Prior year restitution income	400	183	(217)
DEA Project reimbursement	54,000	58,215	4,215
Auto theft task force grant	58,000	86,666	28,666
Bullet proof vest grant	9,000	16,647	7,647
Safe and Sober Grant	32,000	67,389	35,389
Click it or ticket grant	11,000	7,348	(3,652)
School crossing guards	175,000	175,000	-
Justice assistance	133,433	48,402	(85,031)
Child safety car registration	-	48,118	48,118
Total revenues from other agencies	<u>497,833</u>	<u>526,655</u>	<u>28,822</u>
MISCELLANEOUS			
Contribution for construction	500	3,063	2,563
Miscellaneous charges	114,700	81,052	(33,648)
Unclaimed property revenue	12,300	11,504	(796)
Returned check fees	1,800	2,743	943
Junked vehicle	500	1,689	1,189
Total miscellaneous	<u>129,800</u>	<u>100,051</u>	<u>(29,749)</u>
Total revenues before other financing sources	<u>52,814,104</u>	<u>55,014,472</u>	<u>2,200,368</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
OTHER FINANCING SOURCES			
Transfer from special revenue	-	134,168	134,168
Transfer from enterprise	-	4,002	4,002
Sale of equipment	2,900	10,712	7,812
Total other financing sources	2,900	148,882	145,982
TOTAL REVENUES	\$ 52,817,004	\$ 55,163,354	\$ 2,346,350

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
GENERAL GOVERNMENT			
GENERAL GOVERNMENT SERVICES:			
Salaries and benefits	\$ 2,137,112	\$ 2,162,657	\$ (25,545)
Supplies and services	2,822,850	2,783,813	39,037
Utilities	68,970	90,517	(21,547)
Maintenance	5,847	5,947	(100)
Total general government services	<u>5,034,779</u>	<u>5,042,934</u>	<u>(8,155)</u>
ADMINISTRATIVE SERVICES:			
Salaries and benefits	845,648	803,587	42,061
Supplies and services	530,558	560,861	(30,303)
Utilities	1,100	880	220
Total administrative services	<u>1,377,306</u>	<u>1,365,328</u>	<u>11,978</u>
LEGAL:			
Salaries and benefits	405,974	391,135	14,839
Supplies and services	86,315	103,106	(16,791)
Utilities	492	221	271
Capital outlay	7,062	5,422	1,640
Total legal	<u>499,843</u>	<u>499,884</u>	<u>(41)</u>
Total general government	<u>6,911,928</u>	<u>6,908,146</u>	<u>3,782</u>
PUBLIC SAFETY			
POLICE:			
Salaries and benefits	17,435,131	17,453,409	(18,278)
Supplies and services	1,718,754	1,673,490	45,264
Utilities	239,488	213,150	26,338
Maintenance	1,033,600	1,087,039	(53,439)
Capital outlay	1,000	28,054	(27,054)
Total police	<u>20,427,973</u>	<u>20,455,142</u>	<u>(27,169)</u>
FIRE:			
Salaries and benefits	10,976,038	10,995,515	(19,477)
Supplies and services	627,373	567,937	59,436
Utilities	128,158	141,175	(13,017)
Maintenance	298,224	327,706	(29,482)
Capital outlay	-	75,950	(75,950)
Total fire	<u>12,029,793</u>	<u>12,108,283</u>	<u>(78,490)</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
PUBLIC SAFETY (cont'd)			
PARTNERS WITH YOUTH PROGRAM:			
Salaries and benefits	78,359	92,981	(14,622)
Supplies and services	18,000	77,679	(59,679)
Total partners with youth program	96,359	170,660	(74,301)
MUNICIPAL COURT:			
Salaries and benefits	818,293	664,221	154,072
Supplies and services	835,511	888,250	(52,739)
Utilities	14,023	23,595	(9,572)
Maintenance	44,116	50,035	(5,919)
Capital outlay	-	-	-
Total municipal court	1,711,943	1,626,101	85,842
Total public safety	34,266,068	34,360,186	(94,118)
PUBLIC SERVICES			
ENVIRONMENTAL SERVICES:			
Salaries and benefits	331,537	250,424	81,113
Supplies and services	70,485	83,676	(13,191)
Utilities	10,695	4,467	6,228
Maintenance	38,047	75,470	(37,423)
Capital outlay	17,500	19,930	(2,430)
Total environmental services	468,264	433,967	34,297
Total public services	468,264	433,967	34,297
HIGHWAYS AND STREETS			
ENGINEERING:			
Salaries and benefits	1,502,521	1,309,725	192,796
Supplies and services	273,667	425,593	(151,926)
Utilities	4,318	5,128	(810)
Maintenance	769,148	814,325	(45,177)
Capital outlay	400,000	409,900	(9,900)
Total engineering	2,949,654	2,964,671	(15,017)

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
HIGHWAYS AND STREETS			
TRAFFIC OPERATIONS:			
Salaries and benefits	733,323	694,212	39,111
Supplies and services	214,186	222,352	(8,166)
Utilities	1,307,268	1,427,644	(120,376)
Maintenance	172,700	176,665	(3,965)
Capital outlay	31,000	76,694	(45,694)
Total traffic operations	<u>2,458,477</u>	<u>2,597,567</u>	<u>(139,090)</u>
CAPITAL PROJECTS:			
Salaries and benefits	116,327	115,211	1,116
Supplies and services	9,230	9,794	(564)
Utilities	400	1,018	(618)
Total capital projects	<u>125,957</u>	<u>126,023</u>	<u>(66)</u>
Total highways and streets	<u>5,534,088</u>	<u>5,688,261</u>	<u>(154,173)</u>
CULTURE AND RECREATION			
LIBRARY:			
Salaries and benefits	1,026,912	1,009,399	17,513
Supplies and services	205,942	208,510	(2,568)
Utilities	76,850	83,620	(6,770)
Maintenance	38,270	33,488	4,782
Capital outlay	130,000	132,997	(2,997)
Total library	<u>1,477,974</u>	<u>1,468,014</u>	<u>9,960</u>
PARKS ADMINISTRATION:			
Salaries and benefits	827,060	806,233	20,827
Supplies and services	319,288	358,023	(38,735)
Utilities	673,710	658,046	15,664
Maintenance	557,440	577,137	(19,697)
Capital outlay	-	9,105	(9,105)
Total parks administration	<u>2,377,498</u>	<u>2,408,544</u>	<u>(31,046)</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
CULTURE AND RECREATION (cont'd)			
INDOOR RECREATION:			
Salaries and benefits	360,197	333,277	26,920
Supplies and services	78,247	84,340	(6,093)
Utilities	1,160	1,622	(462)
Maintenance	25,482	25,058	424
Capital outlay	-	1,340	(1,340)
Total indoor recreation	<u>465,086</u>	<u>445,637</u>	<u>19,449</u>
OUTDOOR RECREATION:			
Salaries and benefits	145,951	124,187	21,764
Supplies and services	291,850	315,799	(23,949)
Utilities	100	205	(105)
Maintenance	1,500	22	1,478
Capital outlay	-	-	-
Total outdoor recreation	<u>439,401</u>	<u>440,213</u>	<u>(812)</u>
MEDIAN MAINTENANCE AND ARBORIST:			
Salaries and benefits	196,072	163,149	32,923
Supplies and services	149,590	127,085	22,505
Utilities	960	-	960
Maintenance	2,000	1,980	20
Total median maintenance and arborist	<u>348,622</u>	<u>292,214</u>	<u>56,408</u>
Total culture and recreation	<u>5,108,581</u>	<u>5,054,622</u>	<u>53,959</u>
OTHER FINANCING USES			
Transfer to special revenue	541,860	545,841	(3,981)
Transfer to enterprise	27,000	27,000	-
Transfer to capital projects	1,640,000	1,640,000	-
Transfer to state and federal	2,945	2,989	(44)
Transfer to property and facility	141,600	141,600	-
Transfer to vehicle service	-	7,272	(7,272)
Total other financing uses	<u>2,353,405</u>	<u>2,364,702</u>	<u>(11,297)</u>
TOTAL EXPENDITURES	<u>\$ 54,642,334</u>	<u>\$ 54,809,884</u>	<u>\$ (167,550)</u>

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF REVENUES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Revenues from use of money or property	\$ 468,700	\$ 469,433	\$ 733
Charges for current services	27,164,692	25,040,132	(2,124,560)
Miscellaneous income	<u>247,200</u>	<u>222,310</u>	<u>(24,890)</u>
TOTAL REVENUES BUDGET BASIS	<u>\$ 27,880,592</u>	25,731,875	<u>\$ (2,148,717)</u>
Financial Statement Adjustments:			
Capital contributions		503,554	
Transfers in		<u>11,189,604</u>	
TOTAL REVENUES GAAP BASIS		<u>\$ 37,425,033</u>	

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
WATER ADMINISTRATION AND SUNDRY			
Salaries and benefits	\$ 2,750,841	\$ 843,455	\$ 1,907,386
Supplies and services	10,537,449	3,343,556	7,193,893
Utilities	12,272	15,223	(2,951)
Maintenance	15,549	12,963	2,586
Capital outlay	615,000	764,817	(149,817)
Total water administration and sundry	<u>13,931,111</u>	<u>4,980,014</u>	<u>8,951,097</u>
WATER OFFICE			
Salaries and benefits	599,317	587,937	11,380
Supplies and services	435,995	509,413	(73,418)
Utilities	174	173	1
Maintenance	36,751	36,549	202
Total water office	<u>1,072,237</u>	<u>1,134,072</u>	<u>(61,835)</u>
WATER DISTRIBUTION			
Salaries and benefits	954,885	666,734	288,151
Supplies and services	121,662	420,847	(299,185)
Utilities	23,515	16,412	7,103
Maintenance	267,432	356,284	(88,852)
Capital outlay	1,348,395	1,217,805	130,590
Total water distribution	<u>2,715,889</u>	<u>2,678,082</u>	<u>37,807</u>
WATER PLANT			
Salaries and benefits	1,147,260	1,120,789	26,471
Supplies and services	1,248,860	1,163,165	85,695
Utilities	2,296,935	2,508,963	(212,028)
Maintenance	265,052	215,196	49,856
Capital outlay	1,035,002	473,620	561,382
Total water plant	<u>5,993,109</u>	<u>5,481,733</u>	<u>511,376</u>

(Continued)

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
WASTE COLLECTION			
Salaries and benefits	635,523	406,690	228,833
Supplies and services	128,018	450,855	(322,837)
Utilities	1,734	1,870	(136)
Maintenance	464,396	468,515	(4,119)
Capital outlay	1,179,842	612,526	567,316
Total waste collection	<u>2,409,513</u>	<u>1,940,456</u>	<u>469,057</u>
WASTE TREATMENT PLANT			
Salaries and benefits	1,217,231	1,148,554	68,677
Supplies and services	2,353,297	1,905,520	447,777
Utilities	1,176,460	1,047,934	128,526
Maintenance	221,774	207,262	14,512
Capital outlay	821,250	678,797	142,453
Total waste treatment plant	<u>5,790,012</u>	<u>4,988,067</u>	<u>801,945</u>
LAKE TYLER			
Salaries and benefits	414,262	407,117	7,145
Supplies and services	314,816	55,007	259,809
Utilities	24,081	19,485	4,596
Maintenance	509,217	94,819	414,398
Capital outlay	-	101,108	(101,108)
Total Lake Tyler	<u>1,262,376</u>	<u>677,536</u>	<u>584,840</u>
STORM WATER MANAGEMENT			
Salaries and benefits	549,118	376,287	172,831
Supplies and services	102,695	160,524	(57,829)
Maintenance	342,396	263,067	79,329
Capital outlay	811,180	620,230	190,950
Total Storm Water Management	<u>1,805,389</u>	<u>1,420,108</u>	<u>385,281</u>
TOTAL EXPENSES BUDGET BASIS	<u>\$ 34,979,636</u>	23,300,068	<u>\$ 11,679,568</u>
Financial statement adjustments:			
Capital outlay items not expensed		(4,468,786)	
Transfers out		11,288,381	
Amortization		89,023	
Interest		2,638,768	
Depreciation expense		<u>7,664,081</u>	
TOTAL EXPENSES - GAAP BASIS		<u>\$ 40,511,535</u>	

**CITY OF TYLER, TEXAS
SANITATION FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Franchise fees	\$ 570,000	\$ 692,130	\$ 122,130
Revenue from use of money or property	262,000	170,361	(91,639)
Charges for current services	8,890,000	8,958,716	68,716
From other agencies	130,000	180,911	50,911
Miscellaneous revenues	-	160,764	160,764
TOTAL REVENUES - BUDGET BASIS	<u>\$ 9,852,000</u>	10,162,882	<u>\$ 310,882</u>
Financial statement adjustments:			
Transfers in		2,847,828	
Sale of property		<u>18,303</u>	
TOTAL REVENUES - GAAP BASIS		<u>\$ 13,029,013</u>	
EXPENSES			
Solid waste administration:			
Salaries and benefits	\$ 720,386	\$ 617,174	\$ 103,212
Supplies and services	946,080	916,830	29,250
Utilities	5,023	4,787	236
Maintenance	11,658	8,869	2,789
Capital outlay	<u>2,520,000</u>	<u>23,851</u>	<u>2,496,149</u>
Total solid waste administration	<u>4,203,147</u>	<u>1,571,511</u>	<u>2,631,636</u>
Residential collections:			
Salaries and benefits	1,248,597	1,132,649	115,948
Supplies and services	2,261,420	2,478,050	(216,630)
Utilities	2,200	1,834	366
Maintenance	1,192,228	1,400,218	(207,990)
Capital outlay	<u>652,853</u>	<u>811,612</u>	<u>(158,759)</u>
Total residential collections	<u>5,357,298</u>	<u>5,824,363</u>	<u>(467,065)</u>
Commercial collections:			
Salaries and benefits	613,611	592,500	21,111
Supplies and services	1,850,432	1,864,527	(14,095)
Utilities	1,500	967	533
Maintenance	350,964	512,416	(161,452)
Capital outlay	<u>513,220</u>	<u>474,420</u>	<u>38,800</u>
Total commercial collections	<u>3,329,727</u>	<u>3,444,830</u>	<u>(115,103)</u>
Litter control:			
Supplies and services	<u>211,725</u>	<u>136,812</u>	<u>74,913</u>
Total litter control	<u>211,725</u>	<u>136,812</u>	<u>74,913</u>

(Continued)

**CITY OF TYLER, TEXAS
SANITATION FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Maintenance complex:			
Supplies and services	51,028	30,939	20,089
Utilities	84,180	83,212	968
Maintenance	<u>43,500</u>	<u>29,297</u>	<u>14,203</u>
Total maintenance complex	<u>178,708</u>	<u>143,448</u>	<u>35,260</u>
 TOTAL EXPENSES - BUDGET BASIS	 <u><u>\$ 13,280,605</u></u>	 11,120,964	 <u><u>\$ 2,159,641</u></u>
Financial statement adjustments:			
Transfers out		2,973,789	
Capital outlay items not expensed		(1,309,883)	
Depreciation expense		<u>834,240</u>	
 TOTAL EXPENSES - GAAP BASIS		 <u><u>\$ 13,619,110</u></u>	

**CITY OF TYLER, TEXAS
AIRPORT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Airport services	\$ 52,500	\$ 53,670	\$ 1,170
Revenue from use of money or property	1,058,765	1,063,758	4,993
Income from other agencies	-	1,296,949	1,296,949
Miscellaneous revenues	9,500	10,493	993
Total Revenues	1,120,765	2,424,870	1,304,105
Transfers in	35,000	1,373,686	1,338,686
TOTAL REVENUES - BUDGET AND GAAP BASIS	<u>\$ 1,155,765</u>	<u>\$ 3,798,556</u>	<u>\$ 2,642,791</u>
EXPENSES			
Municipal airport operations:			
Salaries and benefits	\$ 468,562	\$ 460,410	\$ 8,152
Supplies and services	595,967	377,578	218,389
Utilities	235,940	274,720	(38,780)
Maintenance	138,377	113,254	25,123
Capital outlay	1,512,934	1,375,852	137,082
Total municipal airport operations	2,951,780	2,601,814	349,966
TOTAL EXPENSES BUDGET BASIS	<u>\$ 2,951,780</u>	2,601,814	<u>\$ 349,966</u>
Financial statement adjustments:			
Transfers out		1,335,251	
Capital outlay items not expensed		(1,375,852)	
Depreciation expense		878,394	
TOTAL EXPENSES - GAAP BASIS		<u>\$ 3,439,607</u>	

SINGLE AUDIT SECTION

**CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS - THROUGH GRANTORS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant Entitlement Grants:	14.218	B04MC480028	\$ 1,244,614
Section 8 Housing Choice Voucher Program	14.871	TX456VO	6,556,408
Disaster Voucher Program	14.DVP	TX456VO	57,104
HOME Investment Partnerships Program	14.239	-	<u>879,777</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 8,737,903</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Federal Aviation Administration:			
Airport Improvement Program	20.106	3(48-0215-18)04	\$ 2,606
Airport Improvement Program	20.106	3(48-0215-20)06	369,597
Airport Improvement Program	20.106	3(48-0215-22)07	736,899
Airport Improvement Program	20.106	3(48-0215-23)08	<u>226,281</u>
Total Airport Improvement Program:			1,335,383
Passed Through Federal Transit Administration:			
Federal Transit Capital and Operating Assistance Formula	20.507	TX90743	170,240
	20.507	TX90792	45,739
	20.507	TX90838	<u>834,019</u>
Total Federal Transit Capital and Operating:			1,049,998
Passed Through Texas Department of Highways and Public Transportation:			
Federal Transit Capital Investment Grants	20.500	51610F7233	335
Section 104F Grant MPO	20.505	-	192,174
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	51510F7215	143,651
Selective Traffic Enforcement Program	20.600	586XXF6185	7,348
Selective Traffic Enforcement Program	20.600	585XX6017	67,389
Recreational Trails Program (Tyler Pedestrian & Bike Trail)	20.219	-	<u>1,527,854</u>
Total U.S. Department of Transportation			<u>\$ 4,324,132</u>

(continued)

**CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS - THROUGH GRANTORS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Edward Byrne Memorial Formula Grant	16.579	-	\$ 60,222
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-DX-0462	48,000
Edward Byrne Memorial Justice Assistance Grant	16.738	2007-DJ-DX-0462	402
Bulletproof Vest Partnership	16.607	-	<u>33,297</u>
Total U.S. Department of Justice			<u>\$ 141,921</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Transportation Security Administration: Law Enforcement Officer Reimbursement Agreement	97.090	DTSA20-03-P-01627	\$ 92,943
Disaster Assitance Projects	97.088	-	
Drainage			168,062
Hurricane Gustav			103,250
Hurricane Ike			<u>392,434</u>
Total Disaster Assistance Projects			663,746
Disaster Housing Assistance Program	97.109	TX456VO	<u>243,532</u>
Total U.S. Department of Homeland Security			<u>\$ 1,000,221</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Passed Through Texas Historical Commission: Historic Preservation Fund Grants in Aid	15.904	48-02-17574-026	<u>\$ 8,336</u>
Total U.S. Department of Interior			<u>\$ 8,336</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 14,212,513</u>

CITY OF TYLER, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE A – BASIS OF PRESENTATION

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

**CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

STATE GRANTOR	STATE NUMBER	STATE EXPENDITURES
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>		
Public Transportation Grant	51710F7066	\$ 221,484
Public Transportation Grant	51810F7066	46,824
Total Texas Department of Transportation		\$ 268,308
<u>TEXAS CRIMINAL JUSTICE DIVISION</u>		
East Texas Auto Theft Task Force	-	\$ 95,835
Total Texas Criminal Justice Division		\$ 95,835
<u>TEXAS STATE LIBRARY AND ARCHIVES COMMISSION</u>		
Loan Star Library Grant	442-06487	\$ 10,981
Total Texas State Library and Archives Commission		\$ 10,981
<u>TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</u>		
(Passed through the East Texas Council of Governments)		
Regional Solid Waste Management Grant	08-06-G08	\$ 21,001
Total Texas Commission on Environmental Quality		\$ 21,001
<u>TEXAS FOREST SERVICE</u>		
Urban Forestry Partnership Grant	-	\$ 12,284
Total Texas Forest Service		\$ 12,284
<u>TEXAS WATER DEVELOPMENT BOARD</u>		
Research and Planning Fund	2004-483-527	\$ 7,947
Total Texas Water Development Board		\$ 7,947
TOTAL STATE ASSISTANCE		\$ 416,356

CITY OF TYLER, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

None.



**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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon March 11, 2009. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Control Deficiency

A control deficiency 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 misstatements on a timely basis.

Significant Deficiency

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

Statement on Auditing Standards #112 "*Communicating Internal Control Matters identified in an Audit*" states that identification of material misstatements in the financial statements by the external auditor is considered an indicator of a control deficiency that should be regarded as a significant deficiency. As a result, we consider the following condition to be a significant deficiency:

2008 -1

Condition:

Adjusting journal entries were made during our search for unrecorded liabilities to record expenses and accounts payable that related to FYE September 30, 2008, but were paid in the subsequent year (FYE September 30, 2009).

Recommendation:

Internal control procedures should be implemented that require all departments to forward vendor invoices to the accounting department in a timely basis to ensure the related expenses and accounts payable are recorded in the period that the services are provided. In addition, personnel in the accounts payable department should be mindful of invoice dates when they are processing payables in order to ensure the expenses are recorded in the appropriate accounting period. Consideration should also be given to implementing supervisory review procedures to ensure that invoices are posted to the proper accounting period.

**PROTHRO, WILHELM AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

Management's Response:

Annual year end procedures instructing departments in accounts payable processes are emailed annually prior to September 30. The Finance Director has met with the Internal Auditor and key department leaders to ensure understanding of compliance related to timely processing of invoices. Additional instruction has been given to all department leaders during two quarterly department leader meetings encouraging timely processing of invoices. Direct meetings with accounts payable staff have been held to reinforce the importance of invoice reviews to insure proper coding of accounts payable items during year end. Accounts payable staff will implement Accountant and/or Accounting Manager reviews of questionable items to insure that proper accruals are processed at year end. Written procedures have been established for accounts payable, with additional year end processes currently in development.

Material Weaknesses

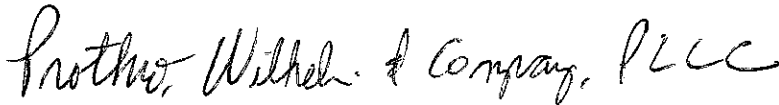
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.



Certified Public Accountants

Tyler, Texas
March 11, 2009



**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, 2008. 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 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, 2008.

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, 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.

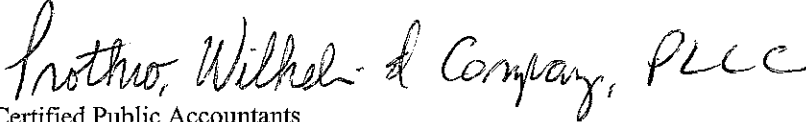
**PROTHRO. WILHELM AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Tyler, Texas' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Tyler, Texas' internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.


Krotho, Wilhel & Company, PLLC
Certified Public Accountants

Tyler, Texas
March 11, 2009

**CITY OF TYLER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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? Yes

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>
20.106	Airport Improvement Program
10.507	Transit
14.871	Section 8

Dollar threshold used to distinguish between Type A and Type B programs: \$ 426,375

City of Tyler was classified as a high-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, 2008**

Section II – Financial Statement Findings

2008 -1

Condition:

Adjusting journal entries were made during our search for unrecorded liabilities to record expenses and accounts payable that related to FYE September 30, 2008, but were paid in the subsequent year (FYE September 30, 2009).

Effect:

The effect of this condition is that accounts payable and related expenses were not recorded in the proper accounting period before they were identified during our audit procedures. This increases the risk that misstatements could occur in subsequent accounting periods and not be detected by management in a timely basis.

Cause:

The cause of this condition is that department personnel did not forward year end invoices to the accounting department in a timely basis after year end. In addition, controls were not in place in the accounts payable function to adequately identify the appropriate accounting period.

Recommendation:

Internal control procedures should be implemented that require all departments to forward vendor invoices to the accounting department in a timely basis to ensure the related expenses and accounts payable are recorded in the period that the services are provided. In addition, personnel in the accounts payable department should be mindful of invoice dates when they are processing payables in order to ensure the expenses are recorded in the appropriate accounting period. Consideration should also be given to implementing supervisory review procedures to ensure that invoices are posted to the proper accounting period.

Management's Response:

Annual year end procedures instructing departments in accounts payable processes are emailed annually prior to September 30. The Finance Director has met with the Internal Auditor and key department leaders to ensure understanding of compliance related to timely processing of invoices. Additional instruction has been given to all department leaders during two quarterly department leader meetings encouraging timely processing of invoices. Direct meetings with accounts payable staff have been held to reinforce the importance of invoice reviews to insure proper coding of accounts payable items during year end. Accounts payable staff will implement Accountant and/or Accounting Manager reviews of questionable items to insure that proper accruals are processed at year end. Written procedures have been established for accounts payable, with additional year end processes currently in development.

Section III – Federal Award Findings and Questioned Costs

None.

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

Source: Government-wide Statement of Net Assets

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

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
Expenses							
Governmental activities:							
General government	\$ 8,496,768	\$ 7,810,926	\$ 7,178,812	\$ 7,457,535	\$ 5,573,690	\$ 6,426,203	\$ 7,454,087
Public safety	25,823,437	27,206,911	27,952,461	31,757,773	33,029,011	34,702,549	37,491,453
Highways and streets	5,157,064	14,857,558	11,450,585	6,097,617	11,006,417	17,047,887	6,548,649
Public services	12,737,742	9,530,408	14,644,612	18,796,772	16,343,022	13,951,231	25,829,353
Cultures and recreation	5,862,162	5,832,406	4,842,201	5,880,907	5,751,590	5,818,106	6,842,821
Interest on long term debt	575,516	506,102	335,321	295,946	252,779	260,027	161,066
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
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
Sanitation	6,925,144	8,008,148	7,190,230	7,349,545	8,162,384	9,371,472	10,645,321
Airport	1,594,141	1,871,953	1,740,939	1,744,009	1,887,221	1,902,590	2,104,355
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
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
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 5,116,991	\$ 4,869,033	\$ 7,097,356	\$ 6,029,023	\$ 2,196,871	\$ 1,367,849	\$ 1,016,572
Public safety	3,620,232	3,656,734	4,710,487	4,789,289	5,256,407	5,869,061	6,373,097
Highways and streets	113,675	124,524	134,221	122,430	108,977	108,658	105,590
Public services	858,344	730,677	875,250	923,159	2,219,649	1,849,755	1,805,204
Cultures and recreation	570,670	1,414,379	902,102	848,073	1,755,189	1,670,000	1,756,442
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
Capital grants and contributions	4,586,916	439,748	702,594	1,025,441	1,038,003	664,756	1,464,546
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
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
Sanitation	6,900,825	7,418,680	8,171,792	8,784,501	9,196,133	9,478,869	10,208,139
Airport	210,945	214,723	1,142,029	1,282,408	1,048,121	1,093,674	1,096,372
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	-	146,808	227,805	1,834,325	1,171,731	4,395,723	1,296,949
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
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
Net (expense)/revenue							
Governmental activities	\$ (37,255,184)	\$ (46,589,846)	\$ (42,329,472)	\$ (45,816,563)	\$ (49,280,428)	\$ (55,008,818)	\$ (60,035,576)
Business-type activities	2,556,485	1,308,966	554,106	2,348,669	1,800,663	456,708	(4,119,880)
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)

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
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes	\$ 10,710,574	\$ 10,904,265	\$ 11,260,696	\$ 12,011,517	\$ 12,314,640	\$ 12,622,887	\$ 12,460,794
Franchise taxes	8,282,437	8,432,209	8,361,246	6,928,917	8,676,103	8,283,477	9,202,397
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
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
Gain (loss) on sale of assets	200,220	154,845	182,141	216,729	51,294	(389,284)	560,303
Miscellaneous							580,227
Equity in earnings of joint venture	-	-	-	-	66,000		(3,000)
Transfers	(6,991,940)	(1,067,280)	(108,944)	23,103	123,963	(739,711)	(317,251)
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>
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
Gain (loss) on sale of assets	36,940	193,124	(553,731)	19,013	130,848	59,783	18,303
Transfers	6,991,940	1,067,280	108,944	(23,103)	(123,963)	739,711	317,251
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>
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>
Change in Net Assets							
Governmental activities	\$ 1,910,701	\$ (855,657)	\$ 6,309,207	\$ 6,781,449	\$ 9,586,345	\$ 4,959,592	\$ 4,348,861
Business-type activities	11,059,187	3,813,906	505,922	2,908,823	2,623,748	2,257,044	(3,124,166)
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>

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	12,425,885	9,202,397	39,718,617	61,346,899

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved For:										
Inventory	\$ 7,585	\$ 6,114	\$ 6,564	\$ 6,991	\$ 4,373	\$ 13,724	\$ 2,029	\$ 10,026	\$ 14,505	\$ 10,006
Prepaid Items	51,643	43,597	45,307	232,846	168,750	43,277	45,996	46,176	240,129	46,590
Perpetual Care	-	-	-	-	-	-	-	-	-	-
Court Ordered Disbursements	-	-	-	-	27,567	53,316	60,653	74,739	216,351	90,164
Debt Service	-	-	-	-	-	-	-	-	-	-
Grants / Donations	-	-	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-	-	-
Court Security	91,912	110,498	69,764	46,130	43,459	35,082	23,136	-	-	37,812
Court Time Payments	24,215	28,669	24,370	-	-	-	-	-	-	-
Court Technology	-	58,539	115,930	241,477	211,271	226,856	-	-	-	-
Court Juvenile Fund	-	-	-	-	-	-	-	-	-	25,595
Utility Rate	-	-	-	-	-	-	363,238	500,000	500,000	500,000
Unreserved Fund Balance										
Designated For:										
T.U. Rate Litigation	500,000	500,000	500,000	500,000	-	-	-	-	-	-
Operating Reserve	1,500,000	1,500,000	2,000,000	2,000,000	2,000,000	2,000,000	4,894,292	4,633,379	7,305,209	7,954,323
Undesignated	3,790,047	4,896,447	5,719,669	4,624,888	4,023,338	5,266,322	5,342,557	4,734,390	2,476,067	2,441,241
Total General Fund	<u>\$ 5,965,402</u>	<u>\$ 7,143,864</u>	<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>
1/2 Cent Sales Tax fund										
Reserved	\$ -	\$ -	\$ -	\$ 6,017,199	\$ 8,847,230	\$ 12,418,065	\$ 18,375,571	\$ 23,194,704	\$ 23,263,920	\$ 14,153,670
Unreserved	9,690,974	6,606,209	9,684,205	-	-	-	-	-	-	-
Total 1/2 Cent Sales Tax fund	<u>\$ 9,690,974</u>	<u>\$ 6,606,209</u>	<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>\$ 14,153,670</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
Court Ordered Disbursements	-	-	-	31,211	65,898	149,436	162,090	162,090	289,549	201,057
Long-term Notes Receivable	-	-	-	-	-	-	-	-	-	-
Debt Service	6,402,553	6,519,457	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	1,536,980
Capital Projects	-	-	-	-	-	-	1,798,288	3,339,485	2,730,413	2,053,080
Court Security	-	-	-	-	-	-	-	-	-	-
Court Technology	-	-	-	-	-	-	284,618	284,618	349,616	179,284
Unreserved, Reported In:										
Special Revenue Funds	2,112,362	2,254,699	2,119,501	481,422	285,537	1,839,007	4,070,662	5,782,970	5,829,609	4,954,517
Capital Projects Funds	673,890	-	-	-	-	-	-	-	-	-
Permanent Funds	-	-	-	1,111,326	942,765	809,246	-	-	452,218	354,381
Total All Other Governmental Funds	<u>\$ 9,188,805</u>	<u>\$ 8,774,156</u>	<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>\$ 11,653,880</u>

Source: Governmental Funds Balance Sheet

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 40,675,465	\$ 42,198,077	\$ 44,492,808	\$ 45,143,135	\$ 45,390,430	\$ 47,846,213	\$ 51,246,422	\$ 56,049,187	\$ 57,895,447	\$ 61,346,899
Licenses and permits	628,986	642,352	602,246	674,411	710,908	882,812	805,151	876,289	1,277,127	1,313,566
Fines, forfeitures, and penalties	3,184,805	3,370,144	3,551,206	3,760,579	3,829,460	4,710,487	4,789,289	5,256,407	5,869,061	6,353,098
Revenues from use of money or property	1,929,259	2,030,908	1,848,336	1,068,738	721,398	713,117	1,225,894	2,238,479	2,716,977	1,881,323
Charges for current services	126,630	105,844	193,139	2,835,809	2,739,037	2,744,510	2,494,849	2,499,369	2,588,688	2,691,910
Revenues from other agencies	9,848,074	9,844,319	10,533,389	11,370,307	8,668,652	10,374,859	11,020,639	11,357,757	11,083,735	12,610,929
Donations	9,841	8,359	-	207,941	85,775	62,986	184,723	229,307	731,232	413,144
Miscellaneous	477,812	439,362	497,820	370,640	521,160	2,562,170	1,999,614	2,110,524	1,258,817	1,086,712
Total revenues	<u>56,880,872</u>	<u>58,639,365</u>	<u>61,718,944</u>	<u>65,431,560</u>	<u>62,666,820</u>	<u>69,897,154</u>	<u>73,766,581</u>	<u>80,617,319</u>	<u>83,421,084</u>	<u>87,697,581</u>
Expenditures										
General government	6,970,452	4,804,812	4,933,949	5,930,462	5,884,798	6,114,458	6,529,834	7,126,409	6,911,903	7,237,501
Public safety	19,705,351	20,457,321	22,032,265	24,802,146	25,965,091	27,221,728	28,590,020	30,165,850	31,814,585	34,456,024
Public services	19,429,277	14,803,843	16,823,888	9,602,867	9,609,601	11,491,711	11,533,500	13,552,815	15,221,282	16,468,571
Highways and streets	-	-	-	7,885,524	6,553,076	6,183,028	5,863,568	5,197,445	4,774,083	5,683,413
Culture and recreation	6,520,738	4,584,158	4,094,617	4,372,026	4,006,253	3,406,621	5,123,588	4,836,104	4,812,659	5,101,737
Capital outlay	1,290,432	12,766,799	11,118,781	9,415,800	8,074,677	7,476,587	8,283,861	9,756,670	16,283,239	29,400,401
Debt service										
Principal	1,165,123	1,209,290	2,540,000	1,090,000	4,015,000	880,000	960,000	1,000,000	1,030,000	3,310,000
Interest	973,809	873,752	694,887	576,021	529,560	340,617	301,466	258,030	211,733	91,805
Total expenditures	<u>56,055,182</u>	<u>59,499,975</u>	<u>62,238,387</u>	<u>63,674,846</u>	<u>64,638,056</u>	<u>63,114,750</u>	<u>67,185,837</u>	<u>71,893,323</u>	<u>81,059,484</u>	<u>101,749,452</u>
Excess of revenues over (under) expenditures	825,690	(860,610)	(519,443)	1,756,714	(1,971,236)	6,782,404	6,580,744	8,723,996	2,361,600	(14,051,871)
Other financing sources (uses)										
Refunding bond proceeds	-	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Transfers in	426,334	476,686	5,566,692	1,043,618	766,078	227,669	3,038,989	3,915,226	2,571,195	3,358,597
Transfers out	(2,229,063)	(1,948,116)	(2,112,938)	(8,031,784)	(628,799)	(712,169)	(3,009,013)	(4,086,833)	(3,161,071)	(3,521,166)
Sale of capital assets	3,825	11,088	14,548	9,716	529	30,746	4,106	4,067	7,975	10,712
Total other financing sources (uses)	<u>(1,798,904)</u>	<u>(1,460,342)</u>	<u>3,468,302</u>	<u>(6,978,450)</u>	<u>137,808</u>	<u>(453,754)</u>	<u>34,082</u>	<u>(167,540)</u>	<u>(581,901)</u>	<u>(151,857)</u>
Net Change in fund balances	<u>\$ (973,214)</u>	<u>\$ (2,320,952)</u>	<u>\$ 2,948,859</u>	<u>\$ (5,221,736)</u>	<u>\$ (1,833,428)</u>	<u>\$ 6,328,650</u>	<u>\$ 6,614,826</u>	<u>\$ 8,556,456</u>	<u>\$ 1,779,699</u>	<u>\$ (14,203,728)</u>
Debt service as a percentage of noncapital expenditures	3.91%	4.46%	6.33%	3.38%	8.06%	2.22%	2.14%	2.00%	1.92%	4.70%

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.

**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
1999	10,067,009	5,814,846	24,793,610	40,675,465
2000	10,219,673	5,860,670	26,117,734	42,198,077
2001	10,598,897	7,316,802	26,577,109	44,492,808
2002	10,798,396	6,994,657	27,350,082	45,143,135
2003	10,954,323	7,038,607	27,397,500	45,390,430
2004	11,377,495	8,361,246	28,398,933	48,137,674
2005	12,081,735	8,008,660	32,235,770	52,326,165
2006	12,278,566	8,676,103	35,094,518	56,049,187
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

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		Personal Property	Mineral Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property					
1999	2,508,008,904	N/A	689,297,785	N/A	N/A	3,197,306,689	0.311410
2000	2,663,151,956	N/A	716,222,434	N/A	N/A	3,379,374,390	0.295370
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

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	
1999	0.253890	0.057520	0.311410	0.23110	1.33609	0.12230	1.49370	1.51000	5.00460
2000	0.243011	0.052359	0.295370	0.22947	1.36000	0.12230	1.55000	1.48480	5.04194
2001	0.237461	0.042349	0.279810	0.25447	1.36000	0.12230	1.59000	1.48900	5.09558
2002	0.220646	0.041319	0.261965	0.25447	1.41500	0.12230	1.59000	1.48400	5.12774
2003	0.215132	0.039346	0.254478	0.25447	1.47000	0.12230	1.59000	1.52300	5.21425
2004	0.221394	0.027461	0.248855	0.25447	1.46000	0.12230	1.59000	1.50300	5.17863
2005	0.221394	0.027461	0.248855	0.25447	1.46000	0.12720	1.59000	1.50300	5.18353
2006	0.210131	0.028244	0.238375	0.25450	1.54020	0.12720	1.59000	1.52800	5.27828
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

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

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	2008			1999		
	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed Value *	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed Value ^b
	Value			Value		
Delek Refining (La Gloria)	\$ 144,850,172	1	2.36%	\$ 44,270,463	2	1.38%
Trane / American Standard	118,370,733	2	1.93%	60,570,953	3	1.89%
Brookshire Grocery Company	103,953,098	3	1.69%	68,538,680	1	2.14%
Walmart / Sam's East Inc	72,711,968	4	1.18%	16,869,899	9	0.53%
Genecov Investment	56,263,940	5	0.92%	23,510,568	10	0.74%
TXU / Oncor Electric	47,944,027	6	0.78%	37,188,030	6	1.16%
Simon Property Group	46,559,890	7	0.76%	38,250,000	5	1.20%
Carrier / United Technologies	39,177,006	8	0.64%	34,035,068	7	1.06%
AT&T	34,023,290	9	0.55%			
Cebridge Acquisitions LP	30,892,241	10	0.50%	-	-	
Southwestern Bell Telephone				40,201,551	4	1.26%
Steven C. Roosth				19,962,869	8	0.62%
Total	\$ 694,746,365		11.31%	\$ 383,398,081		11.99%

Source: Smith County Appraisal District

Note:

* Total taxable value including real and personal property for tax year 2007 (fiscal year 2008) is \$6,142,309,026.

^b Total taxable value including real and personal property for tax year 1998 (fiscal year 1999) is \$3,197,307,000.

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
1999	9,956,733	9,718,544	97.6%	223,228	9,941,772	99.8%
2000	9,992,642	9,773,079	97.8%	200,256	9,973,335	99.8%
2001	10,412,559	10,202,005	98.0%	190,517	10,392,522	99.8%
2002	10,614,957	10,370,865	97.7%	219,828	10,590,693	99.8%
2003	10,757,565	10,495,402	97.6%	236,929	10,732,331	99.8%
2004	11,058,880	10,924,880	98.8%	108,627	11,033,507	99.8%
2005	11,838,625	11,698,410	98.8%	105,533	11,803,943	99.7%
2006	12,126,834	11,909,913	98.2%	131,636	12,041,549	99.3%
2007	12,461,722	12,228,627	98.1%	96,201	12,324,828	98.9%
2008	12,091,624	11,876,112	98.2%	-	11,876,112	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			
1999	16,086,702	7,060,000	490,602	23,637,304	N/A	285
2000	14,825,000	4,320,000	284,270	19,429,270	1.15%	232
2001	** 12,285,000	36,575,000	93,716	48,953,716	2.81%	580
2002	11,195,000	49,325,000	-	60,520,000	3.38%	707
2003	7,180,000	62,075,000	-	69,255,000	3.75%	802
2004	6,300,000	59,990,000	-	66,290,000	3.07%	656
2005	5,340,000	58,105,000	-	63,445,000	2.85%	622
2006	4,340,000	56,415,000	-	60,755,000	2.65%	574
2007	3,310,000	53,975,000	-	57,285,000	2.43%	531
2008	-	53,859,932	-	53,859,932	2.22%	495

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 ^a	Per Capita ^b
	General Obligation Bonds	Debt Service Fund Balance	Total		
1999	16,086,702	(6,402,553)	9,684,149	0.30%	117.00
2000	14,825,000	(6,519,457)	8,305,543	0.25%	99.00
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	-

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

^aSee Table 7 for property value data.

^bSee Table 16 for population data.

TABLE 13

**CITY OF TYLER, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2008**

<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	\$ 14,261,300	50.08%	\$ 7,142,059.04
Tyler Independent School District	107,241,412	71.04%	76,184,299.08
Tyler Junior College	51,628,753	65.00%	33,558,689.45
Chapel Hill Independent School District	25,215,000	19.15%	4,828,672.50
Whitehouse Independent School District	37,978,785	27.37%	10,394,793.45
Subtotal, overlapping debt			<u>132,108,513.52</u>
City of Tyler (direct debt)	-	100%	-
Total direct and overlapping debt			<u><u>\$ 132,108,513.52</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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 319,730,669	\$ 337,937,439	\$ 372,105,080	\$ 405,205,155	\$ 422,730,641	\$ 444,390,497	\$ 475,723,700	\$ 508,729,254	\$ 556,980,133	\$ 614,230,903
Total net debt applicable to limit	9,684,149	8,305,543	7,097,222	5,897,528	4,717,404	3,837,404	2,727,831	1,402,290	(1,936)	-
Legal debt margin	<u>\$ 310,046,520</u>	<u>\$ 329,631,896</u>	<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>
Total net debt applicable to limit as a percentage of debt limit	3.03%	2.46%	1.91%	1.46%	1.12%	0.86%	0.57%	0.28%	-	-

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 6,142,309,026
Add back: exempt real property	-
Total assessed value	<u>6,142,309,026</u>
Debt limit (10% of total assessed value)	<u>614,230,903</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>\$ 614,230,903</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**

Water and Sewer Revenue Bonds					
Fiscal Year	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Annual Debt Service Requirement	Times Coverage
1999	17,988,575	10,820,724	7,167,851	2,186,000	3.28
2000	21,018,596	10,971,621	10,046,975	1,749,000	5.74
2001	22,128,740	11,650,924	10,477,816	3,207,000	3.27
2002	20,333,765	13,175,383	7,158,382	3,586,000	2.00
2003	20,881,233	13,208,108	7,673,125	4,213,000	1.82
2004	21,512,319	14,249,230	7,263,089	5,098,000	1.42
2005	23,558,778	15,617,537	7,941,241	5,065,000	1.57
2006	27,662,494	18,536,218	9,126,276	4,339,199	2.10
2007	24,697,562	18,140,470	6,557,092	5,054,550	1.30
2008	25,731,875	18,831,282	6,900,593	5,059,786	1.36

Note: ^aIncludes operating and non-operating revenues.

^bIncludes operating expenses 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 ¹	Estimated Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age ²	Education Level in Years of Formal Schooling ²	School Enrollment ³	Unemployment Rate ²
1999	82,908	n/a	n/a	34.6	n/a	16,587	3.9%
2000	83,650	\$ 1,688,559	\$ 20,186	34.6	n/a	16,630	4.2%
2001	84,400	1,739,216	20,607	34.1	n/a	16,778	4.3%
2002	85,603	1,791,392	20,927	34.2	n/a	16,626	4.9%
2003	86,371	1,845,134	21,363	34.2	n/a	16,702	5.0%
2004	101,106	2,159,927	21,363	34.1	n/a	17,394	4.6%
2005	102,001	2,224,725	21,811	34.1	n/a	17,489	4.7%
2006	105,873	2,291,467	21,643	34.1	13.6	17,548	4.8%
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%

Data sources:

¹Bureau of Census/Population Study

²Tyler Economic Development Council

³Tyler Independent School District

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

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

Unemployment rate information is an adjusted yearly average.

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

n/a - Data not available.

TABLE 17

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

Employer	2008			1999		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (2)
East Texas Medical Center *	3,650	1	7.8%	3,050	1	6.8%
Trinity Mother Francis *	3,567	2	7.6%	2,170	2	4.8%
Tyler Independent School District	2,572	3	5.5%	2,150	3	4.8%
Brookshire Grocery Company *	2,190	4	4.7%	2,470	4	5.5%
Trane Company *	1,949	5	4.1%	2,000	5	4.5%
Wal-Mart	1,670	6	3.6%			
Carrier Corporation	1,201	7	2.6%	1,050	9	2.3%
SuddenLink*	1,057	8	2.3%			
Tyler Junior College	998	9	2.1%			
The University of Texas at Tyler	854	10	1.8%			
UT Health Center At tyler				1,450	6	3.2%
Kelly Springfield			-	1,450	7	3.2%
Tyler Pipe			-	1,100	8	2.4%
City of Tyler			-	971	10	2.2%
Total	19,708		42.1%	17,861		39.7%

Source: Tyler Economic Development Council

* Headquarters located in Tyler.

(1) total city employment of 46,977

(2) total city employment of 44,926

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	132	107	109	73	71	69	68	69	63	62
Public safety	382	388	388	394	402	400	392	395	373	375
Highways and streets	42	45	42	68	76	72	68	61	73	76
Public Services	18	15	14	22	19	22	24	27	55	54
Culture and Recreation	70	71	81	71	71	76	79	86	83	82
Water & sewer	83	78	78	92	91	91	89	96	88	90
Sanitation	49	46	40	42	45	38	40	41	36	33
Airport	6	7	6	11	11	10	10	9	10	10
Total	782	757	758	773	786	778	770	784	781	782

Source: Human Resources Office

TABLE 19

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

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government										
Accounting										
Dollar value of accounts payable	n/a	\$ 61,586,258	\$ 70,580,952	\$ 83,704,062	\$ 84,603,170	\$ 63,628,562	\$ 61,345,219	\$ 64,263,337	\$ 73,895,738	\$ 85,585,415
Legal										
Number of ordinances prepared and adopted	n/a	n/a	40	59	73	96	80	103	130	155
Number of resolutions prepared and adopted	n/a	n/a	32	25	27	27	26	31	36	29
Public Safety										
Police										
Number of sworn officers	175	175	175	182	182	182	182	182	182	187
Fire										
Number of structure fires	178	185	149	150	164	140	185	171	180	160
Highways and Streets										
Streets										
Percentage of city streets graded A condition	n/a	41.6%	48.2%	52.0%	57.1%	58.4%	59.5%	61.3%	61.0%	60.8%
Traffic										
Number of traffic signals maintained	123	125	126	126	126	129	130	133	133	133
Public Services										
Planning and Zoning										
Number of historic building designations awarded	2	1	0	1	4	4	4	7	5	2
Culture and Recreation										
Parks										
Amount of park acreage maintained	950	1113.43	1113.43	1113.43	1113.43	1113.4	1113.4	1113.4	1113.4	1113.4
Number of rose bushes planted	2000	2000	1500	1500	1500	1500	1500	1765	1829	1500
Library *										
Total number of volumes owned	179,602	186,470	193,844	201,734	162,930	170,251	201,822	n/a	233,966	241,164
Water & sewer										
Average volume of wastewater treated daily (gallons)	13.7 million	13.4 million	14.7 million	12.9 million	12.9 million	12.8 million	12.5 million	11.7 million	14.2 million	11.4 million
Average monthly volume of water production (gallons)	623.5 million	664.2 million	611.8 million	595.1 million	621.2 million	611.5 million	732.3 million	771.8 million	585.5 million	692.2 million
Water production capability (gallons per day)	40 million	40 million	40 million	40 million	70 million	70 million	70 million	70 million	70 million	70 million
Average monthly revenue billed	\$ 1,389,438	\$ 1,634,985	\$ 1,619,768	\$ 1,618,566	\$ 1,693,793	\$ 1,766,114	\$ 1,929,895	\$ 2,226,541	\$ 1,977,370	\$ 2,030,821
Sanitation										
Number of residential customers	23,487	25,689	25,618	25,960	25,822	26,572	26,783	27,351	27,658	27,881
Number of curbside garbage carts in use	50	65	2,656	4,175	6,933	8,831	10,592	14,773	23,572	27,280
Airport										
Annual Gallons of Fuel Flowage	1,402,239	1,398,442	1,208,096	1,084,336	1,095,953	1,076,289	1,053,211	1,000,090	1,056,595	1,004,469
Number of annual enplanements	77,795	74,563	63,834	55,578	60,284	70,549	85,681	78,971	78,416	77,942

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 t

TABLE 20

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

Function/Program	Fiscal Year										
	1999	2000	2001	2002	2003	2004	2005	2006	2007*	#	2008
Public Safety											
Police Stations	2	3	3	3	3	3	3	3	4	4	2
Police Patrol Units	n/a	n/a	n/a	n/a	n/a	n/a	44	51	61	#	63
Police Motorcycle Units	10	10	10	11	11	11	11	11	11	#	11
Fire Stations	8	9	9	9	9	9	9	9	9	9	10
Highways and Streets											
City Maintained Paved Streets- (miles)	n/a	445.32	446.27	446.58	448.09	451.78	452.32	462.43	468.43	#	474.16
Annual Street Overlays- (miles)	n/a	29.78	29.21	16.64	22.18	4.41	4.76	3.86	2.16	2	4.50
Public Services											
Transit Buses	7	7	11	11	13	15	15	15	17	#	17
Culture and Recreation											
Parks (acres)	950	1113.43	1113.43	1113.43	1113.43	1113.4	1113.4	1113.4	1113.4	#	1113.4
Playgrounds	17	17	17	17	17	17	17	23	21	#	21
Swimming Pools	2	2	2	2	2	2	2	2	2	2	2
Recreation Centers	3	3	3	3	3	3	3	3	3	3	3
Senior Centers	1	1	1	1	1	1	1	1	1	1	1
Public Library	1	1	1	1	1	1	1	1	1	1	1
Water & sewer											
Water mains (miles)	587.8	587.8	587.8	587.8	587.8	582	582	582	590	#	595
Fire Hydrants	2444	2444	2444	2444	2444	2403	2403	2403	3450	#	3545
Water Plants	1	1	1	1	2	2	2	2	2	2	2
Sanitary Sewers (miles)	517.11	517.11	517.11	517.11	517.11	508	508	508	519	#	567
Sanitation											
Garbage Trucks	n/a	n/a	n/a	n/a	n/a	n/a	39	39	40	#	43
Airport											
Airport Terminal	1	1	1	1	1	1	1	1	1	1	1
Airport Runways	3	3	3	3	3	3	3	3	3	3	3

Source: City Departments

n/a - Data not available.

* In FY 2007

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

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